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## **Report Of The Individual Action Plan (IAP) Peer Review Session Of The Russian Federation**

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Seoul, Korea  
3-4 March 2005**

# **REPORT OF THE INDIVIDUAL ACTION PLAN (IAP) PEER REVIEW OF THE RUSSIAN FEDERATION**

**01 March 2005  
Seoul, Republic of Korea**

The IAP peer review session of the Russian Federation was held on 01 March 2005, in Seoul, Republic of Korea, at the margins of SOM 1 and related meetings. Delegates from Australia; Brunei Darussalam; Canada; Chile; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; Chinese Taipei; Thailand; United States; and Viet Nam were present. The APEC Secretariat, ABAC (APEC Business Advisory Council) and ASEAN (Association of the South-east Asian Nation) Secretariat were also present.

The Review Team for the Russian Federation comprised of:

- Moderator: Mr. Bhuthong Thongyai  
Director, APEC Bureau  
Department of Trade Negotiations  
Ministry of Commerce, Thailand
- Discussant: Mr. Wang Xiaolong  
Deputy Director General, APEC Senior Official  
Department of International Organizations and  
Conferences  
Ministry of Foreign Affairs, China
- Expert: Professor Sung-Hoon Park  
Graduate School of International Studies  
Korea University, Korea
- APEC Secretariat: Anita Douglas  
Director Communications and Public Affairs

This report contains the following annexes:

- Annex 1 – Moderator's Wrap Up Remarks.
- Annex 2 – Study Report on the IAP of the Russian Federation.
- Annex 3 – Discussant's Remarks.
- Annex 4 - Presentation by the Russian Federation.
- Annex 5 – Economies' written questions and remarks received during the session.

**Russia's IAP Peer Review**  
**Concluding Remarks by Moderator**

In the report presented by Professor Sung-Hoon Park, it was highlighted that Russia, as a late-comer to APEC, has made good progress in liberalizing its economy, although it was also pointed out that some hard work still needs to be done, particularly with respect to improving business and investment environment, enhancing transparency, market access and the policy making process.

It was reported that Russia's tariffs have seen significant reductions from an average of 17.7% in 1996 to 10.8% in 2003 - whether or not a consequence of Russia's accession to APEC remains to be seen. Substantial progress towards the Bogor Goals have also been made in most other sectors of the economy. However, considering that Russia is sometimes considered as an economy in transition, they will need to achieve higher standards and show accelerated progress if they are to reach the Bogor goals on time.

Nevertheless, the Russia government should be congratulated for taking bold initiatives in de-bureaucratizing recent government policy and reducing government control over key sectors and industries in the economy. We were also pleased to hear that efforts are under way to improve IPR measures, particularly enforcement, and undertaking privatization initiatives. We were also pleased to hear that information for investors and business people will be made available on-line, and in languages other than Russian.

All of us cannot ignore the fact that Russia is now a permanent part of APEC, and although Russia's trade with APEC lags behind that of the EU and CIS, I am confident that this trade situation will quickly shift in APEC's favor. With the exception of China, Japan, Korea and the US, Russian trade between other APEC members have been minimal.

The report also pointed out that Russia has become substantially more open and liberalized over the past few years. At the same time APEC's trade share with Russia has also grown steadily since Russia's accession to APEC in 1998, and this will become even more so as Russia engages in the process of its accession negotiations with APEC and other WTO member economies.

Certainly, we have seen from Russia's impressive presentation that their international trade has surged 35% to record heights since 1999, making them the 18<sup>th</sup> largest goods trader in the world. It is surprising therefore to note that Russia has yet to establish an FTA with any other APEC member economy. Certainly, this should be a wake up call for all potential APEC trading partners since huge benefits can be gained with an FTA with Russia.

Finally, just a short word of advice or wisdom if I may not only for Russia, but for all other economies preparing their IAPs in the future: What we have found today, not only from the expert's report, but also from the peer review session itself, is that Russia has indeed made significant progress in all areas covered by its IAP, while in areas where more progress is needed, Russia has shown that they are making every effort to move forward, and that is what is important, whether they be improved transparency, reduced

licensing requirements, and even efforts towards legal reforms. However, what is equally important is that Russia needs to adequately reflect what they have achieved so far, including relevant information required by other economies, into the IAP itself. This lack of information and transparency in the IAP may be the main reason for the large number of questions received from member economies over the past few months, including the questions we have heard today. So I would certainly encourage Russia to think about incorporating the issues raised from the peer review questions into their future IAPs.

On that note, may I once again thank our expert, Professor Sung for his excellent analysis and very comprehensive Study report, our Discussant, Mr. Wang Xiaolong, for his stimulating views and helpful insights on Russia's IAP, and to Anita Douglas, of the APEC Secretariat for her valuable help in coordinating the work among the review team. Finally, congratulations to the Russian delegation on a very successful IAP Peer Review. I am pleased to say that Russia is certainly on the right path to the Bogor Goals. As usual practice we should give the final word to Russia.

Spasibo – Thank you

**2005/SOM1/011anx2**

**IAP Peer Review Report of the Russian Federation 2004**

# Contents

<b>1.0</b>	<b>Executive Summary</b>	1
<b>2.0</b>	<b>Introduction</b>	4
2.1	Recent Macroeconomic Developments in Russia	4
2.2	Overview of Russia's Pattern of Trade and Investment	5
2.2.1	Russia's Trade Relations with the World	5
2.2.2	Russia's Investment Relations with the World	8
2.3	Russia's Basic Approach Towards Trade and Investment Liberalization	8
<b>3.0</b>	<b>An Assessment of Russia's IAP in Specific Areas</b>	10
3.1	Tariffs	10
3.2	Non-Tariff Measures	16
3.3	Services	18
3.4	Investment	20
3.5	Standards and Conformance	22
3.6	Customs Procedures	24
3.7	Intellectual Property Rights	25
3.8	Competition Policy	27
3.9	Government Procurement	28
3.10	Deregulation/Regulatory Review and Reform	29
3.11	Implementation of WTO obligations	30
3.12	Dispute Mediation	32
3.13	Mobility of Business People	34
3.14	Information Gathering and Analysis	36
	<b>References</b>	37
	<b>Annexes</b>	
	Annex-1: Russia's Responses to Written Questions and Comments by Member Economies, ABAC and Expert	38
	Annex-1.1: Supporting Documents Referred to in Annex-1	228
	Annex-2: Members of the Peer Review Team	289
	Annex-3: Program of In-Economy Visit	290
	Annex-4:List of Russia's Experts Taking Part in In-Economy IAP Peer Review Visit	293

## 1. EXECUTIVE SUMMARY

1. Russia is not yet a member of the World Trade Organization (WTO). Since 1995 when the WTO established a Working Party on Russia's Accession, Russia has been negotiating with the WTO member countries for its accession at multilateral, plurilateral and bilateral levels. There have already been twenty-five Working Party meetings over the last ten years. Russia has successfully concluded bilateral negotiations with 20 countries on goods and ten countries on services, but has to further negotiate with such major trading partners as the United States and Canada. It remains to be seen under what conditions Russia would join the WTO.
2. During the process of accession negotiations, Russia has liberalized its trade policy regime substantially. Most significant achievements were made in the establishment of a legislative framework for the trade policy. A long list of new legislations have been enacted, and old ones revised in order to better take the changing international environment into account, and to accommodate requests of negotiation partners. Russia, after 15 years of transition from a planned to a market economy, is now on the way to set up "rule of law" in the area of trade policy.
3. The Russian Federation joined Asia-Pacific Economic Cooperation (APEC) as a late-comer in 1998. Since accession to APEC, Russia has been an active participant in a diversity of cooperation programs, and Russia's role in the APEC process has become incrementally important. APEC is the third largest trading partner for Russia with a share of 15-20%, along with the European Union (over 50%) and the Commonwealth of Independent States (CIS) countries (around 20%). The recently established "Intergovernmental Commission on Economic Integration" identifies APEC, along with the EU and CIS, as one of the three priority partners, and this indicates the level of importance that the Russian government attaches to cooperation with APEC member economies.
4. The European Union accounts for over 50% of Russia's total trade and is its largest trading partner, followed by CIS countries and APEC economies. Russia's exports are concentrated in oil, gas, iron and steel, which account for two-thirds of Russia's total exports, making the economy potentially vulnerable to external shocks. Russia's imports, in contrast, are fairly evenly distributed.
5. Compared to many transition economies in Central and Eastern Europe, Russia is a relatively closed economy in terms of both international trade and investment. Especially in attracting foreign investment, Russia achieved far less than the country's potential competitors. Making a favorable business environment and an attractive investment climate is a challenge the Russian economy will face for the coming years.
6. The overall trade policy of Russia has become increasingly liberalized, more transparent, and predictable. Nonetheless, the country still has some way to go to achieve the standards of other developed countries. In particular, the complex legislative structure of Russia with

its many different levels of legislations (Presidential and Government Decree, Government Resolution, Federal Law, Civil Code...) makes trading partners confused with respect to the hierarchy and respective empowerment of the multiple levels. Also, they make Russia's trade policy regime appear less transparent and consistent.

7. While the importance of tariffs for other developed countries has diminished over the last five decades, they are still a very important trade policy instrument for Russia. Also, tariffs are the action area in which Russia has progressed most substantially towards the Bogor Goals. The trade-weighted average tariff rates of Russia were reduced from 17.7% to 10.8% over the period of 1996-2003. Despite much progress towards the Bogor Goal, there still remain several problem areas. Russia has very few duty-free tariff lines, makes relatively wider use of compound tariff rates, and resorts quite frequently to tariff instruments other than import tariffs, such as export duties, tariff-rate quotas, and so on. These practices make the trade policy regime of Russia appear less transparent and less predictable.
8. Lack of transparency, lack of consistency and lack of predictability are the most frequently quoted complaints over many action areas of Russia's IAP, even though the economy has made substantial progress in these areas. The issues were most often and most strongly raised in relation to the investment regime, customs procedures, and IPR protection.
9. De-bureaucratization is a special initiative of a recent Russian government policy, which envisages reducing state interventions in the economy. The government has launched several programs for deregulation, and has been partly successful. However, the government still possesses very strong control power. State interventions are strongest in the following three sectors.
10. In the IAP action areas "services" and "investment regime", Russia maintains several deviations from national treatment and MFN principle. There often are restrictions on foreigners' ownership participation and on the form of doing business in Russia. For example, in the Russian banking sector, it is not allowed for foreign banks to do business in the form of branches. Only subsidiaries are allowed. Moreover, there are no ownership restrictions for foreign investors in individual insurance companies, but the aggregated foreign ownership for the insurance sector as a whole is limited to 25% (was 15% previously).
11. Within the manufacturing sector, the natural resources and automobile industries appear to be the most strongly protected. Russia's natural resources industry, especially the oil and gas sector, is characterized by a strong market concentration, with relatively high entry barriers. Foreign ownership is also restricted to a maximum of 20% for many formerly state-owned enterprises. The industry has long been characterized by restrictions imposed on exports, such as export duties and export quotas. Considering the strong presence of Russia in the relevant world markets – for example in gas and oil sector – and Russia's correspondingly high market shares, such export restrictions imply a rise in the world



market prices caused by scarcity and a corresponding price differential between domestic and foreign markets, thus leading to an excessive use of energy resources and enhanced price competitiveness for energy-intensive domestic industries. Therefore, increasing domestic energy prices and reducing thereby the price differential was one important issue dealt with in Russia's accession negotiations. Also notable in the natural resources industry are the Production Sharing Agreements (PSAs), which provide preferential treatment for investment projects with minimum investment of US dollar 1.0 billion. After being accused of being a discriminatory investment instrument, the government has announced to phase out these measures after Russia's accession to the WTO.

12. The automobile sector has long been protected by traditionally high tariffs in Russia. Currently, the industry enjoys two different tariff regimes, in addition to the powerful preferences attached to local content requirements, as explained below. The ad-valorem tariff rate imposed on imported automobile is 25%, and hence higher than the highest (20%) within the four-tier tariff system. For used motor vehicles (buses, trucks and passenger cars) older than seven years, the Russian government levies a specific tariff, the ad-valorem equivalent of which is nearly prohibitive. In an effort to attract foreign investment and develop a national automobile industry, the government provides foreign investors in the automobile sector with duty-free access to Russian markets if they fulfill the local content requirement of 50%.
13. In terms of Russia's overall achievements with regards to the Bogor Goals, it is the assessment of the Expert that positive developments in Russia have by far outpaced negative developments. Over the past few years, the Russian economy has become increasingly open and substantially more liberal. However, there are still a number of impediments to trade and investment. With Russia's accession to the WTO, many of these impediments will have to disappear, and the country will become a full member of the world trading community.

## 2. INTRODUCTION

### 2.1 Recent Macroeconomic Developments in Russia

The Russian Federation has shown rather robust economic growth since the 1998 financial crisis. The OECD (2004a) assesses that this “post-crisis recovery has been faster and more sustained than most observers believed possible.” The price stability has been fairly restored after a period of relatively high inflation rate during 1996-1998. As can be seen from the table below, this rather robust overall economic performance has been fueled by export-oriented sectors, such as oil and gas. Especially, sustained high oil and gas prices contributed to a rapid increase in exports of natural resources, leading to surpluses in trade and current account. This, in turn, has led to the stability in government budget and decrease in unemployment rate. The prudent fiscal policy of the Russian government is also reported to have contributed to the sustained economic growth over the period 1999 – 2003.<sup>1</sup> As a result of improvement of terms of trade, Russia could substantially increase trade surplus, with the economy’s foreign reserves rising to the level of USD 120 billion as of October 2004. This shall contribute to sustaining stability of the economy over the coming years. Especially, the accumulation of surpluses in government budget and current (and trade) account is expected to function as a cushion in case the economy faces negative external shocks, such as sudden fall in oil and/or gas prices.

**Table 1: Basic Economic Indicators of the Russian Federation (1998 – 2003)**

	1998	1999	2000	2001	2002	2003
Real GDP growth	-5.3	6.3	10.0	5.1	4.7	7.3
Gross fixed capital formation growth	-12.4	6.3	18.1	10.3	3.0	12.0
CPI inflation (Dec./Dec.)	84.5	36.6	20.1	18.8	15.1	12.0
Unemployment (ILO-type measure, end year, percentage of labour force)	13.2	12.4	9.9	8.7	8.8	8.0
Exports of goods (USD billion)	74.4	75.6	105.0	101.9	107.3	135.9
Imports of goods (USD billion)	58.0	39.5	44.9	53.8	61.0	75.4
Current account (USD billion)	0.2	24.6	46.8	33.9	29.1	35.9
As a per cent of GDP	0.1	12.6	18.0	11.1	8.4	8.3
Budget balance (general government, per cent of GDP)	-5.3	-0.5	3.5	3.1	0.3	1.2
CBR gross foreign exchange reserves (USD billion, end of period)	12.2	12.6	28.0	36.6	47.8	76.9

Source: OECD (2004a)

This rather positive overall macroeconomic development has motivated increasing number of foreign investors to do business in Russia, thereby leading to an increasing amount

<sup>1</sup> See OECD (2004a), p. 8.

of accumulated FDI over the last few years. These favorable developments in Russia's trade and investment relations enabled the Russian economy to become more open and liberalized in terms of both international trade and investment activities. However, in terms of attracting foreign direct investment, Russia lags behind in comparison to such transition economies as Czech and Slovak Republic, as well as Poland.<sup>2</sup>

## **2.2 Overview of Russia's Pattern of Trade and Investment**

### **2.2.1 Russia's Trade Relations with the World**

According to the WTO (2004), Russia is the 18th largest merchandise exporting nation in the world. One of the main characteristics of Russian trade is a strong concentration in the commodity composition of exports and a relatively even distribution in that of imports. In fact, Russia's export is strongly concentrated on such natural resources as oil and gas, with their share being approximately 40% and 15%, respectively. With the iron and steel, which constitute the third largest export item of the Russian Federation, the three product groups represent roughly two thirds of Russia's total exports. This strong dependence on a few export items can make the Russian economy vulnerable to external shocks, which the OECD (2004a) points out as one of the main challenges for the economy.

Over the last few years, sustained high oil and gas prices in the world markets contributed to a rapid increase in Russia's export volume, while the speed with which imports increased was rather moderate. According to the customs statistics, Russia recorded a trade surplus of USD 63 Billion in 2003 alone. The Russian Federation, in fact, has accumulated relatively large-scale trade surpluses over the period 1996-2003<sup>3</sup>, and this has contributed heavily to the sustained economic growth of the economy. Notwithstanding these rather positive developments in external economic relations, the risk of "imported vulnerability" in case of sudden fall in prices in the world commodity markets still remains, and the economy has to be prepared for it. The OECD (2004a) recommends in this regard careful management of the windfall gains accumulated during periods of high oil prices.

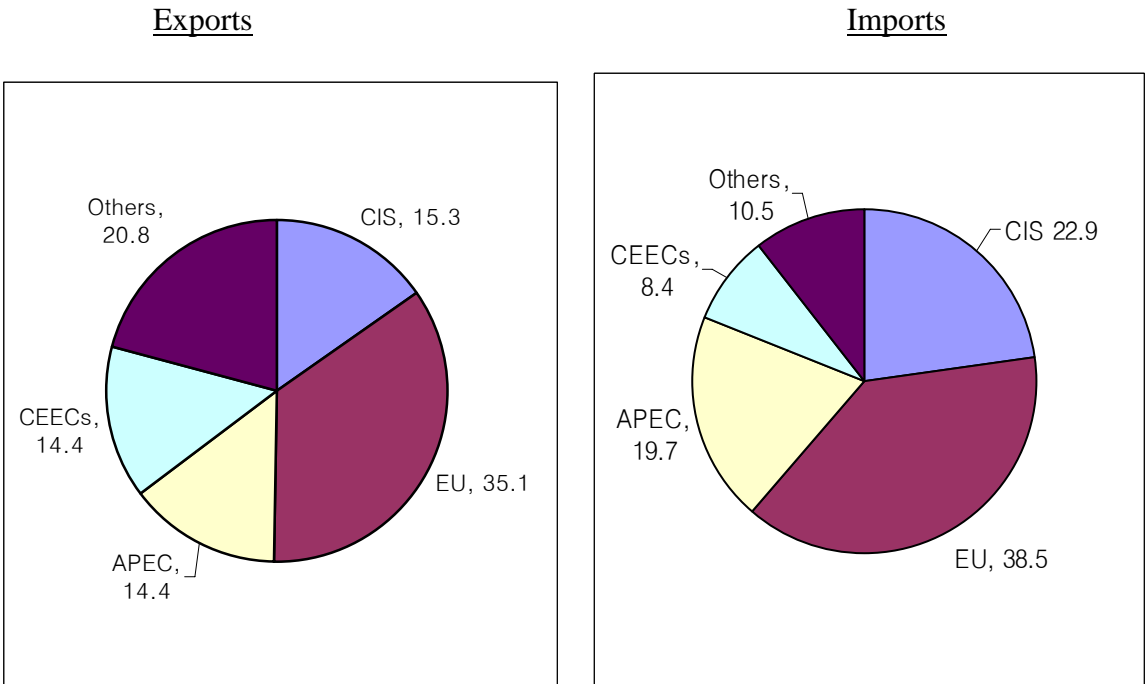
Russia's current trade and investment relations reflect the country's traditionally strong ties with the European Union. The European Union member states as a whole represent the highest share in Russia's export and import relations with approximately 35% and 38% respectively. Since the Eastern enlargement of the EU as of May 1, 2004, the share of the EU has reportedly risen to over 50%. The second largest trading partner of Russia is the CIS (Commonwealth of Independent States) countries, with 15.3% for export and 22.9% for

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<sup>2</sup> See Section 2.2.1. of this Report.

import in 2003. The APEC member economies – with their share in Russia’s exports and imports in 2003 of 14.4% and 19.7% respectively – constitute the third largest trading partner for Russia. As an individual country, Germany is the largest trading partner of Russia, followed by Netherlands (2nd largest), Italy (3rd largest), China (4th largest) and the United States (5th largest). Interesting enough, Turkey has appeared as the 6th largest exporter to Russia in recent years.

**Chart 1: Country Composition of Russia’s Exports and Imports (2003)**



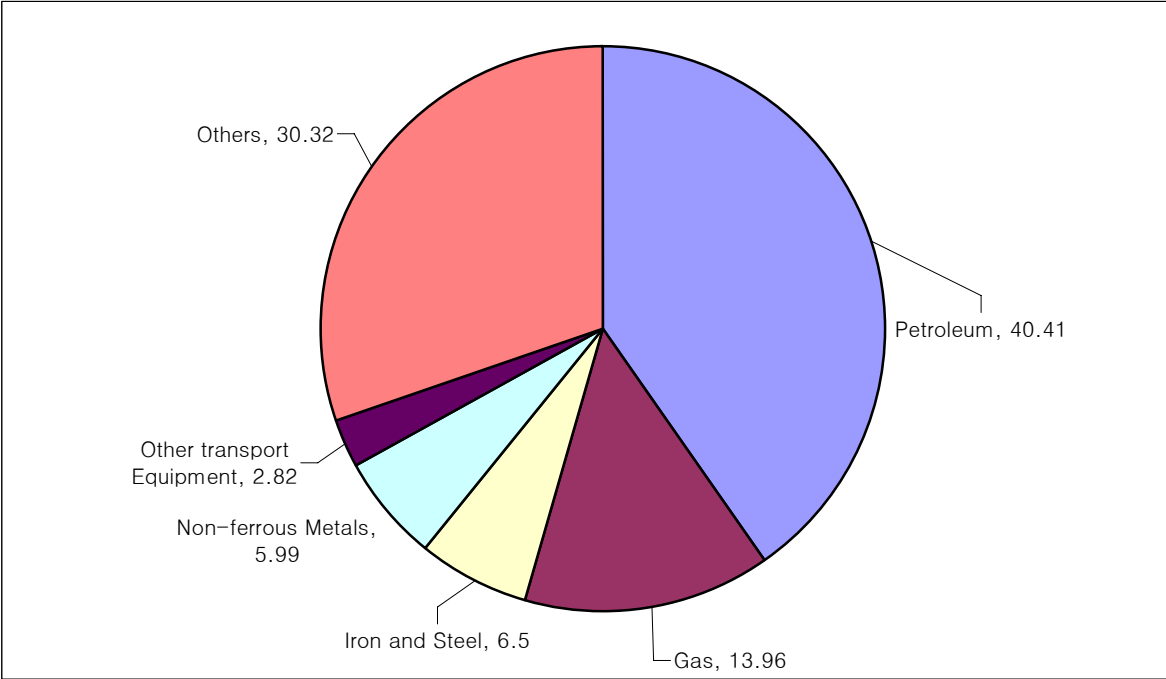
The heavy dependence of Russian economy on a few natural resources industries is illustrated by Chart 1: In fact, three commodities – petroleum, gas and iron and steel – constitute the three largest export items of the Russian economy, and account for more than 60% of Russia’s total exports. Therefore, Russia’s export earnings, and hence the trade balance, are largely dependent on the price fluctuation of these commodities. This at the same time implies a major source of macroeconomic vulnerability of the country. The Russian government, in fact, regarded the sharp fall in key commodity prices as one of main causes of the 1998 financial crisis in Russia.<sup>4</sup> Diversifying the industrial and economic structure, and thereby making the economy less vulnerable to external shocks is one key immediate policy challenge facing the Russian economy.

Contrary to the export structure, the Russian imports appear more evenly distributed across the industrial sectors. The top five import items – road vehicles, general industrial

<sup>3</sup> This period corresponds to the IAP review period set by APEC.

machinery, electrical machinery, special machinery and medicinal and pharmaceutical products – together account for only 30% of total Russian imports. The difference between the market share of the topmost import item (road vehicle; 7.5%) and the 20<sup>th</sup> largest import item (beverages; 1.7%) is only 5.8% point.

**Chart 2: Commodity Composition of Russian Exports (2003)**



It is a notable feature in Russia’s external economic relations that the economy maintains two regional trading agreements (RTAs) – one with the CIS countries and the other with the countries in the Eurasian region (the agreement is called Eurasian Economic Community). The Russian Federation established in 2004 a special inter-ministerial body named “Intergovernmental Commission on Economic Integration”, which is responsible for developing strategies for the economy’s economic cooperation and integration with other countries. This Commission has designated three integration partners of priority concern, which include the European Union, the CIS countries, and the APEC economies. This indicates the relatively great importance Russian government attaches to cooperation with the APEC economies.

<sup>4</sup> See Russian government’s answers to Question 1 raised by the Expert.

## 2.2.2. Russia's Investment Relations with the World

Capital inflows into Russia has increased substantially over the last 10 years, with the gross inward flows in 2003 (USD 29.7 billion) reaching approximately 10 times those of 1995 (USD 3 billion). The increase in FDI inflow has been less dramatic, and in 2003 reached USD 10 billion, compared to USD 2 billion in 1995. The member states of the European Union have been main investors into the Russian Federation since 2000, whereas the United States headed the list of main investors during the period 1995 – 1999. In 2003, the two APEC economies – the United States and Japan – appear as the eighth and ninth largest investor respectively, after the United Kingdom, Germany, Cyprus, France, Luxembourg, Netherlands, and British Virgin Islands.<sup>5</sup>

Compared to other industrialized countries of similar significance and some transition economies such as Eastern European countries and China, Russia appears to have underperformed in attracting foreign investment. For example, an OECD calculation<sup>6</sup> showed that the per-capita FDI of Czech and Slovak Republic in 2002 were almost 30 times and more than 25 times that of Russia, respectively. The same OECD survey reveals that the absolute amount of Russian FDI also lies behind that of Poland, Czech and Slovak Republic. Considering the fact that the productivity of foreign-owned firms is consistently higher than that of Russian firms and that there are substantial positive spill-over effects from the former to the latter,<sup>7</sup> the above-mentioned relatively low level of FDI in Russia implies an opportunity cost – in the form of foregone economic growth – for Russia's national economy. In addition, the low level of FDI suggests another problem for the Russian economy, which can be observed in the relatively low level of capital formation. Indeed, it is one of most important policy tasks of the Russian government to make the economy more open to foreign investment.<sup>8</sup>

## 2.3 Russia's Basic Approach towards Trade and Investment Liberalization

It should be recognized in the first place that the trade and investment policy regime of the Russian Federation has become substantially more open and liberalized over the past few years. Many factors have contributed to this favorable development. The most recent basic

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<sup>5</sup> An intensive talk with Russian government officials during an in-economy visit reveals that the lion's share of investments from Cyprus and British Virgin Islands are assumed to be "actually" originating from Russian companies.

<sup>6</sup> See OECD, 2004b, "OECD Investment Policy Reviews of Russian Federation: Progress of Reform Challenges", Paris.

<sup>7</sup> See, for example, Kozlov et al. (2001).

<sup>8</sup> See OECD (2004b). OECD (2004b).

approach of Russia towards the liberalization of trade and investment regime can be characterized by the economy's three main activities: (i) negotiations for accession to the WTO; (ii) free trade regime with CIS countries and members of the Eurasian Economic Community; and (iii) voluntary liberalization and facilitation within the framework of APEC.

Russia's negotiations with the WTO member countries for its membership into this multilateral trading system constitute the most important trade policy of Russia over the last decade. Since 1995, when the Working Party for Russia's Accession was officially established, Russia has been an active negotiator at multilateral, plurilateral and bilateral meetings. At the multilateral level, there have so far been twenty five Working Party meetings and the Working Party has produced three "Draft Reports". At the plurilateral level, Russia has held several consultations with a limited number of participants mainly on the agricultural issue. At the bilateral level, a total of 67 Working Party members have been participating in the negotiations with the Russian government.<sup>9</sup> The government has also held nearly 600 discussion rounds with domestic interest groups, with a view to developing its national negotiation strategies and positions and explaining to and persuading them about the status of negotiations. For an effective coordination of national negotiation strategies and positions, Russia has established a "Government Commission for WTO", headed by Mr. Michael Fradkov, the Chairman of the Russian Government.

During this process, Russia has reduced tariffs substantially, and simplified the structure of tariffs and customs procedures in several stages. There has been a long list of new legislations introduced over the last few years, and old legislations have been modified continuously, in order to accommodate the requests from the negotiating counterparts. It was a breakthrough for Russia that the economy successfully concluded bilateral negotiations on goods with 20, and on services with 10 Working Party member countries, respectively. The share of the countries Russia has successfully negotiated with – including the European Union, Japan, China and Korea – amounts to 80% of Russia's total trade. Also two major trading nations of the world – the United States and the European Union – have granted Russia the "market-economy status" in 2002, followed by several other countries. Even though Russia has yet to bring to successful conclusion major bilateral negotiations with the remaining countries including the United States and Canada, it is widely expected that the whole procedure will conclude by the end of 2005 or 2006. Several bilateral Summit meetings between the United States and the Russian Federation held over the last few years appear to have paved a way for the successful conclusion of these negotiations.

With the CIS countries and the members of the Eurasian Economic Community –

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<sup>9</sup> The number of Working Party member countries was reduced to 58 as of May 1, 2004, because 9 of them

countries with which Russia shares common history and culture – Russia has been maintaining free trade regime from the beginning of the post-cold war era. Though these countries are the second largest trading partners of Russia, next to the European Union, and their combined share in Russia’s trade and investment is only around 15-20%, their mutual relationship appears to be a strategic one: Their economic exchanges are concentrated in natural resources for which they provide each other with tariff-free access. The geopolitical constellation in which Russia and these countries are currently cooperating with each other looks favorable to the continuation and fortification of their traditionally free and preferential trading relations in the coming decades.

Ever since Russia was granted the membership of APEC, the economy has actively participated in APEC cooperation activities. The fact that the “Intergovernmental Commission on Economic Integration” has adopted ‘APEC’ as one of the three priority integration partners suggests that the Russian government attaches a significant level of importance to cooperation with the APEC economies. The activities of Russia in the APEC process have been versatile and have become incrementally important. Especially in the area of facilitation, Russia has been able to strengthen its profile in diverse APEC activities. For instance, Russia has expressed its readiness to accede to the APEC pathfinder initiative with a final view of participating in the Kyoto Convention, and initiated APEC Dialogue on Non-ferrous Metals, to mention only a few. Also, a project on perfecting the e-government procurement system, which was proposed by Russia, has the best chance to be adopted as a new project for APEC consideration.<sup>10</sup>

Though APEC accounts for only 15-20% of Russian trade and investment, it’s a rather encouraging development that these shares showed a gradually increasing tendency since Russia’s accession to APEC. The Asia and Pacific regions seem to be of great significance for Russia in a number of aspects. As the government states in several documents, Russia’s Eurasian identity seems conducive to the fact that APEC is regarded as one of Russia’s main foreign policy priorities. In addition, over 20% of Russia’s total population is living in the Asian part of the country, and the economy’s strategic natural resources are concentrated in the Asian part – regions of East Siberia and Far East. It is, therefore, natural to expect more active participation from Russia in APEC activities, and especially in the member economies’ pursuit to achieve the Bogor Goals.

It should be noted at this point that while evaluating Russia’s efforts towards the Bogor Goals proper credit should be given to the liberalization and facilitation measures taken by the same in the process of its accession negotiations with WTO member countries. This is

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joined the European Union, which is represented in the Working Party as one member.



because even though the lion's share of such measures was not done in the APEC process, but done in the context of WTO accession negotiations, APEC economies as well as all the WTO member countries have (and will) benefited (benefit) from Russia's liberalization measures. For most of the APEC economies that are at the same time WTO member countries, the same would apply if they had introduced liberalization and facilitation measures to better achieve the Bogor Goals. This Study Report of 2004 Russia's IAP takes this rather peculiar situation of Russia into consideration.

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<sup>10</sup> See for the details, Russian Government (2005b).

### 3. AN ASSESSMENT OF RUSSIA'S IAP IN SPECIFIC ACTION AREAS

#### 3.1. Tariffs

##### <APEC Objectives>

*It is the objective of APEC that all the APEC economies achieve free and open trade in the Asia-Pacific region by (i) progressive reduction of tariffs until the Bogor Goals are fully achieved and (ii) ensuring the transparency of APEC economies' respective tariff regimes. To achieve these Objectives, each APEC economy will (i) take into account intra-APEC trade trends, economic interests and sectors or products related to industries in which this process may have positive impact on trade and on economic growth in the Asia-Pacific region, (ii) ensure that the achievement of the above objective is not undermined by the application of unjustifiable measures, and (iii) consider extending, on a voluntary basis, to all APEC economies the benefits of tariff reductions and eliminations derived from sub-regional arrangements.*

##### <Russia's Achievements>

Over the last fifty years, with continuous liberalization measures taken through multilateral trade negotiations (MTNs) under GATT and currently under the WTO, tariffs have been lowered substantially, and have become increasingly unimportant as a trade policy instrument for many countries. In fact the trade-weighted average tariff rates in the world economy had been lowered from over 40% in 1940s to approximately 5% by the end of 1990s.<sup>11</sup> Non-tariff barriers and other impediments to trade have become increasingly prevalent, and partly replaced tariffs as the most important trade barriers.

However, for Russia, tariffs have been and are still a very important trade policy instrument. Russian government's tariff policy is conducted based on the following three basic criteria.<sup>12</sup> First, Russian government regards tariffs as a major trade policy measure applied to protect industrial and agriculture production. Second, tariffs are considered measures of both trade and fiscal policy. Trade officials who attended the in-economy visit of the Expert reported that the sum of customs tariffs and duties – for both imports and exports – accounted for approximately 40% of the state budget. Third, tariffs are expected to function as an instrument of economic development, in particular, for the restructuring of the economy.

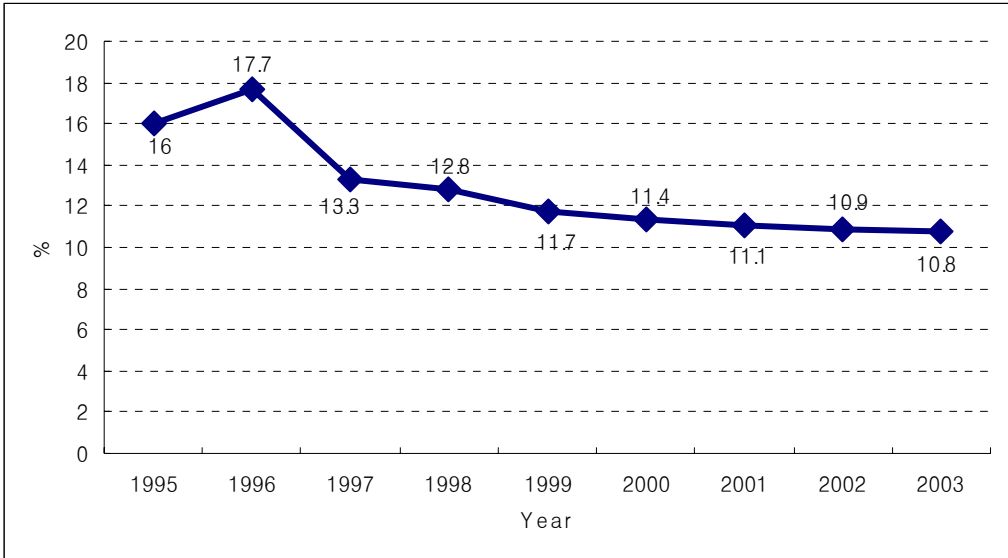
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<sup>11</sup> World Trade Organization, 2001, "Market Access – Unfinished Business: Post-Uruguay Round Inventory and Issues, Geneva.

<sup>12</sup> See Russia's IAP 2004.

Notwithstanding this relatively conservative policy stance of the government, the action area tariffs can be regarded as one of the IAP sectors in relation to which Russia has registered most significant achievements. The Russian government has adopted a series of new legislations and modified old ones, in order to bring tariff rates down and simplify the tariff structure. These legislative activities have been motivated, inter alia, to accommodate the interim results of the on-going negotiations for the accession to the WTO, to make the collection of customs duties easier and more efficient, and to reduce the possibilities of fraud by customs officials.<sup>13</sup> The most recent such move was made in 2001 and 2004, when the most recent version of Customs Tariff of the Russian Federation was introduced and the new Customs Code came into force, respectively. As a result, a four-tier tariff system has been established, under which almost all products were grouped under four broader headings (raw materials, semi-finished products, finished products, foodstuffs), and levied with the respective tariff rates of 5%, 10%, 15%, 20%.<sup>14</sup> It is to be noted that this was a major step by Russia to accommodate the requests of WTO member countries within the framework of accession negotiations. Consequently, the trade-weighted average tariff rates of Russia have been lowered reduced in several stages by nearly 7% point to 10.8% over the IAP period 1996-2003 (see Chart 3).

**Chart 3: The Trade-weighted Average Tariff Rates of Russia (1995-2003)**



The Russian government at the same time pursued to make the import of modern

<sup>13</sup> A similar evaluation can be found in USTR (2004).

<sup>14</sup> Major exceptions to this four-tier tariff system are applied to agricultural and food products, including poultry, sugar, spirit and tobacco. Within the manufacturing sector a notable exception is a 25% (previously 30%) tariff imposed on imported automobiles. See, 2004 Russia IAP and European Commission (2004a).

technology and machinery easier, to counter the illegal practices at customs offices and to improve the collection of the customs payment. In addition, Russia has been applying a unique system of differentiated tariff rates vis-à-vis trading partners, according to their level of integration with Russia and their level of economic development. Beginning with the partner countries of free trade agreements – CIS and Eurasian Economic Community – whose products largely enjoy tariff-free access to Russian markets, there are four other groups of countries: MFN recipients, non-MFN partners, recipients of GSP and less-developed countries. With the applied tariff rates being mostly MFN tariff rates, non-MFN partners' products are subject to 200% of MFN rates, and GSP recipients 75% of MFN rates, and less-developed countries enjoy the same tariff regime that is applied to CIS countries – namely a tariff-free access to Russian markets.<sup>15</sup>

The following are the main features of Russia's current tariff regime. First, unlike the WTO member countries, the Russian tariff regime does not contain the concept of tariff binding, which can lead to potential discretionary practices by the government while setting tariff rates. This problem is expected to disappear soon after Russia's accession to the WTO. Second, while a significant majority of Russia's 11,277 total tariff lines are subject to ad-valorem tariffs, a non-negligible number of tariff lines (1,593) are subject to compound tariffs. Compound tariffs are levied not only on agricultural products, as is the case with many other developed countries, but also on selected manufacturing products, such as footwear, leather and fur articles, apparels, home electronics, etc. Especially the latter suggests that Russia has still been using tariffs as a major instrument to secure international competitiveness in many labor-intensive industries. Third, after a series of recent tariff reductions, the trade-weighted average tariff rates of Russia have been lowered to 10.8%.<sup>16</sup> The ad-valorem rates and most of the ad-valorem equivalents of specific and compound tariffs range from 0% to 30%. However for some sensitive products – such as ethyl alcohol and beverage, used motor vehicles (buses, passenger cars and trucks) older than seven years, furniture of cost lower than 1.8 euro per 1kg – the ad-valorem equivalents are reported to be high at an almost prohibitive level.<sup>17</sup> Fourth, Russia maintains extremely low share of duty-free tariff lines. Among the

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<sup>15</sup> Currently 128 countries (16 APEC economies among them) are classified as MFN countries, and 106 countries (15 APEC economies among them) as GSP recipients. The membership of APEC economies to these two groups is partly overlapping. As granting more favorable treatment in case of dual membership of trading partners is a practiced principle of the Russian government, it can be said that 15 APEC economies (except Australia, Canada, Japan, New Zealand, and the United States) are classified as GSP recipients, and enjoy 75% of MFN tariff rates when exporting to Russia. No APEC economies were found among the 47 countries classified as less-developed countries. See for the full list of Russia's trading partners, Russian government (2005a).

<sup>16</sup> Actually the average tariff rates of Russia was reduced rather progressively from 16.0% in 1995 and 17.7% in 1996 to 10.8% in 2003. See Answer to Question 24 raised by the Expert.

<sup>17</sup> The "Tariff Dispersion Table for 2004" reported in 2004 Russia IAP reveals that 21 manufacturing products are subject to specific tariffs. In a discussion during the Expert's in-economy visit, it is revealed that those tariff lines are mainly for used motor vehicles, and their ad-valorem tariff equivalents are around 70% and almost prohibitive.

total 11,277 tariff lines, only 51 (approximately 0.5%) are duty free. Compared to other developed countries<sup>18</sup> that traditionally maintain 30-40%, and even more duty-free tariff lines,<sup>19</sup> Russia's very sparing use of such liberalization measures indicates room for additional liberalization of Russian tariff regime even after the accession to the WTO. This further liberalization can possibly be motivated from within the APEC process. Fifth, it is observed that Russia makes a relatively frequent use of tariff instruments other than import tariffs: export duties, tariff-rate quotas, and the like. Especially, export duties are specifically levied on key natural resources, and with this Russian government seems to pursue specific purposes other than trade policy.<sup>20</sup> Notwithstanding the fact that export duties as such are not prohibited within the WTO system, the potential effect of such measures to raise the world market prices – especially when the country possesses a large world market share – warrants that Russia reduce the frequency of using such measures.

One most frequently quoted tariff policy that is not in line with non-discrimination – the most important principle of the multilateral trading system – is the tariff exemption provided to the products produced in the so-called “Bonded Warehouse”. For the purpose of attracting foreign investment in the automotive sector, the Russian government granted several preferential treatment measures – in the form of tariff-free access of automobiles produced in these special processing zones called “Bonded Warehouses” to the Russian markets. Though attached with local content requirement, these preferences were found to be discriminatory against the directly imported automobiles. The Russian government reported that five contracts - with Daewoo (Korea), Renault (France), Fiat (Italy), Ford Motors (US) and GM (recently, US) - have been made so far. Even though only one (the one with Ford of US) of these contracts is currently in operation, it is alarming that the Russian government went into a new contract (the one with GM of US) very recently, in the midst of the country's overall endeavor to adopt the rules of the multilateral trading system. Upon receiving several negative comments from APEC economies (for example Japan, New Zealand) and during the accession negotiation with the WTO, the Russian government committed to not signing new contracts after it acquires the membership of the WTO and letting old contracts phase out on their original expiry dates.

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<sup>18</sup> It is a stylized fact that in a cross-country observation the share of duty-free tariff lines increases with increasing level of economic development. However, other transition economies have maintained substantially higher share of duty-free tariff lines than Russia has been implementing. For example, Czech Republic, Hungary and Slovak Republic have already made 14.0%, 10.4%, 14.0% of their tariff lines duty free in 2001. Upon their accession to the European Union in 2004, they adopted the common external tariff system of the European Union. For details of their tariff regime, see WTO (2001).

<sup>19</sup> A WTO study reports that in 2001 the United States and Canada maintained 34.5% and 39.7% of their tariff lines already duty-free, respectively. See WTO (2001).

<sup>20</sup> It is an often raised complaint against this policy instrument that export duties levied on strategic natural resources generate scarcity in the relevant world markets. The differential between domestic and international prices generated this way is alleged to subsidize implicitly the domestic downstream industries at the cost of foreign competitors.

### 3.2 Non-Tariff Measures

#### <APEC Objectives>

*It is the declared objective of all APEC economies to achieve free and open trade in the Asia-Pacific region by progressively reducing Non-tariff Measures (NTMs) to the maximum extent possible to minimize possible distortion to trade. Also, APEC economies have to ensure the transparency of respective NTMs. To achieve these Objectives, each APEC economy will (i) take into account, in the process of progressive reduction of non-tariff measures, intra-APEC trade trends, economic interests and sectors or products related to industries in which this process may have positive impact on trade and on economic growth in the Asia-Pacific region, (ii) ensure that the progressive reduction of non-tariff measures is not undermined by the application of unjustifiable measures, and (iii) consider extending, on a voluntary basis, to all APEC economies the benefits of reductions and eliminations of non-tariff measures derived from sub-regional arrangements.*

#### <Russia's Achievements>

In the action area of NTMs, there have been both positive and negative developments in Russia's pursuit of Bogor Goals. First of all, it should be noted that, as in the area of tariffs, here too have been a series of new legislations adopted and old legislations modified to make the Russian regime of NTMs more liberalized and transparent. The Federal Law No 164-FZ of 8 December 2003 "On the Fundamentals of State Regulation of Foreign Trade Activity" constitutes the centerpiece of Russia's regulatory framework for non-tariff measures. The elimination of state monopoly, which was proclaimed as early as 1991, was further embodied in the Civil Code and the Constitution of the Russian Federation. This series of legislative works have contributed to enhancing the transparency of NTMs regime of Russia. It is reported that in 2004 Russia maintained only a short list of products for which exportation was subject to some kind of state regulation. The products under the state's export control were mainly chosen out of considerations for national security or public order, or to observe the international considerations. Russian government reports that the economy does not maintain any import restrictions, prohibitions or quotas in the meaning of Article XI of the GATT 1994, but informs that the afore-mentioned Federal Law No 164-FZ of 8 December 2003 provided some exceptions to this general rule. The same Federal Law also governs possible import restrictions on agricultural and fishery products under specified conditions.

Partly based on these new legislations, there have been several new NTMs introduced over the period 1996-2004. Based on the "Presidential Decree No. 742 of 21 June 2001 on the

Procedure for Import and Export from the Russian Federation of Precious Metals and Precious Stones”, Russia introduced export quotas on platinum and platinum group metals, non-refined nuggets of precious metals, non-ferrous metals containing precious metals and raw diamonds.<sup>21</sup> For whatever purposes these export restrictions have been introduced, these export quotas – together with the export duties mentioned in the part of tariffs – have had the effects of subsidizing the domestic downstream processing industries and of discriminating against foreign buyers.<sup>22</sup> The import licensing regime of Russia is divided into two tracks: goods subject to either automatic or non-automatic licensing. Also, for some products Presidential Decree and for others Government Resolution possessed the capacity to issue licenses. These approaches made the import licensing scheme of the economy less transparent. In addition to these import and export restrictions, Russia has entered into several agreements of voluntary export restraints (VERs) for steel and steel products, certain fertilizers, textiles and sport weapons. As the VERs have phased out within the WTO system by the end of 2004, and Russia’s accession negotiations are expected to be concluded within 2005 or 2006, Russia’s VERs are expected to be abolished at the latest by the time Russia acquires the membership of the WTO. In 2003, Russia introduced safeguard measures in the form of an import quota for a four-year period on fresh, chilled and frozen poultry. This quota was administered by the issuance of non-automatic licenses by the Ministry of Economic Development and Trade. While of course not contesting the right of the Russian government to use these trade policy instruments, the introduction of several new NTMs over the IAP period, such as the safeguard measures mentioned above and the re-introduced export duties on raw materials and semi-manufactured items,<sup>23</sup> has definitely contributed to the lowering of the degree of liberalization of Russia’s trade policy regime, and therefore, should in general be interpreted as a step in the backward direction in Russia’s way towards the Bogor Goals.

In addition to these newly introduced measures, there have also been several NTMs in Russia that have had negative impacts on the perception among APEC economies of the trade policy regime of Russia. In fact, several APEC economies have raised concerns over the Russian government’s protective administration of such NTMs as non-transparent import licensing scheme, discriminatory border measures and new legislations that allow import quotas, prohibition and restrictions, as well as frequent resort to contingency trade policy instruments. Another impediment to the flow of international trade with Russia is reported to exist in the inconsistencies and related non-transparency of administrative decisions. Especially, exporters to Russia have complained of inconsistencies between administrative decisions taken by Russian authorities and the prevailing Russian legislation. Also,

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<sup>21</sup> See APEC (2004a), Chapter 2: Non-tariff Measures, p. 7.

<sup>22</sup> For a similar argument, see European Commission (2004a).

<sup>23</sup> The Russian government reported the re-introduction in 2000 of export duties on raw materials and semi-manufactures items, which had been removed since 1992. See APEC (2004a), Chapter 1: Tariff, p. 8.

inconsistencies were found “between the general legislative framework and subsidiary regulations and administrative guidance issued by Russian government bodies.”<sup>24</sup> In addition, the complexity of Russian legislative structures – with a seemingly irregular use of Presidential Decree, Government Decree, Government Resolution, Federal Law and a few others legislative instruments - makes the trade policy decision making in the economy less transparent and reliable. Russian government is strongly recommended to streamline this complex catalogue of legislative instruments at the latest upon its accession to the WTO, but preferably within the APEC framework. This could be a noteworthy contribution by Russia, and have the potential to motivate other APEC economies to move forward to achieving the Bogor Goals.

### 3.3 Services

#### <APEC Objectives>

*In the action area of Services, it is the declared objective of APEC economies that they, in accordance with the APEC Policy Framework for Work on Services, will achieve free and open trade and investment in the Asia-Pacific region by 2010 for developed economies and by 2020 for developing economies. For this purpose, they should (i) progressively reduce restrictions on market access for trade in services, (ii) progressively provide for inter-alia most favored nation (MFN) treatment and national treatment for trade in services, and (iii) provide, in regulated sectors, for the fair and transparent development, adoption and application of regulations and regulatory procedures for trade in services.*

#### <Russia’s Achievements>

For an economy like Russia, which has relatively recently transformed its economic system from a planned to a market economy, services sector can be regarded as an “infant industry”. Therefore, it has been one of the most important policy tasks to provide an appropriate legal framework for the provision of services, especially for the more efficient operation of other parts of the Russian national economy. Over the period 1996 – 2004, more than 100 old or new legislations have been revised or passed through the State Duma. In fact, the legislative works have been especially active over the last few years, as has been the case in other action areas, including tariffs and NTMs. These active legislative works can be understood as Russian government’s efforts to provide legal framework for the provision of services and to create favorable investment environment in the economy in general, and in the services sector

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<sup>24</sup> See, for example, European Commission (2004a).



in particular. In this context, it is worthwhile to mention that these activities have been done in consideration of “debureaucratization”, which is one of the priority targets of Russian government’s recent policy initiatives. At the current juncture, some services sectors in Russia are subject to licensing, the general provisions and specific procedures of which are stipulated in Federal Law No. 128-FZ “On Licensing of Specific Types of Activity” as of August 8, 2001. Also, the Russian government adopted more than 15 sectoral Federal Laws that regulate the licensing of specific types of services. As a result, 17 key services sectors, including communications, education, credit institutions, and many more are currently subject to state licensing. The Russian Federation has concluded a total of 57 agreements on the promotion and reciprocal protection of investments (IPPA) since 1989, of which 39 have been ratified and 36 enforced. Over the period 1996 – 2004, 25 such agreements have been concluded. Of a total of 8 IPPA agreements concluded with APEC economies, only three agreements (Philippines in 1997; Japan in 1998; Thailand in 2002) have been concluded over the IAP review period.<sup>25</sup>

Despite these rather favorable developments in Russia’s liberalization efforts in services sector, there still remain many impediments. First of all, the extent and form of foreign participation in some sub-sectors of Russian services industry is still heavily regulated by the state, despite the proclaimed policy initiative of “debureaucratization”. These regulations are especially visible in the banking and insurance services sectors. In the banking sector, an oft repeated complaint is that foreign companies can do business only in the form of subsidiaries, and not in the form of branches. In the insurance sector, the sum of foreign capital is limited to a maximum of 25%,<sup>26</sup> and upon reaching this cap the issuance of licenses to those insurance companies that are affiliates of foreign investors or have foreign investors’ stakes over 49% will be terminated. This led to a very low foreign participation – in terms of their shares in charter capital – both in banking (5.3%) and insurance sectors (2.72%).

Another concern was raised by APEC economies over the Russian government’s policy to adopt international accounting standards, which is of immense importance not only for doing business within Russia, but also for making decisions on undertaking investment projects in the economy. The decision by the Russian government to phase in the International Financial Reporting Standards (IFRS) for Russian banks by the third quarter of 2004 is, therefore, a welcome approach. If IFRS becomes the sole accounting practice for the banking sector by 2006 after a one-year period of parallel accounting, a substantial improvement in transparency can be expected. But, there remains a certain degree of uncertainty regarding the

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<sup>25</sup> Other APEC economies include Canada (1989), China (1990), Korea (1990), United States (1992), and Vietnam (1994).

<sup>26</sup> This overall cap of foreign participation in the aggregate charter capital of Russian insurance sector has been raised from 15% to 25% in 2004.

full adoption of IFRS, as the Russian government suggests several problems attached to it in its Answer to Question 53.

There has been notable progress in the “de-bureaucratization” of the Russian economy, which aims at reducing state intervention in economic activities. The government adopted one new law in 2001 and three new ones in 2002 alone to provide better protection of legal persons and individual entrepreneurs (2001), to improve the licensing practices (2002), to streamline the registration procedures (2002), and provide new procedures for standardization and certification (2002). It is reported that there has been a considerable reduction in the number of inspections and an improved perception of the overall business climate in the Russian economy. Considering the fact that a business survey conducted by the Russian Center for Economic and Financial Research (CEFIR) revealed 44% of Russian population still reporting significant problems in business registration, licensing and permit, price control, certification and documentation requirements, it can be recommended that the Russian government pursue the administrative reform with stronger will and affirmation.

### **3.4 Investment**

<APEC Objectives>

*It is the declared Objective in the action area of investment that the APEC economies will achieve free and open investment in the Asia-Pacific region by (i) liberalizing their respective investment regimes and the overall APEC investment environment by, inter-alia, progressively providing for MFN treatment and national treatment and ensuring transparency; and (ii) facilitating investment activities through, inter-alia, technical assistance and cooperation, including exchange of information on investment opportunities.*

<Russia’s Achievements>

The general legal framework for foreign direct investment in the Russian Federation is provided by the Federal Law No. 160-FZ of July 9, 1999 “On Foreign Investment in the Russian Federation”, which provides a general principle of national treatment with few exceptions. The exceptions to national treatment were allowed, if required, to protect the fundamental constitutional requirements to ensure national security and defense interests, public order, morals, health, rights and legitimate interests of other persons. (Article 1, par. 2) A series of other related legislations have been enacted over the 1996 – 2004 period, and the principle of non-discrimination was provided for in fairly all the investment-related activities.

The overall investment climate of the Russian Federation seems to have improved gradually, but continuously over the last few years since the 1998 financial crisis. However, a recent OECD review of Russia's investment policy suggests that Russia has registered only a moderate performance in attracting FDI, and reports an increasing amount of outward investment activities by Russian companies (OECD 2004b). This assessment by the OECD implies that Russia was not successful in making the overall business environment competitive enough to accommodate the investment needs of the economy, regardless of the origin of the investment funds. As a consequence, the capital formation ratio in Russia has stabilized at a low level, as discussed in the Introduction. The OECD (2004b) concludes that in Russia investment – both domestic and foreign – is not driven by demand, but is highly responsive to indicators of reform and liberalization. It should, therefore, be a priority of government policy to improve the business environment in general, and the investment climate for foreign companies in particular, in view of this peculiar behavior.

In an effort to improve the overall business and investment climate of the Russian economy, the Russian government introduced a major tax reform law that became effective on January 1, 2001. This tax reform law was welcomed by major trading and investment partners of Russia, as it reduced tax-related investment barriers by eliminating several taxes, lowering tax rates and simplifying the tax structure.<sup>27</sup> To improve investment environment especially for foreigners, Russia also concluded a total of 72 International Treaties – in the form of Double Taxation Treaties: DTTs - to avoid double taxation of investment projects. It is noteworthy that Russia concluded DDTs with a great majority of APEC member economies (fifteen of twenty APEC partners), and ten DDTs were either concluded or enforced since Russia's accession to APEC in 1998. Of the remaining 55 DTTs, a great majority (44 DTTs) came into effect over the IAP period 1996 – 2004. This shows the recent Russian government's efforts to improve its overall investment environment, and especially that for foreign investors. The widening of the maximum possible total foreign participation in the insurance services sector from 15% to 25% has been another favorable development in the liberalization of Russia's investment regime.

Despite this series of rules-setting and liberalization activities, there still remain several impediments to foreign investment in the form of restrictions on foreign participation in a number of industrial sectors and/or individual enterprises, and deviations from national treatment and/or MFN principle. With regards to ownership restrictions, major complaints were raised in relation to aerospace industry (25% maximum foreign ownership), the predominant natural gas supplier Gazprom (20%), electrical power giant Unified Energy

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<sup>27</sup> Summarized from USTR (2004), p. 413.

Systems (20%), and so on.<sup>28</sup> As for the deviations from national treatment and/or MFN treatment, preferential treatment provided to contractors of “Production Sharing Agreements (PSAs)”<sup>29</sup> and “Bonded Warehouses” are often complained of. In the context of Russia’s accession negotiations with the WTO member countries, the PSAs implemented for Russian and foreign investment projects in the search, exploration and mining of natural resources and “Bonded Warehouses” implemented to attract more foreign investment in the automobile sector were at the center of the test for consistency with the TRIMs Agreement enacted at the WTO. Especially, tax benefits within the PSAs scheme and tariff exemptions within the “bonded warehouse” scheme, as well as performance requirements – in the form of local content requirements – practiced in both sectors have been contested by several APEC economies.<sup>30</sup>

In addition, limitations with regards to consistency, transparency and predictability were quoted as other sources of concern by a few APEC economies. In relation to the lack of consistency and transparency, the insufficiently developed system of disclosure of business information and unequal treatment in punishment of same types of practices have often been pointed out. As for the lack of predictability, sudden systemic alterations and insufficient advance notification of laws and ordinances have formed a large chunk of complaints. Also, some economies raised concerns over Russian government’s affirmative enforcement of already enacted provisions on intellectual property protection, especially with regards to foreign investment projects.

If we consider the productivity differential between foreign-owned companies and domestic companies in Russia, and the generally low level of productivity in the Russian economy, the government should be strongly encouraged to take more affirmative steps to improve the business climate in general, and the investment climate for the foreign companies in particular, by adopting stronger policy initiatives to open and liberalize the economy.

### **3.5 Standards and Conformance**

<APEC Objectives>

*It is the declared Objective in the action area of standards and conformance to (i) align their domestic standards with international standards, (ii) achieve recognition of conformity assessment including mutual recognition arrangements in regulated and voluntary sectors,*

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<sup>28</sup> See USTR (2004), p. 413.

<sup>29</sup> For the details of PSAs, see Renaissance Capital (2003).

<sup>30</sup> See, for example, USTR (2004), p. 415.

*(iii) promote cooperation for technical infrastructure development to facilitate broad participation in mutual recognition arrangements in both regulated and voluntary sectors, and (iv) ensure the transparency of the standards and conformity assessment of APEC economies. In pursuing these respective objectives, the APEC economies have agreed upon taking the Declaration on APEC Standards and Conformance Framework and with the Agreement on Technical Barriers to Trade (TBT Agreement) and the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) attached to the WTO Agreement into consideration.*

#### <Russia's Achievements>

In the action area of standards and conformance, harmonization of national system of standards and conformance with the international system is the centerpiece of government policy. The government of Russia enacted Federal Law No. 184-FZ on December 27, 2002 to provide a legal framework for technical regulations, standards and conformity assessment systems. Through this Federal Law, main principles of the WTO's TBT Agreement have been taken into consideration. Russia has participated as a regular member in 9 international and regional organizations dealing with standards and conformity issues, and has cultivated bilateral cooperation with the European and Asian countries and the CIS. Russia also signed several relevant international agreements, including the Agreement on Mutual Recognition of Standards, La Convention du Metre and Brussels Convention on Mutual Recognition of Testing Stamps of Hand Firearms, and many more. In an effort to ensure transparency in veterinary, sanitary and phytosanitary measures and provide access to relevant documentation, a specialized Single Information Center called WTO RIC (SPS/TBT) has been set up. Over the period 1996 – 2004, the number of Russia's bilateral agreements in the field of standardization, metrology and certification has increased from 12 to 23. This series of legislative activities and increasing international cooperation suggests Russian government's determination to make this action area more open and internationally acceptable. As a result, the overall level of harmonization of state standards with international ones such as ISO and IEC in industry and agro-industrial sectors has increased from less than 20% in 1996 to approximately 38% in 2003.<sup>31</sup> A remarkable harmonization effort was made in the motor-car industry products, which registered 100% harmonization level. It is also noteworthy that since 1998 about 50% of newly adopted state standards are harmonized with relevant international ones. Another positive policy development in this action area can be found in Russian government's announcement to expand the use of declaration of conformity as an alternative to obligatory certification, which is expected to reduce the related costs to a substantial

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<sup>31</sup> 2004 IAP of Russia informs the level of harmonization for the following sub-sectors: electric equipment (49-

extent.<sup>32</sup>

Despite these improvements, there appear to remain several problems. First, the overall level of harmonization, albeit increasing over the past few years, is still relatively low compared to other nations of similar significance. Second, several key industries – such as aircraft industry (3%), missile and space-rocket equipments (5%), and confectionery production (1%) – show extremely low level of harmonization. Relatively low level of harmonization was also observed in most of the agricultural and food industries. Third, several APEC economies point to the complicated and time-consuming practices in the area of standardization and conformity despite the legislative improvements, inconsistent and discriminatory application of some standards and conformity requirements, and complications due to the administrative restructuring of 2004 as the main obstacles in achieving the Bogor Goals in this action area.

### 3.6 Customs Procedures

<APEC Objectives>

*It is the declared Objective in this action area to (i) simplify and harmonize customs procedures, (ii) encourage the use of technologies and e-commerce as productivity tools in keeping with developments of the new economy, and (iii) enhance cross-border co-operation in the movement of goods and services to counter terrorism.*

<Russia's Achievements>

The general legal framework for Russia's customs procedures is provided by the new Customs Code, which came into force on January 1, 2004. The new Customs Code, which is deemed to be in compliance with the Kyoto Convention, was a major achievement of Russia in the field of simplification of a number of customs procedures, including (i) reduction of customs registration period from ten to three days (applied to 98% of customs declaration), (ii) implementation of the principle of a "preliminary customs declaration", (iii) identification of a list of documents that may be requested by the customs officials, and (iv) facilitation of getting clearance-related on-line information. The government also set the following performance indicators to better orient its diverse activities: (i) reduction in the number of declarations selected for physical inspection; (ii) reduction in the average customs clearance

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50%), raw materials (30-31%), textiles, food, etc. (32-33%), machinery products (59%).

<sup>32</sup> A rough calculation by the Expert reveals that currently the 'declaration of conformity' method is used in approximately 27% of all cases.

time at the border; (iii) reduction in the average import clearance time; (iv) reduction in the average customs clearance time between lodging of the customs declaration to the issue of the release note; (v) reduction in the compliance gap. The State Duma passed the Federal Law “On the Electronic Digital Signature” in 2002, and from October 1, 2002 the government started the experiment of using electronic customs declaring and digital signature during the customs registration. It is also welcome news that Russia intends to participate in the Pathfinder on the Revised Kyoto Convention, which can lead to an official adoption by the Russian Federation at a later stage of the Convention.

Despite Russian government’s legislative and administrative efforts to simplify its customs procedures, it appears that Russia’s trading partners still feel significant impediments. First, as a few APEC member economies point out, there seems to be a certain degree of discretionary decision making and customs corruption and crimes by the customs authorities, which often leads to insufficient observance of the simplified procedures provided in the new Customs Code. Second, several concerns were raised over the Russian government’s intention to introduce a pre-shipment inspection (PSI) regime. Especially, its potential to undermine the efforts to simplify Russia’s customs procedures and to become a permanent rather than a temporary institution was pointed out as a source of concern by some APEC economies. Third, it seems to be still controversial whether or not the current Russian system of customs valuation and its administration is consistent with WTO rules.

### **3.7 Intellectual Property Rights**

<APEC Objectives>

*It is the declared Objective in this action area that APEC economies, (i) in conformance with the principles of the TRIPS Agreement, ensure adequate and effective protection, including legislation, administration and enforcement of intellectual property rights, (ii) foster harmonization of intellectual property rights systems in the APEC region, (iii) strengthen public awareness activities and promote dialogue on emerging intellectual property policy issues, with a view to further improving intellectual property rights protection and using the intellectual property rights systems for the social and economic benefit of members.*

<Russia’s Achievements>

Since 1970 Russia has been participating in the World Intellectual Property Organization (WIPO) and was a party to most of the important international treaties that define internationally agreed basic standards of intellectual property protection. Also, over the last

few years, the Russian Federation has been extremely active in enacting intellectual property related legislations. A number of governmental bodies including the Ministry of Education and Science and the subordinate Federal Agency for Intellectual Property, Patents and Trademarks (Rospatent), Ministry of Culture and Mass Media, and Ministry of Economic Development and Trade, Ministry of Justice, and many more have been performing the regulation and enforcement of intellectual property rights in Russia. The “Government Commission for Counteracting Intellectual Property Infringements” has recently been instituted, and has since then been coordinating and guiding the joint efforts of these authorities. Recently, Russia strengthened law enforcement activities for the protection of IPR. It is reported that in a “Counterfeit 2004” operation in May-June 2004, over 4,000 inspections were conducted – partly with the participation of the Ministry of Internal Affairs. It is a noteworthy development that the ratio of identified IPR infringements to the number of inspections was reduced to 53% in 2004, while in 2003 virtually every inspection reportedly uncovered infringements in one form or another.<sup>33</sup> To strengthen the dispute settlement of IP rights, the government established “the Chamber of Patent Dispute” in accordance with the Patent Law.<sup>34</sup> Also, to strengthen the law enforcement activities, the Russian government established the “Russian Intellectual Property Institute”, which is responsible for training government officials, lawyers and teachers. Furthermore, the Patent Office has been active in hosting seminars and workshops to address urgent problems of IP, and has launched since 2000, joint conferences in collaboration with the relevant international organizations, such as WIPO, EPO, ECE/UN, etc.

Whereas these government policies improved the general environment of IP protection in Russia, a substantial number of complaints were put forward by several APEC economies. The first group of complaints is concerned with the insufficient level of Russia’s IP legislations to provide TRIPs-level IP protection. For example, further legislative works – including the amendment of copyright law and improving several remaining TRIPs deficiencies – are found necessary to bring the IPR-related laws into full compliance with the TRIPs Agreement.<sup>35</sup> Also, some member economies express concerns over the unfair use of undisclosed tests and other data submitted to obtain marketing approval of pharmaceuticals and agricultural chemicals. The second group of complaints is concerned with the effectiveness of law enforcement per se. It is pointed out that despite the government’s efforts to enact IPR related legislations and strengthen law enforcement therein, there are still many copied goods circulated across the Federation, and there is continuing rise in piracy and counterfeiting levels. Whether true or not, these concerns reflect the widespread perception among Russia’s trading partners of the current state of IP protection in the Russian Federation,

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<sup>33</sup> See Russian Government (2004a).

<sup>34</sup> See APEC (2004b).

<sup>35</sup> USTR (2004), p. 411.



and therefore, should be addressed by the same more affirmatively. It is, in this respect, a favorable development that the Russian government started to expand the number of officials in charge of IP protection, and launched a training program for lawyers and judges to better prepare them for potential lawsuits related with IP violations.

### **3.8 Competition Policy**

#### <APEC Objectives>

*It is the declared Objective in this action area that APEC economies will enhance the competitive environment to increase consumer welfare in the Asia-Pacific region, taking into account the benefits and challenges of globalization, developments in the New Economy and the need to bridge the digital divide through better access by ICT, by (i) introducing or maintaining effective, adequate and transparent competition policy and/or laws and associated enforcement policies, (ii) promoting cooperation among APEC economies, thereby maximizing, inter-alia, the efficient operation of markets, competition among producers and traders, and consumer benefits, and (iii) improving the ability of competition authorities, through enhanced capacity building and technical assistance, to better understand the impact of globalization and the New Economy.*

#### <Russia's Achievements>

The current legal framework for Russia's competition policy is provided by four Federal Laws: "On Competition and Restriction of Monopolistic Activity at Commodity Markets" (March 22, 1991); "On Natural Monopolies" (August 17, 1995); "On Advertising" (July 18, 1995); and "On Competition Protection at the Market of Financial Services" (June 23, 1999). The Draft Federal Law "On Competition Protection" is being developed to complete the legal base of the economy's antimonopoly policy. The government authority currently in charge of the competition policy is the Federal Antimonopoly Service (FAS), which was established in 2004 as a result of administrative restructuring and replaced the Ministry for Antimonopoly Policy and Entrepreneurship Support, which existed since 1998. Pursuant to the Decree of the Government No. 187 (April 7, 2004), the Ministry of Economic Development and Trade is also responsible for the formation and elaboration of the competition policy. It seems that the Russian competition legislations have been developed in accordance with standardized international practices and brought up to date. The economy also entered into several international cooperation agreements in competition policy areas, including those with China (1996) and Korea (1999). Russia has maintained cooperative relations with such international organizations as UNCTAD, ICN, OECD (as an observer), and WTO (as an observer). The

above-mentioned Federal Law, which is under preparation, is expected to provide a more comprehensive and up-to-date regulatory framework for the competition policy, as it will unify the regulations for financial and commodity markets, introduce a list of types of abuse of dominant positions and establish more accurate definitions to enable the effective implementation of the legal provisions. On the competition policy, no substantial complaints were raised by the APEC economies.

### **3.9 Government Procurement**

#### <APEC Objectives>

*It is the declared Objective in this action area for each APEC economy to (i) develop a common understanding on government procurement policies and systems, as well as on each APEC economy's government procurement practices and (ii) achieve liberalization of government procurement markets throughout the Asia-Pacific region in accordance with the principles and objectives of the Bogor Declaration, contributing in the process to the evolution of work on government procurement in other multilateral fora.*

#### <Russia's Achievements>

The legal framework for government procurement in Russia is provided by a complexity of legislations that have largely been adopted since 1994, including the Civil Code, several Federal Laws, Presidential Decree and Government Resolution. A new draft Federal Law "On Placement of Orders for Delivery of Goods, Performances of Works and Provision of Services for State Needs", was approved by the government, but not yet adopted. Once enacted, this Federal Law is expected to "eliminate restrictions upon the participation of foreign suppliers, ensure transparency of the government procurement mechanism, and eliminate possibilities for corruption", as USTR (2004) noted in its analysis report. Therefore, this Federal Law would become the consolidated and key regulatory framework for this action area.

The complex structure of governing legislations with regards to Russian government's procurement regime appears to be in close connection with the perceived 'substantial lack of transparency' and 'inequality in decision making', as some economies point out as policy deficiencies. Also, a certain degree of mismatch in the definition of "government procurement" in WTO's Government Procurement Agreement (GPA) and "Purchase for State needs" in Russian legislations is the main source of misconception and misunderstanding over the Russian procurement regime, and is one of the obstacles in Russia's accession to GPA after the economy acquires the membership of the WTO. Russia, in

fact, needs to narrow or eliminate these mismatches, in order to become a full member of the GPA.<sup>36</sup> Furthermore, APEC member economies have observed a few discriminatory practices in the management of Russia's government procurement regime, despite the government's notable efforts to remove such practices. For instance, the provision stipulated in the Russian legislation that 'foreign suppliers can participate in tenders, in case if a production of necessary products and services in the Russian Federation is absent or economically inexpedient' can be interpreted as discriminatory tendering practices that favor domestic suppliers compared to foreign suppliers.<sup>37</sup> Also, some provisions in the amended Federal Law on Communications, which went into force on January 13, 1999, appear to encourage government agencies to give priority to systems using Russian-produced equipment when purchasing communications equipment.<sup>38</sup>

### **3.10 Deregulation / Regulatory Review and Reform**

#### <APEC Objectives>

*It is the declared Objective of APEC in this action area to facilitate free and open trade and investment in the Asia-Pacific Region by (i) enhancing the transparency of regulatory regimes (including through the use of new technologies), (ii) eliminating domestic regulations that may distort or restrict trade, investment or competition and are not necessary to achieve a legitimate objective, and (iii) speeding up reforms which encourage efficient and well functioning product, labour and capital markets and supportive of institutional frameworks.*

#### <Russia's Achievements>

Regulation of natural monopolies in the Russian economy constitutes one of the priority policy areas with regards to the action area of deregulation and regulatory review and reform. The legal framework for natural monopolies is provided mainly by the Federal Law "On Natural Monopolies", which was adopted on August 17, 1995. This Federal Law, together with sector-specific additional legislations, regulates (i) transportation of oil and oil products along arterial pipelines, (ii) transportation of gas along pipelines, (iii) railway transportation, (iv) services of transport terminals, port and airports, (v) services of public electric and mail communications, and (vi) services in electric power sector. It is the main goal of the Russian government to substitute the natural monopolies in these sectors of the economy with

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<sup>36</sup> At the moment, Russia does not consider to become a member of GPA. See APEC (2004a).

<sup>37</sup> The Russian government reaffirmed its determination to lift this discrimination through the above-mentioned new legislation, in order to secure national treatment in government procurement.

<sup>38</sup> See USTR (2004), pp. 409.

competitive conditions. In this regard, special attention has to be paid to competition policy per se. Another priority policy area within this action area that has strong connection to Russian government's current strategic orientation is the "de-bureaucratization" of the Russian Federation. As evaluated in the relevant part of the Study, substantial progress has been made in the field of "de-bureaucratization". An additional area of significance for Russia's trading partners is the government policy on the convertibility of the "Ruble", Russia's national currency. Although the Russian government does not intend to make Ruble convertible before 2008, several steps have already been taken to further liberalize the capital transactions. Especially, the increased trade and current account surpluses over the last three years have contributed to making the government's decision to (gradually) continue the liberalization of capital transactions easier.

Despite these improvements of overall aspects of deregulation in the fields of electricity and railroad, strengthening of government control in the petroleum and natural gas sectors has been observed. In fact, there have been mixed signals with regards to deregulation and "de-bureaucratization" of individual sectors of the economy in general, and in natural monopoly sectors in particular. As mentioned in the section of NTMs, the complexity of licensing scheme and related increase in transactions costs remain one of main impediments on the way towards the Bogor Goals. Another policy challenge for the Russian government stems from a negative assessment by a high portion of Russian population considering general business environment of Russia to be still highly regulated and burdened by corruption and discretionary decision-making by the officials. In this context, Russia is strongly recommended to be more consistent and affirmative with its policy initiative of deregulation and de-bureaucratization.

### **3.11 Implementation of WTO Obligations**

<APEC Objectives>

*It is the declared Objective of each APEC economy to ensure full and effective implementation of Uruguay Round outcomes within the agreed time frame in a manner fully consistent with the letter and the spirit of the WTO Agreement. On Rules of Origin, APEC economies will (i) ensure full compliance with internationally harmonized rules of origin to be adopted in relevant international fora and (ii) ensure that their respective rules of origin are prepared and applied in an impartial, transparent and neutral manner.*

<Russia's Achievements>

Russia is not yet a member of the WTO, and has been in negotiations with the WTO member countries to accede to the multilateral trading system. Russia's accession negotiations have largely shaped the current state of its trade policy. In most of the IAP action areas, Russia introduced liberalization and facilitation measures, while in few sectors developments in the opposite direction have been observed. It is an overall assessment by the Expert that positive developments have by far outpaced negative developments.

Especially, Russia has been very active and progressive in making "rule of law" established in the Russian trade and investment policy regime. In an effort both to establish "rule of law" in the Russian Federation in general and in the trade and investment policy regime in particular, and to accommodate changed international trade environments and requests from the negotiation partners, numerous new legislations have been introduced and old ones revised. However, there still remain discrepancies between the Russian legislation and the WTO rules and disciplines, which the Russian government wants to eliminate in cooperation with the State Duma within a few months from now. The overall level of liberalization of the Russian economy will largely be determined by the completion of the accession negotiations with the WTO. As far as the prospective MFN tariff rates are concerned, the result of bilateral negotiations between Russia and the European Union can be used as a proxy: Reportedly, Russia has committed to maintain the average tariff rates at no higher than 7.6% for industrial products, 11% for fishery products and 13% for agricultural products.<sup>39</sup>

The rules of origin in Russia, in general, comply with the established international rules of origin. In fact, Russia has adopted three different kinds of rules of origin: (i) rules of origin for products originating from developing countries eligible for the system of preferences; (ii) rules of origin within the free trade agreements; (iii) rules of origin for products originating from CIS countries. In order to establish the country of origin in the second case, Russia uses the additional criteria of "direct purchase" and the requirement that the exporter be a legal resident of a Member of the agreement. However, Russia does not possess any special arrangements for the determination of country of origin within the framework of the Eurasian Economic Community and Common Economic Space.

Plurilateral agreements established within the WTO, notably the Government Procurement Agreement (GPA) and Information Technology Agreement (ITA), are not mandatory for the country involved in accession negotiations. In fact, the Russian government is not going to consider its accession to those agreements in the near future. That is, Russia reaffirmed its intention to join the WTO not at every cost, but "on standard discrimination-

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<sup>39</sup> Quoted from European Commission (2004a).

free conditions”. However, for a country like Russia, which is a member of G-8, is a major political and military power in the world and has accumulated huge trade and current account surpluses over the last few years, a more progressive and pro-liberalization stance towards these plurilaterals would be greatly appreciated by the world trading community in general, and the APEC economies in particular.

### **3.12 Dispute Mediation**

#### <APEC Objectives>

*It is the declared Objective of APEC that (i) member economies are encouraged to address disputes cooperatively at an early stage with a view to resolving their differences in a manner which will help avoid confrontation and escalation, without prejudice to rights and obligations under the WTO Agreement and other international agreements and without duplicating or detracting from WTO dispute settlement procedures, (ii) APEC facilitates and encourages the use of procedures for timely and effective resolution of disputes between private entities and governments and disputes between private parties in the Asia-Pacific region, and (iii) APEC ensures increased transparency of government laws, regulations and administrative procedures with a view to reducing and avoiding disputes regarding trade and investment matters in order to promote a secure and predictable business environment.*

#### <Russia’s Achievements>

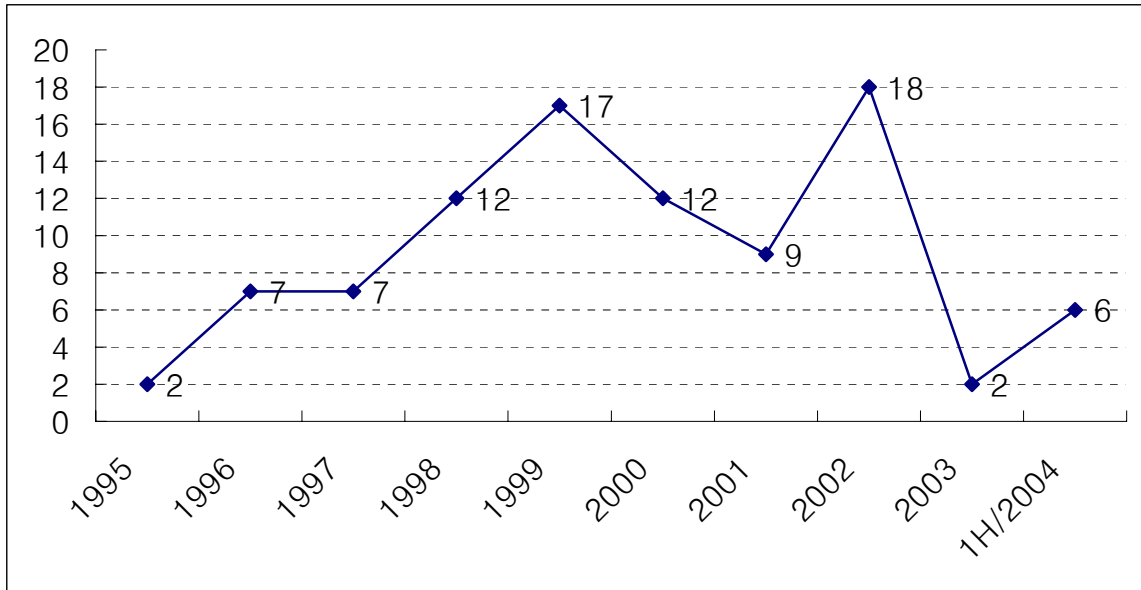
Disputes on investment projects and trade regime are on the increase worldwide. Since the establishment of the WTO in 1995, the multilateral trading system has been equipped with a more effective and powerful Dispute Settlement Mechanism (DSM). As a non-member country of the WTO, Russia has had difficulties in using the WTO’s DSM, even as the Russian government reported an increasing number of trade and investment disputes in which it is involved either as a complainant or as a defendant. For example, Russia has been a defendant in WTO’s DSM in 92 anti-dumping cases over the period 1995 – mid 2004, but as a non-member of the WTO, could not make use of the DSM at all.<sup>40</sup> Among these 92 cases, 42 cases were initiated by APEC member economies.<sup>41</sup> Chart 4 illustrates the development of anti-dumping cases initiated against Russian products within the DSM of the WTO.

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<sup>40</sup> It is noteworthy that Russia has never been involved in countervailing cases at all. See, for the details, WTO (2005c).

<sup>41</sup> The United States, China and Mexico initiated 11, 6 and 6 cases, respectively, and account for over 50% of APEC-initiated cases. See, for the detailed statistics, WTO (2005a).

**Chart 4: Development of Anti-dumping Cases against Russian Products in WTO's DSM**



Source: WTO (2005b).

Considering the necessity of an effective dispute resolution instrument with international recognition, Russia appears to have made every effort, where appropriate, to enact and/or bring its own system of dispute resolution into compliance with the WTO DSM and other international practices. Here, Russia's accession negotiations with the WTO member countries played an important role. As stated many times in previous sections, Russia has been extremely active in the provision of a legislative framework to govern its trade and investment policy regime. The same applies to this action area. It is observed that Russian government made efforts to provide appropriate dispute settlement possibilities. Examples include investment-related legislations, customs procedures and intellectual property rights.

Similarly, Russia concluded bilateral agreements on encouragement and mutual protection of investments with a number of APEC economies, as listed in Table 2, to govern government-to-government disputes, and adopted a number of new legislations to govern government-to-private disputes, as well as revised several legislations that shall govern private-to-private disputes. This made the legislative setting of Russian dispute resolution system rather complete, and Russia seems prepared for the membership of the WTO in this action area.

**Table 2: Russia's BITs with APEC economies**

<b>Partner</b>	<b>Year concluded</b>
Canada	1989
China	1990
Japan	1998
Korea, Republic of	1990
Philippines	1997
Thailand	2002
United States	1992
Vietnam	1994

**Source:** UNCTAD, BIT/DTT Database; MEDT of Russia

### **3.13 Mobility of Business People**

<APEC Objectives>

*It is the declared Objective of APEC that each economy will (i) enhance the mobility of business people who are engaged in the conduct of trade and investment activities in the Asia-Pacific region and (ii) enhance the use of information and communications technology (ICT) to facilitate the movement of people across borders, taking into account the Leader's Statement on Counter Terrorism.*

<Russia's Achievements>

Current Russian legislations provide that foreign nationals entering the economy are required to submit valid IDs and be recognized in this capacity, and visas are issued by diplomatic missions or consular posts of Russia, unless otherwise stipulated by international treaties of Russia. For business travels by foreign citizens, the Russian government issues regular business visas, which can be either single or double entry with a valid period of up to three months, or multiple entry with a valid period of up to one year. There is an additional stipulation that the duration of continuous stay for a foreign citizen holding a multiple-entry business visa with a validity of up to one year should not exceed 180 days. To secure business visas, foreign business people have to submit an invitation issued by the federal government agency in charge of foreign affairs at the request of other federal government agencies. The inviting party, who has to submit the request for an invitation, has to provide guarantees of



financial, medical and lodging support to the person in question for the period of his/her stay in the Russian Federation.

Whereas until 1996 a complicated visa form was used that caused delays in the visa procedure and related transactions cost, during the IAP period the Russian government introduced automatically processed visa forms and modern equipment. Measures were taken to speed up the processing of applications as well. Some consular posts abroad now also receive the invitation by email. These measures have contributed to the facilitation of the general visa procedures, shortening of the waiting time, and reduction of related transactions cost in particular.

APEC has adopted an innovative scheme called APEC Business Travel Card (ABTC), to make business travel within the APEC region easier and less costly. The ABTC provides the business travelers of APEC origin with pre-cleared short-term entry to the 14 APEC member economies participating in the scheme. The card holders do not need to individually apply for visas or entry permits each time they travel, saving valuable time. Currently the following 14 APEC economies have adopted this scheme: Australia, Brunei Darussalam, Chile, China, Hong Kong (China), Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, Peru, The Philippines, Chinese Taipei, Thailand.<sup>42</sup> Russia, however, is not participating in the ABTC scheme yet. It is also not expected that Russia will join the scheme in the near future. Rather, it is the current policy stance of the Russian Federation that this APEC-wide scheme can only be considered in the context of the preparation of appropriate bilateral or multilateral agreements in the APEC framework, as exceptions to the special regulations provided in federal laws can only be defined by international treaties (agreements). Based on this policy stance, Russia has been trying to conclude visa exemption agreements with select APEC economies on an experimental basis. If APEC economies can be networked with bilateral visa exemption agreements, it will have the same effect as APEC-wide Business Travel Card System. However, the process of initiating and completing the bilateral networks can be cumbersome, because it entails a substantial number of bilateral contacts and negotiations. Therefore, it remains to be seen which of the two systems prove better serving the business interests of APEC economies. With nearly 80% of APEC member economies either participating in the scheme already or having announced their intention to do so, Russia is recommended to participate in the ABTC at least as an interim visa scheme for business travelers of APEC origin.

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<sup>42</sup> As of 2004, Singapore and Papua New Guinea have announced their intention to join the scheme, but are yet

### 3.14 Information Gathering and Analysis

#### <APEC Objectives>

*It is the declared Objective of APEC that all member economies will secure a solid platform for the expansion and improvement of Actions in Specific Areas and APEC economies' respective Action Plans by undertaking inter-alia cross-sectoral work.*

#### <Russia's Achievements>

The Government Resolution No. 98 of February 12, 2003 "On Access to Information on Activities of the Government of the Russian Federation and Federal Executive Bodies" constitutes the centerpiece of Russian government's actions on Information Gathering and Analysis, and requires all the federal executive bodies to ensure public access to information with regards to laws, Presidential Decrees, Government Resolutions, as well as their own Regulations, Orders, Rules, Instructions and so on, by placing the same on the internet.

Even though it has become a welcome practice of the Russian government to secure wide-ranged public access to government activities, it is not an easy venture to find useful information provided in English language. To fill the gap between information provided in local and international language, Russian government has endeavored to increase English-language websites over the past years. A number of English-language websites, which provide up-to-date information on the government's activities have been established.<sup>43</sup> Also, many government agencies publish Newsletters on a regular basis, which should contribute to making the Russian trade policy more transparent and Russia's trading partners better understand the state of Russian trade policy regime. In addition, Russia plans to elaborate on measures to improve access to customs regulations and other subsidiary legislations, and reaffirms its intention to contribute to the APEC program of collective actions on information gathering and analysis.

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to commence processing local or foreign card applicants. Fixed dates of their formal accession are not set yet.

<sup>43</sup> A list of these websites is provided both in 2004 Russia IAP and on pp. 34-35 of Answers to Questions for Part I.

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## Russia's Responses to Written Questions and Comments by Member Economies, ABAC and Expert

### Introduction/Overview/General Comments

#### Introduction

#### **Expert**

**Q.1:** *Could you describe the development of Russian economy before and after the 1998 financial crisis? What main factors have contributed to this development? Please provide detailed relevant statistics, especially for the period of 1996-2004.*

**A.:** Pre-crisis period 1996-1998 was characterized by the policy toward inflation declining and maintaining financial stability. It stemmed from a consistently tight monetary policy, involving a nominal anchor in the form of an exchange rate band, the phasing out of directed credits and the termination of direct central bank deficit financing.

Progress in macroeconomic stabilization led to modest gains in output in 1997. Nevertheless, few of the enterprises, which had been able to survive the 1992 liberalization shock without really adjusting, managed to do so in 1995-97, when the sharp real ruble appreciation together with scarce and expensive credit, squeezed domestic producer.

Capital inflows, together with a strong current account surplus, had essentially financed large fiscal deficits in 1996 and 1997. These fiscal imbalances and structural problems made the economy highly vulnerable to changes in external environment. Financial turmoil in Asia entailed both sharp falls in the prices of key Russian export commodities and changes of general investors attitude toward emerging markets. It caused financial collapse and further output decline in 1998.

The Russia's Government was confronted with a number of important tasks in the social, institutional, macroeconomic and investment fields. In particular, the Russian Federation had to overcome the decline in the standards of living of its population resulting from the economic and financial crisis of 1998. This could be only achieved through policies aimed at stimulating growth in the country's GDP by improving economic productivity, and expanding sources of investments. In our view, this would also require the maintenance of a set of policies which could adequately develop competitive domestic markets for goods, services and capitals and enhance the role of smaller and medium size enterprises. Accordingly, since requesting accession to the GATT and afterwards to the WTO, entry to the APEC in 1998, the Russian Federation had undertaken an unprecedented process of reform of its economy progressively adopting laws and regulations consistent with WTO multilateral rules and disciplines as well with achieving the APEC Bogor goals. This process was primarily aimed at establishing the conditions for a dynamic market economy in the Russian Federation based on a stable and predictable legislative framework capable of sustaining long-term economic growth and ensuring improvements in the standards of living and welfare of the Russian population as well as in the modernization of the Russian Federation's production capacity, and its international competitiveness. The Government of the Russian Federation had set a clear list of programs, policies and priorities that had as their central goal rendering the Russian Federation a better, more competitive and rewarding place in which to work and do business. It was clear that the growing interdependence of national economies, global integration of markets and linkage

between trade flows and investment required the Russian Federation to adjust its trade, financial and investment legislation to internationally admitted rules and disciplines both in the WTO and APEC.

Two external factors played an important role in rapid output recovery in post-crisis period. First, a strong ruble depreciation gave a major boost to firms with an export and import-substituting orientation.

Second, a strengthening of oil and other commodity prices increased profits and liquidity for Russian exporters, also increasing federal budget revenues and the foreign reserves of the Central Bank.

Sharp declining of real wage costs and real energy and transportation prices had also contributed to the favorable trends. High level of political cooperation within the Government facilitated the reforms aimed at improving the business climate and further integrated Russia into the world economy.

The Russian market for services began to develop only in the first part of the 90s, following the domestic process of economic reforms, privatization and liberalization of the whole system of the Russian Federation's economy. Many laws and regulations were adopted to establish a legal framework for provision of services in general or in specific sectors. However, the dynamism of services markets was still not adequately reflected by the domestic regulatory system. As an example, the Russian banking crisis in August 1998 was particularly associated with inadequate approaches to, and lack of effective prudential arrangements in, the established banking activities following the extreme dependence of the domestic financial system from the situation in short-term foreign capital markets. For the purposes of creating a favorable economic and investment climate, including in the sphere of services, the Russian Federation had embarked on a series of measures to reduce restraints on the economy involving streamlining of the procedures of company registrations, downsizing the list of types of activities subject to licensing and a reduction of the frequency of inspections of enterprises. It could be expected that regulatory framework of the Russian Federation governing the services sector would, at the same time, be continuously subject to frequent adaptations and improvement in light of experience and of progress made in building national capacity to supply services on a competitive basis.

As shown in Table I, an annual output GDP slump between 1996 and 1998 averaged 2,6 per cent while maintaining an average of 11,8 per cent drop in the rate of investments.

**Table I. Main Economic Variables 1996-2004**

<b>Period</b>	<b>Average GDP growth (%)</b>	<b>Average annual inflation (%)</b>	<b>Rate of investment (% of GDP)</b>	<b>Average unemployment rate (%)</b>
<b>1996-98</b>	-2,6	39,1	-11,8	10,5
<b>1999-04</b>	6,7	19,0	9,9	8,7

Sources: Bank of Russia (CBR), Federal State Statistics Service (FSSS).

Russian authority attributes the slowdown in economic growth during 1996-1998 as being largely attributable to adverse internal (the Asian financial crisis) and external (meeting with losses because of the financial system instability) circumstances. Annual average GDP growth in the period 1999-2004 achieved 6,7 per cent. It has been the most successful period for Russia since its beginning of transition into the market-oriented economy. Although GDP growth accelerated again since 1999, the nominal GDP (in USD) reached the level of 1997 only at the end of 2003.

However, by 2004 almost all post-crisis factors contributing to the growth were exhausted and in order to maintain further growth Russia needs to complete structural reforms and create institutions that help to reduce dependence on resource exports over the long term.

**Table II. Basic Economic Indicators, 1996-04**

	1996	1997	1998	1999	2000	2001	2002	2003	2004*
<b>I. Gross domestic product (GDP)</b>									
Current GDP (USD bln.)	418,8	428,5	268,9	196,1	259,8	306,7	345,7	433,0	572,7*
Real GDP, rate of growth (%)	-3,6	1,4	-5,3	6,4	10,0	5,1	4,7	7,3**	6,8-6,9**
Breakdown by consumption growth (%)	-3,1	3,0	-2,1	-1,2	5,6	6,8	7,3	6,6	n/a
Private	-4,7	5,4	-3,4	-2,9	7,3	9,5	8,9	7,9	n/a
Public (government)	0,8	-2,4	1,0	3,1	2,0	-0,8	2,6	2,2	n/a
Gross fixed capital formation (investments), %	-18,0	-5,0	-12,3	5,3	17,4	10,3	2,8	12,5	10,8
Foreign investments (FDI, portfolio and other, USD bn.)	n/a	n/a	11,77	9,56	10,96	14,26	19,78	26,70	29,14 (Jan.-Sept.)
Exports of Goods*** (F.O.B., USD bn./%)	89,69 8,8	86,90 -3,1	74,44 -14,3	75,55 1,5	105,0 38,9	101,9 -3,0	107,3 5,3	135,9 26,7	179,9 32,4
Imports of Goods*** (C.I.F., USD bn./%)	68,09 8,8	71,98 5,7	58,01 -19,4	39,54 -31,9	44,86 13,7	53,76 19,8	60,97 13,4	75,44 23,7	94,0 24,6
<b>II. Fiscal indicators (per cent of GDP)</b>									
Budget Balance	-8,1	-7,7	-5,3	-0,5	3,5	3,1	0,3	1,7	4,0
Merchandise Trade Balance (F.O.B.)	5,4	4,0	6,1	18,4	23,2	15,7	13,4	14,0	85
Current Account Balance (per cent of GDP)	2,8	0,5	0,1	12,6	18,0	11,1	8,4	8,3	n/a
Current Account Balance (USD, bn.)	10,9	-0,1	0,2	24,6	46,8	33,9	29,1	35,9	44,8****)
<b>III. Money and prices</b>									
GDP Deflator (% change)	44,1	14,5	18,6	72,5	37,6	16,5	15,7	14,2	13,5
Consumer Price Index – CPI (% change)	47,9	11,0	84,4	36,5	20,2	18,6	15,1	12,0	11,7
M2 (% change)	130,7	129,8	21,3	57,5	61,5	39,7	32,4	50,5	n/a
Real personal cash income	1,0	6,4	-16,0	-11,9	13,4	10,0	10,9	13,4	12,5
Exchange rate (by the end of period, Rubles/1 USD)	5,56	5,96	20,65	27,00	28,16	30,14	31,78	29,45	27,75
Short-term interest rate (% p.a.)	85,8	32,0	50,6	14,8	7,1	10,1	8,2	8,3	n/a
<b>IV. Memo items</b>									
Population (mln.) <sup>a</sup>	147,1	146,7	146,7	146,3	146,7	146,1	145,2	144,6	n/a
Unemployment rate (%)	11,3	11,7	18,6	8,3	10,5	9,0	8,1	8,6	7,4
Gross international reserves (USD bn.)	15,32	17,78	12,22	12,46	27,95	36,62	47,79	76,94	124,5

Sources: CBR ([http://www.cbr.ru/eng/statistics/credit\\_statistics/](http://www.cbr.ru/eng/statistics/credit_statistics/)); FSSS, Russia's to APEC Outlook Reports (2000-2004)

<sup>\*)</sup> preliminary figures;

<sup>\*\*) IBS – an output dynamics index of 5 base sectors (industry, agriculture, construction, transport, retail trade);</sup>

<sup>\*\*\*)</sup> per balance of payment methodology.

