



Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

RUSSIAN FEDERATION

This report, prepared for the first Trade Policy Review of the Russian Federation, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from the Russian Federation on its trade policies and practices.

Any technical questions arising from this report may be addressed to Mr. John Finn (Tel: 022 739 5081), Mr. Ricardo Barba (Tel: 022 739 5088), Mr. Peter Milthorp (Tel: 022 739 5016) and Mr. Rosen Marinov (Tel: 022 739 6391).

Document WT/TPR/G/345 contains the policy statement submitted by the Russian Federation.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on THE Russian Federation. This report was drafted in English.

CONTENTS

SUMMARY	8
1 ECONOMIC ENVIRONMENT	13
1.1 Main Features of the Economy	13
1.2 Recent Economic Developments.....	14
1.3 Trade and Investment Performance.....	18
1.3.1 Trade in goods and services	18
1.3.2 Foreign direct investment	21
1.4 Outlook.....	23
2 TRADE AND INVESTMENT REGIME	25
2.1 General Framework	25
2.2 Trade Policy Formulation	26
2.3 Policy Objectives	28
2.4 Trade Agreements and Arrangements.....	28
2.4.1 WTO	28
2.4.2 Regional trade agreements.....	31
2.4.2.1 Eurasian Economic Union (EAEU).....	32
2.4.3 Other arrangements.....	35
2.5 Investment Regime	35
2.6 Starting a Business.....	38
3 TRADE POLICIES AND PRACTICES BY MEASURE.....	41
3.1 Measures Directly Affecting Imports	41
3.1.1 Customs procedures and requirements	41
3.1.2 Customs valuation	43
3.1.3 Rules of origin	44
3.1.4 Tariffs	45
3.1.4.1 Bound tariffs	45
3.1.4.2 Applied tariffs.....	46
3.1.4.3 Preferential tariffs	48
3.1.5 Other charges affecting imports	50
3.1.6 Import prohibitions, restrictions, and licensing	51
3.1.7 Anti-dumping, countervailing, and safeguard measures	55
3.1.8 Standards and other technical requirements	58
3.1.8.1 Standards and technical requirements at the EAEU level.....	58
3.1.8.2 Standards in the Russian Federation	60
3.1.9 Sanitary and phytosanitary requirements	62
3.2 Measures Directly Affecting Exports.....	66
3.2.1 Export procedures and requirements	66
3.2.2 Export taxes, charges, and levies	66
3.2.3 Export prohibitions, restrictions, and licensing.....	67

3.2.4	Export finance, insurance, and guarantees	69
3.2.5	Export promotion and marketing assistance.....	75
3.3	Measures Affecting Production and Trade	75
3.3.1	Taxes.....	75
3.3.1.1	Overview	75
3.3.1.2	Consumption taxes.....	76
3.3.1.3	Corporate taxes	78
3.3.1.4	Tax incentives	79
3.3.2	Incentives	80
3.3.2.1	General support programmes.....	80
3.3.2.2	Special Economic Zones and other regional schemes	84
3.3.3	State trading, state-owned enterprises, and privatization.....	85
3.3.4	Competition policy and price controls.....	87
3.3.5	Government procurement	90
3.3.5.1	Overview	90
3.3.5.2	Legal framework.....	91
3.3.5.3	General principles and buy-domestic requirements.....	92
3.3.5.4	Procurement methods and procedures	93
3.3.5.5	Bid challenges review mechanism.....	96
3.3.5.6	International cooperation	96
3.3.6	Intellectual property rights.....	97
3.3.6.1	Overview	97
3.3.6.2	IP legislation	98
3.3.6.3	IP administrative and enforcement systems	98
3.3.6.4	Copyright and related rights	102
3.3.6.5	Trademarks.....	104
3.3.6.6	Patents.....	105
3.3.6.7	Geographical indications	108
3.3.6.8	IP enforcement.....	109
4	TRADE POLICIES BY SECTOR.....	112
4.1	Agriculture, forestry, and fishing.....	112
4.1.1	Agriculture.....	112
4.1.1.1	Overview	112
4.1.1.2	Trade	113
4.1.1.3	Policies.....	114
4.1.1.3.1	Trade policies	115
4.1.1.3.2	Domestic policies	116
4.1.1.3.2.1	State Programme for Agricultural Development.....	116
4.1.1.3.3	WTO notifications	126
4.1.1.3.4	OECD indicators	127

4.1.2	Forestry	128
4.1.3	Fisheries.....	131
4.2	Mining and Energy	134
4.2.1	Legislative framework.....	134
4.2.2	Minerals	136
4.2.3	Energy	136
4.2.4	Oil	138
4.2.5	Gas	140
4.2.6	Oil and gas transportation.....	141
4.2.7	Coal.....	142
4.2.8	Electricity	142
4.3	Services	143
4.3.1	Financial services.....	143
4.3.1.1	Banking.....	143
4.3.1.2	Insurance	147
4.3.2	Telecommunications and postal services	148
4.3.3	Transport	152
4.3.3.1	Rail transport	153
4.3.3.2	Road transport	154
4.3.3.3	Maritime transport	155
4.3.3.4	Air transport.....	156
4.4	Tourism	156
	REFERENCES	158
5	APPENDIX TABLES	162

CHARTS

Chart 1.1	Gross domestic product by economic activity (at basic prices), 2015	13
Chart 1.2	Composition of merchandise trade, 2012 and 2015	19
Chart 1.3	Direction of merchandise trade, 2012 and 2015.....	20
Chart 1.4	Trade in services by sector and partner, 2015	21
Chart 3.1	Average MFN applied tariff rates by WTO product categories, 2012 and 2016.....	47
Chart 3.2	Eximbank of Russia: export finance by geographic market and industry, 2015	73
Chart 3.3	Export insurance by geographic market and industry, 2014.....	74
Chart 4.1	Green Box support in the Russian Federation, 2012-14.....	126
Chart 4.2	Amber Box support in the Russian Federation 2012-14.....	127
Chart 4.3	Energy production and exports, 2012-15.....	137
Chart 4.4	Foreign capital participation in the Russian banking system, 2008-16	144
Chart 4.5	Outstanding HMLs, 2010-15	146
Chart 4.6	Refinancing HMLs, 2010-16	146

TABLES

Table 1.1 Selected economic indicators, 2012-15.....	15
Table 1.2 Balance of payments, 2012-15.....	17
Table 1.3 FDI flows by country, 2012-15.....	22
Table 1.4 FDI inflows by economic activity, 2012-15.....	23
Table 2.1 Some trade-related legislation.....	27
Table 2.2 Selected notifications under WTO Agreements (as of June 2016).....	29
Table 2.3 WTO dispute settlement cases.....	31
Table 2.4 Russian Federation's RTAs in force, 2016.....	33
Table 3.1 Decisions of the Board of the EEC on application of the methods of determination of the customs value of goods.....	44
Table 3.2 Implementation of final bound tariffs, 2012-2020.....	45
Table 3.3 Structure of MFN tariffs in the Russian Federation, 2012 and 2016.....	46
Table 3.4 Examples of tariff escalation.....	48
Table 3.5 Applied MFN tariff compared to bound tariff, end-June 2016.....	48
Table 3.6 MFN and selected preferential tariffs in the Russian Federation, 2016.....	49
Table 3.7 Fees and charges for customs services relating to imports and exports.....	50
Table 3.8 Goods under import restrictions.....	52
Table 3.9 Product coverage of Government Resolution No. 778 of 2014 (as amended).....	54
Table 3.10 Product coverage of Government Resolution No. 1296 of 30 November 2015.....	54
Table 3.11 Trade remedy stages and timing in the EAEU.....	56
Table 3.12 Trade remedy measures by DIMD, 2012-15.....	56
Table 3.13 Products and exporting countries subject to definitive trade remedy measures as at May 2016.....	57
Table 3.14 Provisions on the procedure of drafting, adopting, amendment and cancellation of the EAEU technical regulations.....	59
Table 3.15 Technical regulations of the EAEU adopted during the period from accession of the Russian Federation to the WTO to end-April 2016.....	59
Table 3.16 Principal EAEU legislation on SPS measures at end-May 2016.....	62
Table 3.17 Principal EAEU legislation on technical regulations related to SPS measures at end-May 2016.....	62
Table 3.18 National SPS legislation of the Russian Federation amended or introduced from 2012 to end-May 2016.....	63
Table 3.19 State information data systems for traceability of veterinary and phytosanitary measures, 2016.....	64
Table 3.20 Selected export duties in the Russian Federation.....	67
Table 3.21 Goods under export restrictions.....	68
Table 3.22 Main export finance, insurance and guarantee facilities, 2016.....	71
Table 3.23 Consolidated budget revenue, 2012-15.....	76
Table 3.24 Excise taxes, 2012 and 2016.....	77
Table 3.25 Federal support programmes 2013 and 2014.....	80
Table 3.26 Sub-federal support programmes 2013 and 2014.....	81

Table 3.27 Federal support programmes 2012-14.....	82
Table 3.28 Special Economic Zones and selected incentives	84
Table 3.29 Selected state-owned enterprises in the Russian Federation in 2015	86
Table 3.30 Competition enforcement, 2012-15.....	89
Table 3.31 Government procurement and its share in GDP, 2011-15	90
Table 3.32 Main legal framework of the federal and municipal procurement system	91
Table 3.33 Procurement methods and main features	94
Table 3.34 Participation in international agreements	102
Table 3.35 Trademark applications, 2000-2015	105
Table 3.36 Patent applications, 2008-15.....	107
Table 3.37 Patents granted, 2008-15.....	107
Table 3.38 Patent applications and patents granted for inventions, 2008-15	108
Table 3.39 IP-related cases (criminal, administrative and civil), 2012-15	110
Table 4.1 Production of selected agricultural products, 2004 and 2011-14.....	112
Table 4.2 Trade in selected agricultural products, 2012-15.....	113
Table 4.3 Tariff quotas and imports under tariff quotas, 2013-15	115
Table 4.4 Federal allocations to the State Programme for Agricultural Development, 2013-2020.....	117
Table 4.5 Subsidies for interest payments for crop production, 2013-15.....	119
Table 4.6 Subsidies for insurance premiums for crops, 2013-15.....	119
Table 4.7 Subsidies for development of sheep and goat breeding, 2014 and 2015	120
Table 4.8 Subsidies for development of deer and horse breeding, 2014 and 2015.....	120
Table 4.9 Economically significant programmes for livestock, 2013-15.....	120
Table 4.10 Subsidies for interest payments for livestock production, 2013-15	121
Table 4.11 Subsidies for insurance premiums for livestock, 2013-15.....	121
Table 4.12 Economically significant programmes for beef cattle, 2013-15.....	121
Table 4.13 Interest rate subsidies for selected investment projects, beef, 2014 and 2015.....	122
Table 4.14 Funding for dairy development, 2014 and 2015	123
Table 4.15 Interest rate subsidies for dairy producers, 2015	124
Table 4.16 Federal targeted programme for sustainable development of rural areas, 2015.....	125
Table 4.17 Federal targeted programme for reclamation of agricultural land, 2014 and 2015	125
Table 4.18 Total producer support estimate and single commodity transfer values for selected commodities, 2010-14.....	128
Table 4.19 Trade in selected wood products, 2012-15	129
Table 4.20 Russian Federation fisheries capture production, 2010-2014.....	131
Table 4.21 Trade in selected fish and fish products, 2012-15.....	132
Table 4.22 Energy production, 2014	138
Table 4.23 Trade in energy, 2012-15	138
Table 4.24 Russian credit institutions, 2012-16	145
Table 4.25 Main indicators for the banking sector, 2012-15.....	145

Table 4.26 Telecommunications indicators, 2012-15	148
Table 4.27 Freight and passenger transport volumes, by type of transport, 2012-14.....	152

BOXES

Box 3.1 Main institutions involved in IPRs in the Russian Federation	100
--	-----

APPENDIX TABLES

Table A1. 1 Merchandise exports by product group, 2012-15.....	162
Table A1. 2 Merchandise exports by destination, 2012-15.....	163
Table A1. 3 Merchandise imports by product group, 2012-15	164
Table A1. 4 Merchandise imports by origin, 2012-15	165
Table A1. 5 Services trade by sector, 2012-15	166
Table A1. 6 Services exports by destination, 2012-15	167
Table A1. 7 Services imports by origin, 2012-15.....	168
Table A3. 1 Supplies subject to 10% VAT, 2016	169
Table A3. 2 Supplies subject to 0% VAT, 2016	170
Table A3. 3 Supplies exempt from VAT, 2016.....	171
Table A3. 4 Russian Federation's applied MFN tariff summary, 2016	173

SUMMARY

1. The Russian Federation became the 156th WTO Member in August 2012. This is its first Trade Policy Review. Following the dissolution of the Soviet Union at the end of 1991, the Russian Federation embarked on a reform program aimed at transforming a centrally-planned economy to a market-oriented one. It has largely met this objective creating an outward-oriented economy. Liberalization of trade and investment, driven by commitments taken during its accession to the WTO and the entry into force of the Eurasian Economic Union (EAEU) Treaty on 1 January 2015 have been major milestones in this process.

2. The State continues to play a major role throughout the Russian economy, with state-owned enterprises (SOEs) still accounting for about half of GDP despite a recent decline in their number, partly a legacy from the Soviet system. Some of the largest SOEs occupy a dominant position in key sectors, notably in banking, transport and energy. The Russian authorities are taking steps to improve corporate governance and privatize SOEs in order to increase overall productivity, competition and efficiency. The bulk of the privatization programme 2014-2016 has been postponed mainly due to adverse market conditions (low asset prices) compounded by the economic slowdown.

3. The Russian Federation was hit exceptionally hard by the global economic crisis during 2008-09. A strong economic rebound in 2010-12 was subsequently dampened by political instability in the region after developments in the Crimea. Since then, real GDP growth rates slowed down in 2013 and 2014, and contracted by 3.7% in 2015. The main cause for this significant fall in GDP growth was the oil price slump below US\$50 amid insufficient diversification of Russian exports. Economic sanctions imposed by some Western countries and the countermeasures by the Russian Federation have also played a role. The economic uncertainty caused by these developments resulted in strong capital outflows, a sharp decline in the value of the Rouble (the national currency), and an increase in inflation.

4. The Government responded with an anti-crises plan aimed at stabilizing the banking sector, a fiscal stimulus, switching to a floating exchange rate regime, and introducing an import substitution programme. This programme is a major part of a new industrial policy, which was introduced in 2014, and has been implemented through several new laws during 2015 and 2016. Incentives provided under the industrial policy take many forms, including direct grants to infrastructure, tax breaks, and preferences in government procurement contracts.

5. According to the IMF, the Russian Federation is on a stabilization course; it expects GDP growth to contract by 1.8% in 2016 and to grow by 0.8% in 2017. Nonetheless, slow structural reforms, weak investment, and adverse population dynamics are affecting potential growth. In particular, excessive regulation, weak governance, and significant government intervention in the economy have discouraged investment. The Russian authorities acknowledge the need to accelerate economic reforms and aim at enhancing competition in goods and services markets, improving property rights, and revamping transport and telecommunications infrastructure to improve the business climate and boost investment.

6. Traditionally, the Russian Federation has enjoyed surpluses in both the trade and current accounts of its balance of payments on the back of its significant oil and gas export revenues. The current account surplus, as percentage of GDP, fell from 3.3% in 2012 to 1.5% in 2013, and then recovered reaching 5% in 2015 as imports declined sharply reflecting both weak domestic demand and expenditure switching due to the Rouble's depreciation. For 2016, the IMF expects a current account surplus of 4% of GDP.

7. The Ministry of Economic Development, the Ministry of Foreign Affairs and the Ministry of Industry and Trade are responsible for foreign trade. When the Russian Federation joined the EAEU, the authority over many aspects of its foreign trade regime was transferred to EAEU institutions, notably the Eurasian Economic Commission (EEC). Some of these issues include import tariff rates, transit trade, non-tariff measures (e.g. tariff-rate quotas, import licensing, and trade remedy procedures), customs policies (customs valuation, customs fees, and country of origin determinations), border enforcement of IPRs, establishment and administration of special economic and industrial zones, and the development of technical regulations and SPS measures.

As a result, trade policy formulation in the Russian Federation is implemented through both national institutions and legislation and EAEU bodies and laws.

8. During its accession to the WTO, the Russian Federation made wide-ranging commitments on market access for goods and services. It is a party to the Information Technology Agreement and an observer to the plurilateral Government Procurement Agreement (GPA). The Russian authorities have stated that GPA accession negotiations will start in the second half of 2016. The Russian Federation does not take part in the plurilateral Agreement on Trade in Civil Aircraft. It has made regular notifications to the WTO, with only a few outstanding. The Russian Federation has participated in ten trade disputes: four as complainant and six as respondent. In addition, it has been involved as a third party in 28 cases, most on contingency trade measures. The Russian Federation grants at least MFN treatment to all its trading partners.

9. Since mid-2012, the Russian Federation has been taking steps to improve customs operations through an action plan that sets out a series of measures to simplify customs procedures and improve efficiency for both imports and exports. In addition, the EEC is working on developing the basis for a single window mechanism including streamlining and harmonizing customs formalities. A unified information platform, Seaport Portal, is being implemented as an electronic single window for handling and customs processing of cargo at Russian seaports. On 22 April 2016, the Russian Federation deposited the instrument of acceptance of the Trade Facilitation Agreement. The Russian Federation has recently put in place measures that restrict transit trade through its territory.

10. Foreign investment, technology transfer, and innovation are considered by the Russian authorities as critical to the economic modernization of the country. In this context, high-tech parks, industrial clusters and special economic zones (SEZs) are being promoted through special tax and infrastructure incentives, available to both local and foreign investors. Some investment privileges are also granted in the context of the Auto Investment Programme and agreements concluded under this programme. The Russian Federation has confirmed that it will eliminate the WTO-inconsistent measures applied under the Auto Investment Programme by 1 July 2018.

11. When investing in the Russian Federation, the key concerns of foreign investors include corruption, transparency, rule of law, tax rates and complexity of tax regulations, access to financing, and respect for property rights. To address these challenges, various measures have been implemented, including adopting the National Anti-Corruption Action Plan, amending the Criminal Code and the Code on Administrative Violations, and ratifying the OECD Anti-Bribery Convention, banning bribes to foreign officials. Moreover, the National Business Initiative Program, the Institute of the Entrepreneurs' Ombudsman of the President of the Russian Federation, and other regulatory reforms have been established over the last few years to attract larger FDI inflows and improve the business climate.

12. On acceding to the WTO in 2012, the Russian Federation bound all tariff lines with reductions to be phased in by 2020. At the end of the implementation period, the simple average final bound tariff will be 8.4%. Since 2012, MFN applied tariffs have been reduced from a simple average of 11% to 8.3% including AVEs of non-*ad valorem* duties. In 2016, the average applied MFN rate on agricultural products (14.6%) was slightly higher than the final bound levels (13.6%), while for non-agricultural goods the average MFN applied rate of 6.5% was slightly below the final bound levels (7.1%). Since 1 January 2015, the Russian Federation has applied the common external tariff of the EAEU. Non-*ad valorem* duties (mixed and specific) are levied on 14.8% of tariff lines.

13. The Russian Federation has ten regional trade agreements in force encompassing 12 partners: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Republic of Moldova, Serbia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. In 2014, merchandise trade (exports and imports) with RTA partners accounted for 12.2% of the Russian Federation's total trade. In the EAEU customs union, there are no tariffs or other border measures on trade among members of the EAEU. At end-June 2015, EAEU members were providing preferential access to 103 developing countries and 48 least developed countries. About 24% of all tariff lines are covered by the GSP scheme. For these tariff lines, developing countries qualify for a 25% discount on the MFN rate and least-developed countries qualify for duty-free access.

14. Under the EAEU, its members may apply the following common non-tariff measures: a prohibition on imports; quantitative restrictions on imports; the exclusive right to import; automatic licensing (monitoring) of imports; and authorization procedures for imports. There is a common list of goods subject to import prohibitions, and non-automatic licensing or permits. In acceding to the WTO, the Russian Federation bound six tariff quotas in its Schedule for: fresh and chilled beef; frozen beef; fresh, chilled and frozen pork; pork trimming; fresh, chilled or frozen poultry; and for whey and modified whey.

15. Since 2012, the Eurasian Economic Commission's Department for Internal Market Defense has been responsible for conducting investigations and imposing trade remedy measures. Decisions to impose trade remedies are taken by the Board of the Commission and are binding on all EAEU Member States. The Russian Federation has become an important user of anti-dumping and safeguard measures. As at May 2016, it had two safeguards and 16 definitive anti-dumping measures against imports from China, Germany, India, Italy, Turkey, and Ukraine.

16. In the Russian Federation, the legal framework for standards, technical regulations and conformity assessment systems is the EAEU Treaty and national legislation. The EEC sets a common list of products to which technical regulations of the EAEU or national mandatory requirements of its members may be applied. Similarly, the EEC is responsible for coordinating the development and implementation of SPS measures by EAEU members and setting common general principles, and safety requirements for goods marketed within the EAEU.

17. The Russian Federation has not harmonized VAT and excise tax regimes with the other EAEU partners. While intra-EAEU trade is duty-free, and hence outside customs control, it remains subject to VAT and excise taxes. In the Russian Federation, excise taxes are identical for imports and domestically-produced goods and may be levied on specific, *ad valorem* or compound bases, depending on the good. Excise taxes are levied on beer, wine and spirits; tobacco and tobacco products; petroleum products; and motor vehicles. Typically, the rates are revised annually. VAT is applied at a standard rate of 18% although a reduced rate of 10% applies to certain items, including basic foodstuffs. Some supplies, including exports, are zero-rated and are thus eligible for VAT refund on inputs, while VAT exemptions apply for social assistance and economic development objectives.

18. During 2012-2016, besides making adjustments to certain tax rates and tax bases, the Russian authorities took steps towards easing the administrative burden of tax compliance. Tax calculations and record keeping were made simpler by the introduction of standard templates and the trimming of requisite supporting documentation. At the same time, the approval of various privately-developed software solutions facilitated electronic tax filing and data submission. Procedural innovations included a shift towards risk-based tax audits and recourse to administrative review as a mandatory step in the dispute resolution mechanism.

19. In acceding to the WTO, the Russian Federation undertook to bind and reduce export duties on 703 tariff lines at the ten-digit level. For 495 of these tariff lines, the export duty should be reduced to zero by the end of the implementation period, which ranges from one to five years. The Russian Federation also undertook to establish two export quotas for wood products with in-quota export duties of 13% and 15%. There is a common list of goods subject to import/export prohibitions or restrictions to/from the customs territory of the EAEU.

20. The EAEU Treaty provides for the application of joint-measures to promote exports of goods originating from the member States to third-party markets; work on the elaboration of such measures is ongoing. In the Russian Federation, legal and institutional reforms intended to boost exports have largely been framed by the "Support for Exports and Access to Foreign Markets" road map and the Government programme on "Development of Foreign Economic Activity" (2013-2018), which had been devised as part of a broader initiative to modernize the Russian economy and to improve the investment climate.

21. Public funds in support to Russian businesses seeking to launch or increase export sales are made available at both the federal and sub-federal levels of government. The types of support and eligibility criteria applied under sub-federal programmes are not standardized; these programmes may be co-financed, on a competitive basis, with federal funds. Statistics on sub-federal export support disbursements are not collected by the federal authorities.

22. At the federal level, the state corporation Vnesheconombank (VEB) is involved in export support both directly and through its specialized subsidiaries, including Eximbank of Russia, the Export Insurance Agency of Russia, and the Russian Export Centre. The latter was set up in 2015 as a single window for financial and non-financial support to Russian exporters. A former VEB subsidiary, the Russian Direct Investment Fund, may also make equity investments in medium-sized, non-energy companies with export potential. According to the authorities, these entities do not follow uniform directives on minimum Russian content and sectoral or geographical priorities in export support.

23. Various tax incentives are available at both the federal and sub-federal levels in the Russian Federation. There is considerable tax rate dispersion across regions, economic activities and types of taxpayers, and the administrative burden on applicants for tax concessions could be rather high. Tax concessions are also available to the residents of SEZs, territorial development zones, territories of advanced development, the Skolkovo Innovation Center, and the Free Port of Vladivostok. In addition, the Russian Federation provides support at the federal level to several sectors through capital contributions, partial compensation for interest charged on loans, grants, etc. At the sub-federal level, the support is provided via tax incentives, compensation for interest on loans, direct grants, and equity injections.

24. In 2013, a new Government Procurement Law was adopted with the aim of establishing a comprehensive government procurement system, promoting procurement efficiency, and tackling corruption. Significant achievement has been made in enhancing procurement planning and monitoring, and business confidence in public procurement has increased. On 25 March 2014, a 15% price preference in public procurement for domestically-produced goods was introduced.

25. Under the EAEU Treaty, the EEC is responsible for combatting anticompetitive agreements, abuse of dominance, and unfair competition on cross-border markets. The EAEU Treaty also provides for the harmonization of member States' national legislations in the area of competition policy. The Russian competition regime has been improved over the period under review with a view to enabling the Federal Antimonopoly Service of Russia (FAS) to focus on serious violations of the law "On the Protection of Competition". On the other hand, the somewhat broad mandate of the FAS, which also includes control of public procurement, compliance with the law on advertising, and foreign investments in strategic industries, has been expanded with additional competences over price regulation and defence procurement.

26. During the review period, the Russian Federation has made significant IPR reforms in terms of legislative, administrative and enforcement systems, notably the amendment of IP chapters of the Civil Code in 2014 and the establishment of the Intellectual Property Rights Court in July 2013. Under the Strategy for Innovative Development of the Russian Federation 2020, innovation and effective protection of IPRs have become key priorities for ensuring FDI inflows and international cooperation in the development of new technologies necessary to achieve sustainable economic growth.

27. Regarding sectoral issues, the EAEU Treaty sets out the basic objectives and a coordinated agricultural policy for the Russian Federation and the other members. These are: balanced development of production and markets for agricultural products; fair competition among the entities of the member States, such as equal access to the common agricultural market; standardization of requirements related to the circulation of agricultural goods; and protection for producers of agricultural goods in the member States on domestic and foreign markets. According to its notifications to the WTO Committee on Agriculture, the Russian Federation did not provide export subsidies during 2012-15, while the State Programme for Agricultural Development supports specific agricultural products and agriculture in general.

28. Import substitution has become a key factor in the agricultural policy of the Russian Federation. In August 2014, in response to economic sanctions imposed by some Western countries, the Russian Federation introduced a one-year ban and limits on imports of agricultural and food products against such countries. The banned products include certain fresh fruits, vegetables, meat, poultry, fish, and dairy products. Sanctions and counter-sanctions have subsequently been extended.

29. The Russian Federation has the largest forest area in the world but the sector faces several problems, including weak infrastructure development, depletion of resources in traditional harvesting areas, and lack of capacity to use low-grade resources. A policy of intensive forest use and forest reproduction is being implemented. The Russian Federation is one of the biggest fishing nations in the world. A policy of fisheries management is being operated and enforced through a total allowable catch system based on scientific data on reserves of species.

30. A key priority of the Russian Federation is to diversify its economy away from its abundant mineral and energy resources. It is the world's second-largest oil and gas producer, the fourth-largest producer of electricity, and has become one of the most energy-intensive economies. A strategic goal has been set to reduce the energy intensity of GDP by 40% by 2020 through energy saving, improving efficiency, eliminating regulatory constraints, and encouraging the development of renewable energy, including geothermal, solar and wind energy. Despite the significant fall in oil prices in recent years, oil-related activities still contribute some 20% to GDP, represent two thirds of merchandise exports, and just under half of federal government revenues.

31. Services are the main contributor to the Russian Federation's output (over 62% of GDP in 2015). As part of its WTO accession commitments, the Russian Federation has eliminated the 49% foreign equity limitation in telecommunications. The Russian Federation fully applies the WTO's Basic Telecommunications Agreement. The right to foreign capital participation in the banking system of the Russian Federation is limited to 50%. Foreign insurance companies will be allowed to establish branches nine years after the accession of the Russian Federation to the WTO (August 2021).

32. The main objectives of the Russian Federation's trade policy are to help modernize its economy, foster its global competitiveness, and create favorable conditions for its continuous growth and sustainable development. In this regard, WTO Membership locked the Russian Federation into a generally liberal trade regime towards the rest of the world. Nonetheless, political and economic reforms in the Russian Federation face challenges from vested interests, governance issues, and the relative complexity of its economic environment. In the short to medium term, the Russian Federation's economic performance will also be determined by, *inter alia*, the evolution of oil prices and its ability to resolving political issues with countries in the region and elsewhere. However, in the long-run, consistent and determined implementation of reforms will help lift the Russian economy towards its true potential.

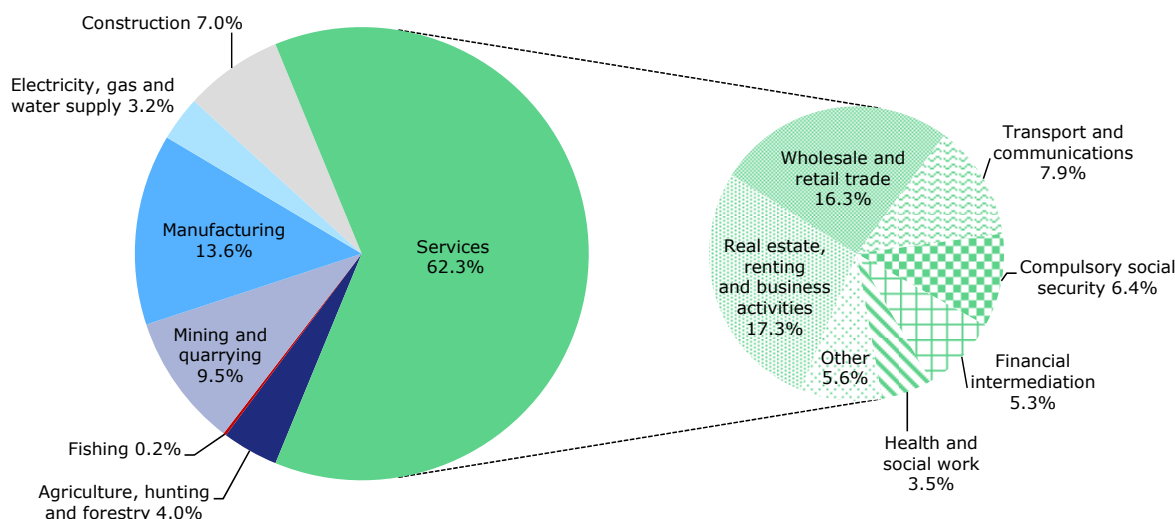
1 ECONOMIC ENVIRONMENT

1.1 Main Features of the Economy

1.1. The Russian Federation ranks tenth in the world economy, with a nominal GDP of around US\$1,326 billion in 2015. It is the largest nation covering more than one eighth of the world's inhabited area, and has a wide range of landforms with abundant mineral, energy, forest, and water resources. It is also the world's second-largest oil and gas producer, the fourth-largest producer of electricity, and has become one of the most energy-intensive economies (Section 4.3.3).¹ Oil-related activities contribute some 20% to GDP, and represent two thirds of merchandise exports and about half of federal government revenues. The Russian Federation has a relatively well-developed railway network but a poor road system.²

1.2. The Russian economy is relatively diversified. Commercial services are the main contributor to its output, with an estimated 62.3% share of GDP in 2015, followed by manufacturing; mining and quarrying; construction; and agriculture and related activities (Chart 1.1). The Russian Federation is one of the world's largest manufacturers. The main industries include oil and gas, mining, processing precious stones and metals, aircraft building, aerospace production, weapons and military machinery manufacture, electric engineering, pulp and paper production, automotive industry, transport, and agricultural machinery production.

Chart 1.1 Gross domestic product by economic activity (at basic prices), 2015



Source: WTO Secretariat, based on data provided by the Russian authorities.

1.3. The Russian Federation is the world's ninth most populous nation, with a population of around 146 million people in 2015, as well as 140 recognized nationalities and 40 ethnic groups. Despite a decline in poverty in recent years, 10.8% of the population was still living below the national poverty line in 2013 (down from 13% in 2009), according to the latest data from the World Bank.³ The Russian Federation ranks 50th (out of 188 countries) on the latest UNDP Human Development Index.⁴

1.4. The Russian Federation faces important demographic challenges mainly due to relatively low fertility rates and high premature mortality rates (particularly among males)⁵, and early retirement. All these factors contribute to the long-term decline in the labour supply. In addition,

¹ In 2008, the authorities set a strategic goal to reduce energy intensity of GDP by 40% by 2020 through energy saving, improving efficiency and eliminating regulatory constraints. OECD (2014).

² Estimates suggest that a 10% improvement in the Russian Federation's transport efficiency could increase its GDP by 0.8%. OECD (2014).

³ World Bank online information. Viewed at: <http://data.worldbank.org/country/russian-federation>.

⁴ UNDP online information. Viewed at: <http://hdr.undp.org/en/countries/profiles/RUS>.

⁵ Nonetheless, on average, life expectancy in the Russian Federation, for both males and females, increased from 68.9 years in 2010 to 70.9 years in 2014, while the population growth rate went from -1.7 in 2010 to 0.2% in 2014. Federal State Statistics Service online information. Viewed at: www.gks.ru.

inequality is considered severe, and regional social inequality hardly changed during the last decade despite increased labour and capital market integration and several programmes directed towards convergence.⁶ This is mainly a consequence of large differences in natural resource endowments between regions, the legacy of Soviet production location choices, and weak infrastructure in many regions.

1.5. Since 10 November 2014, the Central Bank of Russia (CBR) adopted a *de jure* and *de facto* floating exchange regime with foreign exchange interventions to safeguard financial stability.⁷ The main function of the CBR, as determined by Article 75 of the Constitution, is to protect the rouble (Rub, the national currency), and ensure its stability. The sustainability of the rouble is achieved through maintaining price stability, which is the primary objective of monetary policy.⁸ Other goals of the CBR are to promote the development of the banking system, ensure the solvency of the national payments system, and strengthen the financial markets. The Russian Federation has an exchange system free of restrictions on the making of payments and transfers for current international transactions.⁹

1.6. The State continues to play a major role throughout the Russian economy, partly a legacy from the Soviet system, but also due to the dependence on natural resource extraction and natural monopolies that often remain in state hands. Despite a decline in the number of state-owned enterprises (SOEs) over the last few years, they still account for about half of GDP with some of the largest SOEs occupying a dominant position in key sectors such as banking, transport and energy (Section 3.3.3). Some SOEs face governance issues.¹⁰ The Russian authorities are taking steps to improve corporate governance and privatize SOEs, in order to increase overall productivity, competition and efficiency. The original privatization plan for 2014-16 aimed at the withdrawal of the State from all SOEs, except for natural monopolies and those SOEs in oil and defence sectors. Nonetheless, while some privatizations took place, the majority of large transactions were delayed because of the unfavourable market situation (Section 3.3.3).¹¹

1.2 Recent Economic Developments

1.7. Following the dissolution of the Soviet Union at the end of 1991, the Russian Federation embarked on a transition from a centrally planned to a market economy. During the period 1999-2008 the Russian economy grew at about 7% per year on average driven largely by rapidly increasing oil and gas revenues and mining investments. Terms-of-trade improvements also led to expansion in the non-tradeable sector. This growth burst was possible because of large unused capacity that emerged in the aftermath of the post-transition recession, the removal of bottlenecks inherited from Soviet times, and the adoption of modern managerial and technological practices.¹² The global economic crisis of 2008-09 caused a contraction in real GDP of 7.8% in 2009, but was followed by annual growth rates of 4.1% on average over the period 2010-12.

1.8. Since then, real GDP growth rates slowed to 1.3% and 0.7% in 2013 and 2014, respectively, while a contraction of 3.7% occurred in 2015.¹³ This negative trend is partly because of declining private consumption and investment in light of the Urals crude oil price slump from over US\$100 per barrel on average during the period 2012-14 to about US\$34 per barrel at the end of 2015. However, it also reflects stalled structural reforms, weak investment, and adverse population dynamics. In particular, excessive regulation, weak governance, and significant government intervention in the economy have discouraged investment.¹⁴

⁶ OECD (2014).

⁷ Until 10 November 2014, the regime was categorized as a controlled floating exchange rate arrangement. IMF (2015a).

⁸ Article 3 of the Law No. 86-FZ "On the Central Bank of the Russian Federation (Bank of Russia)", 10 July 2002. The CBR is accountable to the State Duma that appoints and dismisses the CBR Governor (on the proposal of the President of the Russian Federation) and members of the CBR Board of Directors (on the proposal of the CBR Governor, agreed with the President of the Russian Federation).

⁹ The Russian Federation accepted the obligations of Article VIII of the IMF as from 1 June 1996. IMF (2015).

¹⁰ OECD (2015b).

¹¹ OECD (2014).

¹² OECD (2014).

¹³ IMF (2016a).

¹⁴ IMF (2015a).

1.9. GDP growth in the Russian Federation has also been affected by the economic sanctions imposed, since March 2014, *inter alia*, by the European Union, Japan, and the United States against some Russian individuals, entities, and goods. Sanctions include a ban on exports of high-technology products for use in the energy sector and very limited access to foreign capital markets for Russian companies. In August 2014, the Russian Federation introduced a one-year ban and limits on imports of agricultural and food products against such countries. The banned products include certain fresh fruits, vegetables, meat, poultry, fish, and dairy products. Sanctions and counter-sanctions have subsequently been extended. According to some estimates, the Russian Federation lost half a percentage point of economic growth in 2015 due to sanctions and three percentage points because of a drop in oil prices.¹⁵ Despite the difficult economic situation, recorded unemployment remains relatively low and virtually unchanged over the last few years (Table 1.1), and real wage decrease has been the labour market's main channel of adjustment to the new environment.

Table 1.1 Selected economic indicators, 2012-15

	2012	2013	2014	2015
Real sector indicators				
Nominal GDP (Rub billion) ^a	66,927	71,017	77,945	80,804
Nominal GDP (US\$ billion) ^a	2,153	2,230	2,029	1,326
Real GDP (% change)	3.5	1.3	0.7	-3.7
Consumer prices (average; % change)	5.1	6.8	7.8	15.5
Unemployment rate (%)	5.5	5.5	5.2	5.6
Gross domestic product at basic prices (%)	100.0	100.0	100.0	100.0
Agriculture, hunting and forestry	3.6	3.7	3.8	4.0
Fishing	0.2	0.2	0.2	0.2
Mining and quarrying	9.4	9.0	9.1	9.5
Manufacturing	13.5	13.9	13.9	13.6
Electricity, gas and water supply	3.3	3.2	3.1	3.2
Construction	7.7	7.6	7.3	7.0
Services	62.3	62.5	62.7	62.3
Wholesale and retail trade	17.6	17.4	17.5	16.3
Hotels and restaurants	0.9	0.9	0.9	0.9
Transport and communications	7.9	7.9	7.8	7.9
Financial intermediation	4.4	4.8	5.3	5.3
Real estate, renting and business activities	17.1	17.1	16.9	17.3
Compulsory social security	6.3	6.3	6.3	6.4
Education	2.5	2.4	2.5	2.4
Health and social work	3.4	3.4	3.4	3.5
Other community and personal service activities	1.6	1.5	1.5	1.5
Money and banking (% change)				
Base money	14.0	6.6	7.9	-2.5
Rouble broad money	11.9	14.6	2.2	11.5
Credit to the economy	19.7	17.5	22.1	7.9
Public sector (% of GDP)				
Net lending/borrowing (overall balance)	0.4	-1.2	-1.1	-3.5
Revenue	35.0	34.4	34.3	32.8
Expenditures	34.6	35.6	35.4	36.3
Primary balance	1.0	-0.6	-0.4	-2.7
Non-oil balance ^b	-9.3	-10.4	-10.6	-10.2
National accounts (% change)^a	-9.2	-9.1	-9.4	-9.0
Consumption	6.1	3.6	1.1	-7.5
Households	7.4	4.4	1.5	-9.6
Public administration	2.5	1.4	0.2	-1.8
Non-profit institutions serving households	-1.0	-1.2	0.0	0.5
Gross capital formation	3.9	-7.3	-8.0	-18.7
Exports of goods and services	1.4	4.6	0.6	3.6
Imports of goods and services	9.7	3.6	-7.6	-25.7

¹⁵ Deputy Prime Minister Arkady Dvorkovich. ITAR-TASS World Service, 18 January 2016. Opinions vary as to the effectiveness of such restrictions in general and in the particular case of the Russian Federation.

	2012	2013	2014	2015
External sector				
Rub/US\$ (period average)	31.3	31.8	38.4	61.0
Real effective exchange rate (average, % change)	2.4	1.2	-8.4	-16.5
Current account (% of GDP)	3.3	1.5	2.9	5.0
Gross international reserves (US\$ billion)	537.6	509.6	385.5	368.4
In months of imports (of goods and services)	14.5	13.0	10.8	15.7
Urals crude oil spot price (US\$ per barrel)	110.8	108.3	98.0	51.4
Oil extraction (million tonnes)	518.0	523.2	526.7	533.6

- a GDP data for 2012-13 was calculated using the System of National Accounts 1993 (1993 SNA), thereafter GDP was calculated using the 2008 SNA.
- b Calculated using the 2008 SNA.

Source: Data provided by the Russian authorities.

1.10. At the end of 2014, the trade sanctions, the oil price slump below US\$50 per barrel coupled with the insufficient diversification of Russian exports (Section 1.3.1), and the necessity to pay off considerable external debt amounts had resulted in significant rouble depreciation against major currencies.¹⁶ In addition, there were large net capital outflows (US\$154 billion or about 8% of GDP in 2014, the highest level since 1999–2000), and a significant decline in international reserves, while inflation (as measured by the average consumer price index) increased from 5.1% in 2012 to 15.5% in 2015 following the exchange rate depreciation and the Russian Federation's countersanctions. In light of this, the Government adopted an anti-crisis plan around four main pillars: stabilizing the banking system, implementing a fiscal stimulus, accelerating the move to a floating exchange rate regime, and introducing an import substitution programme.

1.11. To secure financial stability and avoid a credit crunch, funds initially worth about 2% of GDP were allocated for the recapitalization of 27 large banks (43% of total banking assets), certain smaller banks affected by the sanctions, and selected regional banks. The CBR also undertook to recapitalize the largest bank (Sberbank, which accounts for 30% of system assets) if needed. In addition, intensified supervision and a temporary forbearance strategy were adopted, which included doubling the level of insured deposits, granting a moratorium on recognizing negative valuation changes for securities portfolios, allowing foreign exchange denominated assets and liabilities at 1 October 2014 exchange rates, and flexibility in loan classification and provisioning.¹⁷

1.12. The Russian Federation derives about 50% of its federal government revenues from oil-related activities. These revenues have helped finance fiscal deficits since the global economic crisis in 2008-09. Some fiscal consolidation has occurred over the last few years, with the non-oil primary deficit decreasing from 9.2% of GDP in 2012 to 9.1% in 2015 (Table 1.1). A fiscal rule was introduced in December 2012 to help manage the impact of volatile oil resource-revenues and limit fiscal sustainability risks. Under the fiscal rule, the oil-price benchmark is set as the minimum of (a) a backward-looking moving average of up to ten years of Urals oil prices, and (b) a three-year backward looking average. In 2015, the fiscal rule was suspended due to the dramatic changes in external conditions. The parameters of the new fiscal rule are currently under discussion (Section 1.4).

1.13. Given the difficult economic environment, the 2015 government budget was revised by reallocating expenditures to increase spending on pension and support specific economic sectors and employment. Additional measures and budget spending were financed primarily by the Reserve Fund and the National Wealth Fund that provide budget credits to regions, federal credit guarantees, and support to systemically important enterprises and banks. As of March 2016, the Reserve Fund amounted to about US\$50 billion (4.8% of GDP), and the National Wealth Fund to US\$71 billion (6.8% of GDP).¹⁸

¹⁶ In 2014 and 2015, the real average effective exchange rate depreciated by 8.4% and 16.5%, respectively (Table 1.1). In nominal terms, the rouble depreciated 72.3% and 51.7% against the U.S. dollar and the euro, respectively, in 2014; it depreciated 20.5% and 9.9% in 2015 against the U.S. dollar and the euro, respectively.

¹⁷ IMF (2015a).

¹⁸ Both funds, managed by the Ministry of Finance, were created, *inter alia*, to save windfall energy profits, cover budget gaps and finance spending on infrastructure.

1.14. In November 2014, when market pressures intensified, the CBR floated the rouble in order to facilitate a more rapid adjustment to external shocks and to curb reserve losses. On 15 December 2014, the CBR raised its key policy interest rate from 10.5% to 17% (the largest single increase since 1998) to maintain financial stability and respond to a worsening inflation outlook. It also limited the size of net foreign asset holdings by the largest Russian exporters (this measure was lifted in March 2015).¹⁹

1.15. In 2015, the contribution of the exchange rate to inflation gradually declined as prices adjusted to the rouble depreciation and food embargo. At the same time, the risk trade-off shifted more towards considerable economy cooling because of the unfavourable foreign economic situation, higher uncertainty, and deteriorated household and business sentiment along with tougher monetary conditions that had an effect on both consumption and investment. Therefore, the CBR steadily decreased its key interest rate from 17% to 11% in August 2015, and to 10.5% on 10 June 2016 in an effort to stimulate economic growth and given the positive trends of more stable inflation, as well as decreased inflation expectations and inflation risks.²⁰

1.16. In 2015, the CBR also decided to launch operations to buy foreign currency to replenish the international reserves that had dropped from US\$537.6 billion in 2012 to US\$385.5 billion in 2014 and ensure financial stability in case of long-lasting negative external shocks. It does not target any particular level for exchange rates and does not have a strict policy on building international reserves. Nonetheless, the CBR intends to gradually increase its international reserves to around US\$500 billion provided foreign exchange market conditions are favourable.

1.17. Traditionally, the Russian Federation has enjoyed surplus in both its trade and current accounts of its balance of payments on the back of its significant oil and gas export revenues (Table 1.2 and Section 1.3). The current account surplus, as percentage of GDP, fell from 3.3% in 2012 to 1.5% in 2013, and then recovered reaching 5% in 2015 as imports declined sharply reflecting both weak domestic demand and expenditure switching due to the rouble depreciation. For 2016, the IMF expects a current account surplus of 4% of GDP.²¹

Table 1.2 Balance of payments, 2012-15

(US\$ million)

	2012	2013	2014	2015
Current account	71,282	33,428	58,319	69,564
Goods and services	145,076	122,307	134,459	111,902
Exports	589,774	591,958	563,507	393,258
Imports	444,698	469,651	429,048	281,356
Goods (net)	191,663	180,566	189,737	148,513
Exports	527,434	521,835	497,763	341,467
Imports	335,771	341,269	308,026	192,954
Services (net)	-46,587	-58,259	-55,278	-36,611
Exports	62,340	70,123	65,744	51,791
Imports	108,927	128,382	121,022	88,402
Primary income (net)	-67,661	-79,604	-67,962	-36,713
Secondary income (net)	-6,133	-9,274	-8,178	-5,624
Capital account	-5,218	-395	-42,005	-333
Current and capital account balance	66,065	33,033	16,314	69,231
Financial account balance	55,693	24,136	24,274	74,258
Direct investment	-1,765	17,288	35,051	16,733
Portfolio investment	-17,031	11,012	39,943	26,641
Financial derivatives	1,356	346	5,312	7,432
Other investment	43,117	17,567	51,515	21,749
Reserve assets	30,017	-22,077	-107,547	1,704
Net errors and omissions	-10,371	-8,898	7,960	5,027

Source: Data provided by the Russian authorities.

¹⁹ The Government issued a directive requesting large SOEs to ensure that, by 1 March 2015, the size of their net foreign asset holdings was no greater than the level as of 1 October 2014.

²⁰ The CBR has indicated that it will consider the possibility of a further cut based on estimates for inflation risks and alignment of inflation decline with the forecast trajectory. IMF News Report, 10 June 2016.

²¹ IMF (2016).

1.18. On 4 August 2015, the Governmental Commission on Import Substitution was established to implement state policy in the field of import substitution. It is a coordinating body mandated to ensure consistency of actions among, *inter alia*, federal executive bodies, and local authorities and organizations.²² In the face of trade sanctions and the depreciation of the rouble, the key objective of the Commission is to promote domestic production of certain commodity groups and product types.²³

1.19. Import substitution has become a key factor of output backup in agriculture (Section 4.1), and some manufacturing industries, primarily production of consumer goods (e.g. food products, household chemicals, cosmetics, and medicines). Import substitution has also contributed to an increase in the production of investment goods, such as machine-building and electronic equipment. This, in turn, has reduced somewhat the dependence on technology imports in commodity sectors. The Commission also seeks to ensure that equipment provided by suppliers to state and private companies receiving public funding is produced domestically where possible, which will require closed tendering in at least some cases (Section 3.3.4).

1.3 Trade and Investment Performance

1.3.1 Trade in goods and services

1.20. The ratio of merchandise trade (exports and imports) to GDP averaged about 40% during the period 2012-15. In 2014, the Russian Federation ranked 7th among world merchandise exporters and 11th among importers (considering EU member States as one and excluding intra-EU trade).²⁴

1.21. Merchandise exports decreased from US\$524.8 billion in 2012 to US\$343.9 billion in 2015. Fuels represented 62.8% of total merchandise exports in 2015 (against 70.3% in 2012). Next comes manufacturing exports (led by chemicals, and machinery and transport equipment), which contributed 20.4% of total merchandise exports in 2015 (16.2% in 2012). The remaining Russian exports are agricultural products (6.8% in 2015) (Table A1.1 and Chart 1.2).

1.22. Merchandise exports are also highly concentrated geographically. In 2015, 39.9% of total exports were shipped to the EU (compared with 46.9% in 2012), followed by Asia with 20.9%, and countries of the Commonwealth of Independent States (CIS) with 11.1%. In 2015, the Netherlands was the largest single export market of the Russian Federation (11.7% of total merchandise exports), followed by China (8.2%). The shares of Japan and the United States were 4.2% and 2.4%, respectively (Table A1.2 and Chart 1.3).

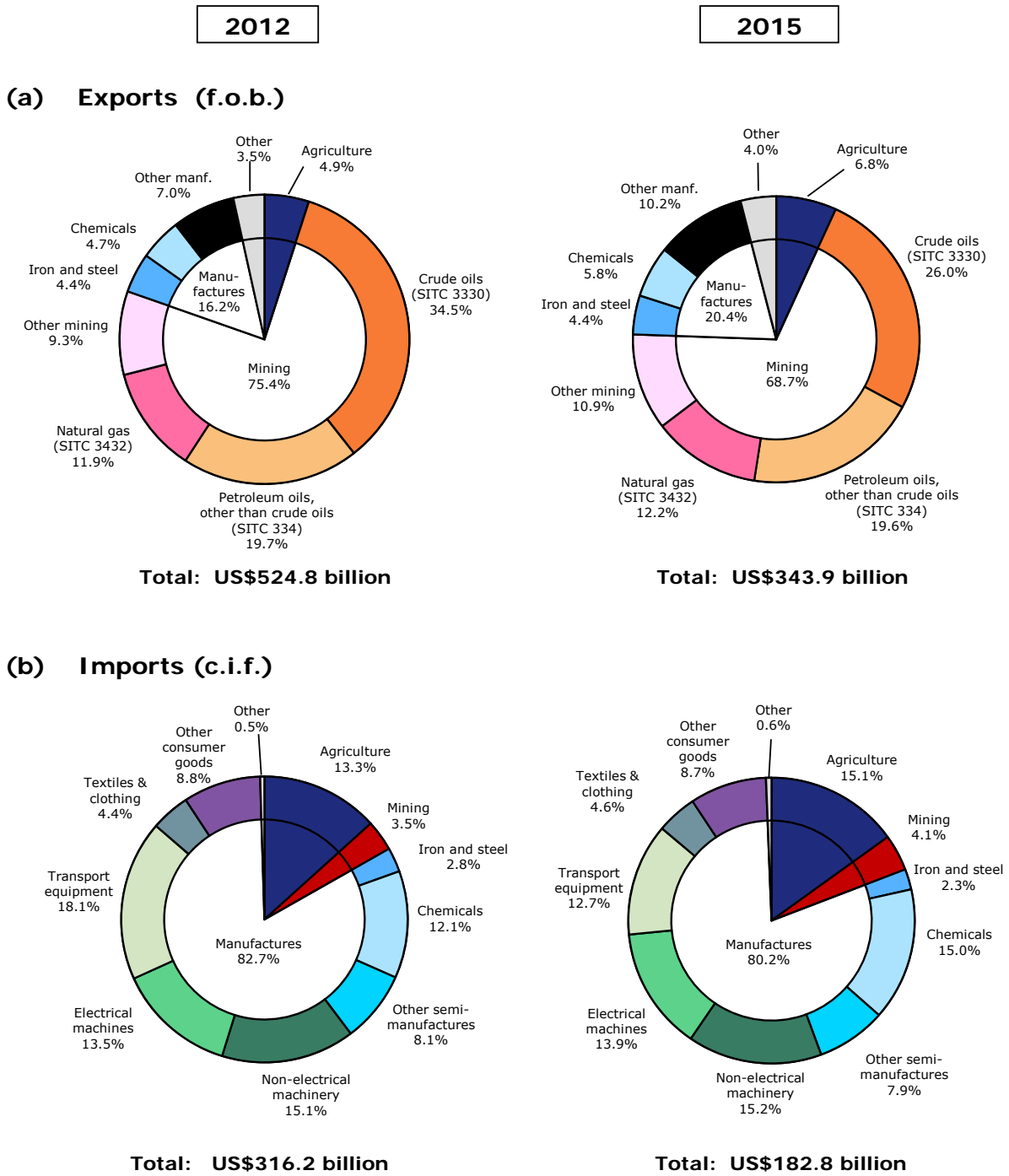
1.23. Merchandise imports decreased from US\$316.2 billion in 2012 to US\$182.8 billion in 2015. Manufactures, notably machinery and transport equipment and chemicals, represented 80.2% of total Russian merchandise imports in 2015 (82.7% in 2012). The share of agricultural products increased to 15.1% in 2015 (Chart 1.2), while that of mineral fuels averaged 1.4% of total merchandise imports during 2012-15 (Table A1.3).

²² Decision of the Government of the Russian Federation No. 785. The Russian Government began discussing import substitution in agriculture as early as 2014.

²³ Government Resolution No. 758, 4 August 2015.

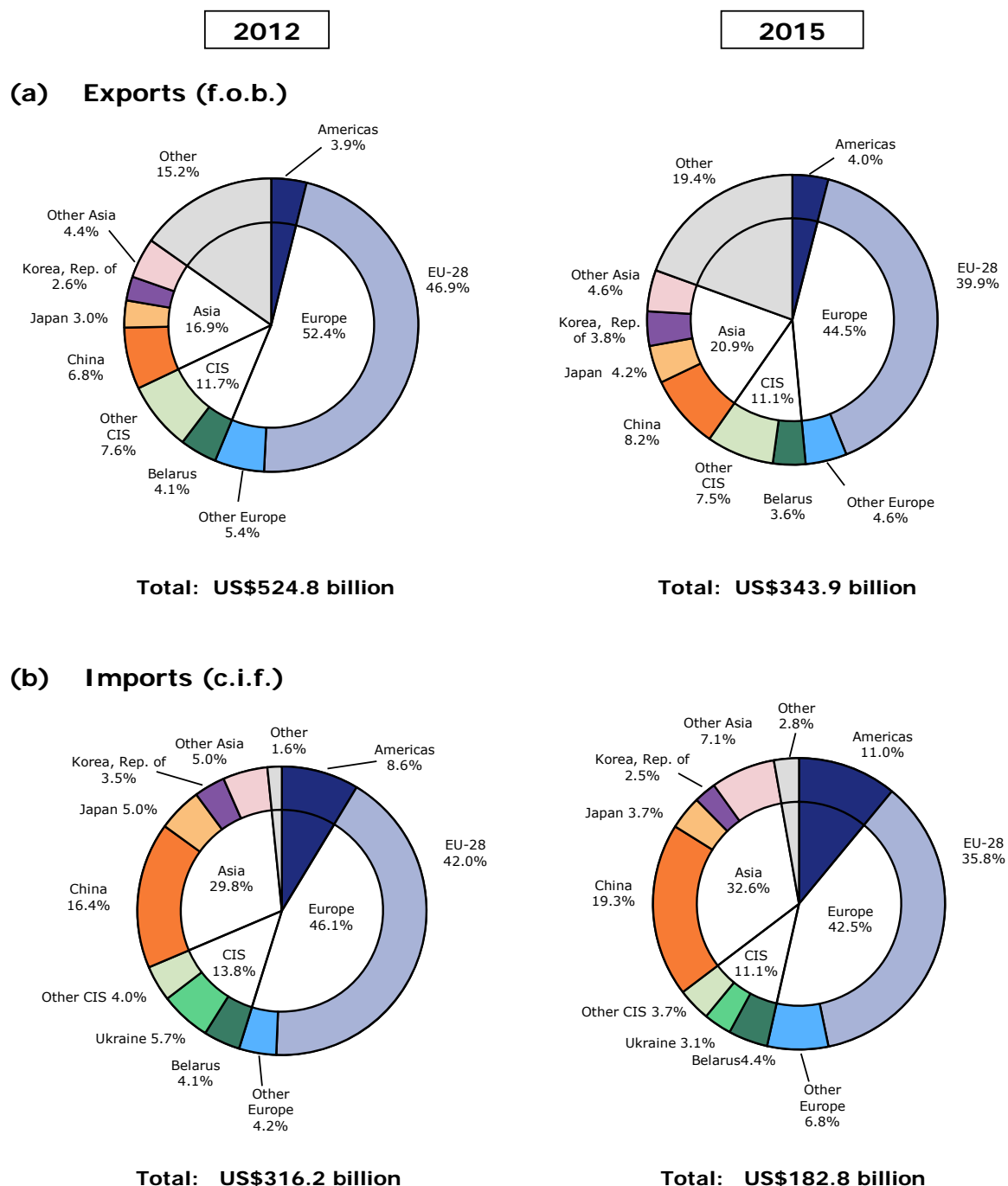
²⁴ WTO Statistics Database, "Trade Profiles: Russian Federation". Viewed at: <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=S&Country=RU>.

Chart 1.2 Composition of merchandise trade, 2012 and 2015



Source: WTO Secretariat calculations, based on UNSD, Comtrade database (SITC Rev.3).

Chart 1.3 Direction of merchandise trade, 2012 and 2015



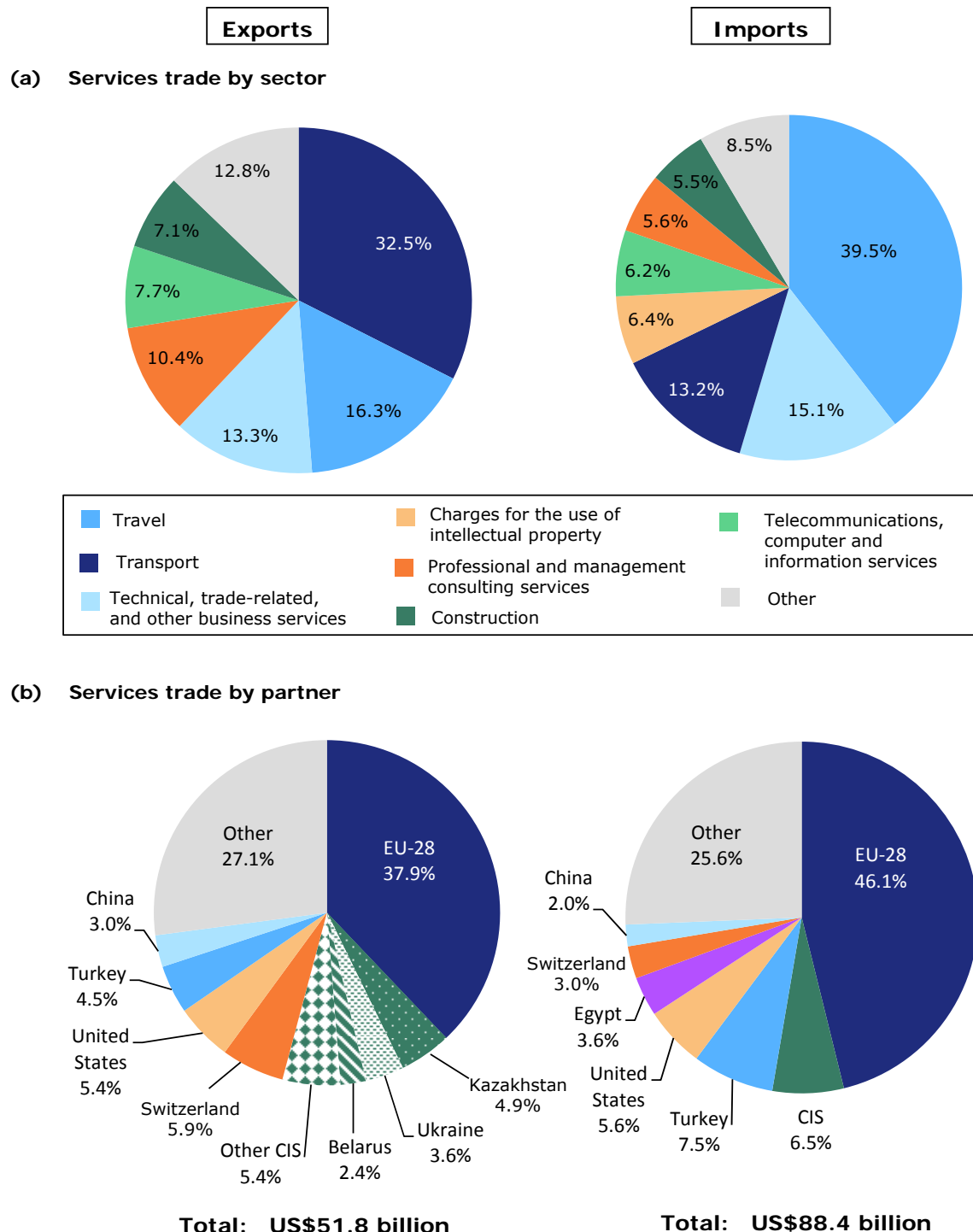
Source: WTO Secretariat calculations, based on UNSD, Comtrade database (SITC Rev.3).

1.24. The EU was the source of 35.8% of total merchandise imports in 2015 (42% in 2012), led by Germany whose participation decreased from 12.1% to 10.4% during the period. Led by China, the share of Asia increased to 32.6% in 2015, whereas that of CIS countries went down to 11.1%, partly due to a decrease in the participation of Ukraine over the last few years. The share of the United States increased from 4.9% in 2012 to 6.3% in 2015 (Table A1.4 and Chart 1.3).

1.25. Regarding services trade, the Russian Federation ranked 11th as exporter and 7th as importer in the world (considering EU member States as one and excluding intra-EU trade) in 2014. Balance of payments data indicate that the Russian Federation is a net importer of services although its deficit decreased from US\$46.6 billion in 2012 to US\$36.6 billion in 2015 (Table 1.2).

Net outflows have mostly occurred in the form of payments for trade-related transport and foreign travel, with the EU being the largest trading partner in services trade (Chart 1.4 and Tables A1.5 to A1.7).

Chart 1.4 Trade in services by sector and partner, 2015



Source: WTO Secretariat calculations, based on data from the Central Bank of the Russian Federation. Viewed at: <http://www.cbr.ru/Eng/statistics/?Prtdl=svs> (data accessed in June 2016).

1.3.2 Foreign direct investment

1.26. In 2013, the Russian Federation became the third-largest recipient of foreign direct investment (FDI) inflows in the world, with a record level of US\$69.2 billion. This was partly due to

British Petroleum's acquisition of a large stake in Rosneft, the biggest takeover in Russian history. Nonetheless, as a result of geopolitical tensions and the difficult economic situation, FDI inflows into the Russian Federation fell significantly to US\$22 billion in 2014 and US\$4.8 billion in 2015. With FDI outflows averaging US\$53.5 billion per year during the period 2012-15 the Russian Federation is also an important contributor to global FDI. However, its contribution in absolute terms, decreased from a peak of US\$86.5 billion in 2013 to US\$21.6 billion in 2015 in the wake of the economic sanctions (Table 1.3).

Table 1.3 FDI flows by country, 2012-15

(US\$ million)

	2012	2013	2014	2015	2012-2015 ^a
FDI inflows					
World	50,588	69,219	22,031	4,839	36,669
EU-28	40,628	58,313	7,754	-8,252	24,611
of which:					
Ireland	9,877	10,399	-531	620	5,091
United Kingdom	46	18,927	120	1,030	5,031
Netherlands	10,330	5,716	1,102	-267	4,220
Luxembourg	10,814	11,638	-693	-5,757	4,000
France	1,232	2,121	2,224	1,634	1,803
Cyprus	1,985	8,266	3,158	-7,176	1,558
British Virgin Islands	2,475	9,379	3,123	2,522	4,375
Bahamas	2,111	2,791	3,638	5,201	3,435
Switzerland	401	1,086	2,472	112	1,018
Bermuda	-320	404	1,777	1,932	948
China	450	597	1,271	571	722
CIS	776	881	476	601	683
of which:					
Kazakhstan	277	208	357	433	319
Belarus	110	219	59	42	108
Azerbaijan	153	75	37	32	74
Japan	596	369	295	447	427
United States	285	485	708	202	420
Other	3,187	-5,087	516	1,503	30
FDI outflows					
World	48,822	86,507	57,082	21,572	53,496
EU-28	32,226	18,169	35,833	9,070	23,824
of which:					
Cyprus	20,920	7,671	23,546	3,907	14,011
Austria	1,035	5,265	1,135	746	2,045
Spain	980	1,356	1,879	152	1,092
Germany	1,118	1,334	1,016	678	1,037
United Kingdom	632	1,294	1,935	-440	855
British Virgin Islands	7,395	62,223	718	3,441	18,444
Switzerland	76	1,358	6,927	203	2,141
Turkey	4,105	1,447	1,183	1,475	2,052
CIS	2,217	2,229	882	2,453	1,945
of which:					
Kazakhstan	845	671	657	680	713
Belarus	470	863	609	736	669
Ukraine	600	496	-493	595	300
Bermuda	1,136	571	2,997	-188	1,129
United States	688	739	1,654	819	975
Bahamas	443	560	756	1,073	708
Singapore	1,262	304	817	383	692
Other	-726	-1,092	5,317	2,843	1,585

a Simple average.

Source: WTO Secretariat, based on data from the Central Bank of the Russian Federation. Viewed at: <http://www.cbr.ru/Eng/statistics/> (dataset accessed in June 2016).

1.27. When investing in the Russian Federation, the key concerns of foreign investors include corruption²⁵, transparency, rule of law, tax rates and complexity of tax regulations, access to

²⁵ Although its international ranking has improved during the last few years, the Russian Federation scores poorly in international surveys on corruption. Particularly worrying is corruption in law enforcement. OECD (2015b).

financing, and respect for property rights (Section 2.6).²⁶ To address these challenges, various measures have been implemented, including adopting the National Anti-Corruption Action Plan, amending the Criminal Code and the Code on Administrative Violations, and ratifying the OECD Anti-Bribery Convention, banning bribes to foreign officials.²⁷ Moreover, several measures have recently been taken by the Russian authorities to attract larger FDI inflows and improve the business climate (Sections 2.3 and 2.5) as shown in the World Bank's report on doing business where the ranking of the Russian Federation improved significantly from 112th in 2012 to 51st (out of 189 economies) in 2016.²⁸ The Russian Federation aims to improve its ranking in the World Bank's Doing Business Index to 20th by 2020.

1.28. On average, the main investors in the Russian economy since 2012 have been: Ireland, United Kingdom, British Virgin Islands, Netherlands, and Luxembourg; while the main recipients of FDI outflows from the Russian Federation include: British Virgin Islands, Cyprus, Switzerland, Turkey, and Austria (Table 1.3). Since 2012, the volume of the FDI into the Russian Federation was, on average, largely accounted for by services, led by financial and insurance activities, followed by mining and quarrying of fuel and energy materials, manufacturing (mainly coke and refined petroleum products), and construction (Table 1.4).

Table 1.4 FDI inflows by economic activity, 2012-15

(US\$ million)

	2012	2013	2014	2015	2012-15 ^a
Total	50,588	69,219	22,031	4,839	36,669
Agriculture, forestry and fishing	231	619	-30	271	273
Mining and quarrying	4,808	7,101	4,545	11,058	6,878
Mining and quarrying of fuel and energy materials	4,938	6,535	6,957	10,337	7,192
Other mining	-131	566	-2,412	721	-314
Manufacturing	6,385	16,494	1,173	4,561	7,153
of which:					
Coke and refined petroleum products	1,425	20,707	-1,491	395	5,259
Chemicals and chemical products	1,764	1,147	1,500	-110	1,075
Manufacture of motor vehicles, trailers and semi-trailers and other transport equipment	800	871	-367	738	510
Electricity, gas, steam and air conditioning supply	1,869	1,768	1,682	-1,885	858
Water supply; sewerage, waste management and remediation activities	17	26	13	-20	9
Construction	3,928	2,895	2,718	-1,055	2,121
Services	32,940	39,473	11,493	-8,742	18,791
of which:					
Wholesale and retail trade; repair of motor vehicles and motorcycles	13,241	20,542	3,240	4,054	10,269
Information and communication	-2,182	-1,292	-2,361	-6,477	-3,078
Financial and insurance activities	14,983	14,456	7,842	-2,723	8,639
Real estate activities	1,984	1,728	-830	344	806
Other	411	843	436	650	585

a Simple average.

Source: WTO Secretariat, based on data from the Central Bank of the Russian Federation. Viewed at: <http://www.cbr.ru/Eng/statistics/> (dataset accessed in June 2016).

1.4 Outlook

1.29. According to the IMF, there are signs of economic stabilization in the Russian Federation; it expects GDP growth to contract by 1.2% in 2016 (against -3.7% in 2015), mainly due to the headwinds from lower oil prices. For 2017, the IMF predicts that the Russian economy will grow 1%²⁹, while the CBR estimates 1.3% growth.³⁰ Structural bottlenecks and adverse population

²⁶ World Economic Forum online information. Viewed at: <http://reports.weforum.org/global-competitiveness-report-2015-2016/economies/#economy=RUS>.

²⁷ Presidential Decree No. 683 of 31 December 2015 "About the strategy of homeland security of the Russian Federation" also addresses the challenges relating to corruption and property right protection.

²⁸ World Bank online information. Viewed at: <http://www.doingbusiness.org/data/exploreeconomies/russia>.

²⁹ IMF (2016a).

dynamics are affecting potential growth, hence the need to accelerate economic reforms. The Russian authorities acknowledge this and aim at enhancing competition in goods and services markets, improving property rights, and revamping transport infrastructure to improve the business climate and boost investment. They also see pension reforms as important to increase the labour force.³¹

1.30. The Russian authorities are implementing a fiscal adjustment programme based on the assumption that oil prices are likely to remain below US\$50 per barrel in the medium term. They envisage a fiscal deficit of 3% of GDP if the oil prices stay at US\$50 per barrel in 2016, or a higher deficit if the oil prices are below this level. In the medium term, the aim is to achieve a balanced budget, which would require limiting spending starting from 2016. The IMF calls for re-establishing the three-year fiscal framework around a revised oil price rule to help reduce policy uncertainty and support the adjustment. In this regard, the Russian authorities and the IMF are currently discussing possible amendments to the fiscal rule, such as including future oil prices in the calculation of the oil-price benchmark, in order to generate more savings and safeguard intergenerational equity of its abundant natural resource wealth.³²

1.31. According to the IMF, fiscal consolidation measures should also protect needed public investment, other productive spending and the social safety net, while the pace of monetary easing should be balanced against external risks and the need for the CBR to build credibility under the inflation targeting regime adopted in 2015.³³ Indeed, the CBR aims to reduce inflation to 4% by end-2017 (6% is expected for 2016, while the IMF's latest forecast is 8.4%³⁴) and keep it close to this level in the years to come. The CBR has indicated that monetary policy decisions in the near future will continue to be based on the trade-off between inflation risks and risks for GDP growth, while ensuring financial stability.³⁵

³⁰ According to the CBR, there is greater resilience of the Russian economy to oil price fluctuations. IMF News Report, 10 June 2016.

³¹ IMF (2015a).

³² IMF (2015a).

³³ IMF (2015b).

³⁴ IMF (2016a).

³⁵ Central Bank of Russia (2015).

2 TRADE AND INVESTMENT REGIME

2.1 General Framework

2.1. According to its Constitution adopted on 12 December 1993, the Russian Federation is a federal republic, comprising 85 "subjects"¹, with the powers of the State divided among the executive, legislative and judicial branches. Executive power, exercised by the Government, ensures the implementation of a single trade, financial, credit and monetary policy, including on foreign policy and measures required to ensure the rule of law. The President of the Russian Federation is the head of state and the Prime Minister is the head of government.

2.2. The President of the Russian Federation is elected by popular vote for a six-year term (eligible for a second, but not a third, consecutive term), has the right to reject a federal law before its signing², appoints the Prime Minister with the consent of the State Duma of the Federal Assembly and, on recommendation of the Prime Minister, also appoints Deputy Prime Ministers and Federal Ministers. The President of the Russian Federation also determines the guidelines for domestic and foreign policies of the State. The President has the right to suspend the operation of normative legal acts of the bodies of executive power of the "subjects" of the Russian Federation if these do not comply with the Russian Constitution, federal laws, or international commitments of the Russian Federation, until the matter is resolved by the relevant court.³

2.3. The Federal Assembly (the parliament) constitutes the legislative and representative authority of the Russian Federation. It consists of two chambers: the 450-member State Duma, elected for a term of five years; and the 178-member Federation Council, which includes two representatives from each of the 85 "subjects" (one from the legislative and one from the executive powers), and eight members appointed directly by the President of the Russian Federation. Both chambers are involved, *inter alia*, in the adoption of federal laws on the federal budget, federal taxes and duties; financial, currency, credit, customs regulation and monetary issues; and ratification and denunciation of international treaties and agreements of the Russian Federation. The legislative has the power of impeachment of the President of the Russian Federation.

2.4. The judicial power consists of the Constitutional Court, the Supreme Court, federal courts of general jurisdiction, federal arbitration courts, constitutional (charter) courts of the subjects of the Russian Federation and justices of peace. The Constitutional Court's main functions are examining the laws for consistency with the Constitution. The Supreme Court is the supreme judicial body for civil, criminal, and administrative cases, as well as other cases under the jurisdiction of common and arbitration courts. It carries out judicial supervision and provides explanations on matters relating to procedural law.⁴ The Office of the Public Prosecutor is a single, federal system of authorities responsible for ensuring overall observance of the Constitution and all legal acts enacted by federal and regional governments.

2.5. The right of legislative initiative with regard to domestic legislation is vested with the President of the Russian Federation, the Members of the Federation Council of the Federal Assembly, the Deputies of the State Duma of the Federal Assembly, the Government, and the legislative bodies of the "subjects" of the Russian Federation. The right of legislative initiative is also vested, in matters under their competence, with the Constitutional Court and the Supreme Court of the Russian Federation.

¹ Under Article 5(1) of the Constitution, the term "subjects" of the Russian Federation includes republics, regions, oblasts, cities of federal importance, autonomous regions and autonomous areas. Article 65 of the Constitution contains the exhaustive list of "subjects" of the Russian Federation. In this report, the terms "subjects" and regions will be used interchangeably.

² Article 107(3) of the Constitution.

³ This authority relates only to the bodies of executive power of the subjects of the Russian Federation and not to bodies of executive power of the Federal Government. WTO document WT/ACC/SPEC/RUS/25/Rev.6, 9 November 2011.

⁴ Until mid-2014, arbitration courts, specialized in commercial cases, were under the Higher Arbitration Court. At the end of June 2014, the Higher Arbitration Court was eliminated and since then the arbitration courts answer to the Supreme Arbitration Court.

2.2 Trade Policy Formulation

2.6. The Ministry of Economic Development (MED), the Ministry of Foreign Affairs (MFA), and the Ministry of Industry and Trade (MIT) are responsible for foreign trade. The MED, the MFA and MIT cooperate with other ministries and trade-related agencies, notably the Ministry of Agriculture, Ministry of Energy, Ministry of Finance, Ministry of Transport, and the Central Bank of Russia (CBR).

2.7. The MED plays the key role in terms of public policy development and legal regulation in the spheres of foreign economic and trade activity. It is responsible for trade policy formulation on tariff issues, coordination of federal executive body activities in the sphere of preferential trade agreements negotiations, as well as negotiation of international treaties on reciprocal promotion and protection of investments. The MED is also responsible for ensuring favourable conditions for business entities abroad; identifying and eliminating restrictions, prohibitions and discriminatory measures against Russian exporters; formulating and implementing the investment policy; and for coordination with the WTO and the Eurasian Economic Commission (EEC).

2.8. The MIT is responsible for: drafting and implementing government policies and legal regulations in the industrial sector; energy conservation and improving energy efficiency; developing aviation technology; technical regulation and measurement uniformity; science and technology in the interests of state defence and security; foreign and domestic trade; public catering and consumer services; and folk handicrafts.⁵ In terms of foreign trade, the MIT deals with non-tariff regulation, in particular implementation of export and import licensing for a number of goods, as well as control over the export and import of chemicals, microorganisms and other biological agents and toxins; and of scientific and technical equipment, information and services that can be used in the production of chemical and biological weapons.⁶ The MIT also supports industrial exports and access to goods and services markets.

2.9. The MFA is responsible for drafting and implementing government policy and legal regulation in the field of foreign relations of the Russian Federation. The MFA participates in formulating and implementing government measures aimed at expanding trade, and economic and financial ties. It also supports Russian participants engaged in external trade by diplomatic and international legal means, and protects their lawful interests abroad.

2.10. On 13 May 2015, an Inter-Ministerial Working Group was established with the purpose of overseeing the preparation of the first Trade Policy Review of the Russian Federation. It is led by the First Deputy Minister of the MED and has members from 16 other Ministries and trade-related agencies.

2.11. The MED, MFA and MIT hold consultations, on an ad hoc basis, with the private sector, the academic community and civil society regarding trade policy formulation and negotiation of regional trade agreements (RTAs).⁷ An information analysis centre for foreign trade activity has been established to achieve closer cooperation with the business community.⁸ In addition, when evaluating trade policies, the MED, MFA and MIT work closely with the Russian Union of Industrialists and Entrepreneurs (the RSPP), the Chamber of Commerce and Industry of the Russian Federation (CCI of Russia), Opora Russia⁹, Delovaya Rossiya¹⁰ and the Centre of Expertise on WTO-Related Matters. Moreover, draft regulatory legal acts are subject to a regulation impact assessment procedure, and become publicly available within a reasonable time period prior to adoption to allow for comments.

⁵ Government Resolution No. 438 of 5 June 2008 "On the Russian Federation Ministry of Industry and Trade" lists the MIT's functions in relation to the implementation of foreign trade regulations.

⁶ The MIT also deals with goods and technologies that can be used to create weapons of mass destruction and their means of delivery, and other types of weapons and military equipment in accordance with the approved lists of controlled goods and technologies.

⁷ To collect opinions on current policies, the MED, MFA and MIT carry out meetings, seminars and round tables. Business and producer associations are regularly consulted regarding Russia's trade policies and responses to stakeholders' requests are prepared on a regular basis.

⁸ Its key duties include collecting and analyzing information regarding trade barriers, and comprehensively examining problems affecting foreign trade and preparing recommendations to address them.

⁹ Opora Russia is a non-governmental organization for small and medium-sized businesses.

¹⁰ Delovaya Rossiya is a national business forum for entrepreneurs engaged in various economic activities.

2.12. With the entry into force of the Treaty on the Establishment of the Eurasian Economic Union (EAEU) on 1 January 2015, a number of competences in the trade and economic spheres were divided between the supranational regulatory bodies of the EAEU (e.g. the EEC) and the national executive institutions of the EAEU member States. As a result, trade policy formulation in the Russian Federation is implemented through both national and EAEU institutions and legislation (Section 2.4.2).

2.13. The hierarchy of legal instruments in the Russian Federation is as follows, from highest to lowest: (a) the Constitution; (b) federal constitutional laws; (c) federal laws; (d) decrees and resolutions of the President of the Russian Federation and resolutions and orders of the Government of the Russian Federation; and (e) acts of federal executive authorities.¹¹ All legal instruments are published in official sources, notably the official gazette, *Rossiyskaya Gazeta*. In the event of discrepancies between national and international legislation, the latter prevails. Table 2.1 lists some of the key foreign trade-related laws of the Russian Federation.

Table 2.1 Some trade-related legislation

Subject	Laws and regulations
Customs	Customs Code of the EAEU Customs Union Law No. 311-FZ "Customs Regulation", 27 November 2010 Treaty on the Establishment of the EAEU, 29 May 2014
Competition	Law No. 135-FZ "Protection of Competition", 26 July 2006 (as amended)
Government procurement	Law No. 44-FZ "Contract System in State and Municipal Procurement of Goods, Works and Services", 5 April 2013 (as amended) Law No. 223-FZ, "Purchases of Goods, Works and Services by Certain Types of Legal Entities", 18 July 2011 Law No. 275-FZ, "State Defence Order", 29 December 2012
Investment	Law No. 160-FZ "On Foreign Investment in the Russian Federation", 9 July 1999 Law No. 39-FZ "On Investment Activity in the Russian Federation in the Form of Capital Investment", 25 February 1999 Law No. 57-FZ "Order of Investing by Foreign Persons in Companies Having Strategic Importance for Ensuring the Defence of the Country and the Security of the State", 29 April 2008 Law of the RSFSR No. 1488-1 "On Investment Activity in the RSFSR", 26 June 1991 Law No. 224-FZ "Public-Private Partnership and Municipal-Private Partnership and the Introduction of Amendments to Certain Legislative Acts of the Russian Federation, 13 July 2015 Law No. 115-FZ "On Concession Agreements", 21 July 2005 Law No. 376-FZ "Taxation and Reporting Requirements for Controlled Companies", 24 November 2014
IPRs	Law No. 230-FZ "Civil Code of the Russian Federation", 18 December 2006 (part IV, as amended) Law No. 364-FZ "Introduction of Amendments into the Federal Law on Information, on Information Technology, and on Protecting Information and into the Civil Procedure Code", 24 November 2014 Law No. 187-FZ "Amending Certain Legislative Acts on Issues of Protecting Intellectual Property Rights in Information-Telecommunication Networks", 2 July 2013 Law No. 284-FZ "Transfer of Rights on Unified Technologies", 25 December 2008 (as amended) Law No. 98-FZ "On Trade Secrets", 29 July 2004 (with amendments and additions) Law No. 316-FZ "On Patent Attorneys", 30 December 2008
Privatization	Law No. 178-FZ "Privatization of State and Municipal Property", 21 December 2001 (as amended) Presidential Decree No. 2284 "On State Programme of Privatization of State and Municipal Enterprises of the Russian Federation", 24 December 1993 (as amended on 12 May 2016)
State-owned enterprises	Law No. 230-FZ "Civil Code of the Russian Federation", 18 December 2006 Law No. 208-FZ of 26 December 1995 "On Joint-Stock Companies" (last amended on 29 June 2015) Law No. 161-FZ of 14 November 2002 "On State and Municipal Unitary Enterprises" (last amended on 13 July 2015)
Taxation	"Tax Code of the Russian Federation" Part One – Law No. 146-FZ, 31 July 1998 (last amended on 5 April 2016) Part Two – Law No. 117-FZ, 5 August 2000 (last amended on 5 April 2016)
TBT	Treaty on the Establishment of the EAEU (Appendix 9), 29 May 2014 Law No. 184-FZ "On Technical Regulations", 27 December 2002 (last amended on 28 November 2015)
Trade remedies	Treaty of the EAEU (Articles 48-50; Annex 8; Protocol on Application of Safeguard, Anti-Dumping and Countervailing Measures to Third Countries), 29 May 2014

¹¹ Normative legal 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.

Subject	Laws and regulations
SPS	Treaty on the Establishment of the EAEU (Chapter XI, Annex 12), 29 May 2014 Customs Union Commission Decision No. 318 "On Plant Quarantine in the CU, 18 June 2010 (last amended in October 2014) Customs Union Commission Decision No. 317 "On Common Veterinary (Veterinary and Sanitary) Requirements", 18 June 2010 (last amended in July 2015) Eurasian Economic Commission Decision No. 94 "Common System of Joint Inspection of Objects and Sampling of Goods Subject to Veterinary Control", 9 October 2014 Law No. 4979-1 "Veterinary Science", last amended 24 July 2015 Law No. 206-FZ "Quarantine Plants", last amended 13 July 2015 Law No. 29-FZ "Quality and Safety of Food Products", 2 January 2000 (last amended on 13 July 2015) Law No. 52-FZ "Sanitary and Epidemiological Wellbeing of the Population", 30 March 1999 (last amended on 24 July 2015)
Special economic zones	Law No. 116-FZ "On Special Economic Zones in the Russian Federation ", 22 July 2015 Law No.16-FZ "On the Special Economic Zone in Kaliningrad Region and on the Alterations to Certain Regulatory Acts of the Russian Federation", 10 January 2006 Law No.104-FZ "On the Special Economic Zone in Magadan Region", 31 May 1999

Source: Information provided by the Russian authorities.

2.3 Policy Objectives

2.14. The main objectives of the Russian Federation's trade policy are: to modernize the economy, foster its global competitiveness, and create favourable conditions for its continuous growth and stable development; promote sustainable and innovative economic development; increase trade and investment volumes; accelerate global integration processes; and create favourable conditions for Russian exporters, importers, producers and consumers of goods and services.¹²

2.15. A key priority of the Russian Federation is to modernize and diversify its economy away from its abundant mineral resources by, *inter alia*: reducing its energy intensity to GDP ratio by 40% through energy saving, improving energy efficiency and eliminating regulatory gaps by 2020; maintaining its leadership in the global nuclear technologies market; strengthening the country's role in space exploration by promoting space technologies and telecommunication industries¹³; and further investing in information technologies (IT) and software, and in medical technologies and pharmaceuticals.¹⁴

2.16. Other short-term priorities include: expanding the number of successful enterprises in manufacturing and agriculture, including small and medium-sized enterprises; the technological renewal of production facilities; supporting construction and the automobile, light, and railway machinery industries; social support programmes for low-income citizens; balancing the federal budget which would allow for macroeconomic stability and financial independence; and improving the business climate and public-private dialogue.¹⁵

2.4 Trade Agreements and Arrangements

2.4.1 WTO

2.17. The Russian Federation applied for accession to the General Agreement on Tariffs and Trade (GATT 1947) in June 1993.¹⁶ Following the conclusion of the Uruguay Round, it applied to accede to the WTO on 31 January 1995. The Eighth WTO Ministerial Conference formally approved the Accession Package of the Russian Federation on 16 December 2011. On 22 August 2012, the WTO welcomed the Russian Federation as its 156th Member.¹⁷ To foster its participation in the

¹² Treaty on the Establishment of the EAEU, 29 May 2014; Law No. 164-FZ of 8 December 2003 "On the Fundamentals of the State Regulation of Foreign Trade Activity in the Russian Federation"; and Law No. 160-FZ of 9 July 1999 "On Foreign Investment in the Russian Federation".

¹³ The Russian Federation is a world leader in the number of orbital launches.

¹⁴ The Foreign Investment Advisory Council online information. Viewed at: <https://www.fiac.ru>.

¹⁵ Official Internet Resources of the President of Russia online information. Viewed at: <https://www.fiac.ru>.

¹⁶ See GATT document L/7243, 14 June 1993. The Russian Federation had been an observer to GATT 1947 since January 1992 when the Russian Federation assumed the former Soviet Union's observer status.

¹⁷ On 16 December 2011, however, the United States and the Russian Federation each invoked non-application of the WTO Agreement with respect to the other. See WTO documents WT/L/837 and

multilateral trading system, a separate Permanent Mission of the Russian Federation to the WTO was established on 10 December 2013.¹⁸ This is the first TPR of the Russian Federation since its accession to the WTO.

2.18. Since requesting accession to the GATT and afterwards to the WTO, the Russian Federation has undertaken a process of reform of its economy, progressively adopting laws and regulations. This process was primarily aimed at establishing the conditions for a dynamic market economy 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 production capacity of the Russian Federation, and its international competitiveness.

2.19. According to the Russian authorities, the Russian Federation grants at least MFN treatment to all its trading partners.

2.20. The Russian Federation is a party to the Information Technology Agreement (ITA) and, since 29 May 2013, it also acts as an observer to the plurilateral Government Procurement Agreement (GPA). GPA accession negotiations are due to start in the second half of 2016 (Section 3.3.5.1). The Russian Federation does not take part in the plurilateral Agreement on Trade in Civil Aircraft.

2.21. The Russian Federation fully supports the multilateral trading system. It calls for further developing the negotiation function of the WTO. The Russian Federation believes in the elimination of imbalances between the rights and obligations of original WTO Members and those of recently acceded Members (RAMs).¹⁹

2.22. The Russian Federation has made regular notifications to the WTO (Table 2.2). It had ten outstanding notifications at the end of 2015.²⁰ The Russian Federation has also regularly submitted tariff data to the WTO Integrated Data Base (IDB).

Table 2.2 Selected notifications under WTO Agreements (as of June 2016)

Agreement	Requirement/content	Document symbol and date of latest notification
Agreement on Agriculture		
Articles 10 and 18.2	Table ES:1 – Export subsidies	G/AG/N/RUS/3, 18 March 2014 G/AG/N/RUS/6, 6 March 2015 G/AG/N/RUS/10, 1 February 2016
Article 18.2	Table MA:2 – Tariff quotas	G/AG/N/RUS/4, 10 April 2014 G/AG/N/RUS/8, 27 May 2015
Article 18.2	Table MA:1 – Administration of tariff quotas	G/AG/N/RUS/1, 19 February 2013 G/AG/N/RUS/2, 5 February 2014
Article 18.2	Table DS:1 – Domestic support and appropriate supporting tables	G/AG/N/RUS/5, 23 May 2014 G/AG/N/RUS/5/Corr.1, 12 December 2014 G/AG/N/RUS/5/Rev.1, 29 January 2016 G/AG/N/RUS/9, 27 May 2015
Article 16.2	Table NF:1 – LDCs and net food-importing countries	G/AG/N/RUS/7, 27 May 2015
Agreement on Implementation of Article VI of the GATT 1994 (Anti-Dumping)		
Article 18.5	Laws and regulations relevant to the Agreement	G/ADP/N/1/RUS/1, 3 October 2012
Article 16.4	Semi-annual reports of anti-dumping actions (taken within the preceding six months)	G/ADP/N/280/RUS, 16 March 2016 G/ADP/N/272/RUS, 17 September 2015 G/ADP/N/265/RUS, 20 March 2015

WT/L/838. On 21 December 2012, the United States and the Russian Federation both filed letters with the WTO withdrawing their notices of non-application and consenting to have the WTO Agreement apply between them. See WTO documents WT/L/877 and WT/L/878.

¹⁸ Presidential Decree No. 898 of 10 December 2013 "On Establishing the Permanent Mission of the Russian Federation to the WTO".

¹⁹ In the WTO negotiations, the Russian Federation is part of the RAMs, i.e. Members that joined the WTO after 1995, seeking lesser commitments in the negotiations because of the liberalization they undertook as part of their membership agreements. WTO online information. Viewed at: https://www.wto.org/english/tratop_e/dda_e/negotiating_groups_e.htm.

²⁰ Regarding outstanding notifications on agriculture, the cut-off date is 22 February 2016. WTO document G/L/223/Rev. 23, 6 April 2016.

Agreement	Requirement/content	Document symbol and date of latest notification
Article 16.4	Ad hoc anti-dumping actions	G/ADP/N/281, 21 January 2016 G/ADP/N/277, 15 October 2015 G/ADP/N/275, 31 August 2015
Agreement on Implementation of Article VII of the GATT 1994 (Customs Valuation)		
Article 22	Legislation regarding customs valuation	G/VAL/N/1/RUS/1, 17 October 2012 G/VAL/N/1/RUS/2, 28 April 2014 G/VAL/N/1/RUS/2/Add.1, 3 December 2014 G/VAL/N/1/RUS/3, 13 December 2014 G/VAL/N/1/RUS/3/Add.1, 3 December 2014
Decisions A.3 and A.4	Treatment of interest charges in customs value of imported goods as from 18 July 2004 and valuation of carrier bearing software for data processing equipment as from 17 April 2006	G/VAL/N/3/RUS/1, 2 October 2012
Decision on checklist of issues	Checklist of issues	G/VAL/N/2/RUS/1, 2 October 2012
General Agreement on Trade in Services		
Article III:3	Changes in regulation affecting trade in scheduled sectors	S/C/N/816, 28 July 2015
Article V:7(a) of GATS	Economic integration agreements and their enlargement or modification	WT/REG363/N/1 and S/C/N/790, 5 February 2015
Article VII:4	Existing or new Article VII:1 recognition measures	S/C/N/818, 28 July 2015
Agreement on Import Licensing Procedures		
Articles 1.4(a) and 8.2(b)	Rules and measures on import licensing and import quotas	G/LIC/N/1/RUS/11, 5 December 2015
Articles 5.1-5.4	Notification of licensing procedures or changes	G/LIC/N/2/RUS/2, 5 December 2015
Article 7.3	Replies to questionnaire on import licensing procedures	G/LIC/N/3/RUS/2/Rev.1, 2 November 2015
Agreement on Rules of Origin		
Paragraph 4 of Annex II	Preferential rules of origin	G/RO/N/115, 11 April 2014
Agreement on Safeguards		
Article 12.1(a)	Decision to initiate an investigation	G/SG/N/6/RUS/3, 10 October 2012 G/SG/N/6/RUS/1, 11 September 2012 G/SG/N/6/RUS/2, 11 September 2012
Article 12.1(b)	Finding of serious injury or threat thereof caused by increased imports	G/SG/N/8/RUS/2, 6 August 2013 G/SG/N/10/RUS/2, 6 August 2013 G/SG/N/8/RUS/1/Suppl.4, G/SG/N/10/RUS/1/Suppl.3, G/SG/N/11/RUS/1/Suppl.5, 24 October 2013
Article 12.1(c)	Decision to apply or extend a safeguard measure	G/SG/N/6/RUS/4, G/SG/N/8/RUS/3 G/SG/N/10/RUS/3, G/SG/N/11/RUS/3, 29 October 2014
Article 9, footnote 2 and Article 12.4	Action against a product originating in a developing country Member	G/SG/N/8/RUS/1/Suppl.1, G/SG/N/10/RUS/1, G/SG/N/11/RUS/1/Suppl.2, 19 June 2013
Article 12.5	Notification of proposed suspension of concessions and other obligations referred to in Article 8.2	G/L/1032, G/SG/N/12/RUS/1, 9 July 2013 G/L/1032/Corr.1, G/SG/N/12/RUS/1/Corr.1, 10 July 2013
Article 12.6	Notification of laws and regulations	G/SG/N/1/RUS/1, 3 October 2012
Agreement on the Application of Sanitary and Phytosanitary Measures		
Article 7, Annex B	Changes in SPS measures and information on measures applied, including emergency measures	G/SPS/N/RUS/124, 20 May 2016
Paragraph 3 of Annex B	Enquiry points	G/SPS/ENQ/26, 11 March 2011
Agreement on Subsidies and Countervailing Measures		
Article 25	New and full notification	G/SCM/N/253/RUS, 16 May 2013 G/SCM/N/253/RUS/Rev.1, 1 May 2014
Article 25.11	Semi-annual report on subsidies and countervailing duty actions	G/SCM/N/281/RUS, 20 March 2015 G/SCM/N/289/RUS, 18 September 2015 G/SCM/N/274/RUS, 23 June 2014
Article 25.11	Ad hoc subsidies and countervailing actions	G/SCM/N/286, 20 March 2015
Article 32.6	Notification of laws and regulations	G/SCM/N/1/RUS/1, 3 October 2012

Agreement	Requirement/content	Document symbol and date of latest notification
Agreement on Technical Barriers to Trade (TBT)		
Article 15.2	Laws and regulations on the implementation and administration of the TBT Agreement	G/TBT/GEN/1/Rev.12, 18 February 2013
Articles 10.1 and 10.3	Enquiry points	G/TBT/ENQ/38/Rev.1, 8 July 2011
Article 10.6	Notification of technical regulations	G/TBT/N/RUS/72, 25 May 2016
Agreement on Trade-Related Aspects of Intellectual Property Rights		
Article 63.2	Laws and regulations	IP/N/1/RUS/1, 16 November 2012 IP/N/1/RUS/1/Add.1, 10 June 2014 IP/N/1/RUS/1/Add.2, 10 September 2014 IP/N/1/RUS/2, 8 June 2015 IP/N/1/RUS/3, 9 June 2015
Article 69	Contact points	IP/N/3/RUS/1, 23 October 2012
Agreement on Trade-Related Investment Measures		
Article 5.1	TRIMs not in conformity with the Agreement	G/TRIMS/N/1/RUS/1, 23 January 2013 G/TRIMS/N/1/RUS/1/Add.1, 11 February 2013

Source: WTO Secretariat.

2.23. The Russian Federation has participated in ten trade disputes: four as complainant and six as respondent (Table 2.3). In addition, it has been involved as a third party in 28 cases, most of which are on contingency trade measure.

Table 2.3 WTO dispute settlement cases

Subject	Respondent/complainant/appellant	Request for consultation received	Status (as at 30 June 2016)	WTO document series
Russian Federation as respondent				
Russian Federation – Recycling Fee on Motor Vehicles	Russian Federation/ European Union	09/07/2013	Panel established, not yet composed	WT/DS462
Russian Federation – Recycling Fee on Motor Vehicles	Russian Federation/ Japan	24/07/2013	Consultations were held	WT/DS463
Russian Federation – Measures on the Importation of Live Pigs, Pork and Other Pig Products from the European Union	Russian Federation/ European Union	08/04/2014	Final report was issued to the parties	WT/DS475
Russia – Anti-Dumping Duties on Light Commercial Vehicles from Germany and Italy	Russian Federation/ European Union	21/05/2014	Panel composed	WT/DS479
Russia – Tariff Treatment of Certain Agricultural and Manufacturing Products	Russian Federation/ European Union	31/10/2014	Final report was issued to the parties	WT/DS485
Russia – Measures Affecting Railway Equipment	Russian Federation/ Ukraine	21/10/2015	Consultations were held	WT/DS499
Russian Federation as complainant				
European Union – Cost Adjustment Methodologies and Certain Anti-Dumping Measures on Imports from Russia	European Union/ Russian Federation	23/12/2013	Panel established, not yet composed	WT/DS474
European Union – Certain Measures Relating to the Energy Sector	European Union and Certain Member States/ Russian Federation	30/04/2014	Panel composed	WT/DS476
Ukraine – Anti-Dumping Measures on Ammonium Nitrate from Russia	Ukraine/ Russian Federation	07/05/2015	Panel established, not yet composed	WT/DS493
European Union – Cost Adjustment Methodologies and Certain Anti-Dumping Measures on Imports from Russia (second complaint)	European Union/ Russian Federation	07/05/2015	In consultations	WT/DS494

Source: WTO Secretariat.

2.4.2 Regional trade agreements

2.24. The Russian Federation has ten regional trade agreements (RTAs) in force, encompassing 12 partners: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Republic of Moldova, Serbia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan (Table 2.4). These RTAs have been notified to the WTO, some of which have been reviewed by the Committee on Regional Trade

Agreements. The Russian Federation notified the WTO that the Treaty on the Free Trade Area between Members of the Commonwealth of Independent States (CIS), signed on 15 April 1994, which also includes Armenia, Belarus, Kazakhstan, the Kyrgyz Republic, the Republic of Moldova, Tajikistan, and Ukraine, was to be terminated.²¹ On 1 April 2016, the Russian Federation notified the WTO that its bilateral free trade agreements with Armenia, Belarus, Kazakhstan, the Kyrgyz Republic, the Republic of Moldova, Tajikistan, and Ukraine had become null and void.²²

2.25. According to the authorities, merchandise trade with RTA partners accounted for 12.2% of the Russian Federation's total trade (exports and imports) in 2014.

2.4.2.1 Eurasian Economic Union (EAEU)

2.26. On 10 October 2000, the Russian Federation began its move toward closer economic ties with Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan by signing the Treaty on the Establishment of the Eurasian Economic Community (EAEC).²³ The purpose of the EAEC was to promote mutual trade and investment and explore the creation of a free trade area and potentially a customs union. On 1 January 2010, Belarus, Kazakhstan and the Russian Federation took the first steps towards a customs union by adopting a common external tariff (CET). On 1 July 2010, the Customs Code entered into force and Belarus, Kazakhstan and the Russian Federation established the Customs Union Commission (CU Commission) as its permanent regulatory body. On 1 July 2011, these countries abolished all customs posts on their internal borders, allowing for free circulation of most goods among them.

2.27. In early 2012, the Eurasian Economic Commission (EEC) replaced the CU Commission as the supranational regulatory body responsible for implementing external trade policy and regulation for its member States. The next significant step in the evolution of this customs union was the entry into force of the Treaty on the Establishment of the Eurasian Economic Union (EAEU) on 1 January 2015, and, as a result, the EAEU became the successor to the EAEC. On 2 January 2015, Armenia joined the EAEU, while the Kyrgyz Republic became its fifth member on 12 August 2015. The EAEU is larger than the EAEC in size and in terms of substantive scope.²⁴ The EAEU not only provides for the free movement of goods, services, capital and labour, but also for coordinated and agreed common policy in a number of areas. To a certain extent, the EAEU guides the trade policy reform agenda of the Russian Federation.

2.28. The EAEU Treaty expands the competence of the EEC into a number of new policy areas, including financial services and agricultural policy. Beyond these areas, the EAEU Treaty commits the parties to harmonizing national policies over time in the areas of financial regulation, monetary policy, macroeconomic policy, competition, transportation and rail policy, labour migration policy, and policies regulating their markets for oil and gas. It also aims to promote harmonization of the electricity markets within the EAEU.

2.29. When the Russian Federation joined the EAEC, the authority over many aspects of its foreign trade regime was transferred to the EAEC, and later to the EAEU. Some of these issues include import tariff rates, trade in transit, non-tariff measures (e.g. tariff-rate quotas, import licensing, and trade remedy procedures), customs policies (customs valuation, customs fees, and country of origin determinations), border enforcement of IPRs, establishment and administration of special economic and industrial zones, and the development of technical regulations and SPS measures. As a result, some commitments taken by the Russian Federation during its WTO accession are being implemented through EAEU measures.²⁵

2.30. One of the EAEU's main functioning principles is the unified trade regime with third countries²⁶, a responsibility of the EEC which is carried out by the Council of the Eurasian Economic Commission and the Board of the Eurasian Economic Commission. Negotiations on issues falling under supranational competence, notably trade in goods, are held by a single

²¹ WTO document WT/REG82/N/3, 7 June 2013.

²² WTO document WT/REG/GEN/N/8, 1 April 2016.

²³ Uzbekistan's membership of the EAEC was suspended in 2008.

²⁴ In 2015, EAEU members had a combined population of over 182 million people and their total GDP amounted to US\$1,582 billion.

²⁵ WTO document WT/ACC/SPEC/RUS/25/Rev.6, 9 November 2011.

²⁶ Article 25 of the Treaty on the Establishment of the EAEU.

delegation comprised of representatives of all EAEU members and which is headed by the representative of the EEC. Negotiations on issues that do not fall within the competence of the EEC, such as trade in services and investment, are held by the EAEU members exclusively. The decision to launch trade negotiations in goods with other countries is made by consensus by the Supreme Eurasian Economic Council (SEEC) on the basis of conclusions presented in the final report by the relevant joint feasibility study group (JFSG).²⁷

2.31. In May 2015, the Russian Federation and its EAEU partners signed a comprehensive free trade agreement with Viet Nam, which is not yet in force. Joint feasibility studies with Egypt, India, Iran (Islamic Republic of), and Israel were launched in 2014-15. In October 2015, the SEEC decided to start negotiations with Israel.

Table 2.4 Russian Federation's RTAs in force, 2016

Agreement	Description
1. Azerbaijan-Russian Federation	
Title	Free Trade Agreement between the Government of the Russian Federation and the Government of the Republic of Azerbaijan
Parties	Azerbaijan and Russian Federation
Date of signature/entry into force	30 September 1992/17 February 1993
End of implementation period	1993
Selected features	Agreement applies to goods only; customs issues; rules of origin; safeguard measures; standards; competition; subsidies and state aid; dispute settlement; exceptions, general or for security; export restrictions
WTO consideration status	Factual presentation not distributed
WTO document series	WT/REG317
2. Belarus-Kazakhstan-Russian Federation	
Title	Agreement on the Customs Union between the Government of the Republic of Belarus, the Government of the Russian Federation and the Government of the Republic of Kazakhstan
Parties	Belarus, Kazakhstan and Russian Federation
Date of signature/entry into force	20 January 1995/3 December 1997
End of implementation period	2015
Selected features	Agreement establishing fundamental principles for the creation of the customs union
WTO consideration status	Factual presentation not distributed
WTO document series	WT/REG325
3. CIS	
Title	Treaty on a Free Trade Area between members of the Commonwealth of Independent States (CIS)
Parties	Armenia, Belarus, Kazakhstan, Kyrgyz Republic, Republic of Moldova, Russian Federation, Tajikistan, and Ukraine
Date of signature/entry into force	18 October 2011/20 September 2012 for the Russian Federation
End of implementation period	2020
Selected features	Agreement applies to goods only; accession; balance of payments; competition; customs-related procedures; dispute settlement; exceptions, general or for security; export restrictions; rules of origin; safeguard measures
WTO consideration status	Factual presentation completed
WTO document series	WT/REG352
4. Common Economic Zone (CEZ)	
Title	Agreement on the Establishment of the Common Economic Zone between the Government of the Republic of Belarus, the Government of the Republic of Kazakhstan, the Government of the Russian Federation, and the Cabinet of Ministers of Ukraine
Parties	Belarus, Kazakhstan, Ukraine and Russian Federation
Date of signature/entry into force	19 September 2003/20 May 2004
End of implementation period	2004
Selected features	Aims to establish a customs union (Single Economic Space) through the free movement of goods, services, capital and labour; regulation of natural monopolies (e.g. rail transport, telecommunication mains, transportation of electricity, oil and gas)
WTO consideration status	Factual presentation not distributed
WTO document series	WT/REG254
5. Eurasian Economic Union (EAEU)	
Title	Treaty establishing the Eurasian Economic Union between the Government of Armenia, the Government of the Russian Federation, the Government of the Republic of Belarus, the Government of the Republic of Kazakhstan, and the Government of the Kyrgyz Republic

²⁷ The decision to launch trade negotiations with third countries or the corresponding JFSG is preceded by consultations between relevant government authorities and the private sector. The MED is in charge of this process in the Russian Federation.

Agreement	Description
Parties	Armenia, Belarus, Kazakhstan, Kyrgyz Republic, and Russian Federation
Date of signature/entry into force	29 May 2014/1 January 2015 for Belarus, Kazakhstan and Russian Federation; 2 January 2015 for Armenia, and 12 August 2015 for Kyrgyz Republic
End of implementation period	Not specified
Selected features	The Treaty provides for the free movement of goods, services, capital and labour as well as coordinated, agreed or common policy in different areas
WTO consideration status	Factual presentation not distributed
WTO document series	WT/REG358 and S/C/N/785 (WT/REG363 and S/C/N790 for the accession of Armenia)
6. Georgia-Russian Federation	
Title	Free Trade Agreement between the Government of Georgia and the Government of the Russian Federation
Parties	Georgia and Russian Federation
Date of signature/entry into force	3 February 1994/10 May 1994
End of implementation period	1994
Selected features	Agreement applies to goods only; customs issues; rules of origin; safeguard measures; standards; competition; subsidies and state aid; dispute settlement; exceptions, general or for security; export restrictions
WTO consideration status	Factual presentation completed
WTO document series	WT/REG118
7. Serbia-Russian Federation	
Title	Free Trade Agreement between the Government of Serbia and the Government of the Russian Federation
Parties	Russian Federation and Serbia
Date of signature/entry into force	28 August 2000/3 June 2006
End of implementation period	2010
Selected features	Agreement applies to goods only; rules of origin; sanitary and phytosanitary measures; technical regulations; safeguard measures; intellectual property; consultations
WTO consideration status	Factual presentation not distributed
WTO document series	WT/REG326
8. Tajikistan-Russian Federation	
Title	Free Trade Agreement between the Government of Tajikistan and the Government of the Russian Federation
Parties	Russian Federation and Tajikistan
Date of signature/entry into force	10 October 1992/8 April 1993
End of implementation period	1993
Selected features	Agreement applies to goods only; customs issues; rules of origin; safeguard measures; standards; competition; subsidies and state aid; dispute settlement; exceptions, general or for security; export restrictions
WTO consideration status	Factual presentation not distributed
WTO document series	WT/REG321
9. Turkmenistan-Russian Federation	
Title	Free Trade Agreement between the Government of Turkmenistan and the Government of the Russian Federation
Parties	Russian Federation and Turkmenistan
Date of signature/entry into force	11 November 1992/6 April 1991
End of implementation period	1993
Selected features	Agreement applies to goods only; customs issues; rules of origin; safeguard measures; standards; competition; subsidies and state aid; dispute settlement; exceptions, general or for security; export restrictions
WTO consideration status	Factual presentation not distributed
WTO document series	WT/REG328
10. Uzbekistan-Russian Federation	
Title	Free Trade Agreement between the Government of the Russian Federation and the Government of the Republic of Uzbekistan
Parties	Russian Federation and Uzbekistan
Date of signature/entry into force	13 November 1992/25 March 1993
End of implementation period	1993
Selected features	Agreement applies to goods only; customs issues; rules of origin; safeguard measures; standards; competition; subsidies and state aid; dispute settlement; exceptions, general or for security; export restrictions
WTO consideration status	Factual presentation not distributed
WTO document series	WT/REG327

Source: WTO Secretariat.

2.4.3 Other arrangements

2.32. The Russian Federation grants Generalized System of Preferences (GSP) treatment to 103 developing countries and 48 least-developed countries.²⁸

2.5 Investment Regime

2.33. The Ministry of Economic Development (MED) is responsible for formulating and implementing the investment policy of the Russian Federation. The Foreign Investment Advisory Council (FIAC) aims to improve the investment climate in the Russian Federation. The FIAC, chaired by the Prime Minister and with the participation of numerous international companies and banks, provides assistance in resolving specific issues encountered by foreign investors in their relations with entities of the Russian Federation. It also provides expert support for the Government regarding the regulatory and legal frameworks.²⁹

2.34. In 2011, the Russian Direct Investment Fund (RDIF) was established on the initiative of the President and Prime Minister of the Russian Federation to act as a catalyst for the promotion of FDI inflows in promising and growing sectors of the economy. The RDIF invests in cooperation with other major institutional co-investors, sovereign funds and leading companies.

2.35. The basic legal provisions relating to the activities of national and foreign investors include: Law No. 160-FZ of 9 July 1999 "On Foreign Investment in the Russian Federation"; Law No. 39-FZ of 25 February 1999 "On Investment Activity in the Russian Federation in the Form of Capital Investment"; Law No. 57-FZ of 29 April 2008 "Order of Investing by Foreign Persons in Companies Having Strategic Importance for Ensuring the Defence of the Country and the Security of the State"; and Law of the RSFSR No. 1488-1 of 26 June 1991 "On Investment Activity in the Russian Soviet Federative Socialist Republic (RSFSR)".

2.36. This legal framework seeks to guarantee equal rights for foreign and local investors in the Russian Federation. Exemptions of a restrictive nature for foreign investors may be applied only to the extent that they are necessary for the protection of the Russian Constitution, morality, health, rights and lawful interests of other persons, and for national defence and state security reasons. Exemptions in the form of incentives for foreign investors may be applied with a view to promoting the socio-economic development of the Russian Federation.

2.37. Foreign investors also have the right to freely use the revenues and profits (obtained from the investment made in the Russian Federation) in the territory of the Russian Federation for any purpose, including re-investment, as long as such use does not contradict Russian legislation. A foreign investor may acquire stocks and other securities of Russian commercial organizations and state securities, in accordance with the respective legislation.

²⁸ Afghanistan; Albania; Algeria; Angola; Anguilla; Antigua and Barbuda; Argentina; Aruba; Bahamas; Bahrain, Kingdom of; Bangladesh; Barbados; Belize; Benin; Bermuda; Bhutan; Bolivia, Plurinational State of; Bosnia and Herzegovina; Botswana; Brazil; Brunei Darussalam; Burkina Faso; Burundi; Cambodia; Cameroon; Cabo Verde; Cayman Islands; Central African Republic; Chad; Chile; China; Colombia; Comoros; Congo; Cook Islands; Costa Rica; Côte d'Ivoire; Croatia; Cuba; Democratic Republic of the Congo; Djibouti; Dominica; Dominican Republic; Ecuador; Egypt; El Salvador; Equatorial Guinea; Eritrea; Ethiopia; Fiji; Gabon; Gambia; Ghana; Grenada; Guatemala; Guinea; Guinea-Bissau; Guyana; Haiti; Honduras; Hong Kong, China; India; Indonesia; Iran, Islamic Republic of; Iraq; Jamaica; Jordan; Kenya; Korea, DPR; Korea, Republic of; Kiribati; Kuwait, the State of; Lao PDR; Lebanon; Lesotho; Liberia; Libyan Arab Jamahiriya; Madagascar; Malawi; Malaysia; Maldives; Mali; Marshall Islands; Mauritania; Mauritius; Mexico; Micronesia, Federated States of; Mongolia; Montenegro; Montserrat; Morocco; Mozambique; Myanmar; Namibia; Nauru; Nepal; Nicaragua; Niger; Nigeria; Niue; Oman; Pakistan; Panama; Papua New Guinea; Paraguay; Peru; Philippines; Qatar; Rwanda; Saint Helena and Dependencies; Saint Kitts and Nevis; Saint Lucia; Saint Vincent and the Grenadines; Samoa; Sao Tome and Principe; Saudi Arabia, Kingdom of; Senegal; Serbia; Seychelles; Sierra Leone; Singapore; Solomon Islands; Somalia; South Africa; Sri Lanka; South Sudan; Sudan; Suriname; Swaziland; Syrian Arab Republic; Tanzania; Thailand; The Former Yugoslav Republic of Macedonia; The Timor-Leste; Togo; Tokelau; Tonga; Trinidad and Tobago; Tunisia; Turkey; Turks and Caicos Islands; Tuvalu; Uganda; United Arab Emirates; Uruguay; Vanuatu; Venezuela, Bolivarian Republic of; Viet Nam; Virgin Islands (UK); Yemen; Zambia; and Zimbabwe. UNCTAD online information. Viewed at: http://unctad.org/en/PublicationsLibrary/itcdtsbmisc62rev6_en.pdf.