<sup>\*\*\*\*)</sup> as of 9 months of 2004

In addition to such external challenges, Russia also faces the challenge of finding and maintaining an equitable and sustainable growth path, as most developing economies and countries with economy in transition do.

However, as recent macro indicators suggest, Russia's impressive economic performance in the 90s and especially after the New Millennium was the outcome of the increased openness of the trade and investment regime, good functioning of market institutions, relatively well-developed financial systems and responsible fiscal and monetary policies.

At this juncture, one cannot overemphasize the pivotal role of market-oriented structural reforms in establishing a sustained and equitable growth path. The benefit from reform is evident. Russia has recovered from the domestic structural financial crisis in 1998.

The current economic policies in the Russian Federation were aimed, *inter alia*, at "de-bureaucratization" of the economy, including elimination of unnecessary and burdensome administrative barriers, improvement of competition and investment attractiveness of the country, as well as at the achievement of its fiscal and monetary stability. In particular, current monetary policy was aimed at creating favorable preconditions for sustainable long-term economic development. This objective was being achieved by reducing inflation to the projected level as the fundamental monetary policy target and implementing policy of managed floating exchange rate of the national currency. All these activities were accompanied by measures to liberalize foreign exchange regulations.

Pursuant to "The Guidelines for the Single State Monetary Policy for 2004" (The Monetary Policy Guidelines) the ultimate aim of the monetary policy implemented by the CBR was the reduction of inflation. The CBR had developed a monetary program with the objective to monitor monetary indicators on their compliance with the projected inflation level. The Monetary Policy Guidelines for 2004 could be found on the CBR's web-site (<http://www.cbr.ru/eng/>).

One of the fundamental reforms that were being introduced as after Russian financial crisis was a reform of the Russian tax system. Part I of Tax Code, which took effect on 1 January 1999, established the general taxation framework in terms of principles of taxation, definitions and tax administration procedures, including protection of taxpayer rights against retroactive tax legislation and liability for tax violations. Part II of the Code, establishing the rule for calculation and payment of individual taxes, came into force on 1 January 2001, initially containing 4 chapters dealing with VAT, excise tax, individual income tax and a new combined unified social tax. Under the VAT Chapter of the Tax Code, VAT remained at its previous rate initially of 20 per cent (18 per cent now) but the number of privileged tax payers was reduced and the recovery of VAT was permitted in full on constructed fixed assets, which reduced the cost of capital investment. Under the Individual Income Tax Chapter of the Tax Code, the rate of the tax was cut to 13 per cent for residents (individuals spending 183 or more days in Russia in a given calendar year, regardless of their citizenship) and 30 per cent for non-residents. The new unified social tax (UST) replaced several separate social charges together previously amounting to 38,5 per cent of payroll expense. The aggregate rate of the social charges (excluding the work-place injury insurance contribution, which remained separate) was lowered: the UST is levied at a regressive scale, with a top rate of 35,6 per cent and a bottom rate of 2 per cent, which is available for employers paying an average salary of over 2.500 roubles (equivalent to less than USD 100) a month. From 1 January 2002 the chapter on Corporate Income Tax ("profit tax"), applying also to banks and other financial institutions, came into force, setting a flat profit tax of 24 per cent for all enterprises, split among deferral, regional and local authorities. It also eliminated the previously widespread use of tax concessions and special favorable tax regimes at all levels of the Government, that caused corruption and bribes. Finally, it introduced a liberal withholding tax regime for Russian-source

income of foreign companies. Part II of the Tax Code now includes chapters on individual federal tax, regional taxes and special tax regimes. The Tax Code will be further expanded by the addition of a new chapter on the regional property tax, with the new chapters on the remaining federal, regional and local taxes to follow within the next few years.

It is also important to bear in mind that the taxation system was only established in the early 90s in Russia and there has as yet not been sufficient time for administrative approaches to mature. The absence of a taxpaying culture after more than seven decades of "planned economic system", heightened by perceptions that only a few people have become disproportionately enriched by the privatization of state assets, means that there is widespread and persistent resistance to paying tax, leading to large-scale tax evasions, particularly in the area of VAT. The requisite cultural change necessary to permit full implementation of a regular taxation system will take some years to complete.

A major step forward came in April 2002 with the development of a new Code of Corporate Governance based on the OECD and APEC principles of such governance. Although compliance with the Code is not a legal requirement, it provides a clear set of benchmarks for Russian business to follow.

The central goal of the de-bureaucratization programme is to reduce state intervention in economic activity by shifting the role of government away from direct control over assets and markets and towards greater reliance on law and regulation.

The Law "On Protection of Legal Persons and Individual Entrepreneurs in the Process of Exercising State Control (Supervision)" was enacted in 2001, with the purpose of reducing the number of inspections to which businesses are subjected. It defines procedures for government inspections and assigns responsibility to government services carrying out the inspections. By the law, the duration of such inspections should not exceed one month, or, in special cases, two months.

The Law "On Licensing of Certain Activities" came into effect in February 2002. It strictly limits the number of activities subject to licensing and stipulates that the license should be valid for not less than five years.

The Law "On State Registration of Legal Persons" (July 2002) limits the charge for registration and the time limit for approving or rejecting registration applications to no more than a month after submission. The law also establishes the goal of having a single office complete the registration process ("one-window-registration" by the State Registration Chamber, attached to the Ministry of Justice).

A new Law "On Technical Regulation" introduced in December 2002 provides for a seven-year period on transition to completely new procedures of standardization and certification and requires the adoption of a number of new sectoral sublaws in order to be fully implemented. An important innovation is that Article 9 of the Law provides for public consultation through publication, also in electronic form, so that all interested parties should thus be given access to draft technical regulations and a possibility of providing comments before finalization and introduction of a new regulations.

Significant reform steps were made by the adoption of a new version of the Bankruptcy Law (2002), strengthening of law enforcement through increased independence of the judiciary and the creation of more effective enforcement mechanisms in 2002 (in this package, major immediate benefits for investors were brought through the enactment of the Russian Federation Code of Arbitration Procedure in September 2002 and the Russia's Code of Civil Procedure in February 2003).



The issue of an administrative reform is a pressing one in the current economic context in Russia and a major programme has been under way for the past three years to reform both the operations and powers of state government and municipal self-governing bodies.

A new privatization law came into force in July 2002 which aimed to resolve long-standing conflicts between the executive and the legislative branches of the Government in matters of disposal of state property.

Russia's new Land Code was passed into law on 31 October 2001. The Land Code represents significant reform because it establishes under law and sanctions land ownership, providing domestic and foreign investors alike with new rights and opportunities. Full provisions of the Land Code apply primarily to urban areas, with procedures concerning the circulation of agricultural land regulated by a separate law passed in mid-2002. The Land Code endows the Russian State, municipalities, private individuals and legal entities with full and wide rights to land ownership. Although the law stipulates that perpetual or indefinite use of land is to be granted only to the State and municipal enterprises and authorities, individuals and legal entities enjoy all other forms of land rights covered by the law, including free fixed-term use, leasing, and life-long heritable possession.

After a lengthy period of redrafting and compromises among the interests of several ministries and representatives of traders and carriers, a new Customs Code entered into force on 1 January 2004. The new Code brought in greatly simplified customs clearance procedures which will increase handling speed, cut down on storage and transport costs and have a positive impact on the financial performance of investment projects also. In addition to being tailored to generally accepted international norms and practices it provides an adequate legal basis for qualitative improvements in the Russian customs administration, changing its priorities from focusing on its fiscal function to that of promoting foreign trade.

Last but not least, in 2002, following an examination conducted in June 2000, Russia was removed from the blacklist of the Financial Action Task Force (FATF), indicating that the country is recognized as taking serious measures with financial abuses such as money laundering. The Russian Federation is now a full member of FATF and also of the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL).

In the past three years, Russia has gone through a period of fundamental and very comprehensive reforms and seen important changes in the economy. In recognition of this important reform effort, both the United States and the European Union have granted Russia market economy status during the course of 2002. The WTO accession negotiations continue and this process itself has enhanced transparency and consultation procedures within the country, in particular via more consistent publication and registration of current legislation. For investors, the business environment has improved significantly, especially in the areas of tax reform and protection of shareholder rights.

Further reform efforts remain necessary, however, for the environment for business activities to become conducive to broad-based investment and make Russia an attractive destination for FDI. While formal discriminatory restrictions on FDI concern only a limited number of sectors, there exist many other barriers to foreign investment, as formal limitations on foreign participation imposed by the law in particular sectors of industry and services. They should be taken into account.

Impressive though the structural reform record of the last few years has been, there is still a tremendous amount to do, much of it directly connected with the implementation of reforms already adopted. Broadly speaking, the most important tasks fall into three categories:

- market reforms continuation, which aim at improving the efficiency with which financial and other resources are allocated;
- social reforms, directed at providing more effective, targeted and fiscally sustainable social protection to vulnerable groups in the population (retired on a pension, women, youth, unemployed); and
- state reforms, which principally involve strengthening the rule of law and improving the quality and probity of the state administration.

In the near future Russia will continuously advance and deepen the socio-economic reforms in the following aspects:

- to accelerate the economic, financial and structural reforms and further to transform the operational system.
- to speed up the establishment and improvement of a modern corporate system, standardize corporate governance as soon as possible, and provide the investors with free maximum allowed market access; to accelerate the joint stock system reform and bring the joint stock system to the major form of public ownership as soon as possible.
- to make for separation of core businesses and non-core businesses among monopolized private entities created during initial period of the privatization in Russia, accelerate the transformation of its non-core business in favor of SMBs and ameliorate the state social functions separating its from legal entities as much as possible.

We expect that average GDP (gross domestic product) growth of 2004 year will come to an approximate result of 6.8 per cent. This corresponds more or less to the average growth rates the Russian economy has seen over the last five years. Per capita GDP comes to around USD 4,000 this year. This is more than double the result for 2002 and more than triple that of 1999.

Fixed capital investment in 2004 was up by more than 10 per cent – a little less than last year but still not a bad result. Russia's imports of goods increased by almost 25 per cent. We have had a record trade surplus of almost USD 80 bn. over recent years as we have been exporting almost twice more than we import. The country's gold and foreign currency reserves have increased by almost 70 per cent and are now approaching the USD 120 bn. mark. This is a record result in the history of the Russian Federation.

One important fact to note is that our gold and foreign currency reserves now exceed the size of our state foreign debt for the first time. This means that Russia is now a net-creditor. This economic growth we have seen has helped raise people's real incomes, that is real incomes not counting inflation and price rises. Real incomes have risen by 9 per cent and pensions have increased by approximately five per cent. Wages, according to preliminary calculations, have increased by somewhere from 10-12.5 per cent.

Unemployment is down and the unemployment rate is now around 7.4 per cent. But we keep in mind that in absolute terms this still represents a large number of people – 5.5 million – and this is an issue that will require the government's ongoing attention.

The situation has been quite good in the area of state finances. We have had a federal budget profit for the fifth year in a row now. Our Stabilization Fund has now reached a total of more than USD 20 bn. At the same time, state foreign debt has decreased since 1999 and as a share of GDP has fallen from almost 60 per cent to 20 per cent.

One of our achievements this year has been that the world's leading ratings agencies – S&P and Fitch - have given Russia an investment-grade rating. These assessments do fully reflect the real economic situation. In previous years, our country received around USD 4 bn. a year in

FDI, but in 2003 that figure was up to USD 6.2 bn. and this year it comes to around USD 10 bn. This, of course, is still not enough, but there is a definite positive trend at work here.

These results will all enable us to move on to the next stage of resolving our social issues. The minimum wage is set to rise from January 1, 2005 by a corresponding 20-per cent wage increase for all public sector workers at all levels. The minimum wage is set to rise by a further 11 per cent from October 1, 2005. Public sector wages will also rise by 11 per cent. In nominal terms, Russia has planned to raise public sector wages by a third in 2005 with inflation of 8.5 per cent, which will result in a wage increase of around 22.9 per cent in real terms. We began planning for these wage increases to take place over two years. The minimum wage should rise by May 2006 and represent an increase of around 83 per cent over 18 months.

**Q.2:** *How have the trade and investment relations of Russian Federation developed over the period of 1996-2004? Please provide relevant statistics and describe main features country (regional) and commodity composition of Russia's international trade and investment relations. Be specific in relation to export and imports, as well as FDI. What new policy initiatives in the fields of international trade and investment has the government taken over the same period?*

**Q.3:** *Which regions (countries) were main trade and investment partners of Russian Federation? What position have the APEC member economies taken in Russia's international trade and investment relations? Have there been any international agreements and/or arrangements that can affect the interests of APEC economies?*

**A.:** Russia's export structure is still dominated by fuels, metals and machine-building which account for around two-thirds of exports. More than half of exports are hydrocarbons, with the oil sector alone accounting for 40 per cent. Export volumes increased in two times, by roughly 106.4 per cent during 1996-2004. This increase was mainly driven by the oil sector, which increased export volumes by 230.1 per cent. The other major export sectors (metals and machine-building) contributed only slightly to overall export growth, as their export volumes increased by around 65.3 per cent during the period.

*Exports* structure ensures a large trade surplus, but the strong real appreciation of the ruble and robust growth of domestic demand in the post-crisis period resulted in a stable growth of imports in recent years.

The structure of *imports* is dominated by machinery, equipment and transport vehicles, with their share having increased from 32 per cent in 1996 to 40 per cent in 2004 (by the first estimation). The share of food products shrank from 25 to 19 per cent. Chemical products remain an important commodity in the import structure, accounting for approximately 16 per cent (up from 14 per cent).

Total merchandise exports of Russia increased by 26.7% and amounted to USD 135.9 billion in 2003, as against their growth at 5.3% in 2002. Exports share in total sales of industrial goods in actual prices in 2003 was 25.1% (29.6% in prices of 2002) compared to 25.0% a year before.

The situation in the world's commodity markets in 2003 was considerably better for Russian exports than in 2002. World prices of major Russian exports rose 16.3% on average. The price of Urals crude grew 15.5% to USD 27.3 per barrel and Brent was up 15.4% to USD 28.8 billion per barrel. The price of petrol rose 23.4%, diesel fuel 24.8% and fuel oil 12.8%. Natural gas prices in Europe jumped 28.0% and non-ferrous metal prices rose 15.5% on average (the price of aluminum was up 6.0%, copper 14.1% and nickel 42.1%).

Growth in exports was due to a significant rise in the contract prices of major export commodities and the expansion of export volumes. At the same time, most of the expansion in exports resulted from an increase in energy export prices.

According to Goskomstat of Russia (now – the Federal Statistics Service (FSS) of Russia), total merchandise imports of Russia amounted to USD 75.4 billion in 2003 and increased by 23.7% compared to 13.3% in 2002 (USD 61.0 billion).

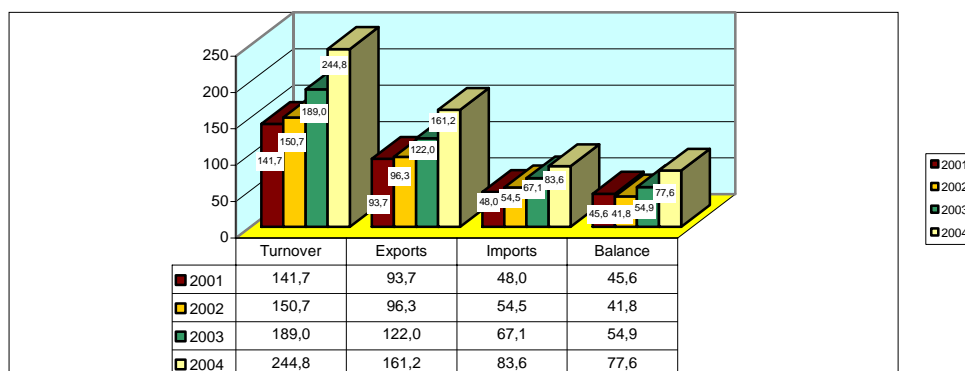
Growth in imports was largely due to the expansion of import volumes. At the same time, there was a rise in the contract prices of some imported products, particularly food, light industry goods and fuel and energy products. The increase in the value of imports mainly resulted from growth in the purchases machinery, equipment and transport vehicles. There was also a rise in the imports of ferrous metals, chemical products, some light industry goods and foodstuffs. The imports of investment goods rose faster than the imports of consumer goods. Overall, the value of imports surpassed the pre-crisis level.

In 2003, Russia’s trade surplus amounted to USD 60.5 billion, approaching the 2000 level, the highest level since 1994 (in 2002, it stood at USD 46.3 billion).

Thanks to considerable growth in the prices of major Russian exports, the terms of Russia’s trade with foreign countries in 2003 were better than in 2002.

Exports to non-CIS countries expanded 25.3% in 2003 year on year to USD 114.0 billion and imports from non-CIS countries rose 23.0% to USD 60.0 billion. The surplus in Russia’s trade with non-CIS countries increased by USD 11.8 billion to USD 53.9 billion.

**Russia's foreign trade trend in January-November of 2001-2004, USD bn.**



**Table III. INTERNATIONAL TRADE OF THE RUSSIAN FEDERATION BY GROUPS OF COUNTRIES**  
(million of US Dollar)

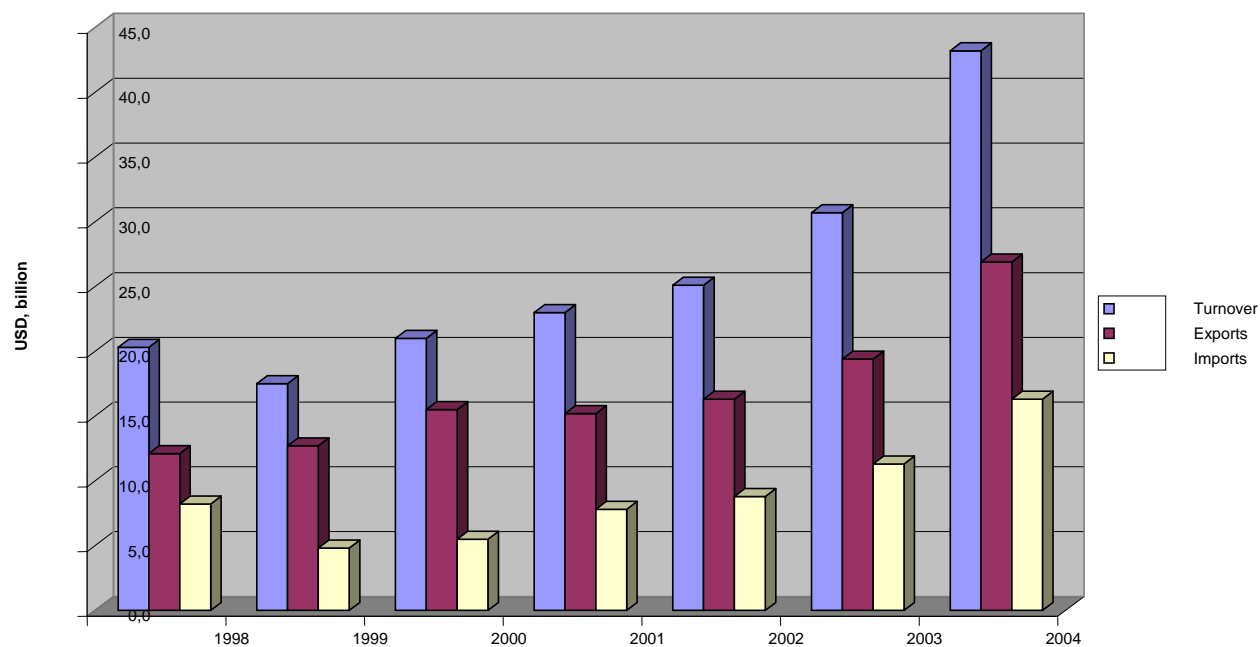
Customs statistics

Groups of countries	Exports								Imports							
	1996	1997	1998	1999	2000	2001	2002	2003	1996	1997	1998	1999	2000	2001	2002	2003
<b>Total</b>	85189,0	85096,0	71314,0	72885,0	103092,7	99969,6	106712,0	133653,7	46458,0	53123,0	43579,0	30278,0	33879,0	41881,3	46174,0	57345,2
<i>annual per cent change</i>	<i>108,9</i>	<i>99,9</i>	<i>83,8</i>	<i>102,2</i>	<i>141,4</i>	<i>97,0</i>	<i>106,7</i>	<i>125,2</i>	<i>99,5</i>	<i>114,3</i>	<i>82,0</i>	<i>69,5</i>	<i>111,9</i>	<i>123,6</i>	<i>110,2</i>	<i>124,2</i>
<b>CIS Countries</b>	15895,0	16624,3	13698,5	10707,0	13824,0	14617,0	15711,0	20498,3	14548,8	14233,9	11313,1	8342,8	11603,6	11202,0	10163,2	13141,0
<i>annual per cent change</i>	<i>109,4</i>	<i>104,6</i>	<i>82,4</i>	<i>78,2</i>	<i>129,1</i>	<i>105,7</i>	<i>107,5</i>	<i>130,5</i>	<i>107,0</i>	<i>97,8</i>	<i>79,5</i>	<i>73,7</i>	<i>139,1</i>	<i>96,5</i>	<i>90,7</i>	<i>129,3</i>
<i>percentage of total</i>	<i>18,7</i>	<i>19,5</i>	<i>19,2</i>	<i>14,7</i>	<i>13,4</i>	<i>14,6</i>	<i>14,7</i>	<i>15,3</i>	<i>31,3</i>	<i>26,8</i>	<i>26,0</i>	<i>27,6</i>	<i>34,3</i>	<i>26,7</i>	<i>22,0</i>	<i>22,9</i>
Eurasian Economic Community	6383,0	7400,6	6772,4	5144,1	7973,9	8368,7	8497,2	11127,1	6300,0	7769,2	6684,2	4825,9	6235,6	6172,9	6063,0	7547,6
<i>annual per cent change</i>	<i>109,8</i>	<i>115,9</i>	<i>91,5</i>	<i>76,0</i>	<i>155,0</i>	<i>105,0</i>	<i>101,5</i>	<i>131,0</i>	<i>122,9</i>	<i>123,3</i>	<i>86,0</i>	<i>72,2</i>	<i>129,2</i>	<i>99,0</i>	<i>98,2</i>	<i>124,5</i>
<i>percentage of total</i>	<i>7,5</i>	<i>8,7</i>	<i>9,5</i>	<i>7,1</i>	<i>7,7</i>	<i>8,4</i>	<i>8,0</i>	<i>8,3</i>	<i>13,6</i>	<i>14,6</i>	<i>15,3</i>	<i>15,9</i>	<i>18,4</i>	<i>14,7</i>	<i>13,1</i>	<i>13,2</i>
<b>Non-CIS Countries</b>	69294,0	68472,0	57614,0	62179,0	89269,0	85352,0	91001,0	113155,4	31909,0	38889,0	32266,0	21935,0	22275,0	30680,0	36011,0	44204,2
<i>annual per cent change</i>	<i>108,8</i>	<i>98,8</i>	<i>84,1</i>	<i>107,9</i>	<i>143,6</i>	<i>95,6</i>	<i>106,6</i>	<i>124,3</i>	<i>96,4</i>	<i>121,9</i>	<i>83,0</i>	<i>68,0</i>	<i>101,6</i>	<i>137,7</i>	<i>117,4</i>	<i>122,8</i>
<i>percentage of total</i>	<i>81,3</i>	<i>80,5</i>	<i>80,8</i>	<i>85,3</i>	<i>86,6</i>	<i>85,4</i>	<i>85,3</i>	<i>84,7</i>	<i>68,7</i>	<i>73,2</i>	<i>74,0</i>	<i>72,4</i>	<i>65,7</i>	<i>73,3</i>	<i>78,0</i>	<i>77,1</i>
<b>European Union</b>	27349,2	28002,3	23207,2	24855,2	36891,8	36716,6	37881,1	46913,4	15860,1	19573,1	15730,8	11180,3	11143,3	15433,7	18326,2	22090,4
<i>annual per cent change</i>	<i>104,0</i>	<i>102,4</i>	<i>82,9</i>	<i>107,1</i>	<i>148,4</i>	<i>99,5</i>	<i>103,2</i>	<i>123,8</i>	<i>88,4</i>	<i>123,4</i>	<i>80,4</i>	<i>71,1</i>	<i>99,7</i>	<i>138,5</i>	<i>118,7</i>	<i>120,5</i>
<i>percentage of total</i>	<i>32,1</i>	<i>32,9</i>	<i>32,5</i>	<i>34,1</i>	<i>35,8</i>	<i>36,7</i>	<i>35,5</i>	<i>35,1</i>	<i>34,1</i>	<i>36,8</i>	<i>36,1</i>	<i>36,9</i>	<i>32,9</i>	<i>36,9</i>	<i>39,7</i>	<i>38,5</i>

Groups of countries	Exports								Imports							
	1996	1997	1998	1999	2000	2001	2002	2003	1996	1997	1998	1999	2000	2001	2002	2003
APEC	15740,8	14020,5	12106,0	12731,2	15536,5	15219,8	16260,4	19312,1	6965,1	8653,9	8231,7	4813,2	5456,0	7767,8	8809,1	11310,3
annual per cent change	107,9	89,1	86,3	105,2	122,0	98,0	106,8	118,8	115,8	124,2	95,1	58,5	113,4	142,4	113,4	128,4
percentage of total	18,5	16,5	17,0	17,5	15,1	15,2	15,2	14,4	15,0	16,3	18,9	15,9	16,1	18,5	19,1	19,7

Source: Bank of Russia; Federal Customs Service (FCS) of Russia

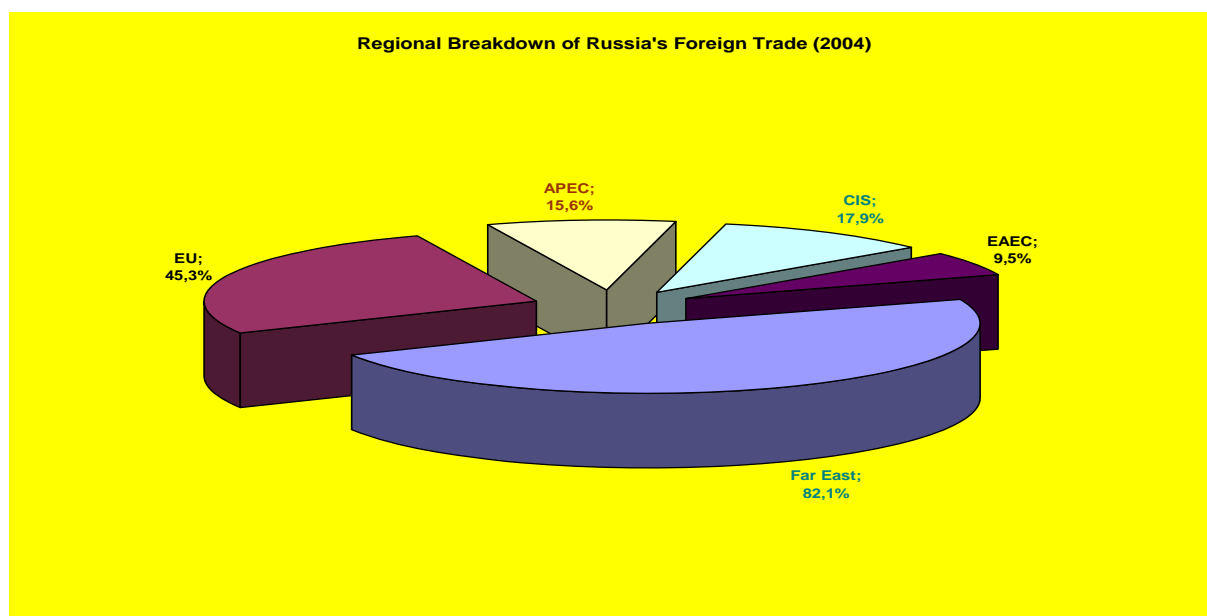
Trade of Russia with APEC, 1998-2004



Source: Federal Customs Service of Russia, 1999-2005

According to Russia's customs preliminary statistics, overall exports in 2004 totaled USD 182,0 bn. (up by 33,9 per cent), inclusive exports to the far abroad countries – USD 152,2 bn. (up by 32,8 per cent) and APEC economies – USD 26,9 bn. (rise by 39,3 per cent).

The composition of the major export commodities has not changed in 2004 in comparison with last year and includes energy sources (oil, natural gas, oil products, coal) – 56,8 per cent (up by 0,1 per cent in comparison with 2003), metals (rolled steel and steel semi-products, unwrought aluminum and nickel, refined copper) – 16,9 per cent (rise by 3,1 per cent), chemical products – 6,6 per cent (down by 0,2 per cent) and machinery goods – 7,5 per cent (fall by 1,5 per cent). Too high export concentration, when more than 60 percent of Russia's total exports belong to only five commodities, does not enable to meet world market fluctuations flexibility.



Russia's merchandise imports in 2004 amounted to USD 94,8 bn. and grew by 24,6 per cent as compared with the year of 2003 according to the Russian preliminary customs statistics. Imports from the far abroad countries reached USD 75,1 bn. (rise by 23,1 per cent) and APEC economies – USD 16,3 bn. (up by 43,6 per cent).

EU's share (including new 10 countries) in 2004 reached 45,3 per cent while the share of the CIS countries amounted to 17,9 per cent of the Russia's overall turnover last year (17,2 per cent – in 2003), of the country-members of the Eurasian Economic Community (EAEC) – 9,5 per cent (8,8 per cent) and of the APEC economies – 15,6 per cent (14,5 per cent).

Russia's top trade partner among the far abroad countries in 2004 was Germany – USD 23,9 bn. (growth by 28,8 per cent) followed by the Netherlands – USD 16,6 bn. (67,4 per cent), Italy – USD 15,3 bn. (39,9 per cent), China – USD 14,9 bn. (28,4 per cent), the USA – USD 9,8 bn. (36,3 per cent), Turkey – USD 8,7 bn. (51,2 per cent), Finland – USD 8,2 bn. (32,1 per cent), Poland – USD 8,0 bn. (26,4 per cent), the UK – USD 7,7 bn. (21,1 per cent), and France – USD 7,5 bn. (28,4 per cent).

During 1998-2004 Russia did not enter into any international agreements and/or arrangements that could affect the interests of the APEC economies

## Russia's Foreign Investment Activity

Official FDI statistics indicate that Russia has continued to under perform in both the quantity and the composition of FDI in comparison with other industrialized economies, including major transition economies (if not take into consideration China which economy had consistently outperformed Russia in this regard, for instance absorbing over 13 times as much total FDI as Russia in 2002 according to OECD statistics).

Capital inflows increased sharply in 2002-03. Looking at gross inward flows, total foreign investment increased from USD 3 bn. in 1995 to USD 29,7 bn. in 2003. Foreign direct investment increased from USD 2 bn. in 1995 to estimated USD 10 bn. in 2004, and portfolio investment from virtually nothing in 1995 to USD 0,4 bn. in 2003. Portfolio inflows took off spectacularly in 1996, as restrictions on purchases of state securities by non-residents started to be gradually relaxed. Non-residents purchased roughly USD 11 bn. in GKO and OFZs in 1997, but this inflow was immediately exhausted after Asian crisis in the end of 1997.

The largest suppliers of foreign investment to the Russian Federation in 2003 were, in order of importance, the United Kingdom, Germany, Cyprus, France, Luxembourg, the Netherlands, British Virgin Islands, the United States of America and Japan. As suggested by the prominent rankings of Luxemburg, Cyprus, Switzerland and Virgin Islands (Brit.) among the main countries of provenance, part of foreign investment is not genuinely foreign, but rather constitutes the repatriation of a portion of the capital that flowed out earlier.

Russian corporations also started to become active in overseas markets. In 2002, capital outflows amounted to USB 19,9 bn., including USB 247 mln. directed to China and USB 112 mln. directed to Iran. Besides that, most of Russian investment directed to the United States of America, Germany, the Netherlands, C.I.S. countries and off-shores.

**Table IV. THE LARGEST INVESTORS IN THE RUSSIAN FEDERATION**  
(million of US Dollar)

	Inflows				
	Total	Percentage of total	Direct investment	Portfolio investment	Other
<b>1995</b>					
<b>Total</b>	<b>2 983</b>	<b>100</b>	<b>2020</b>	<b>39</b>	<b>924</b>
United States of America	832	27.9	638	13	181
Switzerland	436	14.6	202	8	226
Germany	308	10.3	200	1	107
<b>1998</b>					
<b>Total</b>	<b>11 773</b>	<b>100</b>	<b>3 361</b>	<b>191</b>	<b>8 221</b>
United States of America	2 848	24.2	328	0.1	2 520
Switzerland	2 238	19.0	1 170	143	925
Netherlands	1 591	13.5	205	11	1 375
<b>1999</b>					
<b>Total</b>	<b>9 560</b>	<b>100</b>	<b>4 260</b>	<b>31</b>	<b>5 269</b>
United States of America	2 921	30.6	2 104	0.4	817
United Kingdom	1 695	17.7	330	0.0	1 365
Switzerland	923	9.7	370	11	542
<b>2000</b>					
<b>Total</b>	<b>10958</b>	<b>100</b>	<b>4 429</b>	<b>145</b>	<b>6 384</b>
Germany	1594	14.5	1 241	0.5	353
United States of America	1468	13.4	341	2	1 125
United Kingdom	1448	13.2	678	86	684
<b>2001</b>					
<b>Total</b>	<b>14 258</b>	<b>100</b>	<b>3 980</b>	<b>401</b>	<b>9 827</b>
Cyprus	2 331	16.3	512	153	1 666
United States of America	1 604	11.3	1 084	4	516
United Kingdom	1 553	10.9	273	92	1 188



	Inflows				
	Total	Percentage of total	Direct investment	Portfolio investment	Other
<b>2002</b>					
<b>Total</b>	<b>19 780</b>	<b>100</b>	<b>4 002</b>	<b>472</b>	<b>15 306</b>
Germany	4 001	20.2	410	1	3 590
Cyprus	2 327	11.8	571	115	1 641
United Kingdom	2 271	11.5	327	4	1 940
<b>2003</b>					
<b>Total</b>	<b>29 699</b>	<b>100</b>	<b>6 781</b>	<b>401</b>	<b>22 517</b>
United Kingdom	4 620	15.5			
Germany	4 305	14.5			
Cyprus	4 203	14.2			
<b>2004, January-September</b>					
<b>Total</b>	<b>29 135</b>	<b>100</b>			
Luxembourg	6 757	23.2			
United Kingdom	4 856	16.7			
Netherlands	3 587	12.3			
Cyprus	2 850	9.8			
France	1 925	6.6			
United States of America	1 624	5.6			
Germany	1 168	4.0			
Switzerland	1 048	3.6			
Austria	568	2.0			
British Virgin Islands	553	1.9			

Source: FSSS/Goskomstat

Cumulative FDI inflows up to the 1 October 2004 are officially reported by the Russia's Federal Service of State Statistics (FSSS, formerly the State Committee for Statistics – Goskomstat) as totaling USD 29,8 billion. The bulk of this, more than 80 per cent, was recorded as having originated from 10 countries (*see Table V*). The largest FDI contributor is listed as Cyprus, providing 18,6 per cent of the total. The US, is the world's largest economy and a major provider of global FDI, is recorded as being in second place (on the FDI inflow), accounting for 14,1 per cent of inward FDI flows to Russia. An unknown, probably significant, proportion of FDI from Cyprus, the British Virgin Islands and other sources, such as the Netherlands, Switzerland and Luxemburg, is likely to originate from Russian origin. One indication of this may be the size of cumulative FDI outflows from Russia to the Netherlands, Cyprus and British Virgin Islands (see as below) during the same period (*see Table VII*). FDI inflows to Russia from the CIS countries are negligible.

**Table V. Cumulative foreign investments flows into the Russian Federation up to October 1, 2004**

	Total inflow		including:			For reference: foreign investment inflow in Jan.-Sept. 2004
	USD, bn.	Proportion of total inflow (%)	FDI	portfolio	other	
<b>Total foreign investment</b>	<b>73.429</b>	<b>100</b>	<b>29.769</b>	<b>1.475</b>	<b>42.185</b>	<b>29.135</b>
including major investing countries	62.853	85,6	23.997	1.255	37.601	24.936
Netherlands	10.678	14,5	7.858	43	2.777	3.587
Luxemburg	10.560	14,4	280	1	10.279	6.757
Cyprus	9.580	13,0	5.545	562	3.473	2.850
Germany	9.378	12,8	2.410	7	6.961	1.168
UK	7.422	10,1	1.460	143	5.819	4.856
USA	6.670	9,1	4.207	412	2.051	1.624
France	4.206	5,7	364	0,1	3.842	1.925
British Virgin Islands	1.611	2,2	873	52	686	553

	Total inflow		including:			For reference: foreign investment inflow in Jan.-Sept. 2004
	USD, bn.	Proportion of total inflow (%)	FDI	portfolio	other	
Switzerland	1.608	2,2	738	15	855	1.048
Austria	1.140	1,6	262	20	858	568

Source: FSSS/Goskomstat

**Table VI. FSSS/Goskomstat figures for national FDI inflows in selected years**  
(USD mln.)

	1995	1998	1999	2000	2001	2002	2003	2004, Jan.-Sept.
<b>Total, p.a.</b>	2 020	3 361	4 260	4 429	3 980	4 002	6 781	5 590
<b>Change, in %</b>	n/a	66,3	26,7	4,0	-10,1	0,6	69,4	19,8

FSSS/Goskomstat statistics (also is available in English as on of FSSS/Goskomstat Internet web-site: <http://www.gks.ru/eng/bd.asp>) provide more information on the detailed composition of FDI and include major projects involving foreign enterprises which might not appear if unaccompanied by a flow of funds into Russia.

Total cumulative Russian investments abroad are officially reported by the FSSS as totaling USD 7,2 bn. up to the end of September 2004. There were remitted abroad USD 25,4 bn. of foreign investment in Jan.-Sept. 2004 (up to 55,1 per cent in comparison with the same period of 2003).

**Table VII. Cumulative foreign investment flows**  
**from the Russian Federation up to September-end 2004**

	Foreign investment outflow (USD mln.)		including:			For reference: <u>investment</u> <u>outflow in Jan.-</u> <u>Sept 2004.</u>
	total	proportion of total (%)	FDI	portfolio	other	
<b>Outflow investment</b>	<b>7.160</b>	<b>100</b>	<b>4.140</b>	<b>436</b>	<b>2.584</b>	<b>25.356</b>
including the major country-recipients of the Russia's investment:	5.281	73,8	3.111	423	1.747	18.898
UK	1.335	18,6	1.282	12	41	2.759
Cyprus	1.050	14,7	68	0	982	5.887
Netherlands	536	7,5	489	29	18	27
Iran	453	6,3	453	-	-	25
Ukraine	442	6,2	51	382	9	158
Bahamas Islands	343	4,8	-	0,2	343	106
USA	320	4,5	267	-	53	7.326
British Virgin Islands	301	4,2	1	-	300	2.455

Source: FSSS/Goskomstat

**Table VIII. INVESTMENT OF RUSSIAN COMPANIES**  
**INTO FOREIGN ECONOMIES<sup>1)</sup>**

(millions US dollars)

	Outflows				
	Total	Percentage of total	Direct investment	Portfolio investment	Other investment
	<b>1999</b>				
<b>Total</b>	<b>8 038</b>	<b>100</b>	<b>785</b>	-	<b>7 253</b>
United States of America	6 275	78.1	0.0	-	6.275
United Kingdom	150	1.9	-	-	150
Netherlands	297	3.7	243	-	54
	<b>2002</b>				

	Outflows				
	Total	Percentage of total	Direct investment	Portfolio investment	Other investment
<b>Total</b>	<b>19 891</b>	<b>100</b>	<b>303</b>	-	<b>19 588</b>
United States of America	10 677	53.7	-	-	10 677
Cyprus	3 573	18.0	-	-	3 573
British Virgin Islands	1 686	8.5	-	-	1 686

<sup>1)</sup> includes CIS countries.

**Q.4:** *It is widely known that the Russian Federation has been in the process of acceding to the WTO. How have the related negotiations progressed so far? With which and how many countries have the negotiations been successfully concluded? What are the main results of those successful negotiations and in which areas and with what countries is the Russian Federation still negotiating? What are main areas of critical negotiations, and what are future plans of Russia to address these areas?*

**A.:** At present Russia is one of a few world economies that still remains outside the global trading organization. As the negotiations intensified in 2003-2004, the Russia entered the final stage of the accession talks.

*Brief history.*

In 1993, Russia applied for accession to GATT. In compliance with the procedures, a Working Party (WP) on accession came into being.

In fact, Russia's WTO accession negotiations started in 1995. Submitting initial tariff offers on goods and offers on government support for agriculture in 1998, and submitting the first draft of specific commitments on services with the list of exemptions from MFNs in 1999, allowed Russia to initiate a series of bilateral negotiations with all the interested members of Russia's WTO accession Working Party on the terms and conditions of Russia's membership in this international organization.

At present, there are 67 member countries (EU counts as one) in **the Working Party on Russia's WTO accession** (in December 2003 Stefán Jóhanesson, Iceland's Ambassador to the WTO, was appointed a new chairman of the WP) involved in the negotiations, over 50 of them are involved in the negotiations on goods market access and more than 30 ones - on services market access.

Negotiations are held at the WTO Secretariat in Geneva both at multilateral level (formal and informal meetings of the Working Party systemic issues, the plurilateral consultations on agriculture, i.e. consultations with a limited number of participants, between the interested Working Party members) and at bilateral level (on access to the goods and services markets as well as on certain systemic issues).

### **1. Negotiations on access to the goods market**

The main subject of negotiations is setting forth of the maximum level of import customs duties, which Russia will have the right to apply to after WTO accession.

**2. Negotiations on agricultural issues**, alongside the tariff aspect, the agricultural talks include discussions of the levels of domestic support for the agricultural sector (yellow basket) and export subsidies.

**3. Negotiations on the services market access** are aimed at coordinating positions on the access of foreign services suppliers to the Russian services market.

**Negotiations on systemic issues** are aimed at setting forth the measures which Russia is to implement in the legislation and its application as a WTO member.

Up to now the talks were commenced to discuss the third draft report of the Working Party.

The Working Party discussed the first draft of its Report on Russia's accession to the WTO at its **14<sup>th</sup> and 15<sup>th</sup> sessions** in the spring of 2002. This document prepared by the WTO Secretariat sums up the results of the talks that have been on since 1995 with an aim to study Russia's trade regime and its compatibility with the WTO rules. Over these years the Russian delegation has submitted nearly 200 analytical documents and more than 1,000 legal acts in English to the WTO Secretariat. **The 17<sup>th</sup>, 18<sup>th</sup> and 19<sup>th</sup> official sessions** of the Working Party were convened in March-April 2003 to discuss the second edition of the draft Report. The Working Party held its **20<sup>th</sup> official session** on June 8-10, 2003 to discuss the third edition of the draft Report. Multilateral consultations on currency regulation, telecommunications as well as bilateral talks on the access to the markets of goods and services and systemic issues were held at the same period of time.

In respect of the activities in the year of 2004, the **twenty second formal meeting** of the Working Party was held in Geneva on February 5, 2004. The meeting continued discussing the Working Party's final Report. A discussion of ten more sections was completed. They include the procedure of levying excise taxes and the VAT on imported goods, export duties, government procurement, trade regulation in the process of transit, etc. **The twenty third meeting** of the Working Party on Russia's WTO accession was held on April 1-2, 2004 in Geneva. The negotiating parties discussed ten sections of the Working Group's Final Report. The Russian delegation conducted about 20 rounds of talks on access to the market of goods and 15 rounds of talks on access to the market of services. **The twenty fourth WP meeting** was held on July 15-16, 2004 in Geneva. The WP members considered the last sections of the Party's draft report on Russia's accession to the WTO. The Working Party held **its last, twenty fifth official meeting** in Geneva on November 18, 2004 to discuss the third edition of the Working Party's final report on Russia's accession to the WTO.

**Coordination of the accession process** falls within the responsibility of the Russia's Government Commission for WTO. Mr. Michael Fradkov, the Chairman of the Government of the Russian Federation, is appointed head of the commission.

Bringing the Russian legislation in line with the WTO rules is the key element of Russia's efforts at home. In 2000, the Expert Council for Foreign Trade Legislation and Foreign Investment was established at the State Duma Committee for Economic Policy and Entrepreneurship in order to find out what the state authorities, NGOs, scholars, businessmen and law experts think about Legal regulation of foreign investment and foreign trade in terms of WTO requirements and about coordination of the legislative work related to the WTO accession.

Decree of the Government of the Russian Federation dated on August 8, 2001, No. 1054, approved a Plan for bringing legislation of the Russian Federation to conformity with rules and regulations of the World Trade Organization. The Plan provides for elaborating a series of draft laws, which would enable to solve the problem of legislation discrepancy with WTO provisions. They include a new edition of the Customs Code, the Law on Currency Regulation and Currency Control, Law on the Fundamentals of Government Regulation of Foreign Trade, drafting of new laws, such as a Law on Special Protective, Antidumping and Compensation Measures for Imported Goods, Law on Government Support, Law on Amendments to Part 2 of the Russian Federation Tax Code (Chapter "Customs duties and fees"), and amendments to several laws on the production and turnover of alcohol and protection of intellectual property rights.

At present, depending on the stage of preparation, all necessary bills were submitted to the State Duma of the Federal Assembly of the Russian Federation, others were submitted to the Government of the Russian Federation or to the federal executive bodies. In late 2002-2004, all laws from this List were passed, such as the Law on Technical Regulation in the Russian

Federation, Law on Trademarks, Service Marks and Names of Places of Origin of Goods, and others.

The regional legislation and agency-level regulations are also examined in terms of their compliance with WTO regulations. The work on analyzing the international treaties and elaborating new international agreements regulating problems arising from the forthcoming Russia's WTO accession is under way too.

Russia believes that an obvious advantage of WTO membership for C.I.S. Member States will be implementation of the WTO requirement to bring the legislation of its members into compliance with its norms and rules. As a result, trade among CIS countries is likely to become more efficient. When expanding and implementing trade and economic agreements with CIS countries, including the Eurasian Economic Community, at both multilateral and bilateral levels, the Russian Federation currently takes due account of existing or future obligations of these countries as current or potential WTO members.

The Russian Ministry of Economic Development held nearly 550 meetings to discuss Russia's position at negotiations with various unions of exporters, importers and associations of producers in 2000-2004. The Ministry also held regular consultations with the Russian Union of Industrialists and Entrepreneurs, the Chamber of Commerce and Industry, other business associations and representatives of scientific and public organizations. As a result, more than 80 regional conferences on problems of Russia, WTO and the interests of Russian businesses were organized in all federal districts and in more than half regions and territories within Russia (covered more than 90 per cent of the subjects (a legal name of the regions in Russia) actively involved in foreign trade and FDI. They were initiated by the MEDT of Russia, the Russian State Duma (lower house of the Russian Parliament) Committees, the Russian Union of Industrialists and Entrepreneurs, the Russian Chamber of Commerce and Industry as well as regional administrations and local legislative bodies.

After finishing WTO entry bilateral talks with the European Union, China, the Republic of Korea, New Zealand and some other countries involved this year, Russia has completed such negotiations with a number of its major trading partner that jointly account for 80 per cent of its trade turnover and signed bilateral protocols on goods with 20 countries and on service issues – with 10 countries (including Singapore, Thailand, Chile and Chinese Taiwan).

We thank the APEC countries (and namely, China, Chile, Chinese Taipei, New Zealand, the Republic of Korea, Singapore and Thailand) for their support and encouragement of our entry to the WTO but are hoping for more concrete results now.

Russia plans to complete all bilateral WTO accession talks on goods and services by mid-2005 and on systemic issues – by an autumn of the year of 2005. Russia considers that the pace of the negotiations depends largely on its major partners starting with the United States. Russia expresses some criticism over the way negotiations with Russia on accession to the WTO are proceeding and notes that heightened demands are sometimes asked of it.

The Russian authorities have already committed themselves to all reforms described in this report, and clear majority of them is already under way. Implementing them is likely to prove far more difficult than designing and merely adopting them, however, and will place great demands on the political will and administrative capacities of the state, particularly given the prospect of continued resistance from those whose interests are threatened by reforms. In this respect, Russia's progress towards, and eventual achievement of, WTO membership should play a role in sustaining the momentum of structural reforms in key areas.

Analyses of economic impact of Russia's accession to the WTO vary widely in scope and method, but most conclude that the direct economic benefits for Russia arising from tariff changes and improved access to foreign markets will be limited, except over the longer term. Although some individual sectors may experience significant positive or negative shocks as a

result of WTO entry, the trade effects of accession in the short-to-medium term are expected to be relatively small. Nevertheless, studies agree that, over the long term, the gains for Russia from membership of the WTO will be substantial. However, these will result primarily from increased FDI flows, the liberalization of key services sectors (especially banking and insurance), the overhaul of technical regulation and the implementation of other structural reforms that are necessitated by the requirements of WTO membership. Such reforms will, if successful, improve the business environment for both foreign and domestic companies, in both tradable and non-tradable sectors.

## Overview

### Expert

**Q.5:** *What has been the basic strategic approach of Russian Federation towards APEC? How importantly has the Russian government regarded the Bogor Goals and Osaka Action Agenda (OAA) Objectives of the APEC process? How far has the Russian Federation advanced towards the OAA Objectives and the Bogor Goals? How do you evaluate the achievement of these APEC goals in relation to Russia's preparation to accede the WTO?*

**A.:** One of the priorities of the Russian foreign economic policy is to develop mutually advantageous relations with Asia-Pacific countries in trade, investment, research and engineering. Among other factors, Russia's Eurasian identity is conducive to this.

We attach a great deal of significance to regional cooperation, and in the framework of such a large organization as the APEC, this is extremely important. For Russia, it also has serious importance also because two thirds of our territory is in Asia, and over 30 million Russian citizens live there, beyond the Urals. The enormous natural resources are concentrated in the regions of East Siberia and the Far East<sup>1</sup>. Also because this region has today become one of the most dynamically developing. It is the area where key industrial and research capabilities operate.

Historically, we can not boast that relations are developing dynamically in Asia. Essentially, Russia's traditional orientation to Western Europe and North America is understandable. Our main production powers are in the European part. Expanded Europe accounts for over 50% of trade, but the Asian market is very promising, and of course we should not lose the opportunity to take part in these processes.

Over the recent years Russia and APEC economies have made an impressive headway in their trade and economic relations such as higher trade turnover, hectic business contacts at the federal and regional levels and appreciative progress in some areas of research and engineering and investment cooperation. If in the early 90s the share of the APEC economies in Russia's trade turnover stood to 12-13%, in 200-2004 it went up to 16-17%.

Russia's policy for further development of multilateral cooperation with Asian and Pacific region countries is our own conscious choice. It was made because of the growing interdependency of the world, which we cannot ignore. Accordingly, our opportunities with the APEC grow as the economic situation of the Russian Federation improves, and as democracy develops and a legal base is consolidated.

Being an integral part of the Asia-Pacific region, we attach a great deal of importance to our participation in the "Asia Pacific Economic Cooperation" Forum geared to addressing specific issues such as promoting a sustainable economic growth of its participants and capitalizing on benefits of growing economic cooperation that includes facilitating exchange of goods, services, capital and technologies and building up a system of free trade and investments in the region.

Russia's input in solutions to these and other issues within the APEC framework and the use of the Forum's potential are to contribute to a Russian economic upsurge through dynamic engagement in regional integration processes, upgrading export structure, networking with international investment flows, adopting expertise gained by APEC countries in managing economic activities, fostering small and medium business, better customs operations, etc.

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<sup>1</sup> Thus, 29 subjects (regions) of the total 89 subjects of the Russian Federation are located in its Asian part with its major deposits of mineral resources (oil, gas, coal, ferrous and non-ferrous metal ores).

From the very beginning, the main direction of the APEC was economic. And we believe that this will be preserved. At the same time, of course, we understand that we can not, and do not want to avoid discussing complex political issues, issues in the area of security.

Russia would like once again to stress: we aspire to build our economic policies in the Asia and Pacific region primarily through APEC mechanism. We will continue to pay attention to cooperation in the framework of this organization. This path opens up new opportunities for us, excellent opportunities, including for the development of the regions of Siberia and the Far East of the Russian Federation. Moreover, it is critical for us to ensure a balanced territorial development of the Russian economy, including Siberia and the Far East. Our effective integration in the Asia- Pacific region and the APEC membership are keys to success. We believe that our being part of APEC will create new opportunities for attracting investments and state-of-the art technologies to Russia, above all, to regions in Siberia and the Far East, and favorable environment for access of Russian goods to markets of APEC economies. We know that the Asian and Pacific region is developing very actively, and is in need of the resources that Russia has. Therefore, in close cooperation with our neighbors and partners in the APEC, we also intend to play a very positive role in the development of this region, and expect that cooperation will be beneficial to Russia itself, as it will allow us to develop the Eastern provinces of the Russian Federation effectively.

Russia is quite a “young” member of the APEC Forum. We joined this authoritative international organization six years ago. But despite the relatively short work term in APEC, we do not feel like novices here. The forum has accepted us, and we constantly feel its support, and respect of our interests and approaches to solving common problems. By joining the Forum, Russia has assumed the responsibility of facilitating, jointly with other partners, the creation of a system of free and open trade and investment activity in the Asia Pacific region. We confirm our readiness to move towards the Bogor Goals of fundamental importance for APEC, keeping in mind that such a movement should take into account the specific features and, most importantly, the real possibilities of each participant.

We should more resolutely study the requirements of real economy and facilitate the strengthening of trade and economic contacts in the region.

Russian export-intensive sectors of the economy can by and large benefit from liberalization of trade and investments (major, APEC Bogor goals and Osaka Action Agenda (OAA) Objectives of the APEC process). Here we speak about opportunities to increase deliveries of energy, timber, fish, seafood and chemical products. At the same time a wider liberalized trade with the APEC economies can contribute to the restructuring of Russian export in favor of manufactured products.

APEC can become a venue for subject-matter discussions and search for joint solutions to such critical issues for the Russian economy and its Eastern regions as creating a better investment environment and arrangements for attracting foreign investments, exploring opportunities for foreign input in Russian energy projects including those targeted to energy export to Asia-Pacific countries, discussing issues of the use of sea resources and joint efforts to prevent poaching transactions, enhancing level of professional training at Russian educational establishments and funding appropriate projects, regulating cross-border migration and dealing with illegal immigration through joint efforts; implementing joint projects in transport sector, etc.

Russia would like to make a point that goals to be pursued by Russia in APEC can become a reality, if we go further in effective domestic reforming, towards more open economy and harmonizing Russian trade and investment policies with joint agreements within the APEC framework, and we intend to commit ourselves to this process.



Russia considers the APEC not only as a unique multilateral dialogue structure of discussion of key trade and investment issues, economical and technical cooperation in the region, an effective gear of cooperation with the purpose to solve the acute world-wide problems, but also as the locomotive of open integration in the Asia-Pacific Rim.

In this connection, activity in APEC of the Russian ministries and other government bodies was aimed at further increase of role and weight of Russia within works of this important integration forum, usage of its mechanism for advancing of our interests in the Asia-Pacific region (the APR), and also at creation of favorable conditions for further economic development of Siberia and Far East regions of Russia.

Thus the emphasis was done on maintenance of the effective drawing of the Russian public and business representatives in Forum activity on such relevant directions, as combating against international terrorism, rendering assistance to trade and investment facilitation in the ARP, maintenance of regional stability and safety, including in energy, transport, ecological and other spheres, interplay of state bodies and private enterprises with the purposes of steady social and economic progress, encouraging of small and medium entities.

From the date of its accession in 1998 to the "Asian-Pacific Economic Cooperation" (APEC) forum, Russia has sequentially accumulated its activity in this direction. The President of the Russian Federation Vladimir Putin participated regularly in APEC summits - in Auckland in 1999, Brunei Darussalam (2000), Shanghai (2001), Bangkok (2003) and in Santiago-de-Chile (2004). On behalf of the Russia's President, the Chairman of the Government of the Russian Federation (Russia's Prime-minister) took part in 2002 APEC summit in Los-Cabos (Mexico).

Last two years it was possible to achieve the definite bricking up of the work of profile Russian ministries and other state bodies on key APEC directions of the works. Their participation extends at sectional ministerials, meetings of APEC working and steering expert groups on such actual issues, as trade, investments, finance, small and medium business, power engineering, transport, fishery, standardizing and other issues, and also in APEC fairs and workshops.

So, the Russian participation is ensured in a whole number of APEC high-level meetings. In particular, in 2004 the representatives of Russian Ministry of Science and Education, Ministry of finance, Ministry of Transportation, Ministry of Economic development and Trade and Ministry of Industry and Energy took part in holding of 6 Forum profile ministerials, including on science and technologies (March), trade (June), transport (August) and on finance (September).

Russia participates in activity of 20 APEC Fora divisions (from more than 30), at that to seven of them Russian governmental representatives have joined since past 2004.

For example, the Russia's Ministry of Agriculture has proceeded cooperation with its partners in the Forum within the framework of Working groups on agriculture, biotechnology, fishery and preserving marine resources. Our proposals on genetic resources for the foodstuffs were directed to the APEC Expert group on technical cooperation in agriculture.

The opportunities of trade ministerials and APEC Working group on the WTO capacity building were actively utilized for support of negotiating process on accession of Russia to this world trade organization; in particular, we had achieved fixing the acceptable conditions in the APEC final ministerial and summit documents and resolutions. In the Chilean year (2004) as a host economy in APEC and within framework of the Russia's accede to the WTO, our country has signed the protocols of completion of the negotiations on goods and services with five APEC economies (New Zealand, the Republic of Korea, Singapore, Taiwan, Chile, the negotiations with Thailand were also finished in 2004).

Joint efforts on escalating of the APEC activity toward antiterrorist course were considerably actuated by Russia. The representatives of Russia worked in the Special Task Group APEC to combat against terrorism (meetings were held in February, May and September, 2004), in a context of APEC cooperation with "G8" and other international organizations. The adequate and initiative Russian participation was ensured during STAR-I and STAR-II conferences and workshops on secure trade in APEC (in March and June last year).

In a course of APEC solutions on development of cooperation in the field of counteraction against international criminality, Russia stressed the importance to combat against wrongful turnover of bioresources.

Pursuant to a line on accession to the APEC pathfinder initiatives, reasonable to Russia, during APEC SOM III meeting in October, 2004, Russia stated about readiness of it accede to Kyoto Convention on harmonization and simplification of customs procedures. This application was supported by the final ministerial and Santiago summit (November, 2004).

The maiden Russian initiative of all-APEC scale – on start-up, since 2004, a new APEC Dialog on Non-ferrous Metals (such Russian proposal was approved by Bangkok summit in 2003) - was realized. During APEC SOM-I in March, 2004, in Santiago, the regulating documents of such Dialog was adopted (Russia was appointed as a cochairman together with Chile, the APEC host economy in 2004). The good estimation by APEC Fora was received as a result of the international test-seminar on formation of favorable conditions for operation of non-ferrous metals market in August, 2003 (Bratsk, Russia).

An active role in perfecting the mentioned initiative which received solid positive resonance in APEC circles was played by leading domestic companies (Closed JSC "Rusal-UK", JSC "The Norilsky Nickel", etc.).

The Russian draft projects on perfecting of e-government procurement systems (or e-purchases for state needs) and assistance to small and medium businesses, and also on increase of energy efficiency of economics were introduced as new Russian projects for APEC for consideration. The issue on starting-up the Russian project in APEC on the intruded marine depredators is studied with engaging of scientific institution of Russia's Far East and Sakhalin island.

In a field of vision, there was also a necessity of survey of capabilities for implementation of APEC activities in Russia.

The forum on business cooperation in innovative business (June) and the meeting of the APEC Working group on telecommunications (August) were held in Moscow in 2002.

The APEC Investment Symposium and the scale Investment Fair in Vladivostok (September, 2002) were significant economic events, where more than thousand and a half persons, in general, took part, including about 400 delegates from 15 APEC member economies.

In June, 2004, the International Conference "Cooperation among Small and Big Businesses", organized by the Ministry of Economic Development and Trade of Russia with the assistance of the Ministry of Foreign Affairs of the Russian Federation and the Federal Anti-monopoly Service (FAS) of Russia, was held in Moscow, and was esteemed by us as one of the core Russian project in APEC in this course last year.

In the context of APEC activities among practical events in Russia last year, it is necessary to point out the "Asian Economic Forum", held by the Russian Academy for Business and Entrepreneurship in October, 2004, in Moscow, where the Russian and foreign participants discussed basically the prospects for development of energy, transport and investment cooperation in the APEC region, as well as achievements of information programs and results of research studies aimed at strengthening of the regional cooperation among state, business and academic circles. A capability of realization of given measure on the regular basis with engaging of APEC Fora is being mastered now.

In the APEC frameworks, the Russia's Ministry of Transportation and the Ministry of Science and Education initiatives have obtained the recognition of the Forum to hold the meetings, accordingly, of the APEC Working group on transport - in the second half of 2005, and of the APEC Working group on industrial science and technology - in the first half of 2007 in Russia.

Since the modern strategic mission of the APEC Forum in the sphere of science and technologies answers, as a whole, the Russia's tasks on development of innovative economics, the Russia's Ministry of Science and Education has stated the draft proposal to hold the next APEC ministerial on regional technological cooperation in Russia in 2007.

With purposes of further increase of Russia's presence in the APEC Fora, the issues of ordering and stirring up of the authorized ministries and other federal public bodies activity in this direction will be discussed at the nearest meeting of a new Russia's Intergovernmental Commission on economic integration, set up last year, at that, undoubtedly, being grounded on outcomes of the Russia's IAP Peer Review session in Seoul (as of 1 March, 2005).

As regards the last part of this question, only APEC society can evaluate how far the Russian Federation has advanced towards the OAA Objectives and the Bogor Goals and how we have achieved these APEC goals in relation to our future accession to the WTO (*see also, please, our answer to Q4 as mentioned above*).

**Q.6:** *Has the Russian Federation taken any measures to facilitate international trade flows over the period of 1996-2004? If any, in what relations do these measures stand with regards to the APEC Trade Facilitation Principles and Trade Facilitation Menu of Actions and Measures? What are the benefits and who are the beneficiaries of these facilitation measures? Have you registered any indication that the APEC member economies have been benefiting through the measures taken by the Russian Federation?*

**A.:** Please, refer to our answer to Qs 1-5 above.

APEC will further transform into the structure contributing to open economies of the Forum's states and territories and encouraging common rules for economic activities in the Asia-Pacific region.

It seems that in the future it will effectively turn into a fully capable intergovernmental institution focused on integration. At the same time APEC should keep to an evolutionary policy in this area without exerting any pressure or forcing institutionalization. Accordingly, at the present stage the Forum should not resort to the leverage of tough liberalization mandatory for all its members. On the contrary, the priority should be given to a step-by-step advance of all its members having maximum regard to their individual capabilities and equal and voluntary participation in the economic cooperation within the Asia-Pacific region.

We see a way to solution of one of the pivotal objectives – to equalize levels of economic development – in elaborating within the Forum framework measures to strengthen economies of developing countries, alleviate poverty, build facilities of infrastructure, energy, expand research and engineering cooperation, protect environment, etc.

One of the urgent issues is to repudiate measures working for trade protectionism.

Recently, APEC has succeeded in some areas; however, it is necessary to explore new cooperation opportunities for sustainable development and prosperity of all its members in the new century.

Presumably, the Forum should be more active in dealing with regional and global issues. It should carry forward its agenda in reducing the gap in economic and social development of its members.

The Forum should consolidate its efforts on such issues as economic and technical cooperation, increased human capabilities through wider use of IT and communications, advance of a "new economy" and e-commerce.

SMEs-related problems should be consistently dealt with, since APEC envisions this sector as a significant driver in coping with consequences of the economic downturn and securing a long-term economic upsurge.

It is also expedient to turn APEC into a practical enabler (in particular, in blueprinting and implementing large-scale projects in the areas of concern to member states.)

Pathfinder Initiatives look rather promising, given principles of free will and consensus are observed. That is why Russia decided to begin participation in the APEC Pathfinder on the Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures this year.

It is a good practice to move forward IAP Peer Review Process.

To recap, it is worth reiterating magnitude of the principle of transparency, one of the Forum's key issues. Difficult of access to information on critical aspects of cooperation or not infrequent occurrence of its total unavailability is a serious constrain to expanding cooperation among APEC countries.

We think that one of the focal points is to jointly study gained knowledge of the APEC members in holding back economic turmoil, streamlining exchange of information on matters of economic progress as well as existing constrains in world trade. Upon reviewing such information APEC could play a more active role as catalyst in further advance of the multilateral trading system.

Russia highly values APEC's assistance to small and medium-sized business, which means new jobs and the basis for the development of the middle class and, hence, sustainable social and economic development. Moreover, small businesses are a relatively quick and effective method of solving economic and social problems. We are especially interested in drawing on APEC experience in creation of new non-traditional methods and structures for the provision of funds to small and micro-businesses. Russian small and medium-sized business is employing 17% of the population now. The system of registration and licensing of small businesses has been cutting red tape and the system of taxation and accounting has been greatly simplified. However, there are other problems hindering the development of small and medium-sized businesses, in particular inadequate access to financial resources and administrative barriers. We see these problems and are overcoming them. International cooperation, including the use of APEC mechanisms, is a vital instrument in solving issues.

**Q.7:** *Are there any RTAs that the Russian Federation entered into or has been negotiating over the period of 1996 – 2004? Are there any major changes in RTAs that have already existed before Russian membership to APEC? If any, what would be the impact of these RTAs on Russian Federation, the RTA partners and other trading partners of Russia, including the APEC member economies?*

**A.:** The Russian Federation participated in a number of preferential trade agreements, and that it was customary to provide a detailed description of the scope, nature, and status of such agreements. These agreements currently included: bilateral free trade agreements with C.I.S. Member States and a bilateral free trade agreement (signed on 18 August 2000) with the Federal Republic of Yugoslavia (now Serbia and Montenegro); the "Agreement on the Creation of Free Trade Area" between C.I.S. countries of 15 April 1994; the "Agreement on Customs Union and Common Economic Area" of 26 February 1999 and subsequent "Agreement on the Establishment of the Eurasian Economic Community" with the Republics of Belarus,

Kazakhstan, Tajikistan and the Kyrgyz Republic of 10 October 2000; the "Agreement on the Creation of a Unified State" with the Republic of Belarus of 8 December 1999; and the "Agreement on the Establishment of a Common Economic Area" with Ukraine, the Republics of Belarus and Kazakhstan of 19 September 2003.

At present, trade and economic relations between the Russian Federation and the other C.I.S. countries (the Republics of Azerbaijan, Armenia, Belarus, Georgia, Moldova, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, Ukraine and Uzbekistan) were determined by a number of multilateral and bilateral agreements. These Agreements had established a regime of free trade in goods among the Parties that covered a substantial part of trade in goods between them. In accordance with the agreements on free trade with C.I.S. countries and the Republic of Serbia and Montenegro, the importation of nearly all goods (including agricultural products) originating from these countries into the customs territory of the Russian Federation was not subject to customs duties

The preferential trade agreements concluded by the Russian Federation had effectively led to the elimination of customs duties and other restrictive regulations of commerce in respect of substantially all trade between the Russian Federation and the parties to these agreements. Trade preferences were granted to goods originating in respective territories of parties to preferential agreements on the basis of a certificate of origin as per the rules of origin included in the agreements.

C.I.S. countries had signed the Agreement on the Creation of the Economic Union in September 1993. In accordance with this Agreement, the Economic Union implied, *inter alia*: free transfer of goods, services, capital and labor; coordinated monetary, budgetary, external policy; harmonized economic legislation; and availability of common statistical base. On 15 April 1994, C.I.S. Member States had signed a multilateral "Agreement on Establishing a Free Trade Area". This agreement provided for the gradual elimination of customs duties, taxes and charges and other limitations and obstructions to free movement of goods. The Agreement had been further modified by the "Protocol on Amending the Agreement on Establishing a Free Trade Area" signed by C.I.S. Member States on 2 April 1999. The Protocol established that the free trade area was to be implemented via existing or future bilateral agreements and protocols on exemptions. Preferences were granted on the basis of a certificate of origin, provided that the goods met the required rules of origin and the exporter was a resident of the exporting country. The Russian Federation had not yet ratified the multilateral Agreement and the Protocol.

The "Agreement Between the Government of the Russian Federation and the Government of the Federal Republic Yugoslavia on Free Trade" had been concluded on 28 August 2000. It had not been ratified by the Russian Federation and was being applied provisionally in the interim. Article 1 of this Agreement stipulated that the Parties would liberalize trade in accordance with the provisions of the Agreement and WTO rules in order to create a free trade regime. The Agreement provided for the duty free movement of goods between the Parties covering substantially all trade.

The "Agreement on the Customs Union and Common Economic Area" had been signed on 26 February 1999 with the Republics of Belarus, Kazakhstan, and Tajikistan and the Kyrgyz Republic. The Agreement foresaw the gradual creation of a free-trade area and a customs union, and covered trade in goods and services and the movement of capital. In particular, the Agreement provided for the elimination of all customs tariffs and other restrictions related to trade in goods between the Parties except those allowed under the WTO agreement. With reference to trade in services, the Parties would aim at providing national treatment with respect to access to services markets, including the gradual elimination of existing restrictions on juridical and natural persons. In order to formally establish the common economic area and customs union, the "Agreement on the Establishment of the Eurasian Economic Community"

(EAEC) had been signed on 10 October 2000 and had entered into force on 30 May 2001. The aims of these agreements had not been reached yet. The Heads of Governments of the EAEC had adopted a "List of Activities on Creating the Eurasian Economic Community for the years 2003-2006." These Activities included the implementation of previously adopted decisions and concluded international treaties as well as the preparation of new documents. In all, 57 additional agreements had been concluded under the auspices of the Customs Union and the EAEC, 48 of which were in force. These Agreements aimed at fostering economic cooperation between entities of countries-members; unification of foreign trade, customs policies and trade remedies; cooperation between the financial and banking systems; cooperation in social and humanitarian areas; and cooperation in the field of legal regulation.

In order to continue developing the integration process between the Russian Federation and the Republic of Belarus, the "Agreement on the Creation of a Unified State" and the associated "Program of Actions of the Russian Federation and the Republic of Belarus on the Realization of Provisions of the Agreement on the Creation of a Unified State" had been concluded on 8 December 1999. The Agreement had been ratified by the Russian Federation on 2 January 2000. The purpose of this Agreement was, *inter alia*, the establishment of a common economic area and the setting of a legal basis for a common market providing for free trade in goods and services and free movement of capital and labor within the territory of the Parties, including equal conditions and guarantees for business, as well as implementation of a common external trade and custom tariff policy.

On 19 September 2003, the Presidents of the Russian Federation, Ukraine and the Republics of Belarus and Kazakhstan signed an "Agreement on the Establishment of a Common Economic Area". Parties to the Agreement intended to promote mutual trade and investment on the basis of fundamental principles and norms of international law, including WTO rules, and also to increase the competitiveness of their economies via, *inter alia*, the creation of a free-trade area and possibly of a customs union. No specific agreements aimed at realization of this Common Economic Area had been concluded so far. According to the Agreement, the Common Economic Area would be created by stages, taking into account the possibility of different implementation rates and levels of integration. Transition from one stage to another could be achieved by those Members who had performed all the measures envisaged in the previous stage. Each Member would determine independently which integration measures it would adopt and the rate and degree of such integration.

Nothing in its agreements on the creation of customs unions limited its ability to accede to the WTO in accordance with its rules and to implement WTO commitments upon accession. The Russian Federation had submitted new proposals on the MFN exemptions list of its services offer. The purpose of that list was to ensure the possibility of implementation of preferential agreements covering some specific services sectors.

The residency requirement for free trade between C.I.S. countries was necessary for the effective implementation of those preferential agreements, to avoid false declarations of origin and combat money laundering, and did not have practical effects for trade.

As far as the PCA was concerned, it had been ratified by the Russian Federation on 25 November 1996, and was one of more than 100 non-preferential trade agreements the Russian Federation had concluded with its trading partners. The PCA set out both the general principles and detailed provisions that governed relationships between the EU and the Russian Federation in the field of trade in goods and services and related issues.

The main objectives of the PCA were: to provide an appropriate framework for political dialogue; to promote trade and investment and harmonious economic relations; to strengthen political and economic freedoms; to provide a basis for economic, social, financial and cultural cooperation and to provide an appropriate framework for the further integration between the Russian Federation and a wider area of cooperation in Europe.

The PCA had created different institutions to attain the objectives of the agreement: the Cooperation Council, the Cooperation Committee and the Parliamentary Cooperation Committee.

As far as trade in goods was concerned, the PCA foresaw MFN treatment for goods and provided for the application of certain GATT principles. It further promoted legislative harmonization.

In the area of investment, it contained provisions that aimed at improving the environment for the establishment and operation of companies of both sides.

The PCA also addressed the issues of current payments and movement of capital, competition and intellectual property.

**Q.8:** *With regards to transparency of trade policy, has the Russian Federation taken any actions over the period of 1996 – 2004? If not, does Russia have any plan to take any actions to enhance transparency of trade policy in a near future? If any, have they been done in line with the menu of options and principles adopted by APEC, or other international commitments of the Russian Federation, including the WTO obligations?*

**A.:** In accordance with Article 5.3 of the Constitution, laws and other regulatory acts relating to human rights, freedom and duties were subject to official publication. This provision was developed in Federal Law No. 5-FZ of 14 July 1994 "On the Procedures for Publishing and Entering into Force of Federal Constitutional Laws, Federal Laws, and Acts passed by the Chambers of the Federal Assembly"; and Presidential Decree No. 763 of 23 May 1996 "On the Procedures for Publication and Entering into Force of the Acts of the President of the Russian Federation, the Government of the Russian Federation and the Normative Legal Acts of the Federal Executive Bodies". According to Article 4 of Federal Law No. 5-FZ, the date of publication of a federal constitutional law, federal law or act passed by the Chambers of the Federal Assembly should be the date of the first publication of their full text in the "Parlamentskaya Gazeta", "Rossiyskaya Gazeta" or in the digest "Sobraniye Zakonodatelstva Rossijskoj Federatsii". Federal constitutional laws, federal laws and acts of the Chambers could also be published in other press sources and brought to general knowledge through media, distributed to state authorities, officials, enterprises, establishments and organizations, transmitted via communication channels or distributed in machine-readable formats. A great deal of draft legislation was made available on various governmental and parliamentary, (e.g. the State Duma) websites from the time it was formally proposed to the State Duma. The Government intended to continue and expand this practice.

In accordance with paragraph 2 of Presidential Decree No. 763, acts of the President of the Russian Federation and of the Government were subject to official publication in the "Rossiyskaya Gazeta" and in the digest 'Sobraniye Zakonodatelstva Rossijskoj Federatsii' within ten days after their signing. Distribution of the acts of the President and the Government in a machine-readable form by the scientific and technical centre of legal information "Systema" was also deemed to constitute an official publication. Moreover, in accordance with paragraph 8 of Presidential Decree No. 763, regulatory legal acts of federal executive bodies related to human rights, freedom and duties or establishing the legal status of organizations or acts of inter-departmental nature were subject to official publication in the "Rossiyskaya Gazeta" within three days of their registration, and in the "Bulletin of Normative Acts of the Federal Bodies of Executive Power" published by the publishing house "Yuridicheskaya Literatura" of the Administration of the President. This Bulletin was distributed in a machine-readable form by "Systema".

In accordance with Federal Law No. 164 of 8 December 2003 "On Fundamentals of State Regulation of Foreign Trade Activity" (Article 16), new Customs Code No. 61-FZ of 28 May

2003 (Article 24) and Government Resolution No. 98 of 12 February 2003 "On Access to Information on Activities of the Government of the Russian Federation and Federal Executive Bodies", all federal executive bodies were required to ensure public access to information with regard to laws, Presidential decrees, government resolutions, as well as their own regulations, orders, rules, instructions, recommendations, letters, telegrams, teletype messages, etc., having an impact on trade, including by placing this information on the Internet. The Government of the Russian Federation had set up an operational enquiry point in conformity with the requirements of the WTO Agreements on TBT and SPS and was establishing operational enquiry points in conformity with the requirements of Article III of the General Agreement on Trade in Services.

Federal Law No. 128-FZ of 8 August 2001 "On Licensing of Specific Types of Activity" (as amended on 23 December 2003) imposed specific procedural requirements, including criteria and time limits for decisions on licensing and licensing authorities, and requirements for written notification of decisions. Under Federal Law No. 128-FZ licensing procedures and authorized bodies were established by Government Resolutions (according to Article 5 of that Federal Law). All acts of the Government of the Russian Federation were subject to official publication before they came into effect. Though Federal Law No. 128-FZ did not cover a certain range of activities, including communications, production and sale of alcohol, etc., specific requirements on transparency, including criteria and time limits for decisions on licensing and licensing authorities, and requirements for written notification of decisions, were stipulated in the special Federal Laws regulating those types of activity.

**Q.9:** *Please explain the current procedure of trade policy making in the Russian Federation. Please provide detailed information on the basic legal structure of trade policy making, taking into account of the role and empowerment of different legislations, such as Presidential Decree, Government Decree, Federal Law, Government Resolution, Civil Code, etc. What role do the sub-federal governments play in the trade and investment policy-making procedure? Is there any clear-cut division of labor between federal and sub-federal governments in this regard?*

**A.:** In accordance with the Constitution, State power in the Russian Federation is exercised by the President of the Russian Federation, the Federal Assembly (the Council of the Federation and the State Duma), the Government of the Russian Federation, and the courts of the Russian Federation. The competence of each body of power was defined in Chapters 4, 5 and 6 of the Constitution of the Russian Federation, respectively.

Judicial, legislative and executive power are all exercised separately.

A new system of federal executive bodies has been established by Presidential Decree No. 314 of 9 March 2004 (as amended on 20 May 2004) "On the System and Structure of the Federal Executive Bodies" in pursuance of ongoing administrative reform. The new system introduced federal ministries, federal services, and federal agencies as federal executive bodies with different spheres of competence. Federal ministries are responsible for determining State policy, preparing legislation in related fields, and coordinating and controlling the activity of federal services and federal agencies under their authority. Federal services exercise control and supervision in related fields of activity, performed special functions related to national defense, state security, defense of the state borders of the Russian Federation, fight against crime, and public safety. Federal agencies rendered state services managing state-owned property as well as law-enforcement, except functions related to control and supervision.

The judicial system of the Russian Federation is regulated by Federal Constitutional Laws, No. 1-FKZ of 31 December 1996 "On Judicial System of the Russian Federation", No. 1-FKZ of 21 February 1994 "On Constitutional Court of the Russian Federation" (as amended on 8 February 2001), and No. 1-FKZ of 28 April 1995 "On Courts of Arbitration in the Russian



Federation". Judicial power is exclusively exercised by courts manned by judges, juries, and arbitrators duly appointed under constitutional, civil, administrative and criminal court proceedings. Judgments, rulings, orders, summons and other lawful communications issued by the courts are binding upon all persons, entities or governmental authorities throughout the whole territory of the Russian Federation. Justice is equal for all. Courts should not favour any agency, person or otherwise complainant based on nationality, sex, race, language, political convictions or any other grounds unless established by federal laws. Failure to comply with a court judgment, or any other act of contempt of court, is a breach of federal law. The rules of civil procedure in federal courts of general jurisdiction were set out in the Civil Procedure Code of the Russian Federation No. 138-FZ of 14 November 2002 (as amended on 25 February 2004). Procedures for the settlement of disputes by arbitration courts were set out in the Arbitration Procedure Code of the Russian Federation No. 95-FZ of 24 July 2002 (as amended on 28 July 2004). The State fees for claims or other statements or complaints submitted to the courts of general jurisdiction or to arbitration courts were established in Federal Law No. 2005-1 of 9 December 1991 "On State Fees".

The President of the Russian Federation is the Head of State. He determines the guidelines of domestic and foreign policies of the State. Pending resolution of a matter by the appropriate court, the President has the right to suspend the operation of acts of the executive power bodies of the "subjects"<sup>2</sup> of the Russian Federation if they were not in compliance with the Constitution of the Russian Federation, federal laws and international commitments of the Russian Federation.

Executive power in the Russian Federation is exercised by the Government of the Russian Federation. The Government ensures the implementation in the Russian Federation of a single trade, financial, credit and monetary policy, including the establishment of the customs tariff; the implementation of foreign policy and the implementation of measures required to ensure the rule of law.

The Federal Assembly (the Parliament of the Russian Federation) is the representative of the legislative authority in the Russian Federation. It consists of two chambers - the Council of the Federation and the State Duma. The Council of the Federation includes two representatives from each subject of the Russian Federation: one from the legislative and one from executive body of state power. The composition of the Council of the Federation was also determined by Federal Law No. 113-FZ of 5 August 2000 "On the Order of Formation of the Council of the Federation of Federal Assembly of the Russian Federation". The State Duma consists of 450 deputies elected for a term of four years. The composition of the State Duma was determined by Federal Law No. 121-FZ of 24 June 1999 "On Election of Deputies to the State Duma of the Russian Federation" (as amended on 12 April and 10 July 2001). Both chambers are involved, *inter alia*, in the adoption of the federal laws on federal budget, federal taxes and dues, financial, currency, credit, customs regulation and monetary issues, ratification and denunciation of international treaties and agreements of the Russian Federation.

The right of legislative initiative is vested with the President of the Russian Federation, the Members of the Council of the Federation, the Deputies of the State Duma, the Government of the Russian Federation, and the legislative bodies of the subjects of the Russian Federation. The right of legislative initiative is also vested in matters under their jurisdiction with the Constitutional Court of the Russian Federation, the Supreme Court of the Russian Federation, the Superior Court of Arbitration of the Russian Federation.

The Russian legal system is comprised of federal legal acts and legal acts of the subjects of the Russian Federation (sub-federal and regional governments). The federal legal system consists of the Constitution; federal constitutional laws; federal laws; decrees and resolutions of the

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<sup>2</sup> Proceeding from Article 5 (1) of the Constitution of the Russian Federation, the term "subjects" of the Russian Federation includes republics, regions, oblast, cities of federal importance, autonomous regions and autonomous areas. Article 65 of the Constitution contained the exhaustive list of "subjects" of the Russian Federation.

President of the Russian Federation; resolutions and orders of the Government of the Russian Federation; and acts of federal executive authorities. Acts of federal executive authorities (i.e. acts whose binding effect extended to all of the territory of the Russian Federation) include resolutions, orders, rules, instructions, regulations and decisions. This list is exhaustive. Recommendations, letters, telegrams, teletype messages are not regulatory legal acts (Order No. 217 of the Ministry of Justice of 14 July 1999). Such acts have a recommendatory character only and are intended for use within the relevant ministry or department. The legal system of the subjects of the Russian Federation consists of their respective constitutions (in the case of Republics,) or charters (in the case of other subjects of the Russian Federation); laws and other legal acts. The Constitution has overriding power and is applicable throughout the entire territory of the Russian Federation. All federal legal acts and legal acts of the subjects of the Russian Federation are to be in conformity with the Constitution. Federal constitutional laws regulate matters directly provided for under the Constitution of the Russian Federation. Federal laws regulate areas of joint competence between the Russian Federation and its regions. The Constitution reserves certain subject matters to the exclusive jurisdiction of the Russian Federation and others to the joint jurisdiction of the Russian Federation and its subjects (Article 72).

Presidential decrees and resolutions do not prevent the Federal Assembly from enacting a law covering the same subject matter. Such law could have a wider scope than that of Presidential decrees and resolutions. Government resolutions and orders (subsidiary legislation) are issued pursuant to and in furtherance of the Constitution, federal constitutional laws, federal laws and Presidential decrees and resolutions. The requirement for such resolutions and orders are, as a general rule, provided for in the relevant enabling law, decree or resolution. Those legislative acts are also binding throughout the entire territory of the Russian Federation and may be appealed in court. Acts of federal executive authorities are issued on the basis of and in furtherance of federal laws, presidential decrees and resolutions, and Government resolutions and orders. Those acts should be in compliance with the relevant enabling provisions. They have an auxiliary and detailing function.

Any decision by the state authorities, local administrations, community associations or officials can be appealed to a court with respective jurisdiction. In the case of appeals against administrative action or inaction, at the discretion of the appellant, an appeal can also be addressed to either the Government or a Government agency controlling body responsible for the decision. Appeals against the decision of a lower court are also possible. The person aggrieved by the decision can decide himself whether to pursue an administrative review or court procedures.

Article 45 of the Customs Code provides that any person could lodge an appeal against a decision of the customs authorities of the Russian Federation and their officers, if such person (i) reasonably believed that their rights and lawful interests had been infringed, and (ii) where the conduct at issue affected such person directly and personally. The procedure for appeals in respect of decisions, action (inaction) of the customs authorities and their officers was stipulated in Chapter 7 of the Customs Code and applied to any decisions, action (inaction) of the customs authorities and their officers. Under the Customs Code appeals are to be lodged with the superior customs authority directly or through the customs authority whose decision, action (inaction) was appealed against. Appeals against decisions, action (inaction) of federal executive bodies competent for customs-related matters are to be lodged with that federal executive body. Appeals can be lodged writing to a court simultaneously or consecutively to an administrative procedure. They can be lodged within 3 months from the date the appellant knew that his rights and lawful interests had been infringed or from the date of implementation of the decision taken by the customs authority or its officers. Appeals are to be processed by the customs authority within one month from the date of lodging the appeal. However, if necessary, the period for processing can be extended by the head of the customs authority for up to one month. Appeals lodged against decisions, action (inaction) taken by a customs officer or a

customs checkpoint concerning shipment of goods through the border, which did not exceed 1,5 million Rubles in value and (or) one vehicle, can be processed in a simplified appeal procedure. This involves an oral claim to a superior customs officer. Such appeals are dealt with by immediate ruling. The simplified appeal procedure does not preclude the appellant lodging an appeal via the normal procedure. Appeal decisions issued by the customs authority can be appealed against to the superior customs authority or court, or arbitration court. Pursuant to Article 46 of the Customs Code, the appeal mechanism envisaged by the Customs Code does not include decisions in respect of the Code of Administrative Offences No.195-FZ of 30 December 2001 (as amended on 28 July 2004). Administrative appeal procedures are similar to those envisaged by the Customs Code, except under the Code of Administrative Offences, appeals can be lodged within 10 days after receipt of a copy of the decision appealed against and require to be processed within 10 days from the date of lodging the appeal.

The procedure for appealing against decisions of tax bodies and actions or omissions of their officers is regulated by the Tax Code of the Russian Federation. Decisions issued by tax bodies, as well as actions and omissions by their officers, can be appealed to a supervising officer or a court, either simultaneously or consecutively. An appeal is required to be determined within one month from the date of lodging the appeal. The tax body is to take a decision within one month, and the decision on the appeal is required to be notified to the person lodging the appeal within 3 days after the decision was taken. Fees for appeals submitted to courts are set out in Federal Law No. 2005-1 of 9 December 1991 "On State Duties".

As regards appeals and complaints in the sphere of technical regulation, pursuant to Federal Law No. 184-FZ of "On Technical Regulation" refusal to register a voluntary certification can be appealed in a judicial procedure. With regard to mandatory conformity certification, an applicant can lodge a complaint with the authority on accreditation against unlawful actions of certification authorities and accredited testing laboratories (centers).

International treaties contracted by the Russian Federation are concluded on behalf of the Russian Federation by the President of the Russian Federation, the Chairman of the Government, as well as federal ministers, heads of other federal authorities, heads of diplomatic missions of the Russian Federation (if appointed) in accordance with Articles 12 and 13 of Federal Law No. 101-FZ of 15 July 1995 "On International Treaties of the Russian Federation". Once they have entered into force, international treaties are binding throughout the entire territory of the Russian Federation and, in the event of conflict, prevail over domestic federal laws in accordance with Article 15 of the Constitution.

According to Article 3 of Federal Law No. 164-FZ of 8 December 2003 "On the Fundamentals of State Regulation of Foreign Trade Activity" foreign trade in the Russian Federation is regulated by the Constitution of the Russian Federation, federal laws and other legal acts of the Russian Federation and by the international treaties to which the Russian Federation is a party. Article 6 of said Law provides for, *inter alia*, the jurisdiction of the Russian Federation to form the concept and strategy of the development of foreign trade relations and the basic principles of the foreign trade policy; to ensure the economic security and protection of the economic sovereignty and economic interests of the Russian Federation, as well as the economic interests of the subjects of the Russian Federation and of Russian natural and juridical persons; and to conclude international treaties in the field of foreign economic relations.

If an international treaty of the Russian Federation affects issues falling within the jurisdiction of the subjects of the Russian Federation, such a treaty shall be elaborated in co-ordination with relevant bodies of the interested subjects of the Russian Federation. This provision is contained in Federal Law No. 101-FZ of 15 July 1995 "On International Treaties of the Russian Federation". As regards international treaties of the Russian Federation affecting issues falling within the joint jurisdiction of the Russian Federation and the subjects of the Russian Federation, the Law establishes that federal bodies of executive power shall send the main provisions or the draft of a treaty to the state power bodies of the interested subject of the

Federation. Proposals received from the subjects are considered to be in the course of preparation of the draft of the international treaty.

Federal Law 1999 No. 4-FZ of 4 January 1999 "On Co-ordination of International and Foreign Economic Ties of the Subjects of the Russian Federation" provides the subjects of the Russian Federation, *inter alia*, with the right to negotiate and conclude agreements with their partners on international and foreign economic ties. Such agreements can not contradict the federal legislation and the international commitments of the Russian Federation. The Law makes it compulsory for the subjects to notify the appropriate federal authorities before entering into negotiations, and set forth a procedure for prior approval of the draft agreed text of the agreement by the appropriate federal authorities. *The agreements concluded by the subjects of the Russian Federation are not considered international treaties.*

A special mechanism has been established to monitor and ensure that the legislation and practice of the subjects of the Russian Federation complied with federal laws. On 6 October 1999 Federal Law No. 184-FZ "On General Principles of the Organization of the Legislative (Representative) and Executive Authorities of State Power of the Subjects of the Russian Federation" has been enacted. The Public Prosecutor's Office administers the law. Following a complaint regarding the action or policy of a subject of the Russian Federation, the Public Prosecutor can seek an order or declaration from the Supreme Court or an appropriate lower body of the concerned subject invalidating the legislation or practice complained of, on the basis that the legislation or practice is inconsistent with respective federal legislation or international treaties of the Russian Federation. Presidential Decree No. 849 of 13 May 2000 "On the Authorized Representative of the President of the Russian Federation in a Federal District" empowered a presidential representative in a federal district to propose the suspension of acts of executive authorities of the subjects of the Russian Federation that contravened the Constitution, federal laws or international commitments of the Russian Federation. Similarly, Presidential Decree No. 1486 of 10 August 2000 "On Supplementary Measures to Provide Integrity of Legal Treatment in the Russian Federation" created a federal registry of the legal acts of the subjects of the Russian Federation. All legal acts enacted by the subjects of the Russian Federation are to be notified to the Federal Ministry of Justice of the Russian Federation within 7 days of enactment for scrutiny and review. If the legislation is found to be inconsistent with federal laws, the Legislative Department of the Ministry of Justice can draft a presidential decree suspending the operation of the legislation, or seek an order from the Constitutional Court of the Russian Federation together with proposals for reconciling or rectifying the conflict. Acts or parts thereof determined by the Court to contravene the Constitution become invalid.

In accordance with the Constitution of the Russian Federation, the Constitution itself and federal laws have supremacy over the whole territory of the Russian Federation. The bodies of state authority, the bodies of local self-government, officials, private citizens and their associations are required to observe the Constitution of the Russian Federation and its laws. Federal Law No. 101-FZ of 15 July 1995 "On International Treaties of the Russian Federation" contains rules ensuring the execution of the international treaties of the Russian Federation by the President and the Government of the Russian Federation, federal executive bodies, bodies of state authority of the relevant subjects of the Russian Federation.

A commentary: Since 1998 progress has been made in removing inconsistencies between federal (state) and regional (subjects of the RF) laws. For example, in 2000 about 33 per cent of all regional laws and regulations conflicted with federal laws (now – near 1 per cent), and that of those, most had been adopted in spheres such as regulation of state administration, the constitutional system and financial and business activities. Over 4 thousand existing subfederal regulations have since been brought into line with federal laws.

The Ministry of Justice, through its 86 territorial representations, maintains a register which now encompasses more than 190 thousand laws and regulations effective in subjects of the Russian Federation.