²⁹ The FIAC was established in 1994. Its activities are now regulated by Decree No. 1141 of 9 December 2009 of the Government of the Russian Federation. FIAC online information. Viewed at: <http://www.fiacc.ru>.

2.38. Law No. 57-FZ of 29 April 2008 "On the Order of Investing by Foreign Persons in Companies Having Strategic Importance for Ensuring the Defence of the Country and the Security of the State" (as amended) provides for a special regime for foreign investors wishing to participate in certain economic activities of strategic importance for the Russian Federation. At present, Article 6 of Law No. 57-FZ provides for 45 types of activities having strategic importance for national defence and state security (the law originally specified 42). These 45 strategic activities can be divided into the following categories:

- a) geological exploration of subsoil, and the prospecting and extraction of minerals, provided that such natural resources fall under the definition of "subsoil plots of federal importance"³⁰, and activities having an impact on hydro-meteorological and geophysical processes;
- b) defence, including activities related to the production and use of weapons and military equipment;
- c) activities in the field of the nuclear industry, and nuclear and radioactive materials;
- d) space activity, aviation safety, and the production and repair of aviation equipment;
- e) activity in the field of encryption and cryptography, and security and surveillance tools;
- f) mass media, including TV and radio broadcasting, and certain types of printing and publishing activities;
- g) monopolies, including the activity of any legal entities holding a dominant position in the Russian market, as well as various "natural" monopolies (see Section 3.3.4);
- h) extraction (catching) of aquatic biological resources;
- i) activity connected with the use of agents of infectious diseases (except production of foodstuffs); and
- j) activity to ensure transport safety.

2.39. If, in the process of geological subsoil exploration, the subsoil user (a legal entity with participation of foreign investors or a foreign investor) discovers a mineral deposit that corresponds to a subsoil plot of federal importance, the Government of the Russian Federation may decide to refuse to grant user rights on the subsoil plot to such entity.³¹ In the case of geological exploration of the subsoil with a combined licence (for geological study, exploration and extraction), a decision may also be reached to terminate the user rights on the subsoil plot of federal importance if it threatens national defence and state security.

2.40. Under Law No. 57-FZ, completing transactions and other actions that entail the establishment of control of a foreign investor or a group of persons over legal entities having strategic importance for national defence and state security are allowed if there is a decision on preliminary approval of such transactions issued by the Federal Antimonopoly Service (FAS).

2.41. In 2008, the Government Commission on Monitoring Foreign Investment was established with the purpose of monitoring foreign investment in business entities of strategic importance for national defence and state security. The main responsibility of the Commission is to grant or deny preliminary approval, in accordance with Law No. 57-FZ, for transactions entailing the establishment of foreign investors' control over business entities that are of strategic importance

³⁰ Foreign investors (excluding companies controlled by a foreign State or international organizations) may acquire up to 25% (this ceiling was 10% prior to November 2011) of strategic oil, gas or mining companies without prior authorization from the Government Commission, provided that control of foreign investors over such Russian entities is not established as a result of such transactions.

³¹ Article 2.1 of Law No. 2395-1 of 21 February 1992 (as amended on 13 July 2015) "On Subsoil".

for national defence and state security, as well as approval for foreign investors to establish control over such business entities.

2.42. During the period 2008-15, the Commission received 391 applications for foreign investment, of which 195 were reviewed by the Commission: in 183 cases preliminary approval of the transactions was granted (49 cases with obligations for foreign investors) and in 12 cases preliminary approval of the transactions was refused; 146 applications were returned to applicants due to not requiring prior approval; 43 petitions were withdrawn by the applicants due to the cancellation of the intention to make a proposed transaction; and 7 applications were still under consideration.

2.43. Law No. 224-FZ of 13 July 2015 "Public-Private Partnership and Municipal-Private Partnership and the Introduction of Amendments to Certain Legislative Acts of the Russian Federation" entered into force on 1 January 2016. It aims to promote private investment in the Russian economy, particularly by financing various infrastructure projects through public-private partnership (PPP) agreements, including the following forms of investment: "design and/or build/reconstruct-operate-transfer" (BOT/DBOT), "design and/or build/reconstruct-own-operate-transfer" (BOOT/DBOOT), "design and/or build/reconstruct-own-operate" (BOO/DBOO), "design-build/reconstruct-finance-operate" (DBFO/PFI).

2.44. Law No. 115 "On concession agreements", adopted on 21 July 2005, governs the relations arising in connection with the preparation, conclusion, performance, amendment and termination of concession agreements, and provides guarantees of rights and lawful interests of the parties to the concession agreement. The main PPP models, the application of which is possible under the framework of Law No. 115, are "build/reconstruct-transfer-operate" (BTO) and "design-build/reconstruct-finance-operate" (DBFO/PFI).

2.45. Foreign investment, technology transfer, and innovation are considered by the Russian authorities as critical to the economic modernization of the country. In this context, high-tech parks, industrial clusters and special economic zones (SEZs) are being promoted through special tax and infrastructure incentives, available to both local and foreign investors (Section 3.3.2.2).

2.46. Some investment privileges are also granted in the context of the Auto Investment Programme (established to attract investment in the automotive industry) and agreements concluded under this programme.³² The Russian Federation has confirmed that it will eliminate the WTO-inconsistent measures applied under the Auto Investment Programme by 1 July 2018, and engage in consultations with interested WTO Members by no later than 1 July 2016 (Section 4.4.3.).³³

2.47. Foreign investors are eligible to benefit from certain tax, customs, and other privileges. Tax privileges, according to Article 150 of the Tax Code of the Russian Federation, comprise exemption from taxation of technology equipment, as well as parts and spare parts for such equipment, imported into the territory of the Russian Federation as a contribution to the assessed capital of companies. As regards customs privileges, products imported to the territory of the Russian Federation as a contribution to the assessed capital are free from customs duties on the condition that the products are: not excisable; related to the main productive funds; and, imported within the period defined by the constituent documents for assessed capital foundation.³⁴ In addition, the possibility of granting other customs and tax privileges to foreign investors performing priority investment projects (amounting to more than Rub 100 million) is also provided.³⁵

2.48. Regional investment agencies, established by regional or municipal authorities, act as facilitators in most regions of the Russian Federation.³⁶ The main functions of these agencies are: providing a single window service for investors when interacting with government bodies; creating ad hoc teams to manage and implement turnkey solutions for particular investment projects;

³² WTO document G/TRIMS/N/1/RUS/1, 23 January 2013.

³³ WTO document G/TRIMS/N/1/RUS/1/Add.1, 11 February 2013.

³⁴ Government Resolution No. 883 of 23 July 1996 "On Import Duty and Value Added Tax Exemptions for Goods Imported by Foreign Investors as Contributions to Charter (Pooled) Capital of Enterprises with Foreign Investments".

³⁵ Law No. 160-FZ of 9 July 1999 "On Foreign Investments in the Russian Federation".

³⁶ The supervisory board of the agency is chaired by the senior official of the federal constituent entity.

promoting regional investment projects in the Russian Federation and abroad, including participation in conferences, forums and exhibitions; facilitating the interaction with, *inter alia*, investment and venture capital funds, banks, foreign public investment agencies, and special financial organizations, with the aim of attracting resources to support new investment projects in the region; and representing the interests of federal constituent entities in PPPs.

2.49. The Russian Federation has signed 80 investment promotion and protection agreements (IPPAs)³⁷, and has concluded double taxation agreements (DTAs) with 66 countries.³⁸ In respect of investors and their investments, the IPPAs contain, *inter alia*, provisions on national treatment and MFN treatment with exemptions; guarantees in case of expropriation and rules for compensation of losses; free transfer of revenues and profits; and dispute settlement procedures.

2.50. The Russian Federation is member of the Multilateral Investment Guarantee Agency (MIGA) and a signatory to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (UNCITRAL).

2.6 Starting a Business

2.51. Russian business legislation provides for a wide range of forms of legal entities (local and foreign) which can be generally divided into commercial and non-commercial. Under Article 50(2) of the Civil Code, the former include business partnerships and associations, farmers (peasant) enterprises, industrial cooperatives, and state and municipal unitary enterprises; while non-commercial entities include foundations and associations, consumer cooperatives, and trade union organizations. The most common forms of business legal entities in the Russian Federation are the following: limited liability companies (LLCs), with minimum capital requirement of Rub 10,000, and joint-stock companies (JSCs), which are further divided into public joint-stock companies (PJSCs) and non-public joint-stock companies (NPJSCs). JSCs are entitled to distribute their shares by public subscription or through the stock exchange. The minimum capital requirement for the incorporation of PJSCs and NPJSCs is Rub 100,000 and Rub 10,000, respectively.

2.52. The Federal Tax Service (FTS) of the Russian Federation is responsible for supervising the State Register. It aims to ensure transparency in the registration process and holds information on the establishment, reorganization and liquidation of legal persons and other relevant data.³⁹ Registration documents may be submitted at the FTS' offices, or they may be sent by post with a list of enclosures.⁴⁰ In either case, a receipt note is sent the next (working) day following the date of receipt of the documents by the FTS, to the postal address indicated by the applicant. The FTS ensures the recording and storing of all documents submitted for registration purposes.

³⁷ Some of these are with: Albania; Algeria; Angola; Argentina; Armenia; Austria; Azerbaijan; Bahrain, Kingdom of; Belgium and Luxembourg; Bulgaria; Cambodia; Canada; China; Croatia; Cuba; Cyprus; Czech Republic; Denmark; Ecuador; Egypt; Equatorial Guinea; Ethiopia; Finland; France; Germany; Greece; Guatemala; Hungary; India; Indonesia; Italy; Japan; Jordan; Kazakhstan; Korea, DPR; Korea, Republic of; Kuwait, the State of; Lao PDR; Lebanon; Libya Arab Jamahiriya; Lithuania; The Former Yugoslav Republic of Macedonia; Republic of Moldova; Mongolia; Montenegro; Namibia; Netherlands; Nicaragua; Nigeria; Norway; Philippines; Poland; Portugal; Qatar; Romania; Serbia; Singapore; Slovakia; Slovenia; South Africa; Spain; Sweden; Switzerland; Syrian Arab Republic; Tajikistan; Thailand; Turkey; Turkmenistan; Ukraine; United Arab Emirates; United Kingdom; United States; Uzbekistan; Bolivarian Republic of Venezuela; Viet Nam; Yemen; and Zimbabwe.

³⁸ Algeria; Argentina; Austria; Azerbaijan; Belgium; Brazil; Bulgaria; Canada; Chile; China; Croatia; Cyprus; Czech Republic; Denmark; Estonia; Finland; France; Georgia; Germany; Hungary; Iceland; India; Indonesia; Iran; Ireland; Israel; Italy; Japan; Korea, DPR; Korea, Republic of; Kuwait, the State of; Lebanon; Lithuania; Luxembourg; Macao, China; Malaysia; Malta; Mauritius; Mexico; Republic of Moldova; Mongolia; Morocco; Netherlands; New Zealand; Norway; Oman; Philippines; Poland; Portugal; Qatar; Saudi Arabia, Kingdom of; Serbia; Singapore; Slovakia; Spain; Sri Lanka; Sweden; Switzerland; Tajikistan; Thailand; Turkey; Turkmenistan; United Kingdom; United States; and Viet Nam. UNCTAD online information. Viewed at: http://unctad.org/Sections/dite_pcb/docs/dtt_Russia.PDF.

³⁹ Article 4 of Law No. 129-FZ. This information is publicly available, except for documents listed in paragraph 2 of Article 6 of Law No. 129-FZ.

⁴⁰ The application presented to the registering body requires the notarized signature of an authorized person (the applicant). The date of submission of the documents for State Registration is the date on which they are received by the registration body. A receipt note is issued to the applicant on the day the documents are received by the registration body.

2.53. To register, legal persons are required to submit the following documents⁴¹: an application based on the form established by the Order of the FTS⁴²; the decision whereby the legal person had been formed, in the form of minutes, an agreement or any other document in compliance with the legislation of the Russian Federation; the constitutive documents (originals or notarized copies); for foreign legal persons, an extract from the register of the country of origin or other equally effective proof of the legal status of the foreign legal entity; and a certificate of payment of a state duty of Rub 4,000.

2.54. Under Law No. 129-FZ, registration of a natural person as an individual entrepreneur requires the following documents: an application based on the form approved by the Order of the FTS; for citizens of the Russian Federation, a copy of the identification document of the natural person (i.e. passport); for foreign and stateless persons, a copy of the document established by federal law or recognized under an international agreement of the Russian Federation as the relevant identification document⁴³; a document confirming the right to reside on a temporary or permanent basis in the Russian Federation; and a document confirming the payment of a Rub 800 registration charge.

2.55. Currently, the establishment of a foreign business in the Russian Federation may take the form of a subsidiary, branch or representative office. A foreign investor applying for registration of a subsidiary (LLC or JSC) shall file the documentation to the local office of the FTS together with the application for registration. The application for registration shall be filed within 30 days of the commencement of the branch's activities. The registration is carried out by the FTS within 5 days of receiving the application.

2.56. Foreign companies may operate in the Russian Federation without creating a legal entity, by establishing a representative office or a branch. The FTS carries out the accreditation of branches and representative offices of foreign enterprises. A certificate on making an entry into the State Register is issued by the FTS upon completion of the accreditation procedure. The accreditation of a representative office or branch is carried out within 25 working days of receipt of the application by the FTS.⁴⁴ A state duty of Rub 120,000 shall be paid for the state accreditation of each representative office or a branch.⁴⁵ Representative offices or branches of foreign enterprises may prepare their financial statements and form their accounting policy in accordance with the rules and regulations of the home country, provided that these rules and regulations are not contrary to international accounting standards.⁴⁶

2.57. Under Law No. 115-FZ of 25 July 2002 "On the Legal Position of Foreign Citizens in the Russian Federation", work permits are issued to highly qualified specialists for the period of their employment contracts, but not exceeding three years. Specialists on secondment and representatives of foreign companies investing in the Russian Federation may receive an ordinary business visa for up to five years.⁴⁷

2.58. Certain transactions (including mergers, acquisitions, establishment of new companies, and purchase and sale of shares and assets) are subject to antimonopoly control. Prior approval or post-transaction notification of the Federal Antimonopoly Service (FAS) is required if certain thresholds are reached in terms of the balance sheet value of the assets or the revenue or market share of the companies involved in the transaction. A number of important new rules and regulations for businesses have been introduced into the antimonopoly legislation over the last few years, such as the application of merger control regulations to foreign entities, which must be taken into account by parties intending to enter the Russian market, and measures to reduce the Government's presence in the economy (Section 3.3.4).

⁴¹ Listed in Article 12 of Law No. 129-FZ of 8 August 2001 "On State Registration of Juridical Persons and Individual Entrepreneurs" (last amended on 31 January 2016).

⁴² Order of the Federal Tax Service No. MMV-7-6/25 of 25 January 2012.

⁴³ Identification documents are listed in Article 10 of Law No. 115-FZ of 25 July 2002 "On the Legal Position of Foreign Citizens in the Russian Federation" (last amended on 30 December 2015).

⁴⁴ Law No. 160-FZ of 9 July 1999 "On Foreign Investment in the Russian Federation".

⁴⁵ Tax Code of the Russian Federation, paragraph 5, Article 333.33.

⁴⁶ Commentary to the item of the Accounting Regulation "Accounting Policy of a Legal Entity" (PBU 1/98).

⁴⁷ Law No. 114-FZ of 15 August 1996 "On the Procedure of Leaving and Entering the Russian Federation".

2.59. Foreign exchange transactions are regulated by the Central Bank of Russia (CBR) and the Government of the Russian Federation under Law No. 173-FZ of 10 December 2003 "On Currency Regulation and Currency Control". A transaction passport is required for export and import clearance in order to carry out foreign exchange control between residents and non-residents. A transaction passport is required for foreign trade contracts (agreements) or credit agreements between residents (excluding individuals) and non-residents that stipulates foreign exchange operations in the form of settlements and transfers through the accounts of the resident in authorized banks and/or through accounts in a non-resident bank. A transaction passport is issued by an authorized bank for each contract (credit agreement) equal or exceeding US\$50,000 at the official CBR's exchange rate.⁴⁸

2.60. Foreign citizens, persons without citizenship, and foreign legal entities are prohibited from owning land plots in Russian border areas, in accordance with federal legislation on the state border of the Russian Federation, and in other territories specifically indicated under federal laws.⁴⁹

2.61. The Russian Federation has significantly improved its ranking in the World Bank's Doing Business Index over the last few years (Section 1.3), partly due to various measures taken under the National Business Initiative Programme and other recent regulatory reforms. Moreover, the Institute of the Entrepreneurs' Ombudsman of the President of the Russian Federation, established in 2012, aims to solve problems faced by entrepreneurs in engaging with government authorities. The Ombudsman aims to protect the rights of entrepreneurs both at the federal and regional levels and is present in most regions of the Russian Federation.⁵⁰ Each Russian federal district also has an investment Ombudsman who reports to the national Ombudsman and oversees efforts to improve the business climate, including the protection of foreign and domestic investors.

⁴⁸ Instruction of the Bank of Russia No. 138-I of 4 June 2012 "On the Procedure for Residents and Non-Residents Submitting Documents and Information to Authorized Banks, Connected with Carrying Out Currency Transactions, on the Procedure for Formalizing Passports of Deals, and on the Procedure for the Authorized Banks Recording Currency Transactions and for Control Over Their Performance".

⁴⁹ Article 15.3 of the Land Code of the Russian Federation No. 136-FZ of 25 October 2001.

⁵⁰ The Ombudsman's activity is governed by Law No.78-FZ of 7 May 2013 "On Commissioners for Entrepreneurs' rights in the Russian Federation".

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures Directly Affecting Imports

3.1.1 Customs procedures and requirements

3.1. According to the Customs Code of the Customs Union (CU Customs Code) of 25 January 2008, the customs legislation of the CU consists of the Customs Code itself, international agreements of the member States of the CU regulating customs legal relationships, and decisions of the Commission of the CU taken in accordance with the Customs Code and international agreements of the member States. The Customs Code also states that customs regulations may be provided through domestic legislation of the members of the CU for parts not regulated by the CU Customs Code and to the extent that they do not conflict with the Customs Code.¹ As a member of the EAEU, the Russian Federation applies the CU Customs Code and decisions of the EAEU Council and the Eurasian Economic Commission (EEC), as well as federal laws and regulations.

3.2. The principal customs legislation in the Russian Federation is Law No. 311-FZ of 27 November 2010 "On Customs Regulation in the Russian Federation" which, at end-June 2016, had been amended 23 times, most recently on 13 July 2015. Law No. 311-FZ provides specific rules for the application of customs procedures in the Russian Federation to the extent that they are not already covered in the CU Customs Code.

3.3. The Federal Customs Service (FCS) is the competent authority for customs administration in the Russian Federation. The FCS's responsibilities include: policy implementation; implementation of legal regulations (including the EAEU Decisions and the CU before that); control and supervision of the customs system; and the functions of a currency control agent. The FCS is under the jurisdiction of the Ministry of Finance.

3.4. Article 70 of the CU Customs Code sets out the payments that may be collected by the FCS, including, where applicable: import duties; export duties; value-added tax and excise duties on imports; customs fees; and safeguard, anti-dumping, and countervailing duties. Article 186 of the CU Customs Code specifies who is responsible for declarations of goods and payments of duties and charges and provides for deferred payments and payments in instalments. Under Article 86 of the CU Customs Code, a declarant has the right to use a variety of securities to cover customs payments including: (i) a personal guarantee, including a surety bond; (ii) payment in cash at the desk of the cashier or transfer of funds to the account of the customs office at the Federal Treasury; (iii) a bank guarantee; or (iv) a mortgage of goods or other property.

3.5. According to the authorities, consignments of goods should be registered on entering the territory of the Russian Federation while customs clearance is carried out at fixed customs posts within the territory. There are no specific registration requirements for importers or exporters, although licences are required for imports and/or exports of controlled goods. It is not compulsory to use customs brokers. A customs broker must be a resident of the Russian Federation and must be registered with the FCS.

3.6. The Russian Federation's Presidential Decree No. 1 and Government Resolution No. 1 of January 2016 ban all international transit of cargo by road and rail from Ukraine to Kazakhstan through the territory of the Russian Federation.

3.7. According to the authorities, under Article 196 of the Customs Code, goods are normally released by the end of the business day following the import declaration. In a small number of cases (less than 1% of declarations) the FCS may refuse to register the customs declaration, which effectively means the goods are not released (e.g. for non-payment of duties). In cases where a preliminary declaration has been made, the importer has 30 days in which to present the goods and make a final declaration. Under Article 193 of the CU Customs Code, the customs authorities may refuse to release goods if they are not presented to the customs authority that registered the customs declaration, or to another customs authority specified by the customs

¹ The Customs Code of the Customs Union is attached to WTO document G/VAL/N/1/RUS/2/Add.1, 3 December 2014.

legislation of the CU member, within 30 calendar days of the day following the preliminary declaration.

3.8. Articles 38-41 of the CU Customs Code and Articles 85-96 of Law No. 311-FZ provide for simplified customs formalities for operators who meet the specific conditions including:

- provision of a guarantee for the payment of customs duties and taxes;
- performance of foreign economic activities for at least one year;
- absence of tax arrears or unfulfilled obligation to pay customs fees, interest, and penalties;
- absence of repeated (two or more) customs administrative offences during the previous year;
- absence of a record of conviction for economic criminal offences by the chief officers and employees conducting customs operations under the simplified procedures; and
- use of an accounting system that enables the customs authorities to check the accuracy of the information presented for customs clearance.

3.9. The CU Customs Code established the right of appeal with regard to customs issues and Law No. 311-FZ contains detailed provisions relating to the right. Appeals may be made to the customs office where the decision was made, to the superior customs administration centre, and then to the courts. Data on the number of appeals made were not available.

3.10. The Russian Federation is a member of the World Customs Organization (WCO), the International Convention on the Harmonized Commodity Description and Coding System, the Customs Cooperation Council, the ATA Carnet, the Nairobi and Istanbul Conventions, and the International Convention on the Simplification and Harmonization of Customs Procedure (Revised Kyoto Convention, 1999).

3.11. At end-March 2016, the Eurasian Economic Commission (EEC) was working on developing the basis for a single-window mechanism including streamlining and harmonizing customs formalities. According to the authorities, the EEC has prepared an action plan for the implementation of a single-window system in a number of stages, including: electronic declarations (which have been introduced); electronic interface among the competent authorities; single-window systems for air and maritime ports (which are to be integrated); and, at the EAEU level, an integrated single-window system.

3.12. In 2015, the Russian Federation was ranked 170th out of 189 economies in terms of trading across borders with 10 documents, and 96 hours needed for importing and a cost of US\$1,125. The ranking for trading across borders is based on exporting iron and steel (HS 72) to Italy, and importing parts and accessories of motor vehicles (HS 8708) from Germany.² Other indicators rank the Russian Federation differently: the World Bank Logistics Performance Index for 2014 ranked the Russian Federation as 90th out of 160 economies for logistics generally and 133rd for customs specifically³; the World Economic Forum's Burden of Customs Procedures ranks the Russian Federation as 88th out of 140 economies.⁴

3.13. While the authorities dispute the World Bank ranking for technical and methodological reasons, the FCS is taking steps to improve customs operations through an action plan, which was approved under FCS Order No. 1125-r of 29 June 2012. The action plan sets out a series of measures to simplify customs procedures and improve efficiency for both imports and exports and the FCS has issued a number of orders to support these objectives and has implemented several initiatives, including:

- Since 1 January 2014, electronic declarations have been mandatory and since then practically all declarations have been submitted on-line;

² World Bank (2015).

³ World Bank (2014).

⁴ World Economic Forum (2015), p. 307.

- Compulsory prior notification for road shipments was introduced on 1 October 2014 and for rail shipments on 17 September 2013 and is to be introduced for air shipments during 2016. In addition, any interested entity may provide a preliminary notification for maritime shipments;
- Customs payments may now be made electronically at point of entry or on-line on the FCS website;
- A risk management system has been introduced to identify importers with a low risk of violation of requirements, which has classified 2,000 traders as "low-risk" representing 44% of goods declarations and 55% of the value of customs duties. The risk management system includes agent-based criteria which include their type of economic activities and their track records, and goods-based criteria which include the types of goods. The system works at regional and federal level and is updated regularly;
- The FCS has been shifting the emphasis of control from point of entry to post release for those in the low-risk category; and
- While the number of documents required for imports and exports depends on the consignment, they have been reduced and the average number required has declined from an average of 10 for import and 7 for export in 2013 to 6 for import and 4 for export in December 2015.

3.14. According to the authorities, as a result of these trade facilitation measures, the average time for importing a consignment of goods has been reduced from 48 hours in 2013 to 1 hour 38 minutes in 2015 Q3, and for export from 4 hours in 2013 to 50 minutes in 2015 Q3.

3.15. On 22 April 2016, the Russian Federation deposited the instrument of acceptance of the Trade Facilitation Agreement.

3.1.2 Customs valuation

3.16. The dutiable value of goods is the c.i.f. value of imports. The legal framework for customs valuation includes:

- Chapter 8 of the CU Customs Code;
- the Agreement on Assessment of the Customs Value of Goods Crossing the Customs Border of the Customs Union of 25 January 2008;
- the procedures and rules in Customs Union Commission Decision No. 376 "On the Procedures for Declaration, Control and Adjustment of the Customs Value of Goods" of 20 September 2011;
- decisions of the Board of the Eurasian Economic Commission (Table 3.1);
- Government Resolution No. 500 of 13 August 2006 and No. 191 of 6 March 2012; and
- Section III of Law No. 5003-1 of 21 May 1993 (as amended), and Law No. 311-FZ of 27 November 2010.⁵

3.17. According to the authorities, the system of valuation is based on the principles and provisions of GATT 1994.⁶ In order of priority, the methods used are: Method 1 - transaction value (which, according to the authorities, is used in 85% of cases); Method 2 - transaction value of identical goods; Method 3 - transaction value of similar goods; Method 4 - deductive value; Method 5 - computed value; and Method 6 - backup method. Specific decisions on most of these methods are set out in Table 3.1. The authorities stated that Method 6 is based on the flexible use of methods 1 to 5. For example, by using the transaction value of identical or similar goods from a period of more than 90 days before the importation of the goods being valued. In such cases, the customs authority is required to indicate in writing the data source being used and the calculations based on these data.

⁵ WTO documents G/VAL/N/1/RUS/1, 17 December 2012; G/VAL/N/1/RUS/2, 28 April 2014; G/VAL/N/1/RUS/3, 13 October 2014; G/VAL/N/1/RUS/3/Add.1 3 December 2014; G/VAL/N/1/RUS/2/Add.1, 3 December 2014; and G/VAL/N/1/RUS/1/Add.1, 2 November 2015.

⁶ Byshovets V. (2015).

Table 3.1 Decisions of the Board of the EEC on application of the methods of determination of the customs value of goods

Method	EEC Board Decisions
Method 1	The decision of Board of the EEC No. 279 (2 December 2012) "On modification of rules of application of the method of determination of customs value of goods at the cost of the transaction with imported goods" The decision of Board of the EEC No. 283 (20 December 2013) "On application of the method of determination of customs value of goods at the cost of the transaction with goods" The decision of Board of the EEC No. 53 (26 March 2013) "On modification of rules of application of the method of determination of customs value of goods at the cost of the transaction with imported goods and cancellation of the Recommendation of Board of the EEC of 20 June 2012 No. 1"
Methods 2 and 3	The decision of Board of the EEC No. 202 (30 October 2012) "On application of methods of determination of customs value of goods at the cost of the transaction with identical goods (method 2) and at the homogeneous methods (method 3)"
Method 4	The decision of Board of the EEC No. 214 (13 November 2012) "On application of the method of subtraction (method 4) in case of determination of customs value of the goods"
Method 5	The decision of Board of the EEC No. 273 (12 December 2012) "On application of the method of addition (method 5) at determination of customs value of goods"
Fees	The decision of Board of the EEC No. 112 (15 July 2014) "On approval of the addition of fees to intermediaries (brokers fees) to the price actually paid or payable for the imported goods"
Documents	The decision of Board of the EEC No. 113 (15 July 2014) "On the Regulation on the use of the application of methods for determining the customs value of documents corresponding to generally acceptable principles"

Source: WTO Secretariat, based on information provided by the Russian authorities.

3.18. According to Decision No. 376, the customs value of goods is verified by the customs authorities. Based on the results of the assessment of the declared value of goods in a consignment, the customs authorities may decide to accept the declared value or to adjust it.

3.19. In cases where the FCS assessment indicates that the declared value may be inaccurate or cannot be supported, additional documentation may be requested up to 60 days after the initial submission of documents. After the requested documents are submitted, the customs authorities have 30 days to consider them and decide whether to accept the initial declaration of value or to adjust it.⁷

3.20. Article 10 of the CU Customs Code deals with transparency and stipulates that all acts of customs legislation are to be published in an official publication and via television, radio and other mass media. The Eurasian Economic Commission is required to provide free access to CU legislation in official publications and on the official website.

3.1.3 Rules of origin

3.21. The country of origin is used to determine the application of tariff and non-tariff measures, and trade statistics. The legal basis for determining the country of origin is specified in:

- Chapter 7 of the CU Customs Code, which provides the basic principles of the origin being the country in which the goods were wholly produced or were sufficiently processed and states that the country of origin is necessary in cases where customs duties or non-tariff regulations depend on the country of origin;
- the Agreement on the Unified Rules of Determination of the Country of Origin of Goods of 25 January 2008;
- the Agreement on Rules of Origin of Goods from Developing and Least-developed Countries of 12 December 2008;
- Law No. 311-FZ of 27 November 2010 "On Customs Regulation in the Russian Federation" (Chapter 10);
- free trade agreements between the members of the Customs Union and third countries.

3.22. Determination of the country of origin is required in all cases where customs tariff and non-tariff regulations depend on the country of origin, including preferential access for developing and least developed countries as provided for under Article 36 of the EAEU Treaty (which provides for preference to these countries) and the Decision of the Customs Union Commission No. 130 of

⁷ Byshovets V. (2015).

27 November 2008 (which lists the developing and least developed countries to which preference may be granted).

3.23. In general, the country of origin is the country in which the goods were wholly obtained or were sufficiently processed (where sufficiently processed is defined as resulting in a change in HS classification at the 4 digit level), underwent specific operations, and met *ad valorem* conditions. The specific operations and *ad valorem* criteria are set out in the Agreement on the Unified Rules of Determination of the Country of Origin of Goods. Basic operations (such as mixing, slaughter of animals, preparation for sale, and packaging of goods) do not qualify as substantial transformation. According to the authorities, the country of origin rules of the EAEU and the Russian Federation are based on the principles set out by the World Customs Organization.

3.24. The Agreement on Rules of Origin of Goods from Developing and Least-developed Countries sets out the rules of origin for imports that qualify for preferential treatment under the EAEU GSP scheme. For these imports, the country of origin is the country in which the goods were wholly produced or sufficiently processed (where sufficiently processed is defined as operations that result in a product with inputs from countries not covered by the tariff preference representing no more than 50% of the value of the exported product). To qualify for preferential access under the EAEU GSP scheme, imports of eligible products require the Certificate of Origin Form A from the competent authorities of the exporting country.⁸ Importers must request preferential treatment at the time of declaration of the goods and present supporting documentation.

3.25. Under the Agreement on Rules of Origin of Goods from Developing and Least-developed Countries, the FCS may lodge a request with the authorities in the country that issued the certificate of origin to provide additional documentary proofs. If the certificate of origin or other proof of origin is not accepted, MFN treatment should be applied until the origin of the goods is established. The importer can recover the difference in the duties paid for a period of one year from the date of over-payment upon the submission, by the payer, of a request, as provided for in Chapter 13 of the CU Customs Code. Such a request has to be submitted to the customs office where the duties were paid.

3.1.4 Tariffs

3.1.4.1 Bound tariffs

3.26. On acceding to the WTO in 2012, the Russian Federation bound all 11,557 tariff lines at the 10 digit level with reductions to be phased in over periods of one to eight years for 7,028 lines. For all except 148 tariff lines, the reductions were to have been phased in by 2016 (Table 3.2). At the end of implementation, the simple average final bound tariff will be 8.4%: 13.6% for agricultural products; 7.1% for non-agricultural products; and 3.7% of all tariff lines will be duty-free (WTO definitions). These averages include *ad valorem* equivalents for non-*ad valorem* tariffs (Table 3.3), most of which are mixed duties with an *ad valorem* duty or a minimum specific duty expressed in euros per unit, except sugar (HS 1701) for which it is expressed in U.S. dollars.

Table 3.2 Implementation of final bound tariffs, 2012-2020

Year	No of tariff lines at the final bound rate	No of lines with further reductions in bound rate to be implemented	
		No of tariff lines	%
2012	4,529	7,028	60.8
2013	5,030	6,527	56.5
2014	6,344	5,213	45.1
2015	9,339	2,218	19.2
2016	10,737	820	7.1
2017	11,409	148	1.3
2018	11,486	71	0.6

⁸ Ministry of Economic Development online information. Viewed at: <http://www.ved.gov.ru/eng/activities/system/> [April 2016].

Year	No of tariff lines at the final bound rate	No of lines with further reductions in bound rate to be implemented	
		No of tariff lines	%
2019	11,533	24	0.2
2020	11,557	0	0.0

Note: The annual reduction of import duties occur on 1 September each year according to the Russian authorities (except 77 tariff lines subject to a different implementation date).

Source: WTO Secretariat calculations, based on the Consolidated Tariff Schedules (CTS) database.

3.1.4.2 Applied tariffs

3.27. In 2016, there were 11,561 tariff lines at the 10 digit level in the Russian Federation's schedule of applied tariffs. At 8.3%, the average applied tariff is slightly lower than the average final bound tariff, although 2,218 tariff lines in the accession schedule of bound tariffs were still subject to reduction commitments. This is partly due to the greater number of duty-free tariff lines which apply to 16.0% of all lines, compared to 3.7% of final bound tariff lines (Table 3.3).

3.28. Non-*ad valorem* duties were applied to a significant number of tariff lines, most of them mixed duties of the form of an *ad valorem* rate with a minimum specific duty in euros (except sugar (HS 1701) for which it is expressed in U.S. dollars).

3.29. Since 1 January 2010, the Russian Federation has applied the common external tariff, first of the EAEC, and, since 1 January 2015, of the EAEU with the free movement of goods applying to imports from the other member States.

3.30. Since 2012, applied tariffs have been reduced from a simple average of 11% to 8.3%, this is the result of reductions in all major product categories, except sugar for which the average increased, and cotton which was duty-free in both 2012 and 2015. Import duties on agricultural products are higher than on non-agricultural products. Within agriculture, animals and animal products, sugar and confectionary, and dairy products are the categories subject to the highest import duties (Chart 3.1). Furthermore, tariffs on agricultural products tend to vary considerably within product categories with larger ranges and higher standard deviations, particularly for animals and animal products, sugar and confectionaries, and beverages, spirits and tobacco (Table A3.1).⁹

Table 3.3 Structure of MFN tariffs in the Russian Federation, 2012 and 2016

(%)

		Applied MFN tariff		Final bound ^{b,c}
		2012 ^a	2016 ^b	
1.	Bound tariff lines (% of all tariff lines)	n.a.	n.a.	100
2.	Simple average tariff rate	11.0	8.3	8.4
	Agricultural products (WTO definition)	17.6	14.6	13.6
	Non-agricultural products (WTO definition)	9.1	6.5	7.1
	Agriculture, hunting, forestry and fishing (ISIC 1)	8.5	6.2	6.3
	Mining and quarrying (ISIC 2)	4.6	4.3	5.1
	Manufacturing (ISIC 3)	11.3	8.5	8.6
3.	Duty-free tariff lines (% of all tariff lines)	14.0	16.0	3.7
4.	Simple average rate of dutiable lines only	12.9	9.9	8.8
5.	Tariff quotas (% of all tariff lines)	0.5	0.4 ^d	1.2
6.	Non- <i>ad valorem</i> tariffs (% of all tariff lines)	18.2	14.8	12.1
7.	Non- <i>ad valorem</i> tariffs with no AVEs (% of all tariff lines)	4.1	4.4	3.3
8.	Domestic tariff peaks (% of all tariff lines) ^e	2.3	3.0	1.5
9.	International tariff peaks (% of all tariff lines) ^f	14.0	6.4	3.1
10.	Overall standard deviation of applied rates	12.7	10.3	9.1
11.	Nuisance applied rates (% of all tariff lines) ^g	0.0	0.8	1.3
Number of lines				
	Total	11,123	11,561	11,557
	<i>Ad valorem</i> rates	9,095	9,850	10,161
	of which:			

⁹ The highest tariff applies to a single tariff line (HS 1604 32 0090) and results from an estimate of the *ad valorem* –equivalent. However, only 9 tonnes of the product were imported in 2015. Therefore the AVE may not be accurate.

	Applied MFN tariff		Final bound ^{b,c}
	2012 ^a	2016 ^b	
Duty-free lines	1,562	1,845	430
Non- <i>ad valorem</i> rates			
Specific	255	557	572
Compound	0	0	35
Mixed	1,773	1,154	789

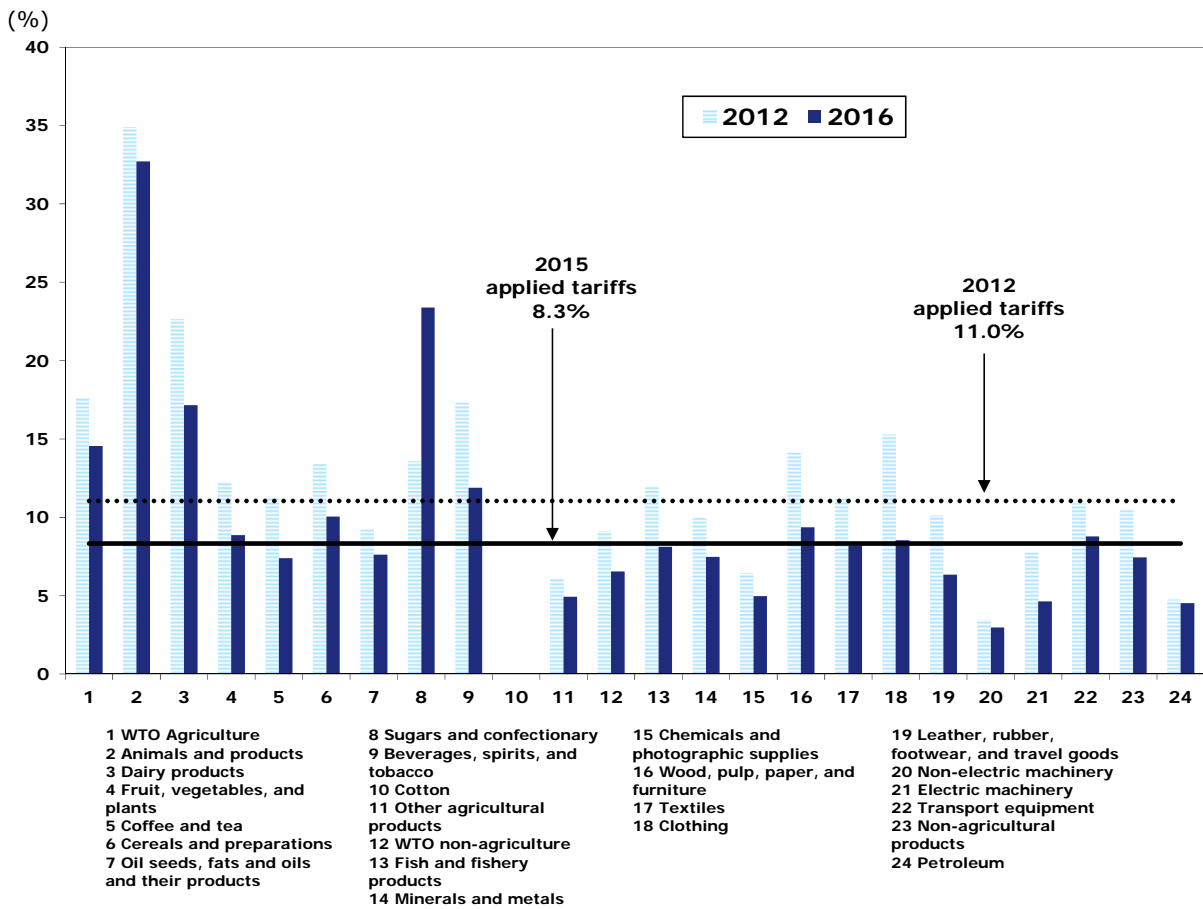
n.a. Not applicable.

- a *Ad valorem* equivalents (AVEs) were estimated based on 2012 import data at the 10-digit level. In cases of unavailability, the *ad valorem* part is used for compound and alternate rates.
- b AVEs were estimated based on 2015 import data at the 10 digit level. In cases of unavailability, the *ad valorem* part is used for compound and alternate rates.
- c Bound rates are based on the CTS schedule in HS07 nomenclature, implementation period up to 2020.
- d Based on WTO notification (G/AG/N/RUS/12) of 26 April, 2016.
- e Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate.
- f International tariff peaks are defined as those exceeding 15%.
- g Nuisance rates are those greater than zero but less than or equal to 2%.

Note: The 2012 and 2015 tariff schedules are based on HS12 nomenclature (at 10-digit tariff level). Calculations are based on national tariff line level; excluding in-quota rates.

Source: WTO Secretariat calculations based on data provided by the authorities, the WTO Tariff Analysis Online (TAO) database, WTO CTS database, and the UN International Trade Centre Trade Map database.

Chart 3.1 Average MFN applied tariff rates by WTO product categories, 2012 and 2016



Note: Calculations include *ad valorem* equivalents (AVEs) estimates based on 2012 and 2015 import data at the 10-digit level. In case of unavailability, the *ad valorem* part is used for compound and alternate rates.

Source: WTO Secretariat calculations, based on data provided by the authorities, the WTO TAO database; and the UN International Trade Centre Trade Map database.

3.31. The tariff shows tariff escalation with the simple average tariff of 6.1% on products at the first stage of processing, 6.7% for semi-processed products, and 9.5% for fully processed products. Specific examples of escalation of tariffs depending on state of processing are given in Table 3.4.

Table 3.4 Examples of tariff escalation

(%, simple average)

Product description	Stage	Simple average tariffs (%) ^a
Cotton	01	2.9
Cotton yarn, thread, woven fabrics	02	8.3
Clothing (of cotton)	03	9.8
Tobacco (unmanufactured)	01	4.8
Tobacco (products)	03	19.6
Wood in the rough	01	8.9
Wood sawn, veneering	02	9.1
Wood products (incl. furniture)	03	16.8
Leather (raw skins) ^b	01	0.3
Leather (semi-processed, for example tanned or crust) ^b	02	4.1
Leather articles ^b	03	12.7
Crustaceans, live, fresh, chilled or frozen	02	8.6
Crustaceans, prepared or preserved	03	10.4

a Calculations for averages are based on the national tariff line level (10-digit), excluding in-quota rates. Tariff schedule is based on HS2012. *Ad valorem* equivalents (AVEs) were estimated using 2015 import data (for 2016 tariff averages) at the 10-digit level from UN International Trade Centre Trade Map database. In case of unavailability, the *ad valorem* part is used for compound and alternate rates.

b Excluding fur skins and artificial fur.

Source: WTO Secretariat calculations, based on data provided by the authorities and the UN International Trade Centre Trade Map database.

3.32. At end-June 2016, the average applied MFN tariff was below the average bound tariff for the end of implementation of tariff reductions in 2020, indicating that in general the applied tariff is below the bound level. However, for a number of tariff lines here it appears the applied MFN tariffs were in excess of the bindings or could have been because the applied tariff is *ad valorem*, but not less than a specific duty, while the bound tariff is *ad valorem* only (Table 3.5).

Table 3.5 Applied MFN tariff compared to bound tariff, end-June 2016

(%)

HS codes and product descriptions	2016 applied tariff		Bound tariff
	Tariff reported in the schedule	AVEs	Tariff reported in the schedule
3921 13 - Cellular: -- Of polyurethanes			
3921 13 1000	6.5, bnlt €0.22/kg	6.5	6.5
3921 13 9000	6.5, bnlt €0.22/kg	6.5	6.5
4810 Paper and paperboard, coated on one or both sides with kaolin (China clay) or other inorganic substances			
4810 92 -- Multi-ply			
4810 92 3000	15.0		5.0
8418 21 -- Compression-type			
8418 21 5100	12.0, bnlt €0.10/litre	12.0	12.0
8418 21 9100	14.7, bnlt €0.07/litre	14.7	12.0
8707 10 - For the vehicles of heading 87.03			
8707 10 9000	15, bnlt €2,907/piece	43.5	15.0

Note: bnlt: but not less than.

About 6.5% of tariff lines could not be compared due to nomenclature differences.

Source: WTO calculations, based on data provided by the Russian authorities; and WTO CTS database.

3.33. In acceding to the WTO, the Russian Federation bound six tariff quotas in its Schedule for: fresh and chilled beef; frozen beef; fresh, chilled and frozen pork; pork trimming; fresh, chilled or frozen poultry; and for whey and modified whey (Section 4.1).

3.1.4.3 Preferential tariffs

3.34. The Russian Federation applies tariff preferences under a number of regional and bilateral agreements as well as non-reciprocal arrangements for certain trading partners. In a notification

to the WTO in June 2013, the Russian Federation stated that: "In accordance with paragraph 23.1 and Annex 5 of the Treaty on a Free Trade Area between Armenia, Belarus, Kazakhstan, the Kyrgyz Republic, the Republic of Moldova, the Russian Federation, Tajikistan, and Ukraine, as for relations among the Parties, the Agreement on the Free Trade Area (CIS Agreement) signed on 15 April 1994 shall be terminated."¹⁰ On 1 April 2016, the Russian Federation notified the WTO that the free trade agreements between the Russian Federation and the Kyrgyz Republic, Armenia, Ukraine, Belarus, Kazakhstan, and the Republic of Moldova had become null and void.¹¹ The agreements with Azerbaijan and Tajikistan remain in force.

3.35. There are no tariffs or other border measures on trade among members of the EAEU (Armenia, Belarus, Kazakhstan, the Kyrgyz Republic, and the Russian Federation).

3.36. Under the free trade agreement between the Russian Federation and Serbia, which has been applied since 3 June 2006, 93% of tariff lines are duty-free. The main exceptions are in the category of animals and products thereof where about 61% of tariff lines are duty-free; the simple average tariff for this category is over 20% (Table 3.6). The agreements with Azerbaijan and Tajikistan provide for duty-free trade for practically all tariff lines except for some sugar and confectionary products (1.5% of lines in this category).

3.37. The Russian Federation has applied a Generalized System of Preferences scheme to imports from developing and least developed countries since 1992 which has been revised several times. The current legislation for the GSP scheme is the Protocol on the Common System of Tariff Preferences in the Customs Union of 12 December 2008, which came into force on 1 January 2010. The Russian Federation and other members of the EAEU, provide preferential access to 103 developing countries and 48 least developed countries (Section 2.4.3).¹²

3.38. About 2,800 tariff lines (approximately 24% of total tariff lines) are covered by the GSP scheme. For these tariff lines, developing countries qualify for a 25% discount on the MFN duty and least developed countries qualify for duty-free access (Table 3.6).¹³

Table 3.6 MFN and selected preferential tariffs in the Russian Federation, 2016

	MFN		Serbia		GSP		LDC	
	Simple average (%)	Share of duty-free lines (%)	Simple average (%)	Share of Duty-free lines (%)	Simple average (%)	Share of Duty-free lines (%)	Simple average (%)	Share of Duty-free lines (%)
ALL	8.3	16.0	1.6	93.0	7.8	16.0	6.3	37.2
HS 01-24	14.0	4.2	4.6	86.8	12.3	4.2	7.3	66.6
HS 25-97	6.4	20.1	0.5	95.2	6.3	20.1	5.9	26.9
By WTO category								
WTO agricultural products	14.6	5.5	5.2	84.9	13.0	5.5	8.4	61.1
Animals and products thereof	32.7	6.2	22.1	58.7	30.8	6.2	25.1	54.5
Dairy products	17.2	0	0	100	12.9	0	0	100
Fruit, vegetables, and plants	8.9	3.2	0	100	6.7	3.2	0.0	99.8
Coffee, tea, and cocoa and cocoa preparations	7.4	12.2	2.3	68.9	6.9	12.2	5.6	32.4
Cereals and preparations	10.1	2.0	0.3	97.2	8.9	2.0	5.3	50.0
Oils seeds, fats, oil and their products	7.6	15.5	0	100	6.3	15.5	2.1	79.5
Sugars and confectionary	23.4	0	3.1	87.7	23.4	0	23.4	0
Beverages, spirits and tobacco	11.9	6.1	4.0	67.5	11.5	6.1	10.4	21.2
Cotton	0	100	0	100	0	100	0	100
Other agricultural products, n.e.s.	4.9	5.9	0	100	4.2	5.9	1.8	64.8

¹⁰ WTO document WT/REG82/N/3, 7 June 2013.

¹¹ WTO document WT/REG/GEN/N/8, 1 April 2016.

¹² UNCTAD (2015).

¹³ Ministry of Economic Development online information. Viewed at: <http://www.ved.gov.ru/eng/activities/system/> [April 2016].

	MFN		Serbia		GSP		LDC	
	Simple average (%)	Share of duty-free lines (%)	Simple average (%)	Share of Duty-free lines (%)	Simple average (%)	Share of Duty-free lines (%)	Simple average (%)	Share of Duty-free lines (%)
WTO non-agricultural products	6.5	19.0	0.5	95.4	6.3	19.0	5.6	30.2
Fish and fishery products	8.1	1.2	0	100	6.2	1.2	0.5	92.1
Minerals and metals	7.5	8.9	0	100	7.2	8.9	6.5	20.4
Chemicals and photographic supplies	5.0	9.7	0.2	96.9	4.9	9.7	4.6	16.2
Wood, pulp, paper and furniture	9.4	4.2	0.6	97.5	9.2	4.2	8.6	13.9
Textiles	8.2	1.1	2.5	74.8	8.0	1.1	7.3	14.3
Clothing	8.5	0	0	100	8.5	0	8.5	0
Leather, rubber, footwear and travel goods	6.3	8.5	0	100	6.3	8.5	6.3	8.7
Non-electric machinery	3.0	62.1	0.4	96.1	3.0	62.1	3.0	62.1
Electric machinery	4.6	44.2	0.3	96.5	4.6	44.2	4.6	44.2
Transport equipment	8.8	22.0	2.2	86.2	8.8	22.0	8.8	22.0
Non-agricultural products, n.e.s.	7.4	25.6	0.0	99.9	7.2	25.6	6.4	33.5
Petroleum	4.5	9.3	0	100	4.5	9.3	4.5	9.3

Note: "0.0" refers to >0 and <0.05; and "100" refers to 100 (not rounded).

Calculations for averages are based on the national tariff line level (10-digit), excluding in-quota rates. Tariff schedule is based on HS2012. *Ad valorem* equivalents (AVEs) were estimated based on 2015 import data (for 2016 tariff averages) at the 10-digit level tariff from the International Trade Centre Trade Map database. In case of unavailability, the *ad valorem* part is used for compound and alternate rates.

Source: WTO Secretariat calculations, based on data provided by the authorities, the WTO TAO database and the International Trade Centre Trade Map database.

3.1.5 Other charges affecting imports

3.39. Government Resolution No. 863 of 28 December 2004 "On the Rates of the Customs Fees for the Customs Clearance of Goods" (last amended on 12 December 2012) sets out fees for customs clearance for goods. In addition to fees for customs clearance, there are charges for customs escort and storage under Law No. 311-FZ of 27 November 2010 (last amended on 13 July 2015), which states that fees for customs transactions are limited to the approximate price of the services provided and shall not exceed Rub 100,000 (Table 3.7).¹⁴

Table 3.7 Fees and charges for customs services relating to imports and exports

Government Resolution No. 863 of 2004 (as amended)	Rate applied since 2012 (Rub)
Customs fees for customs clearance^a	
Goods	
200,000 and less	500
from 200,000 to 450,000	1,000
from 450,000 to 1,200,000	2,000
from 1,200,000 to 2,500,000	5,500
from 2,500,000 to 5,000,000	7,500
from 5,000,000 to 10,000,000	20,000
over 10,000,000	30,000
Securities in foreign currency, which are brought into the customs territory of the Russian Federation	500 for each consignment in one customs declaration
Goods for personal, home and family needs not related to the entrepreneurial activity, except for passenger cars classified in commodity positions of HS Code 8703	250
Passenger cars, classified in commodity positions of HS Code 8703, which are imported for personal, home and family needs	As for goods

¹⁴ Article 130.

Government Resolution No. 863 of 2004 (as amended)	Rate applied since 2012 (Rub)
Air, sea, river, combined (river-and-sea) vessels which are moved as commodities in keeping with the customs regime of temporary importation, temporary exportation and processing (if the repair of such vehicles is an operation in processing), also after the completion of the following customs regimes:	10,000 for each vessel
(i) temporary importation by means of the re-export of goods brought in on a temporary basis	
(ii) temporary exportation by means of the re-import of goods brought out on a temporary basis;	
(iii) processing on customs territory by means of bringing products of processing (vehicles) out of the customs territory of the Russian Federation; and	
(iv) processing outside customs territory by means of the release for free circulation of products of processing (vehicles) on the customs territory of the Russian Federation.	
Customs fees for customs operations in respect of goods which are not subject to customs duties (single customs declaration)	1,000
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 a distance up to 50 km	2,000
- for a distance from 50 to 100 km	3,000
- for a distance from 100 to 200 km	4,000
- for a distance over 200 km	1,000 for every 100 km, bnlt 6,000
b) for each sea or river vessel, or aircraft	20,000 independently of the distance
Fees for storage	
For the storage of goods in the customs warehouses or bonded warehouse	1 for every 100 kg of the weight of the goods per day
For the storage of certain types of goods in specially equipped warehouses	2 per 100 kg of the weight of goods per day

a Customs duties for customs clearance operations are reduced by 25% for goods declarations submitted in electronic form.

Note: bnlt: but not less than

Source: WTO Secretariat on the basis of data provided by the Russian authorities.

3.40. Under Articles 70-75 of the CU Customs Code, the FCS may collect VAT and excise duties on imports into the EAEU from third countries. The levels, methods of collection, and taxable bases for these taxes on imports are determined in the national legislation of the member States (Section 3.3.1).

3.1.6 Import prohibitions, restrictions, and licensing

3.41. Prior to formation of the EAEU, non-tariff measures (NTMs) applied by the Russian Federation were governed by the agreements of the Customs Union which included: Agreement on Common Measures of Non-Tariff Regulation in Respect of Third Countries (25 January 2008); Agreement on the Introduction and Application of Measures Concerning Foreign Trade in Goods on the Common Customs Territory in respect of Third Countries (9 June 2009); and Agreement on Licensing in the Area of Foreign Trade in Goods (9 June 2009). A common list of goods subject to import and/or export licences applies to the EAEU member States. The authorities also noted that some goods require both a licence and a permit, whereas some only require a permit.

3.42. With the establishment of the EAEU, NTMs are now governed by Article 46 of the EAEU Treaty which states that, in trade with third countries, the EAEU may apply the following common non-tariff measures:

- a prohibition on imports;
- quantitative restrictions on imports;
- the exclusive right to import;

- automatic licensing (monitoring) of imports; and
- authorization procedures for imports.

3.43. The EAEU Treaty states that these measures are to be introduced and applied according to the principles of transparency and non-discrimination. However, according to Article 47 of the EAEU Treaty, a member State may unilaterally introduce and temporarily apply (for a 6 month period) non-tariff measures in relation to third countries based on the procedure provided in the Protocol on Non-Tariff Measures in Relation to Third Countries (Annex 7 of the EAEU Treaty).

3.44. Additionally, in the period 2012 to June 2016 a number of new laws and regulations relating to non-tariff measures were adopted by the Eurasian Economic Commission (EEC) and the Russian Federation, including:

- Decision of the Board of the EEC No. 134 from 16 August 2012 "On regulations acts in the area of non-tariff regulation" (last amended on 2 June 2016);
- Decree of the Government of the Russian Federation No. 228 of 24 March 2014 "On measures of state regulation of consumption and circulation of ozone depleting substances" (last amended on 3 June 2016); and
- Decision of the Board of the EEC No. 30 of 21 April 2015 "On non-tariff regulatory measures (last amended on 2 June 2016).

3.45. Goods subject to import restrictions and the authorities responsible for issuing licences and permits are in Table 3.8. In addition, a temporary measure was introduced under Government Resolution Nos. 1486 of 30 December 2015 and No. 556 of 17 June 2016 "On licensing of import of crushed stone, gravel, screenings of crushing, the materials from the screenings of crushing, mixture which consist of gravel, crushed stone, sand". Under this measure an import licence is required for imports of these products. Resolution No. 1486 applied from 1 January to 30 June 2016, and Resolution No 556 applies from 1 July to 31 December 2016.