The job on preparation of the offers on creation of the laws and regulations register on a local state power level, including a definition of the uniform approaches to the operating procedure with the municipal acts, its record-keeping in an electronic kind and increase of the population knowledge about activity of the local authorities is also organized last time.

### **General Comment**

#### **New Zealand**

**Q. 10:** *New Zealand welcomes the continuing development of the Russian economy along free market principles and the commitment of the Russian authorities to strong interaction with the global economy, including with countries of the Asia/Pacific region. The principal interest of New Zealand at present in the external development of the Russian economy is the regulatory environment in place for conducting, in an open and transparent fashion, trade in agricultural commodities. New Zealand notes that dairy products are subject to a tariff only regime as is sheep meat. On the other hand, New Zealand is concerned by uncertainties over the management of the TRQ and CSTQ system for exporters of beef, pork and poultry to Russia.*

**A.:** Please, see our answers to questions in **Chapter 1 "Tariffs"** as pointed out later (viz., to Qs 17, 19, 28 and 29).

#### **U.S.**

**Q.11-15:** *The U.S. government welcomes the opportunity to provide preliminary comments feeding into an independent assessment of Russia's Individual Action Plan submitted for consideration of APEC members. Documents provided for our consideration were not distributed in enough time to obtain comments and questions from a wide range of interested parties in the U.S. government. The comments provided here therefore represent an informal response and a limited selection of concerns we have raised elsewhere.*

*As the Russian Federation has for several years been in the process of acceding to the World Trade Organization, the U.S. considers that forum, along with our bilateral discussions on Russian accession to the WTO, to be the primary place in which we address questions and concerns regarding the Russian trade regime.*

*In addition to any specific concerns about Russia's existing trade regime noted below, legislation in key areas is still pending or has not been submitted for review by the WTO Working Party on Russian Accession, making it difficult to draw conclusions about Russia's ultimate ability to comply with WTO standards or to meet APEC trade liberalization objectives.*

*Any omission of concerns or perceived inconsistency between comments provided here and issues raised through the WTO accession process should not be seen as a change in U.S. views but rather a result of the limited time given to coordinate comments on the lengthy materials provided at this preliminary stage.*

**A.:** Russia appreciates the USA's desire to know more about Russian trade and investment regimes after more than 10 years of our negotiations to access to the WTO but not appreciate the deliberately negative form and content of such a wish.

As regards "the Russia's ultimate ability to comply with WTO standards or to meet APEC trade liberalization objectives" and "concerns regarding the Russian trade regime" Russia reserves the right to be at loggerheads to itself with such a hasty conclusion. Nevertheless, study, please, once again full contents of our IAPs for 1998-2004 and our answers to all Chapters of its.

Russia believes strongly that international relations should be built on the basis of equality and the principle of respect for the sovereignty of all countries taking part in the international

community. Russia acts now according to strict conformity with its domestic legislation and all the norms of international law and the international commitments that our country has taken on as part of the agreements that have been signed with our partners on the international stage.

We are looking forward to make for better understanding and cooperation with the United States of America in a friendly atmosphere.

And for completeness of our answer to these comments, please, refer to our answers to Qs 1-8 as afore-said.

**Additional US remark and question on transparency:**

*Russia has resisted efforts of its trading partners in its WTO negotiations to press for a broader transparency in making trade regulations and laws available, and in making them available for comment prior to enactment. Developed countries serious about enlisting the views of their citizens and others in the impact of legislation, on trade and even on social well being, are not afraid to put their proposals out for review and comment by interested parties. Why hasn't Russia agreed to do the same?*

**A.:** We can not agree with this assertion, but should take note of it and tackle our American partners over it too.

A great deal of draft legislation was made available on various governmental and parliamentary, (e.g. the State Duma) websites from the time it was formally proposed to the State Duma.

For example, please, visit some Russian web-sites in Internet:

[www.legislature.ru](http://www.legislature.ru) (in Russian) – a private source and appraisal of such information;  
[www.garant.ru](http://www.garant.ru) (both in Russian and English, partially) and <http://www.garant.ru/nav.php?pid=1233&ssid=365> (in Russian), <http://www.consultant.ru/> (both in Russian and English) - new on-line "Garant" version (disclosing judicial up-to-date information), as well as <http://www.kodeks.ru/manage/page/> (in Russian) – an on-line monitoring of modern and drafting Russia's legislation (this work fulfilled by the private entities is maintained and promoted by the Russia's state power also);  
<http://document.kremlin.ru/> - web-site of the President of the Russian Federation (both in Russian and English);  
[www.government.gov.ru/data/news\\_list.htm?he\\_id=103](http://www.government.gov.ru/data/news_list.htm?he_id=103) (Government's decisions and orders, in Russian);  
[www.rg.ru/org/official/index.html](http://www.rg.ru/org/official/index.html) - Internet-site of "Rossijskaya Gazeta" (with official publications, in Russian);  
<http://www.minjust.ru> (in Russian) – web-site of the Russia's Ministry of Justice with web-page of Scientific Center for Legal Information (SCLI, in Russian): <http://register.scli.ru/main.spx>,  
<http://minfin.rinet.ru> – official Internet site of the Ministry of Finance, Russia (partially – in English),  
<http://english.minsvyaz.ru/enter.shtml> - the Ministry of Information Technologies and Communications of the Russian Federation web-site (in English),  
<http://www.mid.ru> – the Ministry of Foreign Affairs Internet-site (in many foreign languages, including English, French and Spanish),  
<http://www.economy.gov.ru> – the Ministry of Economic Development and Trade web-site (now available only in Russian),  
<http://www.customs.ru> – the Federal Customs Service (FCS) web-site (for the time being, available in Russian),  
<http://www.gks.ru/eng/bd.asp> - the FSSS/Goskomstat web-site in the Internet (in English),

<http://www.fips.ru/ruptoen/index.htm> - the Russian Agency for Patent and Trademarks (Rospatent) official Internet-site with information of the Federal Institute of Industrial Property on technical regulation in Russia (in English, including legislature), and <http://www.gost.ru/sls/gost.nsf/PVP/CA5400452C7991BEC32566DA004601FA?OpenDocument&ALT> (in English) – Russia's Federal Agency for Technical Regulations and Metrology (Rostechregulation), etc. (not even mentioning here the Council of the Federation<sup>3</sup> and the State Duma<sup>4</sup> of the Russian Federation Federal Assembly as well as the subjects of the Russian Federation and municipal authorities' sources of judicial information including its Internet-sites as well as the Internet-site of Russia's CCI – <http://www.tpprf.ru>).

The Russia's Government intends to continue and expand this practice.

Also, please, refer to the answer to *Q.8* as pointed out earlier.

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<sup>3</sup> <http://www.council.gov.ru>

<sup>4</sup> <http://www.duma.gov.ru/index.jsp?l=1> and <http://www.akdi.ru/gd/akdi.htm>

## **Chapter 1 - Tariffs**

### **Hong Kong, China**

**Q.16:** *We appreciate Russia's efforts in improving its tariff regime in recent years. We support Russia's early accession into the WTO. Look forward to seeing the binding, by Russia, of its tariffs and further improvement in tariff regime (including further reduction in applied tariffs, the simple average of which is 11.9% at present) following the accession.*

**A.:** Russia appreciates this comment and your request. Thank, Hong Kong, for your support of the Russia's accession to the WTO. In our turn we can assure you that there would be a successive reduction in applied tariffs, including on a voluntary basis as we have been lowering our tariffs as well as reducing and eliminating NTMs previously (*please, refer to our answer to Q.24*) and also our commitments to be made after the Russia's accession to the WTO. Russia will continue to faithfully and strictly honour its commitments in the upcoming years including in the context of its participation in the APEC activities.

### **New Zealand**

**Q.17:** *What is Russia's policy in the area of tariff quotas and, in particular, what is the proposed regime that is likely to operate once Russia joins the WTO (in particular after 2009). We hope that Russia will implement a regime that is in line with the Bogor goals of free trade and investment.*

**A.:** The Ministry of Economic Development and Trade of the Russian Federation (MEDT of Russia) is the official public body responsible for TRQ administration and issuing licenses for imports under TRQs.

Since TRQs were a new regulatory instrument for the Russian Federation, there could be changes in administration methods in order to achieve the effective use of TRQs. Nevertheless and in conformity with the active domestic legislation and also with WTO agreements and Russia's commitments while accessing to it, Russia's Government administered the TRQs in an open and transparent manner. The related information about meet TRQs and its application requirements and procedures were published in advance on official journals or websites of MEDT of Russia and Russian Federal Customs Service (FCS of Russia), and companies could freely utilize their quotas according to the market demand. The Russian Federation replied that foreign-owned firms established as Russian legal entities could participate in TRQ auctions as well and also confirmed that there were no other legal requirements to participate in TRQ auctions that could favor local production.

Russia will continue this practice in line with the WTO agreements and manage the export of meet in an open, just, fair and non-discriminatory principle. Under last individual agreements with interested partners Russia planned to keep for itself the right to apply the TRQs for beef and pork meet till 2009 at the least.

The following development will be realized in conformity with our chart of concessions and WTO decisions in this field and also taking into account successive implementation of measures that is in line with the APEC Bogor goals of free trade and investment.

### **United States**

**Q. 18:** *Import tariffs: Notwithstanding a general decline in rates over the past few years, Russia still maintains high tariff rates across a wide range of products and acknowledges their use to protect industrial and agricultural production. The U.S. seeks significant tariff reductions by Russia in the WTO accession process.*



A.: As for [Russia's import tariffs](#) it is a question of future negotiations between some WTO members and the Russian Federation. Up to now Russia has agreed its tariffs with the WTO members whose share in Russian import is more than 80%.

Customs tariffs regulation in Russia during 2000-2004 based, basically, on unification and rationalization of structure of the customs tariffs, refusal from prohibitive (30% and 25%) rates of the import duties, exception of individual privileges by the way of "zero" rates of the duties, and transition to the identical rates of the duties for homogeneous groups of the goods. With the purposes of neutralization of sharp growth of imports to the prejudice of national manufacturers, and also imports, which conduct to infringement of a competitive situation owing to dumping or subsidies, selective means of the market protection were used (such as special safeguard, antidumping and compensatory measures against the importation of raw sugar, white sugar, starch syrups, starch, candy, pipes from base metals, compressors for air-conditioning, etc.).

Within last four years, the Russia's efforts were directed at further perfecting legislation taking into consideration the necessity to improve it consecutively, and to increase the customs duties collection, as well as other customs payments also levied at transit of the goods through the Russia's customs border, being one of the essential sources of filling the federal budget revenues.

In 2000, the consequences of 1998 financial crisis were basically overcome, that has resulted in growth of consumer demands on industrial and consumer (food) goods during next years, reviving investment processes and has had a positive effect on increase of the imports volumes from far abroad countries.

In the same period, the supplementary measures to oppose to the "grey imports", in particular, were accepted, and the new Importation Customs Tariffs were entered into force from 1 January 2001, where the nomenclature of the goods taxed with the compound (mixed) rates (ad valorem and specific duties) had been considerably extended.

**Table No. 1.**

**RUSSIA's Federal Budget Revenues**

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b> (according to the Budget Law)
<b>Consolidated Budget</b>					
					<i>mln. Roubles</i>
Budget Revenues (w/o a new Unified Social Tax – UST)	1 707 578	2 344 966	2 797 335	3 357 721	3 697 673
Income Tax	398 763	513 821	463 329	526 541	652 108
Individual Income Tax	174 751	255 760	358 106	455 638	532 729

	2000	2001	2002	2003	2004 (according to the Budget Law)
VAT	457	638	752	882	988
	344	966	655	064	368
- on domestic goods and services	356	477	532	619	-
	221	290	307	088	
- on imports	101	161	220	262	-
	123	676	348	976	
Excise Tax	166	243	264	342	243
	371	322	091	371	344
- on domestic goods and services	163	240	260	337	239
	708	207	577	950	185
- on gas	88	117	129	157	-
	806	643	465	413	
- others	76	122	131	180	239
	129	564	112	537	185
Excise Tax for Imports	2	3	3	4	4 159
	663	115	514	422	
Sales Tax	34	45	50	56	-
	653	139	071	365	
Customs Duties	229	331	323	452	532
	191	335	369	789	539
- for imports	64	104	128	158	180
	378	161	695	002	614
- for exports	164	227	194	294	351
	813	174	674	787	925
Property Tax	64	89	120	137	183
	811	564	453	765	991
Recourses Taxes	77	135	330	392	395
	548	689	830	940	743
Mineral Extraction Tax	-	-	275	331	320
			172	440	919
Other Taxes	103	91	134	111	170
	500	368	431	248	901
<i>% per GDP</i>					
Budget Revenues (w/o UST)	23,4	25,9	25,8	25,2	24,2
Income Tax	5,5	5,7	4,3	4,0	4,3
Individual Income Tax	2,4	2,8	3,3	3,4	3,5

	2000	2001	2002	2003	2004 (according to the Budget Law)
VAT	6,3	7,1	6,9	6,6	6,5
- on domestic goods and services	4,9	5,3	4,9	4,6	-
- on imports	1,4	1,8	2,0	2,0	-
Excise Tax	2,3	2,7	2,4	2,6	1,6
- on domestic goods and services	2,2	2,7	2,4	2,5	1,6
- on gas	1,2	1,3	1,2	1,2	-
- others	1,0	1,4	1,2	1,4	1,6
Excise Tax for Imports	0	0	0	0	0
Sales Tax	0,5	0,5	0,5	0,4	-
Customs Duties	3,1	3,7	3,0	3,4	3,5
- for imports	0,9	1,2	1,2	1,2	1,2
- for exports	2,3	2,5	1,8	2,2	2,3
Property Tax	0,9	1,0	1,1	1,0	1,2
Recourses Taxes	1,1	1,5	3,0	2,9	2,6
Mineral Extraction Tax	-	-	2,5	2,5	2,1
Other Taxes	1,4	1,0	1,2	0,8	1,1

### Federal Budget

*mln. Roubles*

Budget Revenues	964	1	1	2	2 071
(w/o UST)	782	460 398	696 137	029 567	385
Income Tax	177	213	172	170	164
	951	777	212	931	587
Individual Income Tax	27	2	-1	9	-
	368	750			
VAT	371	638	752	882	988
	511	966	655	063	368
- on domestic goods and services	270	477	532	619	709
	388	290	307	088	473
- on imports	101	161	220	262	278
	123	676	348	976	895
Excise Tax	131	203	214	252	98 517
	092	124	865	531	
- on domestic goods	128	200	211	248	94 358

	2000	2001	2002	2003	2004 (according to the Budget Law)
and services	430	009	351	109	
- on gas	87	117	129	157	20 000
	579	643	465	413	
- others	40	82	81	90	74 358
	851	366	886	696	
Excise Tax for Imports	2	3	3	4	4 159
	663	115	514	422	
Customs Duties	229	331	323	452	532
	191	335	369	789	539
- for imports	64	104	128	158	180
	378	161	695	002	614
- for exports	164	227	194	294	351
	813	174	674	787	925
Recourses Taxes	18	49	214	249	279
	569	693	237	508	381
Mineral Extraction Tax	-	-	204	246	267
			793	935	910
Other Taxes	9	20	18	21	7 993
	100	752	800	736	
					<i>% per GDP</i>
Budget Revenues (w/o UST)	13,2	16,2	15,6	15,2	13,5
Income Tax	2,4	2,4	1,6	1,3	1,1
Individual Income Tax	0,4	0,0	0,0	0,0	0,0
VAT	5,1	7,1	6,9	6,6	6,5
- on domestic goods and services	3,7	5,3	4,9	4,6	4,6
- on imports	1,4	1,8	2,0	2,0	1,8
Excise Tax	1,8	2,2	2,0	2,0	0,6
- on domestic goods and services	1,8	2,2	1,9	1,9	0,6
- on gas	1,2	1,3	1,2	1,2	0,1
- others	0,6	0,9	0,8	0,7	0,5
Excise Tax for Imports	0	0	0	0	0
Customs Duties	3,1	3,7	3,0	3,4	3,5
- for imports	0,9	1,2	1,2	1,2	1,2

	2000	2001	2002	2003	2004 (according to the Budget Law)
- for exports	2,3	2,5	1,8	2,2	2,3
Recourses Taxes	0,3	0,5	2,0	1,9	1,8
Mineral Extraction Tax	0,0	0,0	1,9	1,8	1,8
Other Taxes	0,1	0,2	0,2	0,2	0,1

Source: Ministry of Finance, *The White Finance Book – 2003*.

The share of the tax revenues in the total revenues of the Russia's federal budget in 2003 has constituted 78,6 per cent (in 2002 its share in total incomes was less - 76,9 per cent). As a whole, revenues of the federal budget on account of the import duties collection have increased twice in 2003 in comparison with 2000.

The greater part of all budget revenues was provided with receipts of the value-added tax - VAT (43,5 per cent from the total amount of tax incomes), customs duties (22,3 per cent), mineral extraction taxes (12,3 per cent), excise taxes (12,4 per cent), income taxes of legal entities (8,4 per cent).

The growth of the budget receipts of export duties is stipulated by a favorable conjuncture of the energy resources and metals prices constituting the basis of the Russian entrepreneurs' exports, that has allowed to hold rather high levels of the importation customs duties' rates in this period (at observance of the parity of interests of the State and business).

**Table No. 2**  
**2003 Federal Budget Execution by principal Tax Revenues**

*bn. Roubles*

	<i>According to the Federal Law "On 2003 Federal Budget"</i>	<i>The facts in 2003</i>	<i>Reference data: the facts in 2002</i>	<i>Growth, % (2003 by 2002)</i>	<i>Actual performance in 2003, %</i>
<b>Tax Revenues – total,</b>	<b>2012,3</b>	<b>2029,6</b>	<b>1 696,1</b>	<b>119,7</b>	<b>100,9</b>
including:					
<b>Income Tax of the legal entities</b>	161,9	170,9	172,2	99,2	105,6
<b>V.A.T.,</b>	881,6	882,1	752,7	117,2	100,1
including:					
- on manufactured goods	622,6	619,1	532,3	116,3	99,4
- on imported goods	259,0	263,0	220,3	119,4	101,5

	<i>According to the Federal Law "On 2003 Federal Budget"</i>	<i>The facts in 2003</i>	<i>Reference data: the facts in 2002</i>	<i>Growth, % (2003 by 2002)</i>	<i>Actual performance in 2003, %</i>
<i>For reference: reimbursement the suppliers of the goods with VAT, used at accomplishment of operations, taxed on the tax rate of zero per cent</i>	290,0	210,3	181,1	116,1	72,5
<b>The excise taxes</b> on the goods made on the Russia's territory	250,6	248,1	211,4	117,4	99,0
<b>The excise taxes</b> on the goods imported into Russia	4,0	4,4	3,5	125,7	110,5
<b>Payments for natural resources use</b>	243,1	249,5	214,2	116,5	102,6
<b>Customs Duties, including:</b>	449,9	452,8	323,4	140,0	100,6
<i>- importation duties</i>	<b>155,9</b>	<b>158,0</b>	<b>128,7</b>	<b>122,8</b>	<b>101,3</b>
<i>- exportation duties</i>	<b>294,0</b>	<b>294,8</b>	<b>194,7</b>	<b>151,4</b>	<b>100,3</b>

**Source:** Ministry of Finance, *Annual Report for 2003*.

A share of the import and export duties receipts in the total tax revenues of the Russia's federal budget constituted (in percentage): 23,8 per cent – in 2000, 22,7 per cent – in 2001, 19,1 per cent – in 2002, and 22,3 per cent – in 2003, i.e. it ratio reduced a little, but remained rather high.

In connection with liberalization of importation and exportation tariffs, at a later time its fiscal role will be reduce.

*Also, please, refer to the answer to Q.24.*

**Q.19:** *Tariff quotas: The report notes that countries supplying poultry to Russia were invited to negotiate specific quotas. Though the United States negotiated a poultry quota with Russia over a year ago, the Russian government has not signed that agreement and continues to impose obstacles to U.S. poultry exports. We have similar problems in exports of beef and pork, and other countries have raised similar complaints.*

**A.:** We have had negotiations on that issue with all concerned countries. The agreements in the question are fully realized by the Russian side, through formally were not signed.

With regard to meat, in 2003-2004 a two-level tariff had been applied to imports of beef (HS 0201 and 0202) and pork (HS 0203). The legal basis for this measure were Resolutions of the Government of the Russian Federation No. 49 and No. 50 of 23 January 2003 and No. 721, 722, 723 of 29 November 2003.

Quantities allowed for importation in 2004 were as follows:

- frozen beef: 420,000 tons. This TRQ was shared into four categories of countries: 1) the European Union – 331 800 tons; 2) the United States– 17 200 tons; 3) Paraguay-3 000 tons; and 4) other countries – 68 000 tons;

- fresh or chilled beef (HS 0201) - 27 500 tons for 2004. This TRQ was shared into two categories of exporters: 1) the European Union, – 27 000 tons; and 2) other countries- 500 tons;

- pork: 450,000 tons. This TRQ was shared into four categories of exporters: 1) the European Union – 227 300 tons; 2) the United States – 42 200 tons; 3) Paraguay – 1 000 tons; and 4) other countries – 179 500 tons.

Imports in excess of these amounts were subject to a higher duty.

For pork and beef, 90 per cent of the import volume was distributed by granting licenses to historical importers based on their representative imports over last three years (2000-2002) with a portion (10 per cent) reserved for new entrants. These 10 per cent were distributed by auctions on the stock exchange.

In respect of imports of poultry and following the requisite investigation, the Russian Federation had introduced safeguard measures in 2003 in the form of an import quota for a 4 year period on imports of fresh, chilled and frozen poultry under HS 0207, including boneless poultry (HS 020714100 and 0207271000) on the basis of Articles 4 and 6 of Federal Law No. 63-FZ of 14 April 1998 "On the Measures for Protection of the Economic Interests of the Russian Federation in Foreign Trade in Goods" (Government Resolution No. 48 of 23 January 2003 "On measures to protect the poultry farming of the Russian Federation"). This quota was administered by issuance of non-automatic licenses by the Ministry of Economic Development and Trade, as described in the "Tariff Quotas" section of this draft Report. The amount of quota was as follows: 2003 (9 months) – 744,000 tons; 2004 – 1,050,000 tons; 2005 – 1,050,000; 2006 (3 months) – 306,000 tons. Russia's Government had imposed safeguard measures as from May 2003. The legal basis for this measure in 2004 was Governmental Resolution No. 724 of 29 November 2003 "On specifics of application of special safeguard measure in respect of import of poultry in 2004". In accordance with that resolution, the annual quota of imports of poultry had been established at the level of 1050 million tons, out of which 771,9 thousand tons were to be imported from the USA, 205 thousand tons from the EC, 5 thousand tons from Paraguay and 68 thousand tons from other third countries. The Government intended to consider conversion of the safeguard quota into a TRQ.

The Russian Government is planning to enlarge the TRQs for beef and pork meet importation by 2,3 per cent in 2005, keeping the TRQ for poultry as it is in 2004.

Concerning the TRQ for sugar, this TRQ had been applied before 2004 to imports of raw sugar originating from GSP beneficiaries. This TRQ was imposed pursuant to Government Resolution No. 536 of 15 July 2002. In 2003, this TRQ had amounted to 3,950,000 metric tons and had been distributed among importers by auctions on the stock exchange. The procedure for holding auctions was laid down in Government Resolution No. 1299 of 31 October 1996 "On the procedure for Holding Tenders and Auctions for Sale of Quotas when Quantitative

Limitations and Licensing of Export and Import of Goods are Introduced in the Russian Federation". The TRQ on raw sugar had been eliminated pursuant to Government Resolution No. 720 of 29 November 2003. Currently, raw sugar imports were subject to import tariffs only.

**Q.20:** *Export duties: Although the report notes that the Russian government is phasing out export duties on many products, the use of such duties remains unusually frequent and constitutes a disguised subsidy to downstream industries that use these exports in their production process.*

**A.:** We disagree with this assertion, because export duties payable on a limited number of goods had been introduced as a temporary measure to respond to a sharp plunge of Ruble in August 1998, which gave the exporters a significant edge in the form of additional income over sales of goods on the domestic market to satisfy its immediate needs.

Just for reference we provide a complete list of export duties of the Russian Federation for 2004 in the file "[Annexes.doc](#)" attached hereto.

Then export duties were subject to a regular review mechanism. And export duties could not be considered as a subsidy in the sense of Agreement on Subsidies and Countervailing Measures, and its effect to the industry was nearly equivalent to those of import duties.

As for the 30 per cent export duty on natural gas the export duty had replaced the pre-existing excise taxes on natural gas. The level of export duties on crude oil was linked to the world price of crude oil and therefore, fluctuated accordingly. Export duties of a fiscal nature permitted the Russian Federation to replenish the Federal budget (which was also required to perform Russia's international financial commitments) whereas export duties of a regulatory nature were used to address both social and economic needs. As for the export duties imposed for social reasons, its concerned goods such as non-ferrous scrap, which was product mainly destined for exportation as there was hardly any domestic demand. And this export duty was also linked to the need to prevent illegal production of non-ferrous scrap and was considered the most effective way to curb this phenomenon as it made exports of this product non-economical.

The Government of Russia was considering other means to address this problem, such as a licensing mechanism to monitor exports.

**Q.21:** *Tariff Exemptions: Tariff exemptions granted to attract investment in certain sectors such as domestic auto manufacturing constitute a barrier to auto imports.*

**A.:** Pursuant to Article 34 of Russia's Federal Law No. 5003-1 of 21 May 1993 "On Customs Tariff" (as amended on 29 June 2004), tariff exemptions were granted in accordance with the procedures established by the Government and Articles 35, 36 and 37 of this Law. Such decisions included: Government Resolution No. 1041 of 8 September 1994 "On the Procedure for Exemption of Goods Imported to the Customs Territory of the Russian Federation and Exported from This Territory for Purposes of Eliminating the Aftermaths of Accidents, Catastrophes and Natural Disasters from Customs Duties" (as amended on 26 July 1996), Government Resolution No. 497 of 19 May 1994 "On Tariff Preferences in Respect of Oil and Oil Products Manufactured by Enterprises with Foreign Investment and Exported from the Russian Federation" (as amended on 13 October 1995), and Government Resolution No. 413 of 23 April 1998 "On Additional Measures to Attract Investments for Development of Domestic Car Making".

These tariff exemption has for the objective promotion of domestic industry.



Article 35 of Law No. 5003-1 established the list of goods which were not subject to customs duties, such as goods in transit; items imported by foreign diplomatic and consular offices in the Russian Federation in accordance with their needs and requirements for official purposes; articles for personal use when traveling abroad; goods destined for disaster relief and humanitarian purposes; industrial and other equipment related to foreign investment, etc. Exemptions could be also granted under Articles 36 and 37 of the Law on the basis of tariff rate quotas; tariff preferences; free trade agreement and GSP scheme. Tariff exemptions other than those provided for in the context of a free trade agreement or GSP scheme were applied on a MFN basis. No tariff exemptions, other than those provided for in the legislation in force, were envisaged in the draft law "On Amending the Law on the Customs Tariff (which had passed first reading in the State Duma on 5 August 2004).

- Domestic Car-Industry:

Presidential Decree No. 135 of 5 February 1998 "On Additional Measures to Attract Investments for Development of Domestic Car Making", and Government Resolution No. 413 of 23 April 1998 "On Additional Measures to Attract Investments for Development of Domestic Car Making" permitted automobile and spare parts production within a "bonded warehouse" under special conditions. These acts covered projects with investments of no less than 1.500 millions Rubles (app. 50 mln. USD) and established that:

- the share of costs incurred in Russia after 5 years of the project life had to account for no less than 50 per cent of production costs of the end-product;
- the Government of the Russian Federation annually determined the amounts of quotas within which the goods produced in a "bonded warehouse" could be exported customs free to the rest of the Russian territory. Customs payments on imports from the territory of a "bonded warehouse" zone into the rest of the Russian territory exceeding such quota were made on normal terms;
- in order for cars imported into the Russian territory from a "bonded warehouse" to qualify as a product originating from the Russian territory and benefiting from duty free treatment, the components used for the production of such car had to represent no less than 50 per cent of the value of the final product at the end of the fifth year until the end of the investment agreement. Components which were not recognized as originating from the Russian Federation when imported into the main territory of the Russian Federation from warehouse and subject to the customs legislation of the Russian Federation, and components of foreign origin, which had been used in their manufacture, were applied customs fees at the rates applied to means of automotive transportation and automotive components which had been in effect at the moment of their importation from free warehouse to the main territory of the Russian Federation.

The term of these preferences could not be extended beyond the investment project period, and could not be longer than seven years. This term was calculated from the date of granting a "bonded warehouse" license.

In accordance with these acts 4 investment agreements had been concluded provided for car assembly units in the Russian Federation by the companies "Daewoo" (ROK), "Renault"; "Ford Motors" (US) and "FIAT" (Italy) respectively. The agreements with "Renault" and "FIAT" cars had not been pursued yet. The agreement with "Daewoo" car had been in force for two years but had been invalidated in 2001. The agreement with "Ford Motors" was still in force. There were plans to conclude a similar investment agreement with the Joint Stock Company "GM-Avtovaz".

Russian legislation did not require foreign car-manufacturers party to the agreement to be incorporated in the Russian Federation. Although those agreements contained common requirements to use domestically produced goods in the production process, the Government of the Russian Federation would be willing to consider freezing conclusion of new agreements which contained provisions of such kind after its accession to the WTO.

### ABAC

**Q.22:** *ABAC recognizes that the Government of Russia has lowered tariff rates for 4 levels (i.e., 5%, 10%, 15%, and 20%) on virtually all but a few items, including motor vehicles. Although this has made the average tariff rate 10.7% according to the Russian Government, many of these tariffs are accompanied by the minimum amount\*\*, which makes tariff reduction far from effective. Therefore, Russia is strongly requested to further reduce its tariff rates, particularly those on motor vehicles, regardless of negotiations concerning its WTO accession, so that trade within the APEC region can be further facilitated.*

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\*\* The meaning is unclear. “*many of these tariffs involve the minimum...*” ?

**A.:** We understand position of ABAC but can discuss tariff rates **only in connection with** the Russia's accession to the WTO at the moment.

For reference, please, refer to the answer to **Q.18** as above.

**Q.23:** *Changes of tariff rates by the Government are often made without sufficient previous notification of the public. Thus, ABAC strongly requests that Russia promote further transparency of its tariff systems.*

**A. (Question of Transparency):** We couldn't agree with this statement. All changes of tariff rates are made with previous notification through official gazette. Notifications are available through Internet and other media 2-6 months before its coming into effect (*on the President's and MAF of Russia's web-site – in English*).

### Expert

**Q.24:** *How progressively has Russia reduced tariff rates over the period of 1996-2004? To how many tariff lines has Russia introduced duty-free access? Are there any tariff lines that were subject to temporary (permanent) tariff increase? If any, for what reasons did this happen?*

**A.:** Federal Law No. 5003-1 of 21 May 1993 "On Customs Tariff" (as last amended on 29 June 2004) and the Customs Code of the Russian Federation (Federal Law No. 61-FZ of 28 May 2003) constituted the legal framework for the customs regime of the Russian Federation. The existing Law “On Customs Tariff” and the draft Federal Law "On Amending the Law of the Russian Federation On Customs Tariff" provided for customs tariff regulation of import and export of goods and determination of customs value of goods in compliance with WTO rules and disciplines. The structure of the Russian Federation's customs tariffs was regulated by Federal Law No. 5003-1 of 21 May 1993 "On Customs Tariff" (as last amended on 29 June 2004). Tariff rates could be changed by Government decisions based on proposals by the Interministerial Commission on Customs and Tariff Policy and Trade Remedies Measures, also taking into account the Russian Federation's international commitments.

Government Resolution No. 886 of 27 November 2000 substantially revised downwards and leveled out the customs duties (in approximately 3,500 tariff positions out of 11,032). As a result, customs tariffs for nearly all goods categories were grouped under broader headings (raw

materials, semi-finished products, finished products, foodstuffs) with duty levels of 5, 10, 15 and 20 per cent, respectively. These changes, which took effect on 1 January 2001, were aimed at liberalization of imports of modern technologies and machinery into the Russian Federation, countering illegal practices at customs and improving the effectiveness of customs payment collection.

The new commodity description and classification system based on HS 2002 Harmonized Commodity Description and Code System of the World Customs Organization and which had entered into force on 1 January 2002, was available at the WTO Secretariat in the English language in electronic format. Upon request, APEC members could have the lists of the Russian Federation's MFN partners and GSP recipients.

The Import Tariff currently applied in the Russian Federation had been introduced on 1 January 2002 by Government Resolution No. 830 in replacement of the HS 96 system previously used. The customs tariff consisted of 11,032 tariff lines. The significant majority of tariff items were subject to *ad valorem* tariffs; 1,538 tariff items were subject to compound (mixed) rates (*ad valorem* and specific duties). Compound tariff rates were applied to meat, butter and cheeses, flowers, bananas, coffee and tea, rice, vegetables, plant oils, preserved vegetables, cosmetics, leather and fur articles, footwear, apparels, home electronics, watches, cars and furniture. 92 tariff items were subject to specific rates (*i.e.* apples, chocolate, beer, strong alcoholic beverages). The *ad valorem* rates and *ad valorem* equivalents of combined and specific rates ranged from 0 to 30 per cent, except for:

- sugar;
- ethyl alcohol and beer;
- used buses older than 7 years;
- used passenger motor cars older than 7 years;
- used trucks older than 7 years
- furniture with a cost lower than 1,8 euro per 1 kg.

Tabulation of the Trade Weighted Average Customs Tariff Rates of Russia

Year	Percentage
1995	16.0
1996	17.7
1997	13.3
1998	12.8
1999	11.7
2000	11.4
2001	11.1 <sup>*)</sup>
2002	10,9
2003	10,8

<sup>\*)</sup> Also, please, refer to the last WTO report on Russia's Trade Policy in Merchandise and Commercial Services Trade: [http://stat.wto.org/CountryProfiles/RU\\_e.htm](http://stat.wto.org/CountryProfiles/RU_e.htm).

And, please, refer to the answer to Qs.18 and Q.22 as above.

**Q.25:** *Russia is currently applying specific tariffs for 21 tariff lines in the transport equipment sector. Please provide detailed information on the affected products, including specific explanation on imposed tariff rates.*

**A.:** Clarify and work out in detail (HC Code) your question, please. After that we will provide you with an answer.

**Q.26:** *How is the tariff policy of the Russian Federation in general structured vis-à-vis RTA partner countries, compared to beneficiaries of GSP Scheme and beneficiaries of MFN treatment, as well as non-beneficiaries of MFN or any other preferences? Could you provide the list of those four groups of countries: RTA partner countries; beneficiaries of GSP scheme; beneficiaries of MFN treatment; non-beneficiaries of MFN or any other preferences?*

**A.:** The most recent version of the Customs Tariff of the Russian Federation, introduced by Government Resolution No. 830 of 30 November 2002, contained MFN rates of import customs duties for all 11,032 tariff lines. The number of tariff lines with rates above 20 per cent had been maintained (poultry meat, sugar, beer, pure alcohol, vehicles older than 7 years and cheap furniture. The rates of customs duties applicable to products originating from the countries with which the Russian Federation did not apply MFN treatment amounted to the double of MFN rates. The import customs duties applicable to products eligible for tariff preferences and originating from countries enjoying the Russian Federation's GSP scheme were levied at the level of 75 per cent of the MFN rates.

**MFN:** pursuant to the Customs Code, by default, MFN treatment was granted if the country of origin was declared and accepted as being the MFN country of origin. Where MFN treatment existed in respect of the exporting country, customs duties were charged at the Customs Tariff rates. Pursuant to Article 38 of the Customs Code, customs duties were charged at the double rate only when the customs bodies discovered the lack of signs proving that the goods at issue had originated from a country in respect of which Russia did not apply MFN treatment. If customs bodies had no reasons to consider a good as originating from a country in respect of which Russia did not apply MFN treatment, customs duties would be charged at the Customs Tariff rates irrespective of the availability or absence of Certificate of origin. Goods imported from some WTO Members were subject to double MFN tariff rates in the Russian Federation.

The current problem of non-MFN tariff rates to goods originating from some WTO Members resulted from the absence of bilateral trade agreements between Russia and these Members, notably: Antigua and Barbuda, Bahrain, Barbados, Belize, *Brunei Darussalam* (APEC member), Central African Republic, Côte d'Ivoire, Democratic Republic of the Congo, Dominica, Dominican Republic, Fiji, Guatemala, Haiti, *Hong Kong (China, APEC member)*, Lesotho, Macao (China), Malawi, Maldives, Namibia, Niger, *Papua New Guinea* (APEC member), Paraguay, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Solomon Islands, Suriname, Swaziland, Togo, Trinidad and Tobago and the United Arab Emirates.

Moreover all these countries and customs territories were beneficiaries of the Russian GSP scheme. Therefore, goods originating from those territories were taxed at 75 per cent of the corresponding MFN rate.

Please, see [a list of countries \(economies\)](#) to which Russia applies MFN and preferential tariffs.

**Q.27:** *The 2004 IAP of the Russian Federation informs that approximately 14 per cent of all tariff lines are subject to compound tariff rates (ad valorem and specific duties), which appears to*

*be much higher than most of the trading nations of comparable economic significance. Have there been any changes in this tariff policy instrument over the period of 1996-2004? Is there any consideration going on to improve this complexity of tariff policy? Could you give more detailed information on the ad valorem equivalent of compound rates for those five product categories that are listed in the IAP (p. 2) to have higher than 30% equivalent tariff rates without exact figures?*

**A. (Compound tariff rate):** The total share of compound tariff rate in Russian Tariff Code is not so important, than it appears (in Switzerland for example, 83% of all tariff rates is compound or specific). As for *ad valorem* equivalent of compound rate the Russian Federation confirms its obligation to guarantee that the *ad valorem* part of the bound duty rate will be equivalent to its specific part in accordance with the following provisions. In the end of every calendar year the Russian Federation will calculate the equivalency of *ad valorem* and specific parts of combined duties on the basis of its official customs statistics for 3 previous years (except the importation from CIS countries). If the results show the necessity to reduce the specific part to put in it equivalency with the bound *ad valorem* level it would be performed by the Russian Federation automatically from the 1 of January of the next year. The results of the calculations the Russian Federation will notify to the WTO Secretariat on regular every year basis.

Sugar. The most recent Resolutions on this matter (Resolutions No. 560 of 26 July 2001 "On the Abolishment of the Licensing of the Import of White Sugar to the Russian Federation" and No. 757 of 18 December 2003 "On the Abolishing of the Licensing of the Import of Raw Sugar to the Russian Federation") had removed raw and white sugar from the list of products requiring an import license. Nevertheless pursuant to Government Resolution No. 782 of 17 July 1998 (as amended on 18 December 2003) imports of glucose syrup required licensing.

Currently the raw sugar importation is subject to implementation of the import tariffs only according to the raw sugar world price of the New York goods exchange.

The temporary ban on the importation of ethyl alcohol enforced under Federal Law No. 61-FZ of 31 March 1999 "On Temporary Ban on Ethyl Alcohol Imports" had been terminated on 31 December 2001. Article 13 of Federal Law No. 171-FZ of 22 November 1995 "On State Regulation of Production and Turnover of Ethyl Alcohol, Alcoholic and Alcohol-Containing Products" restricted imports of distilled spirits to no more than 10 per cent of alcohol sales in the Russian Federation. Within this quota, not less than 60 per cent of imports should contain 15 per cent of alcohol or less. However, that the provisions of that Article had never been implemented.

The rules of putting quotas on production of ethyl alcohol from all types of raw materials, methylated spirits and alcohol-containing solutions had been recognized as invalid by Resolution of the Supreme Court of the Russian Federation No. GKPI 2001-783 of 16 May 2001 "On Recognition as Invalid and Inapplicable the Rules on Putting Quotas on Production of Ethyl Alcohol and Alcohol-Containing Solution, Approved by the Resolution of the Government of the Russian Federation No 1292 of 3 November 1998". The rules of issuance of special permits for delivery (release) of ethyl alcohol produced from all types of raw materials, methylated spirits and alcohol-containing solutions had been recognized as invalid and inapplicable by Resolution of the Supreme Court No. GKPI 00-1251 of 23 November 2000 "On Recognition as Invalid and Inapplicable the Rules of Issuance of Special Permits for Delivery (Release) of Ethyl Alcohol Produced from All Types of Raw Materials, Methylated Spirits and Alcohol-Containing Solutions, Approved by the Resolution of the Government of the Russian Federation No 1292 of 3 November 1998". No quotas on imported alcoholic products were planned in future. The provisions of Article 13 of Federal Law No. 171-FZ of 22 November 1995 "On State Regulation of Production and Turnover of Ethyl Alcohol, Alcoholic

and Alcohol-Containing Products" had never been applied and no agency in the Russian Federation was appointed to oversee its implementation.

Even after the draft law "On Amending the Federal Law "On State Regulation of Production and Turnover of Ethyl Alcohol, Alcoholic and Alcohol-Containing Products", currently in the State Duma, would have been passed, it would not repeal Federal Law No. 171-FZ. The draft law would make a number of amendments to the existing law, including the elimination of the import quota and introduction of automatic import licensing, which were intended to achieve WTO compliance.

**Q.28:** *The quota amount allocated to "other countries" within the scheme of the TRQ on pork was approximately 40 per cent of total quota. Which countries do belong to this group? What is the logic of distributing this high amount to this unspecified group of countries?*

**A.:** All countries of the world except otherwise mentioned in the answer to Q19 could use the category "other countries". The specified countries are major or significant suppliers to Russia.

**Q.29:** *Russian Federation reported that it eliminated – based on the Government Resolution No. 720 as of November 29, 2003 – TRQ on sugar. Did this Resolution go into force already? Does the Russian Federation intend to reintroduce this policy measure in the future? Also the 2004 IAP reports that there are a tariff-rate quota on beef and pork and a special safeguard measure on poultry. Are they the only such measures in operation? If you have any TRQ measures – introduced, expired or eliminated over the period of 1996-2004, other than those on sugar, beef and pork, and poultry, please provide their list with more detailed information on (i) date of entry into force, (ii) affected products, (iii) affected countries, (iv) details of instruments, and (v) date of expiry.*

**A.:** The Government Resolution No. 720 as of November 29, 2003 eliminated TRQ on raw sugar. Currently its imports are subject to implementation of the import tariffs only according to the sugar world price of the New York goods exchange (according to the Russia's Government Resolutions No. 720 of November 2003 "On Tariff Regulation of Raw Sugar and White Sugar Importation in 2004" and No. 786 of 15 December 2004 "On Tariff Regulation of Raw Sugar Importation to the Russian Federation").

The TRQ for raw sugar which was applied during 2000-2003 years was eliminated in 2003. The Russian Federation had no any more TRQ measures – introduced, expired or eliminated over the period of 1996-2004.

For other details, please, refer to the answer to Q19.

**Q.30:** *2004 IAP reports that (some) export duties that had been cancelled in 1992 were reintroduced in 2000. What products or product categories are affected by this measure? When do you intend to abolish this reintroduced export duty scheme? Do you have any further plans to introduce new export duties on other products? 2004 IAP reported the elimination of 70 products – in addition to 180 tariff lines taken away during 2003 – from the list of Export Tariff of the Russian Federation would be continuing in 2004. Did this happen in due course and fully as planned? Are these items (180 + 70) those that had been cancelled in 1992, but were reintroduced in 2000? How many products are then currently affected by the same Export Duty regime?*

**A.:** The Russian Federation offers the list of the Currently Export Tariff (see [Annex 1.1](#)). Please, see the answers to Q20 and Q31 also.

**Q.31:** *Russia has reported elimination in 2002 of all export duties in all ferrous metallurgy products, but is reported to maintain export duties on selected other products. In which industrial sectors in general, and on which products specifically does the Russian Federation still maintain export duties? What are the logics of such trade policy? Which countries, and especially which APEC member economies are affected by this measure?*

**A.:** The Russian Federation stated that export duties, ranging from three to 50 per cent, had been imposed mainly for fiscal purposes and in very few cases (raw hides and skins, scrap and waste of non-ferrous and ferrous metals, timber, oil seeds) to ensure the availability of materials essential to the domestic industry, to prevent shortages in domestic supply and to address social concerns.

Over the last years the number of products on the list of export duties had been reduced by around 50 per cent and their average level had decreased from 12 to 6.5 per cent. For the last three years, the number of products subject to export duties had been reduced from 1200 to 480 tariff lines. This trend was continuing.

Export duties were applied on an MFN basis except for goods exported to parties of the Agreement on creation of the Customs Union (CIS countries).

All changes in export duties were published officially.

Moreover, export duties were permitted under WTO rules, and many of its country-members applied export duties as an instrument of trade policy. In this regard, Russia considered that the request that Russia establish a timetable to completely phase-out export duties is excessive.

Nevertheless Russia confirms readiness to phase-out or reduce most of the currently applied export duties and not to increase the level of others against the currently applied level, without prejudice to the Russian Federation's rights to introduce or to reintroduce export duties in compliance with WTO provisions.

In all cases, export duties did not affect the price at which an exported commodity was purchased at world market and, taking this explanation into account, *none APEC member economies are affected by this measure at all.*

Please, also see the answer to **Q.20** as mentioned above.

## **Chapter 2: NON-TARIFF MEASURES**

### **Hong Kong, China**

**Q.32:** *We are impressed by the level of details on NTMs provided in Russia's IAP. We encourage Russia to regularly review its NTMs with a view to reducing their use as far as possible.*

**A.:** Russia appreciates this comment and your request. Thank, Hong Kong, for your support of the Russia's efforts to be more transparent.

The Russia's Government imposes no restrictions on the right of all enterprises to import or export, except for cases provided for in international agreements and federal laws.

The State monopoly on foreign trade had been eliminated by Presidential Decree No. 213 of 15 November, 1991 "On Liberalization of Foreign Economic Activity on the Territory of the Russian Soviet Federal Socialist Republic" (as amended on 27 October, 1992). This principle was further embodied in Article 1 of the Civil Code and Article 8 of the Constitution.

The background for export and import trade in the Russian Federation were set out in Federal Law No. 164-FZ of 8 December, 2003 "On the Fundamentals of the State Regulation of the Foreign Trade Activity". Article 10 of that Law provides that legal persons established in accordance with Russian legislation, as well as natural persons that were citizens of the Russian Federation or possessed the right of permanent residence in the Russian Federation were permitted to undertake export and import operations in accordance with Russian legislation.

Export and import operations do not require any additional special permission or activity license. This rule has only few exceptions.

There are no statutory licensing or quantitative requirements for imports of precious stones and metals to the territory of the Russian Federation. Precious stones and metals have been excluded from the list of currency valuables pursuant to Federal Law No. 173-FZ of 10 December, 2003 "On Currency Regulation and Currency Control" and data on extraction, transfer, and consumption of precious stones and metals have been excluded from the list of State secret data, in accordance with Federal Law No. 153-FZ of 11 November, 2003 "On Amending Article 5 of the Federal Law of the Russian Federation On State Secrets". The November 2003 amendments simplified the procedure for performing transactions with precious stones and metals and made these transactions more transparent. In addition, amendments to Presidential Decrees No. 742 of 21 June, 2001, "On the Procedure of Importation into and Exportation from the Russian Federation of Precious Metals and Precious Stones" and No. 1373 of 30 November, 2002 "On Regulations on Importation to the Russian Federation and Exportation from the Russian Federation of Raw Diamonds and Cut Diamonds" were being prepared. These amendments abolished quantitative restrictions for platinum and platinum group metals, raw diamonds; allow exports of ferrous metals scrap and wastes; and permit the future liberalization of international trade involving these goods.

The purpose of the licensing regime is to monitor and control imports of goods which, for various reasons, were classified as sensitive for the Russian Federation and the international community. Import licenses in force were justifiable under Articles XX and XXI of the GATT 1994 and the corresponding provisions of the WTO Agreement on Import Licensing Procedures as, in accordance with Federal Law No. 164-FZ of December. 2003, licenses are required for the purpose of fulfilling international agreements; ensuring state security; the



protection of human, animal and plant health; the protection of the environment; the protection of physical or legal persons' property, and State or municipal property.

According to Article 24 of Federal Law No. 164-FZ, licensing is also required in the event of temporary quantitative restrictions on imports of certain types of goods. Licenses are generally issued by the Ministry for Economic Development and Trade of the Russian Federation.

The Russia's Government is working on a draft Government Resolution "On the Procedure for Licensing Export and Import of Goods (work, services) in the Russian Federation", which would reduce the list of documents required to obtain a license and simplify the terms of issuance of a license.

The Ministry of Economic Development and Trade of the Russian Federation (MEDT of Russia) will issue three types of licenses: one-time, general and exclusive. Under this draft, licenses would have to be issued within 20 calendar days after the complete set of documents had been submitted. The fee charged for issuing a license would amount to the approximate cost of services rendered, such as registration and examination of the documents submitted for the license; issuance of the license, maintenance of the federal license data bank.

In order to monitor imports and exports of certain types of goods, a draft Government Resolution "On the Procedure for Monitoring Export and Import of Certain Types of Goods" will be prepared. The monitoring of exports and imports of certain types of goods will be established by the Government. Imports and exports of certain types of goods would be subject to permission by the Mineconomdevelopment. Such permissions will be issued, as a general rule, within three working days upon the application of the participant in foreign trade activity.

The Russian Federation did not maintain any quantitative import restrictions, prohibitions or quotas in the meaning of Article XI of the GATT 1994, except in certain cases provided for in Federal Law No. 164-FZ of 8 December, 2003 "On the Fundamentals of State Regulation of Foreign Trade Activity", which came into force on 15 June, 2004. Pursuant to Article 21 of Federal Law No. 164-FZ, imports of goods should be free of any quantitative restrictions. However, import restrictions could be applied pursuant to Article 32 of Federal Law No 164-FZ and in accordance with federal laws and international treaties of the Russian Federation as measures not carrying an economic character and affecting foreign trade in goods. In his view, these measures were justifiable under Articles XX and XXI of the GATT 1994.

In addition, pursuant to paragraph 2.2 of Article 21 of Federal Law No. 164-FZ of 8 December, 2003 "On the Fundamentals of State Regulation of Foreign Trade Activity", the Government of the Russian Federation could, in exceptional cases, introduce import restrictions on agricultural or fishery products imported into the Russian Federation in accordance with Article XI:2 of the GATT 1994 when such measures were necessary to (a) reduce the production or sale of similar products of Russian origin; (b) reduce the production or sale of goods of Russian origin that could be directly replaced with imported goods unless there was a large-scale production of similar goods in the Russian Federation; (c) remove from the market a temporary surplus of similar goods of Russian origin by providing the available surplus of such goods to some groups of Russian consumers either free of charge or at prices inferior to market prices; (d) remove from the market a temporary surplus of goods of Russian origin that may be directly replaced with imported goods unless there was a large-scale production of similar goods in the Russian Federation by providing the available surplus of such goods to some groups of Russian consumers either free of charge or at prices inferior to market prices; and (e) limit the production of products of animal

origin whose production was dependent upon goods imported into the Russian Federation, provided the production of similar goods in the Russian Federation was relatively small.

Pursuant to Article 13 of Federal Law No. 164-FZ of 12 December, 2003, the Government of the Russian Federation was authorized to apply quantitative import restrictions, prohibitions and quotas upon its own initiative or upon proposal of the Ministry of Economic Development and Trade of the Russian Federation, which is the federal executive body responsible for regulating foreign trade.

The temporary ban on the importation of ethyl alcohol enforced under Federal Law No. 61-FZ of 31 March, 1999 "On Temporary Ban on Ethyl Alcohol Imports" had been terminated on 31 December, 2001. Article 13 of Federal Law No. 171-FZ of 22 November, 1995 "On State Regulation of Production and Turnover of Ethyl Alcohol, Alcoholic and Alcohol-Containing Products" restricted imports of distilled spirits to no more than 10 per cent of alcohol sales in the Russian Federation. Within this quota, not less than 60 per cent of imports shall contain 15 per cent of alcohol or less. Provisions of that Article have never been implemented.

The rules of putting quotas on production of ethyl alcohol from all types of raw materials, methylated spirits and alcohol-containing solutions have been recognized as invalid by Resolution of the Supreme Court of the Russian Federation No. GKPI 2001-783 of 16 May, 2001 "On Recognition as Invalid and Inapplicable the Rules on Putting Quotas on Production of Ethyl Alcohol and Alcohol-Containing Solution, Approved by the Resolution of the Government of the Russian Federation No 1292 of 3 November, 1998". The rules of issuance of special permits for delivery (release) of ethyl alcohol produced from all types of raw materials, methylated spirits and alcohol-containing solutions have been recognized as invalid and inapplicable by Resolution of the Supreme Court No. GKPI 00-1251 of 23 November, 2000 "On Recognition as Invalid and Inapplicable the Rules of Issuance of Special Permits for Delivery (Release) of Ethyl Alcohol Produced from All Types of Raw Materials, Methylated Spirits and Alcohol-Containing Solutions, Approved by the Resolution of the Government of the Russian Federation No 1292 of 3 November, 1998".

No quotas on imported alcoholic products are planned in future. Provisions of Article 13 of Federal Law No. 171-FZ of 22 November, 1995 "On State Regulation of Production and Turnover of Ethyl Alcohol, Alcoholic and Alcohol-Containing Products" have never been applied and no agency in the Russian Federation is appointed to oversee its implementation.

Even after the draft law "On Amending the Federal Law "On State Regulation of Production and Turnover of Ethyl Alcohol, Alcoholic and Alcohol-Containing Products", currently in the State Duma, would have been passed, it would not repeal Federal Law No. 171-FZ. The draft law would make a number of amendments to the existing law, including the elimination of the import quota and introduction of automatic import licensing, which were intended to achieve WTO compliance.

Following the requisite investigation, the Russian Federation have introduced safeguard measures in 2003 in the form of an import quota for a four year period on imports of fresh, chilled and frozen poultry under HS 0207, including boneless poultry (HS 020714100 and 0207271000) on the basis of Articles 4 and 6 of Federal Law No. 63-FZ of 14 April, 1998 "On the measures for protection of the economic interests of the Russian Federation in foreign trade in goods" (Government Resolution No. 48 of 23 January, 2003 "On measures to protect the poultry farming of the Russian Federation"). This quota was administered by issuance of non-automatic licenses by the Ministry of Economic Development and Trade, as described in the "Tariff Quotas" section of this draft Review. The amount of quota was as follows: 2003 (9 months) – 744,000 tons; 2004 – 1,050,000 tons; 2005 – 1,050,000; 2006 (3 months) – 306,000 tons.

## United States

**Q.33:** *Under the current system, an importer of alcoholic beverages, pharmaceuticals, and certain other products must have an activity license as a prerequisite to obtaining an import license. We are concerned that Russia continues to contemplate imposing requirements for importation that tie the right of exporters to provide imports to Russian distribution channels on a “no less favorable” basis than domestic goods to having a domestic distribution or manufacturing presence. Importation and distribution are not the same, and Russia is making its import system less accessible, and more complex and burdensome than necessary.*

*In pharmaceuticals, for example, requiring domestic distribution or manufacturing facilities precludes a foreign firm that is not engaged in the production or action distribution of pharmaceuticals in Russia from being the importer of record of such products.*

*Other non-tariff barriers to importation of pharmaceuticals include:*

- discriminatory fees for registration and re-registration of foreign pharmaceutical companies;*
- not allowing medicines imported for clinical trials to be classified as pharmaceuticals because they do not possess a registration (for which they are undergoing clinical trials), resulting in a 20% VAT instead of a 10% VAT rate;*
- absence of a law on medical devices and lack of a firm definition of medical devices, resulting in arbitrary and often contradictory norms issued by agencies and ministries on importation, registration and licensing.*

**A.:** In order to protect human life and health, the right to import pharmaceuticals was granted to the following entities, in accordance with Federal Law 86-FZ of 22 June 1998 "On Medicines":

- enterprises manufacturing pharmaceuticals which imported pharmaceutical products for their own manufacturing of pharmaceuticals;
- wholesale enterprises of pharmaceuticals;
- research and development institutes and laboratories, which carried out development research and quality control, effectiveness, and safety of pharmaceuticals;
- foreign enterprises manufacturing pharmaceuticals and wholesalers of pharmaceuticals provided they had their own representations in the territory of the Russian Federation.

On the application of VAT on pharmaceutical products, there are no more irregularities and a 10 per cent VAT is applied (not 20 per cent).

In response to VAT for clinical trials, customs apply a 20 per cent VAT if no special permit is issued by the Ministry of Health as they are then considered as chemical products.

Pursuant to Federal Law No. 128-FZ of 8 August, 2001 "On Licensing of Certain Types of Activities", the licensing requirements in respect of pharmaceuticals is maintained because of potential damage to rights, legal rights and health of Russian nationals.

The only possible form of regulation is licensing. Licenses for the production or wholesale trade of these goods are issued for a period of five years.

In accordance with Federal Law 86-FZ of 22 June, 1998 "On Medicines" and Federal Law No. 128-FZ "On Licensing of Certain Types of Activities", foreign legal persons intending to import pharmaceuticals into the territory of the Russian Federation are required to open a representative office in the territory of the Russian Federation;

register as a legal person on the territory of the Russian Federation; hold a license for the relevant type of activity (pharmaceutical production or distribution) pursuant to the provisions of Law No.128-FZ; and hold a license to import pharmaceuticals into the territory of the Russian Federation.

Such persons are subject to the same uniform procedures as provided under Government Resolution No.1539 of 25 December, 1998 "On Imports into and Exports from the Russian Federation of Medicines and Pharmaceutical Substances".

Under Article 21 of Federal Law No.86-FZ of 22 June,1998 "On Medicines" domestic and foreign natural persons are not permitted to export pharmaceuticals to the Russian Federation.

It means that foreign enterprises (producers and wholesalers) are entitled to import and/or export pharmaceuticals to/from the territory of the Russian Federation if they had a representative office in the Russian Federation, which had been granted a license for this type of activity (pharmaceutical production or distribution) and a license for importation. The issuance of a license for pharmaceutical activity or production allows the legal entity to obtain a license for importation and/or exportation of medicines.

They are subject to the same uniform procedures as provided under Government Resolution No.1539 of 25 December, 1998 "On Imports into and Exports from the Russian Federation of Medicines and Pharmaceutical Substances".

There are no plans in the Russian Federation to introduce new legislation which could operate to restrict imports of pharmaceuticals having domestic substitutes. Activity licenses are made available to all registered companies (domestic or foreign owned) which satisfied government regulatory criteria.

By way of legislative and regulatory development, work is currently underway to modify procedures for imports of pharmaceutical substances and medicines into the territory of the Russian Federation.

The differentiation of excise tax rates applied to specific categories of alcoholic beverages (beer, wine and spirit) is based on the principle of harmonizing the applied rate with the concentration of pure alcohol in those beverages and is not having a discriminatory effect on imports. For example, Russian produced wines (fortified wines) are subjected to the highest excise rates in comparison with imported wines (natural wines). The Russian Federation will not apply any system of excise taxation to imported alcoholic products that would be discriminatory.

Practice of the excise warehouses is applicable only with regard to domestically produced goods. If changes are to be made to the system of taxation and controls of alcoholic products, the Government will make sure to avoid creating market conditions that will be less favorable to imported products than to domestic products.

On the application of VAT on pharmaceutical products, there are no more irregularities and a 10 per cent VAT is applied (not 20 per cent).

#### **NOTE Q.34 and Q.35 missed in sequence**

**Q.36:** *Russia lacks a public, transparent list of information or telecommunication products using encryption technology that are exempt from requiring an import license. In the absence of such a list, all devices containing encryption technologies, including commercially available items, must be submitted to the Ministry of Defense in order to be deemed to not need the license. This impedes the importation of many commonly available devices.*

**A.:** In the case of weapons, ammunitions and dual-purpose goods, licenses were issued by the Ministry of Defense of the Russian Federation. The licensing regime is applied to imports from all countries, including imports from CIS countries without discrimination as regards the country of origin. Legislation has being prepared to render the process of licensing transparent and predictable.

The licensing procedure will be proportional in terms of time-frame, not exceeding three months.

The Russian Federation will set transparent and cost-based fees for the license procedures.

It would exempt from import licensing requirements those encryption devices, which, due to their parameters, characteristics and areas of exploitation, are out of export control in accordance with Wassenaar agreements and will maintain this list in consultation with its main trading partners.

The Russian Federation will ensure equal requirements and procedures for imported encryption devices and locally produced products for use on the territory of the Russian Federation. These measures will be in place by the time of WTO accession.

*And also, please, see the content of our answer to Q69 as pointed out bellow.*

**Q.37:** *Auto imports face significant non-tariff barriers – discriminatory customs fees, excise tax, and VAT based on whether imported by individual or legal entity, engine displacement size, horsepower of the engine, type of fuel, and whether the vehicle is new or used - in addition to tariffs.*

**A.:** In response, the Russian Federation states that many members of the WTO, starting with the United States, currently maintain WTO-inconsistent trade remedy measures against exports from the Russian Federation. The Russian Federation expects that upon its accession to the WTO, all such measures by Members would be brought into conformity with the WTO Agreements and the GATT.

The issue of excise taxes on imports of automobiles is not having a discriminatory effect on imports as excise tax rates for imports and domestic products are identical under Article 193 of the Tax Code and agricultural machinery is not subject to excise taxes.

As regards application of VAT in the automotive sector and the fact that used cars imported by natural persons are not charged a VAT or excise tax, Government Resolution No. 718 of 29 November 2003 "On the Approval of the Regulations on the Application of the Uniform Rates of the Customs Duties and Taxes with Respect to Goods Transferred across the Customs Border of the Russian Federation by Natural Persons for Personal Use" provides that imports by natural persons of motor cars into the customs territory of the Russian Federation shall be applied a single payment, which comprises customs duty, VAT and excise tax. Government Resolution No. 718 equalized customs payments made by legal and natural persons in the importation of motor cars into the customs territory of the Russian Federation. VAT application in the automotive sector is not having a discriminatory effect on imports.

In accordance with the Customs Code, the federal executive governmental body in charge of customs affairs is entitled to designate specific customs points for the declaration of specific types of goods in order to ensure the effectiveness of control over the observance of the customs legislation, only:

- if it is necessary to use specialized equipment and/or special knowledge to perform customs formalities in respect of such goods as cultural valuables, weaponry, military material and ammunition, radioactive and fission materials;

- depending on the means of transport used to perform international carriage of goods (motor vehicles, seagoing vessels, riverboats, aircraft, railway cars, pipelines, or electric power lines). Restrictions with regard to the kind of transport could only be applied along with the other restrictions described in this paragraph. The definition of the kind of transport to which restrictions could be applied is essential to minimize the negative consequences for trade, linked to the establishment of restrictions, and is determined based on the largest possibility of violating customs legislation could take place.
- when the movement across the customs border concerned goods which had been involved in frequent breaches of customs legislation or are subject to bans and restrictions established under the legislation of the Russian Federation on State regulation of foreign trade activity;
- when special control is needed for goods containing objects of intellectual property according to the list established by the Government of the Russian Federation.

Pursuant to Article 125 of the Customs Code, legislation designating specific places for the declaration of certain types of goods will enter into force not earlier than 90 days from the day of their official publication.

According to Paragraph 2 of Article 402 of the Customs Code, the Federal Customs Service in co-ordination with the Ministry of Economic Development and Trade of the Russian Federation can determine that a particular customs office can have the exclusive right to carry out customs procedures in respect of certain categories of goods.

The provisions of legal acts of the federal executive governmental body charged with customs affairs shall not conflict with the provisions of customs legislation and other legal acts of the Russian Federation and/or should not establish requirements, bans and restrictions not envisaged by customs legislation and other legal acts of the Russian Federation.

The uniform application of customs procedures is required by Article 1 of the Customs Code which stated that the federal executive governmental body charged with customs affairs will ensure the uniform application of customs legislation by all customs bodies in the territory of the Russian Federation. According to Article 6 of the Customs Code the normative legal acts can only be pronounced inconsistent with the Customs Code in a judicial procedure. The State will be obliged to compensate the losses incurred by persons as a result of the untimely adoption, entry into force, and/or publication of a normative legal act whose adoption is stipulated by the Customs Code and to reimburse the losses caused as a result of inaccurate information circulated by customs authorities.

Specific measures are aimed only to increase predictability and accuracy of customs procedures for traders and transporters, not to act as a hidden or unnecessary restriction to trade, bearing in mind the following factors: (1) the unprecedented length of Russia's borders; and (2) insufficient resources to equip all border customs points with necessary equipment and storage facilities.

These procedures are in accordance with the International Convention on the Simplification and Harmonization of Customs Procedures (Kyoto 2000), in particular, with its Specific Annex A, Chapter 1. In general, customs formalities in the Russian Federation are applied in accordance with the internationally accepted rules and are based on the Kyoto Convention.

The Russian Federation expects that gradually the majority of border customs points will be prepared to process all goods crossing the border and that the Russian Federation is ready meanwhile to constructively address to the extent possible any specific concerns with a view to facilitate trade flows.

## **Non-Tariff Measures (general):**

**Q37.1** *Russia's reluctance to address seriously discriminatory border mechanisms, such as the "special technique" for customs valuation, singling out specific products for the application of valuation uplift, and the "single tax" applied to imports of used cars by individuals reflect an apparent massive lack of commitment to taking the trouble, and the expending the resources, to making stable, predictable, transparent rules-based customs procedures work. Why? How can things evolve if there is no commitment to taking the extra effort to do it?*

**A.:** Basic provisions relating to customs valuation practices in the Russian Federation are contained in Federal Law No. 5003-1 of 21 May 1993 "On Customs Tariff", Government Resolution No. 856 of 5 November 1992 "On the Procedure of Customs Valuation of Products Imported into the Territory of the Russian Federation", the Customs Code (Federal Law No.61-FZ of 28 May 2003), the Code on Administrative Offences No.195-FZ of 30 December 2001, and the Arbitration Procedural Code No.95-FZ of 24 July 2002. The rules for determining customs values were based on the provisions of the WTO Agreement on Implementation of Article VII of GATT 1994. All six methods of customs valuation applied were based on the provisions of Articles 1, 2, 3, 5, 6, 7 and 8 of that Agreement.

In accordance with the Customs Code and in line with the provisions of Article 17 of the WTO Agreement on Implementation of Article VII of the GATT 1994, the Federal Customs Service of the Russian Federation (FCS) has been implementing a special technique of customs control aimed at preventing gross under-invoicing of customs value through the use of false documents stating a clearly understated contractual price.

The "special technique" of customs valuation used with respect to the valuation of certain imported products (described in WT/ACC/RUS/28 and WT/ACC/SPEC/RUS/33) entrusted the decision-making authority of the customs bodies with the task of checking the truth and accuracy of the stated value of products. The relevant customs bodies were vested with certain functions to control customs value, and those situations in which such functions could be performed were specified and the operational procedures of the customs bodies at the various levels (custom-house, regional customs authority, FCS staff) defined. This technique was not meant to replace the applicable Russian legislation on customs valuation based on the use of the transaction value as a main method of customs valuation.

FSC Order No.1329 of 10 December 2002 "On Measures to Strengthening of Control of Customs Value", which had been adopted in order to prevent under-invoicing of customs value, had been invalidated by SCC Order No.755 of 30 June 2004 "On Measures for Strengthening of Control of Customs Value", which aimed at raising the efficiency of the work of customs bodies in valuating goods imported into the customs territory of the Russian Federation.

Actions by the FCS could be appealed in accordance with the procedure established by the Customs Code, notably under Article 47 which required that the initial appeal should be filed with the higher customs administration of the Russian Federation (Federal Law No. 61-FZ of 28 May 2003).

The draft Federal Law "On Amending the Law of the Russian Federation 'On Customs Tariff'" is intended to ensure consistency of the Russian Federation customs valuation procedures with the provisions of the WTO Agreement on Implementation of Article VII of GATT 1994. This draft Federal Law, which his Government eventually planned to incorporate into Federal Law No. 5003-1 of 21 May 1991 "On Customs Tariff", would establish a predictable and transparent regime in this area. The draft Law had been elaborated with regard to Article VII of the GATT 1994 and the Agreement on Implementation of Article VII of the GATT 1994. It amended the Russian legislation on customs valuation in accordance with the provisions of the Interpretative Notes and brought

the texts of the Law "On Customs Tariff" in full conformity with the Customs Valuation Agreement. The Interpretative Notes annexed to the Customs Valuation Agreement would be partially included in a federal law. The rest would be included through implementing regulations of the Government.

Amendments to the Customs Tariff Law and its implementing legislation, as well as the provisions of the new Customs Code would address a number of members' concerns. The methods of valuation provided for in the WTO Agreement were contained in Articles 13-19 the draft Federal Law "On Amending the Law of the Russian Federation "On Customs Tariff". Article 20 provided for the use of the fallback method. If the customs value of the imported goods could not be determined under the provisions of Articles 14, 16-19 in this draft law, the customs value would have to be determined using reasonable means consistent with the principles and general provisions of this draft law. The methods of customs valuation used under this Article are the same as those provided by Articles 14, 16 – 19 of the draft Law. Certain discretion is allowed in determining customs value, i.e. determination of customs value could be based on the transaction value of identical or similar goods produced in the country other than the country of the goods being valued; in determining customs value using the transaction value of identical or similar goods, the requirement of Articles 16 or 17 that the identical or similar goods should be exported at or about the same time as the goods being valued could be reasonably flexible; customs values of identical or similar imported goods already determined under the provisions of Articles 18 and 19 of this Law could be used in determining customs value; in determining customs value using the deductive method, the "90 days" requirement established by item 4 of Article 18 of this Chapter could be administered flexibly.

Pursuant to Article 318 of the Customs Code of the Russian Federation (Federal Law No. 61-FZ of 28 May 2003) customs payments include: import customs duty; export customs duty; value-added tax levied upon importation of goods into the customs territory of the Russian Federation; excise tax levied upon importation of goods into the customs territory of the Russian Federation; and customs fees.

Under the legislation in force and the draft Federal Law "On Amending the Law of the Russian Federation "On Customs Tariff" minimum prices are not applicable now for customs valuation purposes.

### **Expert**

**Q.38:** *2004 IAP of Russian Federation states that a new legislation (Federal Law No. 164-FZ of December 8, 2003), which provides the application of quantitative import restrictions, prohibitions, or quotas, went into force on June 15, 2004. Does this mean that before this law went into effect there were no such measures introduced by the Russian Federation? If there have been any, then what have been the legal basis of these measures?*

**A.:** The same legal basis, but all quantitative import measures (restrictions, prohibitions, and/or quotas) were not legally in conformance with the WTO provisions and the world practice.

The basic laws defining means of protection of the domestic commodity producers' interests, were the Federal Law No. 157-FZ as of 13 October, 1995 "On State Regulation of the Foreign Trade Activity ", Federal Law No. 63-FZ as of 14 March, 1998 "On Measures To Protect the Economic Interests of the Russian Federation at Foreign Trade On Goods", Law of the Russian Federation No.5003-I as of 21 May, 1993 "On the Customs Tariffs".

Tariff and not-tariff regulation methods acted as such means.

### **Quantitative Export Restrictions, Including Prohibitions and Quotas**



According to Article 21 of Federal Law No. 164-FZ of 8 December, 2003 "On the Fundamentals of State Regulation of Foreign Trade Activity", the exportation of goods can be exercised without any quantitative restrictions, unless expressly permitted by that Law. In exceptional cases, the Government of the Russian Federation can introduce temporary export prohibitions or restrictions to prevent or diminish critical shortages of foodstuffs or other products substantially important to the domestic market of the Russian Federation.

Under Article 32 of Federal Law No. 164-FZ, measures with no economic character and concerning foreign trade in goods can be introduced in accordance with federal law and international treaties of the Russian Federation. Such measures can not be enacted or applied in a manner, which will constitute a means of unjustifiable discrimination, or a disguised restriction on international trade in goods. As a consequence, Russia is reviewing export restrictions and bans in place with a view to removing measures that will not meet these criteria. This provision can not be applied to goods originating in countries or groups of countries towards which the Russian Federation has no mutual legal obligation to accord treatment no less favorable than that accorded to other countries or groups of countries.

### **Export Licensing Procedures**

Export licensing procedures in operation in the Russian Federation are the same as import licensing in that they are regulated by Government Resolution No. 1299 of 31 October, 1996 "On the Procedure for Conducting Tenders and Auctions for Distribution of Quota upon Introduction of Quantitative Restrictions and Licensing of Export and Import of Goods (Works, Services) in the Russian Federation".

A limited number of goods are subject to automatic licensing for the purpose of monitoring trade flows. Licenses are issued by the Ministry of Economic Development and Trade (MEDT) upon receipt of the following documents: an application for the license, a copy of the contract, a copy of a certificate confirming that the applicant is registered by a regional tax authority as a tax-payer, copies of the registration documents, a copy of the applicant's charter, and a copy of the certificate of State registration approval of the federal agency responsible for the specific sensitive goods (Government Resolution No. 1299 of 31 October, 1996).

Exports of raw materials for the manufacturing of medicines are subject to a license by the Ministry of Economic Development and Trade (MEDT) in agreement with the Ministry of Health and Social Development (MOHSD) and the Federal Service for Surveillance in the Sphere of Ecology and Natural Management of the Russian Federation.

According to Federal Law No. 86-FZ of 22 June, 1998 "On Medicines", pharmaceuticals can be exported by legal persons having a license for the production or wholesale trade of these goods. Under this Law, pharmaceuticals also include raw materials for the manufacturing of medicines. This measure is applied to protect national interests, including both safeguarding animals and plants and protecting non-renewable natural resources.

There are no export licensing requirements for export of gas, oil and oil products.

Federal Law No. 165-FZ "On Safeguards, Antidumping and Countervailing Measures Applied to Imports of Products" has been enacted on 8 December, 2003, with the objective of introducing full conformity with the WTO Agreements.

This law replaced the relevant provisions of Federal Law No. 63-FZ as of 14 April, 1998, "On Measures to Protect the Economic Interests of the Russian Federation in Foreign Trade in Goods" (with minor exceptions, such as paragraph 26 of Article 2 and Articles 6.5, 24, 25).

Federal Law No. 165-FZ established procedures for the application, investigation, and imposition of safeguards, anti-dumping and countervailing measures.

Under this Law, anti-dumping, safeguards and countervailing measures can be introduced only following an investigation showing evidence of substantially increased, dumped or subsidized imports, serious or material injury to domestic industry or threat of such injury and causality between these developments.

The measures can only be in place for a limited period of time necessary to eliminate the injury.

The Law makes more precise the terminology in these areas in compliance with the rules and provisions of the WTO.

It provides a clear distinction between serious and material injury and expands the Government's authority on the initiation and investigation phase of the inquiry.

The Law defines actionable subsidies in full consistency with the WTO provisions.

The definition of the dumping margin corresponds to Article 2 of the Agreement on implementation of Article VI of the GATT 1994.

The Law set a five-year maximum duration for antidumping and countervailing measures and eight-year for safeguards.

Federal Law No. 165-FZ has been applied since its entry into force on 15 December, 2003. Any investigation which has been initiated upon a written application lodged prior to the entry into force of Federal Law No. 165-FZ will be conducted under the still operative Federal Law No. 63-FZ.

The main improvements contained in Federal Law No. 165-FZ as of 8 December, 2003, *vis-à-vis* Federal Law No. 63-FZ are the detailed description of the investigation procedure and concepts such as "increased imports", dumping, subsidies, "serious" and "material" injury, threat thereof, causal link, the definition of Russian industry, and other matters.

Several provisions of Federal Law No. 165-FZ were directed at improving the mechanism of introduction, application, reconsideration and cancellation of safeguard, antidumping and countervailing measures. The provisions determining the procedure for the application of safeguard, antidumping and countervailing measures (including temporary duties, and securities) were framed in a more detailed and intelligible manner.

Federal Law No. 165-FZ as of 8 December, 2003 empowered the responsible federal executive body (once an investigation has been undertaken pursuant to this Law) to propose the application of safeguard, antidumping or countervailing measures.

It also permitted the responsible authority to propose their introduction, review and cancellation. Following such a proposal, the decision to impose a measure will be taken by the Government of the Russian Federation.

Russia states that many members of the WTO (including many of our APEC colleges) currently maintained WTO-inconsistent trade remedy measures against exports from the Russian Federation. The Russian Federation expects that upon its accession to the WTO, all such measures by member countries will be brought into conformity with the WTO Agreements and the GATT principles.

**Q.39:** *What kind of NTMs were newly introduced, changed, and abolished over the period of 1996-2004. Can you provide detailed information, with regards to these NTMs, on (i) which sectors (products) were affected, (ii) which countries, and especially which APEC economies, were affected by these NTMs. How have these measures affect the trade flows of the products from different sources, compared to the situation before the measures (changes) have been taken?*

A.: The list of the goods which were the issue of the safeguard, antidumping and countervailing investigations during the years 1999-2004 is presented in the answer to Q43 as indicated below.

There is a little of protective measures applied by Russia against importation from all countries now (only three such measures). Safeguard measures against importation of ball or roller bearings, and poultry meat are among them.

Some investigations in respect of negative impact of their imports to Russia for the domestic industry are conducting against importation dried baker yeasts, cane or beet sugar, and electric lamps manufactured in all countries.

Russia applied some more safeguard measures against importation of glucose syrup, corn and potato starch, sugar confectionary, butter, and compressors used in refrigerating equipment, but they have expired. More serious temporary and permanent safeguard measures were and are used against imports of steel products (bars and rods, flat-rolled products of iron or non-alloy steel, angles and shapes, electric motors, tubes and pipes, ) originated in Ukraine, and also against flat rolled products of stainless steel of the EU origin.

**Table 1: NTMs, introduced, changed and abolished by Russia over 1996-2004**

No.	Description	HS Code	Affected countries	Type of investigation	Status	Terms of the investigation		Final duty		Type of duty	Volume of the duty
						beginning	ending	implementation	expiry		
	Glucose syrup	1702 30 990 1	All countries	safeguard	expired	22.06.1999	22.03.2002	16.04.2000	16.09.2002	safeguard	6%, but not less than 0.07 euro per 1 kg
	Tubes and pipes	7304 7305 7306	Ukraine	safeguard	introduced	17.03.2000	17.12.2000	after 01.05.2001 - price obligations		import quota	
	Corn starch	1108 12 000 0	All countries	safeguard	expired	02.08.2000	02.05.2001	10.08.2001	10.08.2004	safeguard	0%, but not less than 0.04 euro per 1 kg
	Potato starch	1108 13 000 0	All countries	safeguard	expired	02.08.2000	02.05.2001	10.08.2001	10.08.2004	safeguard	0%, but not less than 0.11 euro per 1 kg
	Sugar confectionery	1704 90 710 0 1704 90 750 0	All countries	safeguard	expired	09.02.2001	23.10.2001	25.01.2002	25.07.2004	safeguard	1%, but not less than 0.18 euro per 1 kg.
	Compressors used in refrigerating equipment	8414 30 910 1 8414 30 910 2	All countries	safeguard	expired	20.04.2001	20.01.2002	02.08.2002	02.08.2004	safeguard	0%

No.	Description	HS Code	Affected countries	Type of investigation	Status	Terms of the investigation		Final duty		Type of duty	Volume of the duty
						beginning	ending	implementation	expiry		
.	Bars and rods	7213 10 000 0 7213 91 100 0 7213 91 410 0 7213 91 490 0 7213 91 700 0 7214 20 000 0 7214 99 100 0 7214 99 390 0 7227 20 000 0 7227 90 950 0 7228 20 190 0 7228 20 600 0 7228 30 690 0 7228 30 890 0 7228 60 890 0	Ukraine	countervailing	introduced	21. 06.2001	13. 03.2002	13.08. .2002	13 .08.2005	countervailing	1%
.	Flat-rolled products of iron or non-alloy steel	7210 49 100 0 7210 49 900 0 7210 61 100 0 7210 61 900 0 7225 92 100 0 7225 92 900 0	Ukraine	antidumping	introduced	28. 11.2001	28. 11.2003	08.05.2003 - 08.10.2005 antidumping duty -24,3%. After 01.02.2004 r.- price obligations.		guard	safeg
.	Ball or roller bearings	8482 10 900 1	All countries	safeguard	introduced	13. 03.2002	13. 12.2002	27.01. .2004	27 .01.2007	guard	safeg .35 euro per 1 kg
0.	Poultry meat	0207	All countries	safeguard	introduced	01. 07.2002	30. 12.2002	30.04. .2003	30 .04.2007	import quota	003 - 744 thous. tons 2004 - 1050 thous. tons

No.	Description	HS Code	Affected countries	Type of investigation	Status	Terms of the investigation		Final duty		Type of duty	Volume of the duty
						beginning	ending	implementation	expiry		
1.	Butter	100405	All countries	safeguard	exported			24.09.2002	31.12.2002	short-term safeguard	%, but not less than 0,07 euro per 1 kg
2.	Angles and shapes	7216 10 000 0 7216 31 110 0 7216 31 190 0 7216 31 910 0 7216 31 990 0 7216 50 100 0 7216 50 990 0 7228 70 100 0 7228 70 310 0 7228 70 910 0 7228 70 990 0	Ukraine	anti-dumping	conducting	22.10.2003	22.10.2004			safeguard	
3.	Dried baker yeasts	2102 10 310 0	All countries	safeguard	conducting	22.10.2003	22.07.2004			safeguard	
4.	Electric motors	8501 51 900 0 8501 52 910 0	Ukraine, Belarus	anti-dumping	conducting	15.01.2004	15.12.2004			safeguard	
5.	Cane or beet sugar	1701 99 100 1 1701 99 100 9 1701 99 900 1 1701 99 900 9	All countries	special safeguard	conducting	04.06.2004	04.03.2005			safeguard	
6.	Tubes and pipes	7304 10 100 7304 10 300 7304 10 900 7304 39 910 7304 39 930 7304 39 990 7304	Ukraine	anti-dumping	conducting	20.07.2004	20.07.2005			safeguard	

No.	Description	HS Code	Affected countries	Type of investigation	Status	Terms of the investigation		Final duty		Type of duty	Volume of the duty
						beginning	ending	implementation	expiry		
		59 910									
		7304									
		59 930									
		7304									
		59 990									
		7305									
		11 000									
		7305									
		12 000									
		7305									
		19 000									
		7305									
		31 000									
		7306									
		10 110									
		7306									
		10 190									
		7304									
		29 110									
		7304									
		29 110 2									
		7304									
		29 110 9									
		7304									
		29 110 1									
		7304									
		29 190									
		7304									
		39 910									
		7304									
		39 930									
		7304									
		39 990									
		7304									
		59 910									
		7304									
		59 930									
		7304									
		59 990									
7.	Electric lamps	8539 22 900 0	All countries	safeguard	conducting	14. 09.2004	14. 06.2005			safeguard	
8.	Flat rolled products of stainless steel	7219 11 000 0 7219 12 100 0 7219 13 100 0 7219 14 100 0 7219 21 100 0 7219 22 100 0 7219	USA	anti-dumping	conducting	27. 10.2004	27. 10.2005			safeguard	

No.	Description	HS Code	Affected countries	Type of investigation	Status	Terms of the investigation		Final duty		Type of duty	Volume of the duty
						beginning	ending	implementation	expiry		
		23 000 0									
		7219									
		24 000 0									
		7219									
		31 000 0									
		7219									
		32 100 0									
		7219									
		33 100 0									
		7219									
		34 100 0									
		7219									
		35 100 0									
		7219									
		90 100 0									
		7219									
		90 900 0									
		7220									
		11 000 0									
		7220									
		12 000 0									
		7220									
		20 100 0									
		7220									
		20 310 0									
		7220									
		20 510 0									
		7220									
		20 910 0									
		7220									
		90 110 0									
		7220									
		90 190 0									
		7220									
		90 310 0									
		7220									
		90 390 0									
		7220									
		90 900 0									

It was determined by us that Russia had been on the second place after China on number of measures, which have been applied against exported goods of Russia's origin. First of all it was metallurgy, production of chemical industry. The situation is aggravated by the fact that Russia is not the WTO member yet and can not assert its rights using mechanisms of disputes settlement, set up in the framework of the World Trade Organization. Therefore, the natural advantages of the Russian goods have been frequently used by other countries (economies) for creation of barriers interfering access of Russia's goods to the world markets.

More than hundred and a half of safeguard, countervailing and anti-dumping procedures act against the Russian manufacturers in the world today (as of November 2004) and one third of them is actively used by the APEC member economies. According to the amount of the safeguard measures, entered against Russia, the first place keeps the EU, accompanied by the Republic of Belarus and the USA.

**Q.40:** *Please provide, if available, information on tariff equivalent of existing NTMs of the Russian Federation. Please specify with regards to the sectors and products affected by the NTMs.*

**Q.41:** *The 2004 IAP of Russian Federation provides the information of the newly introduced safeguard measures in the form of quota on import of fresh, chilled and frozen poultry, which are administered by issuance of non-automatic licenses. There seems to be a mismatch between the duration of the safeguard measures and that of the licenses issued. The treatment of different sources of the poultry product (which allocates more quotas to the US than other to other exporting countries) stands in a clear contrast to those applied for imported beef and pork (which allocate more quotas to EU member states). Is this based on the historical data? Was this differential treatment an issue in Russia's WTO accession negotiations?*

**A.:** Please, see the content of our answer to Qs 18, 19, 27, 29 and 39 as pointed out earlier.

Following the adoption of the safeguard-quota measures for poultry on 1 May 2003, an importer is required to obtain an import license from the Ministry of Economic Developments and Trade (MEDT) of the Russian Federation. The importation of poultry, as well as beef and pork also requires a permit from the Federal Veterinary Service. 90 per cent of import licenses are granted to historical importers based on average imports from 2000-2002, with a 10 per cent portion reserved for new entrants. Import licenses are not transferable, but noted that unused import licenses would be reallocated. Importers will be required to present an import license from MEDT as a precondition to import. This requirement also apply for imports of products that will be used for further processing or into retail sale.

The distribution of quotas for imports of all products are made in accordance with the provisions of the WTO agreements and are based on the historical shares of Russia's main suppliers for the respective products in the years 1999-2001, which are the years immediately preceding the year when the decision to introduce the TRQs for beef and pork and special safeguard quotas for poultry had been taken (2002), and for which information is available. All supplying members are invited to consult with his Government about country-specific allocations of quotas. Some of these consultations have been successfully concluded and their results are now being implemented. The Government of Russia is prepared to continue such consultations and to address the question of redistribution of unused country specific quotas.

**Q.42:** *What criteria have been used in applying the classification of automatic and non-automatic import licensing schemes? What does Russia intend to do with this different classification system upon its accession to the WTO?*

**A.:** The Russian Federation has no intention to limit the quantity and value of imports, except as provided for in international conventions such as the Montreal Protocol or the Basel Convention or for the implementation of other measures justified under the WTO agreement.

The non-automatic import licensing requirement for alcoholic beverages and alcohol-containing products would be eliminated and replaced upon accession by an automatic licensing procedure whereby licenses would be issued upon submission of the appropriate and complete documentation.



Procedures would be simplified and the "one window" principle would apply for licensing.

**Table 2(a): List of goods subject to non-automatic import licensing**

Product group	HS Code	Reason for licensing	GATT/WTO Reference
Nuclear substances and articles made thereof	2844 40, including as parts of devices and equipment by subgroups 9022 12 000 0, 9022 13 000 0, 9022 14 000 0, 9022 19 000 0, 9022 21 000 0, 9022 29 000 0	Exemptions for national security considerations	Art. XXI (b) (I)
Explosive substances, pyrotechnics	2904 20 100 0 3601 00 000 0, 3602 00 000 0 3603 00 3604	General exemptions	Article XX (b)(ii)
Precious stones	List	National interests	
Drugs, substances with psychotropic effects; virulent substances and toxic substances	Nomenclature and quota	General exemptions International commitments	Article XX (b)
Information protection devices (including encryption devices, components for encryption devices and encryption software packages), regulatory documentation and specifications (including developer and user documentation)	8471, 8543 89 950 0 8473 30 8543 90 800 0	Exemptions for national security considerations	Article XXI (b) (ii)
Medicines and pharmaceutical products used for medical treatment	2904-2909, 2912-2942 00 000 0, 3001, 3002, 3003, 3004, 3006 30 000 0, 3006 60	General exemptions	Art. XX (b)
Medicines used for veterinary purposes	List	General exemptions	Art. XX (b)
Ozone destroying substances and products containing such substances	List	General exemptions International commitments	Art. XX (b)
Hazardous wastes (Basel Convention)	Lists	General exemptions International commitments	Art. XX (b)

<b>Product group</b>	<b>HS Code</b>	<b>Reason for licensing</b>	<b>GATT/WTO Reference</b>
Plant protection chemicals	3808 (only plant protection substances)	General exemptions	Art. XX (b)
Ethyl alcohol	2207 10 000 0, 2207 20 000 0, 2208 90 910 0, 2208 90 990 0	General exemptions National interests	Art. XX (b)
Vodka	2208 60	General exemptions	Art. XX (b)
Strong liquors (over 28 proof)	2208 90 110 0, 2208 90 190 0, 2208 90 330 0, 2208 90 380 0, 2208 90 410 0, 2208 90 450 0, 2208 90 480 0, 2208 90 520 0, 2208 90 570 0, 2208 90 690 0, 2208 90 710 0, 2208 90 740 0, 2208 90 780 0	General exemptions	Article XX(b)
Sturgeon species of fish and products made there of including caviar	ex.030199190, ex.030269190, ex.030270, ex.030379190, ex.030380, ex.030410190, ex.030410910, ex.030420190, ex.030490100, ex.030520, ex.030530900, ex.030549800, ex.030559900, ex.030569900, ex.051191900, ex.160419910, ex.160419980, ex.160420900 (all-only sturgeon species of fish), 160430100	General exemptions International commitments	Art. XX (b)
Special devices for unauthorized obtaining of information, subject to export and import licensing	List	General exemptions	Article XX(a)
Nuclear materials, equipment, special non-nuclear materials and technologies subject to export control	List 06 Presidential Decree No. 202 as amended and supplemented from time to time, including Presidential Decree No. 412 of 11 April 2001	International commitments Exemptions for national security considerations	Article XXI(b)(i)
Products of military designation	9301-9307, 8710	Exemptions for national security considerations	Article XXI(b)(ii)

**Table 2(b): List of Goods subject to automatic import licensing**

Product group	HS Code	Reason for licensing	GATT/WTO reference
Carpets and textile flooring originating from EC	5702 (except 5702 20 000 0, 5702 39 900 0, 5702 49 900 0), 5703, 5704, 5705 00	Monitoring of trade flows	WTO Agreement on Import Licensing Procedures, articles 1 and 2

**Table 2(c): Goods subject to non-automatic export licensing**

Product group	HS Code	Reason for licensing	GATT Reference
Nuclear substances and products made thereof	2844 40 9022 12 000 0 9022 13 000 0 9022 14 000 0 9022 19 000 0 9022 21 000 0 9022 29 000 0	Exemptions for national security considerations	Article XXI (b) (ii)
Explosive substances, pyrotechnics	2904 20 100 0 3601 00 000 0 3602 00 000 0 3603 00 3604	General exemptions	Article XX (b)
Precious metals and gems	List	Protection of unique natural resources	
Drugs, substances with psychotropic effects; virulent substances and toxic substances	Nomenclature and quota	International commitments	Article XX (b)
Information protection devices (including encryption devices, components for encryption devices and encryption software packages)	8471, 8543 89 950 0 8473 30 8543 90 800 0	Exemptions for national security considerations	Article XXI (a)
Ozone destroying substances and products containing such substances	List	International commitments	Art. XX (b)
Hazardous wastes (Basel Convention)	Lists	International commitments	Art. XX (b)
Wildlife, ivory, horns, hooves, corals and similar products	List	General exemptions International commitments,	Art. XX (b)

<b>Product group</b>	<b>HS Code</b>	<b>Reason for licensing</b>	<b>GATT Reference</b>
Pharmaceutical raw materials of animal and vegetable origin	0206 10 100 0, 0206 22 000 1, 0206 29 100 0, 0206 30 200 1, 0206 30 300 1, 0206 30 800 1,  0206 41 200 1, 0206 41 800 1,  0206 49 200 1, 0206 49 800 1,  0206 80 100 0, 0206 90 100 0, 0507, 0510 00 000 0,  1211, 1212 20 000 0,  1302 (except 1302 19 300 0), 3001, 3002	General exemptions	Art. XX (b)
Fish, crustaceans, shell-fish and other invertebrates, spawn, milt (roe) of sturgeon, salmon and ordinary fish species (live only)	0301, 0306, 0307, 0511 91 901 1, 0511 91 901 9, 0511 91 902 0	General exemptions	Article XX (b)
Collectible materials in mineralogy and paleontology	9705 00 000 0, 7103 10 000 0, 7103 99 000 0, 7105 10 000 0, 7105 90 000 0, 7116 20 110 0, 7116 20 190 0	General exemptions	Article XX (f)
Refined gold and silver	List	General exemptions	Article XX(c)
Sturgeon species of fish and products thereof including caviar		International commitments	Art. XX (b)

<b>Product group</b>	<b>HS Code</b>	<b>Reason for licensing</b>	<b>GATT Reference</b>
Non-ferrous metals ores containing precious metals	2603 00 000 0, 2604 00 000 0, 2607 00 000 0, 2608 00 000 0, 2609 00 000 0, 2617, 2620 19 000 0, 2620 20 000 0, 2620 30 000 0, 2620 90 100 0, 2620 90 300 0, 2620 90 400 0, 2620 90 500 0, 2620 90 700 0, 2620 90 800 0, 2620 90 990 0, 2621 00 000 0, 7401, 7402 00 000 0, 7501, 7801 99 100 0	Measure against smuggling	
Special devices for unauthorized obtaining of information, subject to export and import licensing	List	Exemptions for national security considerations	Article XXI(b)(ii)
Chemicals, equipment and technologies which may be used for production of chemical weapons and are subject to export control	List 01 Presidential Decree No. 1082 of 28 November 2001  No. 621-RP of 7 December 1994	Exemptions for national security considerations	Article XXI (b) (ii)
Human, animal and plant pathogens, genetically modified microorganisms, toxins, equipment and technologies, subject to export control	List 02 Presidential Decree No. 1004 of 8 August 2001 No. 298-RP of 14 June 1994	General exemptions	Article XX(b)
Equipment and materials of dual purposes and technologies used in nuclear industry subject to export control	List 03 Presidential Decree No. 228 of 21 February 1996	Exemptions for national security considerations	Article XXI(b)(i)
Equipment, materials and technologies which may be used in creation of rocket weapons	List 04 Presidential Decrees No. 005 of 8 August 2001, No. 1194 of 16 August 1996	Exemptions for national security considerations	Article XXI(b)(ii)

Product group	HS Code	Reason for licensing	GATT Reference
Goods and technologies of dual purpose subject to export control	List 05 Presidential Decrees No. 1268 of August 26, 1996	Exemptions for national security considerations	Article XXI(b)(i)
Nuclear materials, equipment, special non-nuclear materials and technologies subject to export control	List 06 Presidential Decree No. 202 as amended and supplemented from time to time, including Presidential Decree No. 412 of 11 April 2001	Exemptions for national security considerations  International commitments	Article XXI(b)(i)
Goods and technologies of dual purpose and other devices controlled under resolutions of the UN Security Council for exports to Iraq and subject to notification or ban	List 24 Presidential Decrees No. 972 of 2 September 1997	International commitments	Article XXI(b)
Products of military designation	9301-9307, 8710	Exemptions for national security considerations	Article XXI(b)(ii)

**Table 2(d): Goods subject to automatic export licensing**

Product group	HS Code	Reason for licensing	GATT reference
Cattle hides Sheep hides Other unprocessed hides and skins	4101, 4102, 4103	Monitoring of trade flows	
Timber of valuable types of wood	List	Monitoring of trade flows	

**Q.43:** *It is reported that Russia has been maintaining several voluntary export restraints (VERs) with several countries. Please provide detailed information of VERs that have been introduced, changed and/or eliminated over the period of 1996-2004. What products (and sectors) and which countries (including the APEC economies) were affected by these measures?*

**A.:** Please, refer to the answer to Q39 as mentioned above.

The purpose to set up prohibitions and restrictions of an economic nature, which in the former Russia's Customs Code were referred to as the measures of economic policy, is to protect the State sovereign economic interests expressing, in particular, in protection of branches of the Russian economy and of individually acting legal entities of the Russian Federation from unfavorable impact of foreign competitiveness.

The provisions of the Customs Code represent the mechanism of realization of these measures, dependability of their procurement and observance. At the same time, the Customs Code directly contains norms providing authorities of the Russian Federation

Government for acceptance of measures directed on protection of interests of the domestic commodity producers (for example, Articles 174, 195, 198).

### **Australia**

**Q.43.1** *On non-tariff measures, we note Russia's introduction of TRQs for meat imports. We would like to register our on-going concern with the meat TRQs, including the administrative aspects of the TRQs such as import licensing administration. Other related issues of concern include certification and quarantine issues.*

**A.:** Please, be acquainted with arguments contained in our answer to Q18, 19, 27 and 29 as indicated earlier.

The Russian Federation has agreements on veterinary certificates for most types of animal products with the State veterinary services of many exporting countries. In the absence of approved veterinary certificates, animal products are exported to the Russian Federation under general veterinary certificates based on veterinary requirements in respect of imports of animal products. The certificates must include information on the situation in the exporting country at the moment of export of products and raw materials of animal origin to the Russian Federation with regard to highly dangerous animal diseases such as foot-and-mouth disease, cattle plague, African swine fever, etc. The certificates shall also confirm the absence of such diseases. The requirement imposed by the State Veterinary Service to foreign countries to confirm the absence of some diseases is justified by the fact that these diseases do not exist in all Russian regions and that the Russian Federation carries out Programmes of prevention and termination of such diseases.

The requirement does not contradict the WTO SPS Agreement nor the Code of the International Epizootics Office (IEO) (Paragraph 1.2, Chapter 1.2.1). The actual import conditions are contained in the veterinary certificate. The list of products subject to controls by the State Veterinary Service (see: the Letter of the Veterinary Department of the Ministry of Agriculture No. 13-8-01/3009 as of 16 May, 2000) has been compiled in accordance with the Goods Nomenclature of Foreign Economic Activity and only includes those items which are a potential source of infectious animal diseases or poisoning, and thus a threat to human and animal security and health. International veterinary cooperation is carried out on the basis of bilateral cooperation agreements and the Code of the International Epizootics Office (IEO).

Veterinary and sanitary measures are non-discriminatory and identical for all exporting countries.

For countries with a bad epizootic situation with regard to transmissible animal diseases, a mutual understanding can be achieved contemplating the presence of Russian Veterinary Inspectors to control compliance of raw meat consignments intended for shipment to the Russian Federation with the Russian Federation veterinary requirements.

The Russian Veterinary Inspector shall decide whether a particular meat consignment is eligible for shipment to the Russian Federation based on the epizootic situation, the conditions of processing and storage of meat in the exporting country. Consignments so inspected avoid any delay at cross-border or return to the exporting country.

International transit of cargoes controlled by the State Veterinary Service through the Russian Federation, is conducted in accordance with the provisions of the International Epizootics Office's International Veterinary Code.

Referring to phytosanitary measures, policies and regulations on plant quarantine are determined by the Ministry of Agriculture (MOA, namely, by its State Service for Quarantine of Plants - Rosgoskarantin).

Import quarantine permits are issued under Government Resolution No. 268 of 23 April, 1992 "On State Service for Quarantine of Plants in the Russian Federation" (as amended and supplemented by Government Resolution No. 1143 of 1 October, 1998).

The list of products subject to phytosanitary controls in accordance with the Goods Nomenclature of the Foreign Economic Activity of the Russian Federation is provided in the "Nomenclature of Main Types of Products, Cargoes and Materials (Goods) Subject to Quarantine, for Which Imports Into and Exports from the Russian Federation Required Authorization by the Agencies of the State Service for Quarantine of Plants of the Russian Federation", approved by the MOA as of 19 March, 1999 (as amended on 25 December, 2001).

Imports to the Russian Federation of products subject to quarantine require an import quarantine permit. Should the imported regulated products be intended for several regions, the import quarantine permit is issued by the State Service for Quarantine of Plants of the Russian Federation. Each consignment of products subject to quarantine has to be accompanied by a phytosanitary certificate confirming the phytosanitary state of the product to conform to the conditions specified in the import quarantine permit. Phytosanitary certificates are issued by agencies of the State service in charge of plant quarantine in the exporting country.

Phytosanitary measures maintained by the Russian Federation are based on the recommendations and principles of the International Plant Protection Convention (Rome, 1951, 1997) that the Russian Federation has acceded in its revised version, as well as those of the European and Mediterranean Plant Protection Organization (to which the Russian Federation (USSR) is a member since 1957 and an executive member since 1997).



## Chapter 3: Services

### Hong Kong, China

**Q.44:** *We encourage Russia to accelerate reforms so as to remove the following restrictions: Foreign participation in an insurance company is limited to 49%.*

**A.:** According to Law of the Russian Federation No. 4015-1 of November 27, 1992 "On the organization of insurance business in the Russian Federation" (with the Amendments and Additions of December 31, 1997, November 20, 1999, March 21, April 25, 2002, December 10, 2003), i.6 "Insurance organizations being affiliates of foreign investors (parent organizations) or having a foreign investor's stake that makes up over 49 per cent of their authorized capital shall not pursue the following in the Russian Federation: the personal insurance, compulsory insurance, compulsory state insurance, property insurance relating to the performance of deliveries or of works under a contract for state needs as well as insurance of property interests of state and municipal organizations".

– *Foreign participation in the authorized capital of the insurance organizations is limited to 25%.*

**A.:** According to Law of the Russian Federation No. 4015-1 of November 27, 1992 "On the organization of insurance business in the Russian Federation" (amended as of December 10, 2003), i.6: "if the stake (quota) of foreign capital in the authorized capitals of insurance organizations exceeds 25 per cent the insurance supervision body shall terminate the issuance of licenses for the pursuance of insurance activities to the insurance organizations being affiliates of the foreign investors (parent organizations) or having the foreign investors' stake in their authorized capital exceeding 49 per cent".

– *Insurance organizations, being foreign-controlled, cannot carry out some types of insurance and are required to obtain the preliminary permit for the opening of subsidiaries or for participation in the affiliated insurance organizations.*

**A.:** According to Law of the Russian Federation No. 4015-1 of November 27, 1992 "On the organization of insurance business in the Russian Federation" (amended as of December 10, 2003) "the insurance organization must obtain a preliminary permission from the insurance supervision body to increase the amount of its authorized capital at the expense of a foreign investor and/or affiliates thereof, to alienate for the benefit of a foreign investor (including but not limited to, sale to a foreign investor) its shares (stakes in the authorized capital) and the Russian shareholders (stake-holders) to alienate the shares (stakes in the authorized capital) of the insurance organization owned by them for the benefit of foreign investors and/or affiliates thereof. The issuance of said preliminary permission shall not be refused for insurance organizations which are affiliated companies of foreign investors (parent organizations) or which have a foreign investors' stake of over 49 per cent in their charter capitals or which are becoming such as the result of the said transactions, unless the amount (quota) set by the present item is exceeded as they are accomplished".

All the above mentioned conditions of the access of foreign services suppliers to the Russian market (the participation of foreign investors and foreign invested companies in life insurance or compulsory insurance business, limits of foreign participation in insurance services sector in general etc.) are established by the said Law taking into account the stage of development of national insurance market, as well as the degree of readiness of national insurers to unlimited competition with foreign companies. As the Russian insurance market develops the condition of access of foreign services supplies are improving. Thus, in

particular, the total quota of foreign participation in the aggregate charter capital of the Russian insurers had been increased from 15% to 25% by the amendments to the said Law as of December 10, 2003.

After the accession of the Russian Federation to the WTO market access will be regulated in accordance with the respective commitments of the Russian Federation on services.

### **Japan**

**Q.45:** *In Russia the market access of foreign banks is admitted in the form of subsidiaries and not in the form of branches. Since admitting foreign financial institutions to compete in the domestic market is likely to contribute to activate trade and investment activities of the country, shouldn't Russia approve various forms of foreign financial institutions to operate?*

**A.:** The main Federal Law regulating the banking activity in the Russian Federation is the Federal Law No. 17-FZ of February 3, 1996 "On banks and banking activities" with the Amendments and Additions of July 31, 1998, July 5, 8, 1999, June 19, August 7, 2001, March 21, 2002, June 30, December 8, 23, December 23, 2003, adopted by the State Duma on July 7, 1995 Endorsed by the Council of the Federation on July 21, 1995

There is no clear legislation regulating the conditions of access of direct branches of foreign banks to the Russian market at present. In these circumstances the Central Bank of Russia is not able to exercise efficiently the necessary control over the activity of foreign financial institutions in Russia.

At the same time the Government of the Russian Federation is creating all necessary conditions to attract the foreign direct investments to the Russian banking sector, in other words it is creating incentives for establishment of subsidiaries of foreign banks in the Russian market.

There are no limitations on foreign participation in the capital of individual bank - 100% foreign participation is allowed. In fact, banks with foreign participation enjoy almost full national treatment in Russia.

Thus, necessary conditions for the development of competitive environment in the Russian banking services market are being developed and the efficiency of Russian banking system is increasing.

### **New Zealand**

**Q.46:** *With respect to services, please outline Russia's plans for allowing foreign providers of education services to base themselves in Russia and to remit abroad the profits earned there.*

**A.:** According to the legislation of the Russian Federation education services suppliers can be established only in the form of non-commercial organization. This requirement is applied to all educational organizations operating in the Russian market irrespective of the origin of their founders. A non-commercial organization is one not having profit-making as the main objective of its activity and not distributing the earned profit among the participants.

### **Expert**

**Q.47:** *How do you evaluate the liberalization of Russia's trade regime in service sector in relation to the Bogor goals? Have there been any legislations newly introduced, changed or eliminated over the period of 1996-2004? In what relations did the liberalization measures stand to the WTO accession negotiations of Russian Federation? How many Mutual Recognition Agreements (MRAs) – especially with other APEC economies – have been concluded and implemented over the period of 1996-2004?*

**A.:** Please, also refer to the answer to **Q.76**.

**Q.48:** *Please provide detailed information of market shares of the foreign services providers in the sub-markets of Russian services sectors. Was the provision of non-discrimination – both MFN and national treatment – an undisputed and unchallenged principle of Russian trade policy in the services sectors? If not, please list up sectors for which the non-discrimination principle was not applied.*

**A.:** The sectors where the limitations on national treatment and/or preferential conditions of access of services suppliers from certain countries to this or that segment of the services market exist, are subject to services negotiation in the context of the accession of the Russian Federation to the World Trade Organization.

After conclusion of these negotiations the market access conditions will be determined by the commitments of the Russian Federation in services, reflected in the Schedule of specific commitments of the Russian Federation in services and the List of Article II (MFN) exemptions.

As for the scope of foreign presence on the Russian services market, it is considered insufficient. Often, in such key sectors of the Russian services market as, for example, financial services, the overall cap of foreign participation in aggregate charter capital of Russian companies is not filled.

For instance, there are 33 subsidiaries of foreign banks, which are 100% foreign owned, and 8 subsidiaries of foreign banks, in which the foreign participation exceeds 50% but is less than 100%.

Currently the overall share of foreign participation in the Russian banking system is 5,3%.

As for the insurance sector, the respective figures there are even lower. According to the Order of the Ministry Finance of RF № 40-N in 2004 the participation of foreign capital in the aggregate charter capital of Russian insurers made up 2,72% (with the allowed share of 15%, established by the current Russian legislation).

**Q.49:** *What and how many bilateral investment agreements that could have direct and indirect impact on the services sector have been concluded or negotiated over the period of 1996-2004? Are there any incentives granted to foreign investors to attract FDI into the Russian territory? Please be specific with regards to industrial sectors and beneficiaries (benefiting countries).*

**A.:** The Russian Federation has currently 57 agreements on the promotion and reciprocal protection of investments (IPPA). 39 are ratified and 36 from them have been in force. In respect of investors and their investments, all IPPA contain, *inter alia*, provisions on treatment of foreign investments, guarantees in case of expropriation and rules for reimbursement of losses, free transfer of profits and dispute settlement procedures.

The Russian Federation has IPPA with:

Partner	Year concluded	Partner	Year concluded
Albania	1995	Laos	1996
Argentina	1998	Lebanon	1997
Armenia	2001	Lithuania	1999

<b>Austria</b>	<b>1990</b>	Macedonia	1997
Belgium-Luxemburg	1989	Moldova	1998
Bulgaria (plus protocol)	1993	Mongolia	1995
<b>Canada</b>	<b>1989</b>	Netherlands	1989
<b>China</b>	<b>1990</b>	Norway	1995
Czech Republic	1994	<b>Philippines</b>	<b>1997</b>
Croatia	1996	Poland	1992
Cuba	1993	Portugal	1994
Cyprus	1997	Romania	1993
Denmark	1993	Slovakia	1993
Ecuador	1996	Slovenia	2000
Egypt	1997	South Africa	1998
Ethiopia	2000	Spain	1990
Finland	1989	Sweden	1995
France	1989	Switzerland	1990
Germany	1989	Tajikistan	1999
Greece	1993	<b>Thailand</b>	<b>2002</b>
Hungary	1995	Turkey	1997
India	1994	Ukraine	1998
Italy	1996	United Kingdom (Great Britain and North Ireland)	1989
<b>Japan</b>	<b>1998</b>	<b>United States</b>	<b>1992</b>
Kazakhstan	1998	Uzbekistan	1997
<b>Korea, Republic of</b>	<b>1990</b>	<b>Vietnam</b>	<b>1994</b>
Kuwait	1994	Yemen	2002
North Korea	1996	Yugoslavia (former)	1995

Source: UNCTAD, BIT/DTT Database.

IPPA contain, *inter alia*, provisions guaranteeing MFN or national treatment of foreign investments, including investments in the form of participation in the capital of companies. In this case substantial confusions emerge between commitments assumed by the WTO members under the GATS and under IPPA. Because each of these two types of legal instruments relevant for foreign investment regime establish different definitions of investments (*for example, under Art. XXVII of the GATS, investment is defined as commercial presence which means any type of business or professional establishment, including through the constitution, acquisition or maintenance of a juridical person... within the territory of an Member for the purpose of supplying a service*). However, these differences result only in slight changes in the scope of application of respective regimes, and in general terms by definition do not create substantially different treatment of investment itself. This may provoke in respect of investor and investment plans undefined and unpredictable situation, since in each individual case different legal acts may govern its status for the purpose of implementation of domestic laws and respective restrictions, and different dispute resolution systems may be invoked in the same case. There is no clear and unified understanding as regards interrelations between all these commitments.

**Q.50:** *2004 IAP of Russian Federation reports no improvements in the areas of "Foreign Investment or Right of Establishment" and "Temporary Entry and Stay of Service Providers and Intra-Corporate Transferees". Are there any plans to improve these areas? Are there any statistics of movements of professional personnel and business firms from and to Russia over the period 1996-2004 that can help us assess the impact of service trade liberalization?*

**A.:** The Russian Federation has undertaken an important reform in the sphere of exit from/entry to the territory of the Russian Federation of foreign natural persons, as well as regulation of working activity of foreign natural persons (including intra-corporate transferees) in Russia. The main objective of this reform was to develop transparent and clear regulatory framework in these areas.

With this aim the followings Federal Laws had been adopted:

1. Federal Law No. 114-FZ as of August 15, 1996 "On the procedure for exiting and entering the Russian Federation" (amended on June 30, 2003)
2. Federal Law No. 115-FZ as of July 25, 2002 "On the legal position of foreign citizens in the Russian Federation" (as amended on November 2, 2004);

Please, refer also to answers to Chapter 13 "*Mobility of Business People*".

**Q.51:** *How far has the "de-bureaucratization" of the Russian economy, which the current economic policies of the Russian Federation have been aimed at, progressed? Was this a policy direction applied only in the services sector as the Chapter 3 of Russia's 2004 IAP states, or a general one? Are there any concrete and visible achievements in this respect. Please list, if any, examples of "good practices".*

**A.:** The central goal of the de-bureaucratisation programme is to reduce state intervention in economic activity by shifting the role of government away from direct control over assets and markets and towards greater reliance on law and regulation.

The "*Law on Protection of Legal Persons and Individual Entrepreneurs in the Process of Exercising State Control (Supervision)*" was enacted in 2001, with the purpose of reducing the number of inspections to which businesses are subjected. It defines procedures for government inspections and assigns responsibility to government agencies carrying out the inspections. The law stipulates the procedures for unplanned inspections but does not limit their frequency. It also prescribes the duration of an inspection, which should not exceed one month, or, in special cases, two months.

The Law "*On Licensing of Certain Activities*" came into effect in February 2002. It strictly limits the number of activities subject to licensing and reduces the fee for obtaining a licence to 1,000 roubles, plus 300 Roubles for application, and stipulates that the licence should be valid for not less than five years.

It is necessary to point out that this law contains the irrefragable list of criterions, on the grounds of which it maybe forbidden to issue licenses or to submit the licenses' requests, as well as duration of the license's consideration, an opportunity to appeal the dispute into the court against action (or negligence) of the state bodies.

The Law "*On State Registration of Legal Persons*" (July 2002) limits the charge for registration to 2,000 roubles and the time limit for approving or rejecting registration applications to no more than a month after submission. The law also establishes the goal of having a single office complete the registrations process. According to the Russian Foreign Investment Law, registration should take place with the "bodies of justice", but the State Registration Chamber, attached to the Ministry of Justice, only provides guidelines as to

which types of enterprises need to be registered, leaving the registration process largely to be administered by regional authorities.

It is necessary to point out also that recently the decision about registration is accepted within 5 days from the date of receipt of all the necessary documents. The Law determines all the documents to be issued, and also the irrefragable list of criteria, on the grounds of which it may be forbidden to issue license. The actions (or negligence) of the respective state body may be appealed into the court.

A new law "*On Technical Regulation*" introduced in December 2002 provides for a seven-year period of transition to completely new procedures of standardisation and certification and requires the adoption of a number of new sectoral sublaws in order to be fully implemented. An important innovation is that Article 9 of this law provides for public consultation through publication, also in electronic form, so that all interested parties should thus be given access to draft technical regulations and a possibility of providing comments before finalisation and introduction of new regulations.

Regular monitoring of administrative barriers to business development in Russia is carried out by the Russian Centre for Economic and Financial Research (CEFIR).<sup>5</sup> In Survey results available to date indicate some improvement in the sense that the number of inspections declined considerably during 2002. A positive note is that the second round of business surveys gave evidence of improved perceptions of the business climate overall, although 44 per cent of the population surveyed still reported significant problems with either business registration, licensing and permits, price control, certification or documentation requirements. In summary, the administrative burden on the enterprise sector in terms of filings required and the number of state organs exercising some measure of control, often duplicating each other, has not been significantly reduced. The removal of unnecessary barriers at Federal level has not yet been completed, nor has there been across the board implementation of the de-bureaucratisation reforms at regional level.

The issue of *administrative reform* is a pressing one in the current economic context in Russia, and a major programme has been under way for the past two years to reform both the operations and powers of government agencies and municipal self-governing bodies.<sup>6</sup> The capacity constraints and inefficiency under which the national government operates due to its competing and overlapping structures with unclear accountability make it unable to promote and implement effective policies conducive to economic growth<sup>7</sup>. For investors, the most immediate negative aspect of the Russian business environment originates from an overly complex administrative system, which has resulted from the merger of an ever-growing body of new, modernised laws and regulations with remnants of Soviet administrative practices. In addition, the combination of inadequate training and low salaries

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<sup>5</sup> See the Results of two rounds of *Monitoring of administrative barriers to small business development in Russia* on the CEFIR site [www.cefir.ru](http://www.cefir.ru). The latest report was published in November 2003.

<sup>6</sup> A presidential decree outlining the objectives of civil service reform during 2003-2005 was issued in November 2002. Work is already <sup>well</sup> under way in a few priority areas including the drafting of a new law on the civil service, streamlining the division of labor within and between ministries and federal agencies, the preparing of pilot projects in several regions and the drafting of ethical norms for civil servants. This programme is engaging several different groups working in parallel: the government is directly in charge of the streamlining of the functions of federal executive agencies; finally, deregulation issues are the responsibility of the Ministry of Economic Development and Trade.

<sup>7</sup> These issues are the subject of a horizontal review of regulatory reform in Russia initiated in 2003 under the OECD Regulatory Reform Review Programme. Russia's review will contain a focus on the regulatory framework for selected sectors, and will analyze specific regulatory challenges faced by Russian authorities, especially the issue of federalism.

of the officials at all levels of government set to administer this framework of laws and regulations has generated corruption and rent seeking on a scale that usually amazes new entrants to the Russian markets. Administrative barriers and direct "corruption taxes" levied by the officials in charge of licensing, inspections and other authorisations have severely curtailed entrepreneurial activity especially at SME level where the means of protection can easily become unaffordable.

The Russian authorities are well aware of these shortcomings, and recent reforms aiming for the reduction of administrative barriers and rent-seeking opportunities should be considered very important steps in the process of ridding the business environment of one of its most negative aspects. A federal government programme of de-bureaucratization was launched in 2001. A central goal of this reform is to reduce drastically the multitude of registration, licensing and inspection procedures. New legislation related to these procedures as well as to certification has been welcomed by foreign as well as domestic investors. There are already three new laws enacted during 2001 and 2002 and a fourth law on certification that came into force on 1 July 2003. However, as further argued below, achieving significant progress in the area of administrative reform at all levels of government remains one of the most pressing issues facing the Russian authorities in the interest of furthering sustainable economic growth.

The Government of the Russian Federation is continuing the process of "de-bureaucratization" of the Russian economy.

In the framework of this reform two drafts of Federal Laws had been prepared.

1. Draft Federal Law *"On the Self-regulating Organizations"*. The self-regulating organization is non-commercial entity, established for self-regulate, based on the membership, consolidating the subjects of commercial activity. Based on the same field of activity, or market of the manufacturing goods, or subjects of professional activity or unit the non-state pension funds. This draft contains the function of the self-regulating organization. For example, self-regulating organization realizes the analyze of activity of their members, presents interests of their members.
2. Draft Federal Law "On the amendments to Federal Law No. 128-FZ as of August 8, 2001 *"On Licensing Specific Types of Activity"* (as amended on December 23, 2003). This draft supposes to cut down further the number of types of activities, subject to licensing.

**Q.52:** *How strongly are the control measures on foreign exchange and capital movement still in force, and to what extent have these measures been restrictive in terms of foreign investors' business activities, especially in the service sector?*

**A.:** The Russian Federation has had some main peculiarities of the new currency regulation enacted by Federal Law No. 173-FZ of December 10, 2003 "On Currency Regulation and Currency Control" (the Law).

The Law (in the wording of Federal Law No. 58-FZ of June 29, 2004), which had entered into force on 18 June 2004, aimed at the implementation of the State currency policy and stability of the Russian Federation's currency while at the same time ensuring the progressive liberalization of the currency transactions regime. One of the main features of the new regulation was a shift from the previous principle "everything is forbidden except that is permitted by law" to "everything is permitted except that is forbidden by law". This trend was reflected in Articles 7 and 8 of the Law, which established a closed list of currency operations pertaining to capital movement subject to special regulation. Outside this list, all currency transactions were conducted without restrictions. At the same time, the Law provided for a clear and balanced distribution of powers between the Government and the

Central Bank in the field of regulation of currency transactions pertaining to capital movement. Pursuant to Article 7 of the Law, the Government was responsible for regulating currency transactions pertaining to capital movement connected with foreign trade operations. The joint competence of the Government and the Central Bank covered transactions connected with the purchase by residents of share fractions, deposits, shares in legal entities' property (authorized or ownership capital, share fund of cooperative society) from non-residents or with entering deposits under simple partnership contracts signed with non-residents. The powers of the Central Bank in the sphere of regulation of currency transactions pertaining to capital movement were extended to operations related to granting and raising of credits and loans; operations with securities whose face-values were specified in Russian or foreign currency (including related payments, transfers and performance of obligations); and operations of credit organizations.

It should be further noted that currency transactions pertaining to capital movement listed in Articles 7 and 8 of the Law were subject to restrictions only with the purpose of preventing substantial reductions in gold and foreign currency reserves; sharp fluctuations of exchange rate of currency of the Russian Federation, as well as of maintaining the stability of balance of payments. These restrictions were non-discriminatory.

**Q.53:** *How far has the preparation for adopting the international accounting standards, which was reportedly scheduled to be completed by January 1, 2005, progressed? How was the negotiation with other WTO member countries going on with regards to the obligations on access to the Russian market of accounting services?*

**A:** This problem is being discussed by the Working Party on Russia's ascension to the WTO. That is why this information will be disclosed later on.

**Q.54:** *2004 IAP of Russia reports a relatively strong restriction of foreign ownership and licensing scheme in such financial services sectors and banking and insurance. Restrictions on the personnel equipment can also be regarded as relatively strong. Does Russia have any concrete plans to improve them?*

**A.:** Please, refer to the answer to **Q.44**.

The plan of the Russian Federation as regards elimination or softening of different market access and/or national treatment limitations are determined by the particularities of development of respective sector of the economy (where such limitations exist) as well as competitive position of national services suppliers. During the last years there had been made a range of improvements in the area of financial services regulation. For example, the requirements for the minimal charter capital of foreign-invested banks and the Russian banks had been equalized. The same had happened in the beginning of 2004 in insurance sector. In addition the overall cap of foreign participation in the aggregate charter capital of Russian insurers had been increased from 15% to 25%.

It's important to note also that the above mentioned restrictions are subject to services negotiations in the context of the accession of the Russian Federation to the World Trade Organization.

**Q.55:** *In selected areas of services industries, some APEC economies point to rather unfavorable treatments compared to the member states of the European Union. Are these discriminations backed up by special legislations, for example EU-Russia bilateral agreements? If not, will*



*they be removed in due course, for example upon Russia's accession to the WTO? Is it also possible that this happens earlier than Russia's WTO membership?*

A.: Starting from the date of Russia's accession to the WTO the treatment granted by the Russian Federation to services and services suppliers from other WTO Members would fully comply with the general obligations under the GATS as well as the provisions, reflected in the List of Article (MFN) exemptions, agreed by the Russian Federation with the WTO Members in the context of accession negotiations.

#### **Australia**

##### **Chapter 3(a)1: Business Services — Legal**

*Australia notes that Russia has not included any information under "Business Services: Legal" in Chapter 3 of their IAP. Australia requests the Russia to include details on Legal in their next IAP.*

*Australia has no questions at this stage as terms are being negotiated through Russia's accession process to the WTO.*

A.: To be taking into account.

##### **Chapter 3 (a)2 (Business Services — Accounting)**

*Australia notes that more information about the relevant legislation and the processes for setting accounting standards would be beneficial.*

A.: Please, refer to the answer to Q53.

##### **Chapter 3(a)5: Other Professional Services**

*Australia encourages the examination of further improvements on the restrictions to trade in professional services.*

*We would like to draw attention to the importance of reducing barriers in the professional services sector such as:*

- long-term residency requirements before being able to practice a profession in a host country,*
- limited areas of practice (such as in the legal field only being able to provide advice as a "consultant" or in relation to the country in which they are qualified) or*
- the restrictions on any repatriation of profits etc.*

A.: To be taking into account.

##### **Chapter 3(b)3: Telecommunications**

*Australia welcomes Russia's achievements on digital signatures and realizing electronic trade possibilities. Australia also requests more information on Russia's plans for liberalization and its preparations for WTO accession.*

A.: This problem is also being discussed by the Working Party on Russia's ascension to the WTO now. That is why this information will be disclosed later on.

## **Chapter 4: Investment**

### **Japan**

**Q.56:** *In order for enterprises to decide whether to invest in a foreign market, credible information on business is indispensable. In this context there seems to be some problems in Russia. Non-existing disclosure system on business information based on the international accounting standards is one thing, and unclear real ownership even on large enterprises is another. How will Russia cope with transparency issues on business information?*

**A.:** Current system of information disclosure of financial status and structure of the companies in the Russian Federation is opaque for the foreign investors, as is based on the existing Russian standards of the accounts regulation. Attempts to improve ownership disclosure have been made recently, notably with the introduction of the new Code of Corporate Conduct in early 2002. However, a high level of ownership concentration, the closed, non-transparent nature of many companies, amalgamation of functions of management and ownership, the practice of in-house financing and co-opted boards of directors still combine to facilitate disregards of minority shareholder rights in Russia. Various vehicles aimed at the concealment of true ownership are often used for "optimizing" taxation, asset transfers, and conducting insider deals on exchanges.

While, since 2000, a few leading Russian companies have embraced internationally recognized standards for information disclosure and transparency of asset structures, this is still reported to be the exception rather than the norm.

In this connection the draft of federal law was elaborated to enforce an obligatory transfer of separate categories of the Russian companies to the international standards of their fiscal accounting.

The State Duma of the Federal Assembly of the Russian Federation has accepted a draft of the Federal Law "On Standards of Composite Consolidated Accounting" in the second reading in December 2004. It is planned an obligatory application of the international standards when drawing up the fiscal accounting by the open joint-stock listing companies accordingly. The draft of the law ensures obtaining reliable information by investors about the Russian organizations on the basis of regulation of the disclosed information structure.

Any information disclosure about the structure of the companies' assets carries a voluntary character and specifies the level of corporate culture and the Russian companies interest in the foreign investments attraction now.

**Q.57:** *It is often pointed out that there is a lack of consistency or transparency on the application of laws by the Russian Government. For example only certain companies are fined or punished for the same types of practices which other companies are following. Another example is that application of schemes is often changed upon the personnel change. Such an inconsistent application of laws is thought to enormously deteriorate the predictability on investment profits and discourage foreign investors to invest in Russia. What measures will Russia take to improve the situation?*

**A.:** The Government of the Russian Federation is well aware, that the institute of law enforcement is imperfect now. With the purpose of this problem-solving the reform of the judiciary is to be realized. The necessary measures are directed also on it within the frame of administrative reform in the process of implementing the federal government programme of de-

bureaucratization launched in 2001. A central goal of this reform is to reduce drastically the multitude of registration, licensing and inspection procedures.

In addition, the measures will be realized on strengthening the administrative responsibility of the businessmen for infringement of the legislation. In particular, amendments were inserted into the current legislation in 2004 in a part of strengthening the administrative responsibility for infringement of IPRs, as well as inventor's and patent rights, and related rights.

## **New Zealand**

**Q.58:** *With respect to the investment environment, please outline the measures Russia is taking to address the foreign investment regime in terms of ensuring greater transparency, providing intellectual property protection and improving the business climate.*

**A.:** It is possible to allocate two basic directions of reforms sold with the purpose of improvement of investment climate: an administrative reform of system of government authorities and of the financial market.

The reform of system of the government administration is directed on ban of the state bodies' redundant interference into economy, increase of its overall performance, perfecting the institution of law enforcement.

So, in the *course of administrative reforms* the measures on de-bureaucratization of economy and elimination of administrative barriers for management of private enterprise activity are accepted. As a consequence of the inventory of state functions conducted, the measures on removal of redundant functions and development of mechanisms of self-regulation were conducted. In particular, the amount of licensed types of activity was reduced, the order of registration of the legal persons was simplified on the territory of the Russian Federation also.

Within the frame of the *law enforcement reforms* the development of mechanisms to ensure the IPRs protection is carried out, including protection of the investors and shareholders rights, corporate conflicts resolution, arbitration and ad hoc arbitration legal enforcement. The judiciary reform also proceeds directed on increase to efficiency of the court examination and guarantee of independence of the court investigation.

It is necessary to allocate especially a *reform of technical regulation* also, which main purpose is to create conditions for successful business development and to harmonize the domestic standards with international ones.

A "health" of the financial system of economy plays one of key roles during attracting the foreign investments. High risks of the banking system, a speculative character of the stock market functioning, and low competitiveness of the financial institutions increase transactional costs of operations with capital flow, and all of it reduces the investment appeal of the Russian economy. In this connection a reform of the financial intermediary establishment remains an issue of the day.

As regards to the IPRs protection, the Government of the Russian Federation continuously improves the legislation in this area continuously. The federal act on modification of the Federal Law "On Author's and Related Rights" has come into force as of July, 2004, directed on:

- reduction of acting legislation in conformity with the Constitution of the Russian Federation and it international treaties,
- protection of the author's and related rights, that will ensure expansion of possibilities to counteract to the illegal rights' use,
- protection of the consumer rights, and

- to increase the legal turn-over volumes also.

### United States

**Q.59:** *Legislation to promote investment in Russia's domestic car industry imposes discriminatory fees on imported vehicles.*

**A.:** With the purposes to attract the investments into the car-making industry the federal executive bodies are conducting works on two directions now.

According to Presidential Decree No. 135 of 5 February 1998 "On Additional Measures to Attract Investments for Development of Domestic Car Making"; and Resolution of the Government of the Russian Federation No. 413 of 23 April 1998 "On Additional Measures to Attract Investments for Development of Domestic Car Making", the state support is granted in the form of licenses for establishment of a "bonded warehouse" under special conditions to provide with duty-free importation spares and componentry for its further processing while carrying out large-scale investment projects in the motor-car industry.

These acts covered projects with investments of no less than 1500 millions Rubles and established that:

- the share of costs incurred in Russia after 5 years of the project life had to account for no less than 50 per cent of production costs of the end-product;
- the Government of the Russian Federation annually determined the amounts of quotas within which the goods produced in a "bonded warehouse" could be exported customs free to the rest of the Russian territory. Customs payments on imports from the territory of a "bonded warehouse" zone into the rest of the Russian territory exceeding such quota were made on normal terms;
- in order for cars imported into the Russian territory from a "bonded warehouse" to qualify as a product originating from the Russian territory and benefiting from duty free treatment, the components used for the production of such car had to represent no less than 50% of the value of the final product at the end of the fifth year until the end of the investment agreement. Components which were not recognized as originating from the Russian Federation when imported into the main territory of the Russian Federation from warehouse and subject to the customs legislation of the Russian Federation, and components of foreign origin, which had been used in their manufacture, were applied customs fees at the rates applied to means of automotive transportation and automotive components which had been in effect at the moment of their importation from free warehouse to the main territory of the Russian Federation.

The term of these preferences could not be extended beyond the investment project period, and could not be longer than seven years.

At the same time it is necessary to note, that, from the point of view of conformity to the WTO norms, the afore-said legislature contradicts TRIMS with respect to the necessity of achievement of the costs share made in Russia in the total cost price of final production. The negotiation position of the Russian delegation on the given question consists in assertion of the transitory period to provide completion within the frame of the afore-said judicial acts of the investment projects, signed and realized before the Russia's accede to the WTO. The Government of the Russian Federation will freeze conclusion of new agreements which contained provisions of such kind after its accession to the WTO.

**Q.60:** *While Russia has stated an intention not to enter into new production sharing agreements after the time of its accession, this issue continues to raise concerns.*

**A.:** The Government of the Russian Federation makes a decision on expediency of new PSAs conclusion, proceeding from the current legislation and relevant requirements for such cooperation.

**Q.61:** *Russia has not fully clarified statements in the WTO Working Party that goods and services considered to be public utilities may be subject to public monopoly or granted exclusive rights to private domestic operators.*

**A.:** To be provided later on within a frame of bilateral negotiations on Russia's accession to the WTO after clarification what the United States bear in mind specifically.

### **ABAC**

**Q.62:** *ABAC highly recommends that transparency and predictability regarding investment in Russia be ensured. This includes the avoidance of sudden systematic alterations, advance notification of laws and ordinances, provision of information to the public, and capacity building for government officials.*

**A.:** The "sudden systematic alterations and casual changes in a judicial process have been reduced to minimum recently. The large part of reforms, conducted in the country, was born in public discussion. Law-making activity is maximally transparent, and drafts of laws are in public domain, in particular, through the Internet. Simultaneously, it is necessary to take into account, that the Russian economy is positioned on a transitory period and, accordingly, country legislation is changed dynamically.

In accordance with Government Resolution No. 98 of 12 February 2003 "On Access to Information on Activities of the Government of the Russian Federation and Federal Executive Bodies", the society has obtained public access to information on the federal executive bodies' activities with regard to laws, Presidential decrees, government resolutions, as well as their own regulations, orders, rules, instructions, recommendations, letters, telegrams, teletype messages, etc. (more than on 50 specially determined directions), having an impact on trade and investments, including by placing this information on the Internet and in other informative systems of public domain.

The question of increase of functioning efficiency of the state management system is decided within the frame of the system reform by herself. In particular, the measures were attempted on precise differentiation of functions in the state bodies and on elimination of redundant controlling functions.

The reform is continuing to be realized now. In particular, it is planned to carry out the transition to "by results of" budgeting, that, as it is expected, will increase material motivation of the civil servants actions.

### **Expert**

**Q.63:** *The Federal Law No. 160-FZ of 9 July 1999 is reported to provide deviation from national treatment of foreign investors in few sectors. What are those sectors and how much more favorable treatment was provided to domestic firms compared to foreign firms? Are the foreign firms treated without discrimination? If not, please provide more detailed information of it.*

**A.:** Article 4.1 of Federal Law No.160-FZ as of July 9, 1999 "On Foreign Investments in the Russian Federation" ensured national treatment for foreign investors.

However, in paragraph 2 of Article 1 of this law exceptions can be imposed, for example, if required to protect the fundamental constitutional requirements or to ensure national security and defense interests, public order, morals, health, right and legitimate interests of other persons.

So, the law does not apply to the relations connected to investments of the foreign capital into banks and other credit organizations, and also in insurance institutions, which are governed by the legislation of the Russian Federation on banking activities and insurance.

Also the law does not regulate investments of the foreign capital into non-commercial organizations for achievement certain publicly useful purposes, which are governed by the Russian legislation on non-commercial institutions.

The following security related restrictions were also applied: (i) the Law of the Russian Federation No. 3297-1 of 14 July 1992 "On a Closed Administrative-Territorial Area" set forth certain restrictions including restrictions on entrepreneurial and economic activities; and (ii) Article 15.3 of the Land Code of the Russian Federation provided that foreign natural persons and foreign legal entities could not own land within the border territories designated by the President of the Russian Federation pursuant to the federal legislation "On State Border of the Russian Federation" and in other specially defined territories of the Russian Federation in accordance with federal laws.

Besides, limitations in a number of other activities are stipulated within the frame of other judicial acts which are not mentioned in the Federal Law No. 160-FZ as of July 9, 1999. In particular, they concern an aircraft building area, telecommunications, and a sphere of the landownership.

Federal Law No. 178-FZ of 21 December 2001 and the State Program "On Privatization of State and Municipal Property" listed the types of property which were excluded from privatization, including, *inter alia*, property classified under federal laws as a non-alienable object of civil rights - i.e. an object exempted from privatization, such as natural resources, budgetary funds, defense facilities and objects, sanitary and epidemiological services, etc. - and property that could only be in State or municipal ownership as established by federal laws.

In accordance with the Land Code of the Russian Federation No. 136-FZ as of October 25, 2001 (as amended on June 29, 2004), Federal Law No. 101-FZ of July 24, 2002 "On the Turnover of Agricultural Land", and Federal Law No. 7-FZ of January 10, 2002 "On the Protection of the Environment", land of common use occupied by squares, streets, automobile roads etc., land situated within the borders of State reserves and national parks, as well as some categories of agricultural land were also not subject to privatization.

A list of objects and enterprises not subject to privatization, as established by federal laws, was contained in the State Program "On Privatization of State and Municipal Property". This list included, among others, mineral wealth, forest fund, water resources, air space, resources of the continental shelf, territorial waters and sea economic zones of the Russian Federation, budgetary and non-budgetary means, currency and other reserves, objects of historic and cultural heritage of federal value, State "unitary enterprises" and state institutions involved in the turnover of narcotics and psychotropic substances, nuclear stations and enterprises producing special nuclear and radio-nuclear materials, nuclear weapons, as well as enterprises performing scientific research and development works in the mentioned above areas, permanent-set objects of social servicing, including orphanages.

Russia's legislation on privatization – as listed above – did not contain any restrictions concerning foreign participation in privatization. The legislation required mandatory compliance with any restrictions contained in other legislation for certain categories of natural and legal persons, including foreigners, to protect constitutional order, public morals, the health and legal

rights of citizens, the defensive capacity and security of the State etc. Federal Law No. 66-FZ of 13 April 1998 "On the Conversion of the Defense Industry in the Russian Federation", for example, permitted the restriction of foreign participation in the privatization of enterprises, which carried out scientific and/or production activities related to defense and the security of the State, in order to prevent damage to the military and scientific potential of the Russian Federation and the expansion of weapons of mass destruction. Such restrictions were imposed in the form of Decisions on privatization.

The requirements of the State Program of Privatization of State and Municipal Enterprises in the Russian Federation (approved by Presidential Decree No. 2284 as of December 24, 1993) regarding foreign participation in privatization in the defense industry, the oil and gas industry, mining and processing of ores of strategic materials, precious and semiprecious stones, precious metals, radioactive and rare-earth minerals, certain transportation and communications industries, and municipal retail and wholesale enterprises, public catering and consumer services, small enterprises in industry, construction, and automobile transportation had been abolished by Presidential Decree No. 370 as of November 2003. Foreign participation in privatization was now governed by Federal Law No. 160-FZ (1999) "On Foreign Investment in the Russian Federation" and Federal Law No. 178-FZ (2001) "On Privatization of State and Municipal Property." Pursuant to Federal Law No. 160-FZ, foreign investors were allowed to participate in the privatization of federal and municipal property as noted above, unless the Government decided otherwise in each individual case.

The Russia's Government had approved a programme on privatization of State assets in 2004 and main objectives for privatization for the period up to 2006<sup>8</sup> (Government Decision No.1165-r as of August 15, 2003) in July 2003. This programme aimed at encouraging Russian and foreign investors' activity, increasing economic efficiency, and raising budget revenues.

**Q.64:** *The Federal Law No. 39-FZ of February 25, 1999 provides the possibility of nationalization and requisition of foreigners' capital investments. Have there been any such cases over the period of 1996-2004? If yes, please provide detailed information on the reasons, countries and companies affected, and the procedures occurring thereafter.*

**A.:** According to the MEDT of Russia, during enforcement of Federal Law No. 39-FZ as of February 25, 1999 "About investment activity in the Russian Federation realized in the form of capital investments, any case of capital investments nationalization was not fixed in the Russia's economy.

**Q.65:** *2004 IAP reports performance requirements applied in a few sectors, including that imposed on production sharing agreement in natural resources extraction business. In what other industrial or business sectors has the Russian Federation newly introduced or maintained such performance requirements?*

**A.:** According to the Federal Law "On the Foreign Investments in the Russian Federation", the priority investment projects' category is entered, in which the sum of the foreign capital investments should exceed USD 1 bn. The Government grants special "stabilization" proviso for such priority projects fixing institutional conditions for fulfillment of such investment project within 7 years. Thus, the State guarantees a constancy of conditions, including customs regulation.

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<sup>8</sup> There were 9,222 Federal State unitary enterprises in the Russian Federation and the Government still owned shares in 3,905 joint stock companies in June 2004. About 1,900 federal-owned objects, including some 600 joint stock companies of federal ownership were planned for privatization in 2005.

**Q.66:** *With regards to the Intellectual Property Protection related with foreign investment, the 2004. IAP states Russian Federations plans to toughen measures of punishment for production of infringing products. Has this happen already? How has the implementation of the IPR-related legislation progressed to protect the foreign investors' business activities?*

**A.:** The Government of the Russian Federation continues work on perfecting the legislation in the field of the intellectual property rights protection. The Federal Law on modification in the Federal Law "On the Intellectual Property and Related Rights" has come into force in July, 2004, directed on maintenance of conformity to the Constitution of the Russian Federation and international treaties, protection of the IPRs and related rights, that will ensure enlargement of the possibilities of counteraction to illegal use of these rights, protection of the consumer rights, and also volumes increase of a legal turn-over.

**Q.67:** *The 2004 IAP reports that Russia has concluded international treaties with 14 APEC economies to avoid double taxation. Have there been any concrete efforts to extend similar arrangements to other APEC economies? Does Russia have similar agreements with other countries outside the Asia-Pacific? If yes, what countries are the counterparts of these agreements?*

**A.:** Yes, such efforts have been there and Russia has signed the similar agreements with other countries beyond the APR and is continuing the talks on the other DTTs with the interested countries also (please, refer to the answer to Q 131).

Unfortunately, the list of Russia's DTTs introduced in the UNCTAD BIT/DTT Database is not complete, that is why, please, see the full one hereupon.

**Table I. Russia's DTTs with APEC economies**

<b>Partner</b>	<b>Year concluded</b>	<b>Year of coming into effect</b>
<b>With APEC economies:</b>		
1. Australia	2000	
2. Canada		1995
3. Chile	2004	
4. China, inc.:		1997
3a. Macau	1999	
5. Indonesia	2002	
6. Japan		1986
7. Korea, Republic of		1995
8. Malaysia		1987



<b>Partner</b>	<b>Year concluded</b>	<b>Year of coming into effect</b>
9. Mexico	2004	
10. New Zealand	2000	
11. Philippines	1995	
12. Singapore	2002	
13. Thailand	1999	
14. United States		1993
15. Vietnam		2002
<b>With other countries outside the Asia-Pacific:</b>		
1. Armenia		1998
2. Austria	2002	
3. Azerbaijan		1998
4. Albania		
5. Belarus		1997
6. Belgium		2000
7. Bulgaria		1993
8. Cyprus	1998	
9. Czech Republic	1995	
10. Denmark	1996	
11. Egypt		1997
12. Estonia	2002	
13. Finland	2002	
14. France		1999
15. Germany	1996	
16. Hungary		1994
17. Iceland	1999	
18. India		1998
19. Iran	2002	
20. Ireland		1995
21. Israel		1994
22. Italy	1996	
23. Qatar	1998	
24. North Korea	1997	
25. Kazakhstan		1997

<b>Partner</b>	<b>Year concluded</b>	<b>Year of coming into effect</b>
26.Kyrgyzstan		2000
27.Kuwait	2002	
28.Lebanon	1997	
29.Lithuania	1999	
30.Luxemburg		1997
31.Macedonia		2000
32.Mali		1999
33.Malta	2000	
34.Mauritius	1995	
35.Moldova		1997
36.Mongolia	1995	
37.Morocco	1997	
38.Namibia		2001
39.Netherlands	1996	
40.Norway	2002	
41.Poland		1992
42.Portugal	2002	
43.Slovakia		1997
44.Slovenia		1997
45.South Africa		2000
46.Spain		2000
47.Sri Lanka	2002	
48.Sweden		1993
49.Switzerland	1995	
50.Syria	2000	
51.Tajikistan	2002	
52.Turkey		1999
53.Turkmenistan	1998	
54.Ukraine		1999
55.United Kingdom		1997
56.Uzbekistan		1995
57. Serbia and Montenegro	1995	

Partner	Year concluded	Year of coming into effect
(former Yugoslavia)		

Source: UNCTAD, BIT/DTT Database; Russia's Ministry of Finance

## AUSTRALIA

**Q 67.1** *We note that foreigners may establish wholly-owned companies in most sectors but according to certain observers, the registration process can be cumbersome. Would Russia care to comment on this and any steps they plan to take in the coming year to improve this process and transparency in general? Can Russia confirm that the government limits foreign ownership in “strategic” sectors, which include gas and power monopolies, banking, insurance, mass media, diamond mining, and civil aviation? Are there any plans to liberalise policy in these sectors?*

**A.:** The Russian legislation stipulates limitations of the foreign capital entry in a number branches of economy that are strategic for development of the economy of Russia.

However these limitations play a temporary role, and the Government of Russian Federation provides the policy of gradual easing barriers of the entrance of the foreign investments into these branches. Besides, the problem of removal of limitations on access of the foreign capital into the Russian economy is a subject of discussions in frame of negotiating process on the Russia's accede to the WTO, which is not completed yet.

As to the administrative barriers, this problem is not so specific to the foreign companies and concerns Russian companies primary. In the greater degree this problem reflects a system character and will be tackled within the frame of perfecting the state regulation of the Russian economy.

With regard to civil aviation, Government Resolution No. 574 of 2 August 2001 "On Certain Issues of Regulation of Temporary Imports of Aircraft" superseded Government Resolution No. 716 of 7 July 1998 "On Additional Measures of State Support for Civil Aviation in Russia" and terminated the full exemption from customs duties and taxes for temporary import for aircraft, spare parts and engines and simulators which were imported under investment agreements. No investment agreements had been concluded since the adoption of Government Resolution No.574 as of August 2, 2001 "On Certain Issues of Regulation of Temporary Imports of Foreign Made Aircraft".

Under Article 26 of Federal Law No. 164-FZ as of December 8, 2003 "On the Fundamentals of the State Regulation of the Foreign Trade Activity", an exclusive right to export and/or import certain types of goods could be granted to some organizations. The list of organizations (as well as types of goods) to which such rights should be granted was determined by federal laws. The exclusive right to export and/or import should be implemented through licensing. Pursuant to Article 26, enterprises which had been granted exclusive or special rights or privileges to export and/or import certain types of goods were required to act in a non-discriminatory manner and in accordance with commercial considerations.

Russian authorities considered that only two State-trading enterprises in the Russian Federation were required to be notified pursuant to the notification requirements of Article XVII of the GATT 1994. Those enterprises and the product/products which had special powers or privileges were: the Russian Joint Stock Company (RJSC) Gazprom (about 38% State owned) – natural gas; the Russian Joint Stock Company (RJSC) UES of Russia – electricity; and the

State Enterprise (SE) "Almazyuvelirexport" Foreign Trade Association – raw materials containing platinum and platinum group metals. The enterprises, which had been granted exclusive or special rights or privileges in the exercise of which they influenced, through their purchase or sales, the level or direction of imports or exports, made their purchases and sales on the basis of commercial considerations. Regarding the Russian Joint Stock Company (RJSC) Gazprom – (natural gas) – in Russia's opinion, Gazprom could not be considered as a state trading enterprise since it was not neither a monopoly and did not have exclusive or special rights or privileges.

In the view of the Russian Government, there were no other enterprises in the Russian Federation, either State-owned or privately-owned, which had been granted, formally or in effect, exclusive or special rights or privileges, including statutory or constitutional powers in the exercise of which their purchases or sales might influence the level or direction of imports or exports.

By definition, those enterprises were not State trading enterprises as they operated as commercial enterprises, and did not enjoy any privileges in the sense of Article XVII of the GATT 1994. Pursuant to Article 113 of the Civil Code of the Russian Federation, the only characteristic that distinguished a State (or municipal) unitary enterprise from other forms of commercial organizations was that it did not own the property assigned to it. The Russian legislation in force did not envisage any special rights or privileges to be granted specifically to State (or municipal) unitary enterprises by virtue of its status. The civil legislation of the Russian Federation prohibited the State from interfering with the commercial activities of both commercial and non-commercial organizations.

Regarding JSC "Alrosa" 's privileges with respect to exports of raw diamonds, Presidential Decree No. 1373 as of November 30, 2002 “On the endorsement of regulation on imports in and exports from the Russian Federation of raw natural diamonds and cut diamonds” (entered into force on February 6, 2003) had abolished all exclusive rights of "Alrosa". At present, "Alrosa" had no exclusive or special privileges and was not a State-trading enterprise.

Measures to foster the development of financial intermediation are a key structural reform priority and the acceleration of banking reform in Russia since 2002 is a most significant development. Russia's deposit insurance (DI) legislation, which reached the statute books at the end of 2003, is perhaps the most important banking reform adopted in recent years. DI also meant to enhance competition in the retail sector<sup>9</sup> by "leveling" the competitive playing field between state-owned (namely, the saving monopolist Sberbank and the former foreign trade bank Vneshtorgbank (VTB); they are also the largest banks in Russia in terms of both capital and assets) and private banks.

There are a number of important steps to be taken with respect to creating a legal basis for banks' activities. The following are among the key priorities for fostering the development of the Russian banking sector's intermediary activities:

*Secured lending*: to change the regulatory framework so as to facilitate the use of wider range of collateral, including intangibles;

*Term deposits*: Russia's authorities are committed to revise all retail deposits as de facto demand deposits for creation of genuine term deposits, making it easier for the banks to attract badly needed longer-term funds from retail savers;

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<sup>9</sup> Creating a more competitive environment in the retail sector is particularly important in view of the rapid growth of both retail lending and retail bank deposits and also because the household sector is becoming an increasingly important source of funding for banks.

*M&As*: it is proposed instead that the Central Bank of Russia (CBR) permission apply only to transactions involving over 10 per cent of a bank's equity, regardless of the parties' nationalities (such a change would be consistent with the recent OECD recommendations);

*Easier branching*: to simplify the secondary legislation on bank branching and reduce the costs involved.

It is critical, therefore, to emphasize that banking reform cannot be pursued in isolation from other macroeconomic and structural policies in Russia. The development of Russia's banking sector will depend to a great extent on changes in the wider contracting environment where of particular importance are macroeconomic stability, adequate information and contract enforcement. In this context, the development of effective credit bureaus could make it far easier for banks to assess potential borrowers.

Banking development in Russia will also depend on the progress of judicial reform in a broad sense, no less than on the adoption of specific legislation concerned specifically with strengthening creditors' rights.

The phasing in IFRS marks a further step towards increasing the quality and availability of information in the banking sector. Russian banks were required to produce its financial statements in IFRS format from the third quarter of 2004 (postponed to 2005), based on transformation rules for converting Russian Accounting Standards (RAS) to IFRS. RAS reporting will continue to be used in parallel through 2005. During this transition period, IFRS reports will be used for analytical purposes only; they will form the actual basis for supervision only from 1 January 2006. It should be emphasize also that 2004-2006 will see not the adoption of the international accounting practices but the mandatory restatement of RAS accounts in an IFRS format.

*Just for reference purposes*: As is clear from Table below, the Russian banking sector, though growing rapidly since 1999, remains small and fragmented, with a large share of very small banks. The average Russian bank at the end of 2003 had total assets of around Rb 4,2 bn. (USD 142 mln.) and the assets of the smallest 1.100 together amounted to just USD 21,4 bn. Even the largest Russia's banks are relatively small by international standards (for example, in 2003, Russia's largest bank, the state-owned Sberbank, was ranked 155<sup>th</sup> in the world by tier-1 capital; the largest private bank, Mezhprombank, was 625<sup>th</sup> – see: "Top 1000" – 2003:241).

Table. **Selected balance-sheet indicators of the Russian banking sector**  
1998-2003 (per cent of GDP, end of period)

	1998	1999	2000	2001	2002	2003	2004, 1 Nov.
Number of operating credit institutions	1476	1349	1311	1319	1329	1673	1535
Assets	39.8	32.9	32.3	35.3	38.3	42.1	n/a
Capital (own funds)	2.9	3.5	3.9	5.1	5.4	6.1	n/a

There is still relatively little foreign involvement in the sector, although there is no limit on the foreign capital share in the Russian banking system and foreign interest in the market growing. A 12 per cent ceiling on the foreign capital share in the sector was abolished by the Russia's authorities in 2002. At the beginning of October 2004, non-residents owned stakes in only 129 Russian credit institutions, of which 33 (25.4 per cent of total) were wholly foreign-owned and 8 ones (6,2 per cent) – with foreign assts from 50 to 100 per cent. The foreign share of the sector's total capital in early 2003 was estimated at 5,2 per cent, down from 10,7 per cent at the beginning of 2000.

Russia does not necessary need or want a banking sector dominated by foreign players, but it does need a higher level of foreign involvement in the sector, if only to reap the benefits foreign banks can bring to the sector in terms of skills, technology and credibility.

With regard to telecommunication sector, JSC Svyazinvest had been established under Presidential Decree No. 1989 of 10 October 1994 “On the Specific Aspects of State Management of the Electric Communication Network for General Use of the Russian Federation” and Government Resolution No. 1297 of 11 November 1994 “On Establishing Joint-Stock Company “Svyazinvest” in order to attract additional investments for the development of the general electric communications network of the Russian Federation. JSC Svyazinvest had been established as a result of the consolidation of federal-owned shares of joint-stock electric communication companies which had been set up during the privatization process of electric communication State enterprises. At the time of the establishment of the JSC Svyazinvest 100 per cent of its shares were federal-owned. The State had been the sole shareholder of the company until mid 1997. Currently, the State was the main but not the sole shareholder of “Svyazinvest” - 25% of the shares +1. JSC Svyazinvest coordinated the work of its subsidiaries to facilitate the dynamic and proportionate development of an electric communication grid in the Russian Federation. The Company did not take part in its subsidiaries’ activities on purchasing of equipment. The company was mostly engaged in rendering services in the telecommunication sector, which fell within the scope of application of the GATS. Thus, no exclusive or special rights or privileges were granted to the JSC Svyazinvest within the meaning of Article XVII of the GATT 1994.

And also, please, refer to answers to Qs 119, 122-123 as pointed out below.

## **Chapter 5: Standards and Conformance**

### **Japan**

- Q.68:** *It is pointed out that the Standards and Conformance scheme of Russia is complicated and takes a lot of time to get approvals, which constitutes trade obstacles. What is the status of progress in specific measures to simplify the scheme?*
- Q.69:** *After the restructuring of the Russian Government the conformity assessment in the field of telecommunication has de facto ceased to work due to lack of authorities or procedures to implement it. As a result this has been causing barriers to trade for the import and sale of telecommunication products. How will Russia tackle with improving the conformity assessment procedures?*

**A.:** The issues of estimation of conformity in the field of telecommunication are in terms of reference provided with the Ministry of Information Technologies and Communications of the Russian Federation (Mininfosvyaz of Russia), pursuant to Federal Law No. 126-FZ as of 7 July, 2003 "On Communication" (which is effective from 1 January, 2004).

The purpose of the Russian Federation Ministry of Information Technologies and Communications in the informatization area is formation and implementation of the state informatization policy of the Russian Federation, and formation and maintenance of the legal, economic, social, scientific and material and technical conditions for informatization.

Basic challenges of the Russian Federation Ministry of Information Technologies and Communications in the informatization area are as follows:

- development of basic orientations of the state scientific-technical strategy in the informatization area;
- development and implementation of the state target-oriented programs of informatization in Russia;
- launching of a modern info-telecommunication infrastructure of the country on the basis of modern information technologies;
- satisfaction of requirements of the state power structures, local governments, juridical and physical bodies in the informatization products and services;
- improvement of the informatization regulatory-legal base;
- coordination of works aimed at formation of a single information space of Russia and its integration into the world information space. Development of proposals aimed at formation of Russia's single information space; development of concepts and schemes of a single information space; universal principles and rules of functioning of the information systems, standards of the informational interaction of the subjects of a single information space;
- development of methodic recommendations for the order of creation and using of the systems and technologies' information resources in the federal and regional executive power structures;
- development, implementation, coordination, expertise and coordination of the projects and programs in the informatization area;
- unification and standardization of the system and technical solutions in the informatization area on the basis of world achievements and the international standards;
- certification of computer systems and means, licensing of activities in the informatization area;
- promotion of launching an infrastructure for the guaranteed certification and receiving of licenses for the created firmware means, systems, networks and rendered services;

- formation of a single system for keeping and protection of the information resources and Russia's information security;
- execution of functions of the state customer of R&D works in priority informatization directions;
- implementation of monitoring of the informatization process, development and implementation of measures aimed at regulation of the informatization process;
- implementation of the state surveillance in the informatization area;
- implementation of the state investment policy in the informatization area;
- organization of participation of the informatization subjects in the international projects and programs aimed at raising competitive ability of the nationally manufactured products and services, and professional level of national specialists; representation of Russia in the international bodies and institutions which are implementing the normative regulation and standardization of the information technologies application procedures.

The key advantage of the Communications Law is its socially beneficial nature. In particular, introduction of the universal service scheme in 2005 will allow to install telephone lines in hard-to-reach low-profit regions as a particular realization of the idea of universal services introduction.

Right now, more than 46 thousand centers of population in Russia, some of them quite densely populated, have no telephone communications. In some regions, villages with up to three thousand residents have no telephone lines. Using the new scheme, Russia expects to solve this problem within three or four years.

The universal service scheme involves installation of pay-phones in villages that have no communications at all and provision of Internet access in settlements with more than 500 residents. A universal service reserve will be created to fund these projects, and communication operators will allot 2% of their proceeds, except income on traffic, to that reserve.

Speaking about the IT and communications industry development, Russia points to the fact that four years earlier, skeptics claimed it was impossible to obtain USD 33 billion of investments in the industry within a decade. However, according to Mininfosvyaz last report, in the period from 1996 to 2004, the volume of investments, both Russian and foreign, increased almost 2.3 times, and in 2004 it is expected to exceed USD 4 billion.

The communication services market has been rapidly growing lately: its annual growth amounts to 45%. By the end of 2004, Russia plans to increase the number of fixed communication telephones by 35% to 5 million. Today, mobile communication companies have a total of more than 63 million subscribers in Russia; in other words, one in every five persons in Russia has a mobile phone. In the last two years, the number of cell communications users has been growing not only in Moscow and St.-Petersburg, but also in other regions of the country.

A quality shift has taken place in the Internet development as well. In the last 5 years, the size of the market almost tripled. In 1997, there were about a million users, which means that today, one in every ten persons in Russia owns a computer connected to the Internet. In 2004, it is expected that this number to achieve 18.5 million.

To explain the up-to-date content of the Russia's legislation in the field of communications and information technologies, please, refer to some Articles of the Russia's Communications Law:

Article 4: The Russian Federation Legislation in the field of Communications is based on the Russian Federation Constitution and consists of this Federal Law and other Federal laws, normative legal acts by the Russian Federation Government and normative legal acts by the Federal executive authorities issued thereon. *In case any international agreement concluded by*



*the Russian Federation provides for some other regulations than those set forth by this Federal Law, the international agreement regulations are applicable.*

Article 5: In the Russian Federation, the Communication entities are organized and carry out their operations on the basis of the economic space unity in the competition and property multi-form environment. *The State provides Communication entities with equal competition environment regardless of the property forms.* Communication networks and Communication facilities may be federal-run, Russian Federation subjects-run, municipal-run property, and individually propertied and legal persons-run property. The list of the Communication networks and Communication facilities which may be federally propertied only, is specified by the Russian Federation laws. *Any foreign investors may take part in privatizing State-run and municipal unitary enterprises' property on terms specified by the Russian Federation laws.*

Article 21: The Federal executive authority body in the field of Communications:

- works out and implements the government policy in the Communications and Informatization and *coordinates the activities in the field of building and development of the Communication networks, satellite Communication Systems; civil satellite Communication Systems, including TV- and Radio Broadcasting;*
- works out and adopts the normative legal acts in the field of Communication activities control and regulation, Communication networks building, development and operation, as well as Communication facilities use considering the offers of self-controlled entities in the field of Communications which are formed in accordance with the Russian Federation laws...;
- *in conducting Russian Federation international policy in the field of Communications, functions as the Russian Federation Communications Administration ...*

Article 22: The radio frequency spectrum control is an exclusive government right and is provided under the Russian Federation international agreements and Russian Federation laws by conducting economic, organizational and engineering activities related to the radio frequency spectrum conversion, and aimed to accelerating prospective technologies and standards implementation, providing *radio frequency spectrum effective use in the social and economic fields, as well as in the field of the governmental management, country defense, State security and law enforcement.* In the Russian Federation, the radio frequency spectrum use is conducted by the interagency collective body on radio frequencies distribution under the Federal executive authority body in the field of Communications (*the Radio Frequencies Governmental Commission*) which possesses the full authorities in the field of radio frequency spectrum control... *Communication facilities, other radio electronic facilities and high frequency devices which are electromagnetic emission sources, are subject to registry process.* The Russian Federation Government specifies the list of the radio electronic facilities and high frequency devices to be registered and their registering procedures. *The radio electronic facilities to be used to individually receive some TV- and Radio programs; personal wireless call signals (wireless pagers); consumer electronic items and personal radio navigation means which are free of any radio-emitting devices, are in use in the Russian Federation considering the limitations set forth in the Russian Federation laws, and **are not subject to any registering process.*** The use of any unregistered radio electronic facilities and high frequency devices subject to the registering process hereof is not authorized.

Article 25. Monitoring radio electronic facilities and high frequency devices emission

*The radio electronic facilities and (or) high frequency devices monitoring (radio monitoring) is carried out to:*

- *check how the radio frequency spectrum user follows the radio frequency spectrum use Regulations;*

- *discover any unauthorized radio electronic facilities and to stop operating them;*
- *discover any radio interference sources;*
- *detect any breach of radio frequency spectrum use procedures and Regulations, national standards, radio electronic facility and high frequency device emission (reception) parameter requirements;*
- *provide the electromagnetic compatibility;*
- *provide radio frequency spectrum operational readiness.*

The radio monitoring is a component of the radio frequency spectrum use governmental management and radio frequencies or radio frequency channels international and legal assignment protection. The civil radio electronic facilities are radio monitored by the radio frequency Service. The Russian Federation Government specifies the radio monitoring procedures.

Article 41. Confirmation of Compliance of the Communications Facilities and Services:

In order to ensure integrity, functional stability and security of the unified telecommunication network of the Russian Federation it is obligatory that all the systems meet the specifications established for the communication facilities used in:

- 1) public communications networks;
- 2) communication processing networks and special-purpose networks, if they are interconnected to the public communications network.

The confirmation of compliance of the communications facilities to the engineering regulations, adopted in conformity with the Russian Federation legislation of technological regulations and the specifications provided in the regulatory enactments of the Federal executive authority in the communications branch concerning the issues of application of the communication facilities, shall be carried out by their obligatory certification or adoption of the compliance declaration.

Those communication facilities liable to compulsory certification shall be provided for certification by the manufacturer or seller.

Those documents which certify compliance of the communication facilities to the acknowledged specifications, as well as communication facility test reports obtained beyond the territory of the Russian Federation, shall be recognized according to the international treaties of the Russian Federation.

The manufacturer may adopt a compliance declaration for those communication facilities which are not liable to compulsory certification.

The list of communication facilities liable to compulsory certification, approved by the Government of the Russian Federation incorporates the communication facilities performing the functions of: switching systems; transport systems; administration, management and monitoring systems; equipment accounting for the volume of services provided in the public communications networks; terminal equipment which may bring about malfunction of the public communications network; communication facilities of processing and special-purpose communication networks within the scope of their interconnection to the public communications networks; radio-electronic communication facilities; and the software ensuring certain functionality for the search and operative research measures.

In case of a software modification making part of some communication facility, the manufacturer, in accordance with the established procedure, may adopt a declaration of compliance of this communication facility to the specifications of the previously issued compliance certificate or to the compliance declaration adopted.

Certification of the communication services and the control system of quality of service shall be arranged for on a voluntary basis.

The Russian Federation Government defines the procedure for arrangement and conduct of operations for compulsory confirmation of the communication facilities compliance, establishes

the procedure of accreditation for certification bodies, test laboratories (centers) performing the certification tests, as well as approves of the rules of certification procedures.

A Federal executive body responsible for the communications sector shall supervise that the certificate and declaration holders commit their compliance obligations, the supplied communication facilities meet the certification specifications, and the manufacturer declarations are properly registered.

The Federal executive body in for the communications sector shall be also responsible for setting up a communications sector certification system incorporating the certification bodies find test laboratories (centers) regardless of the organizational-and-legal and ownership patterns.

The compliance certificate holder of the declaring party shall ensure conformity of a communications facility, communication facility quality-of-service control system, communication service, and quality-of-service control system to the specifications of the normative documents and command papers on whose basis a certification procedure or compliance declaration has been adopted.

Article 43. Declaring Compliance and Registration of Compliance Declarations: The act of compliance declaration is effected through adoption by the applicant of a declaration of compliance based both on its own proofs and the evidence provided with the aid of an accredited test laboratory (center).

The declaration of compliance is to be executed in Russian and contain: name and place of the applicant; name and place of the communication facility manufacturer; technical description of the communication facility in Russian, allowing to identify it; applicant's statement to the effect that the communication facility - being implemented to its purpose and, according to the applicant's effort, meeting the established specifications applicable for communication facilities - will not destabilize the integrity, stable functionality and security of the unified telecommunication network of the Russian Federation; information about the conducted examinations (tests) and measurements, as well as of the documents used to confirm the communication facility compliance to the established specifications; validity and effective term of the declaration of compliance.

A form of the declaration of compliance shall be approved by the Federal executive body for the communications sector.

The declaration of compliance shall stay valid and effective from its registration date.

Licensing of activities in the communications and informatization area is implemented in compliance with the Federal Laws: "On Communications", "On Postal Communications", "On Participation in the International Information Exchange", ""On Natural Monopolies", etc. The order of licensing was defined by the standard-regulatory acts adopted by the Russian Federation Government, including provisions on licensing information exchange activities and communication activities in the Russian Federation.

We suppose, that it is necessary to establish effective mechanism for coordination, quality assurance and monitoring of interagency programs and IT introduction projects implementation also. Thereupon, the IT Commission of the Government of the Russian Federation that is to be established in 1Q, 2005, should become an important tool of interdepartmental co-operation. The Commission will comprise representatives of governmental bodies and scientific and business communities.

The Russian of Information Technologies and Communications developed a Concept of elaboration of law control in the IT field. The Concept provides for amendment of some regulations and laws currently in force and development of new laws. In particular, revision of

the Information, IT Introduction and Information Protection Law has been suggested which should establish a legal base for information handling, strictly determine the state's rights and obligations in the information field and clarify the base of IT use regulation. It is also necessary to dedicate separate articles of the law to issue related to the right to information.

In the international cooperation area it means, that the Russian Federation Ministry of Information Technologies and Communications comes out as a communications Administrator and, in the scope of its powers envisaged by the international treaties, represents and protects the interest of the Russian Federation in the communications area during interaction with the communications administrations of other countries and specialized international institutions all over the globe, and coordinates the international communications and informatization activities implemented by all physical and juridical persons of the Russian Federation.

***That is why we do not agree with a definition that such activity has been causing barriers to trade for the import and sale of telecommunication products.***

**For more detailed information, please, visit the Mininfosvyaz' Internet web-site:  
<http://english.minsvyaz.ru/enter.shtml> (in English).**

#### **United States**

**Q.70.** *Though recent legislation has reorganized Russia's standards-issuing authorities, the government continues to apply some standards and certification requirements developed prior to new legislation, in an inconsistent and discriminatory way.*

**A.:** Removal of unjustified technical barriers in trade is one of the purposes of Russia's Federal Act No. 184-FZ as of 27 December, 2002 "On Technical Regulation", which one, in particular, envisions approach of the Russian procedures of endorsement of conformity with the international practice accepted. The implementation of this law is foreseen on the step-by-step basis. At the maiden stage (before coming the technical regulations into force), the annual reduction of objects of mandatory certification is stipulated, that will put to reduction of the list of goods, which need submission of the conformity certificates for importation in Russia.

After coming technical regulations into force (by 2006, more than such 70 rules should be elaborated), all obligatory requirements to production and procedures of endorsement of conformity will be contained in the technical regulations eliminating different bureaucratic concordance.

**Q.71:** *The Russian Federation's accreditation practices are not based on international practice.*

**A.:** The given comment is incorrect for the following reasons.

1. In international practice the organization of works on accreditation, as known, is realized in various forms, basic of which as follows:
  - 1) An unique accrediting body for all areas of an estimation of conformity (the UK, France, etc.);
  - 2) Several accrediting bodies working in various, not duplicating spheres of activity, such as certification and tests (Italy, Japan);
  - 3) Several competing bodies of accreditation in the presence of the central coordinating body (Germany);

- 4) A great number of competing bodies on accreditation without the centralized coordination of their activity (in the image and likeness of the US).

The uniform accreditation bodies were set up in majority of the European countries, such approach to accreditation with an unique body is preferred in EU and in many countries of the world. It is necessary to attribute to advantages of the given approach simplification of communication with the government and state bodies when implementing the national laws and international agreements, and also an application of uniform criteria of the accreditation, an uniform approach to selection of the experts, an uniform price-list of accreditation fee payments.

In decentralized networks, especially like in the last, fourth case (in particular, in the US, where have been acting more than 100 separate systems of accreditation in test laboratories until recently), the discrepancies in criteria and rules of accreditation, and a plurality of accreditation are inevitable, that in result has a negative effect for the products and services manufacturers and result that executive organs and business representatives do not recognize different certificates as inside country and abroad.

2. The Federal Law of the Russian Federation "On Technical Regulation" establishes a principle of uniform system and rules of accreditation.

Near 20 accreditation bodies existing on the basis of federal executive authorities are acting in Russia now. Disadvantages of the existing accreditation practice are well known. Despite of it, the Ministry of Industry and Energy of the Russian Federation carries out works on creation in the Russian Federation of the uniform accreditation system, within the framework of which uniform criteria and rules, and also it execution order will be established.

In December, 2003, a draft of regulation of the Russian Federation Government was submitted for consideration of the Russia's Government where it was supposed to enter into force basic documents of the uniform accreditation system in the territory of the Russian Federation and to establish the uniform accreditation order for bodies regarding conformity assessment. The international experience on accreditation organization was investigated and taken into account in a maximum degree during preparation of the documents. Experts of accrediting bodies of DAR (Germany), COFRAC (France) were involved as the legal advisers. The administrative reform in Russia has delayed a little an acceptance of these documents. However, the works in this direction have been proceeded.

As a normative base at realization of accreditation works the international standards ISO/IEC are used, accepted in Russia by a method of their direct application, as for instance, national standards GOST-R ISO/IEC 65-2000, GOST-R ISO/IEC 17025-2000, and GOST-R ISO/IEC 62-2000. It is planned to accept the international standard IS ISO/IEC 17011-2004, establishing request to the accrediting body.

One of the basic problems on creating the Russian uniform accreditation system is the maintenance of confession of this activity abroad, therefore it is supposed, that the accreditation system will be based on modern principles making allowance for international norms, rules and practice.

Thus, it was incorrect to make conclusion about non-conformity of the Russian accreditation system to the international standards, and the US opinion indicated in this comment is not justified. Russia considers it as the US business that does not conflict with the Russian approach and the international accreditation practice .

**Q.72:** *Sanitary and phytosanitary standards continue to be applied in an arbitrary, discriminatory and non-science based fashion.*

**A.:** Sanitary and phytosanitary measures were implemented by the Ministry of Health and Social Development (MOHSD) and the Ministry of Agriculture (MOA) which were in charge of food safety, protection of human, animal and plant health. Referring to sanitary measures, the Ministry of Health and Social Development (Federal Service for Surveillance on Consumer Rights Protection and Human Well-being), which was part of the Department on State Sanitary and Epidemiological Surveillance (“Gossanepidnadzor”), was the federal executive authority in charge of ensuring sanitary and epidemiological well-being of the population.

Under Russian legislation, the safety of goods produced by domestic manufacturers and imported into the territory of the Russian Federation which constituted a potential danger for human health and the environment was regulated by sanitary rules, norms and hygiene regulations (safety criteria). Sanitary rules, norms and hygiene regulations (criteria) for foodstuffs had to be science-based. Leading scientific-research institutes, departments of medical colleges, and other interested academic and practice institutions were to participate in their elaboration. Pre-existing sanitary rules, norms and hygiene regulations for foodstuffs were being reviewed from the point of view of the need for harmonization and were brought into conformity with directives and recommendations of the Codex Alimentarius Commission. Sanitary normative legal acts and mandatory hygiene requirements on products, production processes, use, storage, transportation, sale, and utilization were being elaborated to comply with the principles of the WTO Agreement on the Application of Sanitary and Phytosanitary Measures and Federal Law No. 184-FZ of 27 December 2002 “On Technical Regulation”. A number of federal laws on technical regulations had been drafted to replace the relevant sanitary rules pursuant with the Federal Law “On Technical Regulation”. These draft laws had been published in a Newsletter on Technical Regulation (Vestnik) and placed on the website of Gossanepidnadzor. An open and science-based infrastructure of State sanitary and epidemiological regulations had been created and was now functioning.

New sanitary rules and safety criteria were developed based on the findings of comprehensive scientific research and epidemiological studies, as well as monitoring of human health and harmful environmental factors (Article 38 of Federal Law No. 184-FZ of 27 December 2002 “On Technical Regulation”). Sanitary requirements only aimed at ensuring the safety of products and at preventing any threat to human life and health. These requirements were established by reference to the existing international norms, rules, and recommendations, as well as the results of relevant research conducted in other countries. All sanitary and epidemiological requirements were applied uniformly without discrimination to both domestic and imported products and did not, in his view, contradict the provisions of the WTO SPS Agreement. These requirements were performed under Federal Law No. 52-FZ of 30 March 1999 (as amended on 30 June 2003) “On Sanitary Epidemiological Well-Being of Population” (Articles 1, 15, 38) and Federal Law No. 184-FZ of 27 December 2002 “On Technical Regulation” (Articles 7 and 8). Under current legislation, an applicant had the right to appeal a decision of Gossanepidnadzor through administrative or judicial procedures.

The procedure for sanitary-and-epidemiological examination of products and for issuing a sanitary and epidemiological approval on the conformity of products with State sanitary and epidemiological rules and norms was established under the "Procedure for Conduct of a Sanitary and Epidemiological Examination of Products", approved by MOHSD Order No. 325 of 15 August 2001 as amended by Order No. 84 of 18 March 2002. This Order also contained a list of products subject to sanitary and epidemiological examination.

All products produced in and imported into the territory of the Russian Federation for distribution to the population and use in industry, agriculture, civil construction development, for transport requiring direct human involvement, or for private and household use, had to conform to the requirements of sanitary and epidemiological rules, norms and hygiene regulations (Articles 13, 15, 16 of Federal Law No. 52-FZ). Such conformity was to be confirmed by a sanitary-epidemiological approval or a registration certificate.

Sanitary and epidemiological examination of products was conducted prior to the commencement of industrial production in the territory of the Russian Federation, and in the case of imported products prior to the conclusion of the contract to supply products of a specified type or based upon an enquiry of an exporter interested in supplying products to the Russian market. The examination consisted of an assessment of the documentation submitted, the conduct, where necessary, of additional laboratory examination, and the issuance of a positive or negative sanitary and epidemiological approval for a given type of products valid for five years, which could be extended provided there were no violations of the regulations. Applications for a sanitary epidemiological approval had to be submitted to one of Gossanepidnadzor's regional centres authorized to conduct State sanitary and epidemiological surveillance (Gossanepidnadzor). Sanitary and epidemiological approvals were issued once and were valid throughout the territory of the Russian Federation. Imports of products that had not passed a prior hygienic assessment were subject to hygienic examination upon importation. In such cases, hygienic approvals were valid for that particular consignment only. State sanitary and epidemiological surveillance was conducted by the regional centers of Gossanepidnadzor at the stage of distribution of products on Russia's domestic market. Regional Centers of Gossanepidnadzor were subordinated to the Ministry of Health and Social Development of the Russian Federation (the Department of Gossanepidnadzor).

Government Resolution No. 987 of 21 December 2000, "On State Surveillance and Control in Ensuring Quality and Safety of Foodstuffs" delineated the functions of the authorities and institutions of the State Veterinary Service of the Russian Federation and the State Sanitary and Epidemiological Service of the Russian Federation for the conduct of expert examinations of animal products. A sanitary and epidemiological approval regarding domestic and imported goods was confirmation of their conformity with the requirements of sanitary legislation. For exportation, importation, and domestic circulation of products, the State Veterinary Service of the Russian Federation had to certify that animal products were safe from a veterinary viewpoint and complied with veterinary norms and requirements.

Federal Laws No. 52-FZ of 30 March 1999, "On Sanitary and Epidemiological Well-Being of the Population", Federal Law No. 29-FZ of 2 January 2000 "On Quality and Safety of Foodstuffs", and Government Resolution No. 988 of 21 December 2000 "On the State Registration of New Foodstuffs, Materials and Items" imposed uniform requirements when conducting State registration of new foodstuffs, materials and items first produced in the territory of the Russian Federation (Russian goods), and for goods imported into the Russian Federation for the first time. State registration of imported foodstuffs was the competence of the MOHSD. Approval of the MOA was only required for registration of products of animal origin. Sanitary epidemiological assessment and State registration of products constituted a single process. Based on the results of the sanitary epidemiological assessment, a sanitary epidemiological approval, or a registration certificate or if such products were subject to State registration, was to be issued.

A registration certificate was issued for any type of product for the whole period of industrial production in the case of Russian products, or the period of supplies in the case of imported products. State registration of potentially hazardous substances and types of products was performed by the MOHSD and, in the case of new food products of animal origin, by the MOHSD in conjunction with the MOA (Government Resolution No. 262 of 4 April 2001 "On State Registration of Certain Types of Products Presenting Potential Threat for Human Life and Health and Certain Types of Products First Imported to the Territory of the Russian Federation"; Government Resolution No. 987 of 21 December 2000 "On State Surveillance and Control in Ensuring Quality and Safety of Food Products"; and Government Resolution No.988 of 21 December 2000 "On State Registration of New Food Products, Materials and Items").

Lists of products subject to State registration were attached to the above Government Resolutions. Russia's Government had planned to introduce State registration as from 1 January

2003, but the introduction of such a measure had been rescheduled for 1 January 2004 pursuant to Government Resolution No. 90 of 11 February 2003. In order to substantially reduce the list of products subject to State registration, the MOHSD had elaborated and submitted to the Government draft amendments to Resolution No. 90. Currently, no final decision had been made on the time of introduction of State registration for certain foodstuffs. The requirements and criteria with respect to safety of products for human health and the environment pursuant to Articles 1, 2, 12, 13, 15, 16, 37, 38, 39, 41 and 42 of Federal Law No. 52-FZ were implemented by State sanitary and epidemiological rules and norms which were regulatory legal acts binding all citizens, individual entrepreneurs and legal entities. All sanitary and epidemiological requirements valid within the territory of the Russian Federation were implemented only through federal rules approved and enacted by the MOHSD.

Referring to veterinary measures, the activities performed by the State Veterinary Service were regulated by Federal Law No. 4979-1 of 14 May 1993 "On Veterinary Practices", Government Resolution No. 706 of 19 June 1994 on "Regulations on State Veterinary Surveillance in the Russian Federation", Government Resolution No. 830 of 29 October 1992 on "Regulations on the State Veterinary Service of the Russian Federation for Protection of the Russian Territory Against Importation of Infectious Animal Diseases from Abroad"; Government Resolution No. 1263 of 29 September 1997 on "Regulations on the Procedure for Examination of Low Quality or Hazardous Food Inputs and Products, Their Use and Destruction"; "Regulations on Division of Functions of State Veterinary Surveillance in Processing and Storage Enterprises of Animal Products" No. 13-7-2/173 of 14 October 1994 approved by the Chief State Veterinary Inspector of the Russian Federation; Government Resolution No. 987 of 21 December 2000 "On State Surveillance and Control in Ensuring Quality and Safety of Food Products" and Government Resolution No. 26 of 18 January 2002 "On the State Registration of Feedstuffs Received from Genetically Modified Organisms"; Instruction No. 13-7-2/871 of 12 April 1997 "On the Procedure for Issuance of Veterinary Accompanying Documents for Cargoes Controlled by the State Veterinary Surveillance Agency" approved by the Ministry of Agriculture of the Russian Federation; and other legislative documents, notably Federal Law No. 184-FZ of 27 December 2002 "On Technical Regulation", Federal Law No. 29-FZ of 2 January 2000 "On Quality and Safety of Foodstuffs", Federal Law No. 134-FZ of 8 August 2001 "On Protection of Rights of Legal Entities and Individual Entrepreneurs for the Purposes of State Control (Surveillance) Procedures".

The procedure for lodging appeals against decisions taken by officials of the State Veterinary Service could be performed, in a subordinate manner, by a veterinary inspector of a lower authority to a veterinary inspector of a higher authority and the Chief State Veterinary Inspector of the Russian Federation. Appeals against decisions taken by the Chief State Veterinary Inspector of the Russian Federation had to be performed in accordance with the legislation in force.

The Russian Federation had agreements on veterinary certificates for most types of animal products with the State veterinary services of many exporting countries. Exports of animal products under approved veterinary certificates were not a mandatory procedure for exporting countries. In the absence of approved veterinary certificates, animal products were exported to the Russian Federation under general veterinary certificates based on veterinary requirements in respect of imports of animal products listed in the letter of the State Veterinary Service No. 13-8-01/1-1 – 3-7 of 23 December 1999. Veterinary certificates contained guarantees of the State Veterinary Service of the exporting country that the products fulfill the terms and conditions of import. The certificate also included information on the situation in the exporting country at the moment of export of products and raw materials of animal origin to the Russian Federation with regard to highly dangerous animal diseases such as foot-and-mouth disease, cattle plague, African swine fever, etc. The certificate should also confirm the absence of such diseases. The requirement imposed by the State Veterinary Service to foreign countries to confirm the absence of some diseases was justified by the fact that these diseases did not exist in all Russian



regions and that the Russian Federation carried out Programmes of prevention and termination of such diseases. In his view, the requirement did not contradict the WTO SPS Agreement nor the Code of the International Epizootics Office (IEO) (Paragraph 1.2, Chapter 1.2.1). The actual import conditions were contained in the veterinary certificate. The list of products subject to controls by the State Veterinary Service (Letter No. 13-8-01/3009 of 16 May 2000 of the Veterinary Department of the Ministry of Agriculture) had been compiled in accordance with the Goods Nomenclature of Foreign Economic Activity and only included those items which were a potential source of infectious animal diseases or poisoning, and thus a threat to human and animal security and health. International veterinary cooperation was carried out on the basis of bilateral cooperation agreements and the Code of the International Epizootics Office (IEO). Veterinary and sanitary measures were non-discriminatory and identical for all exporting countries.

For imports and transit of controlled cargoes regulated by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), an additional permit from the CITES agency in the exporting country was required in addition to the required documents (CITES agencies were the Ministry of Natural Resources and the State Committee of the Russian Federation for Fishery – for sturgeon fish species). Imports and exports of pedigree animals, apart from the authorization from the Chief State Veterinary Inspector of the Russian Federation and veterinary certificate, required an "extract from the State registry of selection achievements allowed for use with respect to the imported plant seeds, pedigree animals" for imports, and "confirmation of compliance with the requirements with respect to protection of patent holder rights with respect to the exported plant seeds, pedigree animals" for exports, signed by the Deputy Minister of Agriculture of the Russian Federation. Imports of veterinary preparations were regulated by Government Resolution No. 1539 of 25 December 1998 "Regulations on Imports into and Exports from the Russian Federation of Medicines and Pharmaceuticals". Imports of cargoes controlled by the State Veterinary Surveillance Agency were restricted to designated cross-border checkpoints at railway and car stations, at seaports, airports and other specially equipped places open for international communications and having cross-border veterinary checkpoints installed.

For countries with a bad epizootic situation with regard to transmissible animal diseases, a mutual understanding could be achieved contemplating the presence of Russian Veterinary Inspectors to control compliance of raw meat consignments intended for shipment to the Russian Federation with Russian Federation veterinary requirements. The Russian Veterinary Inspector would decide whether a particular meat consignment was eligible for shipment to the Russian Federation based on the epizootic situation, the conditions of processing and storage of meat in the exporting country. Consignments so inspected avoided any delays at cross-border or return to the exporting country.

International transit of cargoes controlled by the State Veterinary Service through the Russian Federation was conducted in accordance with the provisions of the International Epizootics Office's International Veterinary Code. No written authorization from the Chief State Veterinary Inspector of the Russian Federation was required for international transit of raw produce and products of animal origin through the Russian Federation. When crossing the border of the Russian Federation the cargo was inspected by the State Veterinary Inspector of the appropriate cross-border surveillance veterinary checkpoint. International transit of live animals through the Russian Federation required written authorization from the Chief State Veterinary Inspector of the Russian Federation, on the basis of a request from the central veterinary authority of the importing country, indicating the points of import, export, route, stops, transfers, animal feeding and watering sites (Chapter 1.4.3 of the International Veterinary Code of the International Epizootics Office (OIE)). The main purpose of the existing procedure for international transit of live animals was to protect the territory of the Russian Federation from importation of various diseases and to prevent, to the maximum extent possible, the spread of such diseases during transportation of the animals through the territory of the Russian

Federation, the unloading for rest, feeding, watering, collection and disposal of manure, bedding, etc.

Referring to phytosanitary measures, policies and regulations on plant quarantine were determined by the Ministry of Agriculture (its State Service for Quarantine of Plants or Rosgoskarantin). Import quarantine permits were issued under Government Resolution No. 268 of 23 April 1992 "On State Service for Quarantine of Plants in the Russian Federation", as amended and supplemented by Government Resolution No. 1143 of 1 October 1998. The list of products subject to phytosanitary controls in accordance with the Goods Nomenclature of the Foreign Economic Activity of the Russian Federation was provided in the "Nomenclature of Main Types of Products, Cargoes and Materials (Goods) Subject to Quarantine, for which imports into and exports from the Russian Federation required authorization by the agencies of the State Service for Quarantine of Plants of the Russian Federation", approved by the Ministry of Agriculture on 19 March 1999 (as amended on 25 December 2001).

Imports to the Russian Federation of products subject to quarantine required an import quarantine permit. Should the imported regulated products be intended for several regions, the import quarantine permit was issued by State Service for Quarantine of Plants of the Russian Federation. When only one region was targeted, the import quarantine permit was issued by the respective regional State service for quarantine of plants. Applications for an import quarantine permit were required to state the product in question, the country of origin, the exporting country, volume, time-frame for importation, destinations, and cross-border checkpoints. The import quarantine permit indicated the phytosanitary requirements for the products subject to quarantine. Each consignment of products subject to quarantine had to be accompanied by a phytosanitary certificate confirming the phytosanitary state of the product to conform to the conditions specified in the import quarantine permit. Phytosanitary certificates were issued by agencies of the State service in charge of plant quarantine in the exporting country. Phytosanitary measures maintained by the Russian Federation were based on the recommendations and principles of the International Plant Protection Convention (Rome, 1951, 1997) that the Russian Federation had acceded in its revised version, as well as those of the European and Mediterranean Plant Protection Organization (to which the Russian Federation (USSR) was a member since 1957 and an executive member since 1997).

Pursuant to Federal Law No. 184-FZ of 27 December 2002 "On Technical Regulation" mandatory requirements applied to products would be contained in new technical regulations (general and special). Amendments would be made to the relevant legislation in order to bring it in compliance with the mentioned above Federal law. A list of normative legal acts pending amendments, technical regulations which were being elaborated as well as the time-frame for such amendments and elaboration of technical regulations were contained in the Inter-Agency Programme of Measures. The provisions of the WTO Agreement on the Application of Sanitary and Phytosanitary Measures such as "the stand-still principle", a single enquiry point, transparency, preparation of notifications, publication of measures taken in order to ensure the possibility of relevant comments, providing an adequate time period for comments, scientific evidence for the measures taken, and risk assessment, non-discrimination in trade and others were already envisaged in Federal Law No. 184-FZ of 27 December 2002 "On Technical Regulation".

In order to implement the provisions of the Federal Law "On Technical Regulation", the Government had passed the following Resolutions elaborated by Gosstandart jointly with the interested ministries:

- Resolution on the procedure for publication and the amount of fees for publication of a notification of the development, discussion, and expert review of a draft technical regulation, draft legislative acts, and other regulatory legal acts on technical regulations (No. 673 of 5 November 2003)
- Resolution on the federal data bank of technical regulations and standards and the single information system on technical regulation (No. 500 of 15 August, 2003)

- Resolution on the establishment and functioning of expert commissions for technical regulation (No. 513 of 21 August 2003).

Since the entry into force of Federal Law No. 184-FZ of 27 December 2002 "On Technical Regulation" on 1 July 2003, technical regulations or, if they had not been adopted by 1 July 2010, requirements on products, production processes, use, storage, transportation, sale and utilization established by the normative legal acts of the Russian Federation and regulations of federal executive bodies were to be applied only to the extent as they protected human health, the environment, and animal and plant life and health, and in order to prevent actions which could mislead consumers (Article 46 of the Federal law).