Table 3.8 Goods under import restrictions

Basis for application	Product	Document name	Issuing authority
Decision No. 134 Section 2.1	Ozone depleting substances	Licence/conclusion (permit)	Ministry of Industry and Trade; Federal Service for Supervision of Environmental Management (Rosprirodnadzor)
Decision No. 30 Section 2.2	Crop protection products (pesticides)	Licence/conclusion (permit)	Ministry of Industry and Trade; Ministry of Agriculture
Decision No. 30 Section 2.3	Hazardous waste	Licence/conclusion (permit)	Ministry of Industry and Trade; Federal Service for Supervision of Environmental Management (Rosprirodnadzor)
Decision No. 30 Section 2.7	Species of wild fauna and flora, controlled under <i>the Convention on International Trade in Endangered Species of Wild Flora and Fauna</i> (CITES)	Authorization, (CITES certificate)	Country of provenance CITES administrative authority; Federal Service for Supervision of Environmental Management (Rosprirodnadzor); Federal Agency of Fishery (Rosribolovstvo) – sturgeons, including sturgeon roe
Decision No. 30 Section 2.9	Precious stones	Act of government Regulation; Kimberley Process Certificate	State Administration for the Formation of the State Fund of Precious Metals and Precious Stones of the Russian Federation, storage, dispensing and use of precious metals and precious stones (Gokhran Russia) under the Ministry of Finance
Decision No. 30 Section 2.12	Narcotic drugs, psychotropic substances and their precursors	Licence	Ministry of Industry and Trade

Basis for application	Product	Document name	Issuing authority
Decision No. 134 Section 2.13 (abolished 2 July 2016 inclusive); Decision No. 30 Section 2.13 (from 3 July 2016) ^a	Poisonous substances, other than narcotic drugs and psychotropic substances precursors	Licence/conclusion (permit)	Ministry of Industry and Trade; Federal Service for Supervision of Environmental Management (Rosprirodnadzor)
Decision No. 134 Section 2.14	Unregistered medicines and pharmaceutical substances	Conclusion (permit)	Ministry of Health
Decision No. 30 Section 2.16	Radio electronic tools and (or) high – frequency devices for civil purposes including built-in or which are part of other goods	Licence/conclusion (permit)	Ministry of Industry and Trade; Federal Service for Supervision in the Sphere of Telecom, Information Technologies and Mass Communications (Roskomnadzor)
Decision No. 30 Section 2.17	Special technical equipment meant for confidential (undercover) obtaining information	Licence/conclusion (permit)	Ministry of Industry and Trade; Federal Security Service of the Russian Federation (FSB)
Decision No. 30 Section 2.19	Cryptographic hardware	Licence/conclusion (permit)	Ministry of Industry and Trade; Federal Security Service of the Russian Federation (FSB)
Decision No. 30 Section 2.21	Organs and tissues, blood and its components	Licence/conclusion (permit)	Ministry of Industry and Trade; Federal Service for Surveillance in Healthcare (Roszdravnadzor) Ministry of Health
Decision No 30 Section 2.22	Service and civilian weapon, its main component parts and its cartridges	Conclusion (permit)	Ministry of Internal Affairs
Decision No. 134 Section 2.25	Cane sugar – raw without flavor – aromatic or coloring additives	Restrictions	Applied in case of importation to the Republic of Kazakhstan territory from third countries
Decision No. 134 Section 2.26	Alcohol, tobacco raw materials, tobacco goods, tobacco waste products	Exclusive (sole) rights	Applied for goods originating from third countries and importing to the Republic of Belarus. The application of exclusive (sole) rights is identified in accordance with the Republic of Belarus legislation.

a Decision No. 57 of the Board of the Eurasian Economic Commission of 2 June 2016.

Note: Decision No. 30: Decision of the Board of the EEC No. 30 of 21 April 2015 "On non-tariff regulatory measures" (last amended on 2 June 2016).

Decision No. 134: Decision of the Board of the EEC No. 134 from 16 August 2012 "On regulations acts in the area of non-tariff regulation" (last amended on 2 June 2016).

Source: WTO Secretariat based on information provided by the Russian authorities.

3.46. Under Government Resolution No. 778 of 7 August 2014, implementing Presidential Decree No. 560 of 6 August 2014, imports of certain agricultural products from Australia, Canada, the EU, Norway, and the United States were banned for one year (Table 3.9). Under Government Resolution No. 625 of 25 June 2015, the ban was extended for an additional year and under Government Resolution No. 842 of 13 August 2015 it was extended to cover imports from Albania, Iceland, Liechtenstein, Montenegro, and (from 1 January 2016) Ukraine. Under Presidential Decree No. 391 of 29 July 2015, products subject to this ban that are found on the market of the Russian Federation may be destroyed.¹⁵ Under a Government Resolution of 1 July 2016, the ban was extended to 31 December 2017.¹⁶

¹⁵ Government of the Russian Federation online information. Viewed at: <http://government.ru/docs/all/92426/> [April 2016].

¹⁶ Government of the Russian Federation online information. Viewed at: <http://government.ru/en/docs/23584/> [July 2016].

Table 3.9 Product coverage of Government Resolution No. 778 of 2014 (as amended)

HS Code	Product name
0201	Meat of bovine animals, fresh or chilled
0202	Meat of bovine animals, frozen
0203	Meat of swine, fresh, chilled or frozen
0207	Meat and edible offal of poultry in heading 0105, fresh, chilled or frozen
from 0210	Meat (salted, in brine, dried or smoked)
0301, 0302, 0303, 0304, 0305, 0306, from 0307, 0308	Fish and crustaceans, molluscs and other aquatic invertebrates (but not salmon or trout fry)
0401, 0402, 0403, 0404, 0405, 0406	Milk and dairy products, but not specialized and lactose-free milk, lactose free dairy products for clinical nutrition and dietary nutrition
0701, 0702 00 000, 0703, 0704, 0705, 0706, 0707 00, 0708, 0709, 0710, 0711, 0712, 0713, 0714	Edible vegetables and certain roots and tubers (but not seed potatoes, seed onions, sugar maize hybrid for planting, peas for planting)
0801, 0802, 0803, 0804, 0805, 0806, 0807, 0808, 0809, 0810, 0811, 0813	Fruit and nuts
1601 00	Sausages and similar products, of meat, meat offal or blood; food preparations based on these products;
1901 90 110 0, 1901 90 910 0, 1901 90 990 0, 2106 90 920 0, 2106 90 980 4, 2106 90 980 5, 2106 90 980 9	Prepared foodstuffs, including cheese and curd based on vegetable oil; Foodstuffs (containing milk, based on vegetable oils). (but not biologically active additives, specialized food products for athletes, vitamin-mineral complexes, flavours, concentrated protein (of animal and vegetable origin) and their mixtures, dietary fibre, nutritional supplements)

Note: The list does not apply to baby food.

Source: Government of the Russian Federation, online information. Viewed at: <http://government.ru/docs/all/92426/> [April 2016].

3.47. Presidential Decree No. 583 of 28 November 2015 imposed a number of temporary measures (no defined period) in relation to Turkey which included a ban on imports of certain products of Turkish origin.¹⁷ Government Resolution No. 1296 of 30 November 2015 sets out several provisions relating to Decree No. 583, including the list of products subject to the ban, which does not apply to imports for personal use (Table 3.10).¹⁸

Table 3.10 Product coverage of Government Resolution No. 1296 of 30 November 2015

HS Code	Product's name
0207 14	Parts of carcasses and offal of chickens, frozen
0207 27	Parts of carcasses and offal of turkeys, frozen
0603 12	Cloves, fresh
0702 00	Tomatoes, fresh or chilled
0703 10	Onions and shallots, fresh or chilled
1007 04	Cauliflower and broccoli, fresh or chilled
0707 00	Cucumbers and gherkins, fresh or chilled
0805 10	Oranges, fresh or dried
0805 20	Mandarins (including tangerines and Satsuma); clementines, and similar citrus hybrids, fresh or dried
0806 10	Grapes, fresh
0808 10	Apples, fresh
0808 30	Pears, fresh
0809 10	Apricots, fresh
0809 30	Peaches, including nectarines, fresh
0809 40	Plums and sloes, fresh

¹⁷ President of the Russian Federation online information. Viewed at: <http://en.kremlin.ru/events/president/news/50805> [April 2016].

¹⁸ Government of the Russian Federation, online information. Viewed at: <http://government.ru/docs/all/104369/> [April 2016].

HS Code	Product's name
0810 10	Strawberries, fresh
1704 10	Chewing gum, coated or covered in sugar
2501 00	Salt

Source: Government of the Russian Federation, online information. Viewed at: <http://government.ru/docs/all/104369/> [April 2016].

3.48. Presidential Decree No. 1 and Government Resolution No. 1 of 2016, introduced a mandatory requirement that goods in transit by road and rail crossing the Russian Federation towards Kazakhstan to use (and remove) seals operating on the basis of the Russian Global Navigation Satellite System (GLONASS). The seals are to be applied upon entry into the Russian Federation and removed on leaving at the expense of the shipper or consignee.¹⁹ Under the Decree, goods from Ukraine in transit to Kazakhstan may only enter the Russian Federation from Belarus. Presidential Decree No. 319 of 1 July 2016 extended the measure to include goods in transit to the Kyrgyz Republic and temporarily bans transit of goods subject to non-zero import duties under the Common Customs Tariff of the EAEU, and goods subject to Government Resolution No. 778 of 7 August 2014.

3.1.7 Anti-dumping, countervailing, and safeguard measures

3.49. The Report of the Working Party on the Accession of the Russian Federation to the WTO stated that the Ministry of Industry and Trade was the national investigating authority for safeguard, anti-dumping, and countervailing duty investigations and that: "During the transitional period provided for in the Transitional Agreement signed on 19 November 2010, the national authority of the Russian Federation would continue ongoing investigations and –would conduct new trade remedies investigations in the Russian Federation upon the request of the domestic industry of the Customs Union. However, all decisions to impose, extend, review or terminate trade remedy measures would be taken by the CU Commission on the basis of a proposal from the Government of the CU Party that carried out the investigation."²⁰ The transition period ended on 1 August 2012 when the CU regime became fully operable. The CU agreements, which formed the legal basis for the customs union for Belarus, Kazakhstan, and the Russian Federation, were codified into the EAEU Treaty, which entered into force on 1 January 2015. The EAEU treaty sets out the basic legislation on trade remedies (Articles 48-49, and Annex 8). Since 2012, the Eurasian Economic Commission's Department for Internal Market Defence (DIMD) has been responsible for conducting investigations and imposing trade remedy measures. Decisions to impose trade remedies are taken by the Board of the Commission and are binding on all EAEU member States.

3.50. Upon accession to the WTO, the Russian Federation made several commitments on trade remedy measures including: that trade remedy measures by the Russian Federation or the Customs Union would comply with the relevant WTO agreements; and holding consultations on safeguards and providing information on trade remedies.²¹

3.51. The rules on protection of confidential information are set out in the Protocol on Application of Safeguard, Anti-Dumping and Countervailing Measures with Respect to Third Countries²², and the Regulation on Use and Protection of Confidential Information and Proprietary Information of Limited Distribution in the Investigating Authority.²³ Confidential information submitted to the DIMD cannot be disclosed without written permission, and the sanctions on the disclosure of information are based on the legislation of the Russian Federation, including administrative, civil and criminal liability.

3.52. Trade remedy investigations may be initiated based on the initiative of the DIMD or on a written application by, or on behalf of a producer in a member State(s) or an association of producers in a member State(s), of like or directly competitive product for safeguard measures (SG), or of like product for antidumping (AD) or countervailing (CV) measures. Applications for safeguard measures must be supported by producers of like or directly competitive products

¹⁹ WTO document WT/TPR/OV/W/10, 4 July 2016, Annex 3.

²⁰ WTO document WT/ACC/RUS/70, 17 November 2011, paragraph 577.

²¹ WTO document WT/ACC/RUS/70, 17 November 2011, paragraph 620.

²² Annex 8 of the EAEU Treaty, paragraphs 254-258.

²³ Annex to Decision of the Eurasian Economic Commission No. 1 of 7 March 2012.

representing not less than 25% of total production volume of these products in the member States (including the applicant). For antidumping and countervailing measures, the application must be supported by producers of like products producing at least 25% of the volume of production in the member States and more than 50% of producers in the member States that expressed an opinion on the application.

3.53. Before the end of the investigation, the DIMD may prepare a report with a proposal on imposition of a provisional measure as a preliminary determination. However, preliminary determinations are not mandatory. The decision to apply a provisional measure is taken by the Board of the Commission on the basis of the DIMD's report, after which the DIMD issues a notice on the decision. If the decision to apply a provisional measure is taken, the duration of the provisional safeguard duty should not exceed 200 days, and the duration of both provisional AD and CV duties should not exceed 4 months (which may be extended by up to a total of 9 months) (Table 3.11).

Table 3.11 Trade remedy stages and timing in the EAEU

Stage	Note	Time
Application	Application may be made by: <ul style="list-style-type: none"> • Producer of like or directly competitive product (SG) • Producer of like product (AD, CV) • Association of producers representing 25% of total volume of production of like or directly competitive product (SG) • Association of producers representing 25% of total volume of production of like products (AD, CV) 	
Review of application	<ul style="list-style-type: none"> • DIMD informs exporting third countries of the application (AD, CV) 	30–60 days
Investigation	<ul style="list-style-type: none"> • DIMD may initiate an investigation on its own initiative • DIMD informs competent authorities of exporting countries and known interested parties, and publishes decision to initiate investigation • Interested parties may declare their intention to participate in an investigation and may submit information and DIMD may request information from them • Consultations and/or public hearings may be held 	9-12 months (SG) 12-18 months (AD, CV)
Trade remedy measure	<ul style="list-style-type: none"> • Duration of provisional measure <ul style="list-style-type: none"> ○ SG ○ AD, CV • Duration of definitive measures from application or review <ul style="list-style-type: none"> ○ SG ○ AD, CV 	Up to 200 days Up to 9 months Up to 4 years (max. 8 years) Up to 5 years
Review	<ul style="list-style-type: none"> • Upon request or on DIMD initiative 	12 months

Source: Russian authorities and Annex 8 of the EAEU Treaty.

3.54. Statistics on trade remedy actions for 2012-15, including both the application of provisional and definitive measures, are in Table 3.12.

Table 3.12 Trade remedy measures by DIMD, 2012-15

Measure	2012	2013	2014	2015
AD investigation initiations (original)	1	1	7	1
Provisional AD measures imposed ^a	0	1	0	0
Definitive AD measures imposed	1	4	0	6
Confirmation of AD measures following expiry review ^b	0	1	0	1
SG investigation initiations (original)	3	0	0	0
Provisional SG measures imposed ^a	0	1	0	0
Definitive SG measures imposed ^b	0	1	1	0
Confirmation of SG measures following expiry review	1	0	0	0
CVD investigation initiations ^c	0	0	1	0

a Two cases with provisional measures imposed: AD: enamelled baths of cast iron from China; SG: combine harvesters.

b AD measures extended: rolling-element bearings, forged work-rolls; SG measures extended: pipes and tubes of stainless steel.

c One CV case initiated in December 2014: ferrosilicon manganese from Ukraine.

Source: WTO Secretariat on the basis of data provided by the Russian authorities.

3.55. Table 3.13 lists definitive trade remedy measures in force as at May 2016.

Table 3.13 Products and exporting countries subject to definitive trade remedy measures as at May 2016

Product	Type	Exporting Country
Certain steel pipes and tubes	AD	Ukraine
Rolling-element bearings	AD	China
Cold-rolled flat steel products with polymer coating	AD	China
Graphite electrodes	AD	India
Cold-worked seamless pipes and tubes of stainless steel	AD	China
Enamelled baths of cast iron	AD	China
Light commercial vehicles	AD	Germany, Italy, Turkey
Forged work-rolls	AD	Ukraine
Citric acid	AD	China
Stainless steel flatware	AD	China
Seamless steel oil country tubular goods	AD	China
Crawler dozers	AD	China
Commercial vehicles tyres	AD	China
Bars and rods	AD	Ukraine
Steel railway wheels	AD	Ukraine
Seamless pipes and tubes of stainless steel	AD	Ukraine
Combine harvesters and modules	SG	All countries
Tableware and kitchenware of porcelain	SG	All countries

Source: WTO Secretariat based on information provided by the Russian authorities.

3.56. The DIMD publishes notices of trade remedy actions on the Eurasian Economic Commission's website.²⁴ Public notices are also forwarded to the competent authorities of the exporting countries and other interested parties known to the DIMD. The notices include information on: initiation of investigation; imposition of provisional measures; possible retroactive application of AD or CV measures; conclusions of investigations in cases of affirmative determination and imposition of definitive measures; conclusions or suspensions of the investigations pursuant to acceptance of price undertakings; termination of the investigations without imposition of measures; and other decisions such as publications of reports, extensions of investigations, public hearings, etc.

3.57. As at end-February 2016, the Eurasian Economic Commission had conducted 3 reviews in accordance with paragraph 620 of the Report of the Working Party on the Accession of the Russian Federation: Ukraine – Safeguard Measure on Caramel (liberalization of the measure)²⁵; Chinese Taipei – Safeguard Measure on Pipes & Tubes of Stainless Steel (redistribution of quota)²⁶; and Chinese manufacturers – Anti-Dumping Measure on Cold-rolled Flat Steel Products with Polymer Coating from the People's Republic of China; Chinese Taipei; Hong Kong, China; and Macao, China (recalculation of margin).²⁷ The provisions for expiry reviews of trade remedy measures are set out in the EAEU Treaty Protocol on Application of Safeguard, Anti-Dumping and Countervailing Measures with Respect to Third Countries.²⁸

3.58. At end-June 2016, anti-dumping duties on light commercial vehicles from Germany and Italy were being examined by a panel under the WTO Dispute Settlement Mechanism (Section 2.4.1).

²⁴ Viewed at: <http://eec.eaeunion.org/ru/act/trade/podm/Pages/default.aspx> [July 2016].

²⁵ Result of the WTO consistency review contained in the EEC Decision No. 100 of 24 April 2013: progressive liberalization of the safeguard measure.

²⁶ Result of the WTO consistency review contained in the EEC Decision No. 268 of 26 November 2013: the DIMD considered Chinese Taipei; Macao, China; and Hong Kong, China as individual WTO Members; redistribution of the quota between China and Chinese Taipei.

²⁷ Result of the WTO consistency review contained in the EEC Decision No. 191 of 21 October 2014: revision of formula and recalculating of dumping margin; the DIMD considered Chinese Taipei; Macao, China; and Hong Kong, China as individual WTO Members and excluded imports from Chinese Taipei; Macao, China; and Hong Kong, China from the AD measure (negligible imports)

²⁸ EAEU Treaty, Annex No. 8, paragraphs 109-112 (AD measures), paragraphs 174- 176 (CV measures), and paragraphs 31-32, and 36-37 (SG measures).

3.1.8 Standards and other technical requirements

3.1.8.1 Standards and technical requirements at the EAEU level

3.59. In the Russian Federation, the legal framework for standards, technical regulations and conformity assessment systems is the EAEU Treaty and national legislation. The Federal Agency on Technical Regulations and Metrology under the jurisdiction of the Ministry of Industry and Trade is the national standards body for the Russian Federation and represents the Federation in international and regional standardization organizations including the International Organization for Standardization (ISO), and the International Electrotechnical Commission (IEC), and it is an observer to the European Telecommunications Standards Institute (ETSI). The Russian Scientific and Technical Centre for Information on Standardization, Metrology and Conformity Assessment (FGUP Standartinform) is the national enquiry point for the WTO Agreement on Technical Barriers to Trade (TBT Agreement).²⁹

3.60. The EAEU Treaty states that "technical regulation of the EAEU members shall be used for the purpose of protecting life and (or) human health, property, the environment, protecting life and (or) health of animals and plants, prevention of actions misleading consumers as well as to ensure energy efficiency and resource conservation within the EAEU. Adoption of technical regulations of the EAEU for other purposes is not allowed".³⁰

3.61. According to the EAEU Treaty, international standards are the basis for technical regulations in the EAEU except in cases where they do not comply with the purposes of adoption of technical regulations of the EAEU, including due to climatic and geographical factors or technological and other particularities.³¹ In the absence of an applicable international standard, regional standards, or national standards of other countries may be used as a basis for EAEU measures. A product that is subject to a technical regulation may be put into circulation in the EAEU, provided that it has passed the necessary conformity assessment procedures.

3.62. The procedures relating to the preparation, adoption, and cancelling technical regulations by the EAEU Commission are divided between the EEC Council and its Board (Table 3.14). The Council adopts technical regulations and defines the dates when they enter into force while the Board approves the rules for the transition period for products which were previously subject to mandatory conformity assessment.

3.63. The EAEU Commission also approves the Common List of products to which technical regulations of the EAEU or national mandatory requirements of its member States may be applied.³² The member States may not impose mandatory requirements in their legislation for products that are not included in the Common List. For each EAEU technical regulation, the EAEU makes reference to an approved list of standards, which includes member States' national standards where compliance with these standards is deemed to mean compliance with the relevant technical regulation. In the Russian Federation, national standards are referred to as GOST-R, and adopted international standards are referred to as GOST-ISO. In cases where these standards are not used, conformity assessment is carried out based on risk analysis.³³

²⁹ WTO document G/TBT/2/Add.109, 11 October 2012.

³⁰ EAEU Treaty, Article 52(1).

³¹ EAEU Treaty, Annex 9 "Protocol on Technical Regulation within the Eurasian Economic Union", paragraph 3.

³² The list is available on the Commission's website. Viewed at: <http://www.eurasiancommission.org/ru/act/tecnreq/Pages/default.aspx> [April 2016].

³³ EAEU Treaty Article 52.3 "[t]o meet the requirements of the technical regulations of the EAEU and to assess conformity with the requirements of the technical regulations of the EAEU, international, regional (intergovernmental) standards, and in their absence (prior to the adoption of regional (intergovernmental) standards), the national (state) standards of the member States can be applied on a voluntary basis".

Table 3.14 Provisions on the procedure of drafting, adopting, amendment and cancellation of the EAEU technical regulations

Procedures (with the participation of industry, the business community, and experts)
Development of the technical regulation by the working group (drafting body, the national standardization body, specialized technical committees on standardization, representatives of industry and the business community)
Public discussion for at least 60 days on the official website of the EAEU Commission
Publication of comments (opinions) and suggestions received from the public discussions on the draft technical regulation on the official website for general review
Discussions at the level of the Consultative Committee Meeting (for the purpose of submitting for public discussion and before the introduction at the meeting of the Board of the Commission when interagency approval is finished)
Assessment of regulatory impact during the process of internal state approval according to the national procedure
Period between the adoption and enter into force of the technical regulation of not less than 180 days (amended on 28 May 2015)

Source: WTO Secretariat based on information provided by the Russian authorities, Eurasian Economic Commission Council Decision No. 48 of 20 June 2012.

3.64. At end-May 2016, the EAEU had adopted a total of 35 technical regulations, all of which had entered into force, including, on tobacco products which entered into force on 15 May 2016.³⁴ In the period from the accession of the Russian Federation to the WTO until end-April 2016, four technical regulations had been adopted (Table 3.15) and five technical regulations had been amended: "On safety of packaging"³⁵; "On safety of wheeled vehicles"³⁶; "On requirements for automobile and aviation gasoline, diesel and marine fuel, jet fuel and heating oil"³⁷; "On safety requirements for food additives flavourings and technological aids"³⁸; and "On oils and fat products".³⁹

Table 3.15 Technical regulations of the EAEU adopted during the period from accession of the Russian Federation to the WTO to end-April 2016

Decision No.	Date	Title
No. 41	2 July 2013	On Technical Regulation of the Customs Union on safety of equipment functioning under the excess pressure
No. 67	9 October 2013	On Technical Regulation of the Customs Union on safety of milk and dairy products
No. 68	9 October 2013	On Technical Regulation of the Customs Union of safety of meat and meat products
No. 107	12 November 2014	On Technical Regulation of the Customs Union on tobacco products (effective from 15 May 2016)

Source: WTO Secretariat based on information provided by the Russian authorities.

3.65. Each technical regulation of the EAEU includes a section on packaging, marking and labelling requirements while general requirements for packaging of goods are established in the technical regulation "On safety of packaging" (TR CU 005/2011). Specific technical requirements for food products are contained in the technical regulation on "Labelling of foodstuffs" (TR CU 022/2011). More detailed labelling requirements may be contained in the technical regulations for certain types of food products.

3.66. Since the accession of the Russian Federation to the WTO there have been no changes to the procedures for the acceptance of foreign test results, or results of inspections and certificates from non-EAEU members, and no agreements on mutual recognition have been concluded.⁴⁰

3.67. Article 54 of the EAEU Treaty calls for harmonization of rules and approaches in the field of accreditation with international standards while ensuring objectivity, impartiality and competence

³⁴ Eurasian Economic Commission online information. Viewed at: <http://www.eurasiancommission.org/ru/act/texnreg/deptexreg/tr/Pages/TRVsily.aspx> [April 2016].

³⁵ The Customs Union Commission Decision No. 116 of 17 December 2012.

³⁶ The Customs Union Commission Decision No. 6 of 30 January 2013.

³⁷ The Customs Union Commission Decision No. 43 of 23 June 2014.

³⁸ The Customs Union Commission Decision No. 69 of 18 September 2014.

³⁹ The Customs Union Commission Decision No. 39 of 23 April 2015.

⁴⁰ WTO document WT/ACC/RUS/70, 17 November 2011, paragraphs 773-813.

of the accreditation bodies of the member states. Accredited bodies for conformity assessment (certification bodies and testing laboratories) are listed in the Unified Register of Conformity Assessment Bodies of the EAEU.⁴¹ According to the EAEU Treaty, accreditation bodies in the member States of the EAEU must be independent and must not compete with each other. An application for accreditation as a conformity assessment certification body must be made to the accreditation body of the member State of the EAEU where the applicant is registered as a legal entity.⁴²

3.1.8.2 Standards in the Russian Federation

3.68. The legal act that established the main principles of the Russian system of standardization and technical regulation on a national level is Law No. 184-FZ of 27 December 2002 (last amended on 6 April 2016) "On technical regulation" although many provisions of the Law have been superseded by EAEU legislation. A new law, Law No. 162-FZ of 29 June 2015 "About standardization in the Russian Federation" was to enter into force in July 2016.

3.69. Under the EAEU Treaty, the development and applications of standards, conformity assessment, state control and supervision, metrological control, and liability matters in the Russian Federation continue to be administered at the national level, with regard to the following matters:

- National standards within the meaning of the TBT Agreement (development, and adoption) and the relevant standards organizations;
- State control and supervision (inspection) to ensure compliance with the requirements of technical regulations;
- Assurance of uniformity of measurements;
- Violations of technical regulations and withdrawal of products from the domestic market;
- Operation of the national aspects of developing and maintaining the system of certificates of conformity assessment and declarations of conformity, including the national part of the Unified Register of Certificates and Declarations;
- Operation of the national aspects of developing and maintaining the system of certification bodies and testing laboratories (centres) of the CU, including accreditation and the national part of the Unified Register of Certification Bodies and Testing Laboratories;
- Voluntary conformity assessment;
- Rights and obligations of applicants in the field of mandatory conformity assessment;
- Coordination of the activities, positions and procedures of the Government in the field of technical regulations;
- Procedures for the determination of liability in the case of violation of technical regulations and corresponding sanctions until the decision to transfer these matters to the CU has been made;
- Providing required transparency; and
- Financing in the field of technical regulation.⁴³

3.70. Article 13 of Law No. 184-FZ lists the types of voluntary standards, within the meaning of the WTO TBT Agreement, which may be used in the Russian Federation:

- National standards;
- Rules, norms and recommendations in the sphere of standardization;
- Classifications applied in accordance with the established procedure, all-Russian classifiers of technical and economic, and social information;

⁴¹ Eurasian Economic Commission online information. Viewed at: http://www.eurasiancommission.org/ru/docs/Pages/IL_OS.aspx [April 2016].

⁴² EAEU Treaty, Article 54.3.

⁴³ WTO document WT/ACC/RUS/70, 17 November 2011, paragraph 703, and national authorities.

- Standards adopted by organizations (standards of enterprises, scientific, technical, engineering institutions, and other societies);
- Set of rules (voluntary documents, elaborated and approved by the Federal Executive bodies regarded as related to the standardization area);
- International standards, regional standards, regional sets of rules, standards of foreign states and sets of rules of foreign States registered with the Federal Information Fund of Technical Regulations and Standards; and
- Duly certified Russian translations of international standards, regional standards, regional sets of rules, standards of foreign States and sets of rules of foreign States accepted by Rosstandart.⁴⁴

3.71. At end-2015, the Ministry of Industry and Trade estimated that about 49% of national standards are harmonized with international standards, including: 81.9% in electrical engineering; 75.5% in electronics; 53.7% in mining and processing of oil and gas; 29% in energy and heat engineering; 27.5% in engineering; and 16.1% in metallurgy.

3.72. A number of technical regulations that were adopted before the establishment of the EAEU, which have not been replaced by the common EAEU technical regulations, and remain in force. According to the authorities, at end-June 2016, there are six such regulations; the regulation "On tobacco products" having been replaced by the EAEU regulation in May 2016. Among the remaining national technical regulations are technical regulations on: safety of inland waterway transport; safety of maritime transport; security of gas distribution networks and gas consumption; requirements for blood safety, its products, blood-substituting solutions and transfusion equipment; infusion therapy; and fire safety requirements.

3.73. The recognition of conformity assessment certificates issued in foreign countries is carried out in line with interstate agreements and international certification systems to which the Russian Federation is a member, and, in such cases, may be accepted without a mutual recognition agreement. These interstate agreements and international certification systems for which the Russian Federation recognizes the results of conformity confirmation procedures include: the Geneva Agreement of 1955 on Mechanical Vehicles; the Brussels Convention on Reciprocal Recognition of Proof Marks of Handguns and Cartridges; the IEC Quality Assessment System for Electronic Components (IECQ); the IEC System for Conformity Testing and Certification of Electrical Equipment (IECEE); and the IEC Scheme for Certification to Standards for Electrical Equipment for Explosive Atmospheres (IECEX).

3.74. Since accession to the WTO to end-May 2016, the Russian Federation had made 74 regular notifications to the TBT Committee (including one supplement and one corrigendum). The notifications include those relating to the Eurasian Economic Commission as well as the Russian Federation. At this date, the Russian Federation had yet to notify the Committee under paragraph C of the Code of Good Practice for the Preparation, Adoption and Application of Standards contained in Annex 3 to TBT Agreement.

3.75. Up to end-May 2016, some WTO Members had used the TBT Committee to raise 15 concerns relating to conformity assessment procedures, standards, and technical regulations in the Russian Federation.⁴⁵ The Russian Federation has also used the TBT Committee to raise its own concerns regarding measures proposed or implemented by other Members.⁴⁶

⁴⁴ WTO document WT/ACC/RUS/70, 17 November 2011, paragraph 746.

⁴⁵ Russian Federation – Draft on Technical Regulation of Alcohol Drinks Safety (published on 24 October 2011) (ID 332); Russian Federation – Alcoholic Beverages Storage Technical Conditions Order Number 59n (ID 372); Russian Federation – Safety of light industry products (ID 390); Russian Federation – Measure affecting import of Ukrainian confectionary products (ID 399); Russian Federation – Federal Service for Market Regulation (FSR) - New Provisions for the Mandatory Notification of Liquor Products (ID 412); Russian Federation – Safety of products for children and adolescents (ID 418); Russian Federation – Measure affecting import of Ukrainian dairy products (ID 426); Russian Federation – Measure affecting imports of Ukrainian juice products (ID 439); Russian Federation – Measure affecting imports of Ukrainian beer products (ID 440); Russian Federation – Draft of the Eurasian Economic Commission Collegium decision on amendments to Common sanitary-epidemiological and hygienic requirements for products, subjected to sanitary-epidemiological supervision (control) (ID 452); Russian Federation - Technical Regulations on Safety of Railway

3.1.9 Sanitary and phytosanitary requirements

3.76. At the EAEU level, the legal framework for SPS measures is set out in the EAEU Treaty, Section XI and Annex 12, (Protocol on the Application of Sanitary, Veterinary and Phytosanitary Quarantine Measures) and legal acts of the Russian Federation. The EAEU Commission is responsible for coordinating the development and implementation of SPS measures by the member States and setting common general principles, and safety requirements for goods marketed within the EAEU. Under Article 59 of the EAEU Treaty: "Each Member State has the right to develop and implement temporary sanitary-epidemiological, veterinary, and sanitary and phytosanitary quarantine measures". The principal EAEU legislation on SPS measures is contained in Table 3.16.

Table 3.16 Principal EAEU legislation on SPS measures at end-May 2016

Legislation	Last amended	Description of changes
The EAEU Treaty	June 2015	General principles for sanitary, veterinary, and phytosanitary quarantine measures
Customs Union Commission Decision No. 299 of 28 May 2010 "On Application of Sanitary Measures in the Customs Union"	December 2015	Most of the changes are technical. The amendments provided for changes in the common list of goods subject to sanitary and epidemiologic supervision, the common sanitary, epidemiological, and hygienic requirements for goods subject to control and supervision. Some of them are intended to harmonize the EAEU legal framework in conformity with the technical regulations and common commodity nomenclature
Customs Union Commission Decision No. 317 of 18 June 2010 "On Application of Veterinary (Veterinary and Sanitary) Measures in the Customs Union"	February 2016	Changes to common veterinary requirements and common list of goods subject to veterinary control (supervision). For example, amendments to the common veterinary requirements for import of live worms and their cocoons to the territory of the CU (Notification G/SPS/N/RUS/27), for feed additives for cats and dogs (Notification G/SPS/N/RUS/36). Moreover, the veterinary certificates registration procedure was specified (Notification G/SPS/N/RUS/43). A list of control measures was introduced (Notification G/SPS/N/RUS/33)
Customs Union Commission Decision No. 318 of 18 June 2010 "On Plant Quarantine in the Customs Union"	February 2016	Changes to the quarantine phytosanitary control procedures in the CU territory

Source: WTO Secretariat based on information provided by the Russian authorities.

3.77. The lists of goods subject to controls at the EAEU border are set out in Commission Decision No. 299 of 28 May 2010 for sanitary and epidemiological control; Commission Decision No. 318 of 18 June 2010 for quarantine phytosanitary control; and Commission Decision No. 317 of 18 June 2010 for goods subject to veterinary control. In addition, a number of EAEU technical regulations relate to SPS measures, such as requirements concerning food and feed stuffs (Table 3.17).

Table 3.17 Principal EAEU legislation on technical regulations related to SPS measures at end-May 2016

Legislation	In force/last amended
Customs Union Commission Decision No. 880 of 9 December 2011 "On Technical Regulation of the Customs Union on safety of Food Products"	1 July 2013/June 2014
Customs Union Commission Decision No. 67 of 9 October 2013 "On Technical Regulation of the Customs Union on safety of milk and milk products"	1 May 2014/May 2015
Customs Union Commission Decision No. 874 of 9 December 2011 "On Technical Regulation of the Customs Union on safety of grain"	1 July 2013/July 2014
Customs Union Commission Decision No. 883 of 9 December 2011 "On Technical Regulation of the Customs Union on oils and fat products"	1 July 2013

Transport (TR CU No. 002/2011 and No. 003/2011) (ID 460); Russian Federation – Measure affecting import of Ukrainian food salt (ID 465); Russian Federation - Measure affecting the import of Ukrainian wallpaper (ID 476); Russian Federation - Rules of cement certification (ID 497); Russian Federation - Implementation plan related to excise tax on palm oil and soda products (ID 500). Viewed at: <http://tbtims.wto.org> [June 2016].

⁴⁶ WTO TBT Information Management System. Viewed at: <http://tbtims.wto.org/Default.aspx?Lang=0> [April 2016].

Legislation	In force/last amended
Customs Union Commission Decision No. 68 of 9 October 2013 "On Technical Regulation of the Customs Union on safety of meat and meat products"	1 May 2014
Customs Union Commission Decision No. 881 of 9 October 2011 "On Technical Regulation of the Customs Union on marking of food products"	1 July 2013
Customs Union Commission Decision No. 882 of 9 December 2011 "On Technical Regulation of the Customs Union on fruit and vegetable juice products"	1 July 2013/ November 2012
Customs Union Commission Decision No. 58 of 20 July 2012 "On Technical Regulation of the Customs Union on safety requirements for food additives flavourings and technological aids"	1 July 2013/ September 2014
Customs Union Commission Decision No. 34 of 15 June 2012 "On Technical Regulation of the Customs Union on safety of certain types of specialized food products, including dietary medical and dietary preventive nutrition"	1 July 2013
Customs Union Commission Decision No. 317 of 18 June 2010 "On veterinary and sanitary requirements for goods subject to veterinary control"	1 July 2010/ 24 December 2014

Source: WTO Secretariat based on information provided by the Russian authorities.

3.78. In addition, domestic laws relating to SPS measures may apply to the extent that it does not contradict EAEU Treaty and other relevant EAEU decisions. These laws have been amended since the accession of the Russian Federation to the WTO and one new law was introduced (Table 3.18).

Table 3.18 National SPS legislation of the Russian Federation amended or introduced from 2012 to end-May 2016

Legislation	Last amended	Description of changes
Law No. 4979-1 of 14 May 1993 "On Veterinary Practices"	July 2015	Changes in veterinary rules and accompanying documents
Law No. 243-FZ amending Law No. 4979-1 of 14 May 1993		The Ministry of Agriculture of the Russian Federation was given the authority to develop and approve veterinary rules; introduction of electronic veterinary certificates; and introduction of regionalization provisions
Law No. 52-FZ of 30 March 1999 "On the Sanitary and Epidemiological Well-Being of the Population"	November 2015	Technical changes
Law No. 29-FZ of 2 January 2000 "On the Quality and Safety of Food Products"	July 2015	Technical changes
Law No. 206-FZ of 21 July 2014 "On Plant Quarantine"	July 2015	Changes concerning the division of the competences between the authorized bodies

Source: WTO Secretariat based on information provided by the Russian authorities.

3.79. The CU Commission Decision No. 721 of 22 June 2011 "On Application of International Standards, Guidelines and Recommendations" provides that, in cases in which the CU Commission (now the Eurasian Economic Commission) or national authorities have not established mandatory requirements in the veterinary, phytosanitary, sanitary epidemiological, or hygienic spheres, the member states may apply standards, recommendations, and guidelines of the OIE, IPPC, and the Codex Alimentarius. Similarly, if EAEU veterinary, phytosanitary and sanitary epidemiological and hygiene mandatory requirements in effect in the territory of the EAEU are more stringent than relevant international standards, guidelines and recommendations - and in the absence of scientific justification of risk to human, animal, or plant life or health - relevant international standards, guidelines, and recommendations, or parts thereof, may be applied.⁴⁷

⁴⁷ WTO document WT/ACC/RUS/70, 17 November 2011, paragraph 830.

3.80. Within the Russian Federation, the authorities for SPS measures are:

- The Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing (Rospotrebnadzor) is the Federal agency that formulates and enforces State policy and legislation in the field of consumer rights protection, as well as the development and approval of the state sanitary and epidemiological guidelines and hygienic norms. In addition, Rospotrebnadzor is responsible for:
 - carrying out federal sanitary and epidemiological surveillance and Federal monitoring in the field of consumer rights protection;
 - control of safety of food products and other production for securing human health;
 - conducting sanitary and epidemiological evaluation of pesticides and agrochemicals;
 - harmonization of sanitary and hygienic requirements with international standards bodies; and
 - sanitary quarantine control at the border.
- The Ministry of Agriculture (MOA) is the competent authority for veterinary and phytosanitary issues. Within the Ministry, the Federal Service for Veterinary and Phytosanitary Supervision (Rosselkhoznadzor) is agency responsible for;
 - the implementation of EAEU and domestic SPS measures related to animal health, quarantine and protection of plants, use of pesticides and agrochemicals, residues of antibiotics in non-processed food products, measures applicable in the production of feed for the protection of animal and human health as well as protection of humans from zoonotic diseases; and
 - enforcing measures related to plant and animal health and life as well as food safety at the border of the Russian Federation.

3.81. The Russian Federation is a member of the Codex Alimentarius, and the World Organisation for Animal Health (OIE), and a contracting party to the International Plant Protection Convention (IPPC). The WTO enquiry point for SPS measures is the Russian Information Center on Standardization, Certification and Overcoming Technical Barriers to Trade.

3.82. In order to ensure the traceability of the application of SPS application, Rosselkhoznadzor developed and implements ten different state data information systems, each of which serves a separate function and which interact with each other (Table 3.19). In addition, Rospotrebnadzor has set up an information system for consumer protection, which provides information on violations of technical regulations and mandatory requirements for food products.⁴⁸

Table 3.19 State information data systems for traceability of veterinary and phytosanitary measures, 2016

Name of information system	Description
AGRUS/AGRUS FITO	Automatization of veterinary and phytosanitary surveillance on external borders of the EAEU
MERCURY	Electronic certification of consignments supervised by state veterinary surveillance, traceability of transactions and movement in the territory of the Eurasian Economic Union
VESTA	Collection, transfer and analysis of information for carrying out supervised laboratory testing during research in the area of diagnostics, food safety, food and feed quality, and veterinary drugs
IRENA	Registration of pharmaceuticals, fodder additives and GMO feed
ASSOL	Electronic report collection from institutions accountable to Rosselkhoznadzor
HERMES	Automatization process of the pharmaceutical licensing activity and pharmaceuticals production for animal treatment

⁴⁸ Viewed at: <http://zpp.rospotrebnadzor.ru/> [June 2016].

Name of information system	Description
ZERBER	Recording and control of legal actions in the area of veterinary surveillance
SIRANO	Authorities' notifications for achievement of effectiveness and completion of veterinary control and surveillance measures
VETIS PASSPORT	Administration of single use profile of the state information system services in the veterinary sphere of the Rosselkhoznadzor
DUMA	Automatization of the correspondence process of Rosselkhoznadzor

Source: WTO Secretariat based on information provided by the Russian authorities.

3.83. Information on import requirements for particular products is available for importers and countries exporting to the Russian Federation on Rosselkhoznadzor's official website.⁴⁹ The list of countries and establishments eligible to import products into the Russian Federation is also published on this website. Drafts of technical regulations and other documents of the Eurasian Economic Commission (EEC) are available on the EEC website.⁵⁰ The registry of products subject to state registration is available on the official website of Rospotrebnadzor.⁵¹

3.84. According to CU Commission Decision No. 317, all goods included in the list of goods subject to veterinary control are subject to three requirements: (i) the exporting establishment has to be included in the Registry of Establishments authorized to export to the CU; (ii) the goods must be accompanied by a veterinary certificate; and (iii) an import permit must be issued from an establishment in the Registry. As from 1 July 2010, imports of products subject to veterinary control are required to come from establishments approved by the EAEU parties and included in the Common Registry.

3.85. Under CU Commission Decision No. 317 of 18 June 2010 "On veterinary and sanitary requirements for goods subject to veterinary control", imports of regulated products from third countries into the EAEU are permitted for exporting enterprises included in the register of organizations and individuals engaged in the production, processing and/or storage of products subject to veterinary control. The procedures for inclusion in the list of approved enterprises and individuals is set out in the Decision of the EAEU Council No. 94 of 9 October 2014 "On Regulation on Common System of Joint Inspections of Objects and Sampling Goods (Products), Subject to Veterinary Control (Surveillance)". If the system of supervision in a third country has been satisfactorily audited as being equivalent to that of the EAEU, then establishments on the list provided by the authorities of that country may be included in the EAEU register. If an audit has not been conducted or completed, or, as a result of an audit the third country was not recognized as providing an equivalent level of protection, an establishment may be included in the register on the basis of joint inspections or guarantees provided by the competent authority of the third country. From 2013 to end-2015, 1,233 enterprises were approved for inclusion in the register.

3.86. During the period from accession to the WTO to end-May 2016, the Russian Federation made 176 notifications to the WTO on SPS measures, including: 49 addenda, 3 corrigenda, 60 emergency, and 64 regular notifications. A total of ten specific trade concerns were raised in the WTO SPS Committee concerning SPS measures in the Russian Federation.⁵²

3.87. At end-June 2016, measures adopted by the Russian Federation affecting the imports of live pigs and their genetic material, pork and pork products and certain other commodities from the EU were being examined by a panel under the WTO Dispute Settlement Mechanism (Section 2.4.1).

⁴⁹ Viewed at: <http://www.fsvps.ru> [April 2016].

⁵⁰ Viewed at: <http://www.eurasiancommission.org/en/Pages/default.aspx> [April 2016].

⁵¹ Viewed at: <http://rospotrebnadzor.ru/devyatelnost/informatics> [April 2016].

⁵² Import ban on live animals from the EU (ID 338); Russia's listing of export establishments (ID 341); Non-recognition of testing laboratories for meat products (ID 361); Import restrictions on confectionary products (ID 368); Russia's measures on live pigs and pork products due to African Swine Fever (ID 369); Russian restrictions on imports of certain types of plant products (ID 372); Russia's market access requirements for bovine meat in compliance with OIE requirements (ID 379); Russia's restrictions on imports of fruits and vegetables from Poland (G/SPS/N/RUS/69) (ID 380); Russia's unilateral introduction of new requirements for veterinary certificates (ID 381); The Russian Federation's import restrictions on processed fishery products from Estonia and Latvia (ID 390).

3.2 Measures Directly Affecting Exports

3.2.1 Export procedures and requirements

3.88. The basic laws on export procedures and requirements of the Russian Federation are the Customs Code of the Customs Union and the Law No. 311-FZ of 27 November 2010 "On Customs Regulation in the Russian Federation".

3.89. According to Articles 183-184 of the Customs Code, to export goods from the customs territory of the Customs Union, the carrier must present to the customs body (the FCS) a customs declaration or another document permitting their export from the customs territory of the Customs Union, as well as the documents listed in Article 159 of the Code. Documents may be provided by the carrier or someone acting on the carrier's orders. If the goods are leaving the EAEU through a border post in the Russian Federation, only a declaration number is required, if they are exported from the EAEU through another member State, a copy of the declaration is required.

3.90. According to Article 195 of the Law No. 311-FZ, exports of goods have to take place at designated points of departure within the working hours of customs bodies.

3.91. In 2015, the Russian Federation was ranked 170th out of 189 economies in terms of trading across borders with 9 documents, and 43 hours needed for exporting and a cost of US\$1,125. The ranking for trading across borders is based on exporting iron and steel (HS 72) to Italy, and importing parts and accessories of motor vehicles (HS 8708) from Germany (Section 3.1.2).⁵³ The authorities noted that these products do not represent overall trade in the Russian Federation. Furthermore, a road map for improving customs administration has been adopted to facilitate trade (Section 3.1.1).

3.2.2 Export taxes, charges, and levies

3.92. Article 77.2 of the Customs Code of the Customs Union states that: "For the purposes of calculation of export customs duties, one applies the rates specified in the legislation of the member-States of the Customs Union for the goods included in the summary list of goods generated by the Commission of the Customs Union in compliance with international treaties of the member-States of the Customs Union regulating the issues of application of export customs duties for third countries". Therefore, the member States of the EAEU may apply customs duties based on domestic legislation. Export taxes do not apply to exports to other EAEU member States and, for re-exports to third countries by the other member States of goods from the Russian Federation, the other member State should remit half the export tax to the Russian Federation.

3.93. In acceding to the WTO, the Russian Federation undertook to bind and reduce export duties on 703 tariff lines at the 10 digit level using a variety of duty rates and duty types –including simple *ad valorem* duties, specific duties, compound duties, and duties based on formulae. For 495 of these tariff lines, the export duty should be reduced to zero by the end of the implementation period, which ranges from one to five years. The Russian Federation also undertook to establish two export quotas for wood products with in-quota export duties of 13% and 15% (Table 3.20).⁵⁴

3.94. Export duties are applied under Government Resolution No. 705 of 25 July 2014 "On the Changes of the Rates of the Export Customs Duties on Goods Exported from the Territory of the Russian Federation beyond the Borders of Countries that are Parties to Agreements on Customs Unions", which was last amended on 29 September 2015. Under the Resolution, export duties are applied to 343 tariff lines, or subdivisions thereof, at the 10 digit level. Nine tariff lines in the Resolution have an export duty of zero (including gas condensate⁵⁵) and other rates vary from 1.25% for many fisheries products, up to a minimum of 80% for some wood products (Table 3.20 and Section 4.1).

⁵³ World Bank (2015).

⁵⁴ Aggregate of HS 4403 20 110 and 4403 20 190 for 6,246,500 m³ at 13% and aggregate of HS 4403 20 310 and 4403 20 390 for 16,038,200 m³ at 15%.

⁵⁵ Tariff line 2709 00 100 1.

Table 3.20 Selected export duties in the Russian Federation

Tariff line	Description	Export duty
2711 21 000 0	Natural gas	30%
7102 31 000 0	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin // Diamonds, whether or not worked, but not mounted or set // - Non-industrial : // -- Unworked or simply sawn, cleaved or brute	6.5%
7601 20 910 0 7601 20 990 0	Aluminium and articles thereof // Unwrought aluminium // - Aluminium alloys	1.25%
7204 49 100 0 7204 49 300 0 7204 49 900 0	Iron and steel // Ferrous waste and scrap; remelting scrap ingots of iron or steel // - Other waste and scrap : // -- Other, Fragmentized (shredded) -- Other, in bundles// -- Other, other	7.5%, bnlt €7.5/1,000kg
ex 4403 20 110 1 ex 4403 20 110 2 ex 4403 20 190 1 ex 4403 20 190 9	Wood and articles of wood; wood charcoal // Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared // -Other, coniferous - in respect of which a tariff quota was established, in the presence of a licence issued by the competent body	13%
ex 4403 20 310 1 ex 4403 20 310 2 ex 4403 20 390 1 ex 4403 20 390 9	Wood and articles of wood; wood charcoal // Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared // -Other, coniferous - in respect of which a tariff quota was established, in the presence of a licence issued by the competent body	15%
4403 20 110 1 4403 20 110 2 4403 20 190 1 4403 20 190 9 4403 20 310 1 4403 20 310 2 4403 20 390 1 4403 20 390 9	Wood and articles of wood; wood charcoal // Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared // -Other, coniferous	80%, bnlt €55.2/m ³
4403 20 910 1 4403 20 910 2 4403 20 910 3 4403 20 910 4 4403 20 910 9 4403 20 990 1	Wood and articles of wood; wood charcoal // Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared // -Other, coniferous	25%, bnlt €15/m ³

Note: bnlt: but not less than.

Source: Government Resolution No. 705 of 25 July 2014.

3.2.3 Export prohibitions, restrictions, and licensing

3.95. According to Article 46 of the EAEU Treaty, the members of the EAEU may apply common non-tariff measures in trade with third countries. Such non-tariff measures include: prohibitions on export; quantitative restrictions on export; the exclusive right to export; authorization procedures for exports, and automatic licensing for exports. However, under Article 47 of the EAEU Treaty, member States may also unilaterally introduce and temporarily apply (for up to 6 months) non-tariff measures in the procedures provided for in the Protocol on Non-Tariff Measures in Relation to Third Countries (Annex 7 of the EAEU Treaty).

3.96. According to Annex 7 of the Treaty of the EAEU, export bans or quantitative export restrictions may only be imposed in exceptional cases listed in paragraph 12 of the Annex. Such temporary export bans or quantitative export restrictions must be approved by the EEC on the basis of proposals from the member States.

3.97. According to the authorities, export licensing is not used to restrict the quantities exported, but, in line with the Russian Federation's international obligations, export licences for certain ozone-depleting substances and narcotics include the quantities covered by the licence.

3.98. Goods which may be subject to export prohibitions, restrictions, and export licensing are included in the Common List of Goods that are subject to import/export prohibitions or restrictions to/from the customs territory of the EAEU and are contained in the Decision of the Board of the

Eurasian Economic Commission No. 134 of 16 August 2012 and Decision No. 30 of 21 April 2015, (Table 3.21).⁵⁶ According to the authorities, the List is based on international treaties including: the Montreal Protocol on Substances that Deplete the Ozone Layer; The Single Convention on Narcotic Drugs; the Convention on Psychotropic Substances, the Stockholm Convention on Persistent Organic Pollutants; the Basel Convention for the Control of Trans-Boundary Movements of hazardous Waste and their Disposal; the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES); and the Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

Table 3.21 Goods under export restrictions

Basis for application	Product	Document name	Issuing authority
Decision No. 134 Section 2.1	Ozone – depleting substances	Licence/conclusion (permit)	Ministry of Industry and Trade; Federal Service for Supervision of Environmental Management (Rosprirodnadzor)
Decision No. 30 Section 2.3	Hazardous waste	Licence/conclusion (permit)	Ministry of Industry and Trade; Federal Service for Supervision of Environmental Management (Rosprirodnadzor)
Decision No. 30 Section 2.4	Paleontological, mineralogical, collections and collectibles of bones of zoolites	Licence/conclusion (permit)	Ministry of Industry and Trade; Ministry of Culture; Federal Service for Supervision of Environmental Management (Rosprirodnadzor)
Decision No. 30 Section 2.6	Wild live animals, wild plants and wild crude drug	Licence	Ministry of Industry and Trade; Federal Service for Supervision of Environmental Management (Rosprirodnadzor)
Decision No. 30 Section 2.7	Species of wild fauna and flora, controlled under the Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES)	Authorization, (CITES certificate)	Country of provenance CITES administrative authority; Federal Service for Supervision of Environmental Management (Rosprirodnadzor); Federal Agency of Fishery (Rosribolovstvo) – sturgeons, including sturgeon roe
Decision No. 30 Section 2.8	Rare and endangered species of wild animals and plants, their parts and (or) derivatives, included in the Red Book of states - members of the EEC.	Licence/conclusion (permit)	Ministry of Industry and Trade; Federal Service for Supervision of Environmental Management (Rosprirodnadzor)
Decision No. 30 Section 2.9	Precious stones	Act of Government Regulation; Kimberley Process Certificate	State Administration for the Formation of the State Fund of Precious Metals and Precious Stones of the Russian Federation, storage, dispensing and use of precious metals and precious stones (Gokhran Russia) under the Ministry of Finance
Decision No. 30 Section 2.10	Precious metals, commodity with precious metals	Licence	Ministry of Industry and Trade
Decision No. 30 Section 2.11	Minerals	Licence/conclusion (permit)	Ministry of Industry and Trade; Federal Service for Supervision of Environmental Management (Rosprirodnadzor)
Decision No. 30 Section 2.12	Narcotic Drugs, Psychotropic Substances and their Precursors	Licence	Ministry of Industry and Trade
Decision No. 134 Section 2.13	Poisonous Substances, other than narcotic drugs and psychotropic substances precursors	Licence	Ministry of Industry and Trade
Decision No. 30 Section 2.17	Special technical means for secretly obtaining information	Licence/conclusion (permit)	Ministry of Industry and Trade Federal Security Service of the Russian Federation (FSB)

⁵⁶ Eurasian Economic Commission online information. Viewed at: <http://www.eurasiancommission.org/en/Pages/default.aspx> [April 2016].

Basis for application	Product	Document name	Issuing authority
Decision No. 30 Section 2.19	Cryptographic devises	Licence/conclusion (permit)	Ministry of Industry and Trade Federal Security Service of the Russian Federation (FSB)
Decision No. 30 Section 2.20	Cultural Values, documents the national archives, the original archive	Licence/conclusion (permit)	Ministry of Industry and Trade Ministry of Culture
Decision No. 30 Section 2.21	The organs and human tissue, blood and its components, the samples of human biological material	Licence/conclusion (permit)	Ministry of Industry and Trade; Federal Service for Surveillance in Healthcare (Roszdravnadzor); Ministry of Health
Decision No. 30 Section 2.22	Service and civilian weapons, their main (composite) parts and cartridges	Licence/conclusion (permit)	Ministry of Internal Affairs (MVD)
Decision No. 30 Section 2.23	Information about mineral resources by region and fields of fuel and energy and mineral complex	Licence	Ministry of Industry and Trade
Decision No. 134 Section 2.26	Natural gas	Licence	Ministry of Industry and Trade; Ministry of Energy

Note: Decision No. 30: Decision of the Board of the EEC No. 30 of 21 April 2015 "On non-tariff regulatory measures" (last amended on 2 June 2016).
Decision No. 134: Decision of the Board of the EEC No. 134 from 16 August 2012 "On regulations acts in the area of non-tariff regulation" (last amended on 2 June 2016).

Source: Authorities of the Russian Federation.

3.99. In order to monitor exports of certain goods, the EEC may impose automatic licensing requirements which may be on the initiative of the Commission or of a member State. A list of goods requiring automatic licensing, as well as the effective period of such automatic licensing, is determined by the Commission.

3.100. An annex to the Protocol to the EAEU Treaty on Non-Tariff Regulatory Measures in Relation to Third Countries specifies the procedure for issuing licences and permits for the export and import of goods included in the common list of goods subject to non-tariff regulatory measures in trade with third countries. The period of validity of a single-use licence may not exceed 1 year from its effective date and may be limited to the duration of a foreign trade contract (agreement), or to the validity period of the document serving as the basis for the issuance of the licence.

3.2.4 Export finance, insurance, and guarantees

3.101. The EAEU Treaty provides for the application of joint measures to promote exports of goods originating from the member States to third-party markets; the indicative list includes: export credit and export insurance facilities, "made in the EAEU" labelling, and coordinated exhibition, advertising and branding activities.⁵⁷ A draft Decision "On measures for export development" is undergoing approval at the EEC.⁵⁸

3.102. Since 2012, legal and institutional reforms intended to boost Russian exports have largely been framed by the "Support for Exports and Access to Foreign Markets" road map⁵⁹ and the government programme on "Development of Foreign Economic Activity" (2013-2018).⁶⁰ Devised as part of a broader initiative to modernize the Russian economy and to improve the investment climate, the road map and the programme stipulate various measures aimed at increasing both the number of Russian exporters and the volume of non-raw material exports.⁶¹ Besides overseeing implementation efforts, the Ministry of Economic Development (MED) is elaborating specific sub-programmes for the subjects of the Russian Federation, setting out possible activities and performance indicators.

⁵⁷ EAEU Treaty, Article 41.

⁵⁸ Council of the EEC Decision No. 34 of 28 May 2015.

⁵⁹ Order of the Government of the Russian Federation No. 1128-r of 29 June 2012 and its subsequent amendments.

⁶⁰ Order of the Government of the Russian Federation No. 378-r of 18 March 2013.

⁶¹ Chronological accounts of the road map's implementation (in Russian) can be viewed at: <http://government.ru/roadmaps/113/events> and http://www.exportcenter.ru/road_map.

3.103. Public funds in support of Russian businesses seeking to originate or increase export sales are made available at both the federal and sub-federal levels of government. The executive authorities of the subjects of the Russian Federation annually compete for federal co-financing of their respective SME support programmes, which may have an export assistance component.⁶² Although the types of support and eligibility criteria applied under sub-federal programmes are not standardized, the MED estimates that most regional authorities tend to assist resident exporters through grants or subsidized interest payments on export-related loans. Statistics on sub-federal export support disbursements are not collected by the federal authorities.

3.104. At the federal level, the state corporation Vnesheconombank (VEB) is involved in export support as part of its broader mandate to foster the diversification of the Russian economy, enhance its competitiveness, and stimulate inward and outward investment.⁶³ VEB supports and develops Russian export trade and Russian capacity to respond to international business opportunities both directly and through its specialized subsidiaries, including Eximbank of Russia, the Export Insurance Agency of Russia (EXIAR), and the Russian Export Centre (REC).⁶⁴ Certain export support activities may also involve a former VEB subsidiary, the Russian Direct Investment Fund (RDIF), which was converted into a non-public corporation wholly owned by the State in June 2016.⁶⁵

3.105. Asset contributions, made pursuant to resolutions of the Federal Government, constitute the bulk of VEB's charter capital. The Ministry of Finance may also make purpose-specific asset contributions, which are recorded in VEB's additional paid-in capital. The Ministry of Finance contributed Rub 62.6 billion to VEB's paid-in capital at end-2011 and Rub 62 billion at end-2012, for the establishment of the RDIF. In December 2014, VEB also received a charter capital contribution of Rub 30 billion.⁶⁶ During most of the period under review, VEB's income and expenses were not included in its income tax base, which had a significant impact on its effective income tax rate.⁶⁷

3.106. The lending capacity of Eximbank of Russia was also boosted during the period under review. In 2014, its charter capital was increased by a Rub 1.7 billion contribution from VEB⁶⁸; another increase took place in June 2015 by way of a Rub 10 billion appropriation from the federal budget.⁶⁹ At 1 January 2016, the charter capital of Eximbank of Russia amounted to Rub 12.7 billion. In 2015, Eximbank of Russia also obtained a US\$100 million loan from a foreign bank, under a guarantee from the Ministry of Finance.⁷⁰

3.107. VEB funded EXIAR's initial charter capital (Rub 30 billion) in 2011, and increased it by Rub 1.38 billion in 2014 and Rub 12.15 billion in 2015. EXIAR may also finance its activities with borrowed funds, which must not exceed 50% of its own funds. According to the authorities, EXIAR did not receive any funding from the federal budget during the period 2012-15. In 2012, the Government of the Russian Federation provided (through VEB) a state guarantee, with a liability limit of US\$10 billion valid until end-2032, to secure the fulfilment of obligations under insurance and reinsurance contracts concluded by EXIAR.⁷¹

⁶² Outlays from the federal budget may finance up to 95% of expenditure commitments made by the subjects of the Russian Federation under SME support programmes. The 2016 federal budget allocation for SME support, including export assistance, is Rub 11 billion.

⁶³ VEB is a non-commercial bank governed by Law No. 82-FZ (17 May 2007) and Government Resolution No. 1007-r (27 July 2007) and their subsequent amendments.

⁶⁴ An overview of the VEB group of companies is available at: <http://veb.ru/en/about/vebgroup/index.php>.

⁶⁵ Law No. 154-FZ of 2 June 2016.

⁶⁶ Government Resolutions No. 2526-r of 12 December 2014 and No. 1417 of 18 December 2014.

⁶⁷ VEB (2012, 2013, and 2014).

⁶⁸ In 2014, VEB transferred ownership of Eximbank of Russia (except for one share) to EXIAR; in 2016, that one share was transferred to the REC.

⁶⁹ Annual appropriations from the federal budget may be provided to VEB (in the form of asset contributions) for the acquisition of shares in EXIAR in order to increase the charter capital of Eximbank of Russia in 2015, 2016 and 2017 (Resolution No. 326 of 8 April 2015).

⁷⁰ Eximbank of Russia (2015).

⁷¹ Initially, EXIAR's aggregate insurance and reinsurance obligations were capped at ten times the amount of its paid-in capital or Rub 300 billion, whichever was greater; this limit was increased to the state guarantee's full amount in March 2016.

3.108. According to the authorities, VEB's subsidiaries operate under the standard taxation regime. A VAT exemption for insurance services related to export credits and investments applies to all commercial insurance companies, including EXIAR (Section 3.3.1.2).

3.109. In principle, VEB and its subsidiaries operate on commercial principles, offering export finance and risk mitigation services on a recovery basis. Their activities mainly address financing gaps where the private sector may not be able to fully respond to the needs of Russian businesses (Table 3.22). According to the authorities, VEB and its subsidiaries do not follow uniform directives on minimum Russian content and sectoral or geographical priorities; separate legal acts and/or internal documents may be established to guide the operations of each entity. Details on the eligibility criteria for export support applied by each entity were not made available.

3.110. Both VEB and Eximbank of Russia provide credits and guarantees in support of export transactions and the development of Russian businesses' export potential. VEB mainly targets large-scale technology and innovative projects valued at or above US\$1.7 million; at end-2012, its guarantee obligations towards beneficiaries were fully secured by a state guarantee of the Russian Federation.⁷² Unlike its indirect owner (VEB), Eximbank of Russia is a credit institution subject to the Russian banking legislation and regulation by the Central Bank of the Russian Federation (CBR).⁷³ VEB and Eximbank of Russia have been awarded federal-budget subsidies, since 2012 and 2015 respectively⁷⁴, as partial compensation for losses incurred on loans in support of Russian high-technology exports.⁷⁵

3.111. VEB's priority sectors for export support include: aeronautics and space exploration; shipbuilding; electronics; nuclear power; heavy, transport, power and special machinery; metallurgy (special steels); wood processing; defence industry; agro-industry; strategic computer technologies and software; information and communication systems; and medical equipment and pharmaceuticals.⁷⁶

3.112. The export credit and guarantee facilities provided by Eximbank of Russia are primarily targeted at the supply of industrial goods, works, and non-financial services. Typically, the cost of Russian-sourced inputs (including labour) must represent at least 30% of the export contract's overall value.⁷⁷ Unlike commercial banks, Eximbank of Russia cannot provide export finance for raw materials.

Table 3.22 Main export finance, insurance and guarantee facilities, 2016

Facility	Features
Financing	
Line of credit	Financing facility arranged with a foreign bank for on-lending to buyers of Russian exports. Maximum time-frame: ten years. On-lending amount: up to 100% of the value of the contract (less any down payment) and/or up to 100% of the premium on an insurance policy concluded with EXIAR
Confirmed letter of credit	A second guarantee on a letter of credit issued by the foreign buyer's bank that commits it to payment of the obligations deriving from the export contract. Maximum time-frame: five years. Confirmed credit amount: up to 100% of the value specified in the letter of credit
Loan	Loans for up to five years and up to 85% of the export contract's value can be arranged with the supplier (exporter); financing for costs incurred overseas may not exceed 30% of the export contract's value. Expected proceeds from the export contract may be used as collateral. Loans to foreign buyers can be arranged for up to ten years; whenever the credit period does not exceed two years and/or there is insurance coverage by EXIAR, foreign buyers may borrow up to 100% of the value of the export contract

⁷² VEB (2012).

⁷³ In 2015, Eximbank of Russia cancelled its licences for brokerage, depository and securities management activities, as it was not active in these areas.

⁷⁴ Government Resolution No. 1302 (13 December 2012) and Government Order No. 497-r (24 March 2015).

⁷⁵ The list of eligible goods, works and services is set out in Ministry of Industry and Trade Order No. 1809 (2 July 2015), as amended by Order No. 3988 (10 December 2015).

⁷⁶ Government Resolution No. 1007-r of 27 July 2007 and its subsequent amendments.

⁷⁷ Eximbank of Russia online information. Viewed at: <http://eximbank.ru/eng/credits/>.

Facility	Features
Co-investment	Participation in Russian direct investments and acquisition of assets overseas in order to make the Russian economy more competitive
Guarantees (Bonds)^a	
Tender participation guarantee	Covers the obligations of Russian businesses participating in tender competitions conducted by potential foreign buyers.
Advance repayment guarantee	Enables Russian exporters to assure foreign buyers of the refund of an advance payment received on a contract, if the former fail to fulfil their contractual obligations
Due performance guarantee	Enables Russian exporters to provide foreign buyers with surety for the proper fulfilment of their contractual obligations
Payment guarantee	Secures exporters' payment obligations to counterparties, as specified in their contracts
Counter guarantee	A second guarantee on any type of direct guarantee issued by a bank to a Russian exporter
VAT refund guarantee	Useful for accelerating VAT refunds in the Russian Federation. Secures tax collection in the event of excessive VAT refunds made before completion of the authorities' tax audit
Insurance^b	
Buyer credit insurance	Protects lenders against default on a loan provided to an overseas borrower (the buyer or the buyer's bank) for the purchase of goods, works or services exported from the Russian Federation under contract. Covers losses resulting from commercial and political risks
Confirmed letter of credit insurance	Protects a lender that acts as an additional guarantor to a letter of credit issued by the foreign buyer's bank. Covers losses resulting from commercial and political risks
Export factoring insurance	Insures banks discounting exporters' receivables against the risk of non-payment by foreign buyers. Covers up to 90% of losses resulting from commercial and political risks
International leasing insurance	Covers individual deliveries under leasing agreement to overseas lessees against losses (non-payment of leasing payments, loss or damage of leased items) resulting from commercial and political risks
Working capital financing insurance	Protects a Russian bank from commercial risks that may trigger default on a loan granted to enable a Russian exporter to fulfil an export contract. For lending to <u>Russian SMEs</u> (or a business with annual turnover not exceeding Rub 2 billion) fulfilling a non-raw material export contract, EXIAR established a risk-sharing programme with accredited banks. ^c Insured portion: 70% of the value of the loan and accrued interest (expandable to 90% upon satisfactory risk assessment by EXIAR). Premium: 1.5% of the insured amount (annual flat rate). Russian content must constitute at least 20% of exports' total value. For lending to <u>Russian corporations</u> fulfilling a non-raw material export contract, the insured portion can reach up to 90% of the value of the loan and accrued interest. Premium: according to risk assessment. Russian content must constitute at least 20% of exports' total value
"Financing the development of export-oriented production" insurance	Protects a bank from commercial risks that may trigger default on a loan granted to enable development of export-oriented production for expansion of exports from the Russian Federation
Supplier credit insurance	Covers individual deliveries (goods, works or services) to an overseas customer made on deferred payment terms against losses resulting from commercial and political risks. Optional coverage includes insurance against: contract cancellation by the buyer; non-return (loss or damage) of exported goods/equipment; loss of security deposits; and a wrongful call on an export contract-related guarantee by the respective counterparty
Short-term receivables insurance	Covers recurrent deliveries on deferred-payment terms (up to 360 days) to regular overseas customers against losses resulting from commercial and political risks
Russian investments overseas insurance	Protects Russian investments overseas (equity or credit transactions) against losses resulting from political risks

- a Guarantee support provided by VEB is backed by the Government of the Russian Federation (represented by the Ministry of Finance); such guarantees may cover up to 85% of an export contract's value. As from end-2014, the Government of the Russian Federation no longer provides state guarantees through Eximbank of Russia.
- b The typical insurance coverage for political and commercial risks in export transactions is 95% and 90% of losses, respectively. As from 2014, EXIAR may offer 100% coverage for political and commercial risks on a case-by-case basis.
- c The list of EXIAR-accredited banks is available at:
https://www.exiar.ru/en/export_support_msp/attract_funding/banks.php.

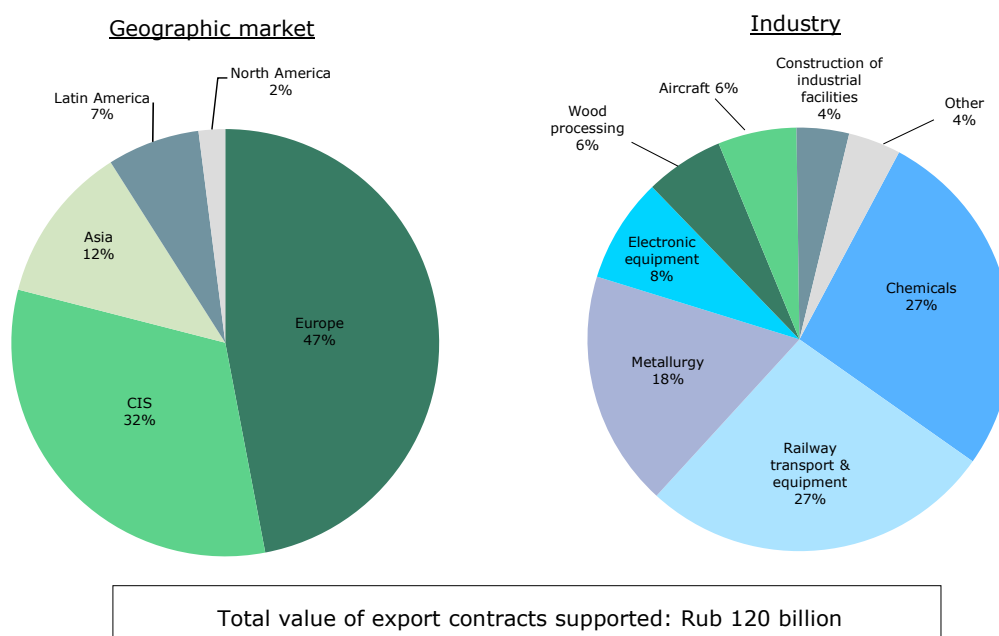
Source: Eximbank, EXIAR, and VEB online information. Viewed at: <http://eximbank.ru/credits>; <http://www.exiar.ru/en>; and <http://www.veb.ru/en/strategy/export>.

3.113. At end-2014, VEB's export loans portfolio was Rub 53.4 billion, up from Rub 14.5 billion at end-2012. Over the same period, its portfolio of guarantees issued in support of Russian exports

increased from Rub 47.9 billion to Rub 206.5 billion. VEB's Development Strategy envisages increasing the export loans and export guarantees portfolios to Rub 500 billion and Rub 250 billion, respectively, by the end of 2020.⁷⁸ According to the most recent consolidated financial statements, export and pre-export credits extended by VEB and its subsidiaries totalled Rub 100.9 billion at end-2015.⁷⁹

3.114. The loans portfolio of Eximbank of Russia increased from Rub 7 billion at end-2012 to Rub 10.4 billion at end-2014, whereas its portfolio of guarantees contracted from Rub 1.3 billion to Rub 84.3 million.⁸⁰ According to the auditor's report on Eximbank of Russia's financial statements, the loans portfolio further increased to Rub 22.1 billion at end-2015, of which 51.7% were credits guaranteed by the Government of the Russian Federation and 11% were credits with EXIAR coverage. At end-2015, Eximbank of Russia's portfolio of guarantees had decreased to Rub 63.1 million. The audited financial statements also recognized an expense of Rub 87.8 million for funds provided at below-market interest rates in the course of 2015 (up from Rub 13.4 million in 2014).⁸¹ According to the authorities, this expense entry reflected "rights transferred to third parties in respect to the commitments outstanding under the loans". An overview of export projects financed by Eximbank of Russia in 2015 is presented in Chart 3.2.

Chart 3.2 Eximbank of Russia: export finance by geographic market and industry, 2015^a



Source: Auditor's report on Eximbank of Russia's annual accounting (financial) statements for 2015 (April 2016).

3.115. EXIAR provides a range of insurance products to mitigate risks related to export finance and investment overseas. The holders of EXIAR insurance policies can deduct expenditures on premiums from their corporate tax base and are deemed compliant with foreign exchange repatriation requirements, provided that they have opted to receive any policy-related indemnification on a bank account.⁸² The CBR treats an EXIAR insurance policy as a first-class security, which allows Russian-incorporated credit institutions to benefit from a more favourable provisioning regime (a liquidity advantage).⁸³

⁷⁸ VEB (2014).

⁷⁹ Auditor's report and consolidated financial statements of state corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" and its subsidiaries for the year ended 31 December 2015 (April 2016).

⁸⁰ Eximbank of Russia (2012 and 2014).

⁸¹ Eximbank of Russia (2015).

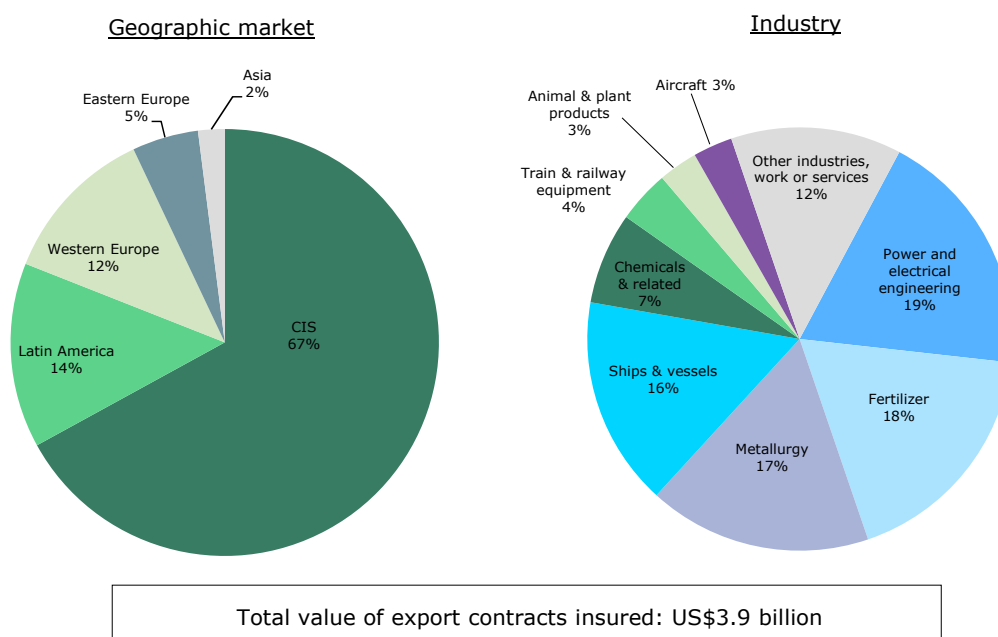
⁸² Law No. 245-FZ of 19 July 2011.

⁸³ EXIAR online information. Viewed at:

http://www.exiar.ru/en/products/for-banks/banks_advantages.php.

3.116. In 2014, EXIAR insured export contracts worth US\$3.9 billion, up from US\$463.1 million in 2012. Over the same period, gross premiums written increased from US\$0.4 million to US\$23.5 million and the number of insured exporters rose from 12 to 112. In 2014, the majority of insurance and reinsurance contracts concluded by EXIAR were short-term (less than two years), with corporate and bank exposure risks accounting for 83% and 11% of the overall portfolio, respectively; one overseas investment insurance contract was also concluded. The main destinations of EXIAR-insured Russian exports were the CIS, Europe and Latin America (Chart 3.3).

Chart 3.3 Export insurance by geographic market and industry, 2014



Source: EXIAR, *Annual Report 2014*.

3.117. The Russian Direct Investment Fund (RDIF) is a US\$10 billion sovereign wealth fund established in 2011 to make private equity co-investments, on commercial terms, in companies and projects that have the potential to modernize and diversify the Russian economy. In all projects, the RDIF's equity share may not exceed 50%. The RDIF has allocated some Rub 15 billion for equity investments in medium-sized, non-energy companies with export potential.⁸⁴

3.118. Having decided to adopt a holistic approach to providing financial and non-financial support to Russian exporters, the authorities set up the Russian Export Centre (REC) as a single window in 2015.^{85,86} Besides matching customers with the appropriate support facilities, the REC may assist entrepreneurs to: carry out market research, find partners, participate in international tenders, structure an export project, conduct negotiations, and draw up an export contract. The REC's mandate also includes acting as an interface between government and business, to ensure that legislative initiatives and new facilities respond to the needs of exporters. According to the authorities, the REC has autonomy to set the fees for its export support services; it has not received any funding from the federal budget to date.

3.119. Russian exporters of industrial products were eligible for a federal subsidy equal to two-thirds of their interest payments on loans obtained from Russian credit institutions and VEB until November 2013.⁸⁷ Between November 2013 and December 2015 (when it was discontinued), this partial compensation mechanism was available only to Russian exporters of military-use industrial

⁸⁴ RDIF online information. Viewed at: http://www.rdif.ru/Eng_fullNews/1453/.

⁸⁵ Law No. 185-FZ of 29 June 2015.

⁸⁶ The REC's charter capital, amounting to RUB 3 billion, was paid with VEB funds.

⁸⁷ Government Resolution No. 357 of 6 June 2005, abrogated by Government Resolution No. 961 of 25 October 2013.

products.⁸⁸ The granting of the subsidies was administered by the Ministry of Industry and Trade (MIT); a limit on their aggregate amount was set annually in the federal budget.⁸⁹

3.2.5 Export promotion and marketing assistance

3.120. In addition to the REC (Section 3.2.4), international market expansion services for Russian entrepreneurs are offered by the MED, including through 54 overseas trade representations and 117 intergovernmental committees on economic and scientific cooperation. The MED is also involved in the deployment of domestic support infrastructure for export-oriented SMEs, and the elaboration of service delivery requirements and relevant performance indicators. In May 2016 this infrastructure comprised 37 regional SME support centres and 53 regional integrated centres.⁹⁰ According to the authorities, the support centres provide non-financial services free of charge; their activities are co-financed by the federal and sub-federal budgets, with the former accounting for up to 95% of the funding.

3.121. The range of export promotion and marketing assistance activities includes the provision of trade and market prospects information, training seminars, personalized advisory services, and coordination and facilitation of Russian companies' participation in international trade fairs. The overseas trade representations elaborate, on an annual basis, a guide to doing business and a review of developments in the host economy; both publications are downloadable at the MED's integrated foreign economic information portal.⁹¹ The MED, through the overseas trade representations, also organizes business missions that bring together Russian business and academia representatives with potential foreign partners.⁹² Furthermore, the MED has concluded cooperation agreements with the executive authorities of 63 subjects of the Russian Federation, to assist them in the planning and implementation of international business development activities for socially important local companies or projects, on the basis of mutually agreed terms set out in a "project passport".

3.122. An Interdepartmental Commission for Exhibition and Fair Activities, comprising *inter alia* representatives from the MIT, the MED and sectoral ministries, drafts annually a list of overseas exhibitions and fairs in which Russian companies and associations may participate with partial funding from the federal budget.⁹³ In the selection process, the Commission takes account of the competitive potential of the products and technologies, as well as the priority directions of the Russian economy. The final list of overseas events and the budgetary appropriation for the co-financing of Russian representations are approved by decree of the Government of the Russian Federation. During the period under review, the budgetary appropriations amounted to: Rub 444.4 million in 2012; Rub 294.4 million in 2013; Rub 104 million in 2014; Rub 76.1 million in 2015; and Rub 104.2 million in 2016.

3.3 Measures Affecting Production and Trade

3.3.1 Taxes

3.3.1.1 Overview

3.123. During 2012-2016, besides making adjustments to certain tax rates and tax bases, the authorities took steps towards easing the administrative burden of tax compliance. Tax calculations and record keeping were made simpler by the introduction of standard templates and the trimming of requisite supporting documentation. At the same time, the approval of various privately developed software solutions facilitated electronic tax filing and data submission;

⁸⁸ Whenever the interest rate on the loan exceeded the CBR's refinancing rate, the latter applied in the subsidy's calculation; for loans in foreign currency, the maximum subsidy amount was calculated on the basis of an annual interest rate of 9%.

⁸⁹ Aggregate federal subsidy limits were as follows: 2012, Rub 3 billion; 2013, Rub 825 million; 2014, Rub 2.09 billion; and 2015, Rub 2.51 billion. Information on actual disbursements was not available.

⁹⁰ The regional integrated centres, formerly known as European information and consulting (correspondent) centres, are members of the Enterprise Europe Network.

⁹¹ Online information. Viewed at: <http://www.ved.gov.ru/exportcountries/businessguide/> and http://www.ved.gov.ru/exportcountries/economics_review/.

⁹² The MED publishes the programme of business missions for the coming year by December of the current year.

⁹³ MIT Order No. 374 of 2 December 2008.

according to the authorities, electronic submission constituted 64.9% of total tax filings in 2015 (up from 49% in 2012). Procedural innovations included a shift towards risk-based tax audits and recourse to administrative review as a mandatory step in the dispute resolution mechanism.

3.124. The share of consolidated budget revenues attributable to the oil and gas segment decreased from 27.5% in 2012 to 21.8% in 2015. The main sources of non-hydrocarbons revenues included VAT, personal income tax, and corporate income tax. Taxes on imports accounted for 11.4% of non-hydrocarbons revenues in 2015, down from 14.4% in 2012; import duties contributed 2.7% and 4.3%, respectively (Table 3.23).

Table 3.23 Consolidated budget revenue, 2012-15

(Rub billion)

	2012	2013	2014	2015
Total revenues (incl. extra-budgetary funds)	23,435.1	24,442.7	26,766.1	26,922.0
Hydrocarbons revenues	6,453.2	6,534.0	7,433.8	5,862.7
Non-hydrocarbons revenues	16,981.9	17,908.6	19,332.3	21,059.4
Import duties	732.8	683.8	652.5	565.2
VAT	3,545.8	3,539.0	3,931.7	4,233.6
VAT (domestic)	1,886.1	1,868.2	2,181.4	2,448.3
VAT (imports)	1,659.7	1,670.8	1,750.2	1,785.2
Excise taxes ^a	837.0	1,015.8	1,072.2	1,068.4
Excise taxes (domestic)	341.9	461.0	520.8	527.9
Excise taxes (imports)	53.4	63.4	71.6	54.0
Corporate income tax (federal)	375.8	352.2	411.3	491.4
Corporate income tax (sub-federal)	1,979.9	1,719.7	1,964.0	2,107.6
Personal income tax	2,261.5	2,499.1	2,702.6	2,807.8
Social contributions	4,103.7	4,694.2	5,035.7	5,636.3
Other	3,145.4	3,404.9	3,562.2	4,149.2

a The difference between the total figure and those reported in the sub-headings is probably attributable to "excise taxes" on exports of natural gas.

Source: Ministry of Finance of the Russian Federation, annual data on the execution of the consolidated budget and the federal budget. Viewed at: <http://old.minfin.ru/en/statistics/>.

3.3.1.2 Consumption taxes

3.125. EAEU member States have not harmonized their value-added tax (VAT) and excise tax regimes beyond applying the country-of-destination principle for imports from third countries. While intra-community trade is duty-free, and hence outside customs control, it remains subject to VAT and excise taxes.⁹⁴ In the Russian Federation, both taxes are payable to the federal budget and entail the standard registration formalities established in the tax legislation.

3.126. The Tax Code of the Russian Federation stipulates that excise taxes may be levied on specific, *ad valorem* or compound bases, depending on the good.⁹⁵ In the second case, the tax base for domestically-manufactured goods is the sales price net of VAT, whereas imports are taxed on the sum of their c.i.f. value and the customs duty payable on importation. Compound excise taxes are calculated on the basis of the physical volume supplied or imported and the maximum retail value.⁹⁶ During 2012-2016, specific taxes were levied on all excisable goods, except cigarettes, which were subject to compound taxes (Table 3.24).⁹⁷ In general, excise tax rates are reviewed annually; they are identical for imports and domestically-produced goods.

⁹⁴ A separate tax declaration must be submitted to the Federal Tax Service of the Russian Federation for the settlement of VAT and excise taxes on imports from other EAEU member States (Order of the Ministry of Finance No. 69 of 7 July 2010).

⁹⁵ Law No. 117-FZ of 5 August 2000, Chapter 22.

⁹⁶ The excisable value is deemed to be the product of the maximum retail price indicated on the pack (retail unit) and the number of packs (units) supplied or imported. All tobacco products sold on the Russian market must be labelled with a maximum retail price.

⁹⁷ Certain international agreements concluded by the Russian Federation stipulate a nominal excise tax on exports of natural gas. This *de facto* export tax is generally levied at the rate of 30% of the value of gas supplied, net of customs charges and transportation costs outside Russian territory.

Table 3.24 Excise taxes, 2012 and 2016
(Rub)

	Description	2012	2016
		(from 1 July to 31 December 2012)	(from 1 April to 31 December 2016)
1	Ethyl alcohol made of all types of raw materials	30.50 per 1 litre of absolute ethyl alcohol contained	102 per 1 litre of absolute ethyl alcohol contained
2	Alcohol-containing perfumery and cosmetic goods in metal aerosol packaging	0 per 1 litre of absolute ethyl alcohol	0 per 1 litre of absolute ethyl alcohol
3	Alcohol-containing household chemical goods in metal aerosol packaging	0 per 1 litre of absolute ethyl alcohol	0 per 1 litre of absolute ethyl alcohol
4	Alcohol products with volume content of ethyl alcohol \leq 9% (except natural wines); alcohol-containing products (except perfumery, cosmetic and household chemical goods in metal aerosol packaging)	158 per 1 litre of absolute ethyl alcohol contained	400 per 1 litre of absolute ethyl alcohol contained
5	Alcohol products with volume content of ethyl alcohol $>$ 9% (except natural wines)	210 per 1 litre of absolute ethyl alcohol contained	500 per 1 litre of absolute ethyl alcohol contained
6	Champagne and sparkling wines	14 per 1 litre	26 per 1 litre ^a
7	Natural wines (except champagne and sparkling wines), cider, perry (poiré), mead	3.50 per 1 litre	9 per 1 litre ^b
8	Beer with normative (standard) volume of fraction of ethyl alcohol \leq 0.5%	0 per 1 litre	0 per 1 litre
9	Beer with normative (standardized) volume content of ethyl alcohol $>$ 0.5% and \leq 8.6%	9 per 1 litre	20 per 1 litre
10	Beer with normative (standardized) volume content of ethyl alcohol $>$ 8.6%	14 per 1 litre	37 per 1 litre
11	Smoking, chewing and pipe tobacco (including snuff), except tobacco used as input in production of tobacco articles	422 per 1 kg	2,000 per 1 kg
12	Cigars	25 per 1 piece	141 per 1 piece
13	Cigarillos	360 per 1,000 pieces	2,112 per 1,000 pieces
14	Cigarettes with filter	205 per 1,000 pieces + 6.5%	1,250 per 1,000 pieces + 12% but not less than 1,680 per 1,000 pieces
15	Non-filter cigarettes, mouthpiece cigarettes	125 per 1,000 pieces + 6.5%	1,250 per 1,000 pieces + 12% but not less than 1,680 per 1,000 pieces
16	Cars with engine power \leq 67.5 Kw (90 hp)	0 per 0.75 kW (1 hp)	0 per 0.75 kW (1 hp)
17	Cars with engine power $>$ 67.5 Kw (90 hp) and \leq 112.5 Kw (150 hp)	23.90 per 0.75 kW (1 hp)	41 per 0.75 kW (1 hp)
18	Cars and motorcycles with engine power $>$ 112.5 Kw (150 hp)	235 per 0.75 kW (1 hp)	402 per 0.75 kW (1 hp)
19	Motor gasoline unclassifiable in classes 3 to 5	8,225 per tonne	13,100 per tonne
20	Motor gasoline of class 3	7,882 per tonne	-
21	Motor gasoline of class 4	6,822 per tonne	-
22	Motor gasoline of class 5	5,143 per tonne	10,130 per tonne
23	Diesel fuel unclassifiable in classes 3 to 5	4,098 per tonne	5,293 per tonne
24	Diesel fuel of class 3	4,300 per tonne	5,293 per tonne
25	Diesel fuel of class 4	3,562 per tonne	5,293 per tonne
26	Diesel fuel of class 5	2,962 per tonne	5,293 per tonne
27	Oil for diesel and/or carburettor (injection) engines	6,072 per tonne	6,000 per tonne
28	Virgin ("straight-run") gasoline	7,824 per tonne	13,100 per tonne
29	Benzene, paraxylene, orthoxylene	-	3,000 per tonne
30	Jet kerosene	-	3,000 per tonne
31	Intermediate hydrocarbon distillates	-	5,293 per tonne

a The excise tax rate for sparkling wines with a protected geographical indication or a protected appellation of origin is Rub 13 per 1 litre (Tax Code of the Russian Federation, Article 193; viewed at: http://nalog.garant.ru/fns/nk/34/#block_187).

b The excise tax rate for wines (except sparkling wines) with a protected geographical indication or a protected appellation of origin is Rub 5 per 1 litre (Tax Code of the Russian Federation, Article 193; viewed at: http://nalog.garant.ru/fns/nk/34/#block_187).

Source: Federal Tax Service of the Russian Federation and Tax Code of the Russian Federation.

3.127. VAT is applied at a standard rate of 18% on the transfer of property rights and the supply of works, services and goods, including on their importation; wherever applicable, the tax base includes excise taxes. VAT on imports from third countries is levied on the c.i.f. value plus customs duties and excise taxes payable upon importation. A reduced rate of 10% applies to certain items, including basic foodstuffs, children's clothing, medicines, medical devices, and certain printed publications (Table A3.1). Some supplies, including exports, are zero-rated and are thus eligible for VAT refund on inputs (Table A3.2). Exemptions from VAT cater to social assistance and economic development objectives (Table A3.3). In general, VAT returns are filed on a quarterly basis; as from January 2015, the Federal Tax Service (FTS) only accepts electronic VAT filing.⁹⁸

3.3.1.3 Corporate taxes

3.128. The 2016 World Bank *Doing Business* survey ranks the Russian Federation 47th of 189 countries on the "ease of paying taxes" indicator.⁹⁹ The average time required to comply with tax payments is estimated at 168 hours; the effective tax burden of Moscow-based businesses is estimated at 47.1% of profit, with 8.9% attributable to profit tax, 35.6% attributable to social security contributions and 2.6% to other taxes.¹⁰⁰ According to the authorities, a survey carried out by the Federal Tax Service in 2015 estimated the average time spent by taxpayers on preparation, filling of statements and payment of VAT, income tax and social security contributions at 78 hours per year.

3.129. The headline rate of corporate income (profit) tax in the Russian Federation is set at 20%, comprising 2% payable to the federal budget and 18% payable to the budgets of the subjects of the Russian Federation (regions). The component payable to the sub-federal executive authorities can be reduced at their discretion, typically by up to 4.5 percentage points, or even waived in some special cases (see below). Russian tax residents¹⁰¹ are taxed on their worldwide income; relief for foreign tax paid on overseas income may not exceed the amount of the corresponding Russian tax liability.¹⁰² The tax base comprises net business income, capital gains and passive income.¹⁰³ Dividend income from Russian and foreign companies is generally taxed at a flat rate of 13% (up from 9% until end-2014).¹⁰⁴

3.130. Corporate property tax, payable to the sub-federal (regional) budgets, applies to immovable and movable assets (excluding land) recorded on taxpayers' balance sheets as fixed assets.¹⁰⁵ The regions set the rates applicable in their respective jurisdictions, which cannot exceed 2.2%; they may establish differentiated rates for certain categories of taxpayers and/or property.¹⁰⁶ The Tax Code of the Russian Federation capped the rates for public railroads, trunk pipelines, power transmission lines, and facilities constituting an integral technical component of such infrastructures at 0.4% in 2013; it also set out an annual schedule for this cap's gradual increase to 1.9% in 2018.

⁹⁸ Businesses that, over a period of three consecutive months, have not dealt in excisable goods and have not had aggregate revenue in excess of Rub 2 million may, upon request, be exempted from VAT-related taxpayer obligations for that year.

⁹⁹ The World Bank *Doing Business* report defines taxes broadly to include all mandatory contributions to government and local authorities, and applies them to a standardized corporation for comparison among different countries. The economy profile of the Russian Federation is accessible at: <http://www.doingbusiness.org/data/exploreeconomies/~media/giawb/doing%20business/documents/profiles/country/RUS.pdf?ver=3>.

¹⁰⁰ In St. Petersburg, the effective tax burden is estimated at 46.8% of profit, with the following breakdown: profit tax, 9%; social security contributions, 35.6%; and other taxes, 2.2%.

¹⁰¹ A legal person is a Russian tax resident if: it is Russian-incorporated; its place of management is in the Russian Federation; or it complies with the specific provisions of one of the 81 bilateral investment promotion and protection agreements in force. Tax residence rules are set out in Law No. 376-FZ of 24 November 2014 and its subsequent amendments.

¹⁰² Entities deemed non-resident for tax purposes are taxed on income from commercial activities undertaken in the Russian Federation and on passive income from Russian sources.

¹⁰³ Losses may be carried forward for 10 years, except for losses derived from activities subject to a 0% profit tax rate.

¹⁰⁴ Dividends received from majority-owned (> 50%) companies are tax-exempt if the shares were held for at least 365 days on the day the dividend was announced.

¹⁰⁵ As from 2015, the property of natural monopolies is no longer exempted from property tax.

¹⁰⁶ Whenever the tax base is calculated using the cadastral value, instead of the depreciated book value, the maximum rate is 2%.

3.131. At the municipal level, land owners are subject to a land tax, based on the cadastral value of the plot. The rates set by local (municipal) authorities may not exceed: 0.3% for agricultural, residential or utilities infrastructure plots; and 1.5% for other types of land use.

3.132. Depending on their location, the nature of their activities and their assets, some businesses would also be liable for: a water tax and/or a mineral resources extraction tax (MRET) (Section 4.5.1), both of which are payable to the federal budget; a transport tax and/or a gambling tax, payable to the budgets of the regions; and/or a trade levy collected by local authorities in municipal formations with the status of federal cities.

3.133. Under Russian legislation, small and medium-sized businesses are eligible for special tax regimes, including a simplified tax regime, a patent regime, a presumptive tax regime, and a unified agricultural tax regime. Qualifying taxpayers may simultaneously apply more than one special regime for their different activities.

3.134. Employers must make contributions to pension, social and medical insurance funds, based on each employee's annual remuneration; employees are not required to make social security co-payments. In 2016, these contributions were calculated as follows: Pension Fund, 22% within the threshold of Rub 796,000 and 10% on any excess remuneration; Social Insurance Fund, 2.9% on the first Rub 718,000 only; and Medical Insurance Fund, 5.1% on the total wage earnings. Mandatory accident insurance contributions must be paid separately to the Social Insurance Fund at rates ranging from 0.2% to 8.5% of the employee's full salary, depending on the occupation's risk category.¹⁰⁷

3.3.1.4 Tax incentives

3.135. Various tax incentives are available at both the federal and sub-federal levels in the Russian Federation. Under the Tax Code, regional executive authorities have some flexibility in offering tax-rate and tax-base concessions, and setting the corresponding eligibility criteria¹⁰⁸, but are required to apply the tax breaks uniformly to all qualifying businesses in their jurisdiction. While most regions have established a prior approval process for the granting of tax incentives, a few have chosen to rely on taxpayers' self-assessment. Consequently, there is considerable tax rate dispersion across regions, economic activities and types of taxpayers, and the administrative burden on applicants for tax concessions could be rather high.

3.136. Federal activity-specific incentives include: a 150% deduction of qualifying research and development (R&D) expenditures from the profit tax base; accelerated depreciation for fixed assets used in science and technology; social security contributions at lower rates for technology and software companies; and exemption of capital gains on listed shares in Russian high-technology companies from profit tax, if acquired after 1 January 2011 and held for more than five years.¹⁰⁹ In addition, the overall corporate profit tax rate has been set at zero during 2012-2022 for providers of education and medical services.

3.137. In 2014, tax breaks were also introduced for greenfield investments of a certain size in 15 Far Eastern and Siberian regions: the profit tax component payable to the federal budget was set at zero and, at the discretion of the competent executive authority, the component payable to the regional budget could be waived for up to five years, followed by a reduced rate of 5% to 10% for the following five years.¹¹⁰ In addition, participants in investment projects in those regions became eligible for reduced rates of MRET on a range of mineral resources.

3.138. Various tax incentives remain in place for the oil and natural gas industries, with concessions depending on field characteristics, such as age and accessibility. Trunk gas pipelines

¹⁰⁷ Law No. 125-FZ of 27 July 1998.

¹⁰⁸ Most regional executive authorities require a minimum level of capital investment or place restrictions on the type of business activity undertaken, but in some cases employment and wage rate considerations constitute the main eligibility criteria.

¹⁰⁹ The same exemption also applies to capital gains realized on the sale of unlisted shares and participations in any Russian company.

¹¹⁰ Eligible projects must be based exclusively within one of the Far Eastern and Siberian regions, and commit to making capital investments of at least Rub 50 million within three years or at least Rub 500 million within five years.

and related structures, gas production project sites, and helium production and storage facilities are eligible for a corporate property tax waiver during 2015-2034, if the initial commissioning took place after 1 January 2015.

3.139. Tax concessions are also available to the residents of special economic zones (SEZs), territorial development zones (TDZs), territories of advanced development (TAD), the Skolkovo Innovation Centre, and the Free Port of Vladivostok (Section 3.3.2).

3.3.2 Incentives

3.3.2.1 General support programmes

3.140. In acceding to the WTO, the Russian Federation "confirmed that any subsidy programme in place or established after accession within the territory of the Russian Federation would be administered in conformity with the WTO Agreement on Subsidies and Countervailing Measures. In addition, the Russian Federation would provide a subsidies notification in accordance with Article 25 of the WTO Agreement on Subsidies and Countervailing Measures to the WTO Committee on Subsidies and Countervailing Measures".¹¹¹

3.141. The Russian Federation has submitted notifications for subsidies at the Federal and sub-federal levels for 2012, and 2013-14 which show that support at the Federal level was provided to several sectors under a number of different legislative acts and in various forms, including: capital contributions, partial compensation for interest charged on loans; grants; etc. At the sub-federal level, the support provided by the sub-federal authorities was usually for specific sectors and also took various forms, including: tax incentives; compensation for interest on loans; direct grants; and equity injections (Table 3.25 and Table 3.26).¹¹²

Table 3.25 Federal support programmes 2013 and 2014

(Rub million)

Support to	2013	2014
Light Industry, Arts and Crafts	1,361	1,157
Children's Products Industry	0	33
Timber Industry	1,150	2,092
Production of Composite Materials and Products Thereof	0	1,080
Chemical Industry	0	4
Transport Machine Building	1,406	4,685
Automobile Industry	8,108	58,664
other Industry Sectors	825	2,670
Engineering and Industrial Design	0	140
Tool-making Industry	2,107	2,277
Power Electroequipment and Power Machine Building	0	1,000
Building Materials Industry	0	290
Aircraft Industry	1,823	1,696
Pharmaceutical and Medical Industry	11,020	10,161
Civil Aviation and Air Navigation Service	2,780	709
Agriculture Machinery Modernization, Innovative Development	2,300	1,570
Modernization of the Fisheries Industry	233	6
Establishment and Development of "Skolkovo" Innovation Center	14,032	26,032
Electronic Component Base and Radioelectronics in 2008-2015	7,351	6,099
Auto Investment Programme	n.a.	n.a.
Residents of the Special Economic Zones	n.a.	n.a.
Residents of the Kaliningrad SEZ	n.a.	n.a.
Residents of the Magadan SEZ	n.a.	n.a.
Small and Medium Enterprises (SMEs)	20,450	21,600

n.a. Not available.

Source: WTO document G/SCM/N/284/RUS, 11 May 2016.

¹¹¹ WTO document WT/ACC/RUS/70, 17 November 2011, paragraph 698.

¹¹² WTO documents G/SCM/N/253/RUS/Rev.1, 1 May 2014; and G/SCM/N/284/RUS, 11 May 2016.

Table 3.26 Sub-federal support programmes 2013 and 2014

(Rub million)

Region	Sector	Form	2013	2014
The Altai Territory	Investment	Partial compensation of expenditures on interest on loans	0	41
Amur Region	Plant cultivation machines	State guarantees	119.4	0
	Plant cultivation machines	Partial compensation of expenditures on interest on loans	47.5	0
	Investors in specified economic activities	Partial compensation of expenditures on interest on loans	36.4	0
	Investors in specified economic activities	Tax incentives	539.3	0
	Processing industries	State guarantees	0	158
Bryansk Region	Investment	Tax incentives	122.1	0
The Chuvash Republic	Investment	Tax incentives	92	0
Irkutsk Region	Construction materials production	Partial compensation of expenditures on interest on loans	0	72
Kaluga Region	Investment	Tax incentives	0	n.a.
The Kamchatka Territory	Industrial development	Compensation of shortfall in income	0	3778
	Fisheries	Partial compensation of lease payments and expenditures on interest on loans	0	37
	Fishing and fisheries	Tax incentives	0	44
The Karachayev - Cherkessian Republic	Cement industry	Tax incentives	0	0
The Khabarovsk Territory	Industrial development	Tax incentives	0	86.9
Khanty-Mansijsk Autonomous Area	Agriculture and fishing	Partial compensation of costs	0	134
	Agriculture and fishing	Grants	132.3	0
Kostroma Region	Linen and flax tissues, machine building, metalwork	Tax incentives	1,464.9	0
Leningrad Region	Investment	Tax incentives	0	0
Nizhni Novgorod Region	Investment	Tax incentives	178.5	0
Novosibirsk Region	Investment	Tax incentives	577.8	0
Omsk Region	Glass production	Tax incentives	71.7	0
Oryol Region	Clay products, pharmaceutical products, property and asset development	Tax incentives	130.2	0
Pskov Region	Investment	Tax incentives	0	133
The Primary Territory	Fish processing	Partial compensation of costs	0	79.5
Rostov Region	Investment	Partial compensation of costs	0	137
	Investment	Partial compensation of expenditures on interest on loans	0	136
	Investment	Tax incentives	1,477	0
	Fishing and fish processing	Partial compensation of expenditures on interest on loans	440	0
Sakhalin Region	Investment	Partial compensation of lease payments and expenditures on interest on loans	0	290
	Fishing and fish processing	Partial compensation of lease payments and expenditures on interest on loans, partial compensation of an advance payment	0	114
	Investment	Tax incentives	28	0
		Partial compensation of expenditures on interest on loans	140	0
	Forestry	Partial compensation of expenditures on interest on loans	26.5	0
Samara Region	Mechanical engineering	Partial compensation of costs	0	234
	Investment	Tax incentives	0	2,734
	Aircraft manufacturing	Tax incentives	0	42.5
	Car component manufacturing	Partial compensation of expenditures on interest on loans	455.6	0
	Investment	Tax incentives	1,239	0
Sverdlovsk Region	Industrial and scientific development	Partial compensation of costs	0	219
The Republic of Tatarstan	Investment in fishing and fish processing	Tax incentives	0	1,474
Tomsk Region	Investment	Tax incentives	0	164
	Investment	Partial compensation of costs	0	1,115
Tula Region	Investment	Tax incentives	0	1,964
	Investment	Partial compensation of costs	0	64

Region	Sector	Form	2013	2014
The Udmurtian Republic	Investment	Tax incentives	0	188
	Investment	Tax incentives	0	116.6
	Investment in leather, textiles and clothing manufacturing	Partial compensation of costs	262	0
Vladimir Region	Investment	Tax incentives	0	777
Voronezh Region	Investment	Partial compensation of expenditures on interest on loans	44.1	0
Yamalo-Nenets Autonomous Area	Investment in fish hatchery	Partial compensation of costs	0	150
		Fishing and fish processing	0	699
	Fishing and fish processing	Partial compensation of costs	0	51
	Investment	Tax incentives	n.a.	1,503 (since 2012)
			n.a.	1,338 (since 2013)
Yaroslavl Region	Wholesale power and power market	Tax incentives	0	164
	Fish farms	Grants	528.8	0
	Industrial development	Partial compensation of costs, lease payments and expenditures on interest on loans	0	34.2

n.a. Not available.

Source: WTO document G/SCM/N/284/RUS, 11 May 2016.

3.142. According to the authorities, industrial policy is based on a number of programmes for limited periods centred on different themes (e.g. innovative economy, foreign trade) or sectors (e.g. energy, aircraft, shipbuilding, fisheries, pharmaceuticals) as provided for in a number of Government regulations (Table 3.27).

Table 3.27 Federal support programmes 2012-14
(Rub million)

Sector	Government Regulation	Period	2012	2013	2014
Industrial development and competitiveness	No. 328 of 15 April 2014	2014-2016	55,712.6	51,691.8	152,964.4
Aircraft industry	No. 303 of 15 April 2014	2013-2025	..	13,603.6	15,032.9
Shipbuilding	No. 366 of 21 April 2014	2013-2030	..	22,739.4	21,569.9
Fisheries	No. 314 of 15 April 2014	2013-2020	..	10.5	10.2
Pharmaceuticals	No. 305 of 15 April 2014	2013-2020	..	0	0
Economic development and innovative economy	No. 316 of 15 April 2014	2013-2020	..	111.0	132.0
Power efficiency and development of the energy sector	No. 321 of 15 April 2014	2013-2020	..	22.7	13.9
Reproduction and use of natural resources	No. 322 of 15 April 2014	2013-2020	..	63.1	65.9
Foreign trade development	No. 330 of 15 April 2014	2013-2018	..	8.3	73.1

.. Not available.

Source: Authorities of the Russian Federation.

3.143. A new law on industrial development in Law No. 488-FZ of 31 December 2014 "On Industrial Policy in the Russian Federation" came into force on 30 June 2015 and covers economic activities related to mining of minerals, the processing industry, power, gas and steam supply, air conditioning, water supply, water disposal, waste collection and disposal, and elimination of pollution. It does not apply to production of food products that contain alcohol, alcoholic beverages, or tobacco products. Under the Law, support granted to industrial entities by the Federal government and/or sub-federal authorities, may be subject to conditions, including: performance indicators; and fines equivalent to the subsidy may be applied if the performance indicators are not met.

3.144. Under Law No. 488-FZ industrial development funds may provide financial support in various forms including loans, grants, capital contributions, financial leasing, etc. Furthermore, Federal and sub-federal authorities may provide support to industrial enterprises exporting products manufactured in the Russian Federation (Section 3.2.4).

3.145. Under Law No. 488-FZ, for the purposes of procurement of goods, works and services for government needs and by certain types of legal entities specified in Law No. 223-FZ of 18 July

2011 "On Procurement of Goods, Works, and Services by Certain Types of Legal Entities" (as amended by Law No. 249 of 13 July 2015), priority may be given to goods originating in the Russian Federation. According to the authorities, such priority may only apply in cases that are not contrary to the obligations of the Russian Federation under international treaties.

3.146. Several Government decrees have been issued relating to Law No. 488-FZ, including:

- Government Decree No. 719 of 31 July 2015 "On the criteria for designating industrial products as industrial products having no analogue produced in the Russian Federation" which sets the criteria to define a product with no domestic substitute as one which is not produced in Russia, and with product parameters (e.g. functional and quality characteristics) that differ from products produced in Russia. For six sectors, it also establishes the criteria to determine whether a product is made in the Russian Federation (including machine tools, automotives, electrical goods, and farm and food processing machinery). These criteria include technological operations that must be carried out in Russia, the manufacturer must have intellectual property, and there must be a service centre in the EAEU;
- Government Decree No. 751 of 24 July 2015 setting out criteria to define conditions for industrial activities in the Russian Federation and abroad;
- Government Decree No. 708 of 16 July 2015 "On special investment contracts" provides for the creation of Special Investment Contracts (SIC) between the investor and the Ministry of Industry and Trade or other state authority and, if the investor applies for regional or municipal support, the regional or municipal authorities. The objective of the SICs is to increase investment in establishing and modernizing industrial production through sectoral advantages and benefits. Investors are required to establish a production facility in the Russian Federation, establish an industrial or technology partnership or joint venture with a Russian company and transfer technology to the Russian Federation, start production in the Russian Federation, and start R&D activities in the Russian Federation or with a Russian partner. The Federal authorities are to provide access to land and infrastructure, give Federal tax reductions or exemptions, and provide direct financial support. Regional authorities are to provide access to land and infrastructure and they may give reductions or exemptions to regional taxes. Municipal authorities are to facilitate and support establishment. Contracts are for up to 10 years and give tax and legal stability - except for changes resulting from international treaties and at the EAEU level. The minimum investment is Rub 750 million. To acquire an SIC, an investor must submit an application and supporting documentation which is considered by an inter-agency government commission for up to 70 working days. The conclusion of the commission is sent to the investor who has 10 working days to respond. Decree No. 708 includes provision for negotiations and the final contract must be signed by all private and public parties;
- Government Decree No. 757 of 25 July 2015 established the State Industrial Information System (GISP) to provide information on, *inter alia*, state and municipal programmes for development and implementation of industrial policy, incentives for industrial development, and information on industries, sectors, and technical references;
- Government Decree No. 794 of 4 August 2015, provides for the creation of industrial parks and incentives for their management companies and resident enterprises, including financial support; and
- Government Decree No. 779 of 31 July 2015 "On industrial clusters and specialised organisations of industrial clusters" provides for incentives for industrial clusters, where an industrial cluster is defined as a set of industrial enterprises located in one or more constituent entities of the Russian Federation that are interconnected due to geographical proximity and functional dependence. To qualify for Federal incentives, a cluster must be established and developed with regard for spatial development in the Russian Federation, the cluster must be within the boundaries of a constituent entity of the Federation or adjacent entities and must meet educational, production, financial, organizational, and monitoring requirements. At least 50% of production from each member of a cluster must be used by other members (except for the final producer of products for sale

domestically or for export). The rules on Federal subsidies to members of industrial clusters for joint projects of cluster members for import substitution are in Government Resolution No. 41 of 28 January 2016.^{113, 114, 115, 116, 117}

3.3.2.2 Special Economic Zones and other regional schemes

3.147. Under Law No. 116-FZ of 22 July 2005 four different types of Special Economic Zone may be established: industrial and production zones; technology and innovation zones; tourist and recreational zones; and port and logistical zones. The SEZs provide incentives, administrative support, and supporting infrastructure for investors to establish and construct facilities at reduced costs (Table 3.28). At end-May 2015, there were 34 SEZs: 10 industrial and production; 6 technology and innovation; 15 tourism and recreational; and 3 port and logistics.

Table 3.28 Special Economic Zones and selected incentives

	Normal rate	SEZ rate	Note
Corporate income tax	20%	0-2% federal 0 to 13.5% regional	Applies to Federal and regional tax for the period of conducting the activity as a resident in the SEZ. In addition, there are tax allowances for research and development, losses, and accelerated allowances for depreciation of fixed assets
Property tax	0-2.2%	0	For 10 years
Land tax	0.3-1.5%	0	For 5 or 10 years
Vehicle tax	€0.1 to 3.5/hp	According to the decision of the region (0%)	According to the decision of the region
Social taxes and insurance	34%	2016-17: 14% 2018: 21% 2019: 28%	For residents conducting technology and innovative activities, and residents of tourist and recreational SEZs
Customs		Duty free	- For foreign goods placed and used within the territory of an SEZ - Russian goods placed and used in an SEZ are subject to the customs regime for exports with excise duties but without customs duties where applicable. - Processed products leaving an SEZ and destined for the EAEU are treated as imports into the EAEU and duties and charges applied. - Processed products leaving an SEZ and destined for outside the EAEU export duties and charges, where applicable, are charged.
Income tax for foreigners	30%	0-13%	For foreign nationals involved in activities of SEZ residents and classed as highly qualified specialists
VAT	18% (standard rate)	0	Exempt for services by residents in Port SEZs

Source: Russian authorities and Ministry of Economic Development online information. Viewed at: <http://www.ved.gov.ru/eng/investing/sez/> [June 2016].

3.148. The Skolkovo Innovation Centre was set up under Law No. 244-FZ of 28 September 2010 "On Innovation Centre Skolkovo" and Law No. 243-FZ of 28 September 2010 "On Amending Certain Legislative Acts of the Russian Federation Following the Enactment of the Federal Law on Skolkovo Innovation Centre". The Centre hosts research work in the areas of: energy, nuclear technologies, aerospace, biomedical technologies, and information technology. A participant must be a Russian legal entity established to carry out research activity under Law No. 244-FZ and be given the status of a participant in the Centre. The benefits apply for ten years from registration and include grant support, relaxed rules on immigration for foreign employees working in the Centre, and tax advantages. The tax advantages include: exemptions from taxes on profits, and Property Tax; refunds of VAT and import duties; and reduced rates for social taxes and insurance contributions.¹¹⁸ At 31 March 2014, there were 5,822 applications, and 1,045 participants with a total of Rub 7,198 billion in grants allocated and Rub 9,231 billion approved.¹¹⁹

¹¹³ GRATA (2015).

¹¹⁴ Bourliand E., Menchik D. (2015).

¹¹⁵ Ministry of Industry and Trade (2015).

¹¹⁶ Safaryan H., Batalov A. (2015).

¹¹⁷ GRATA (2016).

¹¹⁸ Skolkovo online information. Viewed at: <http://sk.ru/net/participants/> [April 2016].

¹¹⁹ Burenin A. (2014).

3.149. Law No. 212-FZ of 13 July 2015 "On Vladivostok Free Port" took effect from 12 October 2015 and provides incentives for businesses operating in the free port zone including reduced rates of corporate profit tax and social taxes and insurance contributions, exemption from property tax, and a facilitated visa regime.