Russian legislation on technical regulation comprised Federal Law No. 184-FZ of 27 December 2002 "On Technical Regulation" and federal laws and other normative legal acts of the Russian Federation adopted in accordance with this law. Provisions of federal laws and other normative legal acts which concerned the application of Federal Law No. 184-FZ (inter alia, those which directly or indirectly provided for performing control (surveillance) over observance of technical regulation requirements) were to fully comply with Federal Law No. 184-FZ (Articles 4.1 and 4.2). For this reason, all legislation on sanitary and phytosanitary measures was currently being analyzed with a view to bring it in compliance with Federal Law No. 184-FZ, the requirements of which were based on the provisions of the Agreement on the Application of Sanitary and Phytosanitary Measures.

All regulatory legal acts related to sanitary measures had to be published in official editions: Rossiyskaya Gazette (the Russian Newspaper), the Bulletin of regulatory acts of Federal Executive Authorities of the Administration of the President of the Russian Federation (Presidential Decree No. 763 of May 23, 1996 "On the Procedure for Publication and Taking Effect of Acts of the President of the Russian Federation, the Government of the Russian Federation, and Regulatory Legal Acts of Federal Executive Authorities"); the Bulletin of regulatory documents and guidelines of Gosstanepidnadzor of the Ministry of Health and Social Development of the Russian Federation; and various specialized scientific journals and manuals (Nutrition Care, Health Care at Workplace, Radiation Hygienics, Toxicology Newsletter, etc.). Draft sanitary rules were published in the Newsletter of the Russian Enquiry Point and specialized journals. Regulatory documents took effect no earlier than three months after their approval, unless a direct threat to human health and life was involved.

New legislation and regulations concerning veterinary measures after approval were published in the journals "Veterinary Science and Practice", "Veterinary Newspaper", the newspaper "Veterinary Consultant", and other special publications. Since December 2003, Gosstandard had been publishing an official "Newsletter (Vestnik) of Technical Regulation", which contained all notifications concerning the development and end of public discussions on technical regulations, reports of expert commissions on technical regulations, draft legislative acts, and other regulatory legal documents in the area of technical regulation. A specialized single Information Center (Enquiry Point) for TBT/SPS (WTO RIC (SPS/TBT)) ensuring transparency of veterinary, sanitary, and phytosanitary measures and providing access to relevant documentation had been set up and was functioning (<http://www.ricwto.ru>).

The questions connected with sanitary and phytosanitary norms acting in the territory of the Russian Federation, aroused practically at all international meetings and were connected, first of all, with the fact that indicated norms<sup>10</sup> and their control order also differed from the international requirements.

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<sup>10</sup> Protection of human health was currently regulated by Federal Law No. 52-FZ of 30 March 1999 "On Sanitary and Epidemiological Well-Being of the Population"; Federal Law No. 5487-1 of 22 July 1993 "Fundamentals of Health Legislation of the Russian Federation"; "Regulations of the State Sanitary and Epidemiological Service of the Russian Federation" and "Regulations on State Sanitary and Epidemiological Standardization" approved by Government Resolution No. 554 of 24 July 2000; and terms

All this was the basis for development of the project named as the "Agreement on realization of the agreed policy in the field of technical regulation, sanitary (including veterinary) and phytosanitary measures". The given draft of the agreement is in a coordination stage, then it should be signed by the Russian Federation Government with the governments of the Republic of Belarus, the Republic of Kazakhstan, and Ukraine.

The agreement provides a possibility of any sanitary and phytosanitary measures application only in that degree, as it necessary for protection of life or health of a human being, and animals or plants, being based on scientific principles and having the sufficient scientific grounds, and also using international standards, directions or recommendations.

### ABAC

**Q.73:** *ABAC realizes that approval of an inspection agency authorised by Gosstandart of Russia (GOST Standards) must be obtained for measuring instruments, and this requires considerable cost and time for businesses, resulting in increases in production costs. Russia is encouraged to further promote harmonisation of standards within the region.*

**A.** The system of standardization is in a reforming stage. The new complex of the basic standards is approved. The status of the national standards is changed from obligatory to voluntary one. With the purpose to increase the national standards openness and engage a wide circle of the interested persons and organizations to their development, the procedure of publication about beginning and completion of development is affirmed. The standards, when it is expedient, are harmonized with international ones. The harmonization level on subjects developed at the expense of the public finance funds will make 85 per cent in 2005. An average harmonization level is about 40 per cent just for now.

Standards are developed by the technical committees, which charts, as a rule, correspond to ISO and IEC. Time of the standard development should not exceed two years.

The procedures of acknowledgement of conformity are in a reforming stage also. The list of the goods and services, which conformity can be acknowledged by the declaration of the manufacturer, is expanding. The Government of the Russian Federation affirms the program of development of the technical regulations for 2004-2006. In these documents the recommended layouts of conformity acknowledgement will be fixed judicially for concrete production groups.

On a transitory period (up to 2010) the standards which have been included into the Nomenclature of production and services, subject to obligatory certification declaration, will keep the obligatory status.

Up to the technical regulations assertion, the standards will play a role of protective barrier against socially dangerous production. In accordance with acceptance of the technical regulations, the standards will pass in the voluntary category and will be applied only as an evidential base of the product conformity to essential requests of the technical regulations.

**Q.74:** *Legislative provisions are hardly available to the public in the English language. ABAC requests that Russia provide relevant information both in Russian and English.*

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and provisions of other federal laws and resolutions of the Government of the Russian Federation concerning provision of safety of goods and products for human health and environment (e.g., Federal Laws "On Environmental Protection"; "On Consumer Rights Protection"; and "On Quality and Safety of Food Products").

**A.:** Refer to the Federal Agency for Technical Regulations and Metrology Internet web-site: <http://www.gost.ru/sls/gost.nsf/PVP/CA5400452C7991BEC32566DA004601FA?OpenDocument&ALT> (in English) and <http://www.gost.ru>, and <http://www.rupto.ru> also (both in Russian and English, partially).

**Expert**

**Q.75:** *Could you provide detailed information – broken down to major industrial areas – on the degree of alignment and harmonization of Russian standards with the international standards? Are there any problems or other considerations that the economy is facing in promoting alignment of its standards with international standards, as well as participation in international standardization activities and mutual recognition agreements (MRAs) in both regulated and voluntary sectors? If so, please review how the economy is addressing such problems.*

**A.:** The level of a harmonization of the Russian standards in comparison with international standards on basic groups of production is as follows:

<b>Production (by groups)</b>	<b>Harmonization level, per cent</b>
Machine-building and machine-tools	74
Products for inter-branch use	57
Oil and gas, and chemical equipment	45
Food, retail and wholesale trade, and catering equipment	40
Light and printing industry equipment	34
Agricultural machine-building	61
Motor-car industry products	100
Railway transport	40
Road-building and municipal machine-building	67
Atomic machinery	35
Aircraft industry	3
Missile and space-rocket equipment	5
Explosives and articles on its basis	80
Shipbuilding production	65
Defense industry production	80
Civilian and official weapon	90
Informatics	60
Electrotechnology production	35
Machine-building	67
Medical products	45
<b>General technical standards</b>	
Metallurgy industry	37,4
Mining and fuel industry	58
Timber industry	17

<b>Production (by groups)</b>	<b>Harmonization level, per cent</b>
Petroleum refining products	42
Rubber-fabric production	19
Chemical production	28
Grain and it processing products	33
Bakery and macaroni products	10
Butter and fat products	10
Meet products	22
Fish processing and production	20
Dairy produces	16
Fruit-and-vegetable processing equipment	47
Food concentrates	33
Alcoholic production	33
Confectionery production	1
Beekeeping production	22
Brewing and non-alcoholic production	-
Tobacco industry production	100
Mixed fodder equipment	-
Veterinary equipment	-
Perfumes and cosmetics, mouth cavity hygiene means	10
<b>TOTAL (per cent):</b>	<b>38,4</b>

Harmonization of the Russian standards with international and regional (EN) ones is a priority line of the national standardization development. It is carried out subject to the Russian industry national concern, and also depending on existing economic and natural environment conditions.

The Russian Federation participates practically in all technical committees of the international ISOs. The problematic issues of harmonization development are reduced basically to these activities budgeting inside our country and also to insufficient participation of the Russian business society in it.

**Q.76:** *With what countries – including APEC economies – has Russia concluded mutual recognition agreements (MRAs)? What further plans are underway to conclude such agreements with other trading partners? How progressed is Russia in the accession negotiations to the WTO with its efforts to align and to harmonize with the corresponding WTO rules?*

**A.:** The real figure is not available. To be provided for later.

Pursuant to Government Resolution No. 294 of 17 June 2004 “On the Federal Agency for Technical Regulation and Metrology”, the Federal Agency for Technical Regulation and Metrology (further – the Rostechregulation of Russia) was entitled, inter alia, to perform expert assessments of national standards, promulgate notifications on the elaboration and completion of public discussions related to draft technical regulations and national standards, develop a

program for the elaboration and approval of national standards, carry out accreditation procedures, and perform the functions of the national body on standardization on the basis of the procedure determined by the federal body on technical regulation.

The legal framework required products to meet the mandatory technical, pharmacological, sanitary, veterinary, phytosanitary and ecological requirements determined by the Russian Federation. In particular, imports of products into the territory of the Russian Federation were restricted if the products in question did not meet the statutory requirements, did not have a certificate, marking or a corresponding sign as envisaged by federal laws and other legal acts of the Russian Federation, or were banned from use as harmful consumer goods.

Prior to the entry into force of the Federal Law "On Technical Regulation" on 1 July 2003, State standards approved by Gosstandart, sectoral standards approved by the federal executive authorities, standards of enterprises, standards of scientific, technical, engineering institutions and other societies were operative in the Russian Federation. No regional standards existed in the Russian Federation. State standards and other documents approved by the federal executive authorities contained mandatory requirements intended to ensure the safety of products, works, and services for the environment, life, health, and property; technical and informational compatibility; interchangeability of products; uniformity in the methods of control and marking; and other requirements established by the legislation of the Russian Federation. Technical committees for standardization had been set up for the development of national standards and participation in the development of international and CIS interstate standards.

Standards issued by ISO, IEC, ITU, EEC UN, the Codex Alimentarius were regarded by the Russian Federation as the fundamental international standards. Since 1997 and subject to the State standardization plans, the Russian authorities annually developed and implemented State standards, over 50 per cent of which had already been harmonized with their international counterparts.

The level of harmonization of domestic standards with international standards was currently about 35 per cent.

Conformity of products subject to mandatory certification was confirmed by a conformity certificate issued by certification authorities, or a declaration of conformity registered with the certification authority. Such a certificate was submitted to customs authorities together with the cargo customs declaration, and was necessary to obtain the permission to import the products in question into the Russian Federation.

Work on mandatory certification of goods in the GOST R certification system was currently conducted by Russian authorities and laboratories as well as foreign authorities and test laboratories accredited in accordance with the established procedure. Certification authorities and test laboratories were accredited in accordance with ISO/IEC Guideline 65 and ISO/IEC Standard 17025. A uniform accreditation procedure was applied to both Russian and foreign certification authorities and laboratories. The list of accredited certification authorities and test laboratories was published on Rostechregulation webpage ([www.gost.ru](http://www.gost.ru)).

Conformity to mandatory requirements had commonly been subject to mandatory certification. However, as of July 1999 certain products had been transferred to the conformity declaration procedure. The list of products subject to mandatory certification was provided in Government Resolution No. 1013 of 13 August 1997 "On the Approval of the List of Goods Subject to Mandatory Certification and the List of Works and Services Subject to Mandatory Certification" and the list of products for which safety may be confirmed by conformity declaration in Government Resolution No. 766 of 7 July 1999 "On the Approval of the List of Products Whose Conformity May Be Confirmed by Conformity Declaration".

In order to further reduce the list of goods subject to mandatory certification and allow conformity confirmation by declaration of conformity for a larger number of goods, the Government of the Russian Federation had passed Resolution No. 287 of 29 April 2002 "On Amendments to the List of Goods Subject to Mandatory Certification, to the List of Works and Services Subject to Mandatory Certification, and to the List of Products Whose Conformity

May Be Confirmed by Conformity Declaration". As a result, the list of products for which conformity could be confirmed by conformity declaration had tripled, and the list of products subject to mandatory certification had been reduced by 20%.

Pursuant to Gosstandart Resolution No. 64 of 30 July 2002, the Nomenclature of Products and Services (Works) Subject to Mandatory Certification Pursuant to Legislative Acts of the Russian Federation and the Nomenclature of Products Whose Conformity May Be Confirmed by Conformity Declaration had been introduced on 15 December 2002 (Resolution No. 64 had been passed in furtherance of Government Resolution No. 287 of 29 April 2002). The Nomenclature determined the documents (national standards and others), which contained requirements applicable to the products included in the list approved by the Government.

Federal Law No. 184-FZ of 27 December 2002 "On Technical Regulation" (further referred to as the Federal Law) provided a new legal framework for technical regulations, standards and conformity assessment systems.

The Federal Law provided for the following main principles based on the provisions of the WTO TBT Agreement:

- Application of non-discriminatory and national treatment. Technical regulations were to be applied in the same manner and to the same extent irrespective of the country and/or place of origin of products or processes of production, operation, storage, transportation, marketing and utilization, the nature and details of the transactions and/or natural or legal persons (Article 7.6 of the Federal Law).
- Elimination of technical barriers to trade. Requirements of technical regulations should not create any barriers to business activity beyond the minimum necessary to achieve the objectives of protection of human life or health, property of natural and legal persons, state or municipal property, protection of the environment, life or health of animals and plants, prevention of activities which could violate the interests of consumers (Articles 6 and 7.2 of the Federal Law).
- Harmonization of technical regulations, conformity assessment procedures, and standards with their international counterparts and voluntary application of standards. International standards and/or national standards could be used in full or in part as the basis for development of draft technical regulations. The Government of the Russian Federation developed proposals to ensure conformity of technical regulation to the international norms and rules (Articles 7.8 and 7.12 of the Federal Law).
- Standardization should be carried out according to the following principles: voluntary application of standards; use of an international standard as the basis for development of a national standard, except where such application was considered to be impossible due to unsuitability of requirements of the corresponding international standard to climatic and geographical peculiarities of the Russian Federation, its technical and/or technological peculiarities or for other reasons, or where the Russian Federation had objected to the adoption of such international standard or any of its provisions in accordance with the established procedures (Article 12 of the Federal Law).
- Transparency in the development of technical regulations and standards (Article 9 of the Federal Law).
- A notification about development of a draft technical regulation should be published in the print of the federal executive body on technical regulations and in the general information system in electronic-digital format.
- The notification about development of the draft technical regulation should contain information on the products, processes of production, operation, storage, transportation, marketing and utilization, in relation to which the requirements had been developed, with a summary of the purpose of the technical regulation and an explanation of the necessity of the technical regulation. The notification should specify whether the requirements being developed differed from international standards or obligatory requirements valid in the territory of the Russian Federation and should contain information on a method of



- familiarization with the draft technical regulation, the denomination or surname, name and patronymic of the developer of the given draft technical regulation, as well as his/her postal and e-mail (if any) addresses for the receipt of written notices from interested persons.
- The draft technical regulation should be made available to interested persons for familiarization as of the date of publication of the notification. The developer was requested to supply, upon demand, any interested person with a copy of the draft technical regulation. The payment for issuing the copy should not exceed the cost of its manufacture.
  - The developer was required to carry out a public discussion on the draft technical regulation, make a list of written notices received from interested persons, summarize the content of such notices and the results of the discussion and to update the draft technical regulation taking into account the written notices received.
  - The developer was required to save the written notices received from interested persons up to the date of the entry into force of the technical regulation, as provided for in the appropriate normative legal act, and upon request, to hand them over to deputies of the State Duma, representatives of federal executive bodies and expert commissions on technical regulating (specified in Article 9 of the Federal Law).
  - The period for public discussion of the draft technical regulation - from the date of publication of the notification about development of the draft technical regulation up to the date of publication of the notification about completion of the public discussion - could not be inferior to two months.
  - The notification about completion of the public discussion of the draft technical regulation had to be published in the print of the federal executive body on technical regulation and in the general information system in electronic-digital format.
  - The notification about completion of the public discussion should include information on a method of familiarization with the draft technical regulation, the list of written notices of interested persons, and the denomination or surname, name and patronymic of the developer of draft technical regulation, along with his/her postal and e-mail (if any) addresses.
  - From the date of publication of the notification about completion of the public discussion, the updated draft technical regulation and the list of written notices received should be available to interested persons for familiarization.
  - Establishment of conformity assessment procedures according to the following principles: non discrimination between domestic and imported products both in terms of procedures and in terms of fees, proportionality of procedures to the risk of the products, transparency, predictability and expeditiousness of the procedures, and protection of confidentiality.
  - Achievement of mutual recognition of conformity assessment results (Article 30 of the Federal Law).
  - Technical regulations should contain requirements in terms of performance of products, processes of production, operation, storage, transportation, marketing, and utilization rather than requirements regarding design or descriptive characteristics, except where the purposes of adopting such technical regulation could not be achieved in the absence of requirements in respect of design and descriptive characteristics in view of the risk of damage.

Federal Law No. 184-FZ of 27 December 2002 "On Technical Regulation" established technical regulations, which provided binding specifications with respect to goods and their production processes as regulatory tools to ensure safety and quality of products, as well as a legislative framework for a single information system to provide users, including foreign users, with information on operative documents and documents under development, i.e. a single enquiry point. The Law also provided that mandatory conformity confirmation works would be paid by the applicant. The method for calculating the cost of mandatory conformity assessment was determined by the Government and was based on uniform fees calculation rules for identical or similar products irrespective of the country and/or place of origin or identity of the

applicant (Article 23). The Law introduced the principle of a uniform system and rules of accreditation.

A technical regulation could provide the rules and forms of conformity assessment (including schemes of conformity confirmation) depending on the risks involved, deadlines for conformity assessment in relation to every regulated object and/or requirements in respect of terminology, packing, marking or labeling and the rules of their affixation.

Mandatory requirements for products, processes of production, operation, storage, transportation, marketing and utilization, rules and forms of conformity assessment, rules for identification, requirements in respect of terminology, packing, marking or labeling and the rules of their affixation contained in technical regulations were exhaustive and were applied directly throughout the territory of the Russian Federation. Such requirements were modified only by making amendments and supplements to the corresponding technical regulation.

Any requirements in respect of products, processes of production, operation, storage, transportation, marketing and utilization, rules and forms of conformity assessment, rules for identification, requirements in respect of terminology, packing, marking or labeling and the rules of their affixation that were not included in technical regulations were not mandatory.

The new Federal Law also foresaw the implementation of the rules of the Code of Good Practice for the Preparation, Adoption, and Application of Standards (Annex 3 of the TBT Agreement). Sectoral standards were not envisaged under the Law as regulatory documents. All existing sectoral standards were to be transformed into national standards or standards of organizations prior to 2010. Standards of the Regions of the Russian Federation were also not envisaged under that law.

As of 1 July 2003, mandatory technical regulations, including mandatory conformity assessment could be established by Federal Laws, Government Resolutions, and Presidential Decrees only. The only exceptions included: requirements connected with ensuring of integrity and sustainable functioning of the global communications network of the Russian Federation on and the use of the radio frequency spectrum; defense products (works, services) used to protect data which constituted a State secret under Russian legislation or related to protected information of restricted access; and products (works, services) whose data constituted a State secret. As a result, the list of mandatory requirements had been significantly reduced.

As of 1 July 2003, the authority of federal executive bodies in the area of technical regulations had been restricted to the issuance of acts of a recommendatory nature only, with the exception of the mentioned above cases. As of this date and until the issuance of corresponding technical regulations, or should such regulations not be issued by 1 July 2010, the requirements regarding products, processes of production, operation, storage, transportation, marketing, utilization, and conformity assessment procedures established by the documents of the federal executive authorities prior to 1 July 2003 were subject to obligatory implementation only to the extent that they ensured: protection of human life or health, property of natural and legal persons, and State or municipal property; protection of the environment and of animal and plant life or health; and prevention of activities which could violate the interests of consumers.

Until the adoption of corresponding technical regulations, veterinary, sanitary, and phytosanitary technical regulation would remain in place in accordance with Federal Law No. 99-FZ of 15 July 2000 "On Quarantine of Plants" and Federal Law No. 4979-1 of 14 May 1993 "On Veterinary Practices".

Until the adoption of a general technical regulation with respect to nuclear and radiological safety, nuclear and radiological safety technical regulation would remain in place in accordance with Federal Law No. 170-FZ of 21 November 1995 (as amended on 11 November 2003) "On the Use of Atomic Energy" and Federal Law No. 3-FZ of 9 January 1996 "On Radiological Safety of the Population".

Federal Law No. 184-FZ of 27 December 2002 "On Technical Regulation" also contained a number of norms, which determined alterations in the procedures for mandatory conformity assessment. The Federal Law provided that until the corresponding technical regulations had

come into effect, the Government would determine and annually supplement the list of products for which mandatory certification would be substituted by a conformity declaration. Thus, the list of products subject to mandatory certification could only be reduced, unless otherwise provided by the corresponding technical regulation. Products, which had been included in the list of products subject to a conformity declaration, were automatically excluded from the list of products subject to mandatory certification.

Pursuant to paragraph 1 of Article 24 of the Federal Law, persons applying for a conformity declaration had to be registered in accordance with Russian legislation as legal persons or individual entrepreneurs who were manufacturers and sellers, or represented a foreign manufacturer. In the latter case, a contract ensuring conformity of the products to technical regulations and liability for non-conformity of the delivered products is required. Paragraph 4 of Article 46 of the Federal Law limited the possibility to adopt a conformity declaration on the basis of one's own evidence prior to the adoption of technical regulations to domestic and foreign manufacturers - sellers could not adopt such declarations.

Pursuant to Paragraph 3 and 4 of Article 24 of the Federal Law when declaring the conformity on the basis of own proofs and those obtained with participation of a third party, an applicant, at his own will and in addition to his own proofs formed in the order provided for in Clause 2 of this Article, should:

- include in evidentiary materials the reports of researches (tests) and measurements carried out in accredited test laboratory (center);
- submit the certificate of quality system, in relation to which there is provided for the control (supervision) of certification body, which has issued the given certificate, over certification object.

The certificate of a quality system may be used together with the proofs when assuming the supplier's declaration for any products, except for the case when technical regulations stipulate for such products other form of conformity assurance.

The contents of the documentary evidence were to be determined by a particular technical regulation. Previously adopted normative legal acts provided that the conformity declaration could be adopted by Russian manufacturers (sellers, executers) or organizations registered as juridical persons in the Russian Federation and representing the interests of the relevant foreign manufacturers (sellers, executers). Quality system certificates could constitute the basis for the adoption of a conformity declaration.

In respect of mandatory certification Paragraph 1 of Article 25 of the Federal Law provided that certification schemes applied for certification of certain sorts of products should be determined in the relevant technical regulations and not by the certification authority. The validity of conformity certificates and conformity declarations were to be established in the relevant technical regulation. The procedure for certification previously applied provided for the validity of certificates to be determined by the certification authority with due regard to the validity term of the normative documents related to the production as well as to the term for which the production or the quality system had been certified (provided that this was envisaged by the certification scheme) but no longer than three years.

According to Paragraph 1 of Article 27 of the Federal Law, mandatory marks were marks of circulation of a product on the market informing the purchasers on the compliance of the product with technical regulations. Under previous legislation (Federal Law No. 5151-1 of 10 June 1993 "On Certification of Goods and Services") each mandatory certification system had its own confirmation mark.

Pursuant to Paragraph 1 of Article 29 of the Federal Law, customs clearance of products subject to mandatory conformity assessment required submission of a conformity certificate or a conformity declaration. Lists of such products, including the HS Codes description, were to be approved on the basis of technical regulations by the Government. Previously, in order to be granted the right to export products subject to mandatory certification a conformity certificate was required (Federal Law "On Certification of Goods and Services"). For this reason the

Government had adopted Resolution No. 72 of 10 February 2004 “On Amending the List of Goods Subject to Mandatory Certification, the List of Products Whose Conformity Can Be Confirmed by a Declaration of Conformity, and on Recognizing as Invalidated the List of Works and Services Subject to Mandatory Certification”.

In order to bring the Nomenclatures into conformity with the requirements of Article 46 of Federal Law No. 184-FZ of 27 December 2002 "On Technical Regulation", Gosstandart had passed Resolution No. 51 of 5 July 2003 "On Making Amendments to the Nomenclature of Products and Services (Works) Subject to Mandatory Certification Pursuant to Legislative Acts of the Russian Federation, and the Nomenclature of Products Whose Conformity May Be Confirmed by Conformity Declaration".

Rostechregulation are now in charge of accreditation and conducting GOST R mandatory certification. In cases envisaged by Russian legislative acts with respect to certain types of products, this task could be entrusted to other governmental bodies of the Russian Federation. The forms of conformity confirmation of products determined before the 1 July 2003 by Gosstandart or other governmental bodies of the Russian Federation with due regard to established international practices would remain in effect until the issuance of new technical regulations. However, from 1 July 2003, new forms of conformity confirmation would have to be introduced by technical regulations.

As a result of the adoption of Government Resolution No. 72 of 10 February 2003, the list of goods to be declared had been increased by 32%. According to preliminary assessments, upon entry into effect of all technical regulations envisaged by the program of technical regulations approximately 60% of goods would be subject to conformity declaration and 40% to conformity certification.

Requirements connected with ensuring of integrity and sustainable functioning of the global communications network of the Russian Federation were established and governed by the legislation of the Russian Federation on communication.

Pursuant to Article 41 of Federal Law No. 126-FZ of 7 July 2003 "On Communications" which had come into force on 1 January 2004, mandatory conformity assessment of telecommunications facilities was conducted in order to ensure the integrity and stability of the global electrical communications network of the Russian Federation. Conformity assessment was mandatory for telecommunication facilities used in public telecommunication networks, and industrial telecommunication networks and special telecommunication networks if connected to public networks.

Conformity of these telecommunication facilities to technical regulations adopted under Russian legislation by regulatory legal acts of the federal executive authority for communications could be confirmed by mandatory certification or conformity declaration. The list of telecommunication facilities subject to mandatory certification approved by the Government of the Russian Federation.

The Government would base all normative legal acts determining technical requirements for communications facilities and elaborated in pursuance with Federal Law No. 126-FZ of 7 July 2003 “On Communications” on the principles of transparency and predictability. To meet this objective, a Government Resolution would be adopted, which would determine that “normative legal acts” were to comply with the transparency principles set forth in the TBT Agreement for the adoption of normative legal acts. The Russian Government would also limit the scope of the “normative legal acts” to regulation related to essential public interests as defined in the TBT Agreement and the Telecommunications Annex of the GATS. By the end of 2010, mandatory requirements for communications facilities used in public networks, technological networks and special networks connected to public networks, would be limited to the requirements of technical regulations and the requirements to ensure the integrity and stability of the single electric communications network of the Russian Federation.

Furthermore, the Russian Federation would implement a simplified procedure for extending the validity of certificates and declarations of conformity for equipment which had not been

substantially changed. In the longer term, the Russian Federation would consider the possibility to phase out recertification and re-declaration of such equipment.

Russia would facilitate the operation of the production quality control system through mutual recognition of production quality control systems certified to comply with international quality control standards or by negotiating international agreements.

Accreditation documents issued in accordance with the established procedure to certification authorities and accredited test laboratories (centers) prior to the entry into force of Federal Law No. 184-FZ of 27 December 2002 "On Technical Regulation" and Federal Law No. 126-FZ of 7 July 2003 "On Communications", as well as documents confirming conformity (conformity certificate, conformity declaration) and adopted prior to the entry into force of the Federal Laws "On Technical Regulation" and "On Communications" were considered to be valid until the expiration period specified therein.

A technical regulation contained requirements in terms of performance of products, processes of production, operation, storage, transportation, marketing and utilization, but did not contain any requirements for design or descriptive characteristics, except where the purposes of adopting such technical regulation as specified in Clause 1 of Article 6 of the present Federal law could not be achieved in the absence of requirements in respect of design and descriptive characteristics in view of the risk of damage.

All necessary technical regulations had to be adopted within seven years from the date of entry into force of the Federal Law. Thus, prior to 2010 all existing mandatory requirements for products, processes of production, operation, storage, transportation, marketing, and utilization would have been reviewed or reconciled transformed into technical regulations. Mandatory requirements for products, processes of production, operation, storage, transportation, marketing and utilization, in respect of which technical regulations would not have been adopted within the specified period, would cease to be effective.

Thus, from 1 July 2010 all mandatory requirements for products, processes of production, operation, storage, transportation, marketing, and utilization, the rules for identification of a regulated object for the purposes of application of a technical regulation, the rules and forms of conformity assessment (including schemes of conformity confirmation) depending on the risks involved, deadlines for conformity assessment in relation to every regulated object and/or requirements in respect of terminology, packing, marking or labeling and the rules of their affixation would be contained in technical regulations only.

For this purpose and to ensure conformity of technical regulations to international norms and rules, the Government of the Russian Federation had approved a technical regulations development program which would be annually updated and published. This Programme was submitted to the Government in late 2004.

The development of technical regulations would proceed in parallel with the development of draft national standards on the basis of application of corresponding international standards. International and/or national standards had to be used in full or in part as the basis for development of draft technical regulations and as the basis for ensuring compliance with technical regulations. Rostechregulation of Russia, as the national standardization authority, approved and published the list of national standards which could be applied on a voluntary basis to ensure compliance with technical regulations in its media resource and in a publicly accessible information system in digital format.

The recognition of certificates of supplying countries, which had not been issued in the mandatory certification system GOST R, was carried out by reference to interstate agreements and international certification systems to which the Russian Federation had acceded. The Russian Federation recognized the results of conformity confirmation procedures of those international systems to which it had acceded (Geneva Agreement of 1955 on Mechanical Vehicles, Brussels Convention on Reciprocal Recognition of Proof Marks of Handguns and Cartridges, IEC Quality Assessment System for Electronic Components (IECQ), IEC System

for Conformity Testing and Certification of Electrical Equipment (IECEE), IEC Scheme for Certification to Standards for Electrical Equipment for Explosive Atmospheres (IECEX)).

In other cases the procedures for recognizing foreign conformity assessment documents were determined on the basis of multilateral and bilateral agreements.

A Federal Data Bank of Technical Regulations and Standards had been established to perform all information procedures and a Single Enquiry Point contemplated under the WTO Agreements on TBT and SPS had been established to provide users with access to Russian regulations, standards, rules, and conformity assessment procedures. The enquiry point was located within Rostechregulation at the following address: Russian Federation, 4, Granatniy Pereulok, 103001, Moscow, e-mail: [ENPOINT@VNIIKI.RU](mailto:ENPOINT@VNIIKI.RU), website – <http://www.ricwto.ru>; <http://www.vniiki.ru>; <http://www.gost.ru>, Tel/Fax: (+7-095) 230-25-98.

Since December 2003, Gosstandart had also launched the "Newsletter (*Vestnik*) of Technical Regulation", an official publication which contained all notifications of the development and of the end of public discussions on technical regulations, reports of expert commissions on technical regulations, draft legislative acts, and other regulatory legal documents in the area of technical regulation.

**Q.77:** *Russia is reported to have concluded agreements in the field of standardization, metrology and certification with 21 countries, including China, Korea and Vietnam. Are these countries the only three APEC economies? With what other countries has Russia concluded such agreements? How do the EU member states stand here?*

**A.:** The Federal Agency on Technical Regulation and Metrology (Rostechregulirovanie of Russia) prolongs activities on concluding and revision of the agreements in the field of standardizing, metrology and certification with APEC member economies and also with the EU.

**Q.78:** *Russia reports in its 2004 IAP that it will expand the use of declaration of conformity as an alternative to obligatory certification. The expert of Russia's IAP has made a rough calculation based on the figures provided on p.14, which generated the ration of conformity declaration to be approximately 30% of all the cases. Is this right? And what are further plans of Russia in this respect?*

**A.:** For today, a reduced digit is close to this estimation of the ratio of objects to be liable to mandatory certification and obtaining the conformity declarations.

The Federal Law "On Technical Regulation" makes provisions for annual increase of the objects to be declared for conformity. The proposals are being prepared now on increase of the production list to be subject to the conformity declaration with purpose to submit it to the Government of the Russian Federation in 2005.

## **Chapter 6. Customs Procedures**

### **Hong Kong, China**

**Q.79:** *On paperless trading, we notice that "further actions" on implementing the electronic methods of an information exchange are planned to be taken in accordance with the provisions of the Customs Code. We are interested to know more details on "further action"*

**A.:** The Federal Law of the Russian Federation "On Electronic Digital Signature" was accepted. Russia has adopted the federal law on e-commerce which was worked out on the basis of Model Law on Electronic Commerce of the UN Commission on International Trade Law.

Within the framework of working out the draft of Federal Law "On Electronic Trade", the Russia's Government carries out works on preparation of the Methodical Recommendations on Electronic Trade Implementation.

Customs registration of the goods relocated through the customs borders of the Russian Federation, is made in widespread order now on the contracts concluded with use of the Internet wide-area network (a paperless trade).

The new Customs Code has created a legal base for transition from a stage of experiment to the practical application of the electronic declaration of the goods and transport carriers. By the end of 2004 about 10 customs check-points have already worked with the electronic declaration form. They made out more than 1700 electronic declarations. More than 100 participants of foreign trade activities have transmitted to such form of job. The electronic form of declaration was tested not only for automobile, but also for a railway transport - in September, 2004 it is entered into operation on Zeleznodorozhnaya Railway of the Moscow Northern Custom-house. In 2005 the introduction of electronic declaration for 56 customs posts of all regional customs offices is planned, including Vnukovo and Sheremetievo custom-houses.

Also the Russia's Customs administration along with the World bank is developing an electronic system, with a view to a) promote international acceptable practices for processing of international trade flows by Customs, so as to further integrate the country into the world trading community, improve the investment climate and secure the benefits from foreign and domestic investments in the economy; and b) increase taxpayer compliance with the Russia's Customs Code and ensure uniformity in its application, to support macro-economic stability and increase transparency, timely transfer of collected revenues to the Federal budget, end equity and predictability in customs operations.

Since May, 2004, the "Kaliningrad transit" computer-aided system has started, allowed to facilitate and to speed up essentially removal of the consignments and means of transport overland between the Kaliningrad area and other parts of the Russian Federation through territory of the Lithuanian Republic. The start of the given system became the completion of joint works, carried out by customs services of Russia and Lithuania almost a year.

This working out of the Russian customs service is based on unification of procedures of customs transit in the Russian Federation and the EU. The system work is provided with a complex of information technique and unique software developed by the experts of a customs service of Russia that allowing to make all necessary operations for some minutes. The average time of transfer and processing of the electronic message constitutes no more than one minutes, expectation of the answer, taking into account processing of the information in the new EU computerized system of transit (NCTS), is app. 8-10 minutes.

The original circuitry of work of the system is developed, when the Russian customs officers "simulate" operations of the customs broker, forming an electronic copy of the transit declaration.

The technological decisions, fulfilled in Kaliningrad area, have already had real application in other areas today. In particular, the system of preliminary informing on the consignments, directed to Russia from Latvia, is realized.

For the first time in a history of the European Union, Russia, which does not enter into this country group, has received an access to the external system of customs services of the EU state members.

The "Kaliningrad transit" system is developed at 16 of 26 customs posts of the Kaliningrad area and is accessible in all areas and for all carriers.

The Federal State Program "Electronic Russia – e-Government". An intrusion of technologies of "e-Government", including creation of Internet-jack houses of government bodies and systems of electronic public procurement, implementation of the projects on affiliation of state information resources and creation of the electronic administrative rules are among important tasks of the Government of Russia now. The stage of web-sites creation is realizing as the maiden phase of the "e-Government" construction as the initial problem-solving of transparency of the public authorities tasks at the expense of jack houses for today. Up to the end of 2004 it was tackled a question to achieve an openness and accessibility of the state information of all widely available state information not being official or state secret. A large-format contour of Russia's e-Government is scheduled to start in 2007-2008.

It is planned to study the WTO practice and also practice and order of the foreign countries, applied by their customs services for customs registration and control of the goods relocated within the framework of paperless trade to bring the Russian current legislation in this field into correspondence with principles and rules of the WTO (for further information, please, see: <http://www.wto.ru>).

**Q.80:** *Regarding Implementation of Clear Appeals Provisions, we would like to know when the new appeal procedure will be put into operation and what are the improvements of the new appeal procedure*

**A.:** Appeal procedures for customs matters are regulated by the Customs Code, the Code on Administrative Offences No.195-FZ as of 30 December, 2001, and the Arbitration Procedural Code No. 95-FZ as of 24 July, 2002.

Articles 45-57 of the Code contained improved provisions on right of appeal so as to ensure compliance of customs administrations and their officers with legislative requirements in their decision-making, action or inaction. Right of appeal could be exercised through lodging a complaint with the superior customs administrations and/or through judicial procedures.

The new procedure of appeal of decisions in sphere of customs business is successfully applied since January 1, 2004. According to this procedure the obligatory pre-trial order of the appeal is cancelled, i.e. a person has the right, at his/her own discretion, to address with the petition either to court right away, or at first to the customs house, and then to the court. Thus the further appeal of the decision, accepted by the customs house, is possible in the custom house of the higher authority, right up to the FCS of Russia. Customs houses the did not accept and did not consider the repeated petitions earlier.

The new Customs Code has not changed general period for consideration of the petition – one month. However, the period, by which it is possible to prolong consideration in case of necessity to study the additional materials, is reduced from two months to one month.

According to the procedure established, the applicant can not represent the documents confirming circumstances, stated in the petition. The responsibility to demand all documents



necessary for acceptance of the decision from customs houses, is assigned to the official examining the petition. Only in case of absence of such documents in customs houses they can be requested from the applicant who has addressed with the petition.

The new order guarantees making decision on each petition, and also its real performance and enforcement. The Customs Code precisely formalizes the requests asserted to the decision on the petition, i.e. the decision appealed should be recognized either valid, or wrongful and, as the inquest, should be cancelled. The absence of such request in the former legislation allowed to direct not concrete and vague answers to the person who made a complaint.

In case of the goods, which cost does not exceed the specified limits, or one carrier, a simplified order of the appeal is stipulated which reputes the appeal with oral complaint against a decision of the customs house or the customs post, immediate consideration of such petition and prompt fulfillment of the decision made.

An application of the simplified order of appeal-making does not deprive the person of the right to make a complaint in accordance with established procedure.

### Japan

**Q.81:** *The new Customs Code of the Russian Federation, which has come into force since 1 January 2004, has simplified customs procedures, for example reducing customs inspection period to three days. But it is said that in reality the simplified procedures have not yet been carried out in accordance with the Code. How will Russia try to reform the actual customs procedures in conformity with the new Code?*

**A.:** Federal Law No. 5003-1 as of 21 May, 1993 "On Customs Tariff" (as last amended on 29 June 2004) and the Customs Code of the Russian Federation (Federal Law No. 61-FZ as of 28 May, 2003) constitute the legal framework for the customs regime of the Russian Federation. The existing Law "On Customs Tariff" and the draft Federal Law "On Amending the Law of the Russian Federation On Customs Tariff" provide for customs tariff regulation of import and export of goods and determination of customs value of goods in compliance with WTO and WCO rules and disciplines. Customs administration and customs procedures are governed by the Customs Code.

The customs bodies make up a single federal centralized system and their functions are established by the provisions of the Customs Code. In cases directly defined by the statutes of the customs legislation and other legal acts of the Russian Federation, the Federal Customs Service<sup>11</sup> can issue, within the limits of its competence, normative legal acts pertaining to customs. Only some provisions of the Customs Code are not directly applicable. The lists of documents and information, for example, including information required to fulfill customs registration formalities are defined by the FCS.

The new Customs Code is based on generally accepted international rules, including the Kyoto Convention 2000.

To prevent customs authorities from using their own discretion in decision-making, the vast majority of provisions of the Customs Code of the Russian Federation are of direct application.

To ensure transparency, the Customs Code provides that relevant authorities shall publish legal acts of customs regulations in the official publications.

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<sup>11</sup>Or FCS. Previously, the State Customs Committee (SCC).

The Customs Code contains detailed provisions related to WTO rules and disciplines in particular those to protect intellectual property rights, and is drafted in a manner to comply with the Agreement on Rules of Origin.

Regarding the relationship between the Customs Code and the draft Federal Law "On Amending the Law On Customs Tariff", the Customs Code is a framework law. The draft Federal Law "On Amending the Law On Customs Tariff" has been presented by the Government and has passed first reading in the State Duma. That draft Law provides methods to determine the customs value of goods in accordance with the provision of the Customs Code and in consistency with the provisions of the Agreement on Implementation of Article VII of the GATT 1994.

Article 68 of the Customs Code of Russian Federation provides an application of the special simplified procedures of customs registration for the separate participants of foreign trade activities. Use of the special simplified procedures grants the participants of foreign trade activities a possibility to realize storage of the goods in their own warehouses, to submit one declaration for all goods imported during a certain period of time, to apply a customs clearance procedure before submission of the declaration, etc. Actually special simplified procedures of customs registration for separated persons are applied in Russia from May, 2004.

As of July 1, 2004, the FCS of Russia has received 187 appeals of the participants of foreign economic affairs, on 28 of them the FCS of Russia has issued the orders establishing a possibility of the special simplified procedures application for customs registration. Thus the decision on establishment of the special simplified procedures was accepted individually for each applicant taking into account peculiar properties of the goods, means of transportation, etc.

#### United States

**Q.82:** *Russia is contemplating introducing a pre-shipment inspection (PSI) regime that will continue the practice of ensuring that certain imported products receive a higher customs value if the declared value is lower than the level established by Russian Customs. If Russia adopts a PSI regime were certain imports are required to undergo special inspection and valuation, the PSI firms must operate in a manner consistent with WTO rules, including application of WTO provisions and access to right of appeal on WTO terms. The plan to contract out administration of the customs regime does not exempt Russia from having a regime in compliance with WTO rules.*

**Q.83:** *The current PSI proposal runs counter to efforts to simplify customs procedures, as well as the stated guiding principles of "Facilitation, Accountability, Consistency, Transparency, and Simplification". In particular, current drafts of the PSI law would not provide consistent policy, nor possibly prices, throughout the PSI regime, their avowed goal. Appeal procedures are also poorly laid out in the draft law, depriving imports of a basic right under the WTO. It is not known if the PSI firm would even be formally required to apply the provisions of Russian the customs valuation law in its inspections.*

**Q.84:** *The IAP indicates that the PSI would be implemented for a period of three years. However, current draft legislation allows for this three year period to be renewed for any item or list of items indefinitely.*

**A:** We consider the approach to determine customs cost is incorrect in the context of question 82 as above. The FCS of Russia is not authorized by law "to establish a level of customs cost of the declared goods". The letters concerning customs cost determination, developed the FCS of Russia, carry only I&R and recommendation character.

Only the normative legal act revealing the PSI concept in Russia is Federal Law No. 164-FZ as of 28 December, 2003 "On Fundamentals of the State Regulation of the Foreign Trade

Activity", and namely, its Article 28, according to which implementation of the PSI provisions is stipulated by the special decree of the Government of Russian Federation.

The Government of the Russian Federation is authorized to introduce pre-shipment inspection with respect to certain types of goods in order to protect consumer's rights and interests, as well as to discontinue the unfair practice of distortion of official information, including the deliberate lowering of customs values.

Pre-shipment inspection can be introduced as a temporary measure for a period of three years maximum.

Pre-shipment inspection shall be conducted in a transparent manner; the procedures and criteria, used for inspection, shall be objective and be applied on an equal basis to all importers of goods; the information on the inspection requirement, shall be available to all importers of goods; the information received in the course of the pre-shipment inspection shall be treated as business confidential.

A draft Government Resolution "On the Approval of the Regulations on Pre-shipment Inspection" has been elaborated in accordance with the WTO Agreement on Pre-shipment Inspection. According to this draft Resolution pre-shipment inspection activities included verification of quality, quantity, customs classification and price of goods, including financial terms of the contract; and issuance of a certificate on pre-shipment inspection or reasons for refusal to issue such certificate. The list of goods subject to pre-shipment inspection has to be approved by the Government of the Russian Federation, along with implementing regulations setting the rights, obligations and responsibility of the persons involved in pre-shipment inspection activities; the procedures for settling disputes that may arise between the pre-shipment inspection company and the importer of goods; and the procedures for controlling the activity of pre-shipment inspection companies.

The time limit for carrying out pre-shipment inspection can not, as a rule, exceed three working days.

**Q.85:** *The Amendments to the Customs Tariff Law that contain Russia's revised Customs Valuation provisions remains in the preliminary stages of passage at the Duma, and a recent text of the law has not been circulated to ascertain whether it in fact conforms with WTO principles. Russian law in force at present, as noted by the WTO Working Party on Russia's Accession, is deficient vis-à-vis WTO principles on customs valuation in a number of areas. The Security Bond system needs strengthening. Protections for imports in related party transactions are lacking. Many of the Interpretative notes are not implemented. There is no prohibition for the application of minimum import values and Russia's existing "special technique" of measuring import valuations by predetermined minimum levels has been questioned by the WP as to WTO compliance.*

**A.:** These remarks will be taken into consideration.

Nevertheless, Russia would like to underline that the basic provisions relating to customs valuation practices in the Russian Federation are contained in the federal legislation<sup>12</sup>.

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<sup>12</sup>Namely, in Law No. 5003-1 of 21 May, 1993 "On Customs Tariff", Government Resolution No. 856 of 5 November, 1992 "On the Procedure of Customs Valuation of Products Imported into the Territory of the Russian Federation", the Customs Code (Federal Law No.61-FZ of 28 May, 2003), the Code on Administrative Offences No.195-FZ of 30 December, 2001, and the Arbitration Procedural Code No.95-FZ of 24 July, 2002.

The rules for determining customs values are based on the provisions of the WTO Agreement on Implementation of Article VII of GATT 1994.

All six methods of customs valuation applied are based on the provisions of Articles 1, 2, 3, 5, 6, 7 and 8 of that Agreement.

In accordance with the Customs Code and in line with the provisions of Article 17 of the WTO Agreement on Implementation of Article VII of the GATT 1994, the Federal Customs Service of the Russian Federation has been implementing a special technique of customs control aimed at preventing gross under-invoicing of customs value through the use of false documents stating a clearly understated contractual price.

The "special technique" of customs valuation used with respect to the valuation of certain imported products sensitive to the Russia's economy entrusts the decision-making authority of the customs bodies with the task of checking the truth and accuracy of the stated value of products. The relevant customs bodies are vested with certain functions to control customs value, and those situations in which such functions can be performed are specified and the operational procedures of the customs bodies at the various levels (custom-house, regional customs authority, FCS' staff) were defined also. This technique is not meant to replace the applicable Russian legislation on customs valuation based on the use of the transaction value as a main method of customs valuation.

SCC<sup>13</sup> Order No. 1329 of 10 December, 2002 "On Measures to Strengthening of Control of Customs Value", which had been adopted in order to prevent under-invoicing of customs value, has been invalidated by FCS Order No. 755 of 30 June, 2004 "On Measures for Strengthening of Control of Customs Value", which aims at raising the efficiency of the work of customs bodies in valuating goods imported into the customs territory of the Russian Federation.

Actions by the FCS can be appealed in accordance with the procedure established by the Customs Code, notably under Article 47 which requires that the initial appeal shall be filed with the higher customs administration of the Russian Federation (Federal Law No. 61-FZ of 28 May, 2003).

The draft Federal Law "On Amending the Law of the Russian Federation "On Customs Tariff"" is intended to ensure consistency of the Russian Federation customs valuation procedures with the provisions of the WTO Agreement on Implementation of Article VII of GATT 1994. This draft of federal law, which the Russia's Government eventually planned to incorporate into Federal Law No. 5003-1 of 21 May, 1991 "On Customs Tariff", establishes a predictable and transparent regime in this area. The draft law has been elaborated with regard to Article VII of the GATT 1994 and the Agreement on Implementation of Article VII of the GATT 1994. It amended the Russian legislation on customs valuation in accordance with the provisions of the Interpretative Notes and brought the texts of the Law "On Customs Tariff" in full conformity with the Customs Valuation Agreement. The Interpretative Notes annexed to the Customs Valuation Agreement will be partially included in a federal law. The rest will be included through implementing regulations of the Government.

The methods of valuation provided for in the WTO Agreement are contained in Articles 13-19 the draft Federal Law "On Amending the Law of the Russian Federation "On Customs Tariff"".

Article 20 provides for the use of the fallback method. If the customs value of the imported goods can not be determined under the provisions of Articles 14, 16-19 in this draft law, the customs value will have to be determined using reasonable means consistent with the principles and general provisions of this draft law.

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<sup>13</sup> Previous name of the FCS.

The methods of customs valuation used under this Article are the same as those provided by Articles 14, 16 – 19 of the draft Law. Certain discretion is allowed in determining customs value, i.e.:

- determination of customs value can be based on the transaction value of identical or similar goods produced in the country other than the country of the goods being valued;
- in determining customs value using the transaction value of identical or similar goods, the requirement of Articles 16 or 17 that the identical or similar goods shall be exported at or about the same time as the goods being valued can be reasonably flexible;
- customs values of identical or similar imported goods already determined under the provisions of Articles 18 and 19 of this Law can be used in determining customs value;
- in determining customs value using the deductive method, the "90 days" requirement established by item 4 of Article 18 of this Chapter can be administered flexibly.

Pursuant to Article 318 of the Customs Code of the Russian Federation (Federal Law No. 61-FZ of 28 May, 2003) customs payments include:

- import customs duty;
- export customs duty;
- value-added tax levied upon importation of goods into the customs territory of the Russian Federation;
- excise tax levied upon importation of goods into the customs territory of the Russian Federation; and
- customs fees.

The draft Federal Law "On Amending the Law of the Russian Federation "On Customs Tariff"" contains a provision based on Article 4 of the Agreement on Implementation of Article VII of the GATT 1994. Terms such as "identical goods", "similar goods", and "related parties" in the Law are used as they were described in Article 15 of the Agreement.

Along with the legislative acts adopted at the beginning of the 90s, the Customs Code contains provisions on customs valuation. The Code establishes confidentiality requirements for all information presented by declarants for customs purposes, including valuation, risk management as an instrument of customs control and customs value control (additional information could be required when customs authorities had reasons to doubt the accuracy of the declared value pursuant to Article 17 of the Agreement and Decision 6.1 of the Committee on Customs Valuation), rate of exchange for customs valuation, and release under guarantee if the final determination of customs value is delayed.

According to Article 15 of Federal Law No. 86-FZ of 10 July, 2002 "On the Central Bank of the Russian Federation" (as amended on 10 January and 23 December, 2003), the Central Bank fixes and publishes the official exchange rates of foreign currencies with respect to the Ruble.

Under the legislation in force and the draft Federal Law "On Amending the Law of the Russian Federation "On Customs Tariff"" minimum prices are not applicable for customs valuation purposes.

**Q.86:** *While the new Customs Code of 2003 appears to satisfy TRIPS requirements with regard to border control, further steps to successfully implement and enforce these provisions are necessary.*

**A.:** For development of Chapter 38 of new edition of the Customs Code of the Russian Federation "Measures Accepted by Customs Houses Concerning Individual Goods", the Regulation On Protection of the Intellectual Property Rights by Customs Houses is developed

(see FCS of Russia Order No. 1199 as of 27 October, 2003, registered by the Russia's Ministry of Justice, reg. No. 5341 as of 18 December, 2003), which is successfully applied in action.

**Q.87:** *With regard to Russia's commitment to implement the harmonized system convention, we wonder whether it is truly in the spirit of simplification if the customs system becomes harmonized while the classification of products for licensing and registration remains non-harmonized (e.g. certifications necessary to receive import licenses for telecom and IT equipment).*

**A.:** The Russian Federation has been an active participant at the World Customs Organization (WCO) even before gaining full membership to it on 8 July, 1993. Russia has also joined the International Convention on the Harmonized Commodity Description and Coding System on 1 January, 1997.

The Commodity Description (the nomenclature) of Foreign Trade Activities of the Russian Federation (TN VED of Russia) was developed in strict conformity with the obligations of the Contracting Parties stated in Article 3 of the given Convention.

According to paragraph 2 of Article 39 of the Customs Code of the Russian Federation, TN VED of Russia is applied, including to monitor the measures of non-tariff regulation of foreign trade and other types of foreign trade activities.

When recording licenses for exportation/importation by the federal body of executive authorities (MEDT of Russia), the Russia's TN VED code is indicated in the appropriate column of the above mentioned licenses.

#### **ABAC**

**Q.88:** *The current situation undermines the integrity of Russian the customs administration, with lower levels of facilitation, accountability, transparency, and simplification in customs procedures. ABAC therefore believes that it is vital for Russia to strengthen its efforts to fight customs corruption and crimes by adopting APEC standards and transparency regarding customs procedures.*

**Q.89:** *Standardization and application of rules regarding customs procedures throughout the country have not been achieved in Russia. ABAC suggests that Russia strengthen and develop extensive capacity-building programmes targeting its customs officers.*

**A.:** An efficiency of operative and service activity of the divisions of own safety of Russia's customs houses is increased from year to year. Properly, quantitative and qualitative indexes of counteraction to displays of corruption in customs sphere have gone up - 189 criminal cases were excited for nine months of 2004 only. The relative share of criminal proceedings instituted on materials of own safety divisions, has increased also in total of the criminal proceedings against officials of customs houses, instituted by all law-enforcement agencies (64 for nine months of the year of 2004).

Last five years over 40 thousand candidates for customs services and for higher positions had been verified with purposes of warning an entry of corruption on customs fora, from which about 2 thousand was turned down because negative circumstances, including 224 – on connection with the organized crime.

Division of customs own safety work more active on prevention of the customs houses employees engagement into illegal activity. If it was registered of 17 such criminal cases in 2001 only, in 2002 it was 27, 28 - in 2003, and 24 - for nine months of 2004. With the purpose

of fight against corruption, the divisions of own safety carry out a considerable amount of works on preventive measures against the given crimes. In particular, facts of imperfection in the customs legislation use with purposes of aggrieving economic safety of the State are elicited and cut short, the operative control on observance of customs technologies at all reference levels of the customs process is realized.

The importance of this direction was connected to the commissioning of the new Russia's Customs Code from the beginning of 2004.

The new Customs Code is based on generally accepted international rules, including the Kyoto Convention 2000. To prevent customs authorities from using their own discretion in decision-making, the vast majority of provisions of the Customs Code of the Russian Federation are of direct application. To ensure transparency, the Customs Code provides that relevant authorities shall publish legal acts of customs regulations in the official publications.

The procedure for publication and making effective regulatory legal acts of federal executive authorities (including the FCS) is governed, in particular, by Presidential Decree No. 763 as of 23 May, 1996 "On the Procedure for Publication and Taking Effect of Acts of the President of the Russian Federation, the Government of the Russian Federation, and Regulatory Legal Acts of Federal Executive Authorities"; Government Resolution No. 1009 as of 13 August, 1997 "On the Approval of the Rules for Preparing the Normative Legal Acts of the Federal Bodies of the Executive Power and Their State Registration"; and the Order of the Ministry of Justice No. 217 as of 14 July, 1999 "On the Approval of the Explanations on the Application of the Rules for the Preparation of Normative Legal Acts of the Federal Bodies of Executive Power and Their State Registration". Normative legal acts of the FCS (e.g. acts with a binding effect throughout the territory of the Russian Federation) include its regulations, orders, rules, instructions, dispositions and administrative decrees. Briefings, letters, telegrams, teletype letters are not considered as normative legal acts but acts which can only have a recommendatory character and be used internally for the sole purpose of a State body. Normative legal acts of the FCS are subject to mandatory publication with the exception of acts or parts thereof constituting state secrets or confidential information. Exhaustive lists of such information and data have been approved by various Presidential decrees.

The official organs for publication are Rossijskaya Gazeta (the Russian Gazzette) and the Bulletin of Regulatory Acts of Federal Bodies published by Yuridicheskaya Literatura (the Judicial Literature) publishing house of the President's Administration edited monthly since 1998. Regulatory legal acts of the FCS subject to State registration with the Ministry of Justice become enforceable only after they have been registered and officially published.

Concerning "secret orders" made to customs officials by customs authorities, problems have occurred regarding certain unpublished administrative orders. Article 24 of the Customs Code requires customs authorities to make available freely and free of charge, including by information technology, all legal acts even in draft form. Legal acts have to be registered and published officially. They normally entered into force not earlier than ten days after the date of publication. "Secret orders" are sometimes required for performing operational and investigation activities, rather than implementation of ordinary customs legislation.

Customs authorities are responsible for providing advisory services to all interested persons with regard to customs issues such as classification and valuation and other issues within their competence. Such services are to be delivered as quickly as possible, and no later than one month from the date of receipt of the enquiry.

In accordance with the Customs Code, the federal executive governmental body in charge of customs affairs is entitled to designate specific customs points for the declaration of specific types of goods in order to ensure the effectiveness of control over the observance of the customs legislation, only:

- if it is necessary to use specialized equipment and/or special knowledge to perform customs formalities in respect of such goods as cultural valuables, weaponry, military material and ammunition, radioactive and fission materials;
- depending on the means of transport used to perform international carriage of goods (motor vehicles, seagoing vessels, riverboats, aircraft, railway cars, pipelines, or electric power lines). The definition of the kind of transport to which restrictions can be applied is essential to minimize the negative consequences for trade, linked to the establishment of restrictions, and is determined based on the largest possibility of violating customs legislation could take place;
- when the movement across the customs border concerned goods which have been involved in frequent breaches of customs legislation or are subject to bans and restrictions established under the legislation of the Russian Federation on State regulation of foreign trade activity;
- when special control is needed for goods containing objects of intellectual property according to the list established by the Government of the Russian Federation.

Pursuant to Article 125 of the Customs Code, legislation designating specific places for the declaration of certain types of goods will enter into force not earlier than 90 days from the day of their official publication.

According to Paragraph 2 of Article 402 of the Customs Code, the Federal Customs Service in co-ordination with the Ministry of Economic Development and Trade of the Russian Federation can determine that a particular customs office can have the exclusive right to carry out customs procedures in respect of certain categories of goods.

The provisions of legal acts of the federal executive governmental body charged with customs affairs shall not conflict with the provisions of customs legislation and other legal acts of the Russian Federation and/or shall not establish requirements, bans and restrictions not envisaged by customs legislation and other legal acts of the Russian Federation.

The uniform application of customs procedures is required by Article 1 of the Customs Code which states that the federal executive governmental body charged with customs affairs will ensure the uniform application of customs legislation by all customs bodies in the territory of the Russian Federation.

According to Article 6 of the Customs Code the normative legal acts can only be pronounced inconsistent with the Customs Code in a judicial procedure. The State will be obliged to compensate the losses incurred by persons as a result of the untimely adoption, entry into force, and/or publication of a normative legal act whose adoption is stipulated by the Customs Code and to reimburse the losses caused as a result of inaccurate information circulated by customs authorities.

Measures are aimed only to increase predictability and accuracy of customs procedures for traders and transporters, not to act as a hidden or unnecessary restriction to trade, bearing in mind the following factors: 1) the unprecedented length of Russia's borders; and 2) insufficient resources to equip all border customs points with necessary equipment and storage facilities.

These procedures are in accordance with the International Convention on the Simplification and Harmonization of Customs Procedures (Kyoto in 2000 reading), in particular, with its Specific Annex A, Chapter 1. In general, customs formalities in the Russian Federation are applied in accordance with the internationally accepted rules and are based on the Kyoto Convention.

The Russian Federation expects that gradually the majority of border customs points will be prepared to process all goods crossing the border. The Russian Federation is ready meanwhile to constructively address to the extent possible any specific concerns with a view to facilitate trade flows.



**Q.90:** *ABAC recommends that Russia adopt the Kyoto Convention, so that total time for customs procedures is reduced, allowing businesses to enjoy the benefits of trade facilitation.*

**A.:** Please, refer to the answer to Q94.

### **Expert**

**Q.91:** *How do you evaluate the progress of Russia in implementing each of the SCCP CAP items? For those items that are not fully implemented, what is the economy's target completion date?*

**A.:** Russia ties up these bound obligations with it accede to the WTO. Even so, at the moment of it enter to the WTO, Russia does not plan to reduce any importation duties immediately.

As to the problems connected to the goods, sensitive to the Russia's economy, the transition period will be assumed from four up to seven years. During this period the customs duties, including automobiles, will be reduced smoothly.

**Q.92:** *The new Customs Code of the Russian Federation that came into force on January 1, 2004, which sets out a series of performance indicators in various related fields, appears to be a major step towards simplification of Russia's customs procedures. What are the performances achieved so far? Have the indicators been achieved as planned?*

**A.:** Please, refer to the answer to Q81.

**Q.93:** *Most of the performance indicators listed in 2004 IAP state that they are being carried out during the project period and at designated sites. Could you provide more detailed information on what these mean?*

**A.:** Majority of the parameters listed in Russia's IAP-2004 are distributed exclusively to the certain border check-points of customs control, where the World Bank's project will be realized.

The basic parameters of this project are as follows:

- Using the approach based on the risks analysis, reduction of amount of the export and import declarations in allotted customs check-points (the experiment has been realized on the Kaliningrad and Central ones) at least up to 23 per cent and to 12 per cent accordingly by the end of 2006, and at least up to 10 per cent and to 8 per cent accordingly to ending the project.
- Reduction of an average time of the customs registration in allotted border check-points for customs clearance by 7 per cent by the end of 2006 and by 10 per cent - to ending the project.
- Reduction of an average time of registration of importing cargos estimated from the moment of the lorry entry at the customs terminal for the inward cargos registration up to release of the goods from under customs control in allotted customs check-points by 25 per cent by the end of 2006 and by 50 per cent - to ending the project.
- Reduction of an average time of customs registration estimated from the moment of submission of the customs declaration up to issue of the permission to issue the consignment in allotted customs check-points by 25 per cent by the end of 2006 and by 50

per cent to the time of ending the project.

**Q.94:** *2004 IAP states that Russia plans to accede to the Protocol of the revised “Kyoto Convention” in the area of customs procedures. Please provide information of the current status of this policy.*

**A.:** APEC ministers welcomed Russia’s decision to participate in the Pathfinder on the Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures in the 16<sup>th</sup> APEC AMM Joint Statement as of 17-18 November, 2004, in Santiago, Chile.

At the same time, Russia can not begin at present an official procedure of the annexation to the International Convention on the Simplification and Harmonization of Customs Procedures (in edition of the Brussels' Protocol as of June 26, 1999) for the following reasons.

According to paragraph 3 of Article 3 of the Protocol as of June 26, 1999, on change of the International Convention on the Simplification and Harmonization of Customs Procedures, the "updated" version of the Kyoto Convention comes into force in three months after its forty acting participants will sign the afore-said Protocol.

The Russian Federation is not a participant of the Kyoto Convention today and, accordingly, has not the signature right based on the Protocol conditions. Under paragraphs 1 and 2 of Articles 8 of the Convention (in it updated edition), the Russian Federation can become its Contracting Party only by means of the annexation to it. Accordingly, it is possible to join to the "updated" version of the Kyoto Convention only after its coming into force.

In accordance with the reliable information of the World Customs Organization for today, the Protocol was signed by 37 (from 61) participants of the Kyoto Convention. Thus it is necessary to take into account, that there was no trustworthy information in Russia about details of signing a new protocol to the Convention by leading APEC member economies – by Australia, Canada, the People's Republic of China, the Republic of Korea, New Zealand, the USA, Japan, and also by Malaysia and Vietnam (which APEC member economies have been Contracting Parties in the scope of the Kyoto Convention in its initial version).

Russia supposes to initiate the beginning of formal procedure of the annexation to the Kyoto Convention at once after its "updated" version would come into force.

It was supposed also, that the Russia's annexation to the given APEC pathfinder initiative was made with the *proviso*, that Russia had not announced specific milestones of such the annexation to the updated Convention and to all its appendices, and would act on the basic parameters as though it had been the participant of the afore-said Convention, i.e. on conditions of unbound obligations with any temporary factors and taking into consideration national interests and the up-to-dated customs legislation.

Russia would like also to pay attention of the APEC member economies, that as a basis for elaborating the new Customs Code of Russia, basic provisions of the revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures were taken, the world's experience reflected, in particular, in GATT and other accepted in the frameworks of the WTO agreements, was taken into account.

Besides, Russia proceeded, naturally, from other conventions and agreements, which it had joined. The Code of the European Community (Eurocode) was taken into consideration also. It is in close connection with the Kyoto Convention, and consequently it was constantly compared during drawing up the text of the new Russia's Customs Code, how these afore-said documents and legislations of other countries also might treat either or another provision of the customs business.

Wide discussion, searching the best issues decision was organized in Russia also. Therefore the Customs Code of Russia is really constructed on the international basis and with maximum use of modern international experience, that, by the way, was positively pointed to by the World Customs Organization.

The Customs Code is maximum drawn near the Kyoto Convention provisions and, accordingly, it will help to Russia in its movement of accede to the Convention, that task is among modern priorities of Russia for today.

**Q.95:** *As regards to the Development of a Compendium of Harmonized Trade Data Elements, Russia in its 2004 IAP reports no activities over the period of 1996-2004. What are the reasons? What are future plans of Russia to fulfill this item on the way to achieve the Bogor goals?*

**A.:** Because the practically updated Customs Code of the Russian Federation has come into force since 1 January 2004, Russia plans to elaborate a national Compendium of HTDE (in English) not earlier than by 2HY'2006 (after a year and a half of this Code making good use).

#### **Australia**

**Q.95.1** *Does Russian Customs have regular consultation with industry?*

**A.:** Yes, it does. With reference to this, please, refer to FCS's Internet website (in Russian): <http://www.customs.ru>, where the specially set aside chapter "Forum with customs high-ranked authorities" is provided for.

**Q.95.2** *When does Russia hope to accede to the Revised Kyoto Convention?*

**A.:** Please, refer to the answer to Q94.

**Q.95.3** *Does Russian Customs have a Code of Conduct for Customs officials?*

**A.:** In questions of governing moral principles and rules of good conduct of the public officials, the customs authorities of the Russian Federation are guided by Decree of the President of the Russian Federation No.885 as of 12 August, 2002 "On Assertion of the General Principles of Service Good Conduct of the Civil Servants" (announced by SCC Order No.560-p as of 27 August 27, 2002) and by provisions of Russia's SCC Order No.530 as of 3 September, 1997 "On the Code of Honor and Good Conduct of the Customs Officer of the Russian Federation".

## **Chapter 7: Intellectual Property Rights**

### **Japan**

**Q.96:** *Though IPR related new laws were enforced in Russia in 2002 and 2003, it is pointed out that there still are many copied goods circulated widely and that measures to prevent them entering the country are not sufficient. What are the practical measures Russia will take to improve the situation of IPR protection?*

**A.:** Russia is basically conformant to international standard of IPRs including TRIPs Agreement. For further compliance, the following federal laws have been amended in 202-2004:

- On the Legal Protection of Topographies of Integrated Circuits (July 24, 2002),
- On Trademarks, Service Marks, and Appellations of Origin of Goods (December 27, 2002),
- On the Legal Protection of Computer Programs and Databases (January 8, 2003),
- On Introduction of Changes and Additions to the Patent Law of Russia (as of 7 February, 2003, came into force on March 11, 2003)
- On Commercial Secrets (July 29, 2004)

The new Customs Code which came into force on January 1, 2004, had a special article on "Measures Taken by the Customs Authorities in Respect of Certain Goods" which regulated protection of intellectual property rights by customs authorities in import-export transactions (border measures). Pursuant to the provisions of the new Code, customs authorities were vested with additional powers related to the protection of intellectual property rights, namely the authority to suspend the release of goods which contained intellectual property objects registered by the customs on the basis of right holders' applications. A uniform procedure for ensuring protection of intellectual property rights by customs authorities, including the procedure for filing applications requesting measures to be taken to suspend release of goods, requirements in respect of the content of such application depending on the type of intellectual property, and rules for maintaining the customs register of intellectual property had been established by SCC Order No. 1199 of 27 October 2003 "On the Approval of Regulations on Intellectual Property Rights Protection by Customs Authorities".

Customs authorities can initiate an administrative investigations for IPRs infringing imported articles now. The actions they are admitted to take are suspension of the release of suspected goods, and hearing of any information from the rightholders. In case of copyright infringement, the counterfeit product may be confiscated in addition to charging significant fine.

Special sun-units of the Ministry of Internal Affairs of Russia leads also the combat against infringements if IP domain.

The Chamber of Patent Disputes was established in accordance with the Federal Law "On Trademarks, Service Marks, and Appellations of Origin of Goods" and the Patent Law. The prime object of the Chamber is to secure protectable rights and interests of applicants and right holders and also legitimate interests of other persons and legal entities, when considering objections against examiner's decisions to refuse legal protection, objections against grant of the legal protection, statements to cease the legal protection and statements to recognize a mark as a well-known mark.

Superior Arbitration Court issues decision on confiscation and destruction in cases where the rightholder does not request the goods to be transferred to him.

In 2003-2004, work was done in progress by Rospatent to create a single and uniform database on rightholders in the field of copyrights and neighboring rights.

#### **Public Awareness:**

- There are Internet websites of Rospatent (<http://www.rupto.ru>) and the Federal Institute of Industrial Property (FIPS) on technical regulation in Russia (<http://www.fips.ru/ruptoen/index.htm>) in English, including legislature: access to databases (freeware) for both internal and outside users, contain information on statutory acts on the field of IPRs; events of Russia-WIPO Cooperation Program; training programs and events for specialists from outer organizations, etc.
- The Russian State Intellectual Property Institute (RGII): governmental educational establishment specialized in the problems of IPRs legal protection and its commercialized use, information on the training and raising the level of experts skill on its website.
- Distance Learning under Framework Agreement between Rospatent of Russia and WIPO.
- CD-ROM and DVD technology-based official publications (on the pay-ware basis). Rospatent as a producer of works on the production of a joint regional patent information products of the CIS Member States enabled the production of the CISPATENT CD-Rom and inclusion of the information products into the international database exchange with leading foreign offices of the USA, Canada, etc.

And also, please, refer to the answer to Qs 104-105, and well as to "APEC IPR Policy Progress Mapping" (No.2004/SOMIII/CTI/025, Committee on Trade and Investment meeting in Santiago, Chile, as of 29-30 September 2004).

#### **United States**

- Q.97:** *We note passage of legislation to strengthen IPR in Russia and to bring Russia closer to compliance with the WTO TRIPS Agreement. We remain concerned, however, over the continuing rise in piracy and counterfeiting levels and failure to enforce laws to protect intellectual property more effectively through more police raids on known pirates and counterfeiters, increased criminal prosecution, stronger deterrents, and permanent closing of illegal plants.*
- Q.97.1** *The principal producers of pirated optical media in Russia have their factories on the Government land. This speaks volumes about Russia's commitment to eliminating the theft of intellectual property of (a) its own citizens, and (b) its major trading partners. When does Russia intend to shut down these factories?*
- Q.98:** *Additional legislation and regulations are needed to address optical media and software piracy. This includes amending the Criminal Code to increase law enforcement capabilities against piracy, a licensing regime for optical media based on established best practices, and licensing the importation of optical grade polycarbonate.*
- Q.99:** *Russia also lacks legislation and regulations to provide TRIPS-level protection against unfair commercial use of undisclosed test and other data submitted to obtain marketing approval of pharmaceuticals and agricultural chemicals.*

**A.:** The Rules of Laboratory Practice (Order of the Ministry of Health of the Russian Federation No. 267 of 19 June 2003) envisaged by Law No. 86-FZ of 22 June 1998 "On Medicines" protect undisclosed information related to tests on medicines. The Rules determine

mandatory requirements concerning the holding and carrying out of pre-clinical tests on medicines to protect undisclosed information.

The Rules of Clinical Practice (Order of Ministry of Health and Social Security No. 266 of 19 June 2003) establish requirements in terms of planning, realization, control of clinical researches and documentary registration of their results aimed at ensuring reliability and accuracy of information received during the tests.

On the application of VAT on pharmaceutical products, there are no more irregularities and a 10 per cent VAT is applied (not 20 per cent).

In response to VAT for clinical trials, customs applied a 20 per cent VAT if no special permit is issued by the Ministry of Health as they are then considered as chemical products.

According to Article 11 of the Patent Law, the carrying out of clinical tests on medicines is not considered a violation of the exclusive right of the patent holder (owner of a patent on a medical product). At the same time, if a new medicine is identical to a medicine protected by a patent for invention, the release of such medicine into the market is possible only with the permit of the legal owner.

Apart from the above mentioned normative legal acts, Russian legislation contains a number of normative legal acts which regulated and determined the mechanism for ensuring **protection of undisclosed information**, namely Federal Law No. 24-FZ of 20 February 1995 "*On Information, Providing and Protecting Information*" (as amended on 10 January 2003), Law of the Russian Federation No. 5351-1 of 9 July 1993 "*On Copyright and Related Rights*" (as amended on 19 July 1995 and on 20 July 2004), Patent Law of the Russian Federation No. 3517-1 of 23 September 1992 (as amended on 7 February 2003), Federal Law No. 98-FZ of 29 July 2004 "*On Commercial Secrets*", as well as a number of regulations, in particular President Decree No. 188 of 6 March 1997 "On Approving a List of Confidential Data".

These normative legal acts prohibits disclosure of commercial secrets and/or its illegal use without the owner's consent. They grant the owners and other eligible persons protection of their legitimate rights, *inter alia*, by stopping actions which could infringe or threaten an infringement of their rights. Persons who follow the mandatory procedure for submitting the documents to the authorized State bodies and organizations, are not deprived of their legal rights to these documents and to the use of the information contained therein.

According to Federal Law No. 24-FZ of 20 February 1995 "On Information, Providing Information and Protection of Information", a confidential information is understood as a documentary information, the access to which is limited in accordance with the Russian legislation. President Decree No. 188 as of March 6, 1997, established the list of data of confidential character.

This list included: (i) secret of private (individual) life (information on the facts, events and circumstances of private (individual) life of a citizen allowing the identification of his personal identity (personal data), except for the information subject to dissemination in mass media in cases envisaged by federal laws; (ii) information related to professional activity with limited availability according to the Constitution of the Russian Federation and federal laws (medical, notary, lawyer secrecy, secrecy of correspondence, telephone conversations, mail, telegraph and other messages, etc.); (iii) service secrets; (iv) commercial secrets; and (v) information on the contents of inventions, utility models and industrial designs prior to the official publication of information about them. The protection of such information is guaranteed by application of the civil, labor, administrative and criminal legislation.

In addition, protection of undisclosed information, as provided in Section 7 of the WTO Agreement on TRIPS, is ensured by virtue of Article 139 of the Civil Code. In particular, this Article stipulates legal protection of undisclosed information, which constitutes official or

commercial secrets, including information related to products yet to be patented. According to Article 139 of the Civil Code, information constitutes official or commercial secret, when such information has real or potential commercial value because it is secret, i.e. not known to third persons, when there is no free legal access to it and that its holder has taken steps to protect its confidentiality.

The Russian legislation provides instruments for protection of the holder's legal rights, including the right to put an end to activities violating his/her rights or threatening to violate them. These provisions fully correspond to the requirements of Article 39, paragraph 2, of the TRIPS Agreement. Persons having obtained information containing official or commercial secrets by illegal means are obliged to compensate the damages caused. So are employees having disclosed official, commercial or other secret in violation of their labor contract, contract, or law, and contractors having disclosed official, commercial or other secret in violation of their civil contract (Articles 57 and 243 of the Labor Code of the Russian Federation). Different kinds of liability (administrative, criminal, etc.) could be applied to officials having disclosed such information, including officials who have used undisclosed information presented for clinical tests of medicinal products without the consent of the holder

The Code of the Russian Federation on Administrative Offences provides for administrative responsibility (in form of fine) for offences in the field of information, including responsibility for disclosure of information, the access to which is limited by federal law (except for cases when the disclosure of such information involves criminal liability), by persons who have received access to such information in connection with performance of a service or professional duties (Article 13.14 of the Code of Administrative Offences). Article 183 of the Criminal Code establishes criminal punishment for illegal receipt and disclosure of information containing commercial secrets.

Federal Law No. 98-FZ of 29 July 2004 "On Commercial Secrets" regulates the protection of commercial secrets, ascription of information to commercial secrets, transfer of such information, and protection of its confidentiality. It also determines the list of data that cannot be considered a commercial secret (for example, data containing constituent documents of a legal entity). The Law applies to information that contains a commercial secret independently of the type of media on which it is stated. Scientific, technical, technological, industrial, financial, economic and any other type of information (including know-how) that has real or potential commercial value because it is secret, i.e. not known to third persons, has no free legal access and is subject to an obligation of commercial secrecy by its holder can be considered a commercial secret. The Law also provides the information holder with the right and possibility to prevent third persons from obtaining, disclosing, or using confidential information without his/her permission by: (i) limiting or prohibiting access to the information containing a commercial secret, defining the procedure and conditions of access to this information; (ii) requesting the natural persons and legal entities who have gained access to commercial secrets, and State and local authorities to which the commercial secret has been given, to observe the obligations of confidentiality of information; and (iii) protecting his rights in case of disclosure, illegal receipt or illegal use of the information containing a commercial secret by third persons, including the demand of compensations of damages caused by violation of his rights. If necessary, the holder of a commercial secret has the right to apply means and methods of technical protection of confidentiality of information, and other means that are in compliance with the Russian legislation. The Law also contains provisions protecting confidentiality of information within the framework of labor and civil relations and when such information is provided to State bodies. Article 13 of the Law requires federal and municipal authorities to create conditions guaranteeing protection of confidentiality of information provided to them by juridical persons and individual entrepreneurs. Federal and municipal authorities' officials cannot disclose, transfer to third persons or other federal and municipal authorities or take personal advantage of information containing a commercial secret that has become known to

them in the course of their duties, while providing services, without permission of the holder. In case of violation of confidentiality of information, federal and municipal authorities' officials are subject to disciplinary, civil, administrative and criminal liability in accordance with Russian legislation.

The acquisition, use, or disclosure of scientific, technical, production, or commercial information, including commercial secrets, without the owner's consent are not also permitted pursuant to Article 10 of Law No. 948-1 of 22 March 1991 "On Competition and Restriction of Monopoly Activity on Commodity Markets". The provisions of the above-mentioned laws prohibit the use of undisclosed information without the consent of the right holder. All these provisions (including the prohibition of disclosure and use of confidential (undisclosed) information without the owner's permission) are applicable to the protection of confidential (undisclosed) information related to pharmaceutical and agrochemical products containing new chemical substances.

Regarding patented pharmaceuticals and agrochemical products, protection of undisclosed information provided under Russian legislation is in conformity with Article 39 of the TRIPS Agreement. Protection is not applied to the information, which can be published or has been published, according to the Patent Law and the procedure described in this Law (application for invention, formula of the invention, its description).

Russia has already discussed the outstanding questions in general during initial talks upon the third draft Report of the Working Party on the accession of the Russian Federation to the WTO, therefore we suggest to address concerns regarding "*lacks of legislation and regulations to provide TRIPS-level protection against unfair commercial use of undisclosed test and other submitted data*" to your economy negotiating team for our accede to the WTO.

**Q.100:** *Russia's system for protection of geographical indications (GI) is based on a reciprocity system inconsistent with WTO MFN and national treatment principles. We look forward to Russia's efforts to make its GI system compliant with the WTO in the near term.*

**A.:** Russia does not agree with such a hasty conclusion. Prior to 1992, geographical indications in the Russian Federation were protected by considering the use of false or misleading geographical indications as a form of unfair competition or a violation of consumer rights (this was done by antitrust-antimonopoly agencies or courts respectively). Since 1992, appellations of origin have been according special protection under Law of the Russian Federation No. 3520-1 of 23 September 1992 "On Trademarks, Service Marks and Appellations of Origin". Protection for such types of geographical indications is provided for under Article 6 of that Law, which prohibited registration of trademarks containing indications of the place of production of goods as well as trademarks containing false indications or indications which might mislead the customer as to the identity of the producer of goods.

Protection of appellations of origin exists for all kinds of goods – food and manufactured goods alike. According to Article 47 of the same law, the right to register an appellation of origin in the Russian Federation is granted to persons and legal entities of those countries (economies) that provided similar rights to Russian persons and legal entities.

The Russian Federation states that the provisions ensuring the protection of geographical indications in Russia complies with the Paris Convention for the Protection of Industrial Property and the relevant provisions of the WTO Agreement on TRIPS. The amendments made to Law No. 3520-1 of 23 September 1992 "On Trademarks, Service Marks and Appellations of Origin" are consistent with those provisions of the TRIPS Agreement related to additional protection of geographical indications of wines and spirits, and extended to geographical indications protected by WTO Members.

National treatment envisaged by the Law is restricted by the reciprocity principle. According to that principle, the right to register appellations of origin in the Russian Federation is granted to legal entities and individuals from those countries (economies) which provide similar rights



to Russian individuals and legal entities, i.e. after accession to the WTO, the right to registrate appellations of origin would be given to all natural persons and legal entities of WTO member countries (economies) by virtue of this principle. The procedure for the application for registration of appellations of origin by foreigners is similar to a number of other countries where registration systems were implemented.

**Q.101:** *The Russian government should be encouraged in its Individual Action Plan to outline more extensively what challenges it faces with regard to improving IPR enforcement and the strategies it plans to pursue.*

**A.:** Please, refer to the answer to Qs 104-105.

A draft Resolution of the Government of the Russian Federation “On Introducing in the Russian Federation, the Licensing Requirement for the Import of Polycarbonates for Production of Optical Media”, worked out by the Ministry for Economic Development and Trade of Russian Federation, was submitted to the Russian Government for consideration in the end of September 2004. The above draft would serve as a supplement to the set of measures aimed at enhancing control over production and distribution of audiovisual and information products on optical media, with a view to improve the protection of rights of intellectual property holders.

Licensing of polycarbonates imports for manufacturing optical information media will help to increase the efficiency of the measures taken to prevent, identify and suppress offences in the distribution of optical information media since this will allow competent authorities of the Russian Federation to trace the volume of imported products and to control their use.

Criminal Code of 13 June 1996 included three articles specifically dealing with intellectual property: Article 146 (Copyright and Related Rights Violations); Article 147 (Patents Violations); and Article 180 (Trademark Violations).

Article 146 of the Criminal Code (as amended on 8 April 2003) reinforces criminal liability for illegal use of objects of copyright and related rights as well as for purchase, storage, transportation of counterfeited works of art or phonograms for the purpose of their sale in large quantities. This new legislation increases the penalty up to five years of imprisonment.

In accordance with Article 147, the illegal use of an invention, utility model and industrial design, or disclosure of the essence of an invention, utility model or industrial design, without the consent of its author or applicant before any official publication of information about them; illegal acquisition of authorship; or compelling of co-authorship are punishable by fines of up to 300.000 Rubles (more than US\$ 10.000), or amounting to up to two years of wage, salary, or any other income of the convicted person, arrest for up to six month, or deprivation of liberty for up to five years, should these acts have inflicted serious damage to a person.

In accordance with Article 180, the illegal use of a trademark or service mark, appellation of origin, or similar designations for homogeneous goods, as well as the illegal use of a special marking designating a trademark or an appellation of origin which has not been registered in the Russian Federation are punishable by fines of up to 300.000 Rubles or amounting to up to two years of wage, salary, or any other income of the convicted person, arrest for up to six months, or deprivation of liberty for up to five years, should these acts have taken place more than once or have inflicted serious damage to a person.

Confiscation of illegal goods, materials and equipment used for their manufacturing is not directly stipulated under Articles 146, 147 and 180 of the Criminal Code. Decisions on confiscation and destruction of counterfeit products and equipment used in their production are taken within the framework of criminal prosecution as provided in Articles 81 and 82 of the

Criminal Procedure Code. It is normal practice, however, to confiscate these goods and machinery as material evidence.

Criminal procedure rules (Article 81 of the Criminal Procedure Code) are also applied with regard to destruction of confiscated “pirated” products. Under this Article, items which are used as “instruments of crime”, “preserved traces of crime”, or “which could serve a means for detecting a crime and establishing circumstances of a criminal case” are recognized as material evidence, filed to the criminal case, and could not be destroyed prior to the court decision. Pursuant to the Criminal Procedure Code, when passing sentence, a court must decide whether to order seizure or destruction of material evidence (including goods and machinery).

Since 1999 there has been a special department dealing with intellectual property crimes within the Main Economic Crime Division of the Ministry of Interior (and its regional departments).

In accordance with the legislation in force, intellectual property violations provided by Article 146, paragraph 1, and Article 147, paragraph 1, of the Criminal Code are subject to private complaint, and criminal procedure can not be initiated without a complaint by the right holder (Article 20 of the Criminal-Procedure Code). Other intellectual property criminal offences are cases of public accusation and did not need a complaint by the right holder (“*ex-officio*”). The time limits for investigation and final decision on cases provided for in paragraphs 1 and 2 of Article 180 of the Criminal Code in accordance with the Criminal Procedure Code are initially 20 days and, for complex cases, 30 days from the date of institution of the criminal case. The time limits for investigation and final decision on cases provided for in Articles 146 and 147 of the Criminal Code in accordance with the Criminal Procedure Code are initially up to 2 months from the date of institution of the criminal case. This term can be prolonged to 12 months in complex cases. Official state examination may be done by the Centre for Expertise of the Ministry of Interior. At the request from an anti-trust or law enforcement body and on the basis of a relevant court order, Rospatent experts provide an opinion regarding a trademark, invention or another intellectual property issue. An investigator, prosecutor or court would then make a decision based on the results of the examination. The examination initiated by the law enforcement bodies is free of charge.

Chapter 38 of the Customs Code on “Measures Taken by the Customs Authorities in Respect of Certain Goods” regulated protection of intellectual property rights by customs authorities in import-export transactions (*border measures*). Pursuant to the provisions of the new Code, customs authorities are vested with additional powers related to the protection of intellectual property rights, namely the authority to suspend the release of goods which contained intellectual property objects registered by the customs on the basis of right holders’ applications. A uniform procedure for ensuring protection of intellectual property rights by customs authorities, including the procedure for filing applications requesting measures to be taken to suspend release of goods, requirements in respect of the content of such application depending on the type of intellectual property, and rules for maintaining the customs register of intellectual property had been established by Federal Customs Service (FCS) Order No. 1199 of 27 October 2003 “On the Approval of Regulations on Intellectual Property Rights Protection by Customs Authorities”.

The Code of Administrative Offences, in force since 1 July 2002, has introduced administrative liability for infringements of intellectual property rights (Article 7.12 “Infringements of Copyright and Related Rights, Inventive and Patent Rights” and Article 14.10 “Illegal Use of a Trademark”), *inter alia*, in performing import-export operations, and vested the customs authorities with the powers to exercise administrative prosecution where infringements are detected.

With regard to *ex officio* authority, the new Code of Administrative Offences provides administrative responsibility for imports of goods infringing IPRs in its Articles 14.10 and 7.12. In accordance with Chapter 28 (Articles 28.2 and 28.3) of this Code, customs authorities can,

upon their own initiative if they had acquired prima facie evidence, initiate an administrative investigation in this case. In the course of such investigation, customs authorities are authorized to suspend the release of suspected goods (to execute requisition or seizure) and seek from the right holder any information that may assist them in the investigation. All persons concerned have the right to familiarize themselves with the record of the case, as well as submit explanations and comments, which are attached to the record of the case. The suspension of the release of suspected goods normally lasted one month (a period prescribed for the administrative investigation) and can be extended for a further period, but not more than for six months. Final decisions on administrative offences are taken by court. Thus, the customs authorities are endowed with powers to fully exercise the function of protecting intellectual property rights in the course of export and import operations both on the basis of the right holder's application or without one, in accordance with the "*ex officio*" principle of Article 58 of the WTO Agreement on TRIPS.

Remedies currently available under the Civil Code include confirmation of rights; prohibition of actions violating rights; imposing fines; compensation of damages caused to the right holder; statutory compensation and compensation of income received by the infringer. The latter measure is available only for copyrights. Regarding claims for damages and assessment of damages, civil law cases provide for the general principle of full recovery of damages. The amount of damage is calculated in accordance with the general norms of the Civil Code based on the prices of corresponding legitimate goods adjusted for actual damage and forgone profit of the right holder. As for the statutory compensation, it is initially defined by the plaintiff who has the burden to prove the fact of damage caused without calculating the amount. It is further assessed by the court based on the nature of infringement, income received by the infringer and other relevant facts. Civil legislation also provides possibility of confiscation and destruction of counterfeit products as well as confiscation of materials and equipment used for their production.

The Law "On Copyright and Related Rights" (as amended by Federal Law No. 72-FZ as of 20 July 2004) provides that counterfeit copies of works of art or phonograms, as well as materials and equipment used for reproducing counterfeit copies of works of art or phonograms, are subject to confiscation by judicial decision. Confiscated counterfeit copies of works of art or phonograms are subject to destruction (by decision of court), save for cases of their transfer to holders of copyright and similar rights at their request (by decision of court). According to the Superior Arbitration Court's practice, the Court would issue a decision on confiscation and destruction when the right holder had not requested the goods to be transferred to him/her. Should the court not order confiscation of illegal goods in civil proceedings, the right holder could appeal.

The final decision on the amount of compensation rests with the court. Regarding provisional measures under Article 90 of the new Arbitration Procedure Code, the arbitration court can issue an order for preliminary injunction based on the plaintiff's petition. Such measures should be aimed at securing the claim. Provisional measures included: prohibition of infringing actions, arrest of property including bank accounts, seizure of documents and other evidence. The judge handling the case should make a decision the next day after the petition is filed without the representatives of the parties. Provisions stipulating similar measures are also provided in Chapter 13 "Provisional Measures" of the new Civil Procedure Code No. 138-FZ of 14 November 2002. These provisions fully complied with the requirements of Article 50 of the TRIPS Agreement.

Articles 7.12, 7.28 and 14.10 of the new Code of Administrative Offences established administrative liability for violation of copyrights and related rights, rights regarding inventions and industrial designs, trademarks, service marks and appellation of origin. In addition to fines up to 40,000 Rubles (i.e. about US\$ 1,400), administrative sanctions included obligatory confiscation of counterfeit products, materials and equipment used in their production and other

instruments used in committing the administrative offence. In accordance with Article 32.4 of the Code, confiscated products, materials, equipment and instruments are subject to destruction or, at the request of the right holder, transferred to him/her.

In addition, anti-monopoly legislation provided certain sanctions that are administered directly by the Federal Anti-Monopoly Service. Any commercial legal entity whose rights of intellectual property had been violated by another commercial legal entity could apply to the Service to start the proceedings against the offender. The Service can issue a decision imposing fines or demanding certain actions or prohibiting infringing actions. The procedure normally took between one and two months, and in complicated cases between three and six months.

Concerning appeals processes in intellectual property matters, the Chamber on Patent Disputes of Rospatent hears disputes arising out of use of objects protected by the Russian laws regulating intellectual property issues (Articles 13, 19.2, 28, 29, 34, 42, 42.1 of Law of the Russian Federation of 23 September 1992, No. 3520-1 "On Trademarks, Service Marks and Appellations of Origin of Goods" (as amended by Federal Law No. 166-FZ of 11 December 2002), Articles 21, 29 of Patent Law of the Russian Federation No. 3517-1 of 23 September 1992).

The Patent Dispute Chamber performs the following functions:

- Considers objections to refusals to issue patent for an invention, industrial design or certificate for utility model or to accept an application for trademark, service mark or appellation of origin based on the results of a formal examination.
- Considers objections to refusals to issue patent for an invention, industrial design or to register a trademark, service mark, appellation of origin and/or to grant the right to use an appellation of origin, based on an on the merits examination of applications and examination of the designations applied for.
- Considers objections from individuals and legal entities against issuance of patents for inventions, industrial designs and certificates for utility models in violation of existing Russian copyright certificates for inventions and certificates for industrial designs, and against registration of trademarks, service marks, appellations of origin, and issuance of certificate for the right to use appellations of origin.
- Based on the results of hearings of the above objections held in accordance with the Rules of Hearing Objections by the Patent Dispute Chamber, the Patent Dispute Chamber passes a decision.
- Provides confidentiality of hearings of any objections by the Patent Dispute Chamber.
- Prepares publication of its results in the official press organs of Rospatent.
- Performs registration of documents confirming payment of fees required by law for lodging an application with the Patent Dispute Chamber and for an act thereof by the Chamber.

Pursuant to Article 43.1 of the Law "On Trademarks, Services Marks and Appellations of Origin of Goods", and Article 21 of the Patent Law, the decisions of the Patent Dispute Chamber and the procedure for consideration of disputes are determined by the federal executive authority for intellectual property (Rospatent). The procedure for lodging objections and applications to the Patent Dispute Chamber and the procedure for their consideration are determined by Rospatent. Decisions of the Patent Dispute Chamber are subject to approval by the Chief Officer of Rospatent, took effect from the date of their approval and could be appealed in court in accordance with the legislation of the Russian Federation.

## ABAC

**Q.102:** *Russia is encouraged to participate in the APEC IPR Service Center scheme and establish a Center or Centers at the earliest convenience.*

**A.:** Besides providing service for IPRs protection, the Russia's international cooperation facilitates essentially public access to world patent information resources. Rospatent completes the State Patent Information Database to collect such kind of information through international patent information exchange with patent offices of 60 countries, 6 international bodies and DERWENT information company. Similar information arrives on CD-ROM and DVD from patent departments of 26 countries and 4 international bodies additionally.

In 2003-2004, the problems were worked out in the following three main orientations:

- the development of new means for providing the Russian consumers with information on intellectual property based on modern information technology;
- the adaptation of operating automated systems to a new normative and technological base introduced with the adoption of new laws;
- the all-round modernization of Rospatent's automated systems on the basis of up-to-date architectural solutions, software products and information technology.

A preparation for the issuance of databases containing a backlog array of national inventions for the period 1924-1993 on DVD-ROM disks was completed by the end of 2003. Like all other information products of Rospatent on optical disks, these databases were created in the environment of the retrieval system MIMOSA having a good user interface and enabling one to perform various types of searches. The array contains 85 disks. Bibliography is presented in a character-coded form, whereas documents themselves — in a facsimile format. To enhance searching capabilities, facsimile texts were run automatically through a “digitization” program Fine Reader, and the words correctly recognized were placed in a searching index. This vastly expanded searching capabilities of the system and made it possible to carry out searches by words from a facsimile document text. The solution of this problem will allow the restoration, at a qualitatively new level, of patent collections in the entire territory of Russia.

There was developed a technique for keeping an Open Register of protective titles on the Internet with respect to all industrial property rights. The Open Register will enable all users to have a free access to databases' information updatable constantly, said information comprising a complete specification of patent documents and their legal status. The database updating was carried out at a frequency of producing electronic publications on optical disks: inventions — once a decade, utility models — once a quarter, industrial designs — once a month, trademarks — twice a month. For convenience of users, the legal status was highlighted with color. As to inventions, utility models and industrial designs, apart from two basic colors of a protective title, i.e. is valid (green), not valid (black), two more colors were added, i.e. is at the stage of the termination of validity (yellow) due to nonpayment of the annual maintenance fee, and ceased to be valid but may be renewed (red). As to trademarks, there were two states: a trademark is valid (green), and is at the stage of the termination of validity (red) due to nonpayment of the renewal fee. Not valid trademarks were removed from the Open Register.

A technology and software for creating and keeping electronic bulletins on industrial property titles were developed and introduced in practice. The first official bulletin “Trademarks, Service Marks and Appellations of Origin” on optical CD-ROM disks and on the Internet will be published in January 2004. The electronic bulletin will present all sections available in paper version of the bulletin: registered trademarks, registered appellations of origin, and also all sorts of notifications relating to them. The electronic bulletin will be issued in the form of databases in the retrieval system MIMOSA with a possibility to down documents for printing from a PDF formatted database with a common title of contents. Each notification in the bulletin will have a

direct reference to a protective title in the Internet-database. Activation of the reference will allow the user connected to the Internet to enter the Open Register and obtain data regarding the entire life cycle of a document.

On the Internet, the electronic bulletin will be produced in the form of a searching database and in the form of a totality of documents in the PDF format. Notifications will be provided with direct references to an integrated Internet-database. In active conditions, two last issues of the bulletin will be available. A database of a bulletin to be displaced will supplement an integrated Internet-database, whereas the totality of PDF formatted documents concerning the bulletin will be archived and accessible to users in such a form.

In **an automated system of processing applications for inventions, utility models and industrial designs (ABD)**, preparatory works were completed to transfer the information system from DAS PICK to another type of a basic DAS — UniVerse. The objective of such transfer consisted in the increase of a number of users up to 500, use of modern means of data exchange with Microsoft applications, creation of a graphical user interface, implementation of a possibility to make use of the Internet-technology. The operation of the data processing system under control of DAS UniVerse will enable implementation of a part of problems of electronic document flow with respect to applications for inventions and utility models, expansion of the system functionality, reduction of labor expenditure.

In the year 2003, **an automated system “Industrial Designs of the Russian Federation” (ACPO RF)** was transferred to more powerful software system Microsoft SQL – a server implementing up-to-date searching functions. In addition to an automated preparation of Official Actions in the AC TZ RF, there was provided a closed cycle of electronic document flow ranging from the filing an application for industrial design to an automated preparation of data for the manufacture of Letters Patents and publication of data about a patent. Measures were completed to switch to the use of the 8th Edition of the International Classification of Industrial Designs (ICID). The exploitation of this system will enable the processing of ever growing amounts of application material without increasing the number of personnel.

In the framework of **an automated system “Trademarks of the Russian Federation” (ACTZRF)**, works were completed to develop a unique system of the search for similarity and identity of graphical elements of trademark designations, on the basis of a linguistic module — the system “SYLOIS”. The system is being brought into pilot operation in the process of examining the entire incoming array of applications.

As regards the national procedure of the trademark registration, works carried out to modernize AC TZ RF made it possible to rule out the use of paper files completely.

For the international procedure of the trademark registration, starting in 2003 Rospatent performed the introduction of separate automated procedures and a comprehensive testing of software products enabling paperless exchange of data on international registrations in electronic form between WIPO and Rospatent, in the framework of a common MECA project.

Within the framework of implementing the program of **an all-round modernization of Rospatent automated systems (2000-2005)**, in the year under review works were carried out in the following orientations.

Initiation of the deployment of a new searching system on trademarks “TM-EXAM-SEARCH” and its temporary integration (as to the data exchange) with the existing automated system “TZ RF”.

Works were initiated to define the main components of the specification of an automated system for controlling electronic document flow for trademarks — the system “TM-ADMIN”.

Works were also initiated to define the main components of the specification of the searching system for inventions- the system “PAT-SEARCH”.

The establishment of computer and equipment infrastructure in the framework of the development of the Rospatent networked infrastructure and increase in the number of computerized workstations for users is nearing completion.

In 2003-2004, the collection "Patents of Russia" on optical media was transformed and supplemented.

At present the collection comprises: the database "Summary Index" (bibliographic data and abstracts for 1994-2001), an abstract database (bibliographic data and abstracts/claims of applications, patents for inventions and utility models of the Russian Federation for 1994 – up-to-date), a full-text database (bibliographic data and full texts of applications and patents of the Russian Federation for 1994 – up-to-date), a full-text database (bibliographic data and full texts of Inventor's Certificates for 1982—1993). This simplifies searching in patent databases on optical media, since a new collection "Patents of Russia" makes it possible to perform searches, employing the sole retrieval request, in an array of data having a backlog depth since 1982 to date, while manipulating with small amount of disks, thus reducing searching time.

An automated search in patent documents of the Eurasian Patent Office (for CIS countries) was also improved in view of the receipt by the end of 2003 of the database "Eurasian Applications and Patents. Summary Index. 1996-2003" on CD-ROMs. Moreover, in 2003 FIPS was provided with passwords for access to the EAPO database on the Internet, which offered considerable scope for searching, since the examiner, employing the sole retrieval request, may perform searches not only in the EAPO array, but also in the arrays of EPO, WIPO, GlobalPat, PAJ, Espacenet, Delphion, USAPat, etc. and also in the International Centers of patent and non-patent information.

Computerization of searches in scientific and technological literature improved information support of examination in the field of non-patent literature, whereas supplementation of the collection of narrow subject-related, specialized and encyclopedic databases on optical disks and provision of access to scientific and technological databases on the Internet (the database "VINITI") expanded searching arrays.

There were updated patent and legal and legislative databases available in the CD-ROM collection, said databases containing normative and methodological and also reference documents of WIPO, EAPO, Russia, legislation of Moscow and the Moscow Region, legislation of St.-Petersburg. The number of databases on more information-capacious DVD-ROMs was expanding steadily. This allowed to locate more arrays of information within the existing facilities.

In the year 2003, the CD-ROM collection was supplemented as before, with the database "Trademarks" containing protective titles published since 2002, and the database "Industrial Designs" containing protective titles published from 1993 to 2003.

By the end of the year 2003, the FIPS CD-ROM collection amounted to 97 Databases, which were located on 11,753 disks (CD-ROMs and DVD-ROMs) containing information provided by twenty nine countries and four international organizations.

To overcome a language barrier and reduce time for studying and analyzing the selected patent documents, FIPS of Russia introduces an automated translation PROMT system. At present, one personal computer in each room of examination departments is connected to a networked version of the PROMT system. Further connection is underway. Those examiners having poor knowledge in foreign languages may use the PROMT system having collections of specialized English-, French- and German-language dictionaries regarding a rich variety of examination subjects. In addition, in the CD-ROM room the examiners are provided with machine-readable dictionaries Lingvo and Multilex (Russian software dictionary products).

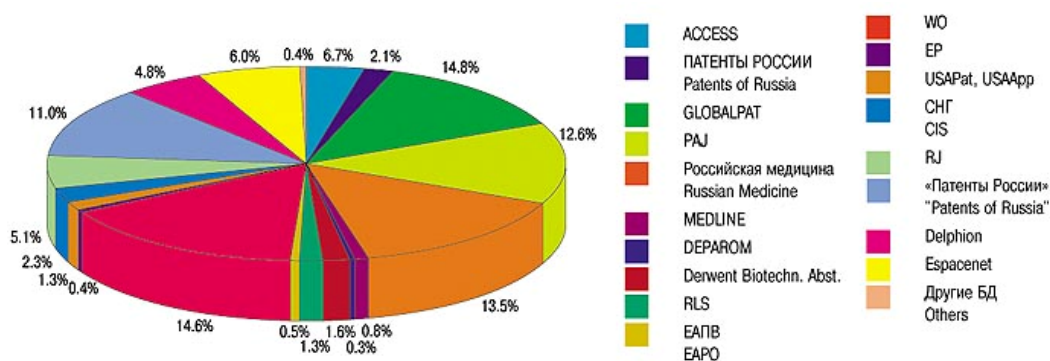
The Information & Retrieval Systems for the CD-ROM collection, both in electronic form and on paper were constantly kept operating. These systems are in large demand for examiners, since they improve efficiency of searches in databases on optical media and facilitate conditions of their performance. To maintain the Information & Retrieval Systems, complete and brief guidelines to the newly commissioned databases were worked out, with the existing guidelines revised and refined.

In particular, the examiners could perform searches on the Internet using the database “Patents of Russia”, the database “ESPACENET”, commercial databases “Delphion”, “VINITI” and also other subject-related databases on the Internet.

The examiners demand different databases in the CD-ROM room in different ways. The number of hits in respect of various databases in the CD-ROM room is shown in Table and the accompanying diagram.

Number of examiners' hits with respect to various databases in the Rospatent CD-ROM Room

Database Title	Number of Hits
ACCESS	294
Patents of Russia	94
GLOBALPAT	649
PAJ	550
Russian Medicine	589
MEDLINE	36
DEPAROM	12
Derwent Biotechn. Abst.	68
RLS	59
EAPO	23
WO	640
EP	19
USAPat, USAApp	56
CIS	99
RJ	221
<b>Internet Databases</b>	
“Patents of Russia”	479
Delphion	208
Espacenet	262
Others	16





## Databases Provided to Examiners for On-line Searching

In early 2004, the FIPS examiners had at their disposal more than 200 databases, both patent and non-patent, that were accessible for the performance of on line searches. First and foremost, these were free-of-charge databases of Patent Offices and some databases containing non-patent documents accessible to examiners directly from their workstations in the examination departments. Among the generally accessible patent databases on the Internet, the following were widely used: the database of Rospatent, the EPO database **Esp@cenet**, the **USPTO** database (US Patent Office), the database of the Japanese Patent Office (**IPDL**), the database of the German Patent Office (**Depatisnet**), the WIPO database **IPDL** (including, apart from the database of patent documents, the database of patent-associated literature **JOPAL**). Among the free-access databases of non-patent literature, the most frequently used databases were **PubMed** (medicine) and **ChemWeb** (chemistry) of the US National Library.



In addition to the above enumerated databases, examiners' access extended to the following commercial (paid) databases:

- 200 databases provided by the **STN International** network, which cover both patent and non-patent literature. A unique possibility to search in the STN network was the search in structural chemical formulae. STN databases most frequently used by the FIPS examiners were **REGISTRY** (the database of chemical compounds), **CA** (chemical abstract database), **WPINDEX** (an abstract database of the DERWENT company);
- patent databases of the **Delphion** network of the Thomson corporation. These databases are indispensable when performing searches with complicated retrieval requests, and also full-text searches in patent documents of USA, EPO, Germany and PCT applications;
- databases of Japanese patent documents in the English language (**Patolis-e**). Examiners had to apply to this database due to limited searching capabilities and the English-language acquisition of free-of-charge databases of the Japanese Patent Office (**IPDL of JPO**);
- abstract databases **VINITI** (in Russian) comprising both patent and non-patent literature in various fields of technology.

What is more, in the framework of bilateral cooperation with the European Patent Office (EPO), examiners of the Institute have a direct free access to a part of the EPO internal retrieval system— **EPOQUE**.

Access to commercial databases and the **EPOQUE** system were performed in a specialized database remote access room, with the participation of skilled personnel trained in the performance of searches. The same personnel were engaged in the preparation of instructive and methodical literature regarding the on-line use of available databases (both free-of-charge and commercial). Here, the examiners were trained to optimal searching methods.

Examiners apply to a specialized database remote access room, as a rule, in cases where more information resources are required for searching, which is impossible to be carried out from workstations, or where the examiner's skills in a computer search is insufficient to obtain the results in which he or she is interested.

Access to the databases of the Delphion network was provided both in the specialized database remote access room (four workstations) and in the CD-ROM room (six workstations). Access to the database VINITI was carried out in the CD-ROM room.



In 2003-2004 work was underway to study the Internet databases having the non-patent literature sources which were the most valuable for the performance of searches with respect to applications. Their information contents and searching capabilities were described, too.

There are Internet web-sites of the Rospatent of Russia (<http://www.rupto.ru>) and the Federal Institute of Industrial Property (FIPS) on technical regulation in Russia (<http://www.fips.ru/ruptoen/index.htm>, in English), including acting and drafting legislature: access to databases (freeware) for both internal and outside users, contain information on statutory acts on the field of IPRs.

Based upon as previously noted, Russia is very serious now to begin full-scale collaboration with APEC in its IPRs Service Center scheme and to establish a Center or, maybe, more Centers at the earliest convenience, using experience of Rospatent and FIPS.

**Q.103:** *ABAC calls for Russia's adoption and ratification of the WIPO Digital Treaties (i.e., the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT)), and for the enactment of strong laws and enforcement mechanisms to control optical media production to complement civil and criminal measures.*

**A.:** The national system of IPRs protection complies with the basic international standards adopted in this field, including the provisions of the WTO Agreement on TRIPS. A number of international agreements signed by the Russian Federation constitutes an integral part of this system. The Russian legislation on intellectual property rights is consistent with the national treatment and MFN principles.

Russia has been a member of the World Intellectual Property Organization since 1970 and is a party mostly to all the treaties which had defined internationally agreed basic standards of

intellectual property protection in each country (specifically, it concerned international conventions mentioned in Article 1:3, including footnote 2, of the TRIPS Agreement).

The Russian Federation is a party to the "Paris Convention" (the Paris Convention for the Protection of Industrial Property); the "Paris Convention (1967)" (the Stockholm Act of this Convention of 14 July 1967); the "Berne Convention" (the Berne Convention for the Protection of Literary and Artistic Works); the "Berne Convention (1971)" (the Paris Act of this Convention of 24 July 1971); the "Rome Convention" (the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, adopted at Rome on 26 October 1961); the Madrid Agreement Concerning the International Registration of Marks (Stockholm Act); the Patent Cooperation Treaty (PCT), etc.

During 2003-2004, Rospatent pursued active participation in the activities of eighteen basic Committees and Working Groups of WIPO. In order to reflect interests of the Russian Federation, Rospatent prepared and submit to WIPO its own positions and proposals regarding international agreements and documents worked out and reformed for consideration within the WIPO Standing Committees of the PCT, the WIPO Standing Committee on the Law of Patents (SCP), the WIPO Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications (SCT), the WIPO Standing Committee on Copyright and Related Rights (SCCR), the WIPO Program and Budget Committee, the WIPO Advisory Committee on Enforcement of Industrial Property Rights (ACE) as well as the WIPO General Assembly, etc.

Within the framework of the Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications (SCT), Rospatent, on request of the World Intellectual Property Organization WIPO, prepared and submit to WIPO information about the Russian trademark legislation and the existing practice in order to include this information in the Overview of countries' trademark laws to be prepared by the International Bureau.

In the framework of the Committee on Reform of the PCT, Rospatent pursued active participation in the process for reforming which started in 2001 with the purpose to increase efficiency and simplify the system of filing international applications. An important aspect of Rospatent participation in this work was the preparation of proposals to amend the Regulations under the Patent Cooperation Treaty (PCT) aimed at improving and streamlining PCT procedures. Rospatent prepared and placed on its Internet site the Russian version of amendments to the Regulations under the PCT with effect as of January 1, 2004. With the Rospatent participation, the WIPO International Bureau prepared forms of requests for filing an international application and for carrying out the international preliminary examination in the Russian language and placed these forms on the WIPO site. New Guidelines for the performance of international search and international preliminary examination recommended by WIPO for use as of January 1, 2004 contain a section that reflects a procedure for evaluating the fulfillment of industrial applicability criterion now applied at the Russian Patent Office.

In the framework of the WIPO-administered project on the establishment and maintenance of a database containing data on the PCT applications entered the national phase, relevant information on the PCT applications entered the national phase in Russia was submitted for the subsequent inclusion in the EPIDOS PRS database.

Rospatent took an active part in the activities of the WIPO Standing Committee on the Law of Patents (SCP) that continues discussions on the draft Substantive Patent Law Treaty (SPLT). With respect to separate provisions of the draft, the Russian delegation obtained adoption of wordings acceptable for Russia; it also obtained recognition of the necessity to reconsider unacceptable unclear and confusing wordings with respect to a number of other provisions.

On the basis of classification materials worked out by WIPO with the participation of the Russian experts, the Russian-language versions of the International Classification of Goods and Services (ICGS) and the International Classification of Industrial Designs (ICID) were published; a number of WIPO methodological, statutory and reference documents were translated, thus enabling a considerable expansion of access of the general public to basic documents worked out by this international organization.

### **Cooperation with the European Union (EU)**

The following TACIS projects were prepared, signed and put into operation:

- “Protection of Intellectual Property”, with its main objective being the harmonization of intellectual property rights in Russia in accordance with EC and TRIPS standards. Consultations between specialists from Rospatent and EC systems were held to work out ways of joint activities under the project;
- “Assistance to Rospatent in the harmonization of Intellectual Property legislation and in training of personnel”. In the context of this project, the Conference “The Trademark Protection” was held for representatives from ministries, offices and organizations of the Russian Federation, as well as by Rospatent experts.

### **Russia — WTO Cooperation**

In the years 2003-2004 work was being continued within the framework of multilateral negotiations on the Russia's accession to the World Trade Organization (WTO). A representative from Rospatent participated as a member of the Russian delegation in the meetings of the Working Party on the Russia's accession to the WTO and also in bilateral and multilateral negotiations on tariffs and services and systematic issues as well as the Roundtable on the problems of joining the WTO. Work was done to actualize documents to be submitted to the WTO Working Bodies as regards the development of the Russian legislation and law enforcement practice in the field of intellectual property.

### **Collaboration with APEC**

In the context of cooperation between the Russian Federation and the Forum of the Asian and Pacific Economic Cooperation (APEC) and in accordance with a decision taken in the framework of this Forum as regards annual presentation by economies – parties to the Forum of their individual plans of actions on the liberalization of trade and foreign investments, Rospatent prepared draft sections “Intellectual Property Rights”.

### **Cooperation with the European Patent Office (EPO)**

Cooperation with the European Patent Office (EPO) was in progress on the basis of a Agreed Minutes on Technical Cooperation between the EPO and Rospatent, dated June 1, 2001. This cooperation is aimed at achieving the agreed approach in the use of information technology and

networked solutions; creating favorable conditions in the information support for users; and rendering the EPO assistance in the training of Rospatent personnel.

In July 2003, Heads of the both Offices signed a new Agreed Minutes on Technical Cooperation between the EPO and Rospatent for 2003-2004 under which a complete inclusion of patent documents of the Russian Federation is carried out in the EPO information system ESP@CENET. It is planned to provide access to the Russian patent documentation in the framework of the All-European searching system intended for the general user.

For the purpose of providing an opportunity for a multi-aspect usage of files of domestic patent documentation in electronic form, these files were converted to electronic form.

An agreement on the adherence of Rospatent to the EPO information network PATNET was agreed upon and signed.

EPO rendered assistance to Rospatent in raising the level of skill of its employees. Seven employees of Rospatent were trained at the seminars organized by EPO; 43 employees were trained at the English-language courses at the EPO expense.

### **Bilateral Relations**

In the context of bilateral agreements, exchange of patent documents on traditional and electronic data carriers was in progress with 67 foreign Patent Offices and international organizations, thus allowing the acquisition of the State Collection of Patent Documents at Rospatent and dissemination of the collected patent data on preferential terms for the Russian experts and examiners.

Last two years Rospatent, in conjunction with other interested offices, took part in activities aimed at preparation of intergovernmental agreements on scientific-and-technological and economic cooperation with foreign countries in regard to “Intellectual Property” domain, including an agreement on cooperation in the field of peaceful studies and uses of outer space (draft agreements with the Republic of Korea, Malaysia, the European Space Research Agency) and an agreement concluded between the Government of the Russian Federation and the United Nations Office on Drug and Crime Prevention on the submission of Russian materials.

In October 2003, a delegation of the State Intellectual Property Office (SIPO) of the People's Republic of China paid a visit to Moscow to consult with Rospatent employees on a number of questions.

In October 2003, the Copyright Board of Canada organized the First Worldwide Conference on National Copyright Administration, attended by representatives from 16 countries. In the framework of the Conference, a Founding Meeting was held on the establishment of the International Association of Copyright Administrative Institutions (IACAI). Rospatent supported an initiative to establish the Association.

After the entry into force of Law No. 72-FZ and the implementation of the required national procedures, the Russian Federation intends to accede to the WIPO Copyright Treaty and Performances and Phonograms Treaty, regardless of the fact that Article 1 of the TRIPS Agreement does not require WTO Members to join these treaties.

Russia has become a party to the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (1961) on 26 May 2003 with the following reservations: non-application of the phonogram criteria (in accordance with paragraph 1(b) of Article 5 of the Convention); protection of broadcasting in accordance with paragraph 2 of Article 6 of the Convention; and non-application and limitation of protection under Article 12 of the Convention with regard to phonograms.

Despite the fact that the Russian Federation is not a party to the Treaty on Intellectual Property in Respect of Integrated Circuits (IPIC), adopted in Washington on 26 May 1989, Federal Law No. 82-FZ of 9 July 2002 "On Amendments to the Law "On Legal Protection of Layout Designs of Integrated Circuits" reflected the provisions of the IPIC Treaty.

Control and supervision over the implementation of intellectual property legislation and the conduct of preliminary investigations on criminal cases concerning infringement of copyright and related rights and inventor and patent rights are carried out by the Office of Public Prosecutor. Courts of general jurisdiction and arbitration courts of the Russian Federation hear cases on infringement of intellectual property rights in accordance with the relevant procedural laws.

**Q.104:** *ABAC asks Russia to implement effective and expeditious remedies to combat infringement and to prevent and deter infringements. Adequate remedies should include court-enforced injunctions for infringement, compensation for damages, orders to destroy infringing products, provisional measures to seize infringing products and secure evidence, border measures undertaken by customs authorities, and sufficient availability of criminal enforcement and sanctions.*

#### **Expert**

**Q.105:** *2004 IAP of Russia lists up numerous legislative activities over the period of 1996-2004 that are intended to strengthen the protection of IPR in various fields. What are main achievements of these activities? Could you provide detailed information on the enforcement of the laws? What concrete measures have been taken in reality to enforce the adopted laws? How have the cases of IPR infringements developed over the last years? Providing detailed statistics of related activities will help assess the achievement of Russia's IPR protection greatly.*

**A.:** In accordance with Decrees of the President of the Russian Federation, a new structure of the Russian federal executive bodies was largely finalized in July 2004. The new structure prescribes the responsibilities of and interaction mechanisms between ministries and agencies dealing with the protection of IPRs. In accordance with the Resolution of the Government of the Russian Federation No. 215 of April 16, 2004, approximately 150 of coordinating, advisory and other bodies and groups established by the Government of the Russian Federation, were abolished and only twelve were retained within the new structure of the coordinating and advisory bodies of the Government of the Russian Federation. Now **the State Commission on Countering Violations of IPRs** is the public body, headed by Mikhail Fradkov, Russian Prime Minister, as the Minister of Education and Science, as a Deputy Chairman (**the Russian Ministry of Education and Science acts as a coordinator**). Efforts to reactivate the Commission's work were started as early as in May 2004, when its new composition and work procedures were approved. **The first meeting of the renewed Commission** was held on June, 2004, to discuss the priority measures to enhance the IPR protection in the Russian Federation and the Commission's work plan for 2004. **The Commission adopted the "Plan of Priority Measures to Counter Violations of IPRs in the Russian Federation"** drawn up by the

Ministry of Economic Development and Trade of the Russian Federation in cooperation with the agencies concerned.

During 2<sup>nd</sup> half of the year of 2004 Russian agencies and other organizations concerned based their work to enhance the level of the IPRs protection on the afore-said "Plan of Priority...". The progress in implementing the specific paragraphs of the Plan during the third quarter is shown in bold as it pointed to later.

Draft amendments to **the Code of Criminal Procedure of the Russian Federation (CCP of the RF) (Article 151)** have been drawn up providing for the investigation of offences committed in the area of copyright and related rights not only by the prosecutor's office but also by the investigators from the Ministry of the Interior (**alternative carrying out of investigation**). The above amendments are to speed up investigations of such offences and to make the prevention of the offences in the area of copyright and related rights more effective.

Last June, the Russian Federation State Duma (*the lower House of the Russia's Parliament*) adopted in the first reading the **draft Federal Law "On Making Amendments and Supplements to the Code of Administrative Offences of the Russian Federation (CoAO)"**, which provides for longer administrative investigations into offences related to the intellectual property matters, and stiffer penalties for violations of copyright and related rights on officials and persons engaged in commercial activities without incorporating legal persons. Presently, this draft Law is being finalized for consideration in the second reading at the autumn session of the State Duma of the Russia. The above changes will increase the body of legal instruments used by the customs authorities "*ex officio*" to combat intellectual property offences during export and import operations.

To tighten the licensing requirements and governmental control over their observation the **Federal Service for the Supervision over Compliance with the Legislation in the Field of Mass Media and Protection of Cultural Heritage** has prepared proposals aimed at amending and supplementing **Regulation No. 421 of July 12, 2003 "On the Regulation of Activities Licensing of Reproduction (Copying) of Audiovisual Works and Phonograms on Any Kind of Media"**. The above mentioned amendments will provide the staff of licensing authorities with additional powers to verify the conformity of a license holder activities with licensing requirements and conditions, as well as to request information confirming the compliance of this requirements and conditions.

As a part of the "Counterfeit-2004" operation, local offices of **the State Trade Inspectorate of the Ministry of Economic Development and Trade of the Russian Federation**\* continued the control activities last summer aimed at the protection of intellectual property rights and suppression of manufacturing and distribution of the counterfeit audiovisual products on the consumer market.

Over the last eight months, State Trade Inspectorate's experts conducted about 5 thousand inspections in the entities of the Russian Federation which resulted in confiscation of 370 thousand counterfeit audiovisual products. Among the major violations, that have been discovered in the sale of audio- and video-products, as well as CDs, was the lack of information on the location of manufacturer, technical specifications and data on the holder of copyrights and other related rights. More than 5 thousand people found guilty in the commitment of such identified offences carried administrative punishment and the total amount of fines was about

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\* Starting from July 2004, the State Trade Inspectorate is a part of the Federal Service for the Supervision over Protection of Consumer Rights and Human Welfare in the Russian Federation (Rosпотребнадзор) under the aegis of the Ministry of Health and Social Development of the Russian Federation.

10 million rubles. Over 50 per cent of these inspections were conducted with direct participation of the interior authorities of Russia. This is provided for in joint Order No. 132/261 of April 19, 2003 of the Ministry of Economic Development and Trade of Russia and the Ministry of Internal Affairs of Russia regarding the mechanisms of cooperation of the territorial directorates and units of two Ministries in the sphere of terminating production and distribution of falsified and counterfeit products. The joint inspections resulted in the institution of 20 criminal cases.

As a part of the “Counterfeit-2004” operation particular attention is paid to those regions where manufacturers of audiovisual products are located (Moscow, the Moscow Region and Siberia), as well as border areas (the Amur Region and Buryatia).

As a part of the implementation of Resolution No. 421 of the Government of the Russian Federation of July 12, 2003 “On Making Amendments and Supplements to the Rules of the Sale of Some Goods”, the volume of the pirate products on the consumer market was reduced and the trade of audiovisual products and phonograms was rationalized.

Apart from the control measures particular attention was paid to the preventive work aimed at the suppression of offences on intellectual property matters. Through the existing phone hotlines, the Rospotrebnadzor bodies provide information and explanations to the customers on the issues connected with the purchase of audiovisual products. Moreover, during inspections businessmen receive appropriate explanations concerning the particulars of the pirate products and are informed about the responsibility for the violation of intellectual property rights up to the initiation of criminal procedure.

In accordance with the Customs Code of the Russian Federation, **the Federal Customs Service (FCS of Russia)\*\*** on an ongoing basis performs activities aimed at the protection of intellectual property rights during the customs checks of goods moved through the customs frontier of the Russian Federation. From June 2004 the FCS of Russia continued to compile the customs register of proprietary articles. 95 trademarks were included into the customs register during that period. As of the end of September 2004, the customs register included 173 trademarks, 43 of which belong to U.S. companies (Procter & Gamble Company, Gillette Company, Kimberly-Clark Worldwide, Inc., Energo Lux Inc.). At present, applications from property right holders in respect of some 200 trademarks have been submitted to the FCS of Russia for consideration. Among the trademarks included into the register, in respect of which the customs authorities take measures connected with the suspension of goods production in conformity with Chapter 38 “Measures Taken by the Customs Authorities In Respect of Certain Goods” of the Customs Code of the Russian Federation, there are such well-known ones as Johnnie Walker, Martini, Macallan, Lipton, Gillette, Huggies, Tide, Head & Shoulders, etc.

During last eight months of 2004, the customs authorities have revealed more than 50 cases of movement through the customs frontier of the Russian Federation of goods containing proprietary articles and having the counterfeit signs. This led to filing 45 suits against administrative violations, 25 of which are suits in respect of illegal use of trademarks and 20 concern violations of copyright and related rights, with the court proceedings resulted in the imposition of fines amounting to about 750 thousand rubles. The main products seized by the customs authorities with regard to offences trademarks (under article 14.10 of the Code of Administrative Offences) were the alcohol and food products, footwear. In most cases the

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\*\* The Federal Customs Service is the legal successor of the State Customs Committee in respect of performing control and oversight functions in the field of application of customs legislation norms. The adoption of normative legal acts in the field of customs regulations is the responsibility of the Ministry of Economic Development and Trade.



goods involved in cases dealing with violations of copyright's and related rights (under Part 1, Article 7.12 of the Code of Administrative Offences) were videocassettes, CDs and DVDs. The confiscated counterfeit products have been obliterated.

**The Ministry of the Interior of the Russian Federation** and bodies supervising the Russian consumer market stepped up their special operations and monitoring activities against hawkers selling audiovisual production, as well as special raids on manufacturers of audiovisual production operating within sensitive. Since March 1999 the Division for Intellectual Property offences has been operating within the Main Directorate for Economic Crimes of the Russian Ministry of the Interior. Bodies of internal affairs of constituent entities of the Russian Federation created branches (units) responsible primarily for detection of violations of intellectual property rights as well as collection of evidentiary facts subsequently referred to prosecuting authorities for instituting criminal proceedings. Comprehensive actions that were undertaken jointly with the federal executive authorities during last eight months of 2004 led to elimination of 280 businesses, including six CD production shops. 3,900 criminal proceedings were instituted and counterfeit products to the amount of 1.3 billion rubles confiscated. 17, 000 persons were brought to administrative responsibility.

In March 2004 a decision was taken providing for 24-hour unlimited access to the territory of sensitive facilities by officers of Russia's Ministry of the Interior and the State Trade Inspectorate of the Russian Ministry of Economic Development and Trade to carry out monitoring and special operations at businesses producing optical. On the basis of the facts mentioned below proceedings were instituted including under Part 2, Article 146 of the Code of Criminal Procedure of the Russian Federation, which are now under investigation. In the territory of a Zelenograd sensitive facility an illegal operation of two plants legally producing CD was established. Three production lines and 70, 000 counterfeit CDs were found there. In Gorlovka (Moscow Region) in the territory of a military unit operation of White Area Ltd. was terminated. The company was engaged in warehousing, assemblage and sales of counterfeit audiovisual production and software programs on digital media in CDs and DVDs formats. 1.8 million pieces to the amount of 207 million rubles were confiscated. In Chita activities of a group of persons were terminated who set up a clandestine video studio and organized volume sales of counterfeit audiovisual products. 150 VSRs and 500 products to a total amount of 500 000 rubles were found and confiscated.

To suppress violations of IPRs law, the Russia's Ministry of the Interior actively collaborates with rights holders and their representatives as well as with public organizations. The most important of them are the Russian Anti-Piracy Organization for the Protection of Rights to Audiovisual Works (RAPO) and the International Federation of Phonogram Industries (IFPI).

We also analyzed the activities of law enforcement bodies aimed at detection and suppression of offences in the sphere of traffic of intellectual property and judicial sentences in respect of violation of copyright and related rights.

To pursue a unified state policy the Ministry of the Interior, General Prosecutor's Office Research Institute and public organizations a scientific methodological handbook "Methodology of Investigation into Offences Covered by Article 146 of the Code of Criminal Procedure of the Russian Federation" was prepared for bodies of internal affairs and courts.

**The Ministry of Agriculture** of Russia, within its competence, was rendering assistance to law-enforcement agencies during the conduct of activities aimed at suppressing the production of counterfeit food and flavors products.

The Government of the Russian Federation attaches great importance to the development in Russian society of negative attitude to piracy. A considerable role in this process is assigned to the active use of the mass media potential.

The largest Russian International Information Agency "RIA Novosti" developed the "Combating Counterfeit Products" Program which is implemented since summer of 2004. This Program is aimed at informing the public about actions taken by the federal executive bodies in the area of IPRs protection, including activities of the monitoring, law enforcement and customs bodies to combat piracy, reform the legislation, etc.

The authorities and experts of the public executive bodies, including law enforcement and Customs bodies, representatives of business community, manufacturers and public organizations regularly discuss, through the mass media, the issues pertaining to the better IPRs protection across all the country. These activities, as well as the mass media coverage of inspections results contribute to reducing the dissemination of counterfeit products in the consumer market.

Last year the Russian mass media extensively covered activities relating to the destruction of lots of piratical products seized by customs bodies, as well as special operations conducted by the Russian Ministry of the Interior' officers at plants producing optical information media in Zelenograd town and Nizhny Novgorod Region, and other issues connected with the intellectual property rights protection.

Matters of protection of intellectual property rights have been systematically addressed during bilateral meetings of the Russian side with foreign representatives. These meetings have discussed issues relating to the cooperation between the parties in different IPR fields, as well as those of joined effort to address specific problems in the bilateral relations. For example, within the framework of negotiations with our American colleagues, including in 2004, the Russian side has repeatedly raised the questions of a possible reduction on rates of U.S. licenses for works or objects of related rights, which are supposed to be distributed in the Russian Federation, as well as of a possible transfer of U.S. optical media production facilities to the territory of Russia for distribution inside the country.

### Expert

**Q.106:** *Further legislative activities are reportedly under discussion as 2004 IAP states on p.7-8, which relate to suspending of release of counterfeit goods, governing enforcement of rights in trademarks, etc. in the areas of electronic commerce and trade names. When will these new legislations be adopted and finally implemented?*

**A.:** Very relevant for development of IT-branch documents were designed in 2004: "The Concept of Usage of Information Technologies in Activity of Federal Bodies of State Power till 2010 " (pursuant to the Order of the Government of the Russian Federation No. 1244-p as of 27 September, 2004); the draft "Concept of Development of the IT-market in the Russian Federation" and the draft "Concept of Regional Informatization till 2010".

As a result of only the "Concept of Development of the IT-market ..." implementation, the volume of the IT-technologies' branch can bring up to USD 40 bn. by 2010 (i.e. more than in five times in relation to 2003).

According to the Russia's Concept to amend law control in the IT field the following federal laws should be amended:

- Electronic Digital Signature Law,
- Mass Media Law,
- Advertising Law.

Federal laws to be developed as follows:

- Electronic Data Exchange Law,
- Personal Information Law,
- Information Rights Law,
- E-Commerce Law, that incorporates provisions governing enforcement of rights in trademarks, service marks, trade names against their infringement in connection with their exploitation as local domain names in ".ru" sector of Internet,
- Law on Trade Names urged to create a legal base of granting of the right to trade names protection, etc.

In detail, please, refer to <http://english.minsvyaz.ru/enter.shtml>

## **Chapter 8: Competition Policy**

### **Japan**

**Q.107:** *With regard to the section of “Competition Institutions”, please elaborate on the number of staff, budget, organization structure, and other institutional details of the FAS (Federal Antimonopoly Service). Where possible, please provide an organization chart.*

**A.:** By the Decree of the Government of the Russian Federation № 189 07.04.2004, 1.820 persons were employed by the Service (350 in the central office and 1477 in regional offices). The budget of the Federal Antimonopoly Body in 2004 was about US\$ 11,6 million. [The organization chart](#) is enclosed hereto.

### **Expert**

**Q.108:** *How has the general framework of Russia’s competition policy developed over the period of 1996-2004? What have been the main focus and objectives of this policy? What legislative activities have contributed to the development of Russia’s competition policy since the foundation of the Federation? How has Russia progressed towards the fulfillment of the “APEC Principles to Enhance Competition and Regulatory Reform” adopted in 1999?*

**A.:** The antimonopoly authorities have existed in the Russian Federation since 1990. They were created just at the beginning of the economic reforms in Russia as one of the first market-promoting institutions. The Law of the Russian Federation “On Competition and Limitation of Monopolistic Activities on the Goods Markets” was adopted in 1991 and modernized during the following years, was one of the first market oriented laws in Russia.

In the past ten years the Russian competition authorities have contributed to the high extent to successful economic development in Russia, safeguarding transition from the planned-administrative system to the market and creation of sound competition environment. In these years a big experience has been accumulated by antimonopoly authority both in the development and in the implementation of the competition law. The competition policy, based on this law, is directed at stopping monopolistic activities, prevention of monopolization and promotion of fair competition on the market. The role of antimonopoly authority is not limited by the antimonopoly policy – it consists also in promoting pro-competitive reforms and economic development. Nowadays the antimonopoly body plays a significant role in the processes of deregulation and restructuring of natural monopolies.

In its work antimonopoly body follows provisions stipulated in APEC Principles to Enhance Competition and Regulatory Reform, providing the equality of access and free competition of all economic entities when accessing the resources, consumers, infrastructure of the market and production (i.e. providing absence of any unconditional preferences). Enhancing of transparency of the Russian economy in general is one of the most important conditions of competition policy, which may be achieved through discovering of groups of owners who control large undertakings in Russia. Competition policy and legislation are promoted through the system of antimonopoly bodies, which include central office and 75 regional offices, located practically in all Russian regions and conducting competition policy at places.

**Q.109:** *In what international cooperation agreements has Russia entered into over the period of 1996-2004? What position did the APEC economies take in this international cooperation area compared to EU member states?*

**A.:** In the period of 1996–2004 Russian antimonopoly body has entered to the following international agreements with other APEC economies:

- Agreement between the Government of the Russian Federation and the Government of the People’s Republic of China on cooperation in the Field of Combating Unfair Competition and Antimonopoly Policy, 25.04.96;
- Memorandum on Cooperation between Ministry of the Russian Federation for Antimonopoly Policy and Support to Entrepreneurship and Fair Trade Commission of the Republic of Korea, 07.12.99;
- Memorandum Regarding Cooperation in Competition Policy among the Interstate Council for Antimonopoly Policy of CIS countries, the Fair Trade Commission of the Republic of Korea, the Competition Council of the Republic of Latvia and the Competition Council of Romania, 17.09.2003.

At the same period the antimonopoly body has also concluded different types of agreements, memorandums and protocols with CIS and other European states, including Finland, France, Greece, Italy, Sweden etc., covering various forms of cooperation including policy dialog, technical assistance and other measures.

**Q.110:** *When do you expect the Draft Federal Law on Competition Protection will be passed and go into force? What are main contents of this new Law?*

**A.:** Consideration of the Draft Federal Law “On Competition Protection” is planning to be discussed during the meeting of the Russian Federation Government in December 2004. After that the document will be introduced to the State Duma and the Council of Federation of the Federal Assembly.

***Key provisions of Draft Law:***

1. Draft law unifies antimonopoly regulation at financial and commodity markets, envisaging the following unification:
  - examination procedures for cases concerning competition legislation violation at all markets;
  - common rules of control over economic concentration;
  - a list of prohibited monopolistic activities (prohibited types of agreements and concerted actions, as well as prohibited kinds of dominance abuse);
  - common rules, at the basis of which an antimonopoly body admits some kinds of agreements, concerted actions and dominance abuse.
2. For the first time in Russian practice a list of types of dominance abuse is introduced, which fall under unconditional ban and cannot be accepted as permissible under no circumstances.
3. An extended definition of dominance position of an economic entity is being introduced. The Draft Law contains a definition of an economic entity occupying dominant position at oligopoly market, a market where dominance of more than one economic entity is possible.
4. For the first time Russia determines permitted agreements and concerted actions of economic entities, which are admitted as they do not restrict competition (in generally accepted EU practice such agreements are those in which the total share of participants does not exceed 10% of respective market).
5. For the first time we introduce a ban for selective granting of privileges and advantages to certain economic entities by state power bodies (state aid), acceptable kinds of state aid are being determined, as well as procedures of granting of certain kinds of state aid are defined.
6. A concrete definition is given to state control over economic concentration when acquiring shares of economic society, only transactions which lead to the transition of control (or its part) over economic society to the purchaser of its shares will stay over state control.

Control over concentration of rights for limited nature resources is introduced by means of control over transition of rights for large lands.

7. EU principles of permitting actions, which may result in restriction of competition are being introduced (some kinds of dominance abuse, agreements and concerted actions, transactions and actions falling under state control over economic concentration, as well as some kinds of state aid).
8. New kinds of antimonopoly law violation, which envisage administrative responsibility are being introduced:
  - dominance abuse
  - agreements and concerted actions, restricting competition, unfair competition.

**Q.111:** *The government is reported to be considering increase by 150 times of the total balance value of assets threshold for transactions and other actions of economic entities, which require preliminary consent of the antimonopoly bodies. What are the current thresholds? Are they differentiated according to the industrial sectors? What are the expected and desired effects of this measure?*

**A.:** According to Article 17 of the Federal Law of RSFSR from 22.03.91 № 948-1 “On competition and restriction of monopolistic activity on commodity markets” in Russian Federation pre-merger notification and approval is required for mergers and other similar combinations of firms in which the combined value of the assets of the firms exceeds 200,000 times the minimum wage (20 million rubles or about \$668,000 US).

They are not differentiated according to industrial sectors.

The Draft “On introducing amendments into Articles 12, 17 and 18 of the Law “On Competition and Limitation of Monopolistic Activity on Commodity Markets” deals with threshold increase upon control over economic concentration. Top-priority amendments are planned in the system of state control over economic concentration. The mentioned Draft envisages substantial 150 times increase (up to 3 bln. rubles and 100 mln. US dollars) of threshold value of assets of economic entities whose transactions are subject to preliminary approval of antimonopoly body. Such amendment of the Law assumes delivrance of the Russian antimonopoly body of dealing with cases, which do not impact competition.

**Q.112:** *The 2004 IAP states that currently a preliminary consent is required for the conclusion of transactions in the following three cases:*

- where total value in balance sheet of assets of persons exceeds 200,000 times the minimum wage, fixed by federal law, or
- where one of them is an economic entity included in the Register of Economic Entities having a share of 35% of the market for a particular commodity, or
- where the buyer is a group of persons controlling the activity of the given economic entity.

*Could you explain the logic of using these, and especially the first criteria?*

**A.:** Total value in a balance sheet of the assets of economic entities was determined as a criteria for preliminary control of transaction by the lawmaking due to the fact that it affects on the economic entity market share and therefore on the market power.

Establishment the control over economic entities having a share of more than 35% of a market is explained the fact that participation of such economic entities in the process of economic concentration can also lead to the strengthening of their dominant position on the market.

## USA

**Q.112.1:** *What do you view as the principal competition problems facing the Russian Federation today, and how does the Federal Antimonopoly Services (the FAS of Russia) intend to structure its enforcement priorities to address those problems?*

**A.:** At present the antimonopoly policy is aimed to optimize macroeconomic consequences of privatization stage of 90s and structure reforms of 2000-2003. Correction of sector structure of Russian economy, elimination of market power abuse from the party of economic entities, introduction of competition relations into previously closed for competition economic sectors, such as social sector, health protection, science and others – those are main tasks facing the Russian antimonopoly body.

Active policy of competition protection is a key element of the modern stage of reforms, aimed at composite development of effective market. Namely the competition policy appeals to determine and defend the interests of society in the process of reforming of natural monopolies, to strike a direction of housing and public utility reforming, provide fair and reasonable access for the Russians to education and medicine services.

For realization these tasks the Federal Antimonopoly Service (the FAS of Russia) has prepared three Drafts: “On introducing amendments into Articles 12, 17 and 18 of the Law “On competition protection” on threshold increase upon control over economic concentration“, “On introducing amendments into the Code on administrative infringements” and new Draft Law on competition protection.

Understanding of the importance of new tasks facing the Authority, was reflected in the structure of the Service. So, a new Department was established, which will be responsible for the issues of antimonopoly supervision and control over real estate, local monopolies and public utility sector. Besides a new Department responsible for competition protection in social sector was established.

**Q.112.2:** *Does the FAS believe that its current structure lends itself to a consistent application and enforcement of the competition law, and if not, what structural changes does the FAS envisage?*

**Q.112.3:** *Does the FAS believe that changes in enforcement powers will be needed to make the agency more effective in its mission of promoting and protecting competition?*

**A.:** One of directions of administrative reform performed in 2004 in Russia was stipulating of a new three-level system of federal executive power bodies. This structure includes federal ministries, which develop a policy in each sphere of state regulation and perform law making, federal services, which perform supervision and control functions, and federal agencies, which perform functions of granting state services.

Decree of the Government of the Russian Federation of 7 April 2004 No 189 determined the Tasks of Federal Antimonopoly Service.

Its main functions are:

- supervision and control over observance of law on competition at commodity markets and at the market of financial services;
- supervision and control over observance of law on natural monopolies;
- supervision and control over observance of law on advertising.

It is necessary to underline that the Federal Antimonopoly Service minding the importance of its tasks, occupies a particular place in the system of executive power of the Russian

Federation, and unlike some other federal services is subordinated directly to the Chairman of the Russian Federation Government, H.E. Mr. Michael E. Fradkov.

Revision of the functions of Russian competition authority, which was performed as the result of administrative reform, including the transition of powers which are not directly connected with competition (for example state support of small and medium business and consumer rights protection) to other authorities, creates a possibility for Federal Antimonopoly Service to pay much attention to the issues of competition protection and development in all spheres of state economic policy and to enhance the effectiveness of enforcement practices.

**Q112.4:** *We understand that the FAS may be proposing changes to the Russian Federation's competition law. We would appreciate a brief summary of what those proposed changes will be.*

**A.:** Please, refer to the answer to Q.110.

**Q112.5.** *What steps have been taken to implement the APEC Transparency Standards for Competition Law and Policy?*

**A.:** Please, refer to the answer to Q.108.

#### **Australia**

**Q.112.6:** *General policy framework*

*We note that Russia is attempting to broaden the coverage of competition policy to be broad-based rather than sector-specific. Does Russia intend to develop a national competition policy?*

**A.:** The Russian Federation has a national competition policy developed in accordance with the aims and tasks defined by Federal Laws, in Annual Messages of President of the Russian Federation to the Federal Assembly and main articles of medium-term Programs on social-economic development of the Russian Federation. In other words, national antimonopoly policy exists as a part of the policy of the President and the Government of the Russian Federation.

Russian competition policy has a common approach for all sectors of economy. It is important to say that antimonopoly law applies also to anticompetitive actions of the subjects of natural monopolies and the state.

**Q.112.7:** *Reviews of competition policies and/or laws*

*When will the single competition law for product and financial markets be finalised and take effect?*

**A.:** Please, refer to the answer to Q.110.

**Q.112.8:** *Competition institutions (including enforcement agencies).*

*Is the operation of the Federal Antimonopoly Service to be monitored or reviewed? To whom does the FAS report? What reporting requirements does it need to meet?*



**A.:** Control over the FAS' activity is exercised by the Government of the Russian Federation. Some control bodies of the Russian Federation, such as the Chamber of Counting, the General Prosecution and the Ministry of Finance, have the right to control the antimonopoly policy also.

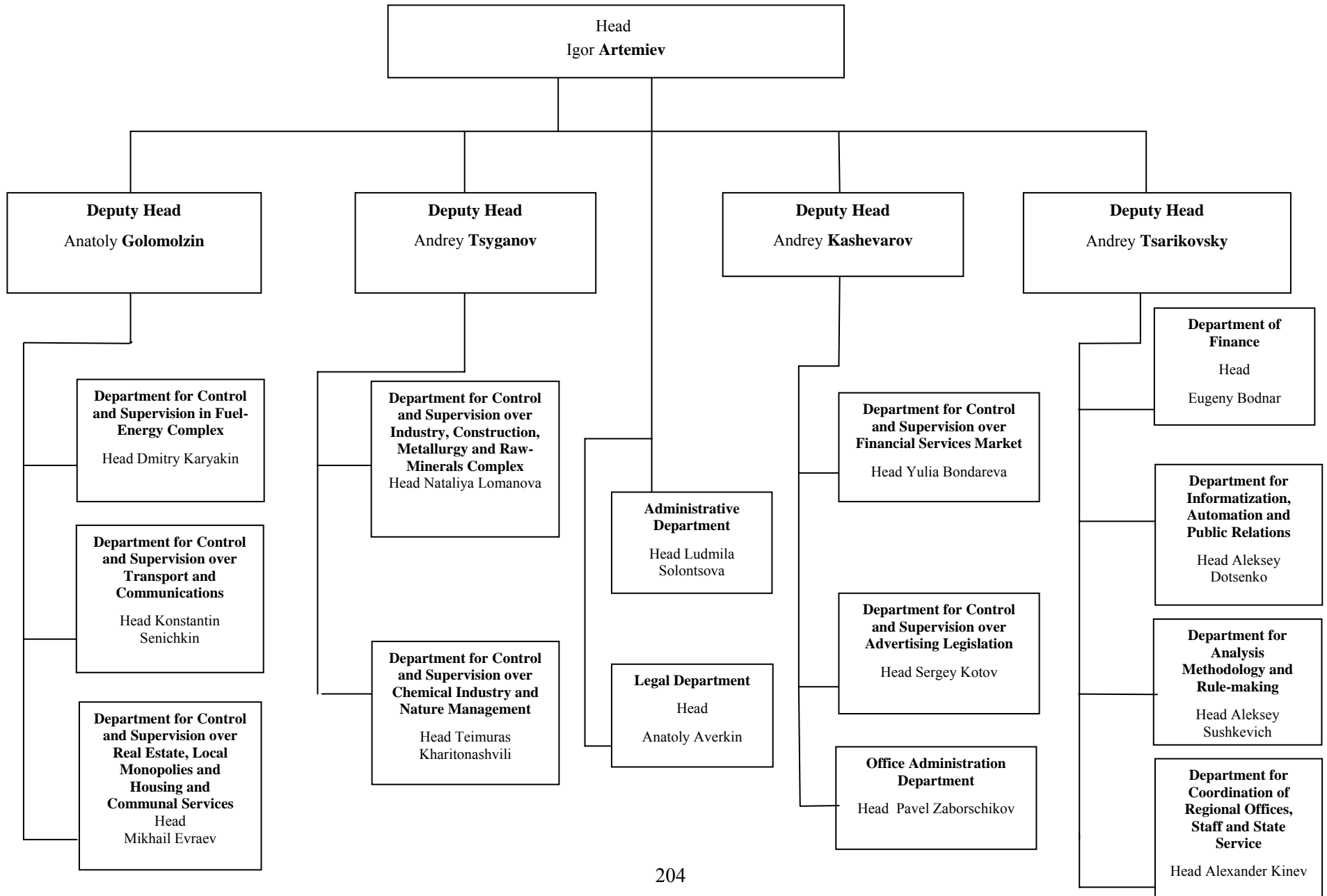
Besides the preparation of IAPs every year we also submit annual Reports on Competition Policy in the Russian Federation to the Organization for Economic Cooperation and Development (OECD) as a non-organization member.

**Q.112.9:***Measures to deal with horizontal restraints.*

*When will the criteria for assessing prohibited horizontal or collusive agreements come into force?*

**A.:** Please, refer to the answer to **Q.110**.

**The FAS of Russia Chart**



## **Chapter 9: Government Procurement**

(See also see the answer to Q126 as pointed out below)

### **Hong Kong, China**

**Q.113:** *We appreciate Russia's efforts in modernizing its GP regime in recent years and note that Russia's "regime for procurement for State needs provided for transparency, non-discrimination in procurement and required the uniform application of procurement measures at both federal and sub-federal levels. It also provided for challenging procurements." We encourage Russia to keep up the efforts in moving towards an open and non-discriminatory GP regime.*

**A.:** Russia thanks Hong Kong, China, for such an appreciation.

### **ABAC**

**Q.114:** *There exists a substantial lack of transparency as well as inequality in decision-making processes within the government. Also, the government (both central and local) sets purchase requirements for domestic products targeting foreign companies. ABAC asks Russia to enhance the transparency of its government procurement regimes and to provide more information about such matters.*

**A.:** With the purpose to provide with transparency of the mechanism to accomplish purchases of production for state and municipal needs and also to stimulate fair competition, a new draft Federal Law "On Placement of Orders for Delivery of Goods, Performance of Works and Provision of Services for State Needs" had been approved by the Government on 13 May 2004. The given draft law is accepted by the State Duma of the Russian Federation in the first reading on November 12, 2004.

### **Expert**

**Q.115:** *How has the government procurement regime of Russia overall developed during the period of 1996-2004? What measures have been taken over the same period with respect to making this regime consistent with the government procurement agreement (GPA) of the WTO? How much progress has been achieved in the WTO accession negotiations about the possible Russia's accession to the GPA of the WTO? What is the policy direction of Russia thereof?*

**A.:** Competitive and other methods and the appropriate procedures of purchases for public federal and regional needs<sup>14</sup> were established by the Decree of the President of Russian Federation in 1997. In 1999 the federal Act was accepted about realization of competitions at a

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<sup>14</sup> "Procurement for state needs" (Russian legislation did not contain the term "government procurement") was governed in the Russian Federation by the following regulatory acts: the Civil Code of the Russian Federation; Federal Law No. 53-FZ of 2 December 1994 "On Procurement and Deliveries of Agricultural Goods, Raw Materials and Foods for the State Needs"; Federal Law No. 60-FZ of 13 December 1994 "On Procurement of Goods for Federal State Needs" (as amended on 23 December 2003); Federal Law No. 213-FZ of 27 December 1999 "On the State Defence Order" (as amended on 6 May 1999); Federal Law No. 597-FZ of 6 May 1999 "On Tenders for Placement of Orders for Deliveries of Goods, Performance of Works and Provision of Services for State Needs"; Presidential Decree No. 305 of 8 April 1997 "On Priority Measures to Prevent Corruption and Reduce Budget Expenses in the Course of Organization of Procurement of Goods for State Needs"; Government Resolution No. 1222 of 26 September 1997 "On Goods to be Procured for State Needs Without Conducting Tenders (Auctions)" (as amended on 9 January 2001); and Government Resolution No. 26 of 11 January 2000 "On the Federal System of Regulation of the Goods Procurement for Federal State Needs".

federal level. Work on development of the new draft of the law about public procurements was conducted hereinafter which should establish uniform rules of purchases for all country. This draft was accepted, as it was already marked, in the first reading on November 12, 2004.

The principles and procedures for formation, placement and fulfillment of orders for procurement and delivery of goods and services for state needs were set out in the above-mentioned acts and in the new draft law. These texts took into consideration the provisions of the UNCITRAL Model Law "On Procurement of Goods (Works) and Services", and therefore corresponded to international practices in this field. The subjects of the Russian Federation and local Governments were required to align their normative legal acts with the Federal requirements of the Presidential Decree.

It should be noted that the scope of government "purchases for State needs", as provided for in current legislation and in the new draft law, appeared to go beyond "procurement" as defined in Article III:8 of the GATT 1994, i.e., "products purchased for governmental purposes and not with a view to commercial resale or with a view to use in the production of goods for commercial sale," and the goods and services subject to the WTO Agreement on Government Procurement.

The new draft law aimed at the creation of a basic statutory legal act that regulated procurement for State needs; ensuring transparency of "procurement for State needs"; stimulation of fair competition and budget economy; elimination of possible abusive practices; and formation of the "procurement for State needs" legislation of the Russian Federation.

These problems are discussing very seriously at the bilateral and multilateral negotiations with the WTO Working Party of Russia's accession to the WTO now because the Russian definition of "purchases for State needs" is wider than the same one in the GPA of the WTO.

**Q.116:** *Does Russia have currently any criteria requirements or discriminatory procedures in respect of qualification of suppliers or their categories? Are there any discriminatory practices provided by the Federal Laws or Presidential Decrees? If yes, does Russia have any concrete plans to dismantle these discriminatory practices in a foreseeable future?*

**Q.117:** *What are expected and desired effects of the provisions found in Clauses 5 and 6 of Federal Law No. 97-FZ of 6 May 1999, which imposes limitations on access to participation in tenders of a number of organizations including foreign suppliers? Is this provision handled in a way favoring domestic suppliers?*

## USA

**Q117.1** *We note Russia has passed legislation eliminating certain restrictions on participation by foreign suppliers in government procurement. However, in practice, foreign supplies may only participate in tenders if production of the products for government procurement is unavailable or commercially inexpedient in Russia. What specific restrictions have been eliminated for foreign suppliers? What steps is Russia taking to implement and enforce the new legislation? It would be helpful to know how the preferences for local suppliers are applied? How do foreign suppliers know when they are eligible to participate in a tender?*

**A.:** According to Article 5 of the draft Federal Law "On Placement of Orders for Delivery of Goods, Performance of Works and Provision of Services for State Needs", the State purchasers should be federal executive bodies, executive bodies of the subjects of the Russian Federation, or other entities financed through the federal budget. State purchasers could on the contractual basis delegate the implementation of a part of the tender for purchases to other legal entities irrespective of their organization and legal form.

Russia has legislative limitations of intermediary organizations and foreign suppliers on participation in purchases of production for state needs now.

The foreign suppliers can participate in tenders, in case if a production of necessary products and services in the Russian Federation is absent or economically inexpedient. According to the above mentioned draft federal law on government procurement for state needs, the indicated limitations will be cancelled. Thus it is supposed to apply for the national treatment concerning the suppliers of production from foreign countries (group of countries), which will grant the similar rights to the Russian production suppliers<sup>15</sup>.

According to this draft law, the notice on carrying out an open tender (auction) should be published in the official gazette or other official information source for public domain defined by the Government of the Russian Federation, the supreme bodies of the subjects of the Russian Federation executive authorities, or the governors (majors) of the institution of local governing.

The public customer has the right to publish the notice on carrying out the open tender in other mass media, and to place it in the electronic form also.

### Expert

**Q.118:** *Chapter 10 of Russia's 2004 IAP stipulates: "Peculiarity of Russian competition law lies in the fact that it covers not only commercial organizations but executive power bodies as well." What are the meaning of this sentence? What do you mean by the 'executive power bodies'? To what extent these executive power bodies have been involved in the activities restricting competition? Why has this sentence been put in the chapter 10, rather than chapter 9?*

**A.:** Just only the appellation rights. The afore-said new draft federal act stipulates a possibility of appeal in the administrative order of actions (inactivity) of a customer in the authorized body of the executive authority realizing functions of control on purchases of production. The offered order of protection of the infringed rights does not exclude a possibility for the supplier of production to protect such the rights judicially. And the obligations under the Russia's international treaties should also be taken into account and applied correspondently.

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<sup>15</sup> In other words, a reciprocity condition applies for participation by any foreign party: the new draft federal law stipulates that foreign participants shall enjoy a regime established for Russian Federation individuals and legal entities and institutions to the extent that such a regime is provided by the corresponding country (economy or the group of countries) to individual and legal persons of the Russian Federation, unless otherwise stipulated by international treaties where Russia is a participant.

## **Chapter 10: Deregulation/Regulatory Review**

### **Japan**

**Q.119:** *While Russia has achieved certain improvements on the deregulation in the field of electricity and railroad, there seems a tendency on the contrary that the government control has been strengthened in the field of petroleum and natural gas. Since excessive intervention by the Government or sudden changes of investment rules would deteriorate the image of investment environment in Russia, how will Russia protect the existing foreign investment and promote further investment henceforth?*

**A.:** Lately oil and gas industries of the Russian Federation experienced significant changes as for competition development is concerned.

#### ***Oil sector***

In the oil industry competition exists among seven big companies and more than 100 small companies. Among them natural monopolies are allocated – JSC "Transneft" and JSC "Transnefteproduct".

However there is a tendency to increase concentration, but its level is far from being marginal. None of the market participants possesses more the 35% of market share, which is already considered to be a dominant position.

Additional measures on strengthening competition are being prepared. In particular a Draft Decree of the government is being prepared, which regulates the issues of non discriminative access to the systems of arterial oil pipelines and transport terminals.

A draft Concept of petroleum and oil exchange trade development has been prepared already, that also contributes to build up of competition relations in the sector. Stock-exchange trade is also fixed in the Concept of energy sector of the Russian Federation.

#### ***Gas industry***

At present partial privatization of JSC "Gazprom" shares has been carried out. One half of the charter capital of the company is owned by private investors. Internal restructure of JSC "Gazprom" is being put into practice. Gas production, gas distribution and gas supply companies are separated in the frames of the holding. Expenses and incomes account system is put into operation. For the last 7-8 years the share of independent gas productions grew from 0 to 15%. All companies use the rule of non discrimination access to arterial and distribution pipelines. Further reforming of the sector consists in ongoing detailed elaboration of the mentioned rules of non discrimination access and build up of gas stock exchange trade.

In general it is necessary to admit that situation in these industries of the Russian Federation is more favorable than in most developed countries worldwide.

**Q.120:** *The time taken to obtain an import license is excessive. Relaxation of the relevant regulations and improvements in efficiency are required. Do you have any policies in this regard?*

**A.:** Yes. Please, refer to the answers to Chapter 2 "Non-Tariff Measures".

### **New Zealand**

**Q.121:** *What is the direction of Russian thinking on convertibility of the Ruble. Is Russia able to give an indication of when it is likely that this step will be taken?*

**A.:** Not early than the year of 2008.

### **Expert**

**Qs 122 and 123:** *What have been main achievements of Russia in the fields of deregulation and regulatory reform? Are there any examples of regulatory reforms of ‘model’ character taken in any economic sectors?*

*How has the deregulation work in natural monopolies sectors progressed? What have been achieved in railroad, electricity and gas industries? How will the WTO accession negotiations, for example that with the EU, affect the deregulation of these sectors? To what extent was the Russian government able to enhance competition within those sectors classified as natural monopolies sectors?*

**A.:** Main achievements of Russia in the fields of deregulation and regulatory reform, examples of regulatory reforms of “model” character taken in any economic sectors:

#### **Railway transport**

In 2001 the Government of the Russian Federation approved the Railway Structural Reforming Program (Decree of the Government of May 18, 2001 No.384). The Program provides a step-by-step transformation of the sector into the market of transport services, commercialization of the industry, reduction of the monopoly sector in railway transport. The Program envisages establishment of an integral, effective, well-coordinated transport system, raising of stability and regularity of the railways, railway traffic safety, availability and quality of the services rendered, cutting of aggregated economic expenses on railway freight services and satisfying of growing demand for railway services, attracting investments necessary for renewal of the rail rolling-stock.

In accordance with the Program in 2003 with participation of Federal competition authority a package of federal laws was prepared: “On railway transport in the Russian Federation”; “Charter of the railway transport of the Russian Federation”; “On introducing amendments and additions to Federal Law “On natural monopolies”; “On specificity of management of property of the railway transport”.

In accordance with the approved Federal laws the other regulation acts and rules were rewritten, including the rules of cargo transportation by railway transport; the rules on services supply in passenger transport, as well as cargoes, baggage and cargo-baggage for personal, family, home and other needs, not connected with business activity at the railway transport.

At present measures aimed to create conditions for equal fair competition are being carried out with participation of state legislative and executive bodies:

- creating conditions for strengthening competition in the sphere of transportation of cargoes and passengers;
- creating conditions for non-discriminatory access to the railways infrastructure;
- development of competitive sectors, development of competition in the sphere of railway freight services, forming legal grounds to regulate activities of the railway rolling-stock operators and their interaction with carriers.

Competition on the market of railway services is being developed. More than 300 thousand carriages (i.e. about 1/3 of total number) are in possession of independent companies and consignors. In general they render up to 20% of freight services, the most part of which is highly profitable: 40% - transportation of oil-products, 25% - mineral fertilizers, 22% - cars. It is supposed that by the end of 2004 private operators will acquire more than 12 thousand of new carriages. Nowadays, in general, about one hundred operator companies operate in the Russian railway transportation market.

In compliance with the “Charter of Railway Transport” an agreement on rendering services using the infrastructure is to be considered as a public agreement. So, non-discriminatory access of the carrier to the infrastructure is in the sphere of relations between the carrier and the owner of the infrastructure.

#### Electricity sector

The Russian electric energy sector reform is aimed to the establishing of competitive electric energy market in Russia.

Main directions of electric energy sector reforming are:

- increasing of efficiency of electric energy manufacturers;
- creation of conditions for developing the sector on the basis of private investment.

In 2003 legislative and executive authorities of the Russian Federation approved main legal rules, regulating principles of economic relations in electricity, as well as aimed for the development of a competitive wholesale electricity market: Federal Laws “On electricity”; “On the insertion of amendments and additions into the Federal Law “On state regulation of tariffs for electric and heat energy in the Russian Federation”; “On electricity operation during the transition period”.

The Rules of the wholesale market of electricity in the transition period were approved by Decree of the Government on October 24, 2003 No.643:

- three-sector model of the wholesale market of electricity (regulated sector, sector of free trade and sector of divergences);
- procedure of access to the wholesale market of electricity;
- peculiarities of electricity circulation in sectors of the wholesale market of electricity;
- the order of contracting and fulfillment of bilateral agreements of purchase and sale at the wholesale market of electricity;
- peculiarities of participation of joint-stock energy companies and other categories of economic subjects at the wholesale market.

During the transition period a full separation of potentially competitive and natural monopolistic activities in electricity sector should be provided. Transition from vertically integrated companies to separate implementation of activities will be managed through the process of reorganization of JSC "RAO UES" and regional joint-stock energy companies. As the result organizational differentiation of generation, transmission, sales, production control and repair, as well as non-profiled activities would be achieved. Additional condition is general prohibition for any economic subject for simultaneous ownership of assets used in natural monopolistic and potentially competitive activities.

From August 2002 a System Administrator organized imitation tenders on a determined and equal share of electric energy (5-15% of output) with the aim to improve the technology of operation of the wholesale market of electricity, and more then 140 companies took part in tenders. The first real tender at “5-15%” market took place in November 2003. 13 companies participated in the tender. As for July 2004, 87 companies (including 20 which are not RAO UES subsidiaries) and the share of free sector constituted 8% of total electricity consumption along the European part of Russia and Urals mountains.

A Federal Network Company (FNC) is a company which manages the United National (all-Russia) Electric Network (UNEN), provides the unity of technological management of UNEN, render services on electricity transmission through UNEN on a contract basis. Main revenues of FNC are developed from the tariff of electricity transmission along networks.

It is anticipated to use possible variants of exchange or sale the state shares in chartered capitals of generating companies, with the view to increase the state share in chartered capitals of



federal network company and system operator, as well as attracting investment to the sphere of electricity production.

By 2008 main restructuring processes of electricity sector will be completed and wholesale and retail electricity markets would be completely liberalized. By this year independence of most of generating companies should be provided by decreasing of state ownership share in them.

Prices for electricity, which will be set naturally in result of free competition at energy market, will gradually balance and coordinate the interests of the sector (investment inflow) and interests of the consumers (sustainable and effective energy supply).

#### Gas market

A number of steps have been taken towards structural reform in the gas sector including reorganization of Gazprom into joint stock company and its privatization, creation of separated legal entities for implementation of different types of business activity (extraction, transportation, distribution and sale), separation of accounting within Gazprom group.

It is necessary to note a positive tendency of gradual increase of share of independent gas producers in gas extraction (for several years from 0% to 14%).

Non-discriminative principle has been already realized for gas markets. The specificity of the non-discriminative access to the gas market provided in 1999 in the Federal Law "On Gas Supplying in the Russian Federation". It contents the special section concerning the specificity of application of antimonopoly legislation ("Antimonopoly regulation of gas supplying").

In accordance with the mentioned Law organizations-owners of the system of gas supplying must provide non-discriminative access for all organizations to empty capacities of its gas transportation and gas supplying networks in the order, issued by the Government of the Russian Federation.

In order to develop competition and to prevent market monopolization competition authority in the frames of merger control has a possibility to require observation of certain conditions to preserve competition. Such requirements could have both structural and behavioral nature.

Behavioral requirements concerned mandatory provision of not less then 20% of empty capacities in gas-transportation and gas-distribution systems for independent network gas suppliers and provision of not less then 30% of empty capacities for carbureted hydrogen gas stocks for all oil and petrochemical companies by owners of mentioned capacities.

At present the Draft Concept of gas market development is elaborated. In the frames of this document Federal Antimonopoly Service prepares a range of proposals on improving of issues of access to the gas pipeline network, structural separation of natural monopoly functions and creation of competitive market of natural gas. Structural reform of JSC Gazprom itself would start when reform of JSC RAO UES will be completed to avoid excessive risks.

## **Chapter 11: Implementation of WTO Obligations and Rules of Origin (ROOs)**

### **ABAC**

**Q.124:** *ABAC recognizes that Russia has been carrying out negotiations on accession to the WTO Agreement. It is highly desirable for the business sector in the region that Russia will further ensure the compliance of its legislation with the WTO and accede to the WTO at the earliest possible time.*

**A.:** The overwhelming majority of APEC economies are members of the World Trade Organization. It is logical that the Forum's *modus vivendi* is largely determined by WTO rules and depends on the situation in that organization. We use this opportunity to express deep gratitude to our APEC colleagues for their support of Russia's efforts to join the WTO. Unfortunately, not everything is so promising with all our partners in Asia and America. We hope that support from a representative organization such as the APEC will also have a positive influence on the process of Russia joining the WTO.

We joined the APEC to meet the Bogor goals. We would include among the concern we have expressed over new restriction in trade.

It is essentially the same as the problem with the World Trade Organization. That is, we declare that we are striving for liberalization and open trade. We entered the APEC for this reason. At the same time, we encounter more and more new non-tariff restrictions, and as soon as some of our production becomes competitive on the international market, problems arise. Russia means, for example, restrictions on export of metal to several countries.

We believe that discussion of principles underlying the construction of modern democratic economic relations in the world at the APEC summit will have a positive effect on Russia's accession to the WTO.

We have been discussing this with the US delegations for a long time, whose President, Mr. George Bush had supported, both publicly and in private talks to our President, Mr. Vladimir Putin, Russia's desire to join the WTO, and who announced his support at the one-on-one meeting during 12<sup>th</sup> APEC summit in Chile. We hope this will have its effect on accession talks.

### **Expert**

**Q.125:** *Russia is in the process of acceding to the WTO Agreements. What is the progress of Russia's accession negotiations? With what countries has Russia concluded the negotiations successfully? When do you expect all the negotiations to be concluded? What voluntary liberalization measures has Russia taken in the process of these negotiations? In what areas and with what countries were the negotiations more difficult than in other areas and with other countries? Upon accession to the WTO, does Russia plan to accede to all or some of the plurilaterals?*

**A.:** Relative to the third first questions, please, refer to our answer to Q4 as it stated above.

With regard to the next question, please, see the answer as referred to Q1 above.

Bilateral negotiations on services showed that there are different interpretations of WTO rules by the countries in terms of the horizontal regulation of trade in services. In this regard, multilateral consultations on specific aspects of such regulation in Russia (natural monopolies, subsidies, bordering territories, cultural heritage and property, antimonopoly regulation etc.).

The WTO countries' requirements in that area can be generally divided into three groups as follows:

1. Russian legislation and law-enforcement practice not being in compliance with the WTO regulations. The main concern of WTO members is certain provisions of excessive demands to imported goods concerning the certification and conformity confirmation, procedures in the area of sanitary, veterinary and phytosanitary control etc. Participants of the negotiations require unconditional fulfillment of all relevant WTO provisions.
2. Russia's application of some regulatory aspects, which are basically allowed in the WTO, may be stipulated by certain requirements or commitments set forth in the Working Party Report. These requirements are "subject to negotiations".
3. Requirements which are clearly beyond the scope of WTO commitments (the so-called "WTO+" requirements) such as joining the agreements on government procurement or civil aircrafts, equaling of internal and external prices for energy resources, etc.

As for the last results of the 12<sup>th</sup> APEC summit in Santiago de Chile, there were concerns above all with discussions of economic issues, the struggle against corruption, improvement of international trade, and liberalization of the global economy. In this sense, Russia would like to carry on dialog with its partners, meaning as regard accession to the WTO. Like before, we are resolved to become a member of this universal international economic organization. But, as we have said more than once, we want to join it on standard, discrimination-free conditions. We are satisfied with the decisions and the discussion of these issues in Chile, because all participants in today's meeting confirmed the principles underlying the WTO and APEC taking into account the Bogor Goals, the goals for free economic cooperation all over the Pacific Rim.

Russia calls on the APEC countries once more to join their efforts in fighting trade protectionism and other restrictive measures since both old and new types of protectionism lead to a chain reaction that limits competition and deals a blow to developing countries. We express support for the idea of conducting an informal and open dialogue on major economic problems both within the APEC framework and at in other formats, including in the WTO.

It is important to underline also that Russia is not going to accede to the WTO on any terms. The terms of accession in all aspects (tariffs, agricultural commitments, services, market access, systemic and "WTO+" commitments) will be based on real conditions of the Russian economy in order to ensure the necessary protection for national producers with preserving an adequate competitive environment.

Russia is doing its best to accelerate the negotiating process, but it should not drag out the accession to this organization either. At that time Russia expresses the belief that quicker accession to the WTO will be a benefit both, for example, for APEC economies and Russia in particular (also, please, refer to information on the Russian website (in English): <http://www.wto.ru/en/newsmain.asp> and on the web-site of the WTO Secretariat: [www.wto.org](http://www.wto.org)).

**Q.126:** *2004 IAP states that Russia is “ready to consider individual liberalization measures, without tying them up with negotiations on the terms of accession to the WTO”. Has Russia introduced such liberalization measures recently? Or, are such individual liberalization measures planned for a foreseeable future? Will these be before or after Russia’s accession to the WTO?*

**A.:** For example, it concerns government procurement<sup>16</sup>.

A new draft Federal Law "On Placement of Orders for Delivery of Goods, Performance of Works and Provision of Services for State Needs" had been approved by the Government on 13 May 2004. The new Law would apply to all purchases and deliveries of products and services for government procurement, made in the territory of the Russian Federation and would be financed by the Federal budget, budgets of the subjects of the Russian Federation, off-budget funds of the Russian Federation and of the subjects of the Russian Federation.

The regime for procurement for State needs provided for transparency, non-discrimination in procurement and required the uniform application of procurement measures at both federal and sub-federal levels. It also provided for challenging procurements.

Neither the Federal Law "On Procurement of Goods for Federal State Needs" currently in force nor the new draft federal law set forth provisions on purchase of products for governmental purposes with a view to commercial resale or with a view to use in the production of goods for commercial sale.

The draft federal law would eliminate certain current restrictions on participation by foreign suppliers in the deliveries of goods and services for State needs. Clearer regulations for the conduct of procurement would be established. The draft law would also ensure transparency of the procurement of goods and services for public needs and stimulate effective competition and effective use of budgetary funds.

Concerning purchases for State needs that went beyond procurement of goods and services for direct use and consumption of government agencies, Presidential Decree No. 305 of 8 April 1997 prohibited discrimination with respect to suppliers for certain categories of purchases, and Article 6 of Federal Law No. 97-FZ provided that foreign suppliers of goods, works and services had the right to take part in tenders, if domestic manufacture was absent or economically unjustified.

As for the role of unitary enterprises in purchases for State needs, neither the Federal Law "On Procurement of Goods for Federal State Needs" currently in force nor the new draft federal law set forth provisions on special privileges for unitary enterprise in this area.

Concerning barter trade, legal provisions for such trade could be found in Federal Law No. 164-FZ of 8 December 2003 "On the Fundamentals of State Regulation of Foreign Trade Activity", President Decree No. 1209 of 18 August 1996 "On State Regulation of Foreign-trade Barter Transactions" and Government Resolution No. 1300 of 31 October 1996 "On the Measures for State Regulation of Foreign Trade Barter Transactions." Pursuant to Federal Law No. 164-FZ, those normative legal acts should be applied to the extent that they did not contradict the provisions of Law No. 164-FZ, before the adoption of new normative legal acts in this area.

The same duties and taxes applied to barter trade transactions as to ordinary commercial transactions. There were no more government-to-government barter agreements, and special bilateral barter arrangements established in the wake of the August 1998 financial crisis to provide trade in vital commodities had lapsed.

**Q.127:** *The rules of origin of Russia seem to be governed by several different legislations. What concrete procedures and methods are currently applied to determine the country of origin in*

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<sup>16</sup>

Purchases for state needs in 2003 amounted to 615 billion Rubles.

*case of imports from (i) free trade agreements partners, (ii) C.I.S. countries, (iii) developing countries, and (iv) MFN countries?*

**A.:** The Russian Federation closely followed the work of the World Customs Organization (WCO) and the WTO regarding the application and harmonization of non-preferential rules of origin. The principles for determining the country of origin of goods were based on international practices and implemented the recommendations of the Kyoto Convention. The procedures for determining the country of origin of goods were established pursuant to the provisions of Federal Law No. 5003-1 of 21 May 1993 "On Customs Tariff" (as last amended on 29 June 2004). Goods were recognized as originating from a specific country if they were wholly made in that country or substantially transformed in accordance with criteria set forth in the Law. The country of origin of goods might also be understood to mean a group of countries, customs unions, a region or a part of a country, if it was necessary to identify them with a view to determining the origin of goods. The provisions of Federal Law No. 5003-1, which related to the determination of the country of origin of goods, had been incorporated in the new Customs Code, which had entered into force on 1 January 2004 (Federal Law No. 61-FZ of 28 May 2003).

Pursuant to the Customs Code, by default, MFN treatment was granted if the country of origin was declared and accepted as being the MFN country of origin. Where MFN treatment existed in respect of the exporting country, customs duties were charged at the Customs Tariff rates. Pursuant to Article 38 of the Customs Code, customs duties were charged at the double rate only when the customs bodies discovered the lack of signs proving that the goods at issue had originated from a country in respect of which Russia did not apply MFN treatment. If customs bodies had no reasons to consider a good as originating from a country in respect of which Russia did not apply MFN treatment, customs duties would be charged at the Customs Tariff rates irrespective of the availability or absence of Certificate of origin.

Pursuant to Article 36 of the Customs Code, certificates of origin constituted an indisputable documentary proof of the country of origin of goods issued by the competent body or organization of a given country or of the country of exportation, provided the latter issued certificates based on information obtained from the country of origin of the said goods. Certificates of origin should contain a written statement by the consignor that goods satisfied the respective criteria of origin, and written confirmation by the duly authorized body of the exporting country which had issued the certificate that the data indicated therein were true and correct (Article 31 of the Federal Law No. 5003-1 of 21 May 1993 "On Customs Tariff"). If doubts existed about the validity of a certificate or the accuracy of the data indicated therein, including the country of origin, the Russian customs agency could approach the organizations that had issued the certificate or other authorities of the country indicated with a request for clarification. In these circumstances, goods would not be regarded as originating from a given country until a duly executed certificate of origin or requested data were submitted. Failure to submit a duly executed certificate or data about the origin of goods would not constitute grounds for refusal to clear such goods across the customs border. However, goods whose origin had not been clearly established, would be cleared only after the payment of customs duties at the double MFN rates of the Customs Tariff.

The determination of the origin of goods originating from developing countries eligible for the system of preferences maintained by the Russian Federation was governed by the "Rules of Origin of Goods Originating from Developing Countries for the Purposes of Tariff Preferences under the General Preferences System" incorporated in the Agreement of the C.I.S. states of 12 April 1996 "On Rules of Origin of Goods Originating from Developing Countries for the Purposes of Tariff Preferences under the General Preferences System".

As for the rules of origin within free trade agreements, additional criteria of direct purchase were used, along with requirements that the exporter be legally established in a Party to the

Agreement (Decision of the Heads of Government of other CIS Countries of 18 October 1996). In respect of goods originating from C.I.S. countries, the Russian Federation adhered to the "Rules of Origin of Goods" approved by the Council of Heads of CIS Governments on 30 November 2000. These rules had been developed pursuant to the international practice of determination of origin. There were no special arrangements for the determination of the country of origin of goods within the framework of the Eurasian Economic Community.

According to Article 37 of the Customs Code, when goods were brought into the customs territory of the Russian Federation, the declarant, i.e. the person declaring the goods or on behalf of which the goods were declared (Article 11 of the Customs Code), had to present a document confirming the country of origin of the goods to benefit from preferential tariffs in accordance with international treaties or legislation of the Russian Federation. In this case, the document confirming the country of origin of the goods had to be presented to the customs body simultaneously with the customs declaration. The customs authorities had the right to ask the declarant to present documentary proofs of the country of origin of the goods in other cases only if they discovered signs of authenticity of the declared information denoting the country of origin of the goods, as far as such information could affect the application of the customs duties, taxes, and/or restrictions and prohibitions stipulated by the Federal Law of the Russian Federation on the State Regulation of Foreign Trade Activity. As for the requirement that the exporter be legally established in a Party to the Agreement there were no any other criteria apart from registration.

Articles 393 to 396 of the previously applied Customs Code provided that customs authorities were entitled to issue a provisional decision with respect to the origin of goods, prior to import of these goods into the territory of the Russian Federation. To further develop these provisions, the State Customs Committee (SCC) had introduced a "Regulation on the procedure for taking preliminary decisions with respect to the country of origin of goods". With regard to compliance with the requirements of Article 2(h) and Annex II, paragraph 3(d) of the Agreement on Rules of Origin, Articles 393-396 of the previous Customs Code of the Russian Federation provided for the possibility of preliminary (prior to shipment) origin determination by customs administrations. In furtherance of these Articles, the State Customs Committee had prepared and passed a Regulation on the procedure for origin determination prior to shipment, and provisions authorizing such measures had been included in Articles 40-44 of the new Customs Code. General rules of confidential information were contained in Article 139 of the Civil Code and Article 10 of Law No. 948-1 of 22 March 1991 "On Competition and Restriction of Monopoly Activity on the Commodity Markets"<sup>17</sup>.

The new Customs Code of the Russian Federation contained provisions to fully reflect the requirements of the Agreement on Rules of Origin in Chapter 6, paragraphs 1-3, and defined the country of origin of a particular product as either the country where the product was produced wholly or was subject to sufficient transformation in accordance with the criteria or procedure established by the Code, the two of them complying with the Agreement on the Rules of Origin.

Concerning the requirements of Article 2(h) and Annex II, paragraph 3(d) of the Agreement on Rules of Origin, they were reflected in SCC Order No.920 of 22 August 2003 "On the Approval of the Regulations on the Procedure for Taking Preliminary Decisions on the Classification of a Commodity in Accordance with Commodity Classification of Foreign Economic Activity and on the Country or Origin of a Commodity". Preliminary decisions on the origin of a product had to be taken within 90 days from the date of receipt of a request by

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The acquisition, use, or disclosure of scientific, technical, production, or commercial information, including commercial secrets, without the owner's consent were not permitted pursuant to Article 10 of Law No. 948-1 of 22 March 1991 "On Competition and Restriction of Monopoly Activity on Commodity Markets".

the customs body. Preliminary decisions were valid for five years unless they were changed, withdrawn or terminated.

The Customs Code supplied an exhaustive list of the kinds of goods which were considered to be produced wholly in the country. The Customs Code also established the criteria of sufficient transformation and listed the operations which did not satisfy those criteria, but in a non-exhaustive manner, additions could be made by the Government of the Russian Federation. The Customs Code established the cases where certificates of origin were mandatory. In the other cases, the customs authorities had the right to require the provision of a certificate of origin only when there was a motivated reason to believe that the information on the country of origin of goods was false.

In the event that goods were supplied in a dismantled or not assembled state over several shipments - when it was impossible to deliver the whole lot at one time due to industrial or transportation problems or when the lot of goods had, by mistake, been divided into parts - the Customs Code established a number of peculiarities to assist in determining the country of origin of goods (the indicated goods could, at the discretion of the importer, be considered as one shipment).

Concerning the application of preferences, the document confirming the country of origin of goods would be the Certificate of Origin or the Declaration on the Origin of Goods. The Customs Code provided that the Government of the Russian Federation could establish a procedure for the application of criteria of substantial transformation for particular goods for a particular country to whom the Russian Federation granted tariff preferences. Article 32.5 of the Customs Code provided that the term for application of the rules of direct purchase and direct shipping for granting preferential tariffs were also established by the Government.

Upon accession, the preferential rules of origin applied by the Russian Federation would reflect the interim rules of the WTO Agreement in Annex II of the Agreement, including the provisions for transparency, right of appeal, and notification to the Committee on Rules of Origin.

According to Article 38 of the Customs Code in cases when documents confirming the country of origin of goods were lacking or when there were signs that the documents presented had been drawn up inappropriately and/or that they contained unreliable information, the following actions had to be taken before the filing of the documents confirming the country of origin of the goods or the provision of more precise information:

- customs duties would be paid at non-MFN rates if the customs body discovered signs that the country of origin of the goods was a country with which trading and political relations did not envisage MFN treatment or a security would have to be provided for the payment of customs duties at the said rates;
- Article 355 of the Customs Code of the Russian Federation (Federal Law No. 61-FZ of 28 May 2003) set out the mechanism for recovery of overpaid or over-recovered customs payments. The customs authority was required to inform the payer of the overpaid or over-recovered customs payment within one month from the date of detection of the overpayment or over-recovery.
- when the certificate was accepted, after release of the goods MFN treatment or tariff preferences would be applied to the goods for one year and the importer could recover the difference in the duties paid. Customs duties were reimbursed upon the submission, by the payer, of a request within one year from the date of occurrence of the incident of overpayment of the customs duties. Such a request had to be submitted to the customs office to which duties had been paid.

See a WTO's estimation of Russia as of November 2004 and also the answers to questions in Chapters 1 and 3 as above.

## **Chapter 12: Dispute Mediation**

### **Hong Kong, China**

**Q.128:** *We are pleased to learn that Russia has planned to set up and maintain the state legal Internet database accessible to every user through payment-free access to all legal information, including drafts of new federal laws. We would like to know the time-frame, if available, for making laws accessible on the Internet and whether English translations will be available.*

**A.:** In accordance with Article 5.3 of the Russia's Constitution, laws and other regulatory acts relating to human rights, freedom and duties were subject to official publication. This provision was developed in Federal Law No. 5-FZ of 14 July 1994 "On the Procedures for Publishing and Entering into Force of Federal Constitutional Laws, Federal Laws, and Acts passed by the Chambers of the Federal Assembly"; and Presidential Decree No. 763 of 23 May 1996 "On the Procedures for Publication and Entering into Force of the Acts of the President of the Russian Federation, the Government of the Russian Federation and the Normative Legal Acts of the Federal Executive Bodies". According to Article 4 of Federal Law No. 5-FZ, the date of publication of a federal constitutional law, federal law or act passed by the Chambers of the Federal Assembly should be the date of the first publication of their full text in the "Parlamentskaya Gazeta" (*Parliament Newspaper*), "Rossiyskaya Gazeta" (*Russian News Daily*) or in the digest "Sobraniye Zakonodatelstva Rossijskoj Federatsii" (*Code of Laws of the Russian Federation*). Federal constitutional laws, federal laws and acts of the Chambers are also published in other press sources and brought to general knowledge through media and Internet, distributed to state authorities, officials, enterprises, establishments and organizations, transmitted via communication channels or distributed in machine-readable formats. A great deal of draft legislation was made available on various governmental and parliamentary, (e.g. the State Duma or *the lower Chamber or the Russia's Parliament*) websites from the time it was formally proposed to the State Duma.

The Russian Government intended to continue and expand this practice (also in English. For example, everybody can find the afore-said information) at the Presidential Internet-site (<http://www.kremlin.ru> – the Federal Laws, Presidential Decrees and Orders).

In accordance with paragraph 2 of Presidential Decree No. 763, acts of the President of the Russian Federation and of the Government were subject to official publication in the "Rossiyskaya Gazeta" and in the digest "Sobraniye Zakonodatelstva Rossijskoj Federatsii" within ten (10) days after their signing. Distribution of the acts of the President and the Government in a machine-readable form by the scientific and technical centre of legal information "Systema" was also deemed to constitute an official publication.

Moreover, in accordance with paragraph 8 of Presidential Decree No. 763, regulatory legal acts of federal executive bodies related to human rights, freedom and duties or establishing the legal status of organizations or acts of inter-departmental nature were subject to official publication in the "Rossiyskaya Gazeta" within three (3) days of their registration, and in the "Bulletin of Normative Acts of the Federal Bodies of Executive Power" published by the publishing house "Yuridicheskaya (or *Juridical*) Literature" of the Administration of the President. This Bulletin was distributed in a machine-readable form by "Systema".

In accordance with Federal Law No. 164 of 8 December 2003 "On Fundamentals of State Regulation of Foreign Trade Activity" (Article 16), new Customs Code No. 61-FZ of 28 May 2003 (Article 24) and Government Resolution No. 98 of 12 February 2003 "On Access to Information on Activities of the Government of the Russian Federation and Federal Executive Bodies", all federal executive bodies were required to ensure public access to information with regard to laws, Presidential decrees, government resolutions, as well as their own regulations,



orders, rules, instructions, recommendations, letters, telegrams, teletype messages, etc., having an impact on trade, including by placing this information on the Internet (see: *Russia's IAP, Chapter 14. Information Gathering and Analysis*).

The Russia's Government had set up an operational enquiry point in conformity with the requirements of the WTO Agreements on TBT and SPS and was establishing operational enquiry points in conformity with the requirements of Article III of the General Agreement on Trade in Services.

Federal Law No. 128-FZ of 8 August 2001 "On Licensing of Specific Types of Activity" (as amended on 23 December 2003) imposed specific procedural requirements, including criteria and time limits for decisions on licensing and licensing authorities, and requirements for written notification of decisions. Under Federal Law No. 128-FZ licensing procedures and authorized bodies were established by Government Resolutions (according to Article 5 of that Federal Law). All acts of the Government of the Russian Federation were subject to official publication before they came into effect.

Though Federal Law No. 128-FZ did not cover a certain range of activities, including communications, production and sale of alcohol, etc., specific requirements on transparency, including criteria and time limits for decisions on licensing and licensing authorities, and requirements for written notification of decisions, were stipulated in the special Federal Laws regulating those types of activity. The Ministries responsible for these kinds of activities have regularly disclosed the applied laws and new draft legislation at their own Internet web-sites for public domain.

### Expert

**Q.129:** *In how many trade and investment disputes with which countries has Russia been involved over the period of 1996-2004? As a non-member of the WTO, how has Russia resolved these disputes, if any? What international venues and rules were used for dispute resolution?*

**Q.130:** *Could you provide detailed information on some dispute cases that have been successfully resolved over the last years? Could you provide detailed information on some dispute cases for which Russia has had difficulties to resolve because Russia was not a member of the WTO? Has Russia ever used or been involved in WTO's Dispute Settlement Mechanism? If yes, could you provide some details?*

**A.:** The relevant data is not available by now and also because the our counterparts in disputes did not recognized the market status of the modern Russian economies and did not apply for the WTO Dispute Settlement mechanism (DSM). By our sight, you can find all other answers in our IPA Chapter 12 "*Dispute Mediation*" for 2004. It is important to underline also that it is necessary to protect our national producers with preserving an adequate competitive environment, because only due to anti-dumping measures construed on the "non-market" status of the Russia's economy we suffer losses in total about USD 2,5 bn. annually, at our conservative preliminary estimate.

**Q.131:** *With how many countries, including APEC member economies, has Russia concluded bilateral investment agreements? Do these agreements generally contain specific provisions on dispute settlement? Or are these investment disputes resolved through international conventions? If yes, which conventions are used?*

A.: Russia has signed bilateral investment treaties (BITs) with 57 countries. BITs with 14 OECD member countries were signed as early as by the former Soviet Union in 1989-1990, together with BITs with China and Vietnam. BITs with other countries including part of the APEC economies and a number of other countries were signed by the Russian Federation in the 1990s. Since 1998 (when Russia acceded to the APEC) 13 more countries, including Japan (in 1998) and Thailand (2002) among the APEC economies, have signed BITs with Russia. The Russia-United States BIT was signed in 1992, but has not yet entered into force pending Russian ratification. The same concerns the Russia-Thailand BIT.

Russia developed a model BIT in 1992 which it used as the starting point for negotiations; this was replaced by a new model in 2001 that retained provisions on compensation for expropriation and on guarantees for monetary transfers.

In respect of investors and their investments, all BITs contained, *inter alia*, provisions on national treatment and MFN with exemptions, rules for reimbursement of losses, and dispute settlement procedures.

**Table I. Russia's BITs with APEC economies**

Partner	Year concluded
Canada	1989
China	1990
Japan	1998
Korea, Republic of	1990
Philippines	1997
Thailand	2002
United States	1992
Vietnam	1994

Source: UNCTAD, BIT/DTT Database; MEDT of Russia

Generally speaking, any dispute between Russia and other economies or foreign investors shall be settled according to the bilateral or other international treaties concluded or acceded to by Russia. Most BITs between Russia and other member economies give the following provisions: any dispute between investors of Russia and its partner country (or economy) shall be settled amicably by negotiations and consultations as well as it possible. If talks/consultations fail, the dispute shall be submitted to an ad hoc arbitral court, also in accordance with the UNCITRAL arbitral and mediation procedure subject to the bilateral investment treaty.

Also see the answer to **Q.49**.