3.150. In addition, Law No. 392-FZ of 3 December 2011 and Government Resolution No. 326 of 10 April 2013 provide for the establishment of Territorial Development Zones for up to twenty years where state support may be provided to accelerate the socio-economic development of regions of the Russian Federation. Regions approved by the Government may apply for the creation of territorial development zones where incentives may be granted. The incentives could include tax incentives, leasing, subsidies, state guarantees on loans, etc. By end-May 2016, no territorial development zone had been created. Law No. 473-FZ of 29 December 2014 on priority development areas, which entered into force in March 2015, offers similar incentives, initially in the Far Eastern Federal District and some single-industry towns where development areas may be established for up to 70 years.

3.3.3 State trading, state-owned enterprises, and privatization

3.151. At end-June 2016, the Russian Federation had not made any notifications to the WTO on state-trading enterprises within the meaning of Article XVII of GATT 1994 and the understanding on the Interpretation of Article XVII. In its accession to the WTO, the Russian Federation made several commitments relating to state-owned and state-controlled enterprises and enterprises with exclusive or special privileges with regard to conducting commercial activity:

- such enterprises, when engaged in commercial activity, would make purchases, which were not intended for governmental use, and sales in international trade in a manner consistent with applicable provisions of the WTO Agreement;
- such enterprises would make such purchases and sales in accordance with commercial considerations, including price, quality, availability, marketability, and transportation, and would afford enterprises of other WTO Members adequate opportunity in conformity with customary business practice, to compete for participation in such purchases or sales;
- within the scope of the services commitments of the Russian Federation, including the limitations set-out in its Schedule of Specific Commitments on Services, the rights and obligations of the Russian Federation under the GATS, and the regulatory measures of the Russian Federation covered by the WTO Agreement, including pricing regulations, and without prejudice to such commitments, rights, obligations, and measures that are consistent with these commitments, rights and obligations, the Russian Federation would ensure that such enterprises would act in accordance with the provisions set-out in the relevant paragraph of the Working Party Report; and
- upon accession, the Russian Federation would notify enterprises falling within the scope of the Understanding on Article XVII of the GATT 1994.¹²⁰

3.152. State enterprises in the Russian economy are regulated by a number of different laws including: The Civil Code of the Russian Federation; Law No. 208-FZ of 26 December 1995 "On Joint-Stock Companies" (as last amended on 29 June 2015); and Law No. 161-FZ of 14 November 2002 "On State and Municipal Unitary Enterprises" (as last amended on 13 July 2015). State enterprises may also be required to implement some aspects of industrial policy in the Russian Federation, for example, under Resolution No. 475-r of 21 March 2016, 90 state-owned enterprises were required to purchase innovative and high-tech products from small and medium sized enterprises, where the list of state enterprises includes the 13 out of the 35 that are required to get their procurement schedules approved by the Federal Corporation for Development of Small and Medium Enterprises under Government Resolution No. 2258-r of 6 November 2015 (Transneft, Uralgonzavod, Atomstroyexport, Central Bureau of Marine Engineering, Sevmash, Russian Highways, Gazprom, Rosseti (Federal Grid Company of United Energy System), Rostelecom, Aeroflot, Alrosa, Rosneft, and Russian Railways).¹²¹

¹²⁰ WTO document WT/ACC/RUS/70, 17 November 2011, paragraph 99.

¹²¹ Government of the Russian Federation online information. Viewed at: <http://government.ru/docs/22284/> [April 2016].

3.153. The Civil Code of the Russian Federation lists three possible legal/corporate forms for an enterprise and state-owned enterprises take one of these forms:

- Joint Stock Companies may have private shareholders and may be listed on foreign stock-exchanges (e.g. Gazprom, Sberbank, Russian Railways, Transneft);
- Unitary Enterprises are commercial enterprises whose ownership cannot be divided into shares or equity, and which do not have ownership rights over the assets used in their operations. Such entities are owned by the State or by municipal authorities (e.g. Rosoboronexport, Post of Russia, Rosspirtprom)
- State Corporations are non-profit organizations where asset management depends on the individual law or charter of establishment which also sets out their responsibilities and reporting requirements (e.g. Vnesheconombank, Rosnanotekh, Rostekhnologii, Rosatom).

3.154. Despite an overall decline in the number of state-owned enterprises (SOEs), they remain significant in the economy, and are concentrated in sectors such as banking, telecommunications, transport and energy. An OECD report noted that the level of state control is gradually decreasing but estimated that, in 2013, SOEs accounted for over 50% of the Russian economy and over 80% of sales, assets, and market value of the top ten firms in the Russian Federation.^{122,123}

3.155. According to the IMF, as at October 2013, the public sector included 31,092 public corporations which included 22,440 unitary enterprises, 308 state corporations (11 financial and 297 non-financial), and 8,344 joint stock companies. There were 10,799 other, unspecified government-controlled entities included in the official statistical register of the Federal Statistics Service.¹²⁴

3.156. The degree of state ownership varies from one sector to another. One report estimated that, in 2012, state ownership represented 73% of the transport sector, 45% of oil and gas, 35% of utilities, 15% of machinery, and 14% of telecoms.¹²⁵ More recently, the OECD stated that the banking sector is dominated by state-owned banks: the Central Bank of Russia is the majority shareholder in Sberbank, which, in 2012, accounted for almost half of retail deposits and one third of bank assets, although its share was declining.¹²⁶

Table 3.29 Selected state-owned enterprises in the Russian Federation in 2015

(Rub million)

Company	Sales Volume	Net profit	State ownership ^a
Gazprom	5,477,278	157,192	38.37%
			10.97% Rosneftegaz
			0,89% Rosgazifikatsiya ^b
Rosneft	3,681,000	350,000	less than 0.01%
			69.5% Rosneftegaz ^c
Sberbank of Russia	2,167,400	290,300	50% + 1 share Central Bank of Russia
Russian Railways	1,401,729	-44,078	100%
VTB Group	925,600	800	60.93%
Transneft	774,380	59,500	78.1%
Rosseti	759,608	-24,257	85.31%
Bashneft	637,271	43,021	73.94%
RusHydro	329,560	24,131	66.84%
Aeroflot	319,771	-17,146	51.17%
Rostelecom	310,917	37,807	48.71%

a May 2016, state percentage of ordinary shares.

b 7 May 2015 Rosneftegaz is 100% state-owned, Rosgazifikatsiya is 74.54% state-owned.

c 1 May 2016.

Source: Expert 400 "Annual Ratings of the Biggest Russian Companies" (Available at: <http://expert.ru/ratings/rejting-krupnejshih-kompanij-rossii-2015-po-obemu-realizatsii-produktsii/>) and Russian authorities.

¹²² OECD (2013), p. 18; and IMF (2014), p. 33.

¹²³ OECD (2015c), pp 70-71.

¹²⁴ IMF (2014a), and IMF (2014b).

¹²⁵ Tspeliaeva J. and Eltsov Y. (2012).

¹²⁶ OECD (2014), p.19.

3.157. Since 1993, privatization has been carried out as provided for in legislation on privatization of state and municipal property. The legislation regulating privatization is set out in the Civil Code of the Russian Federation and Law No. 178-FZ of 21 December 2001 "On Privatization of State and Municipal Property"¹²⁷ (which was last amended on 13 July 2015).

3.158. According to a report issued by the Accounts Chamber of the Russian Federation in March 2015, the Russian Federation fully or partially privatized 1,180 joint stock companies and 274 federal unitary enterprises in 2010-14. However, privatization proceeds in 2010-14 were only 40% stock or 35% of state-owned of the planned total. Amongst other reasons, the bulk of the privatization programme has been postponed due to low asset prices, compounded by the economic slowdown.¹²⁸

3.3.4 Competition policy and price controls

3.159. The EAEU Treaty prohibits the abuse of market dominance, anticompetitive agreements and unfair competition on cross-border markets within the EAEU, and confers enforcement powers to the EEC.¹²⁹ The EAEU Treaty also provides for the harmonization of member States' national legislations in the area of competition policy on the basis of general principles, including: effective control of economic concentrations, regulation of natural monopolies, prohibition of anti-competitive agreements concluded by public authorities, prohibition of preferences granted by state or municipal authorities (except in particular cases), and codification and application of penalties.

3.160. The Federal Antimonopoly Service of Russia (FAS), operating directly under the authority of the Head of Government, is responsible for administering and enforcing the law "On the Protection of Competition", which is the main law governing competition issues in the Russian Federation.¹³⁰ The FAS has a broader mandate, which also includes price regulation¹³¹ as well as control of: public and defence¹³² procurement (Section 3.3.5), compliance with the law on advertising, and foreign investments in strategic industries (Section 2.6).

3.161. In the exercise of its competition policy functions, the responsibilities of the FAS comprise both conducting an investigation (fact-finding) and deciding in the first instance. Nevertheless, plaintiffs may choose to assume the burden of proof and file a complaint directly with the courts. Likewise, FAS decisions may be appealed at the FAS or in court. The Russian legislation contains provisions facilitating litigation for third-party damages once an infringement decision has been issued by the FAS.

3.162. The law "On the Protection of Competition" prohibits anti-competitive agreements and the abuse of a dominant position, and regulates economic concentrations, as well as any actions and agreements by state authorities¹³³ that would have an impact on competition (including state aid). In most cases, the law provides for an effects-based assessment of harm to competition¹³⁴ (rule-of-reason approach); a *per se* prohibition is stipulated for cartels.¹³⁵

3.163. In line with the effects-based approach common to many jurisdictions, export-oriented anti-competitive practices (including cartels) that do not affect competition on the domestic market are excluded from the application of the Russian antimonopoly legislation, although those having an effect within the EAEU would be addressed under the EAEU Treaty. While no particular

¹²⁷ WTO document WT/ACC/RUS/70, 17 November 2011, paragraph 59.

¹²⁸ U.S. Department of State (2015).

¹²⁹ EEC decisions on antitrust cases can be appealed at the Union's Court.

¹³⁰ Law No. 135-FZ of 26 July 2006, last amended in December 2011 and in October 2015.

¹³¹ Presidential Decree No. 373 of 21 July 2015.

¹³² Government resolution No. 1489 of 25 December 2014.

¹³³ The control of state interventions applies to all levels of government.

¹³⁴ While the abuse of market dominance is to be established on a case-by-case basis, the definition of a dominant position (except for financial organizations) is assisted by indicative market share thresholds: an economic entity with less than 35% market share is generally not considered individually dominant, whereas one holding more than 50% of the market is presumed dominant. As from January 2016, the FAS is no longer required to keep a register of economic entities with market shares above 35%.

¹³⁵ Cartels are defined as agreements between competitors that result or may result in any of the following outcomes: fixing or maintaining prices, discounts or mark-ups; bid rigging; market sharing; reducing or terminating supply; and refusal to deal. As from January 2016, the definition covers not only agreements between suppliers but also those between buyers.

sectors or entities are exempted from the application of the law "On the Protection of Competition", general (block) exemptions have been adopted for certain agreements between: credit and insurance organizations¹³⁶; buyers and sellers; business entities conducting joint scientific surveys¹³⁷; and insurers carrying out joint insurance or reinsurance activity.¹³⁸ An exemption also applies to the exercise of exclusive rights derived from intellectual activity and equivalent means of individualization.

3.164. In addition, anti-competitive practices can be recognized as permissible as long as they: do not afford some participants the possibility of eliminating competition on the respective product market; do not impose on anyone restrictions which are not indispensable for the attainment of their objective; and result or may result in (i) perfection of production, sale of goods, stimulation of technical or economic progress, or increasing the competitiveness of Russian goods in the world market, and/or (ii) granting buyers benefits which are proportionate to the benefits obtained by the economic entities as a result of the conduct.¹³⁹ Certain vertical agreements (except those between financial organizations) are also expressly declared permissible: (i) written vertical commercial concessions such as franchising agreements; and (ii) vertical agreements between economic entities if the market share of each of these entities does not exceed 20%.

3.165. Notwithstanding the general prohibition of any advantage conferred on a selective basis by a state authority to an economic entity, such practices may be deemed permissible for a variety of policy objectives, mostly socially and culturally oriented ones. The law sets out a detailed procedure of state or municipal aid granting, as well as a number of measures to be taken in case of misuse of this aid.¹⁴⁰

3.166. The Russian competition regime applies *ex ante* control of economic concentrations, including mergers, acquisitions of shares or controlling interests, and joint ventures. Undertakings (except financial organizations) must notify their intention to merge and obtain prior authorization from the FAS if, according to their latest pre-notification balance sheets: (i) their combined assets exceed Rub 7 billion; or (ii) their combined revenues exceed Rub 10 billion.¹⁴¹ Whenever an economic concentration gives rise to concerns about harm to competition, the FAS can either block the proposed transaction or impose certain remedies (conditional approval).

3.167. Violations of the law "On the Protection of Competition" are liable to administrative and criminal penalties, depending on the nature and the gravity of the offence. Administrative fines may be levied on legal entities and on individual officials; in certain cases officials may also be disqualified from exercising their functions for a term of up to three years. The Code of Administrative Offences of the Russian Federation establishes a detailed mechanism for the calculation of fines, including all mitigating and aggravating circumstances. Criminal liability provisions are in place for any competition-restricting agreement (cartel) that caused major damages (exceeding Rub 10 million) to physical persons, organizations or the state, or brought the perpetrators major earnings (exceeding Rub 50 million); criminal penalties include fines (Rub 300,000-1,000,000), disqualification to hold certain positions or engage in certain activities, and prison terms (up to seven years).

3.168. Under the leniency programme introduced in 2007 and substantially amended in 2009, relief from administrative and criminal liability may be granted to the party that is first to disclose and provide evidence of an undetected competition-restricting agreement or concerted practice; relief from criminal liability is conditional on providing compensation for the damages caused by the cartel. As from January 2016, the parties that have come forward as second and third applicants for leniency may be fined at the minimum amount prescribed in the Code of Administrative Offences of the Russian Federation, provided that neither of them had been the initiator of the anticompetitive conduct.¹⁴² The number of leniency applications received by the FAS grew steadily during the period under review (Table 3.30). Anticompetitive practices were

¹³⁶ Government order No. 386 of 30 April 2009.

¹³⁷ Government order No. 583 of 16 June 2009.

¹³⁸ Government order No. 504 of 5 July 2010.

¹³⁹ According to the authorities, there have been cases when such "efficiency considerations" have been taken into account by the FAS.

¹⁴⁰ OECD document DAF/COMP/GF(2010)5.

¹⁴¹ The mandatory pre-merger notification thresholds for the financial services sector are set by Government resolutions that take into account recent developments in that sector.

¹⁴² Law No. 275-FZ of 5 October 2015.

disclosed on various markets, including: notary services, pharmaceutical products, chemical products, construction, biological resources, and public procurement (bid rigging).

Table 3.30 Competition enforcement, 2012-15

	2012	2013	2014	2015
Total complaints/requests	27,347	29,912	39,689	51,546
Leniency applications	13	24	28	46
Abuse of dominance	..	18,397	26,588	37,014
Restrictive practices	..	1,084	1,718	2,151
Abuse of dominance infringements	..	1,955	2,524	2,479
Restrictive practices infringements	..	193	240	304
Mergers reviewed	2,493	2,258	1,928	1,749
Approved without remedies	2,225	2,121	1,742	1,638
Approved with remedies	224	110	157	65
Disapproved (blocked)	44	27	29	46
Advisory opinions	1,496	1,815	2,019	2,411
Alerts	73	56	91	49
Warnings	1,423	1,759	1,928	2,362
Number of administrative fines	24,446	25,471	21,403	28,980
Number of civil court cases	1,688	1,461	1,468	1,577
Appeals (against 1st instance decisions)	587	55	46	40
Decisions reversed/amended on appeal	14	20	7	15

.. Not available.

Source: Federal Antimonopoly Service of Russia.

3.169. While penalties are considered essential for dissuasion, the FAS also seeks to address symptoms of anti-competitive conduct through written alerts and warnings. Alerts are issued in response to public announcements of planned conduct that would be anti-competitive, whereas warnings target specific practices already in place that must be discontinued in order to avoid the initiation of an investigation.¹⁴³ These two instruments are of preventive nature and enable the authorities to focus on the most harmful violations of the law. According to the FAS, virtually all warnings issued to date have been heeded.

3.170. In 2015, the FAS absorbed the Federal Tariff Service of Russia and assumed its functions.¹⁴⁴ Consequently, the FAS took over price regulation, control and monitoring on several goods and services markets, including: electric energy (transmission, operational dispatch management, connection to the Unified National Electricity Network, distribution, wholesale, and retail); thermal power (co-generation and retail); water supply and sanitation; railway transportation (public rail infrastructure and transportation (except transit)); natural gas (pipeline transportation, wholesale and retail); transportation of oil and petroleum products (main pipelines); public telecommunications and public postal services (domestic letter post and telegrams, fixed-line connectivity, distribution of Russian TV and radio content, and telephone loop assignment); services at transport terminals, ports and airports; infrastructure at inland waterways; services on the Northern Sea Route (icebreaking fleet and ice pilotage); air navigation services; and solid domestic waste management. The transfer of competences also included keeping price registries of nuclear fuel cycle and defence products, as well as coordination of storage fees for agricultural reserve stocks and producer prices for vital and essential medicines.¹⁴⁵

3.171. Most of the markets subject to price controls are deemed to operate under natural monopoly conditions, with the monopoly holders being subject to additional regulation (including information disclosure requirements) and supervision pursuant to the Law "On Natural Monopolies".¹⁴⁶ The FAS keeps a register of natural monopolies, which has been made available on

¹⁴³ Warnings must list the grounds for issuance, the legal provisions being violated, and the corrective actions to be voluntarily taken. The FAS must accord at least 10 days for complying with a warning's prescriptions.

¹⁴⁴ Presidential Decree No. 373 of 21 July 2015 and Government Resolution No. 941 of 4 September 2015.

¹⁴⁵ An overview of the competences of the former Federal Tariff Service of Russia is available at: http://www.fstrf.ru/eng/press/brochure/110506_buklet_2011_itog.pdf.

¹⁴⁶ Law No. 147-FZ of 17 August 1995.

its website in test mode.¹⁴⁷ The FAS is also responsible for ensuring that natural monopolies carry out their activities in a manner that does not harm competition or consumers' interests and does not delay an economically justified transition of the relevant market from the natural monopoly status to a competitive one. The scope of supervision of natural monopolies (deriving more than 1% of their income from their regulated activity) comprises (i) any acquisition of assets or investment unrelated to their regulated activity and (ii) any transfer of ownership or right of use over assets related to their regulated activity, as long as the transaction's value exceeds 10% of the monopolist's charter capital.

3.172. The Russian Federation has been actively strengthening and formalizing international cooperation efforts with a view to minimizing frictions arising from procedural or substantive differences between national competition regimes, and promoting cross-border enforcement coordination. The portfolio of cooperation instruments in place comprises legally binding, intergovernmental agreements and non-binding arrangements between Russian institutions and counterparts in other jurisdictions. At end-June 2016, the Russian Federation had intergovernmental agreements on cooperation in the sphere of competition policy with Brazil, Bulgaria, China, Poland, and Ukraine; some 42 cooperation arrangements at institutional level were also in place. While these cooperation instruments vary in scope, typical clauses include notification, consultation, positive comity, avoidance of conflicts, and confidentiality; some cooperation instruments contain provisions on exchange of evidence.

3.173. The Russian Federation participates actively in international fora on competition policy, including conferences and events organized by the International Competition Network, the OECD, and UNCTAD, as well as in the framework of intra-BRICS cooperation.

3.3.5 Government procurement

3.3.5.1 Overview

3.174. Government procurement in the Russian Federation encompasses all procurements of goods, services and works by contractual means to meet state and municipal needs. It amounted to Rub 5,451 billion in 2015, (about US\$90 billion, or 9% of GDP) (Table 3.31).¹⁴⁸ The Russian Federation has reformed its procurement system in recent years; in 2013 a new Government Procurement Law was introduced with the aim of establishing a comprehensive government procurement system, promoting procurement efficiency, and tackling corruption. Moreover, significant achievement has been made in enhancing procurement planning and monitoring. Recent improvements of the contract system led to budgetary savings of Rub 321 billion in 2015, and business confidence in public procurement has also increased. According to the authorities, the average number of participants in each procurement procedure increased from 2.5 in 2014 to 3.2 in 2015.

3.175. The Russian Federation is not a party to the WTO Agreement on Government Procurement (GPA). On joining the WTO in August 2012, the Russian Federation agreed to initiate negotiations on accession to the GPA within four years. On 29 May 2013, the Russian Federation was granted observer status in the GPA Committee and the Russian authorities have indicated that the negotiation may be officially initiated in the second half of 2016.

Table 3.31 Government procurement and its share in GDP, 2011-15

Year	Value of procurement (Rub billion)	Share in GDP (%)
2011	4,831.9	8.1
2012	6,108.4	9.9
2013	5,899.4	9.4
2014	5,509.9	8.7
2015	5,451.4	9.0

Source: Information provided by the Russian authorities.

¹⁴⁷ As at October 2015, the register of natural monopolies contained more than 6,500 entities. FAS online information. Viewed at: <http://fas.gov.ru/opendata/7703516539-naturalmonopolies>.

¹⁴⁸ Viewed at: www.zakupki.gov.ru. The figure does not include defence procurement.

3.3.5.2 Legal framework

3.176. Government procurement in the Russian Federation can be divided into three categories in terms of the nature of the procuring entity: procurement by federal and municipal governments; procurement by military entities; and procurement by certain other types of legal entities, such as state-owned enterprises, regulated entities, monopoly entities, utility companies, etc. Different sets of laws and regulations are established for each of these types of procurement.

3.177. For procurement by federal and municipal governments, the applicable law is Law No. 44-FZ of 5 April 2013 "On the Contract System in State and Municipal Procurement of Goods, Works and Services" which entered into force on 1 January 2014 although some of its provisions came, or will come into force on 1 January 2015, 1 January 2016 and 1 January 2017. Numerous revisions to the Law have been made since 2013. Currently, there are about 250,000 procuring entities working under the new procurement law.

3.178. For procurement by SOEs, regulated entities, monopoly entities, and utilities companies, the main law is the Law No. 223-FZ of 18 July 2011 "On Purchases of Goods, Works and Services by Certain Types of Legal Entities". These procuring entities set their own procurement requirements and methods. Local content requirements are not strictly regulated in the Law and these entities are free to set their own requirements. Currently there are around 80,000 such procuring entities registered. For procurement by military entities, the Law No. 275-FZ of 29 December 2012 "On the State Defence Order" applies.

3.179. Other laws relating to government procurement include the Civil Code of the Russian Federation, the Budget Code of the Russian Federation, and the Law on Protection of Competition (Table 3.32).

Table 3.32 Main legal framework of the federal and municipal procurement system

Law number and date of adoption	Title
Law No. 51-FZ, 30 November 2014	The Civil Code of the Russian Federation (Part I)
Law No. 14-FZ, 26 January 1996	The Civil Code of the Russian Federation (Part II)
Law No. 230-FZ, 18 December 2006	The Civil Code of the Russian Federation (Part IV)
Law No. 145-FZ, 31 July 1998	The Budget Code of the Russian Federation
Law No. 146-FZ, 31 July 1998	The Tax Code of the Russian Federation (Part I)
Law No. 117-FZ, 5 August 2000	The Tax Code of the Russian Federation (Part II)
Law No. 195-FZ, 30 December 2001	The Code of Administrative Offences of the Russian Federation
Law No. 63-FZ, 13 July 1996	The Criminal Code of the Russian Federation
Law No. 136-FZ, 25 October 2001	The Land Code of the Russian Federation
Law No. 200-FZ, 4 December 2006	The Forest Code of the Russian Federation
Law No. 190-FZ, 29 December 2004	The Town Planning Code of the Russian Federation
Law No. 74-FZ, 3 June 2006	The Water Code of the Russian Federation
Law No. 44-FZ, 5 April 2013	On the Contract System in State and Municipal Procurement of Goods, Works and Services
Law No. 223-FZ, 18 July 2011	On Purchases of Goods, Works and Services by Certain Types of Legal Entities
Law No. 307-FZ, 30 December 2008	On Auditing Activities
Law No. 131-FZ, 6 October 2003	On General Principles of Local Government in the Russian Federation
Law No. 82-FZ, 19 May 1995	On Public Associations
Law No. 7-FZ, 12 January 1996	On Non-Commercial Organizations
Law No. 117-FZ, 20 August 2004	On Mortgage System of Housing for Militaries
Law No. 149-FZ, 27 July 2006	On Information, Information Technologies and Data Protection
Law No. 79-FZ, 27 July 2004	On Government Service
Law No. 209-FZ, 24 July 2007	On Development of Small and Medium Enterprises in the Russian Federation
Law No. 147-FZ, 17 August 1995	On Natural Monopolies
Law No. 165-FZ, 16 July 1999	On the Principles of Compulsory Social Insurance
Law No. 167-FZ, 15 December 2001	On Compulsory Retirement Insurance in the Russian Federation
Law No. 63-FZ, 6 April 2011	On Electronic Signature
Law No. 275-FZ, 29 December 2012	On the State Defence Order
Law No. 135-FZ, 26 July 2006	On Protection of Competition
Law No. 99-FZ, 4 April 2011	On Licensing of Certain Types of Activity
Law No. 60-FZ, 13 December 1994	On Delivery of Products for the State Needs
Law No. 53-FZ, 2 December 1994	On Procurement and Delivery of Agricultural Goods, Raw Materials and Food Products for the State Needs

Law number and date of adoption	Title
Law No. 126-FZ, 22 August 1996	On State Support of Cinematography of the Russian Federation
Law No. 166-FZ, 20 December 2004	On Fisheries and Conservation of Aquatic Biological Resources
Law No. 5485-1, 21 July 1993	On State Secrets

Source: Information provided by the Russian authorities.

3.180. Compared with the previous law¹⁴⁹, Law No. 44-FZ of 5 April 2013 is more comprehensive and effective as it includes new features such as compulsory procurement planning procedures, more options of procurement methods, and strengthened procurement monitoring system. It regulates the full process of government procurement, including procurement planning, organization of procurement, conclusion of contracts, contract performance, and monitoring and audit of procurements. In implementing the law, the President of the Russian Federation, the Federal Government and its executive authorities, and the State Atomic Energy Corporation (Rosatom) have the right to adopt regulations to govern relevant aspects of government procurement in accordance with the relevant provisions of the law. Since the introduction of the new law, more than 100 implementing regulations have been adopted in respect of procurement planning, information publication, limitation on procurement of foreign products, preferences to products of certain types of suppliers, contracting, and procurement control.

3.3.5.3 General principles and buy-domestic requirements

3.181. According to the Law No. 44-FZ, all procurements should be conducted under the principles of openness, transparency, competition, professionalism, uniformity of the contract system, productivity and efficiency. Procuring entities and their entrusted agencies are prohibited from taking actions that restrict competition, in particular actions that would unreasonably restrict the number of suppliers participating in procurement.

3.182. For purposes of transparency and openness, the Law requires that full and reliable information on each procurement be published in a unified information system on the official website of the Russian Federation (www.zakupki.gov.ru) and be accessible to all interested suppliers free of charge. The unified information system became available on 1 January 2016. The aim of the system is to create equal opportunities for interested suppliers that have the right to participate in government procurement contracts in accordance with the law. Information published in the system includes procurement regulations, procurement plans, procurement notices, tender documentations, contract award information, and a register of complaints.

3.183. With regard to efficiency and professionalism, the law requires that procuring officials be trained to be competent and professional in carrying out procurement. Qualified experts with theoretical knowledge and skills in the field of government procurement may be involved in the organization of procurement activities. Procuring entities may also authorize procuring agencies to carry out procurements on their behalf. Procurements can be conducted either in a centralized or decentralized manner, subject to the decision of the procuring entity.

3.184. Besides these above-mentioned primary principles, the procurement system also has some additional policy goals such as promoting innovation, and supporting small business and certain social groups. For example, procuring entities are required to precede procurements in a manner that gives favourable consideration to innovative products. The law also requires that preferences be given to four types of suppliers: i) institutions and enterprises of the penal system; ii) organization of disabled people; iii) small businesses; and iv) socially-oriented non-commercial organizations. Specifically, a procuring entity is obliged to provide these suppliers with a price preference at a margin of 15%. The lists of goods, works and services eligible for the preference are approved by the Government of the Russian Federation. Such advantages are specified in the notices of procurement and procurement documentation. Procuring entities are also obliged to set aside contracts of not less than 15% of the total annual volume of procurements for small businesses and socially-oriented non-commercial organizations. In 2015, more than Rub 490 billion in contracts was granted to small businesses, 41% more than in the previous year. The contract system has become an effective tool for supporting small businesses.

¹⁴⁹ Law No. 94-FZ "On Placing of Orders for Provision of Goods, Works and Services for State and Municipal Needs", which ceased to apply from 1 January 2014.

3.185. However, the Law No. 44-FZ gives the Russian Government the ability to impose restrictions on the purchase of foreign goods, works and services for the purposes of: protecting the constitutional order, national defence and security, and the domestic market; developing the national economy; and supporting Russian producers. Detailed implementing rules regarding these restrictions have been developed and published in the form of Federal Resolutions.¹⁵⁰ Foreign products will only be considered if there is no production of the goods or services in the territory of the Russian Federation. The Russian authorities confirmed that suppliers and service providers established in the territory of the Russian Federation with foreign capital have equal rights to participate in government procurement in the Russian Federation and other EAEU member States. On 25 March 2014, the Ministry of Economic Development issued Order No. 155 establishing a 15% price preference for domestically-produced goods in public procurement. With regard to rules of origin, the Russian Authority confirms that the rules of origin in government procurement are identical to the rules of origin used in Russia's normal trade.

3.186. The priority directions of the development of the contract award system in the Russian Federation are:

- to apply electronic methods in the selection of suppliers (contractors, executors) in order to implement the principles of openness and transparency;
- to disclose information about subcontractors (co-executors) involved in carrying out contracts;
- to lodge complaints and to issue prescriptions of supervisory bodies by electronic means; and
- to form the catalogue of goods, works and services for ensuring federal and municipal needs, serving as the base for the creation of a price reference system.

3.187. One of the mandates of the Federal Antimonopoly Service (FAS) is controlling public and defence procurement (Section 3.3.3).¹⁵¹

3.3.5.4 Procurement methods and procedures

3.188. Procurement planning became obligatory under the Law No. 44-FZ. Since 1 January 2016, all procuring entities are required to develop their procurement plans for the following financial year and planning period. The plans are subject to approval by the budgetary institutions. The approved plans are to be published in the unified information system for public discussion, which could lead to changes to procurement plans, schedules, and documentation. After the plans are approved by the budgetary institutions, the procuring entities are to prepare procurement schedules on an annual basis. The schedules should include information on the procurement, the initial contract price, requirements on participation, methods for determining suppliers, starting date for procurement, requirements on performance security, etc. No procurement can be undertaken without a procurement schedule and procurement schedules are to be included in the unified information system.

3.189. Procurement methods can be classified into two general categories in terms of the extent of competition in the procurement: competitive methods; and single-supplier methods. Competitive methods include tendering (open tendering, tendering with limited participation, two-stage tendering, closed tendering, closed tendering with limited participation and closed two stage tendering), auctions (electronic auction and closed auction), request for quotations, and request for proposals (Table 3.33). In tendering, the supplier that has offered the best contract conditions will be awarded the contract. In an auction, the supplier that has offered the lowest price will win

¹⁵⁰ For example, Resolution No. 102 of 5 February 2015 "On establishing market entry restrictions for individual types of medical devices originating from foreign countries in the context of procurement for state and municipal needs"; Resolution No. 791 of 11 August 2014 "On establishing ban on purchases of certain types of light industry goods of foreign origin for the federal and municipal needs"; and Resolution No. 656 of 14 July 2014 "On establishing ban on purchases of certain types of machine industry goods of foreign origin for the federal and municipal needs". The rules in issuing country of origin for goods in relation to Resolution No. 656 were published by the Russian Chamber of Commerce and Industry in its Order No. 64 of 25 August 2014.

¹⁵¹ Government Resolution No. 1489 of 25 December 2014.

the contract. The procuring entity decides which procurement method will be used in a specific procurement according to the provisions of Law No. 44-FZ. The procuring entities' choices of procurement methods should not result in an unreasonable reduction in the number of participants in the procurement. According to the authorities, electronic auction is the most frequently used method while the use of the single supplier method is being reduced. The Government is preparing legislation for the transition of all procurement methods to an electronic format.

Table 3.33 Procurement methods and main features

Open tendering	
Features	No limit on the number of suppliers participating in the tender
Conditions of use	Most procurements should be done through open tendering. Exemptions are set out by the federal law.
General procedures	<ol style="list-style-type: none"> 1. The tender notice is published in the unified information system. 2. The use of standard tender documentation is obligatory. Tender documentation should be accompanied by a draft contract and published in the unified information system simultaneously with the notice of procurement. 3. A minimum of 20 days should be ensured from the publication of the tender notice to the opening of tenders. Any preference programme or restrictions on foreign participation should be specified in the notice. 4. If only one tender application or no applications are filed by the deadline, the tender is deemed void. 5. An audio recording of the opening of tenders should be made. 6. Tenders are evaluated based on the criteria specified in the tender documentation. 7. Contract award information should be published in the unified information system.
Tendering with limited participation	
Features	Only pre-qualified suppliers are considered in the tender
Conditions of use	Used for goods, services and works the supply of which could only be carried out by suppliers with the necessary skills because of the technical/technological complexity, innovative, hi-tech or specialized character of the subject-matter of the procurement.
General procedures	<ol style="list-style-type: none"> 1. The procedures are generally the same as under open tendering. However, the notice of tender and tender documentation should contain a reference to the additional requirements for participating suppliers. These additional requirements are used for prequalification only and will not be used as evaluation criteria. 2. The results of prequalification with justification of the decisions and the list of qualified participants should be published in the unified information system. 3. If no participants are qualified or only one supplier is qualified, the tender is deemed void. 4. Results of contract award will be published in the unified information system.
Two-stage tendering	
Features	During the first stage, participants are obliged to submit an initial proposal for the procurement object without specifying proposals for the contract price. The tender commission will discuss the proposals with participants at the first stage and the procuring entity can specify procurement conditions based on the results of discussion at this stage. Prequalification of suppliers is also done at the first stage. In the second stage, qualified suppliers will submit a final tender with the contract price.
Conditions of use	Used for procurement of scientific research, design works, experiments, delivery of innovative and hi-tech production, energy services, and creation of literary works or artistic performances where it is necessary for specification of the characteristics of the procurement object to be discussed with participants.
General procedures	<ol style="list-style-type: none"> 1. The tender procedures are generally the same as under open tendering and tendering with limited participation. 2. If only one participant is qualified or only one participant submits a tender, the tender is deemed void.
Electronic auction	
Features	Participation in the auction is open to all interested suppliers. The auction is carried out on a website controlled by its operator.
Conditions of use	It is obligatory to use electronic auction in cases of procurement of goods, works and services where it is possible to formulate a detailed and accurate description of the procurement, and the criteria for determining the winner of the auction contain a quantitative and monetary evaluation. The list of these products is developed by the relevant authorities. Procuring entities may decide to use electronic auction for products not included in the list.

General procedures	<ol style="list-style-type: none"> 1. The operator of an electronic site shall accredit participants of the auction based on documents and data submitted by the participant. A participant is accredited to the website for three years. The operator shall keep and publish the register of participants on the website. 2. The notice of electronic auction shall be posted in the unified information system. 3. The procuring entity will post the auction documentation in the unified information system simultaneously with the notice of electronic auction. The documentation is accessible free of charge. 4. Applications for participating in an auction will be submitted by accredited suppliers 5. The electronic auction is conducted by reducing the initial contract price specified in the notice of such auction. 6. The contract shall be concluded with the winner of the auction. The contract award information will be published on the unified information system.
Request for quotation	
Features	Information on the needs of a procuring entity is announced to an unlimited number of suppliers by publishing a notice of request for quotation in the unified information system. The procuring entity is entitled to send a request for quotation to at least three suppliers. The winner is the participant that offered the lowest contract price.
Conditions of use	The procuring entity is entitled to use request for quotation for procurement if the initial contract price does not exceed Rub 500,000. The aggregate annual amount of procurement made by the method of request for quotation shall not exceed 10% of the annual funds of procurement by this entity, and should not be more than Rub 100 million per year.
General procedures	<ol style="list-style-type: none"> 1. The procedures are generally the same as under open tendering. 2. The difference is that when publishing the notice of request for quotation in the unified information system, the procuring entity is entitled to send a request for quotation to at least three suppliers. 3. Any interested supplier may submit a quotation to the procuring entity in writing in a sealed envelope. 4. Envelopes shall be opened publicly at the time and place specified in a notice of request for quotation. 5. The supplier who has offered the lowest price will win the contract. 6. The request for quotation will be deemed void if no or only one application is submitted, or only one supplier conforms to the participation requirements.
Request for proposal	
Features	Information on the needs of a procuring entity is announced to an unlimited number of suppliers by publishing a notice of request for proposal in the unified information system. The winner is the participant that offered the proposal that best meets the needs of a procuring entity.
Conditions of use	A procuring entity is entitled to use request for proposal for: conclusion of energy supply agreement or energy purchase contracts with guaranteeing supplier of energy; procurement of sports equipment and outfits for the sports team of the Russian Federation for the Olympic Games and Paralympic Games; conclusion of contract by an individual for the provision of teaching services and guide services, etc.
General procedures	<ol style="list-style-type: none"> 1. The procedures are generally the same as under two-stage tendering. 2. Along with the posting of a notice of request for proposals, a procuring entity is entitled to send a request for proposals to the persons with whom the procuring entity concluded contracts in respect of the same procurement objects within the 18 months preceding the request for proposal.
Closed methods	
Features	Including closed tendering, tendering with limited participation, closed two-stage tendering, and closed auction
Conditions of use	These closed methods may only be used in the following cases: information about federal needs constituting state secret; procurement of services related to insurance, transportation and protection of valuables of the State Fund of Precious Metals and Precious Stones of the Russian Federation, museum pieces and museum collections, artistic and other cultural works; and procurement of cleaning services and service of drivers to ensure the activities of judges and bailiffs.
General procedures	The procedures under these closed methods are generally the same as under corresponding open methods. The main difference is that under closed methods, notices or documentations containing state secrets must not be published in the unified information system.
Procurement from single supplier	
Features	Procurement from natural monopoly entities
General procedures	A procurement notice will be published in the unified information system except for cases in which it contains state secrets

Source: Information provided by the Russian authorities.

3.190. In evaluating offers, consideration is given to criteria such as the contract price; expenses for operation and repair of the procured products; qualitative, functional and ecological characteristics of the procured products; and the qualifications of the suppliers including their

financial and material resources, work experience, and business reputation. While the contract price is the only criterion to be considered in an auction, other procurement methods should use at least two of these criteria, with price being one of them. If the request for proposals method is used, the procuring entity may not use these criteria but has the right to establish its own evaluation criteria. In this case, the weight of the self-selected criteria should not exceed those of the aforementioned criteria. If the price of the procured goods, services or works is set by the State through relevant legislation, the procuring entity has the right not to apply these aforementioned criteria.

3.191. To avoid conflicts of interest, Law No. 44-FZ prohibits procurement from relatives (family links between the procuring officers and suppliers). The procuring entity should establish a procurement commission for determination of the supplier. The commission should be composed of a limited number of members and most of the members should have received professional training, hold advanced qualifications in the field of procurement, or have special knowledge of the subject matter of the procurement. Negotiation with participants is generally prohibited before identification of the winner.

3.192. Procurements can be conducted using either a centralized or decentralized approach. If two or more procuring entities require the same goods, works and services, such entities have the right to conduct joint tenders or auctions. In centralized procurement, the procurement agency only takes responsibility for organizing the procurement although each entity concludes contracts with the winner individually.

3.3.5.5 Bid challenges review mechanism

3.193. Under the Government Procurement Law, any procurement participant, as well as public associations, or association of legal entities exercising public control has the right to lodge a complaint about actions of the procuring entity, the competent authorized agency, the specialized organization, the procurement commission and its members, officials of the contract service, the contract manager, and the operator of the electronic trading platform if such actions infringe the rights and legitimate interests of a procurement participant. Both judicial and administrative procedures are available. The complaint may be lodged at any time after placement of the procurement plan in the unified information system but must be made within ten days after the report on consideration is published on the unified information system. A complaint about procurement document provisions may be lodged before the deadline for submitting participating applications. After the expiration of these specified periods, complains may be lodged only through judicial procedure.

3.194. The control authority in the area of procurement is required to consider the complaint within five days from the date of receipt of the complaint. The procurement may be suspended where necessary. The control authority shall make a decision on whether the complaint is justified or not, and issue instructions to eliminate any violations that may have been committed. The decision may be challenged through a judicial procedure up to three months from the date it was made. Persons guilty of violating relevant legislation shall bear disciplinary, civil administrative or criminal liability. The operators of electronic trading platforms and their officials (if so decided by a court) must cover losses caused by their illegal actions associated with disclosure of the information obtained in the course of electronic auctions. No other compensation is envisaged by the law.

3.3.5.6 International cooperation

3.195. Under the Eurasian Economic Union (EAEU), the Russian Federation and the other EAEU member States agreed to provide national treatment to suppliers from each other to participate in their procurement markets. A similar protocol was signed by some of the CIS countries, including the Russian Federation. Apart from that, no other bilateral/regional free trade agreements signed by the Russian Federation contain specific market access commitments on government procurement.

3.3.6 Intellectual property rights

3.3.6.1 Overview

3.196. Since the 2008-09 global financial crisis, the Russian Federation has sought to broaden the base of sustainable economic growth by improving national innovative capacity, including through considering intellectual property (IP) policy settings. In particular, in December 2011, the Strategy for Innovative Development of the Russian Federation 2020 (the Innovation Strategy) was approved.¹⁵² It was prepared by the Ministry of Economic Development in coordination with the national strategies for budget, energy and transport and as part of the Concept of Long-Term Socio-Economic Development of the Russian Federation.¹⁵³

3.197. The Innovation Strategy analysed the current state of the Russian innovation system in terms of human potential, industries' direct R&D investment, government R&D expenditures, and existing infrastructure, and indicated that innovation was one of the priorities for the Russian Federation's economic growth. While setting the general policy direction for the Russian Federation's innovation-based socio-economic development, the Innovation Strategy identified primary goals to be reached by 2020 that included increasing the Russian Federation's share of the global market of hi-technology products and services to at least 5-10% in five or seven market segments; increasing the Russian Federation's share of global hi-tech exports to at least 2%; increasing gross value added (GVA) of innovative goods and services in national GDP from 12.7% in 2009 to 17-20%; increasing the share of innovative products in total volume of production from 4.9% in 2010 to 25-35%; and increasing the number of Russian universities among the top 200 world universities from 1 in 2010 to at least 4 in 2020. Moreover, more effective protection and commercialization of intellectual property rights (IPRs) were identified as integral to the success of the Innovation Strategy, especially for ensuring the inflow of foreign direct investment and international cooperation in development of new technologies.

3.198. The Government intends to increase R&D expenditures from the current level of 1.3% of GDP nowadays to 2.5-3% in 2020, with over 50% covered by the private sector. It also plans to use various measures to promote innovation activities, including improvement of infrastructure to ensure the commercialization of R&D results, integration of international cooperation on innovation through foreign direct investment, establishment of technology platforms and developing roadmaps for key technology sectors, such as atomic energy, aviation, biotechnology, information and communication technology, nanotechnologies, and space. The current situation shows considerable potential to achieve these goals despite the policy challenges.

3.199. The Russian Federation has a strong research and education base, with a reported 826,733 researchers in 2013, the third-highest level globally, although this has declined steadily since a high point of over 1 million in 2001, when the Russian Federation occupied the highest rank internationally.¹⁵⁴ A recent WIPO study using patent data to map inventor mobility identifies the Russian Federation outflow of 4,404 emigrant inventors between 2006 and 2010 as the 11th highest, and unlike other high-emigrant countries this was not matched by a similar inflow of inventors.¹⁵⁵ As discussed below, patenting activity remains high, growing mostly due to an increase in foreign filings against a steady rate of domestic activity. Meanwhile, R&D expenditure per capita rose steadily from US\$208 in 2008 to US\$347 in 2013¹⁵⁶, suggesting scope for increased use of the IP system to translate this research into commercialized innovation outcomes.

¹⁵² Strategy for Innovative Development of the Russian Federation 2020 (hereinafter referred to as Innovation Strategy), Decree of the Government of the Russian Federation dated 8 December 2011, No. 2227-r (only in Russian). Viewed at: <http://innovation.gov.ru/sites/default/files/documents/2014/5636/1238.pdf>.

¹⁵³ Approved by the Resolution of the Government of the Russian Federation No. 1662-r of 17 October 2008.

¹⁵⁴ UNESCO Institute for Statistics, Section on Science, Technology and Innovation. Viewed at: <http://data.uis.unesco.org/>.

¹⁵⁵ WIPO World Intellectual Property Indicators 2013, Special Section on International Mobility of Inventors, p. 21. Viewed at: http://www.wipo.int/export/sites/www/ipstats/en/wipi/2013/pdf/wipo_pub_941_2013_special.pdf.

¹⁵⁶ UNESCO Institute for Statistics, Section on Science, Technology and Innovation. Viewed at: <http://data.uis.unesco.org/>.

3.200. Overall, R&D expenditure as a proportion of GDP stood at a solid 1.13% in 2013, at a mid-range among emerging economies.¹⁵⁷ The share of private sector investment in research remained relatively low¹⁵⁸, although the Russian Federation was among the few countries that had no fall in business expenditure in R&D after the economic crisis and saw subsequent growth.¹⁵⁹

3.201. Statistics on IP payments show an increasing role of IP in trade: Russian IP exports more than doubled since 2010 and reached US\$666 million in 2013, and IP imports increased from US\$4.8 billion to US\$8 billion in the same period; the considerable gap between outgoing payments and incoming receipts being comparable with other emerging economies and potentially correlating with the growth in patent filings from abroad.¹⁶⁰ Exports of high technology products increased from US\$4.5 billion in 2009 to US\$8.7 billion in 2013, or from 8% to 10% of all exports.¹⁶¹ Exports of pharmaceuticals rose almost fourfold from 2008 to reach US\$1.3 billion in 2014.

3.3.6.2 IP legislation

3.202. The Russian Federation has a long-established intellectual property system and houses one of the world's top ten IP offices in terms of filing activity. The current domestic policy interest in improved IP protection, together with the process of accession to the WTO, have led to significant recent reforms in the legislative, administrative, and enforcement systems for IP.

3.203. The need to unify IP laws and bring them in compliance with WTO rules, especially the TRIPS Agreement, led to a substantial IP legislative reform process which started in 2005. In December 2006, a new part (Part IV), dedicated to IPRs, was introduced into the Civil Code of the Russian Federation (CC RF) which entered into force on 1 January 2008, with the effect of invalidating and replacing the previous substantive laws.¹⁶² It includes general provisions on IPRs (Chapter 69) and substantive protection in the fields of copyright and related rights (Chapters 70 and 71), patents (Chapters 72 and 73), layout designs of integrated circuits (Chapter 74), trade secrets (Chapter 75), trademarks (Chapter 76), and the right of use of IPRs covered in a single technology (Chapter 77).¹⁶³

3.204. Part IV of the Civil Code not only restructured IP legislation but also amended many substantive provisions and clarified ambiguities in the previous legislation, in particular in the areas of protectable subject matter, the scope of IPRs, IPR acquisition procedures, and IPR enforcement. In 2014, the Law No. 35-FZ of 12 March 2014 "On Amendments to the First, Second and Fourth Parts of the Civil Code and Certain Legislative Acts of the Russian Federation" took effect, which reviewed and amended certain provisions of Part IV of the Civil Code, and also supplemented it with new norms. Amendments to Part IV were made after the review (see below) and a series of special IP regulations have been adopted.

3.3.6.3 IP administrative and enforcement systems

3.205. In addition to making changes to the substantive IP legislation, the Russian Federation has also been in the process of reforming the IP administrative and enforcement systems.

¹⁵⁷ UNESCO Institute for Statistics, Section on Science, Technology and Innovation. Viewed at: <http://data.worldbank.org>.

¹⁵⁸ The Innovation Strategy, p. 7.

¹⁵⁹ Global Innovation Online (2015), The Global Innovation Index, p. 5.

¹⁶⁰ WTO online information, Trade in Commercial Services, 2005-onwards (BPM6), "Charges for the use of intellectual property n.i.e.". Viewed at:

<http://stat.wto.org/StatisticalProgram/WSDStatProgramTechNotes.aspx?Language=E>.

¹⁶¹ World Bank online information, World Development Indicators. Viewed at: <http://data.worldbank.org/>.

¹⁶² Prior to 2008, IP legislation mainly consisted of the Constitution (Article 44(1)), which provided basic rights in the field of intellectual property by stating that "each person shall be guaranteed the freedom of literary, artistic, scientific, technical, and other creativity, and educational activities"; and six distinct substantive IP laws: Patent Law No. 3517-I of 23 September 1992, Law No. 5351-I on Copyright and Related Rights of 9 July 1993, Law No. 3520-I on Trademarks, Service Marks and Appellations of Origin of Goods of 23 September 1992, Law on Selection Achievements, the Law on Topologies of Integrated Circuits (1992) and the Law on Computer Programs and Databases (1992).

¹⁶³ Chapter 77 of the CC RF establishes standards that apply when multiple IPRs applicable to one technology.

3.206. The Federal Service for Intellectual Property (Rospatent), which replaced the Federal Service for Intellectual Property, Patents and Trademarks in 2011, is the federal executive authority with responsibility for control and supervision in the area of intellectual property rights, as well as registration and legal protection of inventions, utility models, industrial designs, computer programs, databases, layout designs of integrated circuits, trademarks, service marks, appellations of origin, and transfers of intellectual property rights (IPRs). Rospatent is under the direct supervision of the Ministry of Economic Development.

3.207. The Federal Institute for Industrial Property (FIPS) is a state-financed institution subordinate to Rospatent. FIPS carries out preparatory works so that Rospatent may exercise legally significant actions related to the examination of applications for the registration of patents, trademarks, computer programs, databases and topographies of integrated circuits; the consideration of applications for extension of the terms of exclusive IPRs; and the review of decisions relating to objection, revocation or termination of exclusive IPRs. FIPS has various expert divisions responsible for the examination of different categories of IP. In connection with the entry into force of the Law No. 35-FZ of 12 March 2014, the Chamber of Patent Disputes was eliminated as a body that accepts claims against Rospatent's decisions taken as the result of applications or against validity of patents/certificates. It remains as the division of FIPS called the Chamber of Patent Disputes (CPD). CPD retains certain authorities for reviews of decisions taken in connection with refusal, grant or nullification of rights of patents, trademarks and appellations of origin. A decision on CPD's proceeding comes into force after it is affirmed by Rospatent.

3.208. FIPS also maintains official informational and statistical data and provides support in the certification and registration of patent attorneys.

3.209. In addition to the FIPS, Rospatent has two other subordinate organizations: the Federal Agency for Legal Protection of the Results of Intellectual Activity of Military, Special and Dual designation (FAPRID) which has similar functions to FIPS, but is limited to providing legal protection for the results of intellectual activity of military and special and dual designation; and the State Academy of Intellectual Property of the Russian Federation, which is responsible for training and professional development of experts in the area of legal protection of industrial property.

3.210. In addition to Rospatent, there are several other governmental agencies responsible for the regulation and administration of IPRs: the Prosecutor's Office is responsible for surveillance of the execution of IP laws; the Russian Interior Ministry is responsible for investigating pirates, counterfeiters and distributors of counterfeit goods; the Defence Ministry and the Federal Security Service are responsible for patent issues in the field of military and defence; the Ministry of Education and Science is in charge of the state policy, legal regulation and commercialization of all IPRs except for copyright; the Ministry of Culture is responsible for copyright regulation and administration; and the Federal Customs Service of the Russian Federation is responsible for customs registry of IPRs and enforcement of IPRs; the Federal Antimonopoly Service responsible for unfair competition or business practices; the Federal Service for Supervision in the Sphere of Telecom, Information Technologies and Mass Communication (Roskomnadzor) under the Ministry of Telecom and Mass Communications is responsible for implementing protective measures in respect of objects of copyright and/or related rights (except photographic works and works obtained in a similar way to photography) based on an effective court judgement (Moscow City Court); and the State Commission for Selection Achievements Test and Protection is responsible for protection of plant breeders' rights.

3.211. In order to strengthen coordination and transparency among various governmental agencies responsible for IPR issues, the Russian Federation is considering the possibility of establishing a new body, a mega-regulator, with responsibility for a wide range of IPR issues in the Russian Federation. One of the considered options is to base the mega-regulator on Rospatent, but provide it with additional powers, in particular the authority to determine copyright policy issues, under the supervision of the central government.

3.212. On 3 July 2013, the Intellectual Property Right Court (the IPR Court) was established within the Russian Federation's commercial courts system. This was considered a significant milestone in the development of IP protection in the Russian Federation and demonstrated the Government's commitment to strengthening IP enforcement.

3.213. The IPR Court has jurisdiction to hear IPR related cases as a court of first instance and as a court of cassation. At first instance, the IPR Court is mandated to adjudicate cases arising from legislative acts of federal executive authorities, such as Rospatent, that affect complainants' legitimate rights and interests in relation to IPRs, and cases arising from the granting and invalidation of IPRs. As a court of cassation, the IPR Court is mandated to review IP cases decided by itself at first instance, and the cases decided by state commercial courts at first instance or on appeal, to ensure consistent and transparent interpretation of IP-related laws.

3.214. In comparison with other commercial courts, the IPR Court is mandated to hear disputes irrespective of whether the parties to the dispute are legal entities or individuals.

3.215. To date, 18 judges have been appointed to the IPR Court, including one Chief Judge, two Deputy Chief Judges, and chairpersons of two panels. Given the growing complexity of IP laws and the rapid evolution of technologies, technical experts, who have specialized knowledge in various fields have been appointed to provide technical support to these judges. If necessary, the IPR Court may call upon independent technical specialists to provide oral testimony to clarify specific technical issues during a trial.

3.216. In 2014, the IPR Court heard 783 cases as the court of first instance, of which 239 involved foreign entities; and 1,390 cases as the court of cassation, among which 242 involved foreign entities. Of these cases, 55-60% were related to trademarks and trade names, 25-30% to copyright cases, and 5-10% to patents.¹⁶⁴

3.217. Notably, in 2015 the IPR Court issued its first decision on the protection of test data in the dispute between Novartis Pharma AG (Novartis) and Biointegrator LLC (Biointegrator) regarding the use of Novartis' preclinical and clinical data for the state registration of Biointegrator's Nescler, a generic version of Novartis' fingolimod (sold under brand name Gilenya).¹⁶⁵ Novartis made its arguments based on the new legislation on the protection of undisclosed information, which provides that undisclosed information submitted to obtain marketing approval, i.e. registration of pharmaceutical products, should be protected against unfair commercial use for a period of six years starting from the date of granting of marketing approval in the Russian Federation. During this period, third parties are not permitted to use data from pre-clinical and clinical trials of medical products submitted for state registration in support of their applications for product approval (Law No. 61-FZ "On the Turnover of Medicines").¹⁶⁶

3.218. The main institutions involved in IPR administration and enforcement in the Russian Federation are listed in Box 3.1.

Box 3.1 Main institutions involved in IPRs in the Russian Federation

Ministry of Economic Development

Ministry of Culture is a federal executive body responsible for drafting and implementing government policy and the legal regulation of culture, the arts, historical and cultural heritage (including archaeological heritage), cinematography, archiving, tourism, copyright and associated rights. It is authorized to manage state property and provide state services in culture and cinematography, to protect cultural heritage, copyright and associated rights, and to perform state oversight in this sphere. It is responsible for copyright regulation and administration

Federal Service for Intellectual Property (Rospatent)

- Department for the Provision of State Services
 - Division for Legal Support of Providing State Services
 - Patent Law Division
 - Division for Means of Individualization

¹⁶⁴ Statistical data on the work of the IPR Court. Viewed at: <http://ipc.arbitr.ru/node/13545>.

¹⁶⁵ BRIC Wall Online Blog (2015).

¹⁶⁶ Article 18, Law No. 61-FZ "On the Turnover of Medicines" dated 12 April 2010, as amended by Law No. 429-FZ dated 22 December 2014.

<ul style="list-style-type: none"> ▪ Department for Control, Supervision and Legal Protection of State Interests <ul style="list-style-type: none"> ▪ Division for Control over the Results of Intellectual Activity of Civil Designation ▪ Division for Control over the Results of Intellectual Activity of Military and Dual Designation ▪ Legal and Normative Division ▪ Division for Legal Support of Protection of State Interests ▪ Analytical Division
<ul style="list-style-type: none"> • International Cooperation Department <ul style="list-style-type: none"> ▪ Division of Multilateral Cooperation ▪ Division for Regional Integration ▪ Division for Analysis and Planning of International Cooperation
<ul style="list-style-type: none"> • Financial and Administrative Department <ul style="list-style-type: none"> ▪ Budgetary Planning Division ▪ Income Administration and Budget Accounting Division ▪ Personnel, Civil Service and Document Control Division
<ul style="list-style-type: none"> • Subordinate institutions <ul style="list-style-type: none"> ▪ Federal Institute for Industrial Property (FIPS) <ul style="list-style-type: none"> - various expert departments responsible for applications in different science and technology fields - the Chamber of Patent Disputes ▪ Federal Agency for Legal Protection of the Results of Intellectual Activity of Military, Special and Dual designation (FAPRID) ▪ Russian State Academy of Intellectual Property (RGAIS)
<p>Ministry of Education and Science is the authority in charge of the state policy, legal regulation and commercialization of all IPRs except for copyright</p>
<p>IPR Court responsible for the adjudication of IP cases as the court of first instance and court of cassation</p>
<p>Prosecutor's Office responsible for surveillance and control of the implementation of the federal legislation in the area of intellectual property law</p>
<p>Ministry of Interior responsible for identification and prevention of administrative violations and crimes in the area of intellectual property</p>
<p>Federal Customs Service responsible for the identification and suppression of intellectual property rights violations during the movement of goods across the customs border of the Russian Federation</p>
<p>Federal Antimonopoly Service responsible for unfair competition business practices</p>
<p>Federal Service for Supervision in the Sphere of Telecom, Information Technologies and Mass Communication (Roskomnadzor) responsible for implementing protective measures in respect of objects of copyright and/or related rights (except photographic works and works, obtained similar way to photography) based on an effective court judgement (Moscow City Court)</p>

Source: Information provided by the Russian authorities.

3.219. The Russian Federation agreed to apply the provisions of the TRIPS Agreement from the date of accession to the WTO, 22 August 2012, including provisions for enforcement, without recourse to any transitional period. The TRIPS Council started a review of the national implementing legislation of the Russian Federation in October 2013.¹⁶⁷ Under Article 63.2 of the TRIPS Agreement, the Russian Federation notified some 70 laws and regulations which gave effect to the TRIPS Agreement's provisions, including all the laws and regulations discussed above.¹⁶⁸ The Russian Federation also provided responses to the Checklist of Issues on Enforcement, prepared by the Secretariat to examine national legislation relevant to enforcement obligations in the TRIPS Agreement.¹⁶⁹

3.220. The Russian Federation has acceded to 21 treaties administered by WIPO (Table 3.34).

¹⁶⁷ WTO documents: IP/C/M/73, 16 September 2013; IP/C/M/74, 24 October 2013; IP/C/M/74/Corr.1, 20 December 2013; and IP/C/M/74/Add.1, 28 November 2013.

¹⁶⁸ WTO documents IP/N/1/RUS/1; IP/N/1/RUS/1/Add.1; IP/N/1/RUS/1/Add.2; and IP/N/1/RUS/2.

¹⁶⁹ WTO document IP/N/6/RUS/1.

Table 3.34 Participation in international agreements

Treaty/Agreement	Instrument	In Force
Beijing Treaty on Audiovisual Performances	Accession: 19 October 2015	
Singapore Treaty on the Law of Trademarks	Ratification: 23 May 2009	18 December 2009
Patent Law Treaty	Accession: 12 May 2009	12 August 2009
WIPO Copyright Treaty	Accession: 5 November 2008	5 February 2009
WIPO Performances and Phonograms Treaty	Accession: 5 November 2008	5 February 2009
Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations	Accession: 26 February 2003	26 May 2003
Trademark Law Treaty	Ratification: 11 February 1998	11 May 1998
International Convention for the Protection of New Varieties of Plants (UPOV Convention)	Accession: 24 March 1998	24 April 1998
Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (Madrid Protocol)	Ratification: 10 March 1997	10 June 1997
Berne Convention for the Protection of Literary and Artistic Works	Accession: 9 December 1994	13 March 1995
Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of Their Phonograms (Phonograms Convention)	Accession: 9 December 1994	13 March 1995
Brussels Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite	Accession: 20 October 1988	20 January 1989
Nairobi Treaty on the Protection of the Olympic Symbol	Ratification: 17 April 1986	17 April 1986
Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure	Ratification: 22 January 1981	22 April 1981
Patent Cooperation Treaty (PCT)	Ratification: 29 December 1977	29 March 1978
Madrid Agreement Concerning the International Registration of Marks	Accession: 15 March 1976	1 July 1976
Strasbourg Agreement Concerning the International Patent Classification	Accession: 30 September 1975	3 October 1976
Locarno Agreement Establishing an International Classification for Industrial Designs	Ratification: 8 September 1972	15 December 1972
Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks	Accession: 8 April 1971	26 July 1971
Convention Establishing the World Intellectual Property Organization	Ratification: 4 December 1968	26 April 1970
Paris Convention for the Protection of Industrial Property	Accession: 16 March 1965	1 July 1965

Source: WIPO online information. Viewed at:
http://www.wipo.int/treaties/en/ShowResults.jsp?country_id=147C.

3.3.6.4 Copyright and related rights

3.221. Copyright-based industries make a sizeable contribution to the economy of the Russian Federation. According to one a WIPO report, in 2004 the Russian Federation's copyright based industries accounted for 8.7% of the turnover of all industries (about Rub 2,529 billion), 7.3% of employment, 6.1% of GDP, and 7.2% of foreign trade turnover.¹⁷⁰ These industries were ranked first or second by these indicators compared to the contributions of other industries, such as mining and extraction operations, production of foodstuffs, production and distribution of electric power, gas and water, construction, and hotels and restaurants.

3.222. The Russian Federation has made a series of reforms to copyright legislation, in particular the replacement of the Law No. 5351-1 of 9 July 1993, by Chapters 70 and 71 of Part IV of the

¹⁷⁰ WIPO (2007).

Civil Code, maintaining essentially the same substantive law, while augmenting and clarifying it to further strengthen the copyright protection.

3.223. Copyright protection is available for works of science, literature and arts, irrespective of the value and purpose of the work as well as of the mode of its expression, as long as they are the result of human creative activity (Articles 1255 and 1259 of CC RF). Copyright protectable works include literary works, dramatic works, musical works, audio-visual works, works of painting, sculpture, graphics, design, architecture, photographic works, and geographic and geological maps, derivative works and compiled works (Article 1259). Computer programs, whether in source or object code, are protected as literary works in the Russian Federation in line with Article 10.1 of the TRIPS Agreement (Articles 1259 and 1261).

3.224. The Civil Code provides for protection of databases in line with Article 10.2 of the TRIPS Agreement: a person who incurs substantial expense creating a database by collecting, processing and placing data has the exclusive right to the database; The right includes extraction of materials from the database and their subsequent use in any forms or means. A database is deemed to require substantial expense to create if it contains at least 10,000 independent information elements (Articles 1333 and 1334 of the Civil Code).

3.225. While copyright protection is not subject to any registration formalities, the right holder can voluntarily deposit his or her work with the Russian Author's Society (RAO), or other organizations allowing for the deposition of work, and receive a certificate. The voluntary registration of computer programs and databases can be done through Rospatent (Articles 1259 and 1262). An application for state registration of a computer program or a database may cover only one computer program or database (Article 1262).

3.226. Copyright protection is available for the remainder of the life of the author and seventy years after his or her death (Article 1281), which extends by twenty years the term under the Copyright Law of 1993. The term for database protection is fifteen years from completion of the database's creation and can be renewed upon request (Article 1335).

3.227. Both economic and moral rights are protected. Moral rights include rights of authorship, inviolability of a work and protection of a work from distortion, and the right to make the work public (Articles 1265-1268). Economic rights include the right of reproduction; the right of distribution; the right of rental; the right of import; the right of public demonstration; the right of public performance; the right of broadcasting; the right of communication by cable; the right of translation or other reworking; and the right of making available. While the TRIPS Agreement provides that the rental right should be available at least in respect of computer programs and films, under the Civil Code the copyright holder has a general right to rent out the original or a copy of the work (Article 1270).

3.228. The exclusive right of the database maker is protected regardless of the existence and validity of copyright and other rights to the materials constituting the database. No one can extract materials from the database or use them without the permission of the database maker, except for persons extracting and using materials from the dataset for personal, scholarly, and educational purposes and for other non-commercial purposes, in an amount justified by these purposes (Article 1334).

3.229. Regarding copyright exhaustion, the Russian Federation adopted the first sale doctrine, that is, the copyright owner exhausts his or her copyright after the first sale or other alienation of the work with his or her authorisation in the territory of the Russian Federation (Article 1272).

3.230. Several limitations and exceptions to copyrights are provided in the law, including free reproduction of a work for personal purposes (Article 1273), free use of a work for informational, scientific, educational, or cultural purposes, free use of a work by libraries, archives and education organizations, free use of a work permanently located at a place open to the public, free public performance of a musical work during an official or religious ceremony or funeral, free reproduction for purposes of law enforcement, and free fixation of a work by a broadcasting organization for short-term use (Articles 1274-1279).

3.231. The Civil Code provides for contracts for alienation, by which the copyright owner transfers the exclusive right to the recipient; and contracts for licences, granting the licensee the right to use a copyrighted work within the limits defined by the contract (Articles 1234-1235).

3.232. The Civil Code has a specific provision on the collective management of copyright, which provides that a collective management organization may obtain official accreditation to manage exclusive copyright and related rights without the explicit authorization of the copyright holders, while a copyright holder has the right at any time to renounce the management of his or her rights by this organization (Article 1244). This provision was questioned by WTO Members during the Russian Federation's accession process and the subsequent TRIPS Council's review of national IP laws.¹⁷¹

3.3.6.5 Trademarks

3.233. Trademarks are protected under Chapter 76 (Rights to the Means of Individualization of Legal Entities, Goods, Works, Services and Enterprises) of the Civil Code, which replaced the Trademark Law 1992.

3.234. Trademarks and service marks are defined as "signs capable of individualizing goods, work or services of legal entities or individual entrepreneurs". The signs can be words, figurative, three-dimensional or other signs or their combinations in any colour or combination of colours. Registration of trademarks and service marks can be carried out with regard to a specified list of goods and services. (Articles 1477 and 1482).

3.235. A trademark holder has the exclusive right to use the trademark on goods, their labels or packages. Without the trademark owner's permission, no one can use a sign, or a confusingly similar sign for goods or services identical or similar to those which the trademark is registered for, if such use causes likelihood of confusion (Article 1484).

3.236. A registered trademark can be contested and invalidated if it is identical or confusingly similar to registered trademarks of other persons; or to trademarks protected or for which registration has been applied in the Russian Federation by virtue of international treaties in respect of similar goods with an earlier priority; or to the trademarks of other persons, that are recognized as famous by the CC RF in respect to similar goods (Article 1512).

3.237. In 2005, Starbucks Corporation contested a registered trademark STARBUCKS obtained in bad faith by a Russian trademark squatter - Starbucks LLC. Rospatent invalidated the registered trademark in favour of Starbucks Corporation. The Arbitration Court upheld Rospatent's decision, and indicated bad faith trademark registration should be prohibited. After the bad faith STARBUCKS registration was cancelled on 16 November 2005, Starbucks Corporation obtained registration for its STARBUCKS trademark for coffee shops in the Russian Federation in September 2007, and then successfully opened its first Starbucks shop in Moscow. This case was considered as an important legal decision in prohibiting bad faith trademark registration in the Russian Federation.

3.238. The Civil Code provides a higher level of protection to well-known trademarks than to normal trademarks. Three kinds of trademarks or signs can be considered as well-known: a trademark registered in the Russian Federation; a trademark protected in the Russian Federation by virtue of an international treaty but without registration; or a sign, used as a trademark but not protected in the Russian Federation. To be qualified as a well-known trademark, the mark or sign must have become widely known among the corresponding consumers. The legal protection for a well-known trademark shall also be applied to non-similar goods to those covered by the well-known trademark, provided the use of that trademark by another person in respect of the mentioned goods will be associated by consumers with the trademark holder and may infringe upon his lawful interests. Protection of a well-known trademark is valid for an indefinite period of time (Article 1508).

3.239. A well-known trademark shall be authorized by the federal executive authority Rospatent and entered in a List of Well-Known Trademarks (Article 1509), currently including 165 marks, of

¹⁷¹ WTO documents WT/ACC/RF/RUS/70; WT/MIN(11), paragraphs 1213-1219; and IP/C/W/588.

which 57 are foreign¹⁷² (20 belong to U.S. companies, 6 are held by an Armenian firm and registered for alcoholic beverages, while Belarussian and Latvian firms hold one each).

3.240. Following a 15% decline during the 2008-09 financial crisis, trademark filing activity has risen steadily (Table 3.35): resident applications grew by 30% from 2009 to 2013, and non-resident applications similarly rose by 29%. More recent figures show a slight decline in resident and non-resident filings. By comparison with other emerging economies, the proportion of resident applications remains relatively high at around 65%, and, possibly illustrating a stronger export focus for domestic brand holders, Russian firms sharply increased their filings abroad, rising by over 80% from 2010 to reach 30,756 in 2012 (higher than the rate of foreign firms filing in Russia).

Table 3.35 Trademark applications, 2000-2015

Year	Resident	Abroad ^a	Non-Resident
2000	30,338	3,484	12,476
2001	39,801	3,919	13,295
2002	29,279	5,946	14,215
2003	20,644	7,732	14,447
2004	23,571	9,221	17,040
2005	26,460	12,719	20,762
2006	29,589	13,331	23,278
2007	31,502	15,115	25,844
2008	30,024	19,750	27,141
2009	26,448	16,378	22,741
2010	32,735	16,824	24,121
2011	33,252	22,387	26,089
2012	34,851	30,633	27,843
2013	34,623	26,485	29,439
2014 ^a	34,175	26,302	26,903
2015 ^b	34,304	..	27,173

.. Not available.

a Information on the number of applications filed by Russian applicants abroad is provided on the WIPO website (http://www.wipo.int/ipstats/en/statistics/country_profile/profile.jsp?code=RU).

b Information on the number of applications filed in 2015 is stated in accordance with the Report on the activities of Rospatent for 2015.

Source: WIPO online information. Viewed at: http://www.wipo.int/ipstats/en/statistics/country_profile/profile.jsp?code=RU and information provided by the Russian Federation authorities.

3.3.6.6 Patents

3.241. Chapter 72 of Part IV of the CC RF defines the substantive provisions of the patent law. It entered into force in January 2008; a significant amendment with a view to strengthening patent protection came into force in October 2014 and January 2015 with Law No. 35-FZ of 12 March 2014 "On Amendments to the First, Second and Fourth Parts of the Civil Code and Certain Legislative Acts of the Russian Federation".

3.242. Under Chapter 72 of the CC RF, patentable subject matter includes inventions, utility models and industrial designs (Article 1345). An invention is defined as a technical solution, whether products or methods, in all scientific or technical areas. Patentable products include devices, substances, strains of microorganisms, cell cultures of plants or animals; and a patentable method is defined as a process of affecting a material object using material means (Article 1350) Law No. 35-FZ further extends patentable subject matter to include "the use of a product or method for a specific purpose" (Article 3.77(a)).

3.243. Chapter 72 of the CC RF provides a non-exhaustive list of subject matter which is not considered an invention, including discoveries, scientific theories and mathematical methods; proposals concerning solely the outward appearance of manufactured articles and intended to satisfy aesthetic needs; rules and methods of games and for intellectual or business activity;

¹⁷² FIPS online information. The List is available in the "Public Registers" section. Viewed at: <http://www1.fips.ru/wps/portal/Registers/>.

computer programs; proposals wholly directed at the representation of information, if they are applied *per se* (Article 1350).

3.244. The CC RF also includes a non-exhaustive list of subject matter excluded from patent protection, including methods of cloning of a human being; methods of modification of the genetic integrity of cells of the embryonic line of a human being; use of human embryos for industrial and commercial purposes; and other proposals that are contrary to public interest, principles of humanity and morality (Article 1349).

3.245. To be eligible for patent protection, an invention must meet four substantive conditions for patentability: novelty, inventive step, industrial applicability and sufficiency of disclosure. Absolute novelty is required: that is, an invention must be new in comparison with any information published and known to the public in the world before the priority date (the filing date of the first patent application). A six-month grace period is available for all patent applications. An invention is considered to include an inventive step if it is not obvious to a person skilled in the art, and it is deemed industrially applicable if it can be used in industry, agriculture, public health and other branches of economy or in the social sphere (Article 1350).

3.246. Sufficiency of disclosure, formerly a procedural condition, was introduced by Law No. 35-FZ as a new substantive condition.¹⁷³ Therefore, insufficiency of disclosure is a ground for rejecting a patent application or invalidating a granted patent.¹⁷⁴

3.247. A utility model has to meet the novelty and industrial applicability requirements, while the industrial design must be new and original (CC RF Articles 1351-1352). Law No. 35-FZ extends the scope of substantive patent examination to the patent applications for utility models and industrial designs (Articles 3.111-112) and also applied absolute novelty to the registration of utility models and industrial designs (Articles 3.78(a) and 3.79). Under the CC RF, a patent right holder is conferred the right of authorship, and the exclusive right to use the patent (Articles 1356-1358).

3.248. Chapter 72 of the CC RF defines certain uses that do not infringe patent rights, including the use of a patent in the design, in auxiliary equipment or in the operation of vehicles or spacecraft of foreign States, provided these vehicles or spacecraft are temporarily or incidentally located on the territory of the Russian Federation and the product is used solely for the needs of the vehicles or spacecraft; use for scientific research purposes; use in emergency circumstances (natural calamities, disasters, and accidents); use for private and non-commercial purposes; and the one-off manufacturing of medicines in a pharmacy on a physician's prescription (Article 1359).

3.249. In addition, compulsory licences may be granted when: a patent is not used or not sufficiently used by the patent holder for four years from the granting of the patent for an invention and for three years from the granting of the patent for a utility model; there is insufficient supply of the respective goods, works or services on the market due to such non-use or insufficient use of the invention or utility model; a person is willing to use the patent; and the patent holder refuses to enter into a licensing agreement with this person on terms corresponding to established practice. If all the above conditions are met and the patent holder has no legitimate reasons for this non-use or insufficient use of the patent, a non-exclusive compulsory licence will be granted by the courts upon request (Article 1362). Since 2008, no compulsory licences have been granted.

3.250. Under Chapter 72 of the CC RF, the Russian Federation Government also has the authority to allow use of an invention, utility model or industrial design without the consent of the patent holder, if it is in the interest of national defence and security, but the right holder must be notified of such use in the shortest possible time and be compensated commensurately (Article 1360).

3.251. The term of patent protection is twenty years for inventions, five years for industrial designs and ten years for utility models (Article 1363). Upon the request of patent holders, the term of protection for patents related to pharmaceutical, pesticide, or agrochemical products can be extended by the period that passes from the patent filing date until the date of obtaining the first marketing authorization minus five years, while the period should not be longer than five

¹⁷³ Civil Code Articles 1387, 1390; and Law No. 35-FZ, Articles 3.108 (patents) and 3.111 (utility models).

¹⁷⁴ Civil Code Articles 1386, 1387 and 1398; and Law No. 35-FZ, Article 3.118.

years (Article 1363). Upon the request of patent holders, the term of protection for industrial design can be extended multiple times for five years, but not more than by 25 years in total starting from the date of filing of the application.

3.252. In 2014, Rospatent was ranked the sixth patent office worldwide in terms of patents granted, and it received the eighth-highest level of patent applications.¹⁷⁵

3.253. Since 2009, the number of patent applications and patents granted in the Russian Federation have been increasing. On average, Rospatent received 59,000 patent applications per year, of which about 70% were resident applications, 70-73% of the patent applications were for inventions, 19-22% for utility models, and 7-8% for industrial designs (Table 3.36).

Table 3.36 Patent applications, 2008-15

Year	2008	2009	2010	2011	2012	2013	2014	2015
Total	57,779	53,683	59,059	58,257	63,393	64,621	59,444	62,352
Of which								
Resident	40,775	38,524	42,760	41,376	44,581	44,611	39,272	42,687
Nonresident	17,004	15,159	16,299	16,881	18,812	20,010	20,172	19,665
Inventions	42,073	38,790	42,800	41,798	44,684	45,269	40,308	45,517
Utility Models	10,995	11,153	12,262	13,241	14,069	14,358	13,952	11,906
Industrial Designs	4,711	3,740	3,997	4,197	4,640	4,994	5,184	4,929

Source: WIPO Country Profile, and information provided by the Russian authorities.

3.254. During the same period, Rospatent granted, on average, about 31,500 patents per year for inventions (of which about 70% were to resident applicants), 11,800 patents per year were granted for utility models (of which about 95% were to resident applicants), and 3,700 patents per year were granted for industrial designs per year (of which about 46% were to resident applicants) (Table 3.37).

Table 3.37 Patents granted, 2008-15

Year	2008	2009	2010	2011	2012	2013	2014	2015
Total	42,299	50,653	44,625	44,703	48,088	47,894	50,772	49,173
Of which								
Resident	33,733	39,122	34,095	32,668	35,179	34,952	36,726	32,981
Nonresident	8,566	11,531	10,530	12,035	12,909	12,942	14,046	16,192
Inventions	28,969	34,968	30,478	30,135	33,036	31,780	33,950	34,706
Utility models	9,673	10,919	10,581	11,079	11,671	12,653	13,080	9,008
Industrial designs	3,657	4,766	3,566	3,489	3,381	3,461	3,742	5,459

Source: WIPO Country Profile, and information provided by the Russian authorities.

3.255. There are currently 218,396 patents for inventions, 56,499 for utility models and 28,160 for industrial designs in force.

3.256. The Russian Federation's comparative innovative strengths are demonstrated by the main fields of technology, in which resident patents applications for inventions were filed between 2008 and 2013: food chemistry (11.2%), medical technology (8.4%), measurement (7%), civil engineering (6.7%), materials/metallurgy (6.2%), other special machines (5.9%), engines/pumps/turbines (4.5%), pharmaceuticals (4.3%), transport (3.9%), and chemical engineering (3.9%).¹⁷⁶ This reflects the Russian Federation's technological potential in these areas.

3.257. The Russian Federation is one of relatively few jurisdictions in which resident patent activity significantly exceeds non-resident activity. Nevertheless, this gap has narrowed since 2009, driven by stronger foreign interest in patent filings in the Russian Federation: the average number of invention patents granted to resident applicants remained stable (about 20,000 per

¹⁷⁵ WIPO (2015).

¹⁷⁶ WIPO online information, Statistical Country Profiles. Viewed at: http://www.wipo.int/ipstats/en/statistics/country_profile/profile.jsp?code=RU.

year) since 2008, while grants to non-resident applicants rose sharply from 6,548 in 2008 to almost 11,000 in 2014 (Table 3.38).¹⁷⁷

Table 3.38 Patent applications and patents granted for inventions, 2008-15

Year	2008	2009	2010	2011	2012	2013	2014	2015
Applications								
Total	42,073	38,790	42,800	41,798	44,684	45,269	40,308	45,517
Of which								
Resident	27,936	25,824	29,022	26,879	29,174	29,120	24,072	29,269
Nonresident	14,137	12,966	13,778	14,919	15,510	16,149	16,236	16,248
Granted								
Total	28,969	34,968	30,478	30,135	33,036	31,780	33,950	34,706
Of which								
Resident	22,421	26,438	21,783	20,475	22,637	21,520	23,065	22,560
Nonresident	6,548	8,530	8,695	9,660	10,399	10,260	10,885	12,146

Source: WIPO Country Profile, and information provided by the Russian authorities.

3.258. In 2014, most non-resident patents for inventions were granted to applicants from United States (2,427), Germany (1,697), Japan (1,449), France (763), the Netherlands (682) and Switzerland (564), while most non-resident patents for utility models were granted to applicants from the United States (254), Ukraine (142), Belarus (71), Germany (39) and China (36). Up to 2015, the bulk of non-resident patents for inventions were owned by patent holders from the United States, Germany, Japan, France, the Republic of Korea and Italy.

3.259. The Russian Federation patenting activity abroad has increased since 2008. Patent Cooperation Treaty (PCT) applications received by Rospatent rose from 802 in 2008 to 1,191 in 2013, which lifted the Russian Federation to one of the top 20 PCT receiving countries. If a Russian entity or natural person wants to apply for a patent abroad for an invention created in the Russian Federation, the application has to be first approved by the relevant agencies in the Russian Federation to confirm that the application does not involve any State secret (Article 1395). Violation of this requirement when applying for patents in foreign countries can lead to administrative liability in the form of fines.¹⁷⁸

3.260. The overall pattern of activity, considering also the growth of trade in IP licences and in high technology products suggests that, to some extent, improvements to the patent system have supported national innovation activities and attracted an inflow of foreign patent technologies. However, the Innovation Strategy recognizes that the patent system alone cannot be expected to bring about significant improvements in the innovation capacity, and that complementary measures are required. One index of innovative capacity, the Bloomberg Innovation Index, recently ranked the Russian Federation as 12th worldwide, thanks especially to its patenting activity, educational strengths, and high tech-density.¹⁷⁹ Another measure, the Global Innovation Index, sets the Russian Federation at 48th overall internationally, but ranks it more highly for knowledge creation (21st) and education (20th), pointing to considerable potential for knowledge impact and diffusion as the basis for innovation-led economic growth.¹⁸⁰

3.3.6.7 Geographical indications

3.261. Chapter 76 of the CC RF provides protection for appellations of origin. An appellation of origin is defined as a designation that represents or contains the contemporary or historical, formal or informal, full or abbreviated name of the country, city or rural settlement, locality or other geographical object, as well as the designation derived from that name and known as a result of its use in relation to special properties of goods which are exclusively or mainly determined by the characteristic of the geographical natural conditions and/or human factors. The exclusive right of

¹⁷⁷ Annual Report of the Activity of Rospatent, Tables on main statistical indicators for relevant IPRs. Viewed at: http://www.rupto.ru/about/reports/2014_1#1.2.

¹⁷⁸ Article 7.28, Code on the Administrative Offences of the Russian Federation No. 195-FZ dated 30 December 2001, as last amended on 30 December 2015 (hereinafter referred to as the Code on the Administrative Offences). Viewed at: <http://www.wipo.int/edocs/lexdocs/laws/en/ru/ru073en.pdf>.

¹⁷⁹ Bloomberg Online News (2016).

¹⁸⁰ Global Innovation Online (2015), The Global Innovation Index 2015.

the manufacturers of such goods to use such signs may be recognized (Article 1516).¹⁸¹ Protection is available once an appellation is registered with Rospatent through the statutory procedure (Article 1518). As of January 2016, 154 appellations of origin had been registered with Rospatent.¹⁸²

3.262. Registration confers the right to use an appellation of origin, that is, to affix it to goods, their labels and packages, in advertising, in leaflets, invoices, forms, and other documents related to commercial introduction of goods. A registered appellation of origin cannot be used by persons who do not have an appropriate certificate even if the genuine place from which the goods originate is indicated or the appellation of origin is used in translation or in combination with expressions such as "kind of", "type", "imitation", or "and the like". Furthermore, any similar appellation of origin cannot be used on goods which may confuse consumers in respect of origin and specific properties of the goods. The goods, labels and packages on which an appellation of origin or confusingly similar appellations are illegally used are treated as counterfeits (Article 1519).

3.263. A bilateral agreement between the Russian Federation and Switzerland on the protection of geographical indications and appellations of origin entered into force on 1 September 2011. It provided for extension of the higher level of protection provided for in Article 23 of the TRIPS Agreement to geographical indications for certain products other than wines and spirits in the Russian Federation and Switzerland, including (from Switzerland) Emmentaler, Gruyère, L'Etivaz, Sbrinz, Bündnerfleisch, Basler Leckerli, Zuger Kirsch, Swiss chocolate and Swiss watches; and (from the Russian Federation) Russkaya Vodka, Russkaya ikra (caviar) and Sibirskie Pelmeni ("Siberian huskies", or meat-filled dumplings).¹⁸³

3.3.6.8 IP enforcement

3.264. Enforcement of IPRs in the Russian Federation is implemented by a large number of agencies, including: the Prosecutor's Office, the Interior Ministry, the Federal Customs Service, the Federal Service for Supervision in the Sphere of Telecom, Information Technologies and Mass Communication (Roskomnadzor), Moscow City Court and the IPR Court.

3.265. The CC RF establishes general rules on remedies which the judicial authorities may use for infringement of IPRs, including: acknowledgement of the ownership of IPRs, stopping any actions that infringe or create the threat of infringement of IPRs, payment of damages, seizure of physical carriers, and publication of the judicial decision on the infringement (Articles 1250-1253). The CC RF also provides that if a legal entity repeatedly or severely infringes IPRs, the court has the authority to make a decision on the liquidation of this entity upon the request of the public prosecutor (Articles 1250-1253).

3.266. Apart from civil liability, IP infringement can also lead to administrative and criminal liabilities which are meant to protect the public interest. Administrative liability is provided for in the Code of Administrative Offences. It is considered to be a public liability for wrongful or unlawful actions which are less severe than criminal offences and not injurious to the general public.

3.267. The Code of Administrative Offences establishes the liability for illegally importing, selling, renting, or other uses of copies of works or phonograms for commercial purposes, where these copies are counterfeit or contain false information about their manufacturers, places of production, or copyright owners.¹⁸⁴ It also provides for liability for the illegal use of inventions, utility models or industrial designs, and disclosure of their essence without the consent of the inventors or patent applicants and prior to their official publication.¹⁸⁵ The Code provides for a range of fines which can be ordered together with the confiscation and destruction of infringing goods.

¹⁸¹ Geographical indications are not mentioned as such in the Law. Article 1516, CC RF.

¹⁸² FIPS online information. The List is available in Section "Open Registers". Viewed at: <http://www1.fips.ru/wps/portal/Registers/>.

¹⁸³ Swiss Federal Institute of Intellectual Property Online (2011). Switzerland informed the TRIPS Council of the bilateral agreement in February 2014. WTO Document IP/C/M/74/Add.1.

¹⁸⁴ Article 7.12, Code on the Administrative Offences.

¹⁸⁵ Article 7.12, Code on the Administrative Offences.

3.268. Natural persons, legal entities and their owners or managers can be subject to administrative liability. Administrative cases should be raised by the police, and the court of general jurisdiction (in cases of natural persons) and the arbitration courts (in cases of legal entities) have the power to order fines and confiscation.

3.269. Criminal liability for IP infringement is codified by the Criminal Code. While dealing with the same types of infringing activities as the Code of Administrative Offences, it also considers the appropriation of copyright authorship (plagiarism) to be a crime.¹⁸⁶ Criminal liability will be applied if the infringement causes *significant* damage to the public. Liability includes monetary fines, which are higher than the administrative liability fines, and imprisonment. As of March 2015 "significant damage" is defined as damages of not less than Rub 100,000 and "very significant" as damages of not less than Rub 1 million.¹⁸⁷

3.270. The Criminal Code also provides for liability for the illegal use of a registered trademark and the appellation of origin, and the illegal use of a special marking of an unregistered mark or appellation of origin, if such use occurs multiple times or causes severe harm.¹⁸⁸ The number of IP-related civil, administrative, and criminal cases during the period 2012-15 is provided in Table 3.39.

Table 3.39 IP-related cases (criminal, administrative and civil), 2012–15

Nature of cases	2012	2013	2014	2015
Criminal cases				
Article 146 of the Criminal Code of the Russian Federation (copyright and related rights)	3,580	2,584	2,084	1,718
Article 180 of the Criminal Code of the Russian Federation (trademarks)	413	583	402	636
Administrative cases				
Administrative reports drew up	2,288	3,636	3,091	4,359
Including:				
Article 7.12 of Code of Administrative Offences (infringement of copyright and related rights, and of invention and patent rights)	1,106	1,678	1,482	1,611
Article 14.10 of Code of Administrative Offences (illegal use of trademarks)	833	1,422	1,609	1,956
Civil cases				
Cases within courts of general jurisdiction	770	636	579	..
Cases within commercial courts	5,069	9,091	10,109	..

.. Not available.

Source: Information provided by the Russian authorities.

3.271. IP enforcement at the border is considered to be one of the most efficient enforcement actions. A series of legal acts establish a basic legal framework, including the Law on Customs Regulation¹⁸⁹ and the Customs Code of the Customs Union.¹⁹⁰

3.272. All the border measures provided for in these legal acts are applied in the Russian Federation to infringements of copyright and related rights, trademarks, and appellations of origin.¹⁹¹ IPR holders can register their IPRs in the national customs register of IP objects of the Russian Federation or in the unified customs register of IP objects of the EAEU member States.¹⁹² It is also possible for the customs authorities to take *ex officio* action, without a request from the right holder, to suspend the release of infringing goods at the border. The border measures should not apply to goods imported for private, family or household use or other non-commercial purposes.

¹⁸⁶ Articles 146-147, Criminal Code of the Russian Federation No. 63-FZ dated 13 June 1996, as last amended by Law No. 441-FZ dated 30 December 2015 (hereinafter referred to as the Criminal Code).

¹⁸⁷ Articles 146-147, Criminal Code.

¹⁸⁸ Article 180, Criminal Code.

¹⁸⁹ Law No. 311-FZ of 27 November 2010 "On Customs Regulation in the Russian Federation"

¹⁹⁰ Customs Code of the Customs Union, Appendix to the Treaty on the Customs Code of the Customs Union adopted by resolution of the Interstate Council of the Eurasia Economic Community No. 17 dated 27 November 2009, as amended on 16 April 2010.

¹⁹¹ Law No. 311-FZ, Chapter 42.

¹⁹² Law No. 311-FZ, Article 305.

3.273. To prevent the abuse of border measures, an applicant should be liable for damages caused to the importer, owner or consignee of importing goods resulting from the suspension if it is determined that such goods are not counterfeit.¹⁹³

3.274. Despite all these efforts, IP enforcement, especially piracy, is still the main concern for the Russian Federation's trading partners. Efforts to strengthen copyright protection in the digital environment resulted in the adoption of two special laws on copyright enforcement since 2013.

3.275. On 21 June 2013, the Russian Federation adopted Law No. 187-FZ of 2 July 2013 "Amending Certain Legislative Acts on Issues of Protecting Intellectual Property Rights in Information-Telecommunication Networks", which introduced civil remedies against internet piracy and entered into force on 1 August 2013. An amendment to Law No. 187-FZ was adopted in March 2015 with the date of entry into force on 1 May 2015 (Law No. 364-FZ).

3.276. The main change introduced by Law No. 364-FZ was to extend the application of preliminary interim injunctions to all copyright works, except photographs, whereas under Law No. 187-FZ, the preliminary interim injunctions could only be used against online copyright infringement of video content.

3.277. Law No. 187-FZ provided for the exclusive jurisdiction of the Moscow City Court (Mosgorsud), not the IPR Court, to grant preliminary interim injunctions in case of online infringement (except photographic works and work, obtained in ways similar to photography) and to hear subsequent cases in this regard. With the extended scope of the subject matter protectable by the preliminary interim injunctions, Mosgorsud's authority has also been extended to hear all online copyright infringement cases.

3.278. In addition, Law No. 364-FZ provides that Mosgorsud can issue permanent injunctions on websites, i.e. to block websites, in cases of repeat infringement.¹⁹⁴ All the injunctions issued by Mosgorsud are executed by Roskomnadzor. From August 2013 to April 2016, Mosgorsud issued 788 preliminary injunctions in relation to online copyright and/or related rights infringement, and 24 websites were blocked permanently.

3.279. Law No. 364-FZ also introduced an out-of-court procedure against copyright infringement, according to which the copyright holder can address a notice to the relevant website owner accompanied by supporting documentation about the illegal content available on the website. The website owner has one day to take down such content, unless he has proof that it was published legally.

3.280. According to the Ministry of Telecom and Mass Communication (October 2015), the number of consumers who paid royalties for online copyright content increased from 4 million to 18 million since 2012.¹⁹⁵ It is expected that the number will reach 30 million by 2018.

¹⁹³ Law No. 311-FZ, Articles 306.5 and 307.2.

¹⁹⁴ Law No. 364-FZ "Introduction of Amendments into the Federal Law on Information, on Information Technology, and on Protecting Information and into the Civil Procedure Code", 24 November 2014, Article 3 introducing Article 15.6.

¹⁹⁵ Ministry of Telecom and Mass Communication (2015).

4 TRADE POLICIES BY SECTOR

4.1 Agriculture, forestry, and fishing

4.1.1 Agriculture

4.1.1.1 Overview

4.1. In 2015, agriculture, hunting, and forestry contributed 4.2% to the GDP of the Russian Federation (see Section 1.1) and about 9% to employment. Agricultural land represents about 13% of the total land territory or about 196.2 million hectares, including 115.1 million hectares of arable land, 4.3 million hectares of fallow, 1.2 million hectares of perennial crops, 18.7 million hectares of permanent meadows, and 57.0 million hectares of pastures.¹

4.2. With such a large area of agricultural land, different climates, growing seasons, and soil types, the Russian Federation produces a wide variety of agricultural products, with a total value of production (at farm gate prices) of Rub 3,472 billion in 2014. Despite the wide variety of agricultural production, five products represent over half the value of production (dairy milk, wheat, potatoes, pig meat, and poultry meat). In nominal terms, the value of agricultural output has increased substantially over the past ten years; although droughts in 2010 and 2012 caused a drop in those years, output recovered quickly. However, in quantity terms, the increase has been more modest and different products have shown different trends: milk and beef output has declined; while maize, sunflower seeds, refined sugar, pig meat, and poultry meat have increased by more than 5% per year on average over the past ten years (Table 4.1).

Table 4.1 Production of selected agricultural products, 2004 and 2011-14

	2004	2011	2012	2013	2014
Value of production (Rub)					
Total	1,097,333	2,822,704	2,753,825	3,099,869	3,472,094
Milk	185,368	447,311	432,006	484,644	604,997
Wheat	147,297	287,274	241,747	349,789	404,035
Potatoes	131,241	336,881	225,691	285,289	401,259
Pig meat	78,977	239,384	268,852	193,154	322,145
Poultry meat	62,166	237,415	269,693	280,224	256,689
Beef and veal	77,195	193,751	215,686	209,964	216,644
Eggs	59,595	104,300	113,660	131,976	142,506
Barley	42,959	84,453	82,359	98,126	110,235
Sunflower	28,995	110,202	99,577	126,896	101,082
Refined sugar	15,575	55,953	52,554	49,266	75,183
Maize	12,251	41,197	55,446	76,570	64,313
Oats	11,333	23,968	18,512	28,515	26,143
Rye	7,186	11,657	9,635	16,505	15,359
Other	237,195	648,958	668,406	768,952	731,504
Production quantity (000 tonnes)					
Milk	31,861	31,646	31,756	30,529	30,845
Wheat	45,434	56,240	37,720	52,091	58,994
Potatoes	27,876	32,681	29,533	30,199	31,110
Pig meat	1,382	2,067	2,154	1,952	2,480
Poultry meat	1,156	3,106	3,514	3,618	2,830
Beef and veal	1,573	1,308	1,321	1,407	1,407
Eggs	1,994	2,284	2,335	2,294	2,324
Barley	17,088	16,938	13,952	15,389	19,984
Sunflower	4,810	9,697	7,993	10,554	8,764
Refined sugar	2,236	4,753	4,877	4,468	4,552
Maize	3,373	6,962	8,213	11,635	11,091
Oats	4,637	5,332	4,027	4,932	5,265
Rye	2,864	2,971	2,132	3,360	3,274

Source: OECD Producer and Consumer Support Estimates database. Viewed at: <http://www.oecd.org/tad/agricultural-policies/producerandconsumersupportestimatesdatabase.htm> [May 2016].

¹ Ministry of Agriculture of the Russian Federation.

4.3. According to the FAO, the Russian Federation is a major producer of several agricultural products: in terms of quantity, in 2013 it was ranked first in the world for sugar beet, barley and oats; third for potatoes; and fourth for wheat production.²

4.4. Privatization of agricultural land in the Russian Federation began in the early 1990s under a number of decrees and, since the early 2000s, under the procedures set out in the Land Code of the Russian Federation, and Law No. 101-FZ of 24 July 2002 "On Circulation of Agricultural Land" as well as other legislative acts. At mid-2016, about 67% of agricultural land was owned by the state or municipal authorities and the rest was owned by the private sector. Foreign ownership of agricultural land is not permitted, although foreigners and foreign legal entities may rent land for up to 49 years, and it has been reported that a foreign owned company registered in the Russian Federation may buy farmland.³

4.5. According to one report, at the time of the last agricultural census in 2006, 98% of farms were owned by private households or other individual operators but they represented about 2% of agricultural land. Other categories of holdings, which included agricultural enterprises, institutional farms, private farms, individual entrepreneurs and non-profit citizen associations, accounted for the other 2% of holdings and 98% of agricultural land.⁴

4.6. According to the Federal State Statistics Service, about 49% of the total value of agricultural production is from agricultural enterprises, 41% from household enterprises, and 10% from peasant farm enterprises.⁵ Another report stated that these classifications correspond roughly to corporate farms, household plots, and commercial family farms, respectively, and that the 30 largest holdings farm 6.7 million hectares.⁶

4.1.1.2 Trade

4.7. In 2015, the total value of agricultural exports (WTO definition⁷) was US\$ 13.4 billion and the total value of imports was US\$25.4 billion. During the 2012-15 period, in value terms, exports and imports of agricultural products fluctuated, with a decline in 2015 compared to 2014. The main export (at HS 12, 6-digit level) throughout this period was wheat, which represented over 29% of the total value of agricultural exports, followed by barley, crude sunflower oil, and maize. Imports were less concentrated than exports with the top five imports representing 18% of total imports of agricultural products (Table 4.2).

Table 4.2 Trade in selected agricultural products, 2012-15

(US\$ million)

		2012	2013	2014	2015	2015 Top 4 destinations/sources
Exports						
Total agricultural exports		14,268	13,509	16,135	13,379	
of which						
100199	Wheat	4,476	3,469	5,387	3,916	Egypt, Turkey, Iran, Azerbaijan
100390	Barley	897	553	783	943	Kingdom of Saudi Arabia, Iran, Kuwait, Jordan
151211	Sunflower-seed or safflower oil and fractions thereof: Crude oil	1,300	1,046	1,027	794	Turkey, Egypt, Sudan, China
100590	Maize	573	590	700	598	Turkey, Rep. of Korea, Azerbaijan, Iran
240220	Cigarettes containing tobacco	485	502	564	518	Azerbaijan, Kazakhstan, Ukraine, Georgia

² FAOStat online information. Viewed at: <http://faostat3.fao.org/home/E> [June 2016].

³ Rylko et al. (2015).

⁴ Lowder et al. (2014), p. 2.

⁵ Federal State Statistics Service online information. Viewed at: http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/en/gigures/agriculture/ [June 2016].

⁶ Davydova, I. and Franks, J.R. (2015), pp. 133-159.

⁷ For the purposes of this section of the Trade Policy Review Report, the definition of agricultural products used is that set out in Annex 1 of the Agreement on Agriculture where fish and fish products are taken to include tariff lines under HS 2012 Headings 020840, 03, 050800, 050900, 051191, 1504, 1603, 1604, 1605, and 230120.

		2012	2013	2014	2015	2015 Top 4 destinations/sources
151219	Sunflower-seed or safflower oil and fractions thereof	361	429	434	397	Uzbekistan, Kazakhstan, Kyrgyzstan, Belarus
180690	Chocolate and other food preparations containing cocoa	309	390	372	287	Kazakhstan, Belarus, Kyrgyzstan, China
150710	Soya-bean oil: Crude oil	129	160	269	270	Algeria, Tunisia, Egypt, China
230630	Oil-cake and other solid residues: Of sunflower seeds	376	370	373	252	Turkey, Latvia, Italy, Denmark
230400	Oil-cake and other solid residues resulting from the extraction of soya bean oil	16	127	316	226	Poland, Uzbekistan, Netherlands, Norway
Imports						
Total agricultural imports		38,538	40,629	37,702	25,429	
of which						
020230	Meat of bovine animals, frozen, boneless	2,559	2,349	2,160	1,088	Brazil, Paraguay, Belarus, India
120190	Soya beans, whether or not broken	440	674	1,146	939	Paraguay, Brazil, United States, Croatia
080390	Bananas, including plantains, fresh or dried	921	996	958	910	Ecuador, Costa Rica, Philippines, Mexico
020329	Meat of swine, frozen	1,999	1,794	1,320	824	Brazil, Chile, China, Paraguay
240120	Tobacco, partly or wholly stemmed/stripped	928	928	852	790	Brazil, India, United States, Malawi
070200	Tomatoes, fresh or chilled	887	1,104	1,045	676	Turkey, China, Morocco, Azerbaijan
151190	Palm oil and its fractions, whether or not refined, but not chemically modified	752	689	640	640	Indonesia, Netherlands, Malaysia, Germany
080520	Mandarins (including tangerines and satsumas); clementines, wilkings and similar citrus hybrids	747	811	728	612	Turkey, Morocco, Pakistan, China
040690	Cheese and curd: other cheese	1,433	1,685	1,231	582	Belarus, Argentina, Uruguay, Armenia
090240	Tea, whether or not flavoured. // - Other black tea (fermented) and other partly fermented tea	448	464	477	508	Sri Lanka, India, Kenya, Indonesia

Source: UNSD, Comtrade database.

4.1.1.3 Policies

4.8. For the agricultural sector, Section XXV of the EAEU Treaty sets out the basic objectives and a coordinated policy for the EAEU. According to Article 94 of the EAEU Treaty, the objectives of the coordinated policy include:

- balanced development of production and markets for agricultural products;
- fair competition among the entities of the member States of the EAEU, including equal access to the common agricultural market;
- standardization of requirements related to the circulation of agricultural goods; and
- protection for producers of agricultural goods in the member States on domestic and foreign markets.

4.9. Further details on the implementation of the coordinated policy are contained in EAEU Decision No. 94 of 21 November 2014 "On schedule of activities for implementation of the CU and SES [Single Economic Space] Member-States' Coordinated Agricultural Policy Concept". Among the EEC decisions relating to the coordinated agricultural policy is No. 79 of 15 July 2015 "On fulfilling obligations to provide information on state support to agriculture in 2015" with the aim of information sharing on support to agriculture in the member States of the EAEU.

4.10. At the national level, the Ministry of Agriculture is responsible for agricultural policy and legal regulation in the Russian Federation and the subjects of the Federation are responsible for implementing the policy. In addition to its role relating to SPS measures (Section 3.1.9), the Federal Service for Veterinary and Phytosanitary Supervision (Rosselkhoznadzor) has some responsibilities relating to agricultural production, such as soil fertility, quality (as well as safety) of grains, cereals and compound animal feeds and their production components, grain production by-products, and legal issues relating to land use.

4.11. The basic laws relating to agriculture include Law No. 264-FZ of 29 December 2006 "On agricultural development" (as amended), while there are many other legislative acts referring to specific aspects, such as Law No. 913-FZ of 8 December 1995 "On agricultural cooperation" (as amended), Law No. 133-FZ of 7 July 2003 "On subsidiary small-holding", Law No. 74-FZ of 11 June 2003 "On peasant farms", Law No. 260-FZ of 25 July 2011 "On state support in the sphere of agricultural insurance", and the Land Code of the Russian Federation (No. 136-FZ of 25 October 2001).

4.1.1.3.1 Trade policies

4.12. There are 2,634 tariff lines for agricultural products at the ten-digit level in the Russian Federation and the average tariff on agricultural products in 2016 was 14.6%, compared to an overall average of 8.3%. There is considerable variation among product groups, and within product groups with cotton imports duty-free, while tariffs on animals and animal products range from zero to 114% with a simple average of 33%, and tariffs on sugars and confectionary range from 2 to 149% and average 23% (Section 3.1.4.2 and Table A3.1).

4.13. In August 2014, imports of specific agricultural products from Australia, Canada, the European Union, Norway, and the United States were banned for one year. The ban was extended for another year in June 2015 and Albania, Iceland, Liechtenstein, Montenegro, and (from 1 January 2016) Ukraine were added to the list of countries affected. In November 2015, imports of specific agricultural goods from Turkey were also banned (Section 3.1.6).

4.14. In acceding to the WTO, the Russian Federation bound six tariff quotas (TQs) in its Schedule for: fresh and chilled beef; frozen beef; fresh, chilled and frozen pork; pork trimming; fresh, chilled or frozen poultry; and for whey and modified whey. According to the notification to the WTO Committee on Agriculture the TQ for fresh, chilled or frozen poultry is applied as three separate quotas.⁸

4.15. According to the EAEU Treaty, the Eurasian Economic Commission is the competent authority for TQ establishment within the EAEU and allocation of tariff quota volumes among the member States. The authorities stated that the volume of TQs for EAEU member States that are WTO Members and have TQ commitments in their schedules can be based on the TQ commitments of that EAEU member State. Each year the Eurasian Economic Commission adopts a decision concerning TQ volumes for each EAEU member State for the following year.

4.16. In the Russian Federation, the Ministry of Economic Development is responsible for allocation of TQs among importers with allocations based on historical imports. Then, based on an importer's application, the Ministry of Industry and Trade may issue a licence for imports under the TQ. The licence is valid for one calendar year. Fill rates among the TQs vary from one quota to another and from one year to another (Table 4.3).

Table 4.3 Tariff quotas and imports under tariff quotas, 2013-15

(Tonnes)

	Tariff quota	2013	2014	2015
Fresh and chilled beef	40,000	17,196	12,818	1,408
Frozen beef	530,000	477,760	448,566	264,009
Fresh, chilled or frozen pork	400,000	428,260	299,873	256,251
Pork trimming	30,000	..	..	..
Fresh, chilled or frozen poultry	250,000	244,529	179,234	50,885
	100,000	62,373	66,497	13,957
	14,000	6,629	5,673	3,643
Whey and modified whey	15,000	..	..	..

.. Not available.

Source: WTO documents G/AG/N/RUS/4, 10 April 2014; G/AG/N/RUS/8, 27 May 2015; and G/AG/N/RUS/12, 26 April 2016.

4.17. According to the notifications by the Russian Federation to the Committee on Agriculture, the Russian Federation did not provide export subsidies for agricultural products for the years

⁸ WTO document G/AG/N/RUS/2, 5 February 2014.

2012-15.⁹ Support to exports of agricultural products is provided by EXIAR, Eximbank of Russia, and the Russian Export Hub.

4.18. Amongst other products (Section 3.2.2), export duties are applied to exports of:

- raw hides and skins at €300 per tonne;
- oil seeds: at 6.5% but not less than €11.4 per tonne for rape/colza seeds; and 9.88% but not less than €14.81 per tonne for sunflower seeds; and
- wheat at 50% minus Rub 6,500 per tonne, but not less than Rub 10 per tonne (HS 1001 91 900 0) or 50% minus Rub 5,500 per tonne, but not less than Rub 50 per tonne (HS 1001 99 000 0).

4.19. Import duties are also used to stabilize domestic prices for agricultural products. In 2015, the EAEU reduced import duties on some vegetable oils for industrial use, some products containing sugar, potatoes for starch, some vegetables, some dairy products, and some meat products.¹⁰

4.1.1.3.2 Domestic policies

4.20. The State uses a variety of policy instruments to stabilize domestic prices for wheat, rye, barley and maize, including public intervention programmes based on prices set by the Minister of Agriculture, and export duties for wheat (below). It was reported that, between October 2012 and July 2013, 3.4 million tonnes of wheat were released from the Intervention Fund to reduce domestic prices, and, in 2013-14, 0.6 million tonnes were removed from the market.¹¹ Other reports stated that 1.7 million tonnes were purchased by the Intervention Fund in 2015-16 for Rub 17.7 billion, bringing total stocks to 3.15 million tonnes.¹² In October 2015, intervention prices for these products were increased and were set at the same level of each product for all regions of the Russian Federation:

- for wheat, the intervention price for class 3 milling wheat was Rub 10,900 per tonne, for class 4 milling wheat Rub 10,400, and class 5 feed wheat Rub 8,800;
- for food quality rye Rub 7,400;
- for fodder barley Rub 7,500; and
- for maize Rub 6,900.¹³

4.1.1.3.2.1 State Programme for Agricultural Development

4.21. Current agricultural policy is based on the Decree of the President No. 120 of 30 January 2010 "On the approval of the Food Security Doctrine of the Russian Federation" (as amended), which sets self-sufficiency targets for key foodstuffs (80-95% for grains, sugar, vegetable oil, meat and meat products, milk and milk products, fish and fish products, and salt). National policy is currently being implemented through a seven-year programme introduced in 2012 (Government Resolution No. 717 of 14 July 2012 "On State Programme for agricultural development and regulation of farm product, raw materials and foodstuffs markets for 2013-2020"), which was amended in April 2014 and again in December 2014. The Programme includes several sub-programmes and federal targeted programmes (Table 4.4). The principal objectives of the State Programme include:

- improving production and competitiveness of agricultural products on domestic and foreign markets;
- improving the financial stability of agricultural producers;
- securing epizootic welfare;

⁹ WTO documents G/AG/N/RUS/3, 18 March 2014; G/AG/N/RUS/6, 6 March 2015; and G/AG/N/RUS/10, 1 February 2016.

¹⁰ Ministry of Agriculture (2016).

¹¹ OECD (2015d).

¹² Blackseagrains (2016).

¹³ Ministry of Agriculture Order No. 460 of 5 October 2015 "On amendments to the Order of the Ministry of Agriculture No. 119 of 31 March 2015".

- sustainable development of rural areas;
- regeneration and effective use of land and other agricultural resources and environmentally friendly production; and
- providing marketing assistance for, and seasonal storage of agricultural products.

4.22. The State Programme was allocated total federal funding of Rub 1,509.7 billion, including Rub 158.9 billion in 2013, Rub 162 billion in 2014, and Rub 175.4 billion in 2015. The Programme was amended in April 2014 and the allocations were reduced for 2015 to Rub 166 billion and for 2016 to Rub 165 billion.¹⁴ However, following a further amendment in December 2014 funding was increased, new sub-programmes introduced and funds were reallocated among the sub-programmes.¹⁵ The total federal allocations to the State Programme and sub-programmes are in Table 4.4, but actual spending varies from one year to another and some of the sub-programmes are co-funded by the regional authorities.¹⁶

Table 4.4 Federal allocations to the State Programme for Agricultural Development, 2013-2020
(Rub billion)

	2013	2014	2015	2016	2017	2018	2019	2020	Programme total
Developing Crop Farming and the Processing and Sale of Crop Farming Products	67.5	39.3	51.8	61.7	75.2	81.8	87.3	90.8	555.4
Developing Animal Husbandry and the Processing and Sale of Animal Husbandry Products	72.3	57.4	30.7	40.0	39.8	37.9	35.2	33.1	346.4
Developing Beef Cattle Breeding	4.9	6.7	6.9	9.3	10.8	11.6	12.6	13.6	76.5
Supporting Small Businesses	8.6	8.2	9.8	15.8	17.9	17.2	18.2	18.6	114.3
Technical and Technological Modernization, Innovative Development	5.3	1.9	3.1	4.1	4.2	4.3	4.3	4.4	31.6
Ensuring the Implementation of the State Programme	21.4	37.4	24.0	25.5	29.8	29.4	30.2	31.2	229.0
Federal targeted programme – Social Development of Villages	9.0	..	..	..	..	..	..	..	9.0
Federal targeted programme – Conservation and Restoration of Soil Fertility	6.6	..	..	..	..	..	..	..	6.6
Development of Open-field and Protected-Culture Production of Vegetables and Potato Seed Breeding Industry	..	..	5.0	7.0	7.7	7.8	7.7	7.8	43.0
Developing Dairy Cattle Breeding	..	..	24.2	34.3	42.3	45.4	49.3	51.8	247.4
Support of the Pedigree Breeding Industry, Seed Breeding Industry	..	..	7.2	12.7	14.2	14.2	14.4	14.6	77.3
Development of Wholesale Distribution Centres and Social Catering Infrastructure	..	..	2.4	10.3	14.2	15.8	17.0	19.5	79.3

¹⁴ Government Resolution No. 315 of 15 April 2014 "On Amendments to the State Programme for agricultural development and regulation of agricultural commodities markets in 2013-2020".

¹⁵ Government Resolution No. 1421 of 19 December 2014 "On Amendments to the State Programme for agricultural development and regulation of agricultural products, raw materials and food for 2013-2020".

¹⁶ Krivonos, E. (2014).

	2013	2014	2015	2016	2017	2018	2019	2020	Programme total
Development of Credit & Financial System in the Agro-Industrial Complex	2.0	..		11.2	11.3	20.9	21.6	21.7	88.7
Federal targeted programme – Sustained Development of Rural Areas in 2014-2017 and to 2020	..	11.3	14.0	16.1	20.3	23.1	25.9	28.9	139.6
Federal targeted programme – Developing Agricultural Land Amelioration in Russia in 2014-2020	..	7.9	8.6	10.0	12.6	14.5	14.1	14.4	81.9
Annual total	197.7	170.2	187.9	258.1	300.2	324.0	337.8	350.4	2,126.2

.. No allocation.

Source: Government Resolution No. 1421 of 19 December 2014 "On Amendments to the State Programme for agricultural development and regulation of farm product, raw materials and foodstuffs markets for 2013-2020".

Sub-programme: Developing Crop Farming and the Processing and Sale of Crop Farming Products¹⁷

4.23. There are several projects under the sub-programme for crop farming and the processing and sale of crop farming products, some of which are directed at increasing production of crops throughout the Russian Federation while others are targeted at specific regions.

- (i) Under the project for horticultural development, support and care for perennial plants and vineyards, there are four sub-plans providing subsidies for the maintenance of vineyards and orchards, uprooting old ones, building and modernizing storage facilities, and the purchase of machinery and equipment. In 2015, the total federal budget provided for support for the development of perennial plants and vineyards was Rub 2,311.3 million and for the stubbing up of old fruit and berry plantations it was Rub 103.6 million.
- (ii) Under the project for support for economically significant programmes for crops, support is provided for specific regional programmes. In 2015, the Ministry of Agriculture selected 20 regional programmes for agricultural development, including flax cultivation, rice cultivation, post-flooding land recovery, and animal feeds. In 2015, Rub 960.3 million in federal funds was provided to co-finance these plans.
- (iii) Under the project for support for agricultural producers in the Far North and equivalent areas, subsidies are provided for the purchase and delivery of seeds for the cultivation of grasses, grains, and legumes. In 2015, the subsidy from the federal budget covered 85.4% of the cost of purchase and delivery but lack of funding meant not all demand was met. The total federal spending for seed purchase and delivery in 2015 was Rub 247.1 million. In addition, subsidies for crop production are intended to compensate for the high costs associated with production in the Far North and the federal budget provided Rub 445.5 million in 2015.
- (iv) Under the project for support for lending to sub-sectors for crop and processing of its products, development of infrastructure and logistics markets for crop production, subsidies are provided for:
 - reimbursement of interest payments on short-term credits for crop development, processing and marketing of crop production; and
 - reimbursement of interest payments on investment loans for crop development, processing and development of infrastructure and logistics markets for plant production.

¹⁷ The primary source for the information on the sub-programmes and federal targeted programmes is Ministry of Agriculture (2016) (Russian only).

- (v) In January 2015, the Ministry of Agriculture increased the rate of federal subsidy for interest payments on short-term loans to two thirds of the Central Bank's refinancing rate (14.68%), while the regional subsidy for interest payments on short-term loans stayed at between 20% and one third of the refinancing rate. As a result, the cost of short-term borrowing for agricultural producers was 2-5% in 2015, and the value of the subsidy increased, from Rub 9.8 billion in 2014 to Rub 22.9 billion in 2015 (Table 4.5).
- (vi) The subsidy rate for loans for investments was increased to 100% of the refinancing rate in 2015. However, investment loans declined, leading to a fall in spending in 2015 compared to 2014 (Table 4.5). Most investment lending is for modernization, horticulture, processing of protein crops, and the sugar industry.

Table 4.5 Subsidies for interest payments for crop production, 2013-15

(Rub billion)

Year	Federal budget	Regional budgets	Total
Short-term debt			
2013	19.0	2.9	21.9
2014	7.6	2.2	9.9
2015	20.2	2.7	22.9
Investment loans			
2013	12.9	2.2	15.2
2014	17.9	2.6	20.5
2015	14.9	2.8	17.7

Source: Ministry of Agriculture (2016), *National report on progress and results of the implementation in 2015 of the State Programme for agricultural development and regulation of agricultural products, raw materials and food for 2013-2020*, 11 May, Tables 3.9 and 3.12.

- (vii) The project for risk management in the crop sub-sectors provides support for crop insurance for loss of 25% or more of production resulting from natural events (20% from 2016 onwards). In 2015, 8.3 million hectares, or 10.9% of total sown area, were covered by insurance and the total support provided was Rub 4,278 million (Table 4.6).

Table 4.6 Subsidies for insurance premiums for crops, 2013-15

(Rub billion)

Year	Total premiums	Federal budget	Regional budgets	Total
2013	10.65	4.57	0.69	5.26
2014	12.27	4.89	1.14	6.03
2015	8.71	3.88	0.40	4.28

Source: Ministry of Agriculture (2016), *National report on progress and results of the implementation in 2015 of the State Programme for agricultural development and regulation of agricultural products, raw materials and food for 2013-2020*, 11 May, Table 2.18.

- (viii) In addition to changes in import and export duties for some products, the project for the regulation of markets for plant products provides federal funds for government agencies to carry out their functions, including intervention purchases (see above).
- (ix) The project for decoupled income support for crop producers provides subsidies for each hectare of sowing area which, in 2015, was set at RUB 493.5 per hectare, of which RUB 308.3 was provided from the federal budget. A total of RUB 22.8 billion was provided for these payments in 2015. According to the Ministry of Agriculture, the payments are primarily directed at the purchase of fuel, fertilizer, crop-protection chemicals, and seeds.

Sub-programme: Developing Animal Husbandry and the Processing and Sale of Animal Husbandry Products

4.24. The aims of the livestock sub-programme include increasing the volume of production of animal products, developing the processing industry, improving and protecting animal health, reducing imports, and increasing exports. The sub-programme is implemented through eight projects, some of which are targeted at specific products and others provide support for livestock production and processing generally.

- (i) The project for the development of sheep and goat breeding provides direct support for sheep and goat breeding in order to increase production of sheep and goat meat, and wool (Table 4.7).

Table 4.7 Subsidies for development of sheep and goat breeding, 2014 and 2015

(Rub million)

Year	Federal budget	Regional budgets	Total
2014	620.3	106.7	727.0
2015	735.5	93.4	826.1

Source: Ministry of Agriculture (2016), *National report on progress and results of the implementation in 2015 of the State Programme for agricultural development and regulation of agricultural products, raw materials and food for 2013-2020*, 11 May, Table 3.6.

- (ii) The project for the development of deer and horse breeding is intended for raising reindeer and traditional horse breeds in specific territories, including in the Far North, Siberia, and the Far East (Table 4.8).

Table 4.8 Subsidies for development of deer and horse breeding, 2014 and 2015

(Rub million)

Year	Federal budget	Regional budgets	Total
2014	170.9	1,507.2	1,678.1
2015	380.2	1,429.3	1,809.5

Source: Ministry of Agriculture (2016), *National report on progress and results of the implementation in 2015 of the State Programme for agricultural development and regulation of agricultural products, raw materials and food for 2013-2020*, 11 May, Table 3.7.

- (iii) Under the project to prevent the spread of and eradicate African swine fever (ASF), funds are provided for research, laboratories and related infrastructure. In 2015, total funds provided were Rub 830.9 million, of which 64.4% was provided from the federal budget.
- (iv) The project to control epizootic diseases aims to prevent the outbreak and spread of infectious animal diseases and eliminate any such diseases where they are present in the Russian Federation. Under the project, the Ministry of Agriculture provides support to the relevant state agencies under its control for the manufacture and delivery of veterinary medicines. In addition, the Ministry invites tenders for the supply of veterinary medicines and services. In 2015, Rub 1,743.6 million was provided from the federal budget for this project.
- (v) Under the project to support economically significant programmes for livestock, support is provided for specific regional programmes. In 2015, the Ministry of Agriculture concluded agreements with 11 regions related to prevention of, or recovery from swine fever. The total support provided by the federal and regional authorities for approved plans was Rub 523.6 million in 2015 (Table 4.9).

Table 4.9 Economically significant programmes for livestock, 2013-15

(Rub million)

Year	Federal budget	Regional budgets	Total
2013	300.0	325.6	625.6
2014	297.5	222.1	519.6
2015	398.0	125.6	523.6

Source: Ministry of Agriculture (2016), *National report on progress and results of the implementation in 2015 of the State Programme for agricultural development and regulation of agricultural products, raw materials and food for 2013-2020*, 11 May, Table 3.8

- (vi) The project for state support for lending to the livestock sector, processing, infrastructure, and logistics provides interest subsidies for short-term and investment loans for livestock in a similar way to lending to the crop sector (see above) (Table 4.10). Out of a total of Rub 129.8 billion in credits for investment lending, nearly all (87%) was for investment in poultry and pig farming.

Table 4.10 Subsidies for interest payments for livestock production, 2013-15

(Rub billion)

Year	Federal budget	Regional budgets	Total
Short term debt			
2014	8.60	1.50	8.30
2015	8.35	1.27	9.62
Investment loans			
2013	34.80	5.7	40.5
2014	46.20	7.4	53.6
2015	27.90	5.4	36.3

Source: Ministry of Agriculture (2016), *National report on progress and results of the implementation in 2015 of the State Programme for agricultural development and regulation of agricultural products, raw materials and food for 2013-2020*, 11 May, Tables 3.9 and 3.12.

- (vii) Under the project for risk management for livestock, subsidies are provided which amounted to 48.3% of the insurance premiums in 2015, mostly from the federal budget (Table 4.11).

Table 4.11 Subsidies for insurance premiums for livestock, 2013-15

(Rub billion)

Year	Total premiums	Federal budget	Regional budgets	Total
2013	417.1	166.0	40.5	206.5
2014	813.6	291.3	101.9	393.2
2015	839.4	362.3	42.7	405.0

Source: Ministry of Agriculture (2016), *National report on progress and results of the implementation in 2015 of the State Programme for agricultural development and regulation of agricultural products, raw materials and food for 2013-2020*, 11 May, Tables 3.17 and 3.18.

- (viii) The project for the development of wool production provided Rub 32.1 million in 2015 (Rub 24.4 from the federal budget, and Rub 7.7 million from regional budgets) for increasing wool production and improving quality.

Sub-programme: Developing Beef Cattle Breeding

4.25. The sub-programme for the development of beef cattle includes several projects for increasing production, better breeding, and building infrastructure. Total funding for the sub-programme in 2015 was Rub 6,949 million, of which Rub 4,574 was provided from the federal budget.

- (i) Under the project for supporting economically significant programmes for beef cattle, support is provided for programmes to increasing productivity through better use of technology, feeds and improving pastures. In 2015, total support for the project was Rub 3,545.7 (Table 4.12)

Table 4.12 Economically significant programmes for beef cattle, 2013-15

(Rub million)

Year	Federal budget	Regional budgets	Total
2013	2,000.0	1,510.3	3,510.3
2014	1,900.0	1,619.6	3,519.6
2015	2,372.8	1,172.9	3,545.7

Source: Ministry of Agriculture (2016), *National report on progress and results of the implementation in 2015 of the State Programme for agricultural development and regulation of agricultural products, raw materials and food for 2013-2020*, 11 May, Table 4.5.

- (ii) The project for support for the construction and reconstruction of facilities for beef cattle provides interest rate subsidies for selected investment projects. In 2015, Rub 5.24 billion was provided, mostly from the federal budget (Table 4.13). In 2015, 85 investment projects were selected with total borrowing of Rub 32.9 billion.

Table 4.13 Interest rate subsidies for selected investment projects, beef, 2014 and 2015
(Rub billion)

Year	Federal budget	Regional budgets	Total
2014	3.15	0.44	3.54
2015	4.89	0.35	5.24

Source: Ministry of Agriculture (2016), *National report on progress and results of the implementation in 2015 of the State Programme for agricultural development and regulation of agricultural products, raw materials and food for 2013-2020*, 11 May, Tables 3.17 and 3.18.

Sub-programme: Supporting Small Businesses

4.26. The objective of the sub-programme for support for small farmers is to support the development of farming and non-farming activities on small farm holdings, improve the quality of life in rural areas, and increase revenue and reduce costs for small-scale producers through their participation in agricultural cooperatives.

- (i) Support is provided for people starting in farming, with 1,067 farmers given an average grant of Rub 1.14 million in 2015. Funding provided from the federal budget was Rub 3.2 billion in 2015.
- (ii) In 2015, 953 farms received an average of Rub 4.35 million in support under the project for the development of family livestock farms. The federal budget provided Rub 3.075 billion in 2015.
- (iii) Grant support is provided for agricultural cooperatives for: the construction, renovation, or modernization of buildings; laboratory equipment; production equipment; and transport equipment. The federal budget provision for 2015 was Rub 0.4 billion.
- (iv) State support is provided for interest on loans taken by small farms, cooperatives, and agricultural organizations. The federal budget provision for 2015 was Rub 7.216 billion.
- (v) Support is provided for land registration for small farms, with federal funding of Rub 0.043 billion in 2015.

Sub-programme: Technical and Technological Modernization, Innovative Development

- (i) The project for modernization of agricultural equipment provides support to producers of agricultural machinery for discounted sales for equipment listed in Government Decree No. 1432 of 27 December 2012 "On approval of the rules for granting subsidies for agricultural machinery and equipment". In 2015, 41 agricultural enterprises had grant agreements with the Ministry of Agriculture to provide discounts for 59 articles of machinery. Total subsidies paid were Rub 5,194.9 million.
- (ii) Spending under the project for implementation of innovative programmes in 2015 was Rub 70 million for an agreement on integrated energy efficient recycling of sewage and waste from food industry enterprises and the development of new harvesting technologies.
- (iii) The project for development of biotechnologies was supported by the provision of Rub 475.0 million in 2015.

Sub-programme: Ensuring the Implementation of the State Programme of the Russian Federation "State Programme for agricultural development and regulation of agricultural products, raw materials and food for 2013-2020"

4.27. The sub-programme on implementation of the programme of agricultural development is divided into several projects intended to ensure the administrative resources are available to implement the plan and to provide for a suitable business environment for agriculture.

- (i) The first project under the sub-programme provides for training of public authorities.
- (ii) The sub-programme includes a project for the simplification and reduction of taxes paid by farmers and farming enterprises, including a single farming tax which would exempt the payer from income tax, VAT, and property tax.

- (iii) The project for financial recovery for restructuring debts of farm organizations is based on Law No. 83-FZ of 9 July 2002 "On financial recovery of agricultural producers". From 2003 to 2015. It has benefited 13,273 agricultural producers whose restructured debts amounted to Rub 88.2 billion.
- (iv) The project for public services provides funding for agencies that provide agricultural services, such as land reclamation, agro-chemicals, training, equipment, research and development, etc. The funds are provided for services for dissemination of technological information, testing of systems, and the creation of a technology database.
- (v) The organization of information systems, databases, and data storage systems provides funds for information and data systems.
- (vi) The project for monitoring agricultural land provides for the creation of a single federal information system for agricultural land and land use.
- (vii) In 2015, the project to ensure surveillance functions for veterinary and phytosanitary surveillance provided Rub 10,026.7 million for Rosselkhoznadzor's operations.
- (viii) The Ministry of Agriculture has developed the regulatory framework to respond to natural disasters with compensation for costs incurred by agricultural producers for the resulting damage, enabling it, in 2015, to respond to natural disasters in 14 regions, which resulted in Rub 7.1 billion in costs to agricultural producers and 2.02 million hectares in crop losses. In response, the federal and regional authorities provided Rub 4,676.6 million, in addition to Rub 2,597.1 million for natural disasters in 2014.

Sub-programme: Development of Open-field and Protected-Culture Production of Vegetables and Potato Seed Breeding Industry

4.28. The sub-programme on horticulture and seed potatoes on open and protected grounds includes two projects for open-field horticulture and seed potatoes production and another for the production of vegetables in greenhouses.

Sub-programme: Developing Dairy Cattle Breeding

4.29. The sub-programme for dairy development aims to increase milk production through improving investment conditions, increasing the number of cattle, increasing milk supply and improving competitiveness. Total federal funding in 2015 was Rub 10,468.8 million, of which Rub 6,526.6 million was for development, and Rub 3,942.2 was to support borrowing to the sector.

- (i) Under the project for dairy development, subsidies are provided for each kilogramme of milk (processing) and support paid for the costs for establishment and modernization of dairy farms (dairy development) (Table 4.14).

Table 4.14 Funding for dairy development, 2014 and 2015

(Rub billion)

Year	Federal budget	Regional budgets	Total
Processing of products			
2014	8.417	8.097	16.514
2015	1.925	4.944	6.869
Dairy development			
2014	0	0	0
2015	6.527	3.779	10.306

Source: Ministry of Agriculture (2016), *National report on progress and results of the implementation in 2015 of the State Programme for agricultural development and regulation of agricultural products, raw materials and food for 2013-2020*, 11 May, Table 9.8.

- (ii) Under the project for state support for lending to the dairy industry, subsidies were introduced in 2015 for interest charges on short-term loans taken by dairy producers. In addition, interest payments on investment loans are also subsidized, and subsidies provided for reimbursement of the direct costs in approved investment projects (Table 4.15).

Table 4.15 Interest rate subsidies for dairy producers, 2015

(Rub billion)

Year	Federal budget	Regional budgets	Total
Short-term debt			
2015	0.22	0.03	0.25
Investment loans			
2015	3.72	0.58	4.30
Direct-cost subsidies			
2015	0.36	0.02	0.38

Source: Ministry of Agriculture (2016), *National report on progress and results of the implementation in 2015 of the State Programme for agricultural development and regulation of agricultural products, raw materials and food for 2013-2020*, 11 May, Table 9.9.

Sub-programme: Support of the Pedigree Breeding Industry, Seed Breeding Industry

4.30. The objectives of the sub-programme for breeding and seeds are to develop a competitive seed market for agricultural plants and the genetic stock for animals. Total funding for the sub-programme in 2015 was Rub 6,598.9 million divided among six main activities – two of which were not funded in 2015.

- (i) The project for development of elite seeds provided Rub 2,437 million to compensate for the cost of buying top quality seeds in a market, estimated to be worth Rub 42 billion in 2015.
- (ii) The project to support livestock breeding provides funds for the purchase of pedigree livestock, breeding calves, embryos, etc. The total funding provided in 2015 was Rub 6,432.7, of which Rub 4,310.2 was from the federal budget.
- (iii) The project for the development of a base for breeding dairy cattle aims to increase milk productivity per cow through better breeding.
- (iv) In 2015, support under the project for the development of a base for breeding beef cattle was Rub 726.4 million, of which Rub 376.7 was from the federal budget.
- (v) The project for state support for the construction of facilities for breeding, genetics, and seed centres includes the establishment of new (and upgrading of existing) livestock breeding, and seed and plant centres. In 2015, 138 investment projects were selected with a total value of subsidies of Rub 12.969 billion.
- (vi) The project for state support for genetic and seed development for livestock and crop production intends to establish 148 breeding and seed production centres in different soil and climatic zones with grants to be provided to reimburse the cost of interest on loans.

Sub-programme: Development of Wholesale Distribution Centres and Social Catering Infrastructure

4.31. The objective of the sub-programme for development of wholesale and distribution centres and infrastructure is to improve the marketing and marketability of agricultural products by creating a network of wholesale and distribution centres for storing, processing, and marketing agricultural products.

- (i) Under the project for development of lending to wholesale and distribution centres and infrastructure for production and distribution, subsidies are available for interest on short-term loans for processing of crop and livestock products on the same terms as for loans for the crop sector (see above). In 2015, the total subsidy was Rub 5.04 billion, of which Rub 4.57 was provided from the federal budget and the rest from regional budgets.
- (ii) The sub-programme includes other projects for part of the construction cost of building wholesale and distribution centres, short-term borrowing costs for processing crops and livestock, but no support was provided under these projects in 2015.

Sub-programme: Development of Credit & Financial System in the Agro-Industrial Complex

4.32. The objective of the sub-programme for the development of a financial credit system for the agro-industrial sector was introduced at the end of 2014 to encourage investment in agriculture, including support for import substitution, and reduce climatic and epizootic risks.

- (i) Under the project for additional capitalization of Rosselkhozbank JSC (the state-owned agricultural bank) an additional Rub 10 billion in additional capital was provided from the federal budget in 2015. Rosselkhozbank provided Rub 37.2 billion in loans to agribusinesses in 2015.

Federal targeted programme: Social Development of Villages

4.33. Amongst other objectives, the federal targeted programme for the sustainable development of rural areas aims to improve standards of living in rural areas, stimulate investment in the agro-industrial sector, and encourage the creation of employment in high technology areas through provision of infrastructure. In 2015, total expenditure on the programme was Rub 31.75 billion (Table 4.16), most of which was used for capital investment for improvement of living conditions (Rub 14.72 billion) and the development of roads (Rub 7.03 billion).

Table 4.16 Federal targeted programme for sustainable development of rural areas, 2015

(Rub billion)

	2015
Total programme	31.745
Federal budget	12.215
Regional and local budgets	11.999
Extra-budgetary sources	7.531
Capital investments – total	16.741
Federal budget	8.028
Regional and local budgets	8.117
Extra-budgetary sources	0.596
Research and development – total	0.043
Federal budget	0.043
Other needs – total	15.000

Source: Ministry of Agriculture (2016), *National report on progress and results of the implementation in 2015 of the State Programme for agricultural development and regulation of agricultural products, raw materials and food for 2013-2020*, 11 May, Table 13.1.

Federal targeted programme: Conservation and Restoration of Soil Fertility

4.34. The federal targeted programme for reclamation of agricultural land aims to increase productivity and sustainability of agricultural production and soil fertility through land improvements taking account of global and regional climate changes and natural disturbances. Most of the funding was allocated to capital expenses for irrigation or drainage and related works.

Table 4.17 Federal targeted programme for reclamation of agricultural land, 2014 and 2015

(Rub billion)

	2014	2015
Total programme	20.40	17.48
Federal budget	7.72	7.84
Regional and local budgets	2.09	1.72
Extra-budgetary sources	10.59	7.92

Source: Ministry of Agriculture (2016), *National report on progress and results of the implementation in 2015 of the State Programme for agricultural development and regulation of agricultural products, raw materials and food for 2013-2020*, 11 May, Table 14.1.

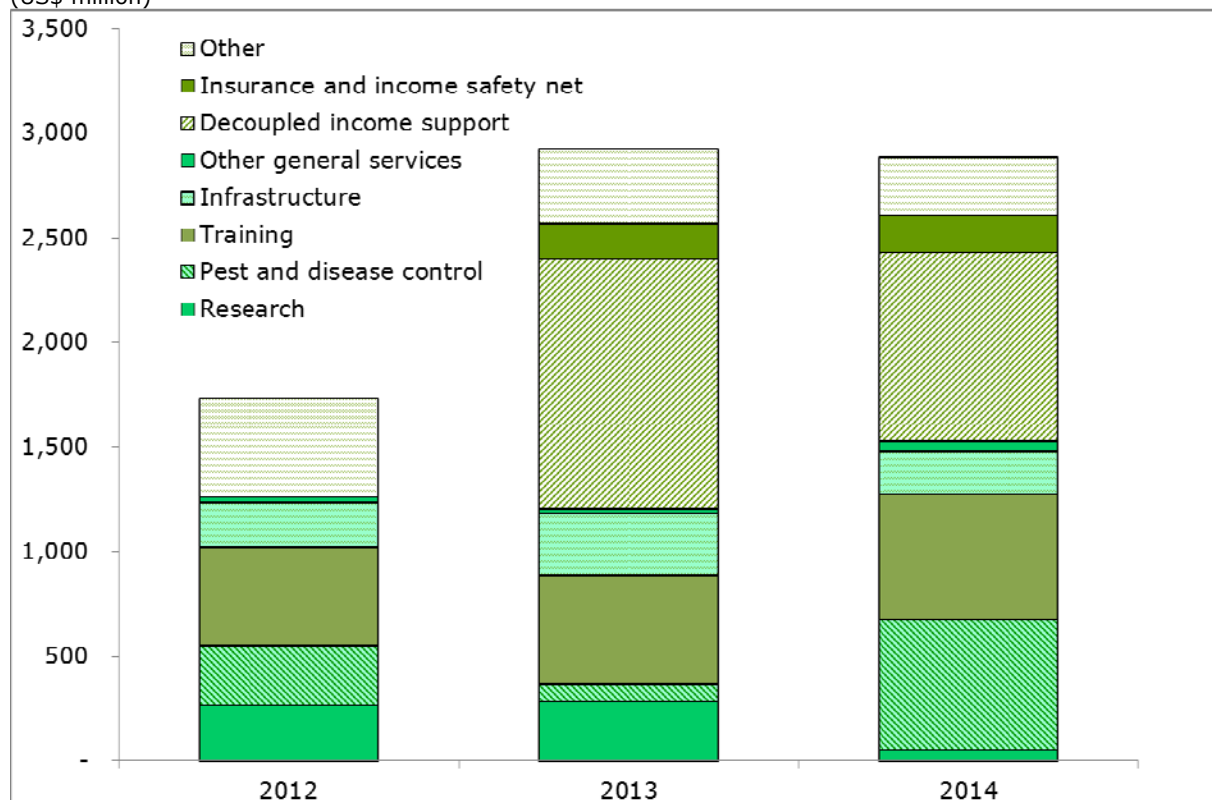
4.1.1.3.3 WTO notifications

4.35. The Russian Federation has notified o the WTO of domestic support for calendar years 2012-14 showing support in U.S. dollars.

4.36. Support notified under the Green Box increased substantially in 2013 compared to 2012, mainly due to the introduction of decoupled income support, and income insurance and income safety net programmes (Chart 4.1). In all cases, total support is provided by a combination of the federal budget and sub-federal authorities, with the amount of co-financing varying by programme and by year. In 2012 and 2013, the sub-federal authorities provided about one quarter and in 2014 just over 40% of total Green Box support.

Chart 4.1 Green Box support in the Russian Federation, 2012-14

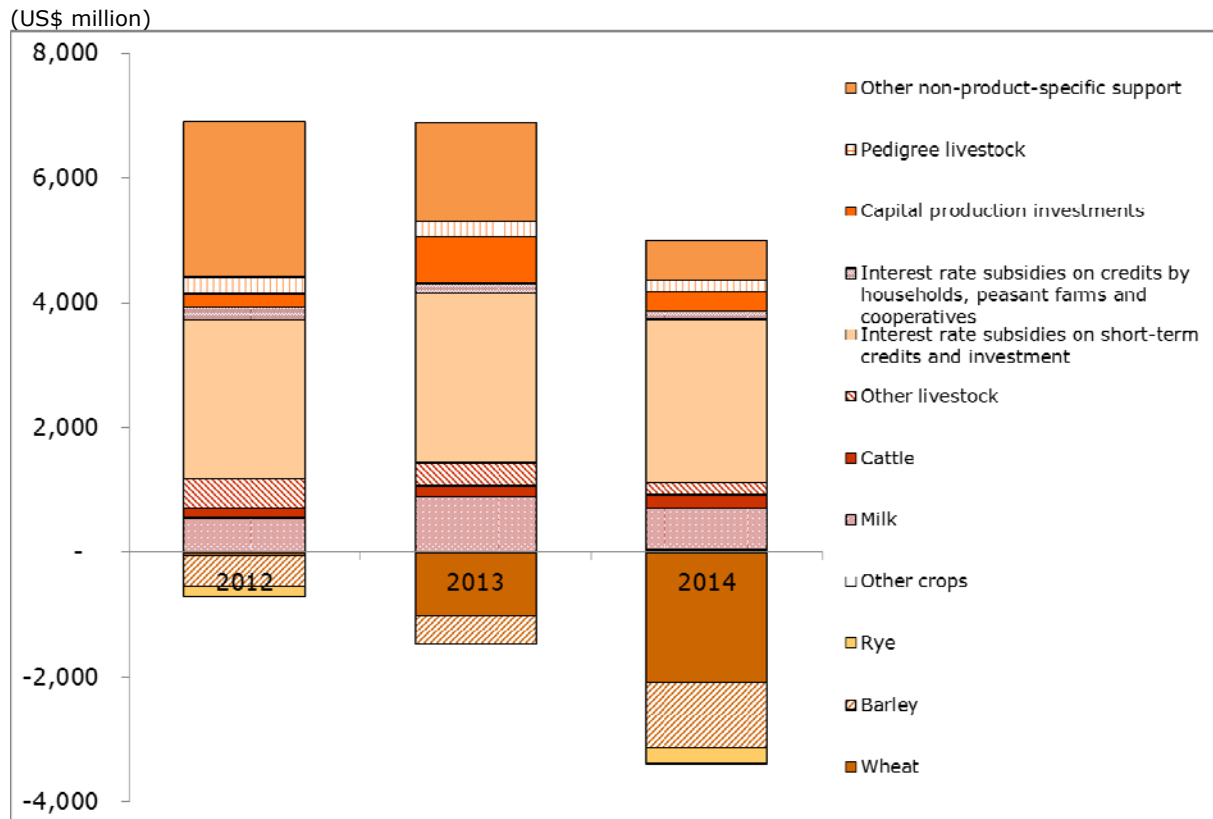
(US\$ million)



Source: WTO documents G/AG/N/RUS/5/Rev.1, 29 January 2016; G/AG/N/RUS/9, 27 May 2015; and G/AG/N/RUS/13, 28 April 2016.

4.37. Support notified in the Amber Box varies considerably in form and value from one product to another: from negative for wheat, barley, and rye to a significant amount relative to the value of production for deer. However, in most cases product-specific support is below the 5% of the value of production *de minimis* limit.

4.38. Most Amber Box support was notified as non-product-specific with subsidies for interest on short-term and investment loans representing over half the total for non-product-specific support (Chart 4.2).

Chart 4.2 Amber Box support in the Russian Federation 2012-14 (including *de minimis*)

Source: WTO documents G/AG/N/RUS/5/Rev.1, 29 January 2016; G/AG/N/RUS/9, 27 May 2015; and G/AG/N/RUS/13, 28 April 2016.

4.1.1.3.4 OECD indicators

4.39. The OECD has been publishing reviews of agricultural policies in OECD countries, and some other economies, for several years. In these publications, the value of transfers to agricultural producers is measured using the Producer Support Estimate (PSE), the Single Commodity Transfer (SCT), and associated indicators. The methodology for calculating these indicators is different from that used to calculate the Aggregate Measure of Support (AMS), and the two sets of data are neither compatible nor comparable. The total PSE is: "The annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm gate level, arising from policy measures that support agriculture, regardless of their nature, objectives or impacts on farm production or income. It includes market price support, budgetary payments and budget revenue foregone, i.e. gross transfers from consumers and taxpayers to agricultural producers arising from policy measures based on: current output, input use, area planted/animal numbers/receipts/incomes (current, non-current), and non-commodity criteria." Thus, the PSE includes estimates for the value of transfers provided by market access measures, such as tariffs and tariff quotas, as well as input subsidies, direct payments to producers that are coupled to prices or production, and direct payments decoupled from prices and production.¹⁸

4.40. According to the OECD, support for agriculture declines from Rub 493 billion (or 22% of gross farm receipts) in 2010 to Rub 325 billion (or 9% of gross farm receipts in 2014 and compared to an average for OECD countries of 17.3%). Market prices support, mostly arising from tariff protection, was the main contributor to the PSE and was valued at Rub 130,776 million in 2014. In addition to transfers to agricultural producers, support was also provided for general

¹⁸ OECD (2015d).

services, such as the agricultural knowledge and innovation system, and inspection and control. These general services were valued at Rub 68 billion in 2014.¹⁹

4.41. Support levels to specific products, as measured by the Single Commodity Transfer (SCT), vary considerably from one product to another and, for some products, from one year to another. In general, cereals and oilseeds have had a negative SCT (resulting from lower farm gate prices compared to border prices), while other crops and livestock products have a positive SCT. For some products, in some years, the transfers to producers can be quite significant – up to 31% of gross receipts for refined sugar and 22% for beef and veal (Table 4.18).

Table 4.18 Total producer support estimate and single commodity transfer values for selected commodities, 2010-14

(Rub million)

	2010	2011	2012	2013	2014
PSE	493,186	444,922	455,735	387,745	325,460
% gross farm receipts	21.9	14.9	15.3	11.6	8.9
Single Commodity Transfers	363,959	300,392	254,619	194,149	160,190
Wheat					
SCT (Rub million)	-19,445.44	-49,581.90	-20,911.03	-23,530.99	-26,474.79
% of gross receipts	-12.1	-17.3	-8.6	-6.7	-6.6
Barley					
SCT (Rub million)	-4,028	-26,524	-13,846	-10,774	-4,387
% of gross receipts	-14.2	-31.4	-16.8	-11.0	-4.0
Maize					
SCT (Rub million)	1,069	-8,063	-3,319	3,812	-4,941
% of gross receipts	7.4	-19.6	-6.0	5.0	-7.7
Oats					
SCT (RUB million)	160	-6,270	-3,517	8,137	-1,592
% of gross receipts	1.4	-26.2	-19.0	28.5	-6.1
Rye					
SCT (Rub million)	11	-2,085	-564	-3,249	62
% of gross receipts	0.2	-17.9	-5.8	-19.7	0.4
Potatoes					
SCT (Rub million)	83	70	44	9,357	24,154
% of gross receipts	0.0	0.0	0.0	3.3	6.0
Pig meat					
SCT (Rub million)	120,755	122,656	94,700	27,308	64,560
% of gross receipts	56.1	51.1	35.1	13.5	20.0
Poultry meat					
SCT (Rub million)	44,779	48,478	24,951	53,987	5,041
% of gross receipts	21.6	20.4	9.2	18.8	2.0
Beef and veal					
SCT (Rub million)	48,760	53,436	51,802	83,164	48,902
% of gross receipts	29.1	27.0	23.5	38.9	22.2
Eggs					
SCT (Rub million)	2,112	7,345	4,060	5,818	2,484
% of gross receipts	2.2	7.0	3.5	4.3	1.7
Refined sugar					
SCT (Rub million)	1,796	0	0	6,867	23,445
% of gross receipts	5.9	0.0	0.0	13.9	31.2

Source: OECD Producer and Consumer Support Estimates database. Viewed at: <http://www.oecd.org/tad/agricultural-policies/producerandconsumersupportestimatesdatabase.htm> [June 2015].

4.1.2 Forestry

4.42. The Russian Federation has the largest forest area in the world, with about 20% of global forest area amounting to 882 million hectares of forest. In 2015, the share of trade in forest products was less than 4%, and its share of GDP was 1.3%.²⁰ According to the Federal Statistics Service of the Russian Federation, in 2015, there were 1,183.5 million hectares of forest.

¹⁹ OECD (2015d).

²⁰ FAO (2012)

4.43. The forestry industry is regulated by the Federal Forestry Agency, in the Ministry of Natural Resources and Ecology, in respect of silviculture and wood harvesting, and by the Ministry of Industry and Trade in respect of wood processing, articles of wood and cork production (excluding furniture), production of straw, plaits and plaiting materials, paper and articles of paper production. At regional level, forest issues are regulated through forestry departments in the federal districts and regions of the Russian Federation.

4.44. According to the FAO, in 2014, the Russian Federation was:

- the second-biggest producer of round wood in the world (10% of global production), the fourth-biggest producer of sawn wood (8%), the third-biggest producer of wood-based panels (3%), and the eighth-biggest producer of pulp for paper (4%); and
- the world's biggest exporter of round wood (16% of total exports), the second-biggest exporter of sawn wood (17%), and the fourth-biggest exporter of wood pellets (6%).²¹

4.45. However, the sector faces several problems, including weak infrastructure development, depletion of resources in traditional harvesting areas, and lack of capacity to use low-grade resources. Estimates suggest that harvested timber will not exceed 200-220 m³ in the short and medium term.²² The authorities stated that, in 2015, round wood exports were 19.4 million m³ (14.5 million tonnes), while harvested timber amounted to 205.2 million m³ (compared to an annual allowable cut (AAC) of 699.8 million m³).

4.46. Over the 2010-2014 period, exports of wood and paper products (HS 44-48) have been increasing and reached a value of US\$11.2 billion, with particularly strong growth in exports of cut timber and plywood. However, in 2015, export values declined to US\$9.3 billion, although export volumes increased for several major exported products and the Russian Federation maintained a trade surplus in forestry products. However, the decline reflects the exchange rate, as exports in volume terms increased for four out of the top five wood products (Table 4.19).

Table 4.19 Trade in selected wood products, 2012-15

			2012	2013	2014	2015	2015 top 4 destinations/sources
Exports							
Total wood and wood product exports (US\$ m)			9,875	10,511	11,220	9,297	
of which							
440710	Wood sawn or chipped lengthwise .. of a thickness exceeding 6 mm. // -Coniferous	US\$ m 000, tonnes	3,191 10,436	3,503 11,480	3,567 12,219	2,843 13,246	China, Egypt, Japan, Uzbekistan
441232	Other plywood, .. each ply not exceeding 6 mm thickness : // - - Other, with at least one outer ply of non-coniferous wood	US\$ m 000, tonnes	857 1,048	969 1,154	1,149 1,304	946 1,399	United States, Egypt, Germany, Turkey
440320	Wood in the rough .. // -Other, coniferous	US\$ m 000, tonnes	1,190 9,389	1,185 8,840	1,288 9,815	933 8,744	China, Finland, Japan, Rep. of Korea
470321	Pulp of wood .. // - Semi-bleached or bleached : // -- Coniferous	US\$ m 000, tonnes	468 1,298	545 1,082	653 1,180	684 1,106	China, Rep. of Korea, Japan, Ukraine
480100	Paper and paperboard // Newsprint, in rolls or sheets	US\$ m 000, tonnes	691 3,871	576 5,410	623 5,873	443 6,195	India, Turkey, Germany, Iran
Imports							
Total wood and wood product imports (US\$ m)			5,425	5,704	5,109	3,207	
of which							
481092	Paper and paperboard; .. // coated on one or both sides with kaolin or other inorganic substances // - Other paper and paperboard : // -- Multi-ply	US\$ m 000, tonnes	406 377	441 402	424 386	346 373	Finland, Sweden, China, Slovenia

²¹ FAO forest products statistics online information. Viewed at: <http://www.fao.org/forestry/statistics/80938@180724/en/> [June 2016].

²² NOVA Capital (2015).

			2012	2013	2014	2015	2015 top 4 destinations/sources
481151	Paper and paperboard coated, impregnated or covered with plastics (excluding adhesives) : // -- Bleached, weighing more than 150 g/m ²	US\$ m 000, tonnes	302 96	342 110	313 106	222 101	Ukraine, Finland, Spain, Germany
481190	Paper and paperboard .. // - Other paper, paperboard, cellulose wadding and webs of cellulose fibres	US\$ m 000, tonnes	162 63	154 58	170 68	158 72	Germany, Poland, United Kingdom, France
481420	Wallpaper and similar .. paper coated or covered, on the face side, with a grained, embossed, coloured, design-printed or otherwise decorated layer of plastics	US\$ m 000, tonnes	380 87	373 86	322 86	142 48	Ukraine, Germany, Belarus, Italy
481159	Paper and paperboard; .. coated, impregnated or covered with plastics (excluding adhesives) : // -- Other	US\$ m 000, tonnes	214 68	222 69	210 68	120 44	Germany, Poland, Romania, Ukraine

Source: UNSD, Comtrade database.

4.47. It has been reported that foreign investment in wood processing, and the pulp and paper industry represented 38% and 74% respectively for total investment in these sectors²³, although these represent only a small proportion of total foreign investment in the Russian Federation. Aside from the large forest resources, the authorities noted that the Russian Federation has lower costs of production per cubic metre of sawn wood compared to competitors for coniferous wood.

4.48. Forests in the Russian Federation are owned by the federal government and access to use them is by means of lease contracts. The total area of leased forest was about 232 million hectares at the beginning of 2014, compared to 178 million hectares in 2009. The basic law on forestry is the Forest Code of 8 November 2006, which entered into force in 2007. Government policy for forestry development is set out in Government Resolution No. 2593-R of 28 December 2012 "the Programme of Forestry Sector Development for 2013-2020" and Government Decree No. 1724 of 26 September 2103 "Principle of state policy in the area of use, preservation, protection and reproduction of forests in the Russian Federation for the period to 2030". A number of laws and regulatory acts have been introduced over the past few years, *inter alia*, to improve regulation of forest use, reduce illegal logging, introduce an automated system for monitoring harvested timber (EGAIS), and improve the administration of the leasing system.^{24,25}

4.49. A lease or sales-purchase contract is required in order to harvest wood, resin, or other non-timber forest resources. Under the Forest Code, leases are auctioned and the Code sets out the basic requirements for the auction process. According to one report, budgetary support to the forest sector focused on improving management and efficiency, and it increased from Rub 36 billion in 2009 to Rub 73 billion in 2014. Most of the increase in funding came from lessees and other sources, which increased from Rub 7.1 billion in 2009 to Rub 30.7 billion in 2014, and most of the rest came from the federal and regional budgets.²⁶ According to the notification by the Russian Federation to the WTO, support to the timber industry in the form of direct funding to partially compensate for lease payments and interest on loans was Rub 1,150 million in 2013 and Rub 2,092 million in 2014.²⁷

4.50. According to the authorities, the Ministry of Natural Resources and Ecology of the Russian Federation is developing a new economic model of intensive forest use and forest reproduction. This economic model is intended to improve efficiency not only for forest industry companies, but also for the State, with key indicators such as increased budget system revenue for per unit of forest, increased tax revenues, and additional job creation.

²³ NOVA Capital (2015).

²⁴ Federal Forestry Agency online information. Viewed at: <http://www.rosleshoz.gov.ru/docs/other/83> [June 2016] (Russian).

²⁵ FAO, UNECE (2015).

²⁶ USDA (2014).

²⁷ WTO document G/SCM/N/284/RUS, 11 May 2016.

4.51. Russia's reliance on round wood exports is apparently at the expense of moves towards diversification into value-added wood products, which could yield an increase in employment. In addition, focusing on value-added wood products could improve the sustainability of forest resource use by more efficiently using less-valued items such as branches and woodchips for paper, pulp, and wood-based panels. In turn this could raise revenues and contributions to GDP.²⁸

4.52. The average applied MFN tariff on wood, pulp, paper and furniture is 9.4%, with 4.2% of the 589 lines duty-free and a range of 0-68.2%. In acceding to the WTO, the Russian Federation undertook to bind export duties on 247 tariff lines, or subsets thereof, at the ten-digit level, for wood and wood products (HS sections 44 to 48). In many cases, these export duties were to be reduced to zero over four years. Under Government Resolution No. 705 of 25 July 2014, export duties were applied to 68 tariff lines, or subsets thereof. The majority of bound and applied export duties are compound duties with an *ad valorem* duty and a minimum specific duty in euros per kilogramme or cubic metre.

4.53. The Russian Federation also undertook to open two quotas for exports of rough wood from *Picea abies* Karst (Norway Spruce) at 13% for 6,246,500 m³ and rough wood from *Pinus sylvestris* L (Scots Pine) at 15% for 16,038,200 m³. The out-of-quota export duty for these products is 80%, but not less than €55.2 per m³ (Section 3.2.2).

4.1.3 Fisheries

4.54. In 2015, fisheries contributed 0.2% to the GDP of the Russian Federation and represented 0.2% of employment.²⁹ Nevertheless, the Russian Federation is one of the biggest fishing nations in the world, with access to the Arctic, Atlantic, and Pacific Oceans and their adjacent seas, as well as the inland Caspian Sea. Marine fisheries are much bigger in terms of both catch and value than inland and aquaculture fisheries. Most of marine fishing is from the Exclusive Economic Zone of the Russian Federation, although high seas plus catch in the EEZs of other countries are about one quarter of total catch.

4.55. The main land sites are in the Northwest Pacific (Vladivostok and Nakhodka, each of which has annual landings of over 100,000 tonnes). The landing sites in other areas are much smaller, though still significant, such as Murmansk, Belomorsk, and Arkangel on the Barents Sea and the White Sea, and Kaliningrad and St. Petersburg on the Baltic.

4.56. The main fishing gear depends on the catch species. Midwater trawls are used by freezing and processing trawlers for pollack and redfish; bottom trawls for cod, halibuts, redfish, flounders and other demersal fish; shrimp trawls for shrimp, etc. According to the OECD, in 2014, there were 2,542 vessels in the fishing fleet, with 955 between 18 and 23.9 metres, 828 between 36 and 44.9 metres, and 88 over 75 metres.³⁰ According to the Federal Agency for Fisheries of the Russian Federation, in 2010, there were 2,023 vessels in the fishing fleet supported by a service fleet of 465 vessels and a refrigerated transport fleet of 256 vessels.

4.57. In weight terms, the main catch is cod, hake and haddock from the Pacific followed by the same species from the Atlantic. The total catch has increased over the past ten years, rising from less than 3 million tonnes in 2004 to 4.3 million tonnes in 2012, and has been fairly stable since then (Table 4.20). However, total catch is much lower than the peak of 11.4 million tonnes in the late 1980s.

Table 4.20 Russian Federation fisheries capture production, 2010-2014

(000 tonnes)

	2010	2011	2012	2013	2014
Total catch	4,076	4,262	4,338	4,354	4,233
Inland	263	249	263	262	225
Salmon, trout, smelts	110	113	114	100	97
Carps, barbels, other cyprinids	101	97	95	102	80

²⁸ Simeone, J. (2013).

²⁹ Federal State Statistics Service online information. Viewed at: http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/en/main/ [June 2016].

³⁰ OECD (2016).

	2010	2011	2012	2013	2014
Atlantic	1,241	1,181	1,162	1,273	1,242
Cod, hake, haddock	555	532	582	659	683
Herring, sardines, anchovies	314	255	215	178	187
Miscellaneous pelagic fish	273	302	274	332	272
Pacific	2,564	2,830	2,913	2,818	2,765
Cod, hake, haddock	1,736	1,717	1,789	1,696	1,664
Herring, sardines, anchovies	222	298	357	387	364
Salmon, trout, smelts	249	433	367	358	282
Squids, cuttlefish, octopuses	65	69	76	86	111

Source: FAO Fisheries and Aquaculture Department online database. Viewed at: <http://www.fao.org/fishery/topic/16140/en> [June 2016].

4.58. Aquaculture is much smaller than fisheries capture, but it has been rising steadily: in 2007 the total quantity was 105,803 tonnes with a value of US\$326 million; and in 2014 it was 163,600 tonnes with a value of US\$ 571 million. Nearly all aquaculture is freshwater production with 28,508 tonnes of salmon, trout, and smelts with a value of US\$184 million, and 105,273 tonnes of carp, barbels and other cyprinids with a value of US\$252 million.³¹

4.59. Total exports of fish and fish products³² were US\$2,934 million in 2015, with frozen Alaska pollack representing 31% of this total. Imports in 2015 were US\$1,614 million.

Table 4.21 Trade in selected fish and fish products, 2012-15

			2012	2013	2014	2015	2015 top 4 destinations/sources
Exports							
Total fish and fish product exports (US\$ m)			2,653	2,988	3,014	2,934	
of which							
030367	Fish, frozen, excluding fish fillets and other fish meat of heading 03.04. // -- Alaska Pollack	US\$ m 000, tonnes	910 791	960 788	883 706	924 779	China, Rep. of Korea, Belarus, Kyrgyz Republic
030614	Frozen : // -- Crabs	US\$ m 000, tonnes	215 23	242 23	383 35	329 32	Rep. of Korea, Netherlands, Japan, Norway
030390	Fish, frozen, excluding fish fillets and other fish meat of heading 03.04. // -Livers and roes	US\$ m 000, tonnes	345 44	286 41	269 41	250 44	Rep. of Korea, Japan, China, Ukraine
030363	Fish, frozen, excluding fish fillets and other fish meat of heading 03.04. // -- Cod	US\$ m 000, tonnes	136 57	172 78	203 80	197 75	Netherlands, Rep. of Korea, China, Norway
030624	Not frozen : // -- Crabs	US\$ m 000, tonnes	29 4	44 5	81 7	157 13	Rep. of Korea, China, Democratic People's Rep. of Korea, Kazakhstan
Imports							
Total fish and fish product imports (US\$ m)			2,739	3,283	2,967	1,614	
of which							
030313	Fish, frozen, excluding fish fillets and other fish meat of heading 03.04. // -- Atlantic salmon and Danube salmon	US\$ m 000, tonnes	54 26	174 46	272 57	267 57	Chile, Faroe Islands, Belarus, Georgia
030214	Fish, fresh or chilled, excluding fish fillets and other fish meat of heading 03.04. // Atlantic salmon and Danube salmon	US\$ m 000, tonnes	652 132	715 102	452 61	138 20	Faeroe Islands, UAE
030389	Fish, frozen, excluding fish fillets and other fish meat of heading 03.04. // - Other fish, excluding livers and roes : // -- Other	US\$ m 000, tonnes	121 88	154 106	160 96	106 78	China, Iceland, Faroe Islands, Japan

³¹ FAO Fisheries and Aquaculture Department online database. Viewed at: <http://www.fao.org/fishery/topic/16140/en> [June 2016].

³² For the purposes of this section of the report, fish and fish products are defined as tariff lines under HS 2012 Headings 020840, 03, 050800, 050900, 051191, 1504, 1603, 1604, 1605, and 230120.

			2012	2013	2014	2015	2015 top 4 destinations/sources
030617	Crustaceans... - Frozen : // -- Other shrimps and prawns	US\$ m	121	203	242	101	India, Viet Nam, China, Ecuador
		000, tonnes	20	29	27	13	
030354	Fish, frozen, excluding fish fillets and other fish meat of heading03.04. // -- Mackerel	US\$ m	169	205	180	90	Faroe Islands, Iceland, Greenland, Morocco
		000, tonnes	86	102	91	62	

Source: UNSD Comtrade.

4.60. The average tariff on imports of fish and fish products is 8.1% but varies considerably from duty-free for 19% of the 520 fishery and fishery product tariff lines to a maximum of 320% (*ad valorem* equivalent), and a standard deviation of 14.5 indicates considerable variability from one line to another. In addition, export duties are applied to 106 tariff lines at the 10-digit HS 2012 level, most of which are at 2.5%, but 21 lines are at 5%. In acceding to the WTO, the Russian Federation undertook to reduce export duties on fish and fish products to zero over a four year period.

4.61. The Federal Agency for Fishery is the executive body responsible for oversight of fisheries and conservation of marine biological resources and their habitats, aquaculture, commercial fisheries, and navigational safety of the fishing fleet. The Ministry of Agriculture is responsible for state policy and legal regulation in the fisheries industry. Current policy concerning fishing is set out in Government Resolution No. 314 of 15 April 2014 on "development of fisheries".

4.62. The Russian Federation operates and enforces a total allowable catch (TAC) system. Each year catch quantities are established for particular species of aquatic biological resources in particular areas based on scientific data on reserves of that species. The TAC is assigned to specific enterprises or persons. In addition, the fishing seasons for some species may be limited and gear restrictions may also apply.

4.63. Foreign vessels fishing in marine areas under the sovereignty and jurisdiction of the Russian Federation are required to have an inspector from the Border Services of the Federal Security Service on board, in accordance with international treaties on fisheries and conservation of aquatic biological resources signed by the Russian Federation.³³ All fishing vessels are required to load, unload, and trans-ship aquatic biological resources or their products that were caught in the EEZ of the Russian Federation in the presence of an inspector of the Border Services of the Federal Security Service of the Russian Federation. A permit is required for all vessels fishing in areas under the sovereignty and jurisdiction of the Russian Federation, as well as all Russian fishing vessels, even if they are engaged in fishing on the high seas or in areas subject to international treaties.

4.64. In order to prevent illegal unregulated and unreported (IUU) fishing in the EEZ, the Government adopted a National Plan under Decree No. 2534-r of 25 December 2013 and a list of actions to implement the Plan in Government Decree No. 2661-r of 24 December 2015. Among the actions included in the Plan, is the improvement of control of circulation of imported and exported aquatic biological resources. Furthermore, as part of the Plan, a review is being carried out to enhance the criminal and administrative responsibilities for contraventions of laws and regulations related to fisheries and conservation of aquatic biological resources. Also as part of the National Plan, international cooperation to prevent IUU fishing and illegal circulation of aquatic biological resources is being enhanced and the Russian Federation has concluded bilateral agreements relating to IUU fishing with China, the Republic of Korea, Japan, the United States, and the People's Democratic Republic of Korea.

³³ The Russian Federation is a party to several regional fisheries agreements including: the Commission for the Conservation of Antarctic Marine Living Resources, the Convention on the Conservation and Management of Pollock Resources in the Central Bering Sea, the International Commission for the Conservation of Atlantic Tunas, the International Council for the Exploration of the Sea, the International Whaling Commission, the Joint Norwegian-Russian Fisheries Commission, the North Atlantic Salmon Conservation Organization, the North Pacific Anadromous Fish Commission, the North Pacific Fisheries Commission, the North-East Atlantic Fisheries Commission, the Northwest Atlantic Fisheries Organization, the South Pacific Regional Fisheries Management Organisation, and the North Pacific Marine Science Organization.

4.65. Under Government Resolution No. 314 of 15 April 2014, financial support was provided for the fisheries sector, including:

- Construction and reconstruction of fishing vessels (the measure is planned to run until 2018). From 2009 to 2015 this support measure amounted to Rub 141.6 million.
- Construction and reconstruction of fish processing infrastructure and fish products storages (the measure is planned to run until 2018). Between 2009 and 2015 total support for this measure was Rub 393.9 million.
- Development of aquaculture (the measure is planned to run until 2020). In 2015 the support measure amounted to Rub 223 million.

4.66. According to the notification to the WTO by the Russian Federation, support is provided to fishing organizations in the form of direct funding from the federal budget to compensate for spending on loans for construction and modernization of fishing vessels, fish processing infrastructure, and fisheries products storage facilities. The amount of support was Rub 233 million in 2013, and Rub 6 million in 2015.

4.2 Mining and Energy

4.2.1 Legislative framework

4.67. Under the Constitution of the Russian Federation, the State is the sole owner of all subsoil resources. Law No. 2395-1 of 21 February 1992 "On Subsoil" (as amended) provides the legal framework for exploration, extraction, and exploitation of minerals and other natural resources. In addition, there are a number of laws and regulations that cover various aspects related to mining and energy, such as Law No. 225-FZ of 30 December 1995 "On Production-Sharing Contracts", and Law No. 187-FZ of 30 November 1995 "On the Continental Shelf of the Russian Federation".

4.68. A number of government agencies have responsibilities for different aspects of policy, legislation, and regulation of the minerals, energy, and hydrocarbons sub-sectors:

- The Ministry of Natural Resources and Environment is responsible for drafting and implementing government policy and legal regulation in the field of exploration, use, reproduction and protection of natural resources, including mineral resources:
 - The Federal Agency for Mineral Resources has functions which include organizing the rational use of minerals and raw materials, geological studies and related data on the territory and continental shelf of the Russian Federation, granting licences for subsoil use and supervising compliance with these licences;
 - The Federal Agency for Supervision of Natural Resources is responsible for, *inter alia*, compliance with environmental regulations;
- The Ministry of Energy is responsible for drafting and implementing government policy and legal regulation in areas including the electric power industry, oil production, oil processing, gas, fuel, peat and shale industries, major oil and gas pipelines, oil and gas products, renewable energy sources, development of hydrocarbon fields on the basis of production-sharing agreements, and the petrochemical industry;
- Having taken over the functions of the Federal Tariff Service in 2015, the Federal Antimonopoly Service (FAS) regulates natural monopolies and its responsibilities include setting tariffs for electricity, natural gas, and pipeline transportation (Section 3.3.4);
- The Federal Service for Environmental, Technological, and Nuclear Supervision is responsible for drafting and implementing government policy and legal regulations relating to nuclear energy, as well as overseeing the safety of hydro-engineering structures, and the safe production, storage and use of industrial explosives.^{34,35}

³⁴ The Russian Government online information. Viewed at: <http://government.ru/en/ministries/> [July 2016].

³⁵ Chambers and Partners online information. Viewed at: <http://www.chambersandpartners.com/guide/practice-guides/location/271/8072/2363-200> [July 2016].

4.69. In general, there are three different types of activity licences for minerals and hydrocarbons: exploration; production; and combined. Exploration licences are obtained from the Federal Agency for Mineral Resources and are valid for five, seven, or ten years depending on the location where the exploration is to take place. Production and combined licences are usually granted following an auction or tender process. In general, a licence is non-transferable and may only be transferred to a subsidiary incorporated in the Russian Federation or to another company within the same group if the legal structure or status of the holder changes. Subsoil blocks on the continental shelf are subject to a special licensing regime.

4.70. The circumstances under which a licence may be revoked are set out in Article 20 of the Law on Subsoil. If a licence has been revoked, the former holder is required to cover the cost of bringing the site back to its pre-licence condition. Payments related to licences may include: a bid fee; a signing bonus; one-time payments, which may be conditional on events specified in the licence (e.g. discovery of a deposit or reaching specified production levels); and regular payments for use of the subsoil for purposes not directly related to production of the mineral.

4.71. In addition to licence fees and regular taxes, such as corporate income tax and VAT, the Russian Federation applies a mineral resources extraction tax (MRET) at rates that may vary across types of mineral resources and locations: (i) the MRET for coal, oil, gas, and gas condensate is calculated based on volume or weight and applied as a specific duty³⁶; (ii) a zero MRET rate applies to oil extracted during the initial production stage from new sites located in certain regions of the Russian Federation (e.g. East Siberia, internal and territorial waters located in the northern polar zone, the Azov and Caspian Seas, and Nenets and Yamal); (iii) in other cases an *ad valorem* MRET is applied based on the value of recovered minerals – the rate of tax depends on the mineral (e.g. 3.8% for potassium salt; 4.8% for ferrous metals; 6% for products containing gold; and 8% for other metals and diamonds); and (iv) as of 2014, reduced MRET rates apply to investors in the Far East of the Russian Federation.

4.72. From 1 January 2016, the MRET on natural gas and gas condensate produced by PJSC Gazprom was effectively increased. Under Article 342.4 of the Tax Code of the Russian Federation, the coefficient for recovery in the MRET formula was increased from 15% to 20.51%. According to the authorities, this change was an exceptional measure for 2016 only.

4.73. Under Government Decree No. 705-R of 18 April 2016 eight state-owned or controlled enterprises were required to pay shareholder dividends equal to 50% of 2015 net profit based on international financial reporting standards (IFRS) or Russian accounting standards (RAS), whichever was higher. The companies mentioned in the Decree were: Gazprom (gas), Alrosa (diamonds), Bashneft (oil), Zarubezhneft (oil), RusHydro (hydropower), Sovcomflot (shipping), Transneft (pipelines), and Rosneftegaz (holding company for energy industry companies).^{37,38}

4.74. As stated in the Working Party Report on the Accession of the Russian Federation to the WTO, export taxes were imposed on a variety of products, including a number of mineral products, crude oil and oil products, and natural gas.³⁹ Many of these have been reduced to zero but some still remain, including on natural gas, magnesium carbonate, tungsten ores and concentrates, molybdenum ores and concentrates, coal and coal products, diamonds, scrap iron and steel, copper, nickel, and aluminium. Government Resolution No. 705 of 25 July 2014 (in force from 1 September 2014) stipulates a 30% *ad valorem* export tax for natural gas and 0% for LPG, applicable to exports outside the EAEU. An excise tax applies to exports of natural gas (Section 3.3.1.2).

4.75. The level of export duties on crude oil and oil products is linked to the world price of crude oil and is revised monthly, pursuant to Article 3 of the Law of the Russian Federation No. 5003-1

³⁶ The duty for crude oil was increased from Rub 493 per tonne