Russia has signed a large number (near 40) of double taxation treaties (DTTs)<sup>18</sup>, most of them between 1995 and 2002 and many of them replacing tax treaties signed by the former Soviet

<sup>18</sup>

The full list of Russia's DTTs is disclosed in the answer to Q 67 as pointed out above.

Union. In those cases where no such replacement treaty has been signed by the Russian Federation, Russia abides by the treaty signed by the Soviet Union<sup>19</sup>.

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<sup>19</sup> They include treaties entered into directly by Russia and those USSR treaties to which Russia is a successor.

**Table II. Russia's DTTs with APEC economies**

<b>Partner</b>	<b>Year concluded</b>	<b>Year of coming into effect</b>
Australia	2000	
Canada		1995
Chile	2004	
China, inc.:		1997
Macau	1999	
Indonesia	2002	
Japan		1986
Korea, Republic of		1995
Malaysia		1987
Mexico	2004	
New Zealand	2000	
Philippines	1995	
Singapore	2002	
Thailand	1999	
United States		1993
Vietnam		2002

**Source:** UNCTAD, BIT/DTT Database; Russia's Ministry of Finance

Under Article 15 of the Constitution of the Russian Federation, the provisions of properly ratified international treaties to which Russia is a party prevail over provisions of domestic Russian laws. This principle is reflected in Part I of the Russia's Tax Code also.

## USA

**Q131.1:** *We welcome the initiative to increase transparency in the Russian Federation, in particular, the creation of a government-sponsored database providing free access to all legal information, including drafts of new federal laws. We understand that the plan is to include translations of these measures in English and other languages. What is the timing for establishment of this database? We have a strong interest in obtaining access to draft laws and regulations and the opportunity to provide comments on drafts while they are still under active consideration. Will this be possible?*

**A.** Please, refer to *answers to Q128 and the Chapter "Introduction and General Comment"*. Russia could underline that it plans to provide full e-access to all legal information, including drafts of new federal laws and regulations (using foreign languages, as minimum as English, French and Spain also) app. by 2008 after full-scale shaping of e-government in Russia. You can find partial judicial information at the Internet web-sites of the Russia's President, the State

Duma, MFA of Russia, the Ministry of Justice, etc. (*please, refer to Russia's IAP Chapters 12 and 14 also*).

## **Chapter 13: Mobility of Business People**

### **Mexico**

#### **Business Temporary Entry**

**Q.132:** *The Mobility of Business People CAP indicates economies' agreement to apply the agreed processing standard of 30 days for executives and senior managers on intra-company transfers to specialists, however the chapter does not indicate whether or not this standard is being achieved, and does not provide a definition of specialists.*

**A.:** No comment, especially on APEC CAP's requirements.

#### **Dialogue with Business**

**Q.133:** *Information on how Russia is planning to involve the private sector for streamlining migration administration process. We note that Russia does not have a mechanism for dialogue with business, but that the BMG's agreed strategy on Dialogue with Business asks economies to seek input and feedback from their local business community. Are you planning on doing so?*

**A.:** Yes, we are. And Russian authorized public bodies do it regularly using different ways including joint public and business meetings and also the Internet-conferences.

#### **Regulatory Visa Regimes**

**Q.134:** *The APEC Business Travel Handbook has not been completed. It is possible to know about your exchanging information regimes?*

**A.:** Yes, we agree that only Russia did not provide the APEC Business Travel Handbook with the appropriate information. We plan to do it this year. By the way, refer to the Russian Internet web-site: <http://www.russiatourism.ru> (in Russian, English, German, French, Spanish and Italian, Chinese and Japanese languages are not available right now) and the [booklet attached](#) herewith (as of 2002, unfortunately, not updated yet because the administrative reform and recommencement activity of the Russia's Federal Agency for Tourism which is subordinated directly to the Russia's Prime-Minister, only since the end of November 2004).

#### **Short Term Business Entry**

**Q.135:** *When is the government planning to enter the ABTC Scheme? and which conditions must be fulfilled?*

**A.:** It is represented inexpedient to incorporate APEC recommendations into the Russian legislation, while it assumes necessity of legal binding requirements for separate regime of entry in the territory of the Russian Federation with respect to businessmen of the separate group of countries (economies).

We recognize that special regulations established by the federal laws, should be universal, and the exception with them can be defined by an international (bilateral or multilateral) treaty subject to it ratification. In this connection, the APEC member economies offers about introduction of visa-free, short-term visits of businessmen (or using ABTC Scheme) can be considered only in a context of preparation of the appropriate bilateral or multilateral agreement in the APEC frameworks.

### Technical Cooperation and Training

**Q.136:** *No information is provided on how Russia is participating either sharing information or joining forgery detection courses, document examination or Advance passenger screening.*

**A.:** We will take into account these wishes.

### **ABAC**

**Q.137:** *ABAC strongly encourage Russia to participate in the APEC Business Travel Card (ABTC) scheme and/or to implement visa-free or visa waiver arrangements for short-term business visitors as soon as possible.*

**A.:** We will take into account these wishes. And also see, please, the answer to Q.135 as indicated above.

**Q.138:** *Though ABAC recognizes that Russia has been improving its regulatory visa regimes, its business friendliness still falls short of the standards in the APEC region. Therefore, ABAC urges Russia to further improve its regime in order to ensure the facilitation of movement of businesspeople.*

**A.:** We will take into account these wishes.

The Government Decree No. 355 "Regulations on a visa form, procedure and conditions of its issuing, extension its validity, recalling in the case of losing and abrogation's procedure" was adopted in June 9, 2003. The Decree establishes procedure and conditions for a business visa issuing.

The work on the draft of the Federal Law "On amendments and complements to the Federal Law "On the procedure of departure from and entry the Russian Federation" is in progress. For the first reading at the State Duma amendments establishing a business visa with a validity period of up to 5 years in pursuance of a reciprocal arrangement are now prepared.

And also see, please, the answer to Q.135 as indicated above.

**Q.139:** *ABAC encourages Russia to introduce e-lodgment arrangements for temporary residency applications.*

**A.:** We will take into account these wishes.

### **Expert**

**Q.140:** *What concrete measures has Russia taken over the period of 1996-2004 to enhance the mobility of business people? Which measures of them have been most effective and welcomed by the foreign business people?*

**A.:** Please see as follows:

*Improvements in Russia's Approach to Business Mobility since 1996*

Section	Position at Base Year (1996)	Cumulative Improvements Implemented to Date
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**Regulatory  
Visa Regimes**

The issues of entry and departure from the Russian Federation were regulated by old legal acts.

The Federal laws "On the procedure of departure from and entry the Russian Federation" (1996) and "On the legal status of foreign nationals in the Russian Federation" (2002), Government Decree "Regulations on a visa form" (2003) were adopted.

**Short Term  
Business Entry**

A complicated visa form was used and that caused delays of the visa procedure.

Automatically proceeded visa forms and modern equipment for its filling were introduced. Measures were taken to speed up the answers for applications.

Those measures have been most effective and welcomed by the foreign businessmen and businessladies.

**Q.141:** *Russia has not yet adopted the APEC Business Travel Card Scheme. What are the reasons for Russia not to join this scheme that is regarded as one of most efficient ways to facilitate international trade? Does Russia intend to participate in the scheme in a foreseeable future? Has Russia consulted with any other APEC economies that have registered a successful implementation of this APEC Business Travel Card?*

**A.:** We will take into account these wishes. Also see, please, the answer to Q.135 as indicated above.

**Australia**

*Australia acknowledges the efforts undertaken by Russia to simplify its application forms and procedures to encourage the mobility of business people to Russia.*

*Australia will assist Russia to draft its entries on its short term and temporary residence visa requirements for the online APEC Business Travel Handbook website.*

*Australia reminds Russia that there is APEC funding available to assist with training visits to other economies in respect of improving travel document security and professional service including code of conduct development.*

*We would encourage Russia to consider joining the APEC Business Travel Card scheme to facilitate the entry of business visitors to Russia.*



*Australia would also encourage Russia to examine and implement agreed BMG standards in respect of transparency. All standards documents agreed with the Business Mobility Group are available on the BMG website ([www.businessmobility.org](http://www.businessmobility.org)).*

**A.:** Thanks a lot. We will take it into account.

## Supporting Documents Referred to in Annex - 1

November 2004

## WTO OUTLOOK: Russian Federation

## BASIC INDICATORS

Population (thousands, 2003)	143 425	<b>Rank in world trade, 2003</b>	<u>Exports</u>	<u>Imports</u>
GDP (million current US\$, 2003)	433 491	Merchandise	17	23
GDP (million current PPP US\$, 2003)	1 318 827	Commercial services	27	18
Current account balance (million US\$, 2003)	35 905	Merchandise excluding intra-EU trade	11	15
Trade per capita (US\$, 2001-2003)	1 498	Commercial serv. excl. intra-EU trade	15	8
Trade to GDP ratio (2001-2003)	59.7			
		<i>Annual percentage change</i>		
	2003	1995-2003	2002	2003
Real GDP (95 prices, 1995=100)	128	3	5	7
Exports of goods and services (95 prices, 1995=100)	152	5	10	4
Imports of goods and services (95 prices, 1995=100)	130	3	14	3

## TRADE POLICY

<b>WTO accession date</b>	Observer	<b>Contribution to WTO budget</b>	-	
<b>Trade Policy Review date</b>	-	<b>Import duties collected:</b>		
		in total tax revenue, 1999-2001	7.3	
<b>Tariff binding coverage</b>	-	to total merchandise imports, 1999-2001	5.7	
<b>MFN tariffs</b>	<u>Final bound</u>	<u>Applied</u>		
		2001		
Simple average of <i>ad-valorem</i> duties		<b>Number of:</b>		
All goods	-	9.9	GATS services sectors with commitments	-
Agricultural goods (AOA)	-	8.9	Dispute rulings (complainant - defendant)	-
Non-agricultural goods	-	10.1	Notifications outstanding (CRN)	-
Non <i>ad-valorem</i> duties (% of total tariff lines)	-	11.9	<b>Number of contingency measures in force:</b>	
			Anti-dumping	-
<b>MFN duty free imports</b>			Countervailing duties	-
Share in total imports	-		Safeguards	-

## MERCHANDISE TRADE

	<i>Value</i>		<i>Annual percentage change</i>	
	2003	1995-2003	2002	2003
Merchandise <i>exports</i> , f.o.b. (million US\$) a	134 377	...	4	25
Merchandise <i>imports</i> , f.o.b. (million US\$) a	74 231	...	12	23
	2003			2003
<b>Share in world total exports</b>	1.8	<b>Share in world total imports</b>		1.0
<b>Breakdown in economy's total exports</b>		<b>Breakdown in economy's total imports</b>		
By main commodity group (ITS)		By main commodity group (ITS)		

Agricultural products	7.0	Agricultural products	18.5
Mining products	64.5	Mining products	4.9
Manufactures	28.3	Manufactures	76.6
By main destination		By main origin	
1. European Union (15)	25.9	1. European Union (15)	38.5
2. China	5.8	2. Belarus	8.5
3. Belarus	5.7	3. Ukraine	7.7
4. Ukraine	4.7	4. China	5.7
5. Cyprus	3.2	5. United States	5.2
Unspecified destinations	21.2	Unspecified origins	1.2

#### COMMERCIAL SERVICES TRADE

	<i>Value</i>		<i>Annual percentage change</i>	
	2003	1995-2003	2002	2003
Commercial services <i>exports</i> (million US\$)	15 889	5	20	18
Commercial services <i>imports</i> (million US\$)	26 487	3	15	16

<b>Share in world total exports</b>	<u>2003</u>	<b>Share in world total imports</b>	<u>2003</u>
	0.9		1.5

#### Breakdown in economy's total exports

By principal services item	
Transportation	38.5
Travel	28.3
Other commercial services	33.2

#### Breakdown in economy's total imports

By principal services item	
Transportation	11.7
Travel	48.6
Other commercial services	39.7

a Break in series for merchandise: 1998.

Table: List of Goods and Services for Internal Consumption for Which Prices are Regulated by the Government of the Russian Federation and Federal Executive Bodies

HS code/ CPC	Description of goods and services	Regulating body	Principles of setting of the prices
271121	Natural gas (excluding as sold to the population)	The Federal Energy Commission	Setting of fixed prices of the limit level
271111 271129	Accompanying oil gas and stripped dry gas <sup>1</sup> , casing-head gas (sold to gas processing plants for further processing), liquefied gas for household needs (excluding as sold to the population)	The Ministry of Economic Development and Trade of the Russian Federation on agreement with the Ministry of Energy and the Ministry of Finance of the Russian Federation	
2844	Nuclear fuel cycle products	The Ministry of Nuclear Power of the Russian Federation	
271600	Electric power and heat power	The Federal Energy Commission	Fixed tariffs or their limit levels
9301 9307 871000	Products for defense purposes	The Ministry of Economic Development and Trade of the Russian Federation	Setting of fixed or approximate prices
7101- 7103	Raw diamonds and precious stones	The Ministry of Finance of the Russian Federation on agreement with the Ministry of Economic Development and Trade of the Russian Federation	Setting of the fixed price
9021	Prosthetic and orthopedic appliances	The Ministry of Economic Development and Trade of the Russian Federation on submission of the Ministry of Labor and Social Development and the Ministry of Finance of the Russian Federation	Setting of the profitability limit level
2208	Vodka, liquor products and other alcohol products stronger than 28 proof, produced in the territory of the Russian Federation or imported into the customs territory of the Russian Federation.	The Ministry of Economic Development and Trade of the Russian Federation on submission of the Ministry of Agriculture of the Russian Federation	Setting of the minimum price
2208	Ethyl alcohol from raw eatables produced on the territory of the Russian Federation	The Ministry of Economic Development and Trade on submission of the ministry of Agriculture of the Russian Federation	Setting of the minimum price
7131	Transportation of crude oil and oil derivatives by trunk pipelines	The Federal Energy Commission	Setting of the maximum limit level
7112 741	Transportation of cargoes, railway loading and unloading operations	The Ministry for Anti-Monopoly Policy and Support of Entrepreneurship of the Russian Federation.	Setting of tariffs and fees for loading and unloading services

<sup>1</sup> Excluding gas sold by the gas producer organizations not being affiliated to the Russian Joint-Stock Company Gazprom, the joint-stock companies Yakutgazprom, Norilskgazprom and Rosneft-Sakhalinmorneftegaz and also the gas sold to the populace and housing construction cooperatives.

HS code/ CPC	Description of goods and services	Regulating body	Principles of setting of the prices
71111 7112	Transportation of passengers, baggage, cargoes and mail by railway transport (except suburban traffic)	The Ministry for Anti-Monopoly Policy and Support of Entrepreneurship of the Russian Federation.	Setting of tariffs and fees for loading and unloading services
741	Loading and unloading operations in ports, port duties	The Ministry for Anti-Monopoly Policy and Support of Entrepreneurship of the Russian Federation on submission of the Ministry of Transport of the Russian Federation	Setting of the coefficient limit of raising of tariffs or profitability limit level
745	Charges for passage through internal waterways by vessels flying foreign flags	The Ministry of Transport of the Russian Federation on agreement with The Ministry of Finance of the Russian Federation	Setting of the coefficient limit of raising of tariffs or profitability limit level
74610 74110 4190	Aircraft, passengers and cargoes services in airports	The Ministry for Anti-Monopoly Policy and Support of Entrepreneurship of the Russian Federation.	Setting of the coefficient limit of raising of tariffs or profitability limit level
74590	Ice-breaking fleet service	The Ministry of Economic Development and Trade of the Russian Federation on submission of the Ministry of Transport of the Russian Federation and on agreement with the Ministry of Finance of the Russian Federation	Setting of the coefficient limit of raising of tariffs or profitability limit level
74620	Aeronavigation services of aircraft on the routes and on airfields	The Ministry of Transport of the Russian Federation (the Federal Aviation Service)	Setting of the coefficient limit of raising of tariffs or profitability limit level
7511 752 7524	Certain postal and electronic communication services, communication services in respect of broadcasting of programmes of Russian state TV and radio organizations	The Ministry for Anti-Monopoly Policy and Support of Entrepreneurship of the Russian Federation.	Setting of a fixed tariff
75111 75112	Domestic postal items: letters, post cards, parcels (only for State Post office)	The Ministry for Anti-Monopoly Policy and Support of Entrepreneurship of the Russian Federation.	Setting of a fixed tariff
7522 75232	Domestic telegram (only for State Post office)	The Ministry for Anti-Monopoly Policy and Support of Entrepreneurship of the Russian Federation.	Setting of a fixed tariff
75212	Provision of a long-distance telephone link (connection) through an automatic or manually operated switchboard irrespective of a type device used by subscribers	The Ministry for Anti-Monopoly Policy and Support of Entrepreneurship of the Russian Federation.	Setting of a fixed tariff
7541	Provision of trunk telegraph and telephone communications channels to organizations funded by corresponding budgets	The Ministry for Anti-Monopoly Policy and Support of Entrepreneurship of the Russian Federation.	Setting of a fixed tariff

HS code/ CPC	Description of goods and services	Regulating body	Principles of setting of the prices
7524	Distribution and broadcasting of All-Russia television and radio programs	The Ministry for Anti-Monopoly Policy and Support of Entrepreneurship of the Russian Federation.	Setting of a fixed tariff
7521	Provision of access to the telephone network irrespective of the type of lines employed by subscribers (wire or wireless lines)	The Ministry for Anti-Monopoly Policy and Support of Entrepreneurship of the Russian Federation.	Setting of a fixed tariff
75211	Provision of a local telephone link (connection) to registered subscribers	The Ministry for Anti-Monopoly Policy and Support of Entrepreneurship of the Russian Federation.	Setting of a fixed tariff

Table: List of Goods and Services for Internal Consumption for Which Prices are Regulated by the Government of the Russian Federation and Sub-Federal Executive Bodies

HS code/ CPC	Description of goods and services	Regulating body	Principles of setting of the prices
271112	Natural gas distributed to the population and building cooperative societies	The Executive Bodies of the Subjects of the Russian Federation	Setting of fixed prices or their limit level
271111	Liquefied gas distributed to the population for household purposes (except gas to refuel motor vehicles)	The Executive Bodies of the Subjects of the Russian Federation	
271600	Electric power and heat power	Regional Power Commissions on agreement with the Federal Energy Commission	
2701 2704	Solid fuel, furnace fuel for household use and kerosene distributed to the population	The Executive Bodies of the Subjects of the Russian Federation	
3001- 3006	Mercantile markups on prices for medicines and goods of medical designation	The Executive Bodies of the Subjects of the Russian Federation	Setting of the amount of mercantile mark-ups
931 933	Social services supplied to the population of the Russian Federation	The Executive Bodies of the Subjects of the Russian Federation	Setting of the amount limit of the mercantile mark-ups
931 933	Social services guaranteed by the State and supplied to elderly citizens and invalids of the Russian Federation	The Executive Bodies of the Subjects of the Russian Federation	
71211	Transportation of passengers and baggage by all types of public transport, including urban, subway and suburban transport (except railway transport)	The Executive Bodies of the Subjects of the Russian Federation	Setting of tariffs and fees for loading and unloading operations
9703	Funeral services	The Executive Bodies of the Subjects of the Russian Federation	Determining the amount of mercantile mark-ups
9401 18000	Water supply and sewage systems services	The Executive Bodies of the Subjects of the Russian Federation	
82101 82201	Payments for public utilities by the population	The Executive Bodies of the Subjects of the Russian Federation	

Table: List of Services for Internal Consumption for which the Sub-Federal Executive Bodies have the right to introduce regional regulations over prices (tariffs) and markups

CPC	Description of goods and services	Regulating body	Principles of setting of the prices
622	Marketing and mercantile markups on prices for products and commodities distributed in the Far North areas or territories of equivalent status with limited cargo delivery periods	The Executive Bodies of the Subjects of the Russian Federation	Setting of the amount limit of the mercantile mark-ups
6310 642	Markups for products (commodities), distributed to public catering enterprises affiliated with secondary schools, vocational schools, secondary specialized and higher educational institutions	The Executive Bodies of the Subjects of the Russian Federation	
6222	Mercantile markups for baby food (including food concentrates)	The Executive Bodies of the Subjects of the Russian Federation	Setting of the profitability limit level
71112	Transportation of passengers and baggage by suburban railway transport (upon agreement with the Ministry of Railways of the Russian Federation), and provided that the losses resulting from tariff regulation are reimbursed from the respective budget of the subjects of the Russian Federation	The Executive Bodies of the Subjects of the Russian Federation on agreement with the Ministry of Railway Transport of the Russian Federation	Setting of the tariffs and fees for loading and unloading operations
71213 71221	Transportation of passengers and baggage by motor transport along intra-regional and inter-regional routes (inter-republican routes within the Russian Federation), including taxi	The Executive Bodies of the Subjects of the Russian Federation	
731 7221	Local transportation of passengers and baggage by local airlines and river transport	The Executive Bodies of the Subjects of the Russian Federation	
7211 7212 7221 7222 731 732	Transportation of cargoes, passengers and baggage by sea, river and air transport in the Far North areas and the territories of equivalent status	The Executive Bodies of the Subjects of the Russian Federation	Setting of tariffs and fees for loading and unloading operations

CPC	Description of goods and services	Regulating body	Principles of setting of the prices
7113 741	Services rendered on branch lines by enterprises of the industrial railway transport and other subjects	The Executive Bodies of the Subjects of the Russian Federation	Setting of the coefficient limit of raising of tariffs or limit level

Table: Licensing fees structure for purchase, storage, supplies, exportation and importation of ethyl alcohol and alcoholic products and alcohol-containing products

Types of Activity	License fees (in minimum wages)	Equivalent in Rubles
Purchase, storage and exports of ethyl alcohol and alcoholic products	500	50,000
Exportation of alcohol products	100 or 500	10,000 or 50,000
Importation, storage and supplies of ethyl alcohol and alcoholic products, alcohol-containing products.	1,000 or 15,000	100,000 or 1,500,000

Table: Tariff structure (of 2003)

Tariff rate (per cent)	Number of tariff items
0	46
5	3,989
10	1,890
15	3,120
20	1,824
25	109
30	5
above 30	92

Table: Tabulation of the trade weighted average customs tariff rates

Year	Percentage
1995	16.0
1996	17.7
1997	13.3
1998	12.8
1999	11.7
2000	11.4
2001	11.1
2002	11.9
2003	12.9



Table: Fees and charges for customs services rendered related to importation or exportation

Description of Service Rendered/ Purpose of Fees	Rate Applied
Customs charge for customs clearance	0.1 per cent of the customs value of the goods in Rubles
Additional customs charge for customs clearance	0.05 per cent of the customs value of goods in foreign currency
Customs charges for storage of goods in temporary storage warehouses, where the goods to be placed before the customs clearance, - the same in specially designed warehouses - in customs warehouses for goods placed under the customs warehouse regime	0.02 Euro/kg of gross weight for every 24 hrs 0.03 Euro/kg of gross weight for every 24 hrs 0.04 Euro/kg of gross weight and 3 Euro/vehicle per every 24 hrs
Customs charges for customs escort of goods a) for each motor and rail way vehicle utilized either for the transportation of goods or which moves under its own power to be used as a commodity - for the distance up to 50 km - for the distance from 50 to 100 km - for the distance from 100 to 200 km - for the distance over 200 km	20 minimum wages 30 minimum wages 40 minimum wages 60 minimum wages
Payment for the information and consultation	US\$0.2-50 depending upon the amount the information provided and short notice
Payment for taking preliminary decision on classification of goods according to HS codes	five minimum wages (500 Rubles)

Table: State duties related to imports and exports

Service rendered/type of Fees and Charges	Rates applied <sup>2</sup>
For committing notary actions by the notaries of the state notary's offices or by official persons of the executive power bodies, the bodies of local self-government and of the consular institutions authorized for this and also for their compiling the drafts of the documents and issuing the copies and duplicates of the documents, the state duty shall be levied in the following amounts:	
1. for the attestation of agreements the subject of which is subject to evaluation	1.5 per cent of the value of the agreement but at least 50 per cent of the minimal wage
2. for the attestation of agency agreements	0.5 per cent of the amount of obligation undertaken but at least 30 per cent of the minimal wage
3. for the certification of other warrants	20 per cent of the minimum wage
4. for effecting a captain's protest	15-fold minimum wage
5. for testifying to the correctness of a document's translation from one language into another	10 per cent of the minimum wage per 1 page of the document's translation
6. for accepting in deposit of moneys and securities	0.5 per cent of accepted monetary sum and the value of securities
7. for testifying to the correctness of the copies of other documents and of the extracts from documents	1 per cent of the minimum wage per 1 page

<sup>2</sup> As of 1 May 2002, the minimum wage was roughly US\$ 14.50

Service rendered/type of Fees and Charges	Rates applied <sup>2</sup>
8. for testifying to the authenticity of the signature: - on applications and on other documents (with the exception of the bank cards) - on bank cards (from every person and on every document)	5 per cent of the minimum wage  1 minimum wage
9. for the issue of duplicates of the documents, kept in the cases of the state notary's offices, executive power bodies and consular institutions	50 per cent of the minimum wage
10. for the performance of the technical work of preparation of the above documents (print, editing, check of texts)	two per cent of the minimal wage per page

Table: Consular Fees

Documents and acts, for which consular fees are collected	Rates applied (US\$)		
	CIS countries	Other countries	
<u>Fees for certification and notarization of documents</u>			
For certification of each document	3	30	
<u>Power of attorney notarization</u>			
For power of attorney authorizing the use and command of property, including motor vehicles, as well as carrying out the lending operations:	6	60	
For confirming other powers claimed by an individual	2	20	
<u>For notarization of:</u>			
Agreements subject to evaluation:	5% of the amount specified in the agreement, but no less than US\$1.	5 % of the amount specified in the agreement, but no less than US\$10.	
For authentication of signature:	1	10	
For authentication of copies of instruments and extracts from instruments	1.5	15	
For authentication of photostats:		6	
For issuing the extracts from, or copies of, instruments kept in the files of consular offices (for one page)	1.5	15	
	If less than one page of text of an extract from, or a copy of, instrument is issued, the collected fee shall correspond to the same for a full page.	Minimum fee for this act: 30	
For making an executive inscription	2% of the collected amount, but no less than US\$0.5.	2% of the collected amount, but no less than US\$5.	
	For processing the documents certifying the fact of purchasing the motor vehicles or motorcycles	1% of value of the given transport facility assessed by mercantile business, but no less than US\$10.	
		Translation with simultaneous notarization of its correctness for each page:	
		For translations from foreign languages into Russian	20

Documents and acts, for which consular fees are collected	Rates applied (US\$)			
	CIS countries		Other countries	
			For translations from Russian into foreign languages	35
			For certification of correctness of a translation made without participation of consular office for each page	15
			For typing the documents	5
<b>Consulage for consular service of sea- and air-craft</b>				
	Executing the protest by master	5	Executing the protest by master	50
	Issuing the certificate of loading or unloading operations with a vessel flying a foreign flag, as well as certifying other shipping documents	10	Issuing the certificate of loading or unloading operations with a vessel flying a foreign flag, as well as certifying other shipping documents	100
	Issuing the temporary certificate confirming the right to fly a flag of the Russian Federation or ownership of vessel	15	Issuing the temporary certificate confirming the right to fly a flag of the Russian Federation or ownership of vessel	150
	Prolongation of the term of validity of vessel documents and processing the logbooks	3	Prolongation of the term of validity of vessel documents and processing the logbooks	30
	Notarization of various certificates and applications; issuing the cargo certificate; adding crew Members to a crew list, or removing them from it	3	Notarization of various certificates and applications; issuing the cargo certificate; adding crew Members to a crew list, or removing them from it	30
	Gluing the additional sheets in crew list or logbook	2	Gluing the additional sheets in crew list or logbook	20
	Notarization of sanitary certificate	3	Notarization of sanitary certificate	30
	Executing a protocol of salvaging the wrecked or stolen vessel	2.5	Executing a protocol of salvaging the wrecked or stolen vessel	25

Table: Excise taxes  
(rates come in force from January 1, 2005 by virtue of the Federal Law No. 86-FZ)

Types of excisable goods	Tax rate
1. Ethyl alcohol made of all types of raw materials	19 Rubles 50 Kopeks per 1 litre of absolute ethyl
2. Alcohol products of volume fraction of ethyl alcohol over 25 per cent (except for wines) and alcohol containing products	146 Rubles per 1 litre of absolute ethyl alcohol contained in excisable goods
3. Alcohol products of volume fraction of ethyl alcohol from 9 to 25 per cent inclusive (except for wines)	108 Rubles per 1 litre of absolute ethyl alcohol contained in excisable goods
4. Alcohol products of volume fraction of ethyl alcohol up to 9 per cent inclusive (except for wines)	76 Rubles per 1 litre of absolute ethyl alcohol contained in excisable goods
6. Champagne and sparkling wines	10 Rubles 50 Kopeks per 1 litre
8. Natural wines (except for sparkling and champagne)	2 Rubles 20 Kopeks per 1 litre
9. Wines (except for natural wines, natural non-traditional and/or non-fortified, natural non-traditional non-fortified wines,)	95 Rubles per litre of absolute ethyl alcohol contained in excisable goods
10. Beer with normative (standard) volume of fraction of ethyl alcohol up 0,5 per cent inclusive	0 Ruble per 1 litre
11. Beer with normative (standardized) volume of fraction of ethyl alcohol over 0,5 per cent up to 8.6 per cent inclusive	1 Ruble 75 Kopeks per 1 litre
12. Beer with normative (standardized) volume of fraction of ethyl alcohol over 8.6 per cent	6 Rubles 28 Kopeks per 1 litre
13. Pipe tobacco	620 Rubles per 1 kg
14. Smoking tobacco, except for tobacco utilized as raw material to produce tobacco articles	254 Rubles per 1 kg
15. Cigars	15 Rubles per 1 piece
16. Cigarillos	170 Rubles per 1,000 pieces
17. Cigarettes with filter	65 Rubles per 1,000 pieces plus 8%
18. Non-filter cigarettes, mouthpiece cigarettes	28 Rubles per 1,000 pieces plus 8%
19. Cars with engine power up to 67.5 Kw (90 hp) inclusive	0 Rubles per 0.75 kWh ( 1 hp)
20. Cars with engine power up over 67.5 Kw (90 hp) and up to 112.5 Kw (150 hp) inclusive	15 Rubles per 0.75 Kwt ( 1 hp)
21. Cars with engine power over 112.5 Kw (150 hp), motorcycles with engine power over 112.5 Kw (150 hp)	153 Rubles per 0.75 Kwt ( 1 hp)
22. Motor gasoline with octane value up to "80" inclusive	2,657 Rubles per 1 ton
23. Motor gasoline with other octane values	3,629 Rubles per 1 ton
24. Diesel fuel	1,080 Rubles per 1 ton
25. Virgin petrol	0 Rubles per 1 ton
26. Oil for diesel and (or) carburetors (injector) engines	2,951 Rubles per 1 ton

Table: List of goods exempt from VAT on the territory of the Russian Federation

1.	major, vital medical equipment
2.	prosthetic and orthopedic items, raw materials and articles for their manufacture and semi-finished products for such items
3.	facilities, including motor vehicles, materials which may be used exclusively for disability prevention or the rehabilitation of the disabled
4.	spectacles (except sunglasses), lenses and spectacle frames (except sunglasses frames)
5.	foodstuffs directly produced by student and school canteens, other educational establishments' canteens, medical organizations' and pre-school establishments' canteens, and sold in such establishments, and foodstuffs directly produced by public catering organizations and sold to such canteens or the establishments described
6.	postage stamps (except collectable stamps), stamped postcards and envelopes, lottery tickets for lotteries held upon the decision of the authorized body
7.	coins made of precious metals (except collectable coins) constituting the currency of the Russian Federation or of foreign states
8.	goods placed under the customs regime of duty-free shops
9.	goods (works, services), except excisable goods and excisable minerals, sold (performed, rendered) as part of the granting of free aid (assistance) by the Russian Federation under the Federal Law "On Free Aid (Assistance) of the Russian Federation and the Introduction of Amendments and Addenda to Certain Legislative Acts of the Russian Federation on Taxes and on Provision of Preferential Payment Terms in Respect of Payments to State Non-Budgetary Funds in Connection with Free Aid (Assistance) of the Russian Federation"
10.	the sale of entrance tickets and subscriptions for theatrical and spectator, cultural and entertainment events, amusements in zoos and culture and relaxation parks, excursion tickets and passes, the form of which has been approved in the established procedure as blank forms for which strict records are kept
11.	the sale of programs at performances and concerts, catalogues and booklets
12.	the sale (transfer for personal need) of religious articles and religious literature (in accordance with the list approved by the Government of the Russian Federation as advised by religious organizations (associations), produced and sold by religious organizations (associations), organizations owned by religious organizations (associations), and companies whose charter (reserve) capital consists entirely of contributions from religious organizations (associations), as part of religious activities, except excisable goods and minerals, and the organization and holding by such organizations of religious rites, ceremonies, prayer meetings or other cult activities
13.	<p>the sale (including the transfer, performance, rendering for personal needs) of goods (except excisable goods, minerals and mineral deposits, and other goods under the list to be approved by the Government of the Russian Federation as advised by Russian public organizations of disabled persons), works, services (except brokers' and other intermediary services) produced and sold:</p> <ul style="list-style-type: none"> <li>– by public organizations of disabled persons (including those created as unions of public organizations of disabled persons), no less than 80 percent of Members of which are the disabled and their lawful representatives;</li> <li>– organizations whose charter capital consists entirely of contributions by the public organizations of disabled persons described in the second paragraph of this sub-paragraph, if the number of disabled persons on the payroll constitutes no less than 50 percent, and their share in the salary fund no less than 25 percent;</li> <li>– institutions, the sole owners of the property of which are the public organizations of disabled persons described in the second paragraph of this sub-paragraph, created for educational, cultural, therapeutic, physical exercise and sport, scientific, informational and other social purposes, and to render legal and other assistance to the disabled, disabled children and their parents;</li> <li>– health treatment (industrial) workshops in antituberculous, psychiatric, psycho-neurological institutions, public social protection or social rehabilitation establishments</li> </ul>
14.	the sale of articles of folk craft of recognized artistic value (except excisable goods), samples of which have been registered in the procedure established by the Government of the Russian Federation

15.	the sale of ore, concentrates and other industrial products containing precious metals, scrap and waste from precious metals for the manufacture of precious metals and refining; the sale of precious metals and gems by taxpayers (except those described in Article 164:1:6 of the present Code) to the State Fund of Precious Metals and Gems of the Russian Federation, of gems for raw materials (except uncut diamonds) for treatment to enterprises, regardless of their forms of ownership, for subsequent sale for export; the sale of gems for raw materials and cut [gems] to specialized foreign economic organizations, the State Fund of Precious Metals and Gems, the Central Bank of the Russian Federation and banks; the sale of precious metals from the State Fund of Precious Metals and Gems of the Russian Federation to specialized foreign economic organizations, the Central Bank of the Russian Federation and banks, and of precious metals in ingots by the Central Bank of the Russian Federation and banks, provided that such ingots remain in one of the certified vaults (the State Vault of Valuables, the Vault of the Central Bank of the Russian Federation or bank vaults)
16.	the sale of uncut diamonds to refining enterprises of all forms of ownership
17.	the internal sale (transfer, performance, rendering for internal needs) by penitentiary system organizations and institutions of goods produced by such organizations and institutions (works performed, services rendered)
18.	the charitable transfer of goods (performance of works, rendering of services), free of charge under the Federal Law "On Charitable Activity and Charity Organizations", except excisable goods
19.	the sale of entrance tickets, the form of which has been approved as blank forms for which strict records are kept, by physical exercise and sport organizations for sport and spectator events held by such organizations; the rendering of services for the leasing of sports facilities for holding such events
20.	the sale of home-grown produce of organizations engaged in producing agricultural products, the share of income from the sale of which in the total amount of revenue constitutes no less than 70 percent, as in-kind compensation, in-kind issuances for remuneration of labor, and for catering for employees engaged in the agricultural work

Table: List of goods taxed on the territory of the Russian Federation at the VAT rate of 10 percent

1	<p><b>Foodstuffs:</b></p> <ul style="list-style-type: none"> <li>– livestock and poultry on a live weight basis;</li> <li>– meat and meat products (except gourmet products: tenderloin, veal, tongue, sausage goods – high quality smoked, high-quality smoked semi-dry, freshly seasoned, high-quality stuffed; smoked pork, lamb, beef and veal products, poultry meat – balyk, carbonade, neck, gammon, pastroma, sirloin; baked pork and beef; preserved foods – ham, bacon, carbonade and jellied tongue);</li> <li>– milk and dairy products (including dairy ice cream, except ice cream made from fruits and berries, fruit and edible ice);</li> <li>– eggs and egg products;</li> <li>– vegetable oil;</li> <li>– margarine;</li> <li>– sugar, including raw sugar;</li> <li>– salt;</li> <li>– grain, compound feed, feed mix, grain waste;</li> <li>– oilseeds and products of their processing (coarsely cut, oil cake);</li> <li>– bread and bakery products (including rich, rusk and roll articles);</li> <li>– cereal;</li> <li>– flour;</li> <li>– pasta;</li> <li>– live fish (except valuable species: white salmon, Baltic Sea and Far East salmon, sturgeon (beluga, bester, sturgeon, starred sturgeon, sterlet), salmon, trout (except sea trout), nelma, dog salmon, king salmon, coho salmon, muksun, omul, Siberian and Amur whitefish, chira);</li> <li>– seafood and fish products, including refrigerated, frozen fish and other types of processed fish, herring, conserves and preserves (except gourmet types: caviar from sturgeon and salmon; white salmon, Baltic Sea salmon, sturgeon – beluga, bester, sturgeon, starred sturgeon, sterlet; salmon; nelma cold-smoked backs and flanks; dog salmon, king salmon lightly-salted, medium-salted and semuzh-pickled; backs of cold-smoked dog-salmon, king salmon and coho salmon, flanks of dog-salmon and flanks of cold-smoked king salmon; backs of cold-smoked muksun, omul, Siberian and Amur whitefish, chira; pickled canned fillet slices of Baltic Sea and Far East salmon; crabmeat and sets of cooked and frozen individual crab sticks; lobster);</li> </ul>
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1	<ul style="list-style-type: none"> <li>– baby and diabetic foodstuffs;</li> <li>– vegetables (including potatoes).</li> </ul>
2.	<p><u>Children's goods:</u></p> <ul style="list-style-type: none"> <li>– knitwear articles for newborn babies and children of nursery, pre-school, junior and senior school age groups: outer knitwear articles, clothing knitwear articles, legwear garments, other knitwear articles: gloves, mittens, hats;</li> <li>– garments, including articles made from sheepskin and rabbit (including articles made from sheepskin and rabbit with leather pieces) for newborn babies and children of nursery, pre-school, junior and senior school age groups, outer garments (including dresses and suits), underwear, headwear, clothing and articles for newborn babies and children of a nursery age. The provisions of this paragraph do not apply to garments made of natural leather and fur, except from sheepskin and rabbit;</li> <li>– footwear (except sport footwear): bootees, pre-school, school; felt; rubber: for nursery children, children's, school;</li> <li>– children's beds;</li> <li>– children's mattresses;</li> <li>– prams;</li> <li>– school exercise books;</li> <li>– games;</li> <li>– plasticine;</li> <li>– pencil cases;</li> <li>– counting sticks;</li> <li>– school abacuses;</li> <li>– school diaries;</li> <li>– drawing books;</li> <li>– sketchbooks;</li> <li>– folders for exercise books;</li> <li>– covers for textbooks, diaries, exercise books;</li> <li>– cards containing figures and letters;</li> <li>– diapers.</li> </ul>
3	Periodical printed publications, except periodical printed publications of an advertising or erotic nature.
4	Books connected to education, science and culture, except books of an advertising or erotic nature.
5	Medical goods of domestic and foreign origin: medicines, including drug substances, including of internal pharmacy production; articles for medical use.

Table: Table on Restricting Customs Points for the Declaration of Certain Types of Goods  
in Accordance with Article 125 of the Customs Code of the Russian Federation

No.	Type of Goods	Normative Legal Act	Comments
1.	Sugar and Sugar-containing products (HS codes 1702 sub-position 1806 10 and sub-sub-positions 1701 99 100 1, 1701 99 100 9, 1701 99 900 1, 1701 99 900 9, 1704 90 100 0, 1704 90 510 0, 1806 20 950 0, 1806 90 900 0, 2106 90 300 0, 2106 90 510 0, 2106 90 550 0, 2106 90 590 0, 2106 90 980 9) and which are imported into the customs territory of the Russian Federation from the Republic of Byelorussia and to the address of the	Order of the SCC of Russia No. 390 of 29 March 2004 "On Establishing Specific Customs Points for the Declaration of White Sugar and Sugar-containing Products" (Registered by the Ministry of Justice of the Russian Federation No. 5744 of 13 April 2004)	Restrictions were set up pursuant to Paragraph 1.6 of the Protocol to the Meeting of the Commission of the Government of the Russian Federation on Safeguard Measures in Foreign Trade and Customs-tariff Policies No.12(81) of 13 November 2003

No.	Type of Goods	Normative Legal Act	Comments
	recipients situated in Moscow and the Moscow region)		
2.	Goods (Commodity group 06) imported into the customs territory of the Russian Federation by auto-vehicles to the address of recipients, situated in Moscow and the Moscow region (flower products)	Order of the SCC of Russia No. 1540 of 25 December 2003 "On Establishing Specific Customs Points for the Declaration of Goods of HS Code 06" (Registered by the Ministry of Justice of the Russian Federation No. 5426 of 20 January 2004)	In accordance with the SCC Plan on the Phasing-out Restrictions in Respect of Specific Customs Points for the Declaration of Specific Types of Goods the Order is intended to be abolished until 1 October 2004
3.	Goods moved into the customs territory of the Russian Federation by auto-vehicles through the following customs points at the State Border of the Russian Federation: Kraskino, which is the subject of the authority of Hasanskaya customs office; Poltavka, Turij Rog, Markovo, which constitute the subject of the authority of Ussurijskya customs office.	Order of the SCC of Russia No. 1443 of 11 December 2003 "On Establishing Specific Customs Points for the Declaration of Specific Types of Goods". Registered by the Ministry of Justice of the Russian Federation No. 5416 of 15 January 2004)	In accordance with the SCC Plan on Phasing-out Restrictions in Respect of Specific Customs Points for the Declaration of Specific Types of Goods the Order is intended to be abolished until 1 January 2005
4.	Electronics and household equipment imported into the customs territory of the Russian Federation by auto-vehicles to the address of recipients, located in Moscow and the Moscow region	Order of the SCC of Russia No. 1193 of 23 October 2003 "On Establishing Specific Customs Points for the Declaration of Specific Types of Goods" (Registered by the Ministry of Justice of the Russian Federation No. 5234 of 13 November 2003)	In accordance with the SCC Plan on the Phasing-out Restrictions in Respect of Specific Customs Points for the Declaration of Specific Types of Goods the Order is intended to be abolished until 1 July 2005
5.	Goods (Commodity group 02, HS codes 0710 and 2004), imported into the customs territory of the Russian Federation by auto-vehicles (meat products and vegetables)	Order of the SCC of Russia No. 1052 of 19 September 2003 "On Establishing Specific Customs Points for the Declaration of Specific Types of Goods" (Registered by the Ministry of Justice of the Russian Federation No. 5153 of 6 October 2003)	Goods is subject to quotas, requiring special conditions of storage and customs control. The restrictions are not intended to be abolished
6.	Goods (HS codes 0701 - 0709 and 0801 – 0810), imported into the customs territory of the Russian Federation by auto-vehicles to the address of recipients, situated in Moscow and the Moscow region (fruits and vegetables)	Order of the SCC of Russia No. 1051 of 19 September 2003 "On Establishing Specific Customs Points for the Declaration of Specific Types of Goods" (Registered by the Ministry of Justice of the Russian Federation No. 5128 of 30 September 2003)	The Ministry of Economic Development and Trade of the Russian Federation has been elaborating a draft Order on the abolishment of this restriction
7.	Goods (Commodity group 03, HS codes 0701 - 0709 and 0801 – 0810), imported into the customs territory of the Russian Federation by auto-vehicles to the address of recipients, situated in	Order of the SCC of Russia No. 1050 of 19 September 2003 "On Establishing Specific Customs Points for the Declaration of Specific Types of Goods" (Registered by the Ministry of Justice of the Russian Federation	In accordance with the SCC Plan on Phasing-out Restrictions in Respect of Specific Customs Points for the Declaration of Specific Types of Goods the Order is intended to be abolished until 1 October 2004



No.	Type of Goods	Normative Legal Act	Comments
	Moscow and the Moscow region (fish products)	No. 5124 of 30 September 2003)	
8.	Goods, imported from China and moved within the customs territory of the Russian Federation by rail, as well as imported by sea with the following reloading to the rail transport in the places of entering into the customs territory, as well as constituting a part of combined freight, to the address of recipients, situated in Moscow and the Moscow region.	Order of the SCC of Russia of 19 September 2003 No. 1049 "On Establishing Specific Customs Points for the Declaration of Specific Types of Goods Imported by Rail in Moscow and the Moscow region" (Registered by the Ministry of Justice of the Russian Federation No. 5141 of 2 October 2003)	In accordance with the SCC Plan on Phasing-out Restrictions in Respect of Specific Customs Points for the Declaration of Specific Types of Goods the Order is intended to be abolished until 1 January 2005
9.	Passenger vehicles (HS codes 8703), launched no longer than 3 years ago and vehicles, which were issued no longer than 1 year ago, imported into the customs territory of the Russian Federation by legal persons and natural persons (expensive cars)	Order of the SCC of Russia No. 1032 of 17 September 2003 "On Establishing Specific Customs Points for the Declaration of Specific Types of Goods Imported by Rail in Moscow and the Moscow region" (Registered by the Ministry of Justice of the Russian Federation No. 5151 of 6 October 2003)	In accordance with the SCC Plan on Phasing-out Restrictions in Respect of Specific Customs Points for the Declaration of Specific Types of Goods the Order is intended to be abolished until 1 April 2005
10.	Mercedes-Benz automobiles (HS codes 8702 – 8704)	Order of the SCC of Russia No. 1029 of 17 September 2003 "On Establishing Specific Customs Points for the Declaration of Specific Types of Goods Imported by Rail in Moscow and the Moscow Region" (Registered by the Ministry of Justice of the Russian Federation No. 5119 of 10 October 2003)	In accordance with the SCC Plan on the Phasing-out Restrictions in Respect of Specific Customs Points for the Declaration of Specific Types of Goods the Order is intended to be abolished until 1 April 2005
11.	Goods transported through the customs territory of the Russian Federation by tubes and electricity lines	Order of the SCC of Russia No. 1013 of 15 September 2003 "On Establishing Specific Customs Bodies for the Declaration of Specific Types of Goods Imported by Rail in Moscow and the Moscow Region" (Registered by the Ministry of Justice of the Russian Federation No. 5166 of 10 October 2003)	Taking into consideration the specificity of transportation of goods the restrictions are not intended to be abolished.

Table: Table on Distribution of Authorities of the Customs Bodies on Carrying out Customs Operations Pursuant to Article 402 of the Customs Code of the Russian Federation

No.	Type of the goods	Normative legal act	Comments
1.	Goods transported with the use of Temporary Admission	Order of the SCC of Russia No. 760 of 30 June 2004 "On the Approval of the List of Customs Bodies, Authorized to Carry Out Customs Operations with Goods, Conveyed	

No.	Type of the goods	Normative legal act	Comments
		with the Use of Temporary Admission” (Registered by the Ministry of Justice of the Russian Federation No. 5914 of 15 July 2004)	
2.	Goods, subject to the issuance of passports of vehicles, passports of chassis of vehicles and passports of self-propelled vehicles and spare parts to them, conveyed by natural persons.	Order of the SCC of Russia No. 682 of 17 June 2004 “On Establishing Authorities of the Customs Bodies in Carrying out Customs Operations with the Goods, Conveyed by Natural Persons” (Registered by the Ministry of Justice of the Russian Federation No. 5893 of 7 July 2004)	
3.	Goods subject to excise (including those subject to licensing, marking with excise stamps, wines and cognacs spirits, beer (including alcohol-free beer), goods subjected to the issuance of passports according to the established procedures.	Order of the SCC of Russia No. 664 of 11 June 2004 “On Establishing Authorities of the Customs Bodies in Carrying out Customs Procedures with Excise Goods” (Registered by the Ministry of Justice of the Russian Federation No. 5866 of 27 June 2004)	
4.	Diplomatic correspondence and goods, conveyed by certain categories of foreign persons.	Order of the SCC of Russia No. 357 of 24 March 2004 “On Establishing Competence of Customs Bodies in Carrying out Customs Procedures in Respect of Diplomatic Correspondence and Goods Conveyed by Certain Categories of Foreign Persons» (Registered by the Ministry of Justice of the Russian Federation No. 5716 of 5 April 2004)	Amended by SCC Order No. 681 of 17 June 2004 “On Amending Order of the SCC of Russia No. 357 of 24 March 2004”. (Registered by the Ministry of Justice of the Russian Federation No. 5887 of 2 June 2004)
5.	Goods, transported across the customs border of the Russian Federation by international mail (except for diplomatic pouch and consular valise)	Order of the SCC of Russia No. 203 of 13 February 2004 “On Establishing Authorities of the Customs Bodies in Carrying out Customs Procedures in Respect of Goods, Transported Across the Customs Border of the Russian Federation by International Mail” (Registered by the Ministry of Justice of the Russian Federation No. 5590 of 2 March 2004,)	Amended by SCC Order No. 599 of 21 May 2004 “On Amending Order of the SCC of Russia No. 203 of 13 February 2004” (Registered by the Ministry of Justice of the Russian Federation No. 5827 of 8 June 2004)
6.	Goods, meant for demonstration at exhibitions, fairs, international meetings and similar actions.	Order of the SCC of Russia No. 202 of 13 February 2004 “On Establishing Competence of the Customs Bodies in Carrying out Customs Procedures in Respect of Goods, Destined for Displaying on Exhibitions, Fairs, International Meetings and Other Such Actions” (Registered by the Ministry of Justice of the Russian Federation No. 5601 of 3 March 2004)	Amended by SCC Order No. 670 of 15 June 2004 “On Amending SCC Order of 13 February 2004 No. 202” (Registered by the Ministry of Justice of the Russian Federation No. 5869 of 24 June 2004)

No.	Type of the goods	Normative legal act	Comments
7.	Goods, transported by air	Order of the SCC of Russia No. 1397 of 5 December 2003 “On Establishing Competence of the Customs Bodies in Carrying out Customs Procedures in Respect of Goods Conveyed by Air” (Registered by the Ministry of Justice of the Russian Federation No. 5357 of the Russian Federation of 8 January 2004,). The essence – the customs bodies, authorized to carry out customs procedures with goods transported by air, are, as a rule, located in the airports	Amended by SCC Orders: No. 216 of 18 February 2003 “On Amending SCC Order No. 1397 of 5 December 2003” (Registered by the Ministry of Justice of the Russian Federation No. 5600 of 3 March 2004); No. 354 of 23 March 2004 “On Amending SCC Order No. 1397 of 5 December 2003” (Registered by the Ministry of Justice of the Russian Federation No. 5719 of 6 April 2004); No. 677 of 16 June 2004 “On Amending SCC Order No. 1397 of 5 December 2003” (Registered by the Ministry of Justice of the Russian Federation No. 5885 of 1 July 2004)
8.	Precious stones and metals (including natural diamonds and cut diamonds, watches (cased in precious metals or plated with precious metals, inlaid with precious stones, watch cases and parts thereof (cased in precious metals or plated with precious metals, inlaid with precious stones), (HS codes 9101, 9102, 9103, 9105, 9111, 9112); banknotes or treasury notes, securities, coins (HS codes 4907 00 300 0, 4907 00 900 0, 7118 90 000 0)	Order of the SCC of Russia No. 1307 of 21 November 2003 “On Establishing Competence of the Customs Bodies in Carrying out Customs Procedures in Respect of Precious Stones and Metals” (Registered by the Ministry of Justice of the Russian Federation No. 5357 of 24 December 2003)	Amended by SCC Order No. 356 of 23 March 2004 “On Amending SCC Order No. 1307 of 21 November 2003” (Registered by the Ministry of Justice of the Russian Federation No. 5729 of 8 April 2004)
9.	Fissionable and radio-active materials, transported within the customs border of the Russian Federation (HS codes 2612, 2844 and HS code 8401 30 000), other goods containing spare parts (HS codes 2612, 2844 and HS code 8401 30 000), as well as the equipment for their production, storage, transporting, measuring and corresponding documentation.	Order of the SCC of Russia No. 1303 of 20 November 2003 “On Establishing Competence of the Customs Bodies in Carrying out Customs Procedures in Respect of Fissionable and Radio-active Materials” (Registered by the Ministry of Justice of the Russian Federation No. 5357 of 18 December 2003)	Amended by the following SCC Orders: No. 88 of 26 January 2004 “On Amending SCC Order No. 1303 of 20 November 2003” (Registered by the Ministry of Justice of the Russian Federation No. 5552 of 16 February 2004); No. 335 of 23 March 2004 “On Amending SCC Order No. 1303 of 20 November 2003” (Registered by the Ministry of Justice of the Russian Federation No. 5721 of 6 April 2004).

**Export tariffs of the Russian Federation**  
(by HS code and with citations to relevant Government Resolutions)

Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
0303	Fish frozen, excluding fish fillets and other fish meat of heading No. 0304:  - pacific salmon ( <i>Oncorhynchus nerka</i> , <i>Oncorhynchus gorbusha</i> , <i>Oncorhynchus keta</i> , <i>Oncorhynchus tshawytscha</i> , <i>Oncorhynchus kisutch</i> , <i>Oncorhynchus masou</i> , <i>Oncorhynchus rhodurus</i> ), excluding livers and roes:		
0303 11 000 0	-- sockeye salmon (red salmon) ( <i>Oncorhynchus nerka</i> )	5	No. 987 03.09.99
0303 19 000 0	-- other	5	No. 987 03.09.99
	-other salmonidae, excluding livers and roes:		
0303 21	--trout ( <i>Salmo trutta</i> , <i>Oncorhynchus mykiss</i> , <i>Oncorhynchus clarki</i> , <i>Oncorhynchus aguabonita</i> , <i>Oncorhynchus gilae</i> , <i>Oncorhynchus apache</i> <i>Oncorhynchus chrysogaster</i> ):		
0303 21 100 0	---trout of the species <i>Oncorhynchus apache</i> and <i>Oncorhynchus chrysogaster</i>	5	No. 987 03.09.99
0303 21 900 0	---other	5	No. 987 03.09.99
0303 22 000 0	--Atlantic Salmon ( <i>Salmo salar</i> ) and Danube Salmon ( <i>Hucho Hucho</i> )	5	No. 987 03.09.99
0303 29 000 0	--other	5	No. 987 03.09.99
	-flat fish ( <i>Pleuronectidae</i> , <i>Bothi-dae</i> , <i>Cynoglossidae</i> , <i>Soleidae</i> , <i>Scophthalmidae</i> и <i>Citharidae</i> ), excluding livers and roes:		
0303 31	--halibut ( <i>Reinhardtius Hippoglossoides</i> , <i>Hippoglossus hippoglossus</i> , <i>Hippoglossus stenolepis</i> ):		
0303 31 100 0	---lesser or greenland halibut ( <i>Reinhardtius hippoglossoides</i> )	5	No. 987 03.09.99
0303 31 300 0	---Atlantic halibut ( <i>Hippoglossus Hippoglossus</i> )	5	No. 987 03.09.99
0303 31 900 0	---pacific halibut ( <i>Hippoglossus stenolepis</i> )	5	No. 987 03.09.99
0303 32 000 0	--plaice ( <i>Pleuronectes platessa</i> )	5	No. 987 03.09.99
0303 33 000 0	--sole ( <i>Solea</i> spp.)	5	No. 987 03.09.99
0303 39	--other:		
0303 39 100 0	---flounder ( <i>Platichthys flesus</i> )	5	No. 987 03.09.99
0303 39 200 0	---megrim ( <i>Lepidorhombus</i> spp.)	5	No. 987 03.09.99
0303 39 300 0	---fish of the genus <i>Rhombosolea</i>	5	No. 987 03.09.99
0303 39 800 0	---other	5	No. 987 03.09.99

Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
	-tunas (of the genus Thunnus), skipjack or stripe-bellied bonito (Euthynnus (Katsuwonus) pelamis), excluding livers and roes:		
0303 44	-- albacore or longfinned tunas (Thunnus alalunga):		
	---for the industrial manufacture of products falling within heading 1604:		
0303 44 110 0	----whole	5	No. 987 03.09.99
0303 44 130 0	----gilled and gutted	5	No. 987 03.09.99
0303 44 190 0	----other (for example "heads off")	5	No. 987 03.09.99
0303 44 900 0	---other	5	No. 987 03.09.99
0303 45	--Thunnus thynnus:		
	---for the industrial manufacture of products falling within heading 1604:		
0303 45 110 0	----whole	5	No. 987 03.09.99
0303 45 130 0	----gilled and gutted	5	No. 987 03.09.99
0303 45 190 0	----other (for example "heads off")	5	No. 987 03.09.99
0303 45 900 0	---other	5	No. 987 03.09.99
0303 46	--Thunnus maccoyii:		
	---for the industrial manufacture of products falling within heading 1604:		
0303 46 110 0	----whole	5	No. 987 03.09.99
0303 46 130 0	----gilled and gutted	5	No. 987 03.09.99
0303 46 190 0	----other (for example "heads off")	5	No. 987 03.09.99
0303 46 900 0	---other	5	No. 987 03.09.99
0303 49	--other:		
	---for the industrial manufacture of products falling within heading 1604:		
0303 49 310 0	----whole	5	No. 987 03.09.99
0303 49 330 0	----gilled and gutted	5	No. 987 03.09.99
0303 49 390 0	----other (for example "heads off")	5	No. 987 03.09.99
0303 49 800 0	---other	5	No. 987 03.09.99
0303 50 000 0	-herrings (Clupea harengus, Clupea pallasii), excluding livers and roes	5	No. 987 03.09.99
0303 60	-cod (Gadus morhua, Gadus ogac and Gadus macrocephalus), excluding livers and roes:		
0303 60 110 0	--of the species Gadus morhua	5	No. 987 03.09.99

Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
0303 60 190 0	--of the species <i>Gadus ogac</i>	5	No. 987 03.09.99
0303 60 900 0	--of the species <i>Gadus macrocephalus</i>	5	No. 987 03.09.99
	-other, excluding livers and roes:		
0303 72 000 0	--haddock ( <i>Melanogrammus aeglefinus</i> )	5	No. 987 03.09.99
0303 73 000 0	--coalfish ( <i>Pollachius virens</i> )	5	No. 987 03.09.99
0303 76 000 0	--eels ( <i>Anguilla</i> spp.)	5	No. 987 03.09.99
0303 77 000 0	--sea bass ( <i>Dicentrarchus labrax</i> , <i>Dicentrarchus punctatus</i> )	5	No. 987 03.09.99
0303 78	--hake ( <i>Merluccius</i> spp., <i>Urophycis</i> spp.):		
	---hake of the genus <i>Merluccius</i> :		
0303 78 110 0	--- <i>Merluccius capensis</i> , <i>Merluccius paradoxus</i>	5	No. 987 03.09.99
0303 78 120 0	--- <i>Merluccius hubbsi</i>	5	No. 987 03.09.99
0303 78 130 0	--- <i>Merluccius australis</i>	5	No. 987 03.09.99
0303 78 190 0	---other	5	No. 987 03.09.99
0303 78 900 0	---hake of the genus <i>Merluccius</i>	5	No. 987 03.09.99
0303 79	--other:		
	---freshwater fish:		
0303 79 110 0	----carp	5	No. 987 03.09.99
0303 79 19	----other:		
	-----for the industrial manufacture of products falling within heading No. 1604:		
0303 79 191 0	-----whole	5	No. 987 03.09.99
0303 79 192 0	----- gilled and gutted	5	No. 987 03.09.99
0303 79 193 0	----- other (for example "heads off")	5	No. 987 03.09.99
0303 79 198 0	-----other	5	No. 987 03.09.99
0303 79 199 0	-----other	5	No. 987 03.09.99
	---saltwater fish:		
	----fish of the genus <i>Euthynnus</i> , other than skipjack or stripe-bellied bonitos ( <i>Euthynnus (Katsuwonus) pelamis</i> ), mentioned in subheading 0303 43:		
	-----for the industrial manufacture of products falling within heading No. 1604:		
0303 79 210 0	-----whole	5	No. 987 03.09.99
0303 79 230 0	-----gilled and gutted	5	No. 987 03.09.99
0303 79 290 0	-----other (for example "heads off")	5	No. 987

Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
			03.09.99
0303 79 310 0	-----other	5	No. 987 03.09.99
	- - - - Sebastes spp.:		
0303 79 350 0	-----of the species <i>Sebastes marinus</i>	5	No. 987 03.09.99
0303 79 370 0	-----other	5	No. 987 03.09.99
0303 79 410 0	----fish of the species <i>Boreogadus saida</i>	5	No. 987 03.09.99
0303 79 450 0	----whiting ( <i>Merlangus Merlangus</i> )	5	No. 987 03.09.99
0303 79 510 0	----ling ( <i>Molva</i> spp.)	5	No. 987 03.09.99
0303 79 550 0	----alaska pollack ( <i>Theragra chalcogramma</i> ) and pollack ( <i>Pollachius Pollachius</i> )	5	No. 987 03.09.99
0303 79 580 0	----fish of the species <i>Orcynopsis unicolor</i> :	5	No. 987 03.09.99
0303 79 650 0	---anchovies ( <i>Engraulis</i> spp.)	5	No. 987 03.09.99
0303 79 710 0	----sea bream ( <i>Dentex Dentex</i> and <i>Pagellus</i> spp.)	5	No. 987 03.09.99
0303 79 750 0	----ray? bream ( <i>Brama</i> spp.)	5	No. 987 03.09.99
0303 79 810 0	----monkfish ( <i>Lophius</i> spp.)	5	No. 987 03.09.99
0303 79 830 0	----blue whiting ( <i>Micromesistius poutassou</i> or <i>Gadus poutassou</i> )	5	No. 987 03.09.99
0303 79 850 0	----blue south whiting ( <i>Micromesistius australis</i> )	5	No. 987 03.09.99
0303 79 870 0	----swordfish ( <i>Xiphias gladius</i> )	5	No. 987 03.09.99
0303 79 880 0	---- <i>Dissostichus</i> spp.	5	No. 987 03.09.99
0303 79 910 0	----European scad ( <i>Caranx trachurus</i> , <i>Trachurus trachurus</i> )	5	No. 987 03.09.99
0303 79 920 0	----New Zealand grendier ( <i>Macruronus novaezealandiae</i> )	5	No. 987 03.09.99
0303 79 930 0	----black rockling ( <i>Genypterus blacodes</i> )	5	No. 987 03.09.99
0303 79 940 0	----fish of the species <i>Pelotreis flavilatus</i> and <i>Peltorhamphus novaezealandiae</i>	5	No. 987 03.09.99
0303 79 980 0	----other	5	No. 987 03.09.99
0303 80	-livers and roes:		
0303 80 100 0	--hard and soft roes for the manufacture of deoxyribonucleic acid or protamine sulphate	5	No. 987 03.09.99
0303 80 900 0	--other	5	No. 987 03.09.99
0306	Crustaceans, whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine; crustaceans in shell, cooked by steaming or by boiling in water, whether or not chilled, frozen, dried, salted or in brine; flours, meals and pellets		

Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
	of cr		
	-frozen:		
0306 11	--rock lobster and other sea crawfish(Palınurus spp., Panulirus spp., Jasus spp.)		
0306 11 100 0	---crawfish tails	10	No. 987 03.09.99
0306 11 900 0	---other	10	No. 987 03.09.99
0306 12	--lobsters (Homarus spp.):		
0306 12 100 0	---whole	10	No. 987 03.09.99
0306 12 900 0	---other	10	No. 987 03.09.99
0306 13	--shrimps and prawns:		
0306 13 100 0	---of the family Pandalidae	10	No. 987 03.09.99
0306 13 300 0	---shrimps of the genus Crangon	10	No. 987 03.09.99
0306 13 400 0	---shrimps of the genus Parapenaeus longirostris	10	No. 987 03.09.99
0306 13 500 0	---shrimps of the genus Penaeus	10	No. 987 03.09.99
0306 13 800 0	---other	10	No. 987 03.09.99
0306 14	--crabs:		
0306 14 100 0	---crabs of the species Paralithodes camchaticus, Chionoecetes spp. and Callinectes sapidus	10	No. 987 03.09.99
0306 14 300 0	---crabs of the species Cancer pagurus	10	No. 987 03.09.99
0306 14 900 0	---other	10	No. 987 03.09.99
0306 19	--other, including flours, meals and pellets of crustaceans, fit for human consumption:		
0306 19 100 0	---freshwater crayfish	10	No. 987 03.09.99
0306 19 300 0	---norway lobsters (Nephrops norvegicus)	10	No. 987 03.09.99
0306 19 900 0	---other	10	No. 987 03.09.99
ex.0306 19 900 0	flours, meals and pellets of crustaceans, fit for human consumption	free	No. 987 03.09.99
	-not frozen:		
0306 24	--crabs:		
0306 24 100 0	---crabs of the species Paralithodes camchaticus,c Chionoecetes spp. and Callinectes sapidus	10	No. 987 03.09.99
0306 24 300 0	---crabs of the species Cancer pagurus	10	No. 987 03.09.99
0306 24 900 0	---other	10	No. 987 03.09.99
0306 29	--other, including flours, meals and pellets of crustaceans, fit for human consumption:		
0306 29 100 0	---freshwater crayfish	10	No. 987 03.09.99



Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
0306 29 300 0	---norway lobsters ( <i>Nephrops norvegicus</i> )	10	No. 987 03.09.99
0306 29 900 0	---other	10	No. 987 03.09.99
ex.0306 29 900 0	flours, meals and pellets of crustaceans, fit for human consumption	free	No. 987 03.09.99
1201 00	Soya beans, whether or not broken:		
1201 00 100 0	- for sowing	20, but not less than €35 / 1,000 kg	No. 186 15.03.01
1201 00 900 0	- other	20, but not less than €35 / 1,000 kg	No. 186 15.03.01
1205 10	- Low erucic acid rape or colza seeds:		
1205 10 100 0	- - for sowing	20, but not less than €35 / 1,000 kg	No. 186 15.03.01
1205 10 900 0	- - other	20, but not less than €35 / 1,000 kg	No. 186 15.03.01
1205 90 000	- other		
1205 90 000 1	- - for sowing	20, but not less than €35 / 1,000 kg	No. 186 15.03.01
1205 90 000 9	- - other	20, but not less than €35 / 1,000 kg	No. 186 15.03.01
1206 00	Sunflower seeds, whether or not broken :		
1206 00 100 0	- for sowing	20, but not less than €30 / 1,000 kg	No. 186 15.03.01
	- other:		
1206 00 910 0	-- shelled; when shelled - grey with white stripes	20, but not less than €30 / 1,000 kg	No. 186 15.03.01
1206 00 990 0	-- other	20, but not less than €30 / 1,000 kg	No. 186 15.03.01
1207	Other oil seeds and oleaginous fruits, whether or not broken:		
1207 50	- mustard seeds:		
1207 50 100 0	-- for sowing	10, but not less than €25 / 1,000 kg	No. 834 30.11.01
1207 50 900 0	-- other	10, but not less than €25 / 1,000 kg	No. 834 30.11.01
2207	Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol. or higher; ethyl alcohol and other spirits, denatured, of any strength:		
2207 10 000 0	- undenatured ethyl alcohol, of actual alcoholic strength by volume of 80% vol. or higher	6.5	No. 1364 09.12.99
2207 20 000 0	- ethyl alcohol and other spirits, denatured , of any strength	6.5	No. 1364 09.12.99
2503 00	Sulphur of all kinds, other than sublimed sulphur, precipitated sulphur and colloidal sulphur:		
2503 00 100 0	-crude or unrefined sulphur	6.5	No. 1358 08.12.99
2503 00 900 0	-other	6.5	No. 1358 08.12.99
2510	Natural calcium phosphates, natural aluminium calcium phosphates and phosphatic chalk:		

Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
2510 10 000 0	-unground	6.5	No. 1358 08.12.99
2510 20 000 0	-ground	6.5	No. 1358 08.12.99
2519	Natural magnesium carbonate (magnesite); fused magnesia; dead-burned (sintered) magnesia, whether or not containing small quantities of other oxides added before sintering; other magnesium oxide, whether or not pure:		
2519 90	-other:		
2519 90 100 0	--magnesium oxide, other than calcined natural magnesium carbonate	6.5	No. 1358 08.12.99
2519 90 300 0	--dead-burned (sintered) magnesia	6.5	No. 1358 08.12.99
2519 90 900 0	--other	6.5	No. 1358 08.12.99
2523	Portland cement, aluminous cement, slag cement, supersulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers:		
2523 10 000 0	-cement clinkers	6.5	No. 1358 08.12.99
2523 21 000 0	--white cement, whether or not artificially coloured	6.5	No. 1358 08.12.99
2523 29 000 0	--other	6.5	No. 1358 08.12.99
2523 30 000 0	-aluminous cement	6.5	No. 1358 08.12.99
2523 90	-other hydraulic cements:		
2523 90 100 0	--blast furnace cement	6.5	No. 1358 08.12.99
2523 90 300 0	--pozzolanic cement	6.5	No. 1358 08.12.99
2523 90 900 0	--other	6.5	No. 1358 08.12.99
2524 00	Asbestos:		
2524 00 300 0	-fibres, flakes or powder	3	No. 1358 08.12.99
2524 00 800 0	-other	3	No. 1358 08.12.99
2613	Molybdenum ores and concentrates:		
2613 10 000 0	-roasted	6.5	No. 1358 08.12.99
2613 90 000 0	-other	6.5	No. 1358 08.12.99
2704 00	Coke and semi-coke of coal, of lignite or of peat, whether or not agglomerated; retort carbon:		
	- coke and semi-coke of coal:		
2704 00 110 0	--for the manufacture of electrodes	6.5	No. 1364 09.12.99
2704 00 190 0	--other	6.5	No. 1364 09.12.99

Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
2704 00 300 0	-coke and semi-coke of lignite	6.5	No. 1364 09.12.99
2704 00 900 0	-other	6.5	No. 1364 09.12.99
2705 00 000 0	Coal gas, water gas, producer gas, and similar gases, other than petroleum gases and other gaseous hydrocarbons	5	No. 798 12.07.99
2706 00 000 0	Tar distilled from coal, from lignite or from peat, and other mineral tars, whether or not dehydrated or partially distilled, including reconstituted tars	5	No. 798 12.07.99
2707	Oils and other products of the distillation of high temperature coal tar; similar products in which the weight of the aromatic constituents exceeds that of the non-aromatic constituents:		
2707 10	-benzole:		
2707 10 100 0	--for use as power or heating fuel	US\$45.4 /1,000 kg	No. 394 30.07.04
2707 10 900 0	--for other purposes	US\$45.4 /1,000 kg	No. 394 30.07.04
2707 20	-toluole:		
2707 20 100 0	--for use as power or heating fuel	US\$45.4 /1,000 kg	No. 394 30.07.04
2707 20 900 0	--for other purposes	US\$45.4 /1,000 kg	No. 394 30.07.04
2707 30	-xylole:		
2707 30 100 0	--for use as power or heating fuel	US\$45.4 /1,000 kg	No. 394 30.07.04
2707 30 900 0	--for other purposes	US\$45.4 /1,000 kg	No. 394 30.07.04
2707 40 000 0	-naphthalene	5	No. 798 12.07.99
2707 50	-other aromatic hydrocarbon mixtures of which 65% or more by volume( including losses) distils at 250? by the ASTM D 86 method:		
2707 50 100 0	--for use as power or heating fuels	5	No. 798 12.07.99
2707 50 900 0	--for other purposes	5	No. 798 12.07.99
2707 60 000 0	-phenols	5	No. 798 12.07.99
	- other:		
2707 91 000 0	--creosote oils	5	No. 798 12.07.99
2707 99	--other:		
	---crude oils:		
2707 99 110 0	----crude light oils of which 90% or more by volume distils at temperatures of up to 200?	5	No. 798 12.07.99
2707 99 190 0	----other	5	No. 798 12.07.99
2707 99 300 0	---sulphuretted toppings	5	No. 798 12.07.99
2707 99 500 0	----basic products	5	No. 798 12.07.99

Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
2707 99 700 0	--anthracene	5	No. 798 12.07.99
	---other:		
2707 99 910 0	----for the manufacture of the products in heading 2803	5	No. 798 12.07.99
2707 99 990 0	----other	5	No. 798 12.07.99
2708	Pitch and pitch coke, obtained from coal tar or from other mineral tars:		
2708 10 000 0	-pitch	5	No. 798 12.07.99
2708 20 000 0	-pitch coke	5	No. 798 12.07.99
2709 00	Petroleum oils and oils obtained from bituminous minerals, crude:		
2709 00 100 0	-natural gas condensates	US\$87.9 /1,000 kg	No. 478 14.09.04
2709 00 900 0	-other	US\$87.9 /1,000 kg	No. 478 14.09.04
2710	Petroleum oils and oils obtained from bituminous minerals ( other than crude) and preparations not elsewhere specified or included, containing 70% or more by weight of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations, other than waste oils:		
	- Petroleum oils and oils obtained from bituminous minerals, other than crude; preparations not elsewhere specified or included, containing by weight 70 % or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations, except for waste oils:		
2710 11	--light oils and preparations:		
2710 11 110 0	---for undergoing a specific process	US\$45.4 /1,000 kg	No. 394 30.07.04
2710 11 150 0	--for undergoing chemical transformation by a process other than those specified in respect of subheading 2710 11 110	US\$45.4 /1,000 kg	No. 394 30.07.04
	--- for other purposes:		
	----special spirits:		
2710 11 210 0	-----white spirit	US\$45.4 /1,000 kg	No. 394 30.07.04
2710 11 250 0	-----other	US\$45.4 /1,000 kg	No. 394 30.07.04
	----other:		
	-----motor spirit:		
2710 11 310 0	-----aviation spirit	US\$45.4 /1,000 kg	No. 394 30.07.04
	-----other, with a lead content:		
	-----not exceeding 0,013 g per litre:		
2710 11 410 0	-----with octane number not exceeding 95	US\$45.4 /1,000 kg	No. 394

Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
			30.07.04
2710 11 450 0	-----with octane number 95 or more, but not exceeding 98	US\$45.4 /1,000 kg	No. 394 30.07.04
2710 11 490 0	-----with octane number 98 or more	US\$45.4 /1,000 kg	No. 394 30.07.04
	-----exceeding 0,013 g per litre:		
2710 11 510 0	-----with octane number not exceeding 98	US\$45.4 /1,000 kg	No. 394 30.07.04
2710 11 590 0	-----with octane number 98 or more	US\$45.4 /1,000 kg	No. 394 30.07.04
2710 11 700 0	-----spirit type jet fuel	US\$45.4 /1,000 kg	No. 394 30.07.04
2710 11 900 0	-----other light oils	US\$45.4 /1,000 kg	No. 394 30.07.04
2710 19	-- other:		
	---medium oils:		
2710 19 110 0	----for undergoing a specific process	US\$45.4 /1,000 kg	No. 394 30.07.04
2710 19 150 0	----for undergoing chemical transformation by a process other than those specified in respect of subheading 2710 19 110 0	US\$45.4 /1,000 kg	No. 394 30.07.04
	----for other purposes:		
	-----kerosene		
2710 19 210 0	-----jet fuel	US\$45.4 /1,000 kg	No. 394 30.07.04
2710 19 250 0	-----other	US\$45.4 /1,000 kg	No. 394 30.07.04
2710 19 290 0	-----other	US\$45.4 /1,000 kg	No. 394 30.07.04
	---heavy oils:		
	----gas oils:		
2710 19 310 0	----for undergoing a specific process	US\$45.4 /1,000 kg	No. 394 30.07.04
2710 19 350 0	----for undergoing chemical transformation by a process other than those specified in respect of subheading 2710 19 310	US\$45.4 /1,000 kg	No. 394 30.07.04
	----for other purposes:		
2710 19 410 0	-----with a sulphur content not exceeding 0,05% by weight	US\$45.4 /1,000 kg	No. 394 30.07.04
2710 19 450 0	-----with a sulphur content exceeding 0,05% by weight but not exceeding 0,2% by weight	US\$45.4 /1,000 kg	No. 394 30.07.04
2710 19 490 0	-----with a sulphur content exceeding 0,2% by weight	US\$45.4 /1,000 kg	No. 394 30.07.04
	----fuel oils:		
2710 19 510 0	----for undergoing a specific process	US\$45.4 /1,000 kg	No. 394 30.07.04
2710 19 550 0	----for undergoing chemical transformation by a process other than those specified in respect of subheading 2710 19 510	US\$45.4 /1,000 kg	No. 394 30.07.04
	----for other purposes:		
2710 19 610 0	-----with sulphur content not exceeding 1% by weight	US\$45.4 /1,000 kg	No. 394 30.07.04
2710 19 630 0	-----with sulphur content exceeding 1%, but not exceeding 2% by weight	US\$45.4 /1,000 kg	No. 394 30.07.04

Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
2710 19 650 0	-----with sulphur content exceeding 2%, but not exceeding 2.8% by weight	US\$45.4 /1,000 kg	No. 394 30.07.04
2710 19 690 0	-----with sulphur content exceeding 2.8% by weight	US\$45.4 /1,000 kg	No. 394 30.07.04
	----lubricating oils; other oils:		
2710 19 710 0	----for undergoing a specific process	US\$45.4 /1,000 kg	No. 394 30.07.04
2710 19 750 0	----for undergoing chemical transformation by a process other than those specified in respect of subheading 2710 00 810	US\$45.4 /1,000 kg	No. 394 30.07.04
	----for other purposes:	US\$45.4 /1,000 kg	
2710 19 810 0	-----motor oils, compressor lubricating oils, ---- motor oils, compressor lubricating oils,	US\$45.4 /1,000 kg	No. 394 30.07.04
2710 19 830 0	-----liquids for hydraulic purposes,	US\$45.4 /1,000 kg	No. 394 30.07.04
2710 19 850 0	-----white oils, liquid paraffin	US\$45.4 /1,000 kg	No. 394 30.07.04
2710 19 870 0	-----gear oils and reduction gear oils	US\$45.4 /1,000 kg	No. 394 30.07.04
2710 19 910 0	-----metal treatment compaunds, mould lubricating oils, anticorrosive oils	US\$45.4 /1,000 kg	No. 394 30.07.04
2710 19 930 0	-----electric insulating oils	US\$45.4 /1,000 kg	No. 394 30.07.04
2710 19 990 0	-----other lubricating oils and other oils	US\$45.4 /1,000 kg	No. 394 30.07.04
	-waste oils:		
2710 91 000 0	--containing polychlorinated biphenyls (PCBs), polychlorinated terphenyls (PCTs) or polybrominated biphenyls (PBBs)	US\$45.4 /1,000 kg	No. 394 30.07.04
2710 99 000 0	-- other	US\$45.4 /1,000 kg	No. 394 30.07.04
2711	Petroleum gases and other gaseous hydrocarbons:		
	-liquefield:		
2711 11 000 0	--natural gas	€40 /1,000 kg	No. 186 02.03.00
2711 12	--propane:		
	---propane of a purity not less than 99%:		
2711 12 110 0	----for use as a power or heating fuel	US\$45.4 /1,000 kg	No. 394 30.07.04
2711 12 190 0	----for other purposes	US\$45.4 /1,000 kg	No. 394 30.07.04
	---other:		
2711 12 910 0	----for undergoing a specific process	US\$45.4 /1,000 kg	No. 394 30.07.04
2711 12 930 0	----for undergoing chemical transformation%by a process other than those specified in respect of subheading 2711 12 910	US\$45.4 /1,000 kg	No. 394 30.07.04
	----for other purposes:		
2711 12 940 0	-----with purity exceeding 90%, but not exceeding 99%	US\$45.4 /1,000 kg	No. 394 30.07.04
2711 12 970 0	-----other	US\$45.4 /1,000 kg	No. 394 30.07.04
2711 13	--butanes:		

Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
2711 13 100 0	---for undergoing a specific process	US\$45.4 /1,000 kg	No. 394 30.07.04
2711 13 300 0	---for undergoing chemical transformation by a process other than those specified in respect of subheading 2711 13 100	US\$45.4 /1,000 kg	No. 394 30.07.04
	---for other purposes:		
2711 13 910 0	----with purity exceeding 90%, but not exceeding 95%	US\$45.4 /1,000 kg	No. 394 30.07.04
2711 13 970 0	----other	US\$45.4 /1,000 kg	No. 394 30.07.04
2711 14 000 0	--ethylene, propylene, butylene and butadiene	US\$45.4 /1,000 kg	No. 394 30.07.04
2711 19 000 0	--other	US\$45.4 /1,000 kg	No. 394 30.07.04
	-in gaseous state:		
2711 21 000 0	--natural gas	30	No. 507 19.08.03
2711 29 000 0	--other	5	-
2712	Petroleum jelly; paraffin wax, microcrystalline petroleum wax, slack wax, ozokerite, lignite wax, peat wax, other mineral waxes, and similar products obtained by synthesis or by other processes, whether or not coloured:		
2712 10	- Petroleum jelly:		
2712 10 100 0	-- Raw	US\$45.4 /1,000 kg	No. 394 30.07.04
2712 10 900 0	-- Other	US\$45.4 /1,000 kg	No. 394 30.07.04
2712 20	- Paraffin wax containing by weight less than 0,75 % of oil:		
2712 20 100 0	-- Synthetic paraffin of molecular mass not less 460, but not exceeding 1560	US\$45.4 /1,000 kg	No. 394 30.07.04
2712 20 900 0	-- Other	US\$45.4 /1,000 kg	No. 394 30.07.04
2712 90	- Other:		
	-- Ozokerite, lignite wax or peat wax (natural products):		
2712 90 310 0	---- For undergoing a specific process	US\$45.4 /1,000 kg	No. 394 30.07.04
2712 90 330 0	---- For undergoing chemical transformation by a process other than those specified in respect of subheading 2712 90 310 0	US\$45.4 /1,000 kg	No. 394 30.07.04
2712 90 910 0	---- Mixture of 1-alkenes containing 80 mas.% or more 1-alkenes with the carbon chain length of 24 carbon atoms and more but not exceeding 28 carbon atoms	US\$45.4 /1,000 kg	No. 394 30.07.04
2712 90 990 0	---- Other	US\$45.4 /1,000 kg	No. 394 30.07.04
2713	Petroleum coke, petroleum bitumen and other residues of petroleum oils or of oils obtained from bituminous minerals:		
	- Petroleum coke:		
2713 11 000 0	-- Not calcined	US\$45.4\$ /1,000 kg	No. 394 30.07.04

Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
2713 20 000 0	- Petroleum bitumen	US\$45.4\$ /1,000 kg	No. 394 30.07.04
2713 90	- Other residues of petroleum oils or of oils obtained from bituminous minerals:		
2713 90 100 0	-- For the manufacture of the products of heading 2803	US\$45.4\$ /1,000 kg	No. 394 30.07.04
2713 90 900 0	-- Other	US\$45.4\$ /1,000 kg	No. 394 30.07.04
2714	Bitumen and asphalt, natural; bituminous or oil shale and tar sands; asphaltites and asphaltic rocks:		
2714 90 000 0	-other	5	No. 798 12.07.99
2715 00 000 0	Bituminous mixtures based on natural Bituminous mixtures based on natural bitumen, on mineral tar or on mineral tar pitch (for example, bituminous mastics, cut-backs):	5	No. 798 12.07.99
2825	Hydrazine and hydroxylamine and their inorganic salts; other inorganic bases other metal oxides, hydroxides and peroxides:		
2825 30 000 0	-vanadium oxides and hydroxides	6.5	No. 1364 09.12.99
2902	Cyclic hydrocarbons:		
2902 20	- Benzene:		
2902 20 100 0	-- For use as a power or heating fuel	US\$45.4 /1,000 kg	No. 394 30.07.04
2902 20 900 0	-- For other purposes	US\$45.4 /1,000 kg	No. 394 30.07.04
2902 30	- Toluene:		
2902 30 100 0	-- For use as a power or heating fuel	US\$45.4 /1,000 kg	No. 394 30.07.04
2902 30 900 0	-- For other purposes	US\$45.4 /1,000 kg	No. 394 30.07.04
	-xylenes:		
2902 41 000 0	--o-xylene	US\$45.4 /1,000 kg	No. 394 30.07.04
2902 42 000 0	--m-xylene	US\$45.4 /1,000 kg	No. 394 30.07.04
2902 43 000 0	--p-xylene	US\$45.4 /1,000 kg	No. 394 30.07.04
2905	Acyclic alcohols and their halogenated, sulphonated, nitrated or nitrosated derivatives: - saturated monohydric alcohols:		
2905 13 000 0	--butan-1-ol (n-butyl alcohol)	6.5	No. 1364 09.12.99
3105	Mineral or chemical fertilizers containing two or three of the two fertilizing elements nitrogen, phosphorus and potassium; other fertilizers; goods of this chapter in tablets or similar forms or in packages of a gross weight not exceeding 10 kg		
3105 10 000 0	-goods of this chapter in tablets or similar forms or in packages of a gross weight not exceeding 10 kg	5	No. 324 04.06.03



Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
3105 20	-mineral or chemical fertilizers containing the three fertilizing elements nitrogen, phosphorus and potassium:		
3105 20 100 0	--with a nitrogen content exceeding 10% by weight on the dry anhydrous product	5	No. 324 04.06.03
3105 20 900 0	--other	5	No. 324 04.06.03
3105 51 000 0	--containing nitrates and phosphates	5	No. 324 04.06.03
3105 59 000 0	--other	3	No. 324 04.06.03
3105 60	-mineral or chemical fertilizers containing the two fertilizing elements phosphorus and potassium:		
3105 60 100 0	--potassic superphosphates	5	No. 324 04.06.03
3105 60 900 0	-other	5	No. 324 04.06.03
3105 90	-other:		
3105 90 100 0	--natural potassic sodium nitrate, consisting of natural mixture of sodium nitrate and potassium nitrate (the proportion of potassium nitrate may be as high as 44%), of a total nitrogen content not exceeding 16.3% by weight on the dry anhydrous produ	5	No. 324 04.06.03
	--other:		
3105 90 910 0	---with a nitrogen content exceeding 10% by weight on the dry anhydrous product	5	No. 324 04.06.03
3105 90 990 0	---other	5	No. 324 04.06.03
3901	Polymers of ethylene, in primary forms		
3901 10	-polyethylene having a specific gravity of less than 0.94		
3901 10 100 0	-linear polyethylene	6.5	No. 1358 08.12.99
3901 10 900 0	--other	6.5	No. 1358 08.12.99
3901 20	-polyethylene having a specific gravity of 0,94 or more		
3901 20 100 0	-polyethylene in one of the forms mentioned in note 6(b) to this chapter, of a specific gravity of 0,958 or more at 23 C, containing: 50 mg/kg or less of aluminium, 2 mg/kg or less of calcium, 2 mg/kg or less of chromium, 2 mg/kg or less of iron, 2 mg/kg or less of nickel, 2 mg/kg or less of titanium and 8 mg/kg or less of vanadium, for the manufacture chlorosulphanated polyethylene	6.5	No. 1358 08.12.99
3901 20 900 0	--other	6.5	No. 1358 08.12.99

Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
3901 30 000 0	-ethylene-vinyl acetate copolymers	6.5	No. 1358 08.12.99
3901 90	-other:		
3901 90 100 0	--lonomer resin consisting of a salt of a terpolymer of ethylene with isobutyl acrylate and methacrylic acid	6.5	No. 1358 08.12.99
3901 90 200 0	--A-B-A block copolymer of polystyrene, ethylene-butylene copolymer and polystyrene, containing by weight 35% or less of styrene, in one of the forms mentioned in note 6(b) to this chapter	6.5	No. 1358 08.12.99
3901 90 900 0	--other	6.5	No. 1358 08.12.99
3902	Polymers of propylene or other olefins, in primary forms::		
3902 10 000 0	-polypropylene	6.5	No. 1358 08.12.99
3902 20 000 0	-polyisobutylene	6.5	No. 1358 08.12.99
3902 30 000 0	-propylene copolymers	6.5	No. 1358 08.12.99
3902 90	-other:		
3902 90 100 0	--A-B-A block copolymer of polystyrene, ethylene-butylene copolymer and polystyrene, containing by weight 35% or less of styrene, in one of the forms mentioned in note 6(b) to this chapter	6.5	No. 1358 08.12.99
3902 90 200 0	--polybut-1-ene, a copolymer of but-1-ene with ethylene containing by weight 10% or less of ethylene, or a blend of polybut-1-ene with polyethylene and/or polypropylene containing by weight 10% or less of polyethylene and/or 25% or less of polyethylene, in one of the forms mentioned in note 6(b) to this chapter	6.5	No. 1358 08.12.99
3902 90 900 0	--other	6.5	No. 1358 08.12.99
4101	Raw hides and skins of bovine (including buffalo) or equine animals (fresh or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split:		
4101 20	– whole hides and skins of a weight per skin not exceeding 8 kg when simply dried, 10 kg when dry-salted or 16 kg when fresh, wet-salted or otherwise preserved :		
4101 20 100 0	-- fresh	€500 /1,000 kg	No. 492 05.07.01
4101 20 300 0	-- wet salted	€500 /1,000 kg	No. 492 05.07.01
4101 20 500 0	-- dried or dry-salted	€500 /1,000 kg	No. 492 05.07.01
4101 20 900 0	-- other	€500 /1,000 kg	No. 492 05.07.01
4101 50	– whole hides and skins, of a weight exceeding 16 kg:		

Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
4101 50 100 0	-- fresh	€500 /1,000 kg	No. 492 05.07.01
4101 50 300 0	-- wet-salted	€500 /1,000 kg	No. 492 05.07.01
4101 50 500 0	-- dried or dry-salted	€500 /1,000 kg	No. 492 05.07.01
4101 50 900 0	-- other	€500 /1,000 kg	No. 492 05.07.01
4101 90 000 0	- other, including butts, bends and bellies	€500 /1,000 kg	No. 492 05.07.01
4102	Raw skins of sheep and lambs (fresh or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split, other than those excluded by Note 1(c) to this Chapter:		
4102 10	- with wool on:		
4102 10 100 0	-- of lambs	€500 /1,000 kg	No. 492 05.07.01
4102 10 900 0	-- other	€500 /1,000 kg	No. 492 05.07.01
	- without wool on:		
4102 21 000 0	-- pickled	€500 /1,000 kg	No. 492 05.07.01
4102 29 000 0	-- other	€500 /1,000 kg	No. 492 05.07.01
4103	Other raw hides and skins (fresh or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split, other than those excluded by Note 1 (b) or 1 (c) to this Chapter:		
4103 10	- of goats and kids:		
4103 10 200 0	-- fresh	€500 /1,000 kg	No. 492 05.07.01
4103 10 500 0	-- salted or dried	€500 /1,000 kg	No. 492 05.07.01
4103 10 900 0	-- other	€500 /1,000 kg	No. 492 05.07.01
4103 20 000 0	- of reptiles	€500 /1,000 kg	No. 492 05.07.01
4103 30 000 0	- of swine	€500 /1,000 kg	No. 492 05.07.01
4103 90 000 0	- other	€500 /1,000 kg	No. 492 05.07.01
4104	Tanned or crust hides and skins of bovine (including buffalo) or equine animals, without hair on, whether or not split, but not further prepared:		
	-in the wet state (including wet-blue):		
4104 11	--full grains, unsplit; grain splits:		
4104 11 100 0	---whole bovine (including buffalo) hides and skins, of a unit surface area not exceeding 28 square feet (2,6m <sup>2</sup> )	10, but not less than €90 / 1,000 kg	No. 798 12.07.99
	---other:		

Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
	-----of bovine (including buffalo) animals:		
4104 11 510 0	-----whole hides and skins, of a unit surface area exceeding 28 square feet (2,6m <sup>2</sup> )	10, but not less than €90 / 1,000 kg	No. 798 12.07.99
4104 11 590 0	-----other	10, but not less than €90 / 1,000 kg	No. 798 12.07.99
4104 11 900 0	----other	10, but not less than €90 / 1,000 kg	No. 798 12.07.99
4104 19	--other		
4104 19 100 0	---whole bovine (including buffalo) hides and skins, of a unit surface area not exceeding 28 square feet (2,6m <sup>2</sup> )	10, but not less than €90 / 1,000 kg	No. 798 12.07.99
	---other		
	-----of bovine (including buffalo) animals:		
4104 19 510 0	-----whole hides and skins, of a unit surface area exceeding 28 square feet (2,6m <sup>2</sup> )	10, but not less than €90 / 1,000 kg	No. 798 12.07.99
4104 19 590 0	-----other	10, but not less than €90 / 1,000 kg	No. 798 12.07.99
4104 19 900 0	----other	10, but not less than €90 / 1,000 kg	No. 798 12.07.99
	-in the dry state (crust):		
4104 41	--full grains, unsplit; grain splits:		
	---whole bovine (including buffalo) hides and skins, of a unit surface area not exceeding 28 square feet (2,6m <sup>2</sup> )		
4104 41 110 0	----East India kip, whole, wheather or not the heads and legs have been removed, each of a net weight of not more than 4,5 kg, not further prepared than vegetable tanned, whether or not having undergone certain treatments, but obviously unsuitable for immediate use for the manufacture of leather articles	10, but not less than €90 / 1,000 kg	No. 798 12.07.99
4104 41 190 0	----other	10, but not less than €90 / 1,000 kg	No. 798 12.07.99
	---other:		
	-----of bovine (including buffalo) animals:		
4104 41 510 0	-----whole hides and skins, of a unit surface area exceeding 28 square feet (2,6m <sup>2</sup> )	10, but not less than €90 / 1,000 kg	No. 798 12.07.99
4104 41 590 0	-----other	10, but not less than €90 / 1,000 kg	No. 798 12.07.99
4104 41 900 0	----other	10, but not less than €90 / 1,000 kg	No. 798 12.07.99
4104 49	--other:		
	---whole bovine (including buffalo) hides and skins, of a unit surface area not exceeding 28 square feet (2,6m <sup>2</sup> )		
4104 49 110 0	----East India kip, whole, wheather or not the heads and legs have been removed, each of a net weight of not more than 4,5 kg, not further prepared than vegetable tanned, whether or not having undergone certain treatments, but obviously unsuitable for immediate use for the manufacture of leather articles	10, but not less than €90 / 1,000 kg	No. 798 12.07.99
4104 49 190 0	----other	10, but not less than €90 / 1,000 kg	No. 798 12.07.99

Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
	---other:		
	----of bovine (including buffalo) animals:		
4104 49 510 0	-----whole hides and skins, of a unit surface area exceeding 28 square feet (2,6m <sup>2</sup> )	10, but not less than €90 / 1,000 kg	No. 798 12.07.99
4104 49 590 0	-----other	10, but not less than €90 / 1,000 kg	No. 798 12.07.99
4104 49 900 0	----other	10, but not less than €90 / 1,000 kg	No. 798 12.07.99
4105	Tanned or crust skins of sheep or lambs, without wool on whether or not split, but not further prepared:		
4105 10	-in the wet state (including wet-blue):		
4105 10 100 0	--not split	10, but not less than €70 / 1,000 kg	No. 798 12.07.99
4105 10 900 0	--split	10, but not less than €70 / 1,000 kg	No. 798 12.07.99
4105 30	-in the dry state (crust):		
4105 30 100 0	--vegetable pre-tanned Indian hair sheep, whether or not having undergone certain treatments, but obviously unsuitable for immediate use for the manufacture of leather articles	10, but not less than €70 / 1,000 kg	No. 798 12.07.99
	--other:		
4105 30 910 0	---not split	10, but not less than €70 / 1,000 kg	No. 798 12.07.99
4105 30 990 0	---split	10, but not less than €70 / 1,000 kg	No. 798 12.07.99
4107	Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals, without hair on, whether or not split, other than leather of heading 4114:		
	-whole hides and skins:		
4107 11	--full grains, unsplit:		
	---bovine (including buffalo) leather, of a unit surface area not exceeding 28 square feet (2,6m <sup>2</sup> )		
4107 11 110 0	----box calf	10, but not less than €60 / 1,000 kg	No. 798 12.07.99
4107 11 190 0	----other	10, but not less than €60 / 1,000 kg	No. 798 12.07.99
4107 11 900 0	---other	10, but not less than €60 / 1,000 kg	No. 798 12.07.99
4401	Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms; wood chips or particles; sawdust, wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets, or similar forms:		
	-wood in chips or particles:		
4401 21 000 0	--coniferous	5	No. 170 29.02.00
4401 22 000 0	--non-coniferous	5	No. 170 29.02.00
4403	Wood in the rough, whether or not stripped of		

Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
	bark or sapwood, or roughly squared:		
4403 10 000	-treated with paint, stains, creosote or other preservatives:		
4403 10 000 1	--of oak	20, but not less than €24 / 1m <sup>3</sup>	No. 1364 09.12.99
4403 10 000 2	--of beech	20, but not less than €24 / 1m <sup>3</sup>	No. 1364 09.12.99
4403 10 000 3	--of ash	20, but not less than €24 / 1m <sup>3</sup>	No. 1364 09.12.99
4403 20	-other, coniferous:		
	--sprus of the kind <i>Picea abies</i> Karst or silver fir ( <i>Abies alba</i> Mill):		
4403 20 110 0	---sawlogs	6.5, but not less than €2,5 / 1m <sup>3</sup>	No. 242 23.03.00
4403 20 190 0	---other	6.5, but not less than €2,5 / 1m <sup>3</sup>	No. 242 23.03.00
	--pine of the kind <i>Pinus sylvestris</i> L.:		
4403 20 310 0	---sawlogs	6.5, but not less than €2,5 / 1m <sup>3</sup>	No. 242 23.03.00
4403 20 390 0	---other	6.5, but not less than €2,5 / 1m <sup>3</sup>	No. 242 23.03.00
	--other:		
4403 20 910 0	---sawlogs	6.5, but not less than €2,5 / 1m <sup>3</sup>	No. 242 23.03.00
4403 20 990 0	---other	6.5, but not less than €2,5 / 1m <sup>3</sup>	No. 242 23.03.00
	-other, of tropical wood specified in subheading note 1 to this chapter:		
4403 91	--of oak ( <i>Quercus</i> spp.):		
4403 91 100 0	---sawlogs	20, but not less than €24 / 1m <sup>3</sup>	No. 1364 09.12.99
4403 91 900 0	---other	20, but not less than €24 / 1m <sup>3</sup>	No. 1364 09.12.99
4403 92	--of beech ( <i>Fagus</i> spp.):		
4403 92 100 0	---sawlogs	20, but not less than €24 / 1m <sup>3</sup>	No. 1364 09.12.99
4403 92 900 0	---other	20, but not less than €24 / 1m <sup>3</sup>	No. 1364 09.12.99
4403 99	--other:		
4403 99 100 0	---of poplar	10, but not less than €5 / 1m <sup>3</sup>	No. 1364 09.12.99
4403 99 300 0	---of eucalyptus	10, but not less than €5 / 1m <sup>3</sup>	No. 1364 09.12.99
	---of birch:		
4403 99 950	---other:		
4403 99 950 1	----of ash	20, but not less than €24 / 1m <sup>3</sup>	No. 1364 09.12.99
4403 99 950 9	----other	10, but not less than €5 / 1m <sup>3</sup>	No. 1364 09.12.99
4406	Railway or tramway sleepers (cross-ties) of wood:		
4406 10 000 0	-not impregnated	10, but not less than €5 / 1m <sup>3</sup>	No. 1364 09.12.99
4406 90 000 0	-other	10, but not less than €5 /	No. 1364

Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
		1m3	09.12.99
4407	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed, of a thickness exceeding 6 mm:		
4407 10	-coniferous:		
4407 10 150 0	--end-jointed, whether or not planed or sanded	3, but not less than €2,5 / 1m3	No. 575 16.09.03
	--other:		
	---planed:		
4407 10 310 0	----Spruce of the kind "Picea abies Karst" or silver fir (Abies alba Mill.)	3, but not less than €2,5 / 1m3	No. 575 16.09.03
4407 10 330 0	----pine of the kind <i>Pinus sylvestris</i> L.	3, but not less than €2,5 / 1m3	No. 575 16.09.03
4407 10 380 0	----other	3, but not less than €2,5 / 1m3	No. 575 16.09.03
	---other:		
4407 10 910 0	----Spruce of the kind "Picea abies Karst" or silver fir (Abies alba Mill.)	3, but not less than €2,5 / 1m3	No. 575 16.09.03
4407 10 930 0	----pine of the kind "Pinus silvestris L."	3, but not less than €2,5 / 1m3	No. 575 16.09.03
4407 10 980 0	----other	3, but not less than €2,5 / 1m3	No. 575 16.09.03
	-other:		
4407 91	--of oak:		
4407 91 150 0	----end-jointed, whether or not planed or sanded	10, but not less than €10 / 1m3	No. 1364 09.12.99
	---other:		
	----planed:		
4407 91 310 0	-----blocks, strips and friezes for parquet or wood block flooring, not assembled	10, but not less than €10 / 1m3	No. 1364 09.12.99
4407 91 390 0	-----other	10, but not less than €10 / 1m3	No. 1364 09.12.99
4407 91 900 0	----other	10, but not less than €10 / 1m3	No. 1364 09.12.99
4407 92 000 0	--of beech ( <i>Fagus</i> spp.)	10, but not less than €10 / 1m3	No. 1364 09.12.99
4407 99	--other:		
4407 99 100 0	----end-jointed, whether or not planed or sanded	10, but not less than €5 / 1m3	No. 1364 09.12.99
ex.4407 99 100 0	Of ash	10, but not less than €12 / 1m3	No. 1364 09.12.99
	---other:		
4407 99 300 0	----planed	10, but not less than €5 / 1m3	No. 1364 09.12.99
ex.4407 99 300 0	Of ash	10, but not less than €12 / 1m3	No. 1364 09.12.99
4407 99 500 0	----sanded	10, but not less than €5 / 1m3	No. 1364 09.12.99
ex.4407 99 500 0	Of ash	10, but not less than €12 / 1m3	No. 1364 09.12.99
	----other:		
4407 99 910 0	-----of poplar	10, but not less than €5 / 1m3	No. 1364 09.12.99
4407 99 960 0	-----of tropical wood	10, but not less than €5 /	No. 1364

Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
		1m3	09.12.99
4407 99 970 0	-----other	10, but not less than €5 / 1m3	No. 1364 09.12.99
ex. 4407 99 970 0	Of ash	10, but not less than €12 / 1m3	No. 1364 09.12.99
4409	Wood (including strips and friezes for parquet flooring, not assembled), continuously shaped (tongued, grooved, rebated, chamfered, V-joined, beaded, moulded, rounded or the like) along any of its edges, ends or faces, whether or not planed, sanded or end-jointed:		
4409 10	-coniferous:		
4409 10 180 0	--other	10, but not less than €5 / 1m3	No. 1364 09.12.99
4409 20	-non-coniferous:		
4409 20 110 0	--mouldings for frames for pictures, photographs, mirrors or similar objects	10, but not less than €5 / 1m3	No. 1364 09.12.99
	--other		
4409 20 910 0	---blocks, strips and friezes for parquet flooring, not assembled	10, but not less than €5 / 1m3	No. 1364 09.12.99
4409 20 980 0	---other	10, but not less than €5 / 1m3	No. 1364 09.12.99
4410	Particle board and similar board (for example, oriented strand board and waferboard) of wood or other ligneous materials, whether or not agglomerated with resins or other organic binding substances:		
	-oriented strand board and waferboard, of wood		
4410 21 000 0	--unworked or not further worked than sanded	10, but not less than €5 / 1m3	No. 1364 09.12.99
4410 29 000 0	--other	10, but not less than €5 / 1m3	No. 1364 09.12.99
	-other of wood:		
4410 31 000 0	--unworked or not further worked than sanded	10, but not less than €5 / 1m3	No. 1364 09.12.99
4410 32 000 0	--surface-covered with melamine-impregnated paper	10, but not less than €5 / 1m3	No. 1364 09.12.99
4410 33 000 0	--surface-covered with decorative laminates of plastics	10, but not less than €5 / 1m3	No. 1364 09.12.99
4410 39 000 0	--other	10, but not less than €5 / 1m3	No. 1364 09.12.99
4410 90 000 0	-other	10, but not less than €5 / 1m3	No. 1364 09.12.99
4418	Builder's joinery and carpentry of wood, including cellular wood panels, assembled parquet panels, shingles and shakes:		
4418 90	-other:		
4418 90 900 0	--other	10, but not less than €5 / 1m3	No. 1364 09.12.99
4701 00	Mechanical wood pulp		
4701 00 100 0	- thermo-mechanical wood pulp	10	No. 1364 09.12.99
4701 00 900 0	- other	10	No. 1364 09.12.99



Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
4703	Chemical wood pulp, soda or sulphate, other than dissolving grades:		
	-unbleached:		
4703 11 000 0	-- coniferous	10	No. 1364 09.12.99
4703 19 000 0	-- non-coniferous	10	No. 1364 09.12.99
	- semi-bleached or bleached		
4703 21 000 0	--coniferous	5, but not less than €15 /1,000 kg	No. 755 18.12.03
4703 29 000 0	-- non coniferous	5	No. 474 10.09.04
4704	Chemical wood pulp, sulphite other than dissolving grades:		
4704 11 000 0	-- coniferous	10	No. 1364 09.12.99
4704 19 000 0	-- non-coniferous	10	No. 1364 09.12.99
	-semi-bleached or bleached:		
4704 21 000 0	--coniferous	5, but not less than €15 /1,000 kg	No. 575 16.09.03
4704 29 000 0	-- non-coniferous	10	No. 1364 09.12.99
4707	Recovered (waste and scrap) paper or paperboard		
4707 10 000 0	- of unbleached kraft paper or paperboard or of corrugated paper or paperboard	10	No. 1364 09.12.99
4707 20 000 0	- of other paper or paperboard made mainly of bleached chemical pulp, not coloured in the mass	10	No. 1364 09.12.99
4707 30	- of paper or paperboard made mainly of mechanical pulp (for example: newspapers, journals and similar printed matter):		
4707 30 100 0	--old and unsold newspapers and magazines, telephone directories, brochures and printed advertising material	10	No. 1364 09.12.99
4707 30 900 0	-- other	10	No. 1364 09.12.99
4707 90	-other, including unsorted waste and scrap		
4707 90 100 0	-- unsorted	10	No. 1364 09.12.99
4707 90 900 0	- sorted	10	No. 1364 09.12.99
4801 00 000 0	Newsprint, in rolls or sheets	5	No. 324 01.06.03
4802	Uncoated paper and paperboard, of a kind used for writing, printing or other graphic purposes, and non perforated punch-cards and punch tape paper, in rolls or rectangular (including square) sheets, of any size, other than paper of heading 4801 or 4803; hand-made paper and paperboard:		
4802 10 000 0	-hand-made paper and paperboard	10	No. 1364 09.12.99
4802 20 000 0	-paper and paperboard of a kind used as a base	10	No. 1364

Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
	for photo-sensitive, heat-sensitive or electro-sensitive paper and paperboard		09.12.99
4802 30 000 0	-carbonizing base paper	10	No. 1364 09.12.99
4802 40	-wallpaper base:		
4802 40 100 0	--not containing fibres obtained by mechanically process or of which not more 10% by weight of the total fibre content consists of such fibres	10	No. 1364 09.12.99
4802 40 900 0	--other	10	No. 1364 09.12.99
	-other paper and paperboard, not containing fibres obtained by a mechanical or chemi-mechanical process or of which not more than 10% by weight of the total fibre content consists of such fibres:		
4802 54	--weighting less than 40 g/m <sup>2</sup> :		
4802 54 100 0	---paper weighting not more than 15 g/m <sup>2</sup> for use in stencil making	10	No. 1364 09.12.99
4802 54 900 0	---other	10	No. 1364 09.12.99
4802 55 000 0	--weighting 40 g/m <sup>2</sup> or more but not more than 150 g/m <sup>2</sup> in rolls	10	No. 1364 09.12.99
4802 58	--weighting more than 150 g/m <sup>2</sup> :		
4802 58 100 0	---in rolls	10	No. 1364 09.12.99
4802 58 900 0	---other	10	No. 1364 09.12.99
	-other paper and paperboard of which more than 10% by weight of the total fibre content consists of fibres obtained by a mechanical or chemi-mechanical process:		
4802 61	---in rolls:		
4802 61 100 0	---newsprint other than that of heading 4801	10	No. 1364 09.12.99
4802 61 500 0	---other, weighting less than 72 g/m <sup>2</sup> and of which more than 50% by weight of the total fibre content consists fibres obtained by the mechanical process,	10	No. 1364 09.12.99
4802 61 900 0	---other:	10	No. 1364 09.12.99
4802 62	---in sheets with one side not exceeding 435 mm and the other side not exceeding 297 mm in the unfolded state:		
4802 62 100 0	---newsprint other than that of heading 4801	10	No. 1364 09.12.99
4802 62 500 0	---other, weighting less than 72 g/m <sup>2</sup> and of which more than 50% by weight of the total fibre content consists fibres obtained by the mechanical process	10	No. 1364 09.12.99
4802 62 900 0	---other	10	
4802 69	--other:		
4802 69 100 0	---newsprint other than that of heading 4801	10	No. 1364 09.12.99
4802 69 500 0	---other, weighting less than 72 g/m <sup>2</sup> and of	10	No. 1364

Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
	which more than 50% by weight of-the total fibre content consists fibres obtained by the mechanical process		09.12.99
4802 69 900 0	---other	10	No. 1364 09.12.99
4804	Uncoated kraft paper and paperboard, in rolls or sheets other than that of heading 4802 or 4803:		
	-kraftliner:		
4804 11	--unbleached:		
	---of which not less than 80% by weight of the total fibre content consists of coniferous fibres obtained by the chemical sulphate or soda process:		
4804 11 110 0	----weighting less than 150 g/m <sup>2</sup>	10	No. 1364 09.12.99
4804 11 150 0	----weighting 150 g/m <sup>2</sup> or more but less than 175 g/m <sup>2</sup>	10	No. 1364 09.12.99
4804 11 190 0	--weighting 175 g/m <sup>2</sup> or more	10	No. 1364 09.12.99
4804 11 900 0	---other	10	No. 1364 09.12.99
4804 19	--other:		
	---of which not less than 80% by weight of-the total fibre content consists of coniferous fibres obtained by the chemical sulphate or soda process:		
	----composed of one or more layers unbleached and an outside layer bleached, semi-bleached or coloured, weighting per m <sup>2</sup> :		
4804 19 110 0	-----ess than 150 g	10	No. 1364 09.12.99
4804 19 150 0	-----150 g or more but less than 175 g	10	No. 1364 09.12.99
4804 19 190 0	-----175 g or more	10	No. 1364 09.12.99
	---- other, weighting per m <sup>2</sup> :		
4804 19 310 0	-----less than 150 g	10	No. 1364 09.12.99
4804 19 380 0	-----150 g or more	10	No. 1364 09.12.99
4804 19 900 0	---other	10	No. 1364 09.12.99
	-sack kraft paper:		
4804 21	--unbleached:		
4804 21 900 0	---other	10	No. 1364 09.12.99
4804 29	--other:		
4804 29 100 0	---of which not less than 80% by weight of the total fibre content consists of coniferous fibres obtained by the chemical sulphate or soda process	10	No. 1364 09.12.99
4804 29 900 0	---other	10	No. 1364 09.12.99

Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
	- Other kraft paper and paperboard with weighting 150 g/m <sup>2</sup> or less:		
4804 31	--unbleached:		
4804 31 100 0	---for the manufacture of paper yarn of heading 5308, or of paper yarn reinforced with metal of heading 5607	10	No. 1364 09.12.99
	--- other:		
	----of which not less than 80% by weight of the total fibre content consists of coniferous fibres obtained by the chemical sulphate or soda process:		
4804 31 510 0	-----kraft electro-technical insulating paper	10	No. 1364 09.12.99
4804 31 900 0	----other	10	No. 1364 09.12.99
4804 39	- - other:		
4804 39 100 0	---for the manufacture of paper yarn of heading 5308 or of paper yarn reinforced with metal of heading 5607	10	No. 1364 09.12.99
	--- other:		
	----of which not less than 80% by weight of the total fibre content consists of coniferous fibres obtained by the chemical sulphate or soda process:		
4804 39 510 0	-----bleached uniformly throughout the mass	10	No. 1364 09.12.99
4804 39 590 0	-----other	10	No. 1364 09.12.99
4804 39 900 0	----other	10	No. 1364 09.12.99
	-other kraft paper and paperboard weighting more than 150 g/m <sup>2</sup> but less than 225 g/m <sup>2</sup> :		
4804 41	--unbleached:		
4804 41 100 0	---of which not less than 80% by weight of the total fibre content consists of coniferous fibres obtained by the chemical sulphate or soda process	10	No. 1364 09.12.99
	--- other:		
4804 41 910 0	----saturating kraft	10	No. 1364 09.12.99
4804 41 990 0	----other	10	No. 1364 09.12.99
4804 42	--bleached uniformly throughout the mass and of which more than 95% by weight of the total fibre content consists of wood fibres obtained by a chemical process:		
4804 42 100 0	---of which not less than 80% by weight of the total fibre content consists of coniferous fibres obtained by the chemical sulphate or soda process	10	No. 1364 09.12.99
4804 42 900 0	----other	10	No. 1364 09.12.99
4804 49	--other:		
4804 49 100 0	---of which not less than 80% by weight of the	10	No. 1364

Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
	total fibre content consists of coniferous fibres obtained by the chemical sulphate or soda process		09.12.99
4804 49 900 0	---other	10	No. 1364 09.12.99
	-other kraft paper and paperboard weighting 225 g/m <sup>2</sup> or more:		
4804 51	--unbleached:		
4804 51 100 0	---of which not less than 80% by weight of the total fibre content consists of coniferous fibres obtained by the chemical sulphate or soda process	10	No. 1364 09.12.99
4804 51 900 0	---other	10	No. 1364 09.12.99
4804 52	--bleached uniformly throughout the mass and of which more than 95% by weight of the total fibre content consists of wood fibres obtained by a chemical process:		
4804 52 100 0	---of which not less than 80% by weight of the total fibre content consists of coniferous fibres obtained by the chemical sulphate or soda process	10	No. 1364 09.12.99
4804 52 900 0	---other	10	No. 1364 09.12.99
4804 59	--other:		
4804 59 100 0	---of which not less than 80% by weight of the total fibre content consists of coniferous fibres obtained by the chemical sulphate or soda process	10	No. 1364 09.12.99
4804 59 900 0	---other	10	No. 1364 09.12.99
4805	Other uncoated paper and paperboard, in rolls or sheets not further worked or processed than as specified in note 3 to this chapter:		
	-fluting paper:		
4805 11 000 0	--semi-chemical fluting paper	10	No. 1364 09.12.99
4805 12 000 0	--straw fluting paper	10	No. 1364 09.12.99
4805 19	--other:		
4805 19 100 0	--wellenstoff	10	No. 1364 09.12.99
4805 19 900 0	---other:	10	No. 1364 09.12.99
	-testliner (recycled liner board):		
4805 24 000 0	--weighting 150 g/m <sup>2</sup> or less	10	No. 1364 09.12.99
4805 25 000 0	--weighting more than 150 g/m <sup>2</sup>	10	No. 1364 09.12.99
4805 30	-sulphite wrapping paper:		
4805 30 100 0	--weighting less than 30 g/m <sup>2</sup>	10	No. 1364 09.12.99
4805 30 900 0	-weighting 30 g/m <sup>2</sup> or more	10	No. 1364 09.12.99

Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
4805 40 000 0	-filter paper and paperboard	10	No. 1364 09.12.99
4805 50 000 0	--felt paper and paperboard	10	No. 1364 09.12.99
	-other:		
4805 91	-- weighting 150 g/m <sup>2</sup> or less:		
4805 91 100 0	---multi-ply paper and paperboard (other than those of subheading 4805 12, 4805 19, 4805 24 or 4805 25)	10	No. 1364 09.12.99
	---other:		
4805 91 910 0	----paper and paperboard for corrugated paper and paperboard	10	No. 1364 09.12.99
4805 91 990 0	----other	10	No. 1364 09.12.99
4805 92	--weighting more than 150 g/m <sup>2</sup> but less than 225 g/m <sup>2</sup> :		
4805 92 100 0	---multi-ply paper and paperboard (other than those of subheading 4805 12, 4805 19, 4805 24 or 4805 25)	10	No. 1364 09.12.99
	---other:		
4805 92 910 0	----paper and paperboard corrugated paper and paperboard	10	No. 1364 09.12.99
4805 92 990 0	----other	10	No. 1364 09.12.99
4805 93	--weighting 225 g/m <sup>2</sup> or more:		
4805 93 100 0	---multi-ply paper and paperboard (other than those of subheading 4805 12, 4805 19, 4805 24 or 4805 25)	10	No. 1364 09.12.99
	---other:		
4805 93 910 0	----made from wastepaper	10	No. 1364 09.12.99
4805 93 990 0	----other	10	No. 1364 09.12.99
4819	Cartons, boxes, cases, bags and other packing containers, of paper, paperboard, cellulose wadding or webs of cellulose fibres; box files, letter trays, and similar articles, of paper or paperboard of a kind used in offices, shops and the like:		
4819 10 000 0	- Cartons, boxes and cases, of corrugated paper or paperboard	10	No. 1364 09.12.99
7102	Diamonds, whether or not worked, but not mounted or set:		
7102 10 000 0	-unsorted	6.5	No. 1364 09.12.99
	-industrial		
7102 21 000 0	--unworked or simply sawn, cleaved or bruted	6.5	No. 1364 09.12.99
7102 29 000 0	--other	6.5	No. 1364 09.12.99
	-non-industrial:		
7102 31 000 0	--unworked or simply sawn, cleaved or bruted	6.5	No. 1364 09.12.99
7102 39 000 0	--other	6.5	No. 1364

Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
			09.12.99
ex.7102 39 000 0	diamonds	free	No. 1364 09.12.99
7103	Precious stones (other than diamonds) and semi-precious stones, whether or not worked or graded, but not strung, mounted or set; ungraded precious stones other than diamonds and semi-precious stones, temporarily strung for convenience of transport:		
7103 10 000 0	-unworked or simply sawn or roughly shaped	6.5	No. 1364 09.12.99
	-otherwise worked:		
7103 91 000 0	--rubies, sapphires and emeralds	6.5	No. 1364 09.12.99
7103 99 000 0	--other	6.5	No. 1364 09.12.99
7104	Synthetic or reconstructed, precious and semi-precious stones whether or not worked or graded, but not strung, mounted or set, ungraded synthetic or reconstructed precious or semi-precious stones, temporarily strung for convenience of transport:		
7104 20 000 0	-other, unworked or simply sawn or roughly shaped	6.5	No. 1364 09.12.99
7104 90 000 0	-other	6.5	No. 1364 09.12.99
7105	Dust and powder of natural or synthetic precious or semi-precious stones:		
7105 10 000 0	-of diamonds	6.5	No. 1364 09.12.99
7105 90 000 0	-other	6.5	No. 1364 09.12.99
7107 00 000 0	Base metals clad with silver, not further worked than semi-manufactured	6.5	No. 1364 09.12.99
7109 00 000 0	Base metals or silver, clad with gold, not further worked than semi-manufactured	6.5	No. 1364 09.12.99
7110	Platinum, unwrought or in semi-manufactured forms, or in powder form:		
	-platinum:		
7110 11 000 0	--unwrought or in powder form	6.5	No. 1364 09.12.99
7110 19	--other:		
7110 19 100 0	---bars, rods, wire and sections; plates; sheets and strips of a thickness, excluding any backing, exceeding 0.15 mm	6.5	No. 1364 09.12.99
7110 19 800 0	---other	6.5	No. 1364 09.12.99
	-palladium:		
7110 21 000 0	--unwrought or in powder form	6.5	No. 1364 09.12.99
7110 29 000 0	--other	6.5	No. 1364 09.12.99
	-rhodium:		
7110 31 000 0	--unwrought or in powder form	6.5	No. 1364

Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
			09.12.99
7110 39 000 0	--other	6.5	No. 1364 09.12.99
	-iridium, osmium and ruthenium:		
7110 41 000 0	--unwrought or in powder form	6.5	No. 1364 09.12.99
7110 49 000 0	--other	6.5	No. 1364 09.12.99
7111 00 000 0	Base metals, silver or gold, clad with platinum, not further worked than semi-manufactured	6.5	No. 1364 09.12.99
7112	Waste and scrap of precious metal or of metal clad with precious metal; other waste and scrap containing precious metal or its compound intended for extracting precious metal:		
7112 30 000 0	-ash, containing precious metal or precious metal compounds	6.5	No. 1364 09.12.99
	--other:		
7112 91 000 0	--of gold, including metal clad with gold but excluding sweepings containing other precious metals	6.5	No. 1364 09.12.99
7112 92 000 0	--of platinum, including metal clad with platinum but excluding sweepings containing other precious metals	6.5	No. 1364 09.12.99
7112 99 000 0	--other	6.5	No. 1364 09.12.99
7204	Ferrous waste and scrap; remelting scrap ingots of iron or steel:	15, but not less than €15 /1,000 k	No. 351 15.04.00
7204 41 100 0	---turnings, shavings, chips, milling waste, sawdust and filings	5	No. 351 15.04.00
7302	Railway or tramway track, construction material of iron or steel, the following : rails, check-rails and rack rails, switch blades, crossing frogs, point rods and other crossing pieces, sleepers(cross-ties), fish-plates, chairs, chair wedges, sole plates (base plates), rail clips, bedplates, ties and other material specialized for jointing or fixing rails:		
7302 10	-rails:		
7302 10 900 0	---used	15, but not less than €15 /1,000 kg	No. 530 14.07.01
7401	Copper mattes; cement copper(precipitated copper):		
7401 10 000 0	-copper mattes	10	No. 1364 09.12.99
7401 20 000 0	-cement copper (precipitated copper)	10	No. 1364 09.12.99
7402 00 000 0	Unrefined copper; copper anodes for electrolytic refining	10	No. 1364 09.12.99
7403	Refined copper and copper alloys, unwrought :		
	-refined copper		
7403 11 000 0	--cathodes and sections of cathodes	10	No. 1364 09.12.99
7403 12 000 0	--wire-bars	10	No. 1364 09.12.99



Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
7403 13 000 0	--billets	10	No. 1364 09.12.99
7403 19 000 0	--other	10	No. 1364 09.12.99
	-coper alloys:		
7403 21 000 0	--copper-zinc base alloys (brass)	10	No. 1364 09.12.99
7403 22 000 0	--copper-zinc base alloys (bronze)	10	No. 1364 09.12.99
7403 23 000 0	--copper-nickel base alloys (cupro-nickel) or copper-nickel-zinc base alloys (nickel silver)	10	No. 1364 09.12.99
7403 29 000 0	--other copper alloys (other than master alloys of heading No. 7405)	10	No. 1364 09.12.99
7404 00	Copper waste and scrap:		
7404 00 100 0	-of refined copper	50, but not less than €420 /1,000 kg	No. 676 14.09.00
	-of coper alloys:		
7404 00 910 0	--of copper-zinc base alloys (brass)	50, but not less than €420 /1,000 kg	No. 676 14.09.00
7404 00 990 0	--other	50, but not less than €420 /1,000 kg	No. 676 14.09.00
7405 00 000 0	Master alloys of copper	10	No. 1364 09.12.99
7501	Nikel mattes, nickel oxide sinters and other intermediate products of nickel metallurgy:	5	No. 85 07.02.02
7502	Unwrought nickel:	5	No. 85 07.02.02
7503 00	Nickel waste and scrap:	30, but not less than €720 /1,000 kg	No. 1198 28.10.99
7601	Unwrought aluminium:		
7601 20	-aluminium alloys:		
	--secondary:		
7601 20 910 0	--- -in ignots or liquid state	5	No. 39 23.01.04
7601 20 990 0	--- - other	5	No. 39 23.01.04
7602 00	Aluminium waste and scrap:		
	- waste		
7602 00 110 0	--turnings, shavings, chips, milling waste, sawdust and filings, waste of coloured, coated or bonded sheets and foil, of a thickness (excluding any backing) not exceeding 0.2 mm	50, but not less than €380 /1,000 kg	No. 676 14.09.00
7602 00 190 0	--other (including factory rejects)	50, but not less than €380 /1,000 kg	No. 676 14.09.00
7602 00 900 0	-scrap	50, but not less than €380 /1,000 kg	No. 676 14.09.00
7802 00 000 0	Lead waste and scrap	30, but not less than €105 /1,000 kg	No. 1198 28.10.99
7901	Unwrought zinc:		
	-zinc, not alloyed:		
7901 11 000 0	--containing by weight 99.99% or more of zinc	5	No. 17 15.01.03
7901 12	--containing by weight less than 99.99% of zinc:		
7901 12 100 0	---containing by weight 99.95% or more but less than 99.99% of zinc	5	No. 17 15.01.03
7901 12 300 0	---containing by weight 98.5% or more but less than 99.95% of zinc	5	No. 17 15.01.03
7901 12 900 0	---containing by weight 97.5% or more but less	5	No. 17 15.01.03

Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
	than 98.5% of zinc		
7901 20 000 0	-zinc alloys	5	No. 17 15.01.03
7902 00 000 0	Zinc waste and scrap	30, but not less than €180 /1,000 kg	No. 1198 28.10.99
8001	Unwrought tin:		
8001 20 000 0	- tin alloys	6.5	No. 1364 09.12.99
8002 00 000 0	Tin waste and scrap	6.5	No. 1364 09.12.99
8101	Tungsten (wolfram) and articles thereof, including waste and scrap:		
	-other:		
8101 97 000 0	--waste and scrap	6.5	No. 1364 09.12.99
8102	Molybdenum and articles thereof, including waste and scrap:		
	-other:		
8102 97 000 0	--waste and scrap	6.5	No. 1364 09.12.99
8103	Tantalum and articles thereof, including waste and scrap:		
8103 30 000 0	-waste and scrap	6.5	No. 1364 09.12.99
8105	Cobalt mattes and other intermediate products of cobalt metallurgy; cobalt and articles thereof, including waste and scrap:		
8105 30 000 0	-waste and scrap	30, but not less than €1200 /1,000 kg	No. 1198 28.10.99
8107	Cadmium and articles thereof, including waste and scrap		
8107 30 000 0	-waste and scrap	6.5	No. 1364 09.12.99
8108	Titanium and articles thereof, including waste and scrap :		
8108 20 000	-unwrought titanium; powders:	6.5	No. 1364 09.12.99
	--spongy titanium:		
8108 20 000 1	---with content of titanium by weight not less than 99.56%	6.5	No. 1364 09.12.99
8108 20 000 3	---other	6.5	No. 1364 09.12.99
8108 20 000 5	--powders	6.5	No. 1364 09.12.99
8108 20 000 6	--ingots	6.5	No. 1364 09.12.99
8108 20 000 7	--slabs	6.5	No. 1364 09.12.99
8108 20 000 9	--other	6.5	No. 1364 09.12.99
8108 30 000 0	-waste and scrap	30, but not less than €225 /1,000 kg	No. 1198 28.10.99
8109	Zirconium and articles thereof, including waste and scrap :		
8109 30 000 0	-waste and scrap	6.5	No. 1364

Tariff code	Description	Rate of duty	Government Resolution
1	2	3	4
			09.12.99
8110	Antimony and articles thereof, including waste and scrap		
8110 20 000 0	--waste and scrap	6.5	No. 1364 09.12.99
8111 00	Manganese and articles thereof, including waste and scrap:		
	-unwrought manganese; waste and scrap, powders:		
8111 00 190 0	--waste and scrap	6.5	No. 1364 09.12.99
8112	Beryllium, chromium, germanium, vanadium, gallium, hafnium, indium, niobium (columbium), rhenium and thallium, and articles of these metals, including waste and scrap:		
	-beryllium:		
8112 13 000 0	--waste and scrap	6.5	No. 1364 09.12.99
	-chromium:		
8112 21	--unwrought; powders		
8112 22 000 0	---waste and scrap	6.5	No. 1364 09.12.99
8112 30	-germanium:		
8112 30 400 0	--waste and scrap	6.5	No. 1364 09.12.99
8112 40	-vanadium:		
	--unwrought; waste and scrap; powders:		
8112 40 190 0	---waste and scrap	6.5	No. 1364 09.12.99
8112 52 000 0	--waste and scrap	6.5	No. 1364 09.12.99
8112 92 390 0	----waste and scrap	6.5	No. 1364 09.12.99
	---gallium; indium:		
8112 92 500 0	----waste and scrap	6.5	No. 1364 09.12.99
	----other:		

## **2004 Individual Action Plan for Russia**

### **Highlights on Trade Facilitation Work cum Mid-Term Review**

*In the Shanghai Accord, APEC Economic Leaders committed to implement the Trade Facilitation Principles with a view to reducing the transaction costs in the region by 5% by 2006. Leaders, in 2002, further endorsed the Trade Facilitation Action Plan which laid down clear timelines for implementation in a progressive manner. A mid-term review should be conducted for reporting on the status of implementation at SOM III 2004.*

*Recognizing that individual economy's actions are important in realizing the Leaders' commitment, members agreed at SOM II, 2002 that a report format should be developed for member economies to highlight their major trade facilitation achievements in their IAPs. This report format largely resembles the one adopted by Leaders in 2002 with slight modification to facilitate members in reporting highlights on trade facilitation achievements while allowing for assessment of the progress of implementation on trade facilitation work for the purpose of the mid-term review.*

### **Part I Highlights on Trade Facilitation Work**

#### *Russian Approach to Trade Facilitation in 2004*

For the nearest future the activity of the Government of the Russian Federation in the field of Trade Facilitation will be inseparably linked with bringing the Russian current legislation into compliance with principles and rules of the WTO.

<b>Key Improvements Implemented to Facilitate Trade in Various TILF Areas</b> <sup>(Note 1)</sup>		
<i>Area</i>	<i>Improvements Made in 2003</i>	<i>Cumulative Improvements Since Shanghai Accord</i> <sup>(Note 2)</sup>
<i>Customs Procedures [Movement of Goods]</i> <sup>(Note 3)</sup>	<p><b>The new Customs Code of the Russian Federation has come into force since the 1 January 2004</b></p> <p><b>The Customs Development Project was adopted.</b></p> <p>The project development objective is to reform and modernize the Russian Customs administration, with a view to (a) promote internationally acceptable practices for processing of international trade flows by Customs, so as to further integrate the country into the world trading community, improve the investment climate and secure the benefits from foreign and domestic investments in the economy; and (b) increase taxpayer compliance with the Customs Code and ensure uniformity in its application, to support macro-economic stability and increase transparency, timely transfer of collected revenues to the Federal budget, and equity and predictability in customs operations.</p> <p>Key performance indicators:</p> <ul style="list-style-type: none"> <li>- Using the risk-based approach, reduce the number of import declarations and the number of non-energy export declarations selected for physical inspection, at designated sites, to no more than 23% and 12%, respectively, by the end of 2006, and to no more than 10% and 8%, respectively, by the end of the project, from the current level of about 30% and 15%, respectively;</li> <li>- Reduce the average customs clearance time at the border,</li> </ul>	<p>The new Customs Code of the Russian Federation has come into force since the 1 January 2004. The Code simplifies a number of customs procedures, including:</p> <ul style="list-style-type: none"> <li>• Reduction of customs registration period from ten to three days (at present 98% of customs declaration).</li> <li>• Implementation of the principle of a preliminary customs declaration of the goods is going to facilitate the activity of a number of importers coming along with the laws. In case of advanced presentation of necessary customs documents the Customs Code stipulates putting goods into a free circulation automatically. The additionally required documents may be presented later.</li> <li>• The Customs Code identifies a list of documents that the customs officers are justified to require during the customs clearance.</li> <li>• Facilitation of getting clearance-related on-line information that becomes free of charge for the external trade participants.</li> </ul> <p><b>THE CUSTOMS VALUATION PRACTICES</b> in the Russian Federation were contained in Federal Law No. 5003-1 of 21 May 1993 "On Customs Tariff" and Government Resolution No. 856 of 5 November 1992 "On the Procedure of Customs Valuation of Products Imported into the Territory of the Russian Federation". The rules for determining customs values were based on the provisions of the WTO Agreement on Implementation of Article VII of GATT 1994. All six methods of customs valuation applied were based on the provisions</p>

<sup>(Note 1)</sup> As customs procedures, standards and conformance, and mobility of business people are major areas for trade facilitation, separate entries for reporting initiatives, if any, in these TILF areas are designated. For improvements implemented in the remaining TILF areas (viz tariffs, non-tariff measures, services, investment, intellectual property rights, competition policy, government procurement, deregulation/regulatory review and reform, implementation of WTO obligations (including rules of origin), dispute mediation, and information gathering & analysis), please report them, if any, under "Others". Electronic Commerce is grouped under "Others".

<sup>(Note 2)</sup> Economies may select the more important cumulative improvements since the adoption of the Shanghai Accord for reporting. Hence not all initiatives reported in the current year column have to be repeated as cumulative improvements.

<sup>(Note 3)</sup> The caption used in the menu of concrete actions and measures for trade facilitation is repeated here for reference.

<b>Key Improvements Implemented to Facilitate Trade in Various TILF Areas</b> <sup>(Note 1)</sup>		
<i>Area</i>	<i>Improvements Made in 2003</i>	<i>Cumulative Improvements Since Shanghai Accord</i> <sup>(Note 2)</sup>
	<p>by 7%, by the end of 2006, and -10%, by the end of the project, at designated sites. \</p> <ul style="list-style-type: none"> <li>- Reduce the average import clearance time, as measured by the time taken from the entry of a truck into the import clearance terminal to the release of goods from Customs control, by 25%, by the end of 2006, and 50%, by the end of the project, at designated sites.</li> <li>- Reduce the average customs clearance time, as measured by the time taken between lodging of the customs declaration to the issue of the release note, by 25%, by the end of 2006, and 50%, by the end of the project, at designated sites.</li> <li>- Reduce by 5% the compliance gap measured by the following ratio, by end of 2006, and by 10%, by the end of the project.</li> </ul> <p>See also  <a href="http://www.customs.ru/common/img/uploaded/files/PAD_ENG.pdf">http://www.customs.ru/common/img/uploaded/files/PAD_ENG.pdf</a>  and Chapter 6 "Customs Procedures"</p>	<p>of Articles 1, 2, 3, 5, 6, 7 and 8 of that Agreement. Moreover, in line with the provisions of Article 17 of the same Agreement, the State Customs Committee of the Russian Federation (SCC) had been implementing a special technique of customs control which was aimed at preventing gross under-invoicing of customs value, such as the use of false documents stating a clearly understated contractual price in the performance of customs formalities.</p> <p><b>RISK ASSESSMENT PROGRAM-</b> The provisions on the Risk assessment (risk management system) included in the Article 358. "The Principles of Exercising Customs Control" of the CC For the purpose of perfecting the procedure for the customs clearance of goods transferred across the customs border of the Russian Federation, reduction of time of customs control and raise of its efficiency , on the basis of the provisions of CC the Order SCC from September 26, 2003 N 1069 affirms the Concept of risk management system in the customs service of Russian Federation. The risk management system is based on an effective use of customs bodies' resources for the purpose of preventing violations of the customs legislation of the Russian Federation which:</p> <ul style="list-style-type: none"> <li>- have a stable character;</li> <li>- are connected to customs duty and tax evasion on a significant scale;</li> <li>- undermine the competitiveness of Russian manufacturers;</li> <li>- affect other important interests of the state of which the observance is ensured by the customs bodies.</li> </ul> <p><b>POST-ENTRY AUDIT</b> - After the clearance of goods and/or vehicles the customs bodies shall be entitled to verify the reliability of the information declared when customs formalities were performed, in the procedure envisaged by Chapter 35 of the Code.</p> <p><b>ADVANCE RULINGS (PRELIMINARY DECISIONS) PROGRAM</b> The customs bodies shall, on the basis of the Customs Code of the Russian Federation, take a preliminary decision on the classification of a commodity in accordance with the Commodity Classification of Foreign Economic Activity and on the country of origin of a commodity (hereinafter, the preliminary decision).See Article 41. «The Making of a Preliminary Decision»</p> <p><b>PRE-ARRIVAL DECLARATION</b> In accordance with CC the customs declaration may be filed on foreign goods before they arrive in the customs territory of the Russian Federation or before the completion of internal customs</p>

<b>Key Improvements Implemented to Facilitate Trade in Various TILF Areas</b> <sup>(Note 1)</sup>		
<i>Area</i>	<i>Improvements Made in 2003</i>	<i>Cumulative Improvements Since Shanghai Accord</i> <sup>(Note 2)</sup>
		<p>transit.</p> <p>On the data of customs bodies on the preliminary declaration transmit 35-40 % of the large taxpayers-exporters and 10 % of the importers. By the way, on statistics, 75 % of total amounts of duties pay only 2,000 firms.</p> <p><b>APPEALS PROCESS-</b> Any person is entitled to appeal a decision, action of a customs body or an official thereof if, in the persons' opinion, this action has violated the person's rights, freedoms or lawful interests, if obstacles have been created for the materialisation thereof or if a liability has been imposed on the person without legal grounds. See Chapter 7 of the Customs Code. Appealing Decisions, Actions (Omissions) of Customs Bodies and the Officials Thereof. Appeal may be made against decisions, actions (omissions) of customs bodies or officials thereof, to customs bodies and/or a court or a arbitration court.</p>
<p><b>Standards and Conformance</b> [Standards]<sup>(Note 3)</sup></p>	<p>There is no additional information.</p> <p>See Russia's Approach to Standards and Conformance in 2004 IAP chapter.</p>	<p><b>The Federal Law "On Technical Regulation" No. 184-FZ</b> signed by the President of the Russian Federation on 27 December 2002, provides the new legal framework for technical regulations, standards and conformity assessment systems. The new Federal Law foresees the implementation of the rules of the Code of Good Practice (of the TBT Agreement) on standardization.</p> <p>In compliance with the new legal framework, products imported into the territory of the Russian Federation were supposed to meet technical, pharmacological, sanitary, veterinary, phytosanitary and ecological standards and requirements determined by the Russian Federation. In particular, import of products into the territory of the Russian Federation is restricted if the products do not meet the legislative requirements; e.g. if they are not accompanied by a certificate, are not authorized in the instances envisaged by federal law and other legal acts of the Russian Federation; or are banned for use as harmful consumer goods. The Russian authorities established the list of goods and services that are subject to mandatory certification in the Russian Federation.</p>
<p><b>Mobility of Business People</b> [Business Mobility]<sup>(Note 3)</sup></p>	<p>There is no additional information</p> <p>See Russia's Approach to <b>Mobility of Business People</b> in 2004 IAP chapter.</p>	<p><b>The Federal Law "On the Legal Status of the Foreign Nationals in the Russian Federation"</b> was adopted on July 31, 2002 (entered into force on November, 1, 2002). This law establishes the procedure of issuing invitations to enter Russia. The invitations on applications of the legal entities are issued by the Ministry of Interior Affairs of Russia.</p>

<b>Key Improvements Implemented to Facilitate Trade in Various TILF Areas</b> <sup>(Note 1)</sup>		
<i>Area</i>	<i>Improvements Made in 2003</i>	<i>Cumulative Improvements Since Shanghai Accord</i> <sup>(Note 2)</sup>
		People possessing business visas may reside without any resident permission during the term of the visa's validity. The required registration is to be done in the local office of the Ministry of interior Affairs of the Russian Federation during three (3) working days from their entry.
<b>Others</b> <b>TRANSIT</b>	In 2002 Russia had a disputable situation with the TIR application, that while passing the consignments up to customs bodies there was a large percent of non-delivery of the consignments. The Russian customs bodies managed to reduce the number of cases of non-delivery, so that it has reduced from 1,29 in 2001r. to 0,54 in 2002 and 0,023 in 2003.	The transit of commodities through the territory of the Russian Federation is free from the levy of fees, customs duties, VAT and excise tax. The Russian Federation granted freedom of transit through its territory as prescribed the Article V of GATT 1994 as well as on the basis of international treaties to which it was party to. <i>(Also see Article 79 "Internal Customs Transit" of Customs Code)</i>  In the year 2001 on the territory of the Russian Federation goods using 508 thousand carnets TIR were imported, in 2002 - 572 thousand, in 2003 - 701 thousand carnets TIR. The Russian customs services and the Association of the International Automobile Carriers of Russia (AIAC) plan to strengthen the control of delivery of the consignments to customs houses of destination.
<b>Others</b> Federal Program "Electronic Russia"	The Web-portal of the regional authorities of the Russian Federation and pilot project of the system of electronic procurements for regional authorities and local government were created.  The methodical recommendations for e-commerce in Russia are elaborated.  See also <a href="http://www.e-rus.ru/eng/">http://www.e-rus.ru/eng/</a>	The concept of the Russian legislation in ICT sector was elaborated. The on-budget expenditures that had been allocated to the ICT sector were analysed on the subject of their efficiency. The system of national measures and indicators of ICT sector development was worked out. The inventory and the creation of the state database monitoring system of were carried out. Some proposals regarding the reduction of administrative barriers and ICT-sector demonopolization were developed. The concept and complex of measures on creation of the system of monitoring financial and economic activities of the state enterprises was elaborated. Carrying out the analysis of the results and working out the proposals on supporting (at the federal budget expenses as well) the projects of the ICT use in the economy, the social sphere and the public administration at regional and municipal power levels were realised. The concept of Web-portal of the Government was developed and the model of such a portal was created. The interaction principles between the federal authorities of executive power and



<b>Key Improvements Implemented to Facilitate Trade in Various TILF Areas</b> <sup>(Note 1)</sup>		
<i>Area</i>	<i>Improvements Made in 2003</i>	<i>Cumulative Improvements Since Shanghai Accord</i> <sup>(Note 2)</sup>
		economic agents were realized on the basis of ICT sector. <b>The first stage of the system of e-commerce purchases for state needs was negotiated.</b>

### **Case Study of a Trade Facilitation Initiative**

We can not single out one initiative accepted in current period, but realization of such programs as Federal Program "Electronic Russia" and the Customs Development Project, and also executing of the normative acts, first of all the Federal Law "On Technical Regulation" and the new Customs Code of the Russian Federation are allowing us to implement Trade Facilitation Action Plan

### **Key Improvements Planned for 2004**<sup>(Note 4)</sup>

All above named projects were accepted after *Shanghai Accord* and are intended for realization within several years. In this connection the work will be continued next year.

## Part II Mid-Term Review – Status of Implementation

In accordance with the Trade Facilitation Action Plan, a menu of concrete actions and measures for trade facilitation was approved in 2002. The selection of actions and measures was completed in SOM I 2003 and the implementation should commence immediately afterwards or as soon as practicable. This report format summarizes the progress of implementation of actions and measures selected by individual economy since SOM I 2003.

Overview on Implementation of Trade Facilitation Actions and Measures since Shanghai Accord					
For the nearest future the activity of the Government of the Russian Federation in the field of Trade Facilitation will be inseparably linked with bringing the Russian current legislation into compliance with principles and rules of the WTO.					
<i>Menu of Actions and Measures</i> <small>(Note 5)</small>	<i>No of Items Selected</i> <i>[a]</i>	<i>No of Items Implemented</i> <i>[b]</i>	<i>No of Items Completed</i> <i>[c]</i>	<i>No of Items in Progress</i> <i>[d] = [b] - [c]</i>	<i>No of Items Pending Implementation</i> <i>[e] = [a] - [b]</i>
<i>Customs Procedures</i>	44	27	21	6	17
<i>Standards</i>	20	11	7	4	9
<i>Business Mobility</i>	3	0	3	0	0
<i>Electronic Commerce</i>	14	8	2	6	6
<b>Total</b>	81	46	33	16	32

(Note 5) The menu of concrete actions and measures for trade facilitation lists out 97 items of actions and measures, with breakdown as follows : Customs Procedures - 60, Standards – 20, Business Mobility – 6, Electronic Commerce – 11. Using the item number of the menu as the basis, report in column (a) the total number of trade facilitation actions and measure selected in SOM I 2003. If there has been any change since then, report the up-to-date position with the original position in square bracket. Report in column (b) if implementation of any action or measure under that item has commenced. Report in column (c) if implementation of all actions and measures under that item have been completed. Report in column (d) if implementation of any actions and measures under that item has yet to complete.

**Members of the Peer Review Team**

**Moderator**

Mr. Bhuthong Thongyai  
Director, APEC Bureau  
Department of Trade Negotiations  
Ministry of Commerce  
THAILAND

**Discussant**

Mr. Wang Xiaolong  
Deputy Director General  
APEC Senior Official  
Department of International Organizations and Conferences  
Ministry of Foreign Affairs  
CHINA

**Expert**

Professor Sung-Hoon Park  
Graduate School of International Studies  
Korea University  
KOREA

**APEC Secretariat**

Anita Douglas  
Director – Communications and Public Affairs

## IAP Peer Review: RUSSIA

**Program of In-economy Visit  
17-19 January 2005**

**(Place: 18/1, Ovchinnikovskaya nab., Moscow,  
MEDT of Russia, negotiating room No. 6)**

Date	Time	Content	Participants
Monday, 17 January	9:30 – 12:30	<p><b>Session I:</b> <i>Introduction of the Russia's IAP Peer Review Team:</i></p> <ul style="list-style-type: none"> <li>- Welcome by Ministry of Economic Trade and Development officials</li> <li>- Introduction of the expert</li> <li>- Briefing by Ministry officials on business arrangements for the in-country visit by expert</li> </ul> <p><b>Session II:</b> <i>Briefing by the expert on the study of Russia's IAP</i></p>	<p align="center">APEC: D-r Park, A.Douglas,</p> <p align="center">MEDT: A.Karpich, V.Frolov</p>
	12:30 – 14:00	Official lunch	D-r Park, A.Douglas, V.Frolov, D.Samarkin
	14:00 – 17:00	<p><b>Session III:</b> <i>Questions and Answers on Russia's IAP</i></p> <p><b>Grouping 1:</b> <b>Customs Policy:</b></p> <ul style="list-style-type: none"> <li>- General issues</li> <li>- Tariffs (<i>IAP Chapter 1</i>)</li> <li>- Non-Tariff Measures (<i>IAP Chapter 2</i>)</li> <li>- Paperless Trading</li> <li>- Standards and Conformance (<i>IAP Chapter 5</i>)</li> <li>- Customs Procedures (<i>IAP Chapter 6</i>)</li> </ul>	<p align="center">MEDT (A.Kushnirenko, V.Aristov, etc.)</p> <p>Federal Customs Services</p> <p>Ministry of Industry and Energy – MIE, Rostechregulation</p>

Date	Time	Content	Participants
Tuesday, 18 January	9:30 – 12:30	<b>Grouping 2:</b> <b>Policy on Services:</b> <ul style="list-style-type: none"> <li>- General issues</li> <li>- Services (<i>IAP Chapter 3</i>) <ul style="list-style-type: none"> <li>Telecommunications</li> <li>Transportation</li> <li>Energy</li> <li>Business Services</li> <li>Financial Services</li> </ul> </li> <li>- Investment (<i>IAP Chapter 4</i>)</li> </ul>	<p style="text-align: center;">MEDT</p> <p>Min. of Communication, Min. of Transport, MIE, Min. of Agriculture</p>
	12:30 – 14:00	Official lunch	D-r Park, A.Douglas,  A.Karpich, V.Frolov
	14:00 – 17:00	<b>Grouping 3:</b> <b>Trade Policy and Facilitations:</b> <ul style="list-style-type: none"> <li>- General issues</li> <li>- Government Procurement (<i>IAP Chapter 9</i>)</li> <li>- Implementation of WTO Obligations and Rules of Origin (<i>IAP Chapter 11</i>)</li> <li>- Dispute Mediation (<i>IAP Chapter 12</i>)</li> <li>- Mobility of Business Persons (<i>IAP Chapter 13</i>)</li> </ul>	<p style="text-align: center;">MEDT, MFA</p> <p>Min. of Foreign Affairs (visiting on security issues)</p>
Wednesday, 19 January	9:30 – 12:30	<b>Grouping 4:</b> <b>Trade Policy and Facilitations:</b> <ul style="list-style-type: none"> <li>- Competition Policy (<i>IAP Chapter 8</i>)</li> <li>- Deregulation/Regulatory Review (<i>IAP Chapter 10</i>)</li> <li>- Intellectual Property Rights (<i>IAP Chapter 7</i>)</li> </ul>	<p style="text-align: center;">MEDT</p> <p>Federal Anti-Monopoly Services (FAS of Russia);  Rospatent of Russia</p>
	12:30 – 14:30	Lunch break	It is planning to lunch (2+2) with Russia's co-chair in the APEC

Date	Time	Content	Participants
			Russia's ABAC member – JSC "Basic Element")  APEC: Dr. Park, A.Douglas;  MEDT: A.Karpich
	14:45 – 17:00	<b>Session IV:</b> <i>Discussion on the preparations of            the Report and presentation in the            Russia's IAP Peer Review Session</i>  <b>Session V:</b> <i>Conclusions</i>	D-r Park, A.Douglas,  MEDT: A.Karpich, V.Frolov, D.Samarkin

**List of Russia's Experts Taking Part in In-Economy IAP Peer Review Visit**

No.	Names of the Russia's Experts (family and first names)	Ministries (Services, Agencies) Names
1.	Aristov Vitaly	Ministry of Economic Development and Trade, Dep. of Trade Negotiations
2.	Arkhipova Vera	Federal Service on IPRs, Patents and Trademarks (Rospatent), Bureau of International Cooperation
3.	Babushkin Roman	Ministry of Foreign Affairs, Dep. of ASIAN countries and Asia-Pacific Regional Issues
4.	Belousova Ekaterina (Ms.)	Federal Anti-monopoly Service (FAS of Russia), Bureau of International Cooperation
5.	Bugayev Dmitry	Ministry of Agriculture, Dep. of International and Regional Cooperation
6.	Butylina Natalia (Ms.)	Federal Customs Service, Bureau of International Customs Cooperation
7.	Chumarin Rustam	Ministry of Economic Development and Trade, Dep. of Foreign Trade and Customs Regulation
8.	Demidkina Olga (Ms.)	Ministry of Economic Development and Trade, Dep. of Trade Negotiations
9.	Egorov Sergey	Ministry of Economic Development and Trade, Dep. of Investment Policy
10.	Fedko Tatiana (Ms.)	Ministry of Economic Development and Trade, Legal Dep.
11.	Fontanov Juri	Ministry of Information Technologies and Communication, Dep. of International Organizations
12.	Gabdrashitova Milena (Ms.)	Ministry of Economic Development and Trade, Dep. of Investment Policy
13.	Karpich Alexander	Ministry of Economic Development and Trade, Dep. of Foreign Economic Relations, Deputy Director General, 2 <sup>nd</sup> Russia's SOM to APEC
14.	Korosteleva Svetlana (Ms.)	Federal Service on IPRs, Patents and Trademarks (Rospatent), adviser to the Rospatent Chair
15.	Kozlov Evgeny	Ministry of Transportation, Dep. of International Cooperation
16.	Kurtov Alexander	Ministry of Transportation, Institute of Transportation Policy
17.	Kushnirenko Andrey	Ministry of Economic Development and Trade, Dep. of Trade Negotiations, Deputy Director General
18.	Mironenko Vitaly	Ministry of Economic Development and Trade, Dep. of State Regulation in Economy
19.	Ovchinnikov Alexey	Ministry of Foreign Affairs, Dep. of ASIAN countries and Asia-Pacific Regional Issues
20.	Popovtsev Valery	Ministry of Agriculture, Dep. of International and Regional Cooperation
21.	Posdniakova Larisa (Ms.)	Federal Agency of Technical Regulation and Metrology (Rostechregulirovanie), Dep. of International Cooperation
22.	Radchenko Alexander	Ministry of Economic Development and Trade, Dep. of Trade

No.	Names of the Russia's Experts (family and first names)	Ministries (Services, Agencies) Names
		Negotiations
23.	Samarkin Denis	Ministry of Economic Development and Trade, Dep. of Foreign Economic Relations
24.	Saveliev Oleg	Ministry of Economic Development and Trade, Dep. of Foreign Trade and Customs Regulation
25.	Shevchenko Natalia (Ms.)	Federal Agency of Technical Regulation and Metrology (Rostechregulirovanie), Dep. of International Cooperation
26.	Sheulov Igor	Ministry of Industry and Energy, Dep. of Fuel and Energy Complex
27.	Sorokin Valery	Ministry of Foreign Affairs, Dep. of ASIAN countries and Asia-Pacific Regional Issues, Deputy Director General
28.	Svechnikov Andrey	Ministry of Information Technologies and Communication, Dep. of International Organizations
29.	Sukhareva Tatiana (Ms.)	Ministry of Economic Development and Trade, Dep. of Trade Negotiations
30.	Tichomirov Pavel	Ministry of Economic Development and Trade, Dep. of State regulation of Tariffs and Infrastructural Reforms (purchases for state needs)
31.	Tchantladze Irakly	Ministry of Economic Development and Trade, Dep. of Social and Economic Reforms
32.	Tolchinsky Jacov	Ministry of Economic Development and Trade, Dep. of Corporate Governance
33.	Tusin Evgeny	Ministry of Economic Development and Trade, Legal Dep.
34.	Frolov Vladimir	Ministry of Economic Development and Trade, Dep. of Foreign Economic Relations
35.	Vetrov Dmitry	Ministry of Foreign Affairs, Consular Dep.
36.	Zasov Oleg	Ministry of Economic Development and Trade, Dep. of Macroeconomic Analysis
37.	Zelensky Andrey	Ministry of Economic Development and Trade, Dep. of Foreign Trade and Customs Regulation
38.	Gribkov Andrey	JSC "Rusal" ( <i>Russian Aluminum</i> ), Deputy Head of Int'l Dep., Russia's Co-chair of APEC Non-Ferrous Metals Dialogue



**Discussant's Paper**

Russia's IAP Peer Review Session

Seoul, Korea

1 March 2005

Since joining APEC in November 1998, the Russian Federation has been an active participant in APEC trade and investment liberalization and facilitation. In that process, it has become substantially more open and enjoyed closer economic and trade ties with other economies within the APEC region and the world at large. It is well on track towards meeting the Bogor Goals.

Since 1999, Russia has been submitting its Individual Action Plan (IAP) reports. Over these years, Russia's IAPs have been enriched in contents and improved in formality. It has not only reflected the gratifying progress made by the Russian government in expanding foreign trade, restructuring domestic economy and improving the investment climate under the Bogor Goals, but also provided useful references for government officials from APEC member economies and the business people to follow and understand the progress in Russia's trade and investment policy regime. It merits attention that Russia's application for WTO membership and its implementation of the Bogor Goals are parallel processes that are interconnected and mutually-supplementary. Russia applied for WTO membership in 1995, followed by its negotiations for entrance with relevant WTO members successively. During that period, Russia has conducted active, comprehensive and effective reforms on its domestic trade and investment policy regime. These measures, which have been well-reflected in Russia's IAPs, are of major significance to Russia's pursuit of Bogor Goals.

As the IAPs have reflected, Russia has made considerable progress in all the specific areas on the APEC TILF agenda, and these achievements should be recognized. In particular, significant headway has been made in the fields of lowering export tariff, increasing transparency, lifting quantity limitations and quotas

of import, normalizing investment environment, promoting standardization and conformance, removing technical trade barrier, combating monopoly, facilitating fair competition in enterprise and government procurement, improving Customs regulation and enhancing IPR legislation, publicity and education. With the demand of the Bogor Goals as the benchmark, there is still room for Russia, like all other APEC economies including China, to further liberalize its economy, open its market, make its policy and laws more transparent, and its IAPs more consistent.

The following are some observations on a few important aspects of trade and investment.

**First, Tariff.** The efforts of the Russian government to reduce tariff and simplify the structure of tariff have produced noticeable results. Between 1996-2003, Russia's trade-weighted average tariff rates have been lowered to 10.8% from the original 17.7% at several stages. This has helped bring up the total import of goods. Among all the tariff lines, zero-tariff is applied to very few goods, which account for 0.45% of the total, 55.7% of the goods have a tariff between 0 and 10%, 40.3% between 10% and 20%, while 2.3% exceeding 20%. While Russia might need to further reduce the import tariff levels, there is also the issue of the application of other tariff instruments such as export duties, tariff-rate quotas. In addition, as a non-WTO member, Russia has not yet exercised binding tariff on goods. But the Federal Government has already pledged to apply binding tariff on the 1 January after it becomes a WTO member.

**Second, Non-Tariff Measures.** Russia has made rapid progress and obtained positive achievements in building the trade related legislation system, adopted or modified a series of laws and regulations, making its NTMs regime more liberalized and transparent. Import and export restrictions have largely been removed and are applied only to a limited number of exceptions. On the other hand, there still exists in Russia some form of NTMs, which relates to agricultural produce, steel products, minerals and other sectors. Furthermore, Russia might consider further simplifying import licensing administration system.

**Third, Service.** The competitiveness and degree of openness of Russia's service sector are both not high. With its fastening pace to enter the WTO and its APEC membership, Russia has doubled its efforts to improve the openness of its service sector. It has made notable achievements in strengthening the build-up of relevant system of laws and regulations. Over the period of 1996 to 2004, the State Duma has revised or promulgated more than 100 related laws and regulations, which laid down a good foundation for the growth of the service sector. Notable achievements have also been made by the Federal Government in reducing state intervention in economic activities, often known as the "de-bureaucratization process". Remaining concerns in the service sectors include, among others, heavy restrictions on the proportion of foreign investment in such sensitive sectors as banking and insurance.

**Fourth, Investment.** Russia has been working hard to encourage foreign direct investment by promulgating a series of practical and effective policies and regulations and signing with many countries the agreement to avoid double-taxation. The principle of non-discrimination has been provided for in nearly all the investment-related activities, with some exemptions to national treatment allowed to protect national security, public order, etc. All of these play a positive role in improving business environment and expanding foreign investment. It also came to our attention that the effectiveness of these implementations is expected to be further improved.

**Fifth, Trade Facilitation.** The Russian government attaches great importance to and has been actively pushing forward the process of trade and investment facilitation. Over the last few years, Russia has been actively revising and improving related laws and regulations, rescinding obsolete regulations that are inconsistent with WTO rules, simplifying Customs procedures and made notable progress in such fields as IPR protection, harmonization of national system of standards and conformance with the international system. All these have given strong support to Russia's efforts to enhancing trade and investment liberalization.

Russia is a very important player in the APEC region in both economic and geographical terms. By making efforts to improving the overall business and trade climate, Russia has enjoyed sustained robust economic growth\* over the last few years and this has in turn given momentum to Russia's pursuit for freer trade and investment. China applauds Russia's achievements so far and strongly supports its early accession into the WTO and we expect to see it play a more active role in the world trading community and make its due contribution to the economic development of the Asian-Pacific region and beyond.

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\* GDP Growth: 1999 6.3%, 2000 10%, 2001 5.1%, 2002 4.7%, 2003 7.3% —Source: OECD (2004a)

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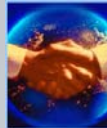
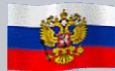


Southeast Asia



# IAP Peer Review of the Russian Federation

1<sup>st</sup> March, 2005,  
17.00-19.00  
Seoul, Republic of Korea



Presented by  
**Alexander Pakhomov,**  
Deputy Director General,  
Ministry of Economic Development and Trade,  
the Russian Federation (Russia)

1<sup>st</sup> March, 2005  
Seoul, Republic of Korea



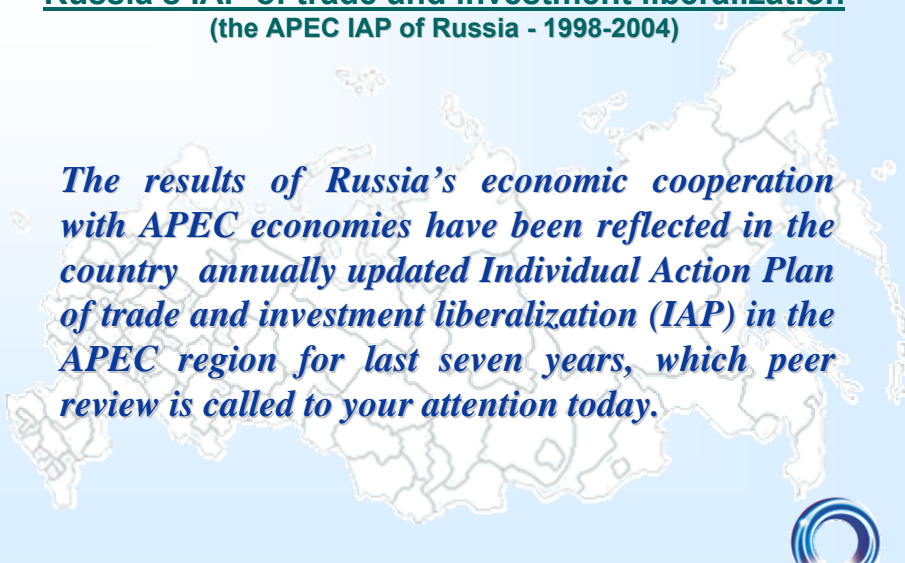
Russia IAP Peer Review - 2005



- 
- ✓ *The IAP, along with WTO trade policy and OECD economic outlooks and investment policy reviews, is one of the most comprehensive reports on each APEC Economy trade and investment regime.*
  - ✓ *The IAP Peer Review process involved experts from all relevant federal ministries, services and agencies of the economic block.*
  - ✓ *IAP Peer Review process and its posting on the Internet provide opportunity for all interested parties to learn about Russia's and each other APEC Economy trade and investment policy at present and within the next few years.*

Russia IAP Peer Review - 2005

### Russia's IAP of trade and investment liberalization (the APEC IAP of Russia - 1998-2004)



*The results of Russia's economic cooperation with APEC economies have been reflected in the country annually updated Individual Action Plan of trade and investment liberalization (IAP) in the APEC region for last seven years, which peer review is called to your attention today.*

Russia IAP Peer Review - 2005



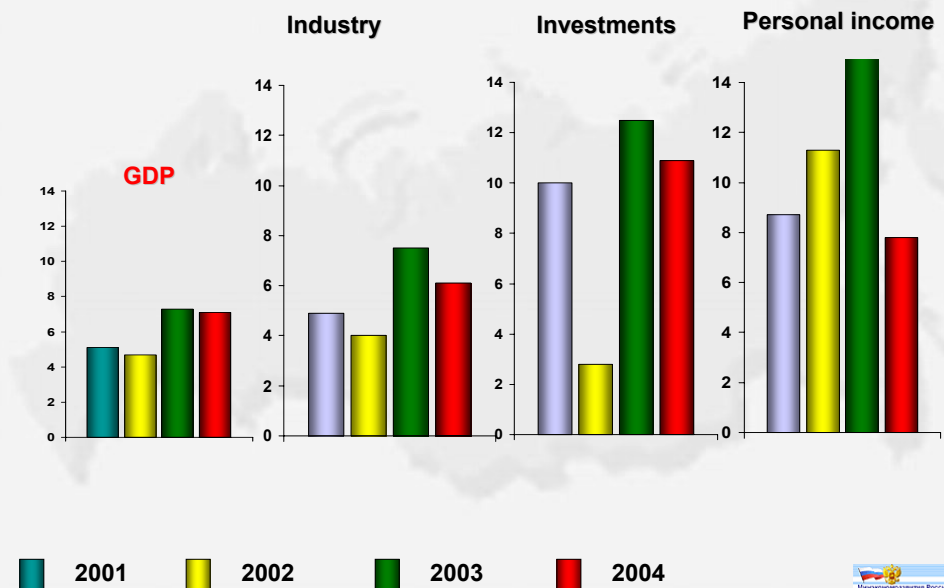
The goals of Russia's economic modernization and reforming are to make it fitting with modern level of the 'post-industrial' development.

They aim at:

- ❖ *Improvement of mutual relationship of the Russia's Government with country investors;*
- ❖ *Securing the foreign investors rights for their capital investments and revenues earned;*
- ❖ *Providing foreign investors for stability in Russia with business terms guaranteed by domestic legislative enactments.*

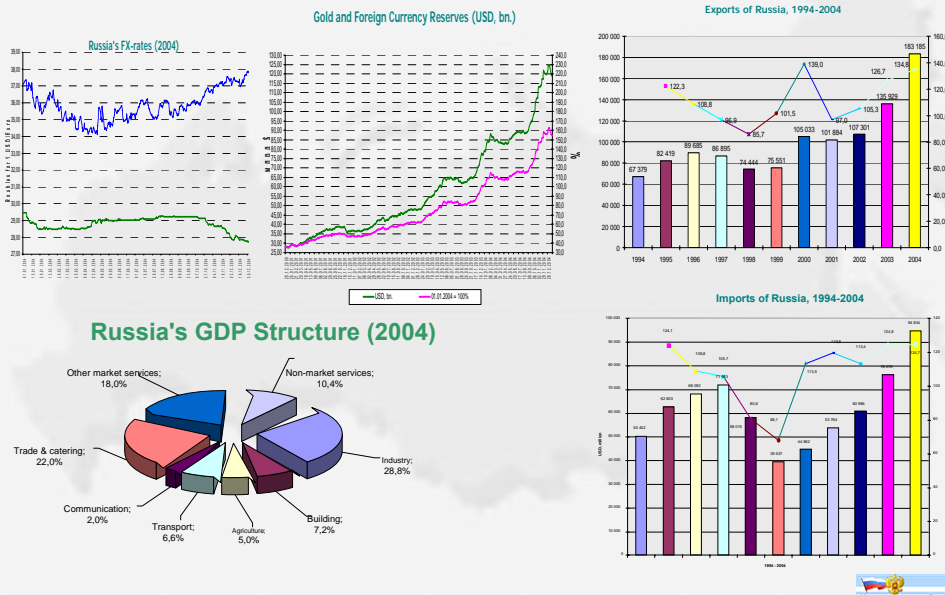


## Trends of social and economic development





## RUSSIA Basic Economic Indicators, 1998-2004



## Advancing the APEC Bogor Goals

### Russia's Goods Trade Contributes to Global and APEC Development

Russian goods trade (exports plus imports) totaled more \$257 billion during 2004, up 35% (\$191 billion) from 1998 (the year of Russia's accede to APEC forum).

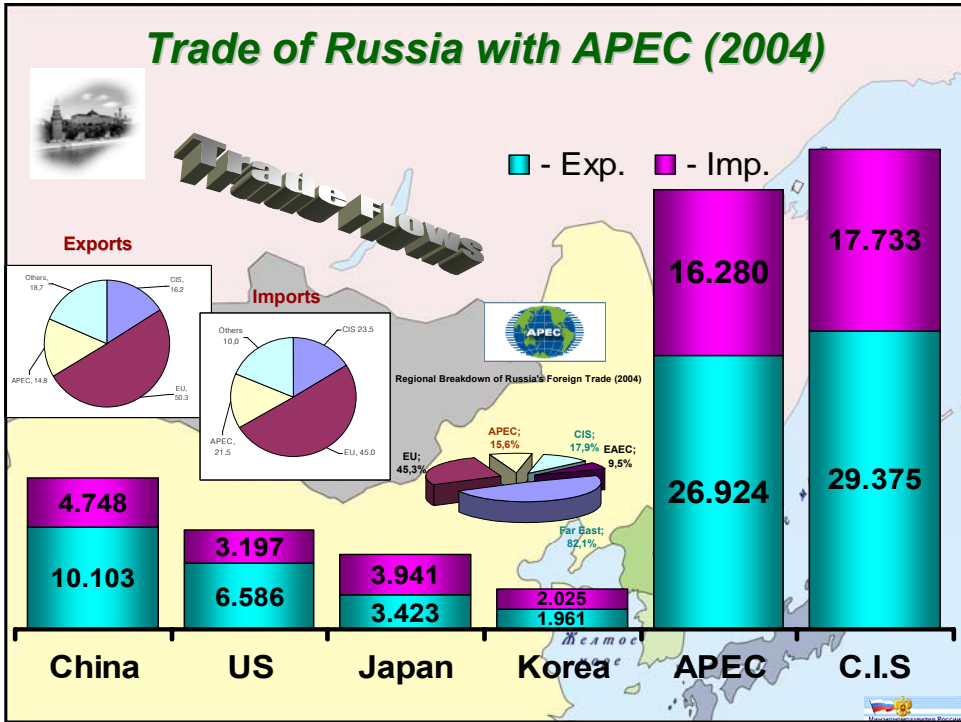
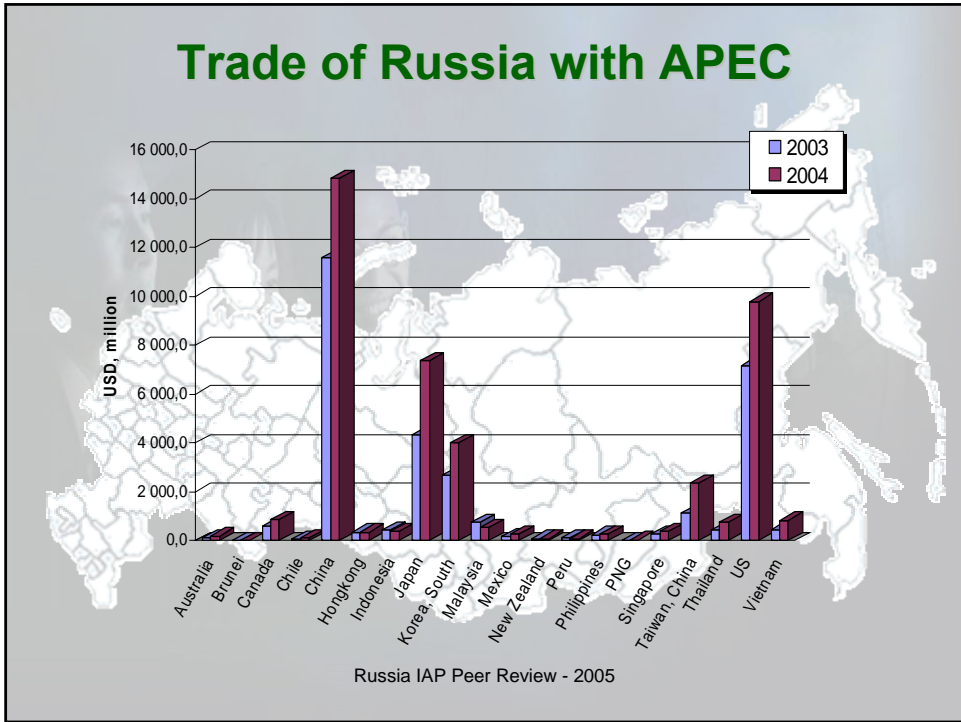
In 2003-2004 the Russian Federation was the 17<sup>th</sup> - 18<sup>th</sup> largest goods trading economy in the world (according to the WTO).

Two of top ten Russian goods trading partners in 2004 were APEC Economies (China – the 6<sup>th</sup> and the US – the 7<sup>th</sup>).

**China** (the PRC) is the Russian largest goods trading partner in 2004 among the APEC economies accounting for near 6% of total Russian foreign trade in goods.

The top 10 Russia's goods trading partners in 2004 were: Germany (\$23,8 billion), the Republic of Belarus (\$17,6 billion), Ukraine (\$16,9 billion), the Netherlands (\$16,6 billion), Italy (\$15,3 billion), **China (\$14,9 billion)**, the **USA (\$9,8 billion)**, Turkey (\$8,7 billion), Switzerland (\$8,4 billion), and Kazakhstan (\$8,1 billion).







## Investments

- ✓ The accumulated foreign investments by the end of September, 2004 were estimated at **\$US73,4 Billion** (or **by 37% more** than a year before). Nevertheless, this total value fits only with three quarters of all domestic capital investments made in Russia solely in last year. The share of foreign investments in the Russia's gross fixed investment was only **5,4%** in 2004 (5,9% in 2003).
- ✓ Authorized outflow of Russian investments abroad was estimated at **\$US7,2 Billion** as of 1 October, 2004.



## Bilateral Investment Treaties (BIT) and Treaties to Avoid Double Taxation (DTT)

Russia Has Concluded 57 BITs And 73 DTT Aimed To:

- ✿ *Protect Investments in Treaty Partners*
- ✿ *Encourage Market-Oriented Policies*
- ✿ *Support Development of International Law Standards*

Russia holds the **5<sup>th</sup> place** among the ex-USSR republics by investment attractiveness.



A problem: *the restrained position of foreign businesses with respect to investment presence in the Russia's economy.*

## **RUSSIA'S REGIONAL TRADE AGREEMENTS (RTAs)**

- **RTAs Already Concluded:**

- ✓ ***CIS FTA (with 12 countries of the former USSR) signed on 15 April, 1994***
- ✓ ***FTA with Serbia and Montenegro (former Yugoslavia) signed on 28 August, 2000***
- ✓ ***PCA (with the EU) - ratified by Russia on 25 November, 1996***
- ✓ ***Treaty on the Creation of the Unified State with Belarus (UST) ratified by Russia on 2 January, 2000***
- ✓ ***Eurasian Economic Community (Customs Union and Common Economic Area Treaty (EAEC) with 5 countries of the former USSR) entered into force on 30 May, 2001***
- ✓ ***Common Economic Area (with Belarus, Kazakhstan and Ukraine) signed on 19 September, 2003***

Russia IAP Peer Review - 2005

## **Sectoral Review**

1. **Tariffs**
2. **Non-Tariff Measures**
3. **Services**
4. **Investment**
5. **Standards and Conformance**
6. **Customs Procedures**
7. **Intellectual Property Rights**
8. **Competition Policy**
9. **Government Procurement**
10. **Deregulation/Regulatory Review**
11. **Implementation of WTO Obligation**
12. **Dispute Mediation**
13. **Mobility of Business People**
14. **Information Gathering and Analysis, Transparency**

Russia IAP Peer Review - 2005





## Russia is a full member of the 'Asia Pacific Economic Cooperation' forum

**29 from 89 subjects (regions)** of the Russian Federation are situated in an 'Asian' part of the country (**more than 30 Million of Russians** are living there now).

**First-rate entrails of treasures of the soil (oil and gas, and coal fields, as well as non-ferrous metal ore deposits)** concentrated here; the sufficient industrial and scientific infrastructure is established in this part of Russia also.

*«... to allot the Asia Pacific direction as one of the priority directions in the overall composition of the Russian foreign policy».*

*From the concept of Russia's collaboration with the APEC forum*

## Priorities of Russia's Trade and Economic Cooperation with Asia Pacific Economies

*Russia's participation in implementation of the APEC program goals*

- ✓ implication into the regional integration process,
- ✓ accessing to the international investment flows,
- ✓ adoption of an experience cumulated by APEC economies in the field of economic activity regulation, etc.

*Russia's national interests in the framework of participation in APEC economic activity*

- ✓ the opportunities to attract the foreign investments and know-how into the Russian economy, and first of all to the Siberia and Russian Far East regions,
- ✓ formation of the favorable conditions for an access of the Russian goods to APEC member economies' domestic markets,
- ✓ micro- and SMEs promotion, etc.

*Russia's integration into the APEC trade and economic space*

- ✓ balanced territorial development of the country economic space, including Siberia and Far East of Russia

*Trade and Investment Facilitation (the Bogor Goals proclaimed by APEC forum)*

- ✓ the opportunities to expand energy, forestry, fish, sea and chemical products supplies,
- ✓ improvement of the Russian exports structure towards enhancement the specific weight of the machinery products and goods with high level of value added.

### **Search of the Joint Resolution in the APEC Framework**

- *Improvement of the investment environment and managerial promotion to the foreign investments attraction;*
- *Feasibility study of foreign investment participation in energy projects fulfillment in the territory of Russia;*
- *Implementation of joint transport projects;*
- *Conservation of the maritime resources and joint counteraction to its illegal trading;*
- *Financing of education projects and fundamental science development;*
- *Regulation of the international migration process and brotherhood in the illegal migration problem solution;*
- *Support to micro- and SMEs,*
- *Support to the talks' completion of the Russia's accession to the WTO; etc.*

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### **Other cooperation objects of the first priority**

- To reduce APEC member economies' social and economic development divide;
- APEC short-and-medium-term reforming and attachment of the practical directivity to its actions (in particular, in course of study and fulfillment of the projects held in joint interest of the APEC member economies simple majority).



## Capability to Develop Business Connections of the Siberian and Far East Regions of Russia with APEC Economies

### RUSSIA'S Interest



- ✓ *In view of high interdependence of majority of the APEC developed and developing economies from deliveries of natural mineral resources, Russia has capabilities to enlarge its deliveries to the Asia Pacific region, including hydrocarbon raw materials.*
- ✓ *Formation of strategic partnership in the field of sea and railway transportation.*
- ✓ *Russia is interested in delivering national technologies and high-tech products (aircraft, equipment for nuclear-power engineering, space technology, modern materials, bioengineering and chemical products, information technologies, etc.) to the APEC economies.*
- ✓ *Through Siberian and Far East regions, Russia is objectively interested in closer cooperation with Asia Pacific economies, primarily, of North and South East Asia, including joint investment and creation of special industrial zones and innovative hi-tech parks.*

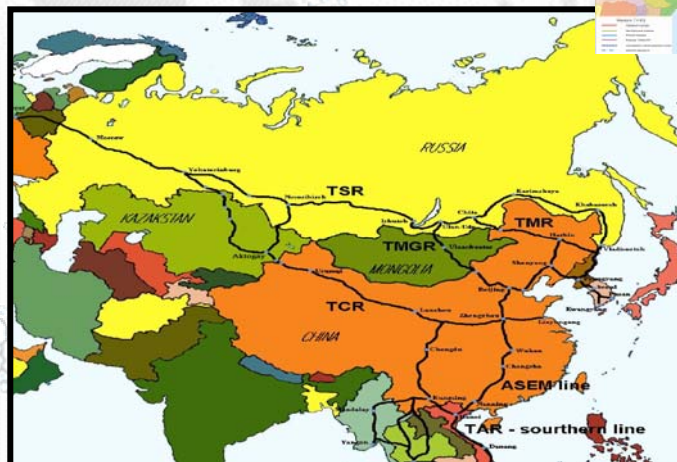
### APEC Partners' Interest



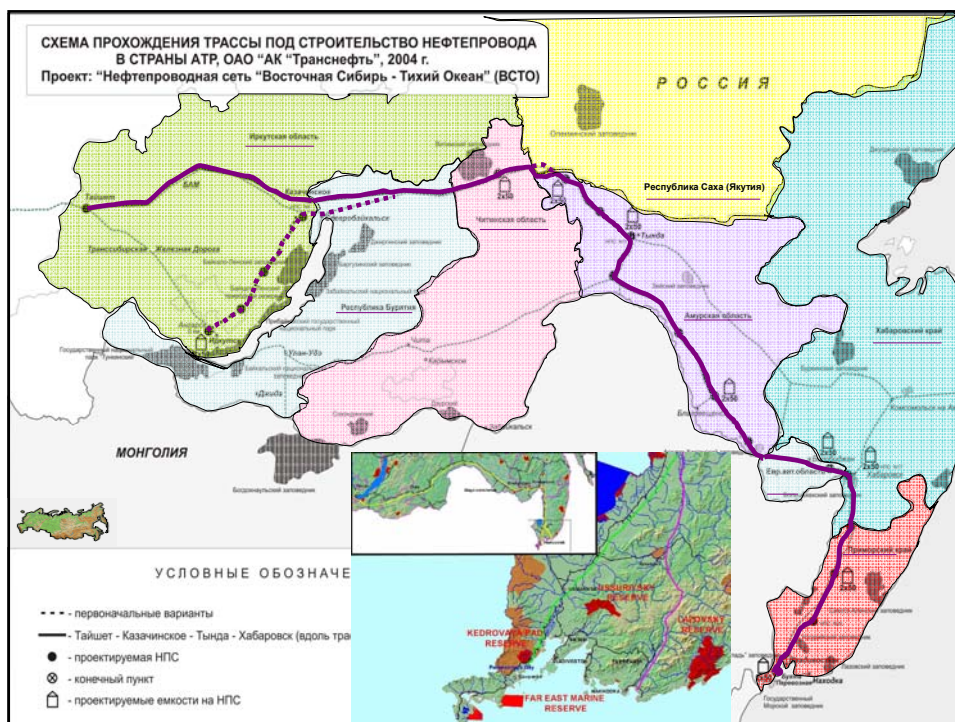
- ✓ *Diversification of sources of raw and power supplies (energy safety strategy)*
- ✓ *The goal is formulated to transform the Eastern Asia into the center of logistics and transshipment of the goods from the Asia Pacific region to Europe, with possible usage of the Russian Trans-Siberian Railway.*
- ✓ *The APEC economies could have interest in partnership with Russia in the field of maritime sciences and technologies, and also in joint development of marine resources.*
- ✓ *In connection with up-to-date Russia's achievements in a number of fundamental sciences, the APEC economies could be interested in its practical implementation within the framework of technology and innovative cooperation, as well as scientific exchanges among leading research institutes.*

Russia IAP Peer Review - 2005

## Connection of Trans-Asian (TAR) and Trans-Siberian Railways (TSR)



Russia IAP Peer Review - 2005



## **Russia: Towards the Bogor Goals**

- ✓ **Russia has made visible progress towards the Bogor Goals.**
  - 🌐 **Tariff reductions on track;**
  - 🌐 **NTMs have being reduced in line with WTO requirements;**
  - 🌐 **Investment regime improved;**
  - 🌐 **Customs procedures more efficient, transparent and business oriented;**
  - 🌐 **Intellectual property laws and enforcement measures became more effective and purposeful; etc.**
- ✓ **Russia confident of achieving the Bogor Goals in due time.**





# Thank you for your kind attention

*We are looking forward to  
answer your questions now*

"We recognize the need for business  
people to move quickly between  
APEC economies when pursuing  
trade and investment opportunities"



-Welcome to Russia!





## **Questions Received during the IAP Peer Review Session**

### **General**

ABAC

ABAC welcomes the progress achieved by the Russian Federation in moving towards a more open and market-oriented economy and in liberalizing its trade policy regime. While much of this liberalization was undertaken in the context of the latter's accession to the WTO, ABAC agrees that such liberalization benefits both APEC and non-APEC WTO members alike. Given the size of its economy, it is important that the Russian Federation becomes a member of the WTO.

Notwithstanding the liberalization already achieved, ABAC notes that the Russian Federation has some way to go in respect of the Bogor Goals. This underscores the importance of determined, if not accelerated, progress if the Bogor timetable is to be met.

Hong Kong, China

We would be grateful for an update on the latest progress since the last report on implementation of the Trade Facilitation Action Plan and new initiatives adopted.

ABAC

### **Progress Towards Bogor**

In its own assessment, how far along is the Russian Federation in achieving the Bogor Goals?

### **FTA**

Please comment on the Russian Federation's FTA policy/strategy.

ABAC thanks the Russian Federation for the responses already made to the queries posed by ABAC. It wishes to raise the following additional comments and/or questions:

### **Chapter 1 - Tariffs**

Australia

Australia notes that the combined tariffs, VAT and engine displacement-weighted excise duties can increase import prices by 70 percent for large passenger cars and sport utility vehicles.

In addition, it is also noted that the Russian government recently passed a new law which increased custom duties to 25 percent of the custom value for used cars between three and seven years, effective December 15, 2003.

#### Canada

Canada objected to the introduction in April 2003 of tariff-rate quotas on meat products. These measures have significantly reduced trade between Canada and Russia. In November 2003, the Russian government announced the maintenance and extension of such measures on pork and beef for the 2004 calendar year, as well as the extension of the safeguard action on poultry. These measures have been maintained in 2005.

Does Russia have any plans to change these measures?

#### ABAC

ABAC notes that the Russian Federation uses tariffs as an instrument of trade, economic development and fiscal policies. Given that tariffs will eventually need to be phased out in line with the commitment to achieve the Bogor Goals of free and open trade by 2010, is the Russian Federation now seeking alternative ways of achieving its trade, economic development and fiscal policy objectives?

ABAC also notes that compound tariffs are levied not only agricultural products but also on selected manufacturing products such as footwear, leather and fur articles, apparels, home electronics, etc. Are there any plans to eliminate and/or reduce the use of other trade policy instruments such as compound tariffs, export duties and tariff exemptions for products produced in so-called “Bonded Warehouses”?

### **Chapter 2 Non-Tariff**

#### ABAC

ABAC urges the Russian Federation to eliminate and refrain from introducing new non-tariff measures such as those outlined in the IAP Study Report. Where it is absolutely necessary to do so, the Russian Federation should ensure that such measures are

transparent and no more than necessary to achieve legitimate policy objectives.

### **Chapter 3 Accounting Services**

Australia

Australia notes that Russian does not seem to have responded to second part of our Q.53 regarding about negotiations with WTO member countries in respect of access to the Russian market for accounting services. Australia would be grateful for a response to this part of the question in due course.

### **Financial Services**

Australia

Australia requests advice on the timetable for the legislation of stated key priorities - secured lending/term deposits/M&A/easier branching (pg 138).

Further, Australia seeks clarification whether proposed amendments for 'easier [bank] branching' apply just for domestic institutions or will it extend to foreign banks and an ability for them to branch.

Korea

Korea is pleased with the close cooperation in finance sector between the two economies.

However, there is a trend of the Russian importing companies not to do business through submitting L/Cs, which is cited as one of the difficulties Korean firms are facing in doing business with Russian trading firms. We would like to ask Russia to encourage Russian firms to use L/Cs to facilitate the importing procedure.

### **Chapter 4 Investments**

Canada

Recent public statements by Russian government officials indicate that the participation of foreign investors in future mineral resource development projects will be determined on a case-by-case basis. Greater transparency on conditions of foreign access to such auctions would improve Russia's ability to attract foreign investment into the mining sector.

Does Russia have any plans to increase transparency and predictability in this area?

ABAC

Lack of transparency, unpredictability and inconsistency in decision-making especially with regard to foreign investment projects is apparent. These accrue to an uncertain business environment, as this is key to foreign direct investment and robust trade. What steps is the Russian Federation taking to improve the investment climate and to remove restrictions on foreign investment?

### **Chapter 5 Standards and Conformance**

ABAC

The expert noted that the Russian Federation's "overall level of harmonization, albeit increasing over the past few years, is relatively low compared to other economies of similar significance". Are there any plans to accelerate work on alignment of national standards with international standards?

### **Chapter 6 Customs Procedures**

ABAC

ABAC reiterates its call on the Russian Federation to observe the APEC guiding principles of facilitation, accountability, transparency and simplification in its customs procedures

### **Chapter 7 – Intellectual Property Rights**

ABAC

ABAC commends efforts made by the Russian Federation in enacting intellectual property-related legislations. It urges the latter to keep its IP legislations under review to ensure that these provide the level of protection called for under the TRIPS Agreement and to strengthen their enforcement.

### **Chapter 9 Government Procurement**

ABAC

ABAC urges the Russian Federation to eliminate discriminatory tendering practices that favor domestic suppliers vis-à-vis foreign suppliers

### **Chapter 11 - Rules of Origin**

Australia

Does Russia have rules of origin that apply to most-favoured nation trade? If so, are these consistent with the principles outlined in the WTO Agreements? If Russia does have rules of origin of this kind, Australia would be interested in a brief outline of them

### **Chapter 12 - Dispute Mediation**

Hong Kong, China

What is the estimated time-frame for the laws of Russia, preferably with English version, to be accessible on the Internet?

### **Chapter 13 Business Mobility**

Korea

According to Russia's IAP, a procedure to amend and complement the "Federal Law on the procedure of departure from and entry into the Russian Federation" is in progress. Please give us the details of this amendment.

**ABAC**

ABAC notes that the Russian Federation has been trying to conclude visa exemption agreements with selected APEC economies. Given the cumbersome nature of negotiating bilateral visa exemption agreements, ABAC encourages the Russian Federation to participate in the APEC Business Travel Card Scheme to facilitate business travel in the region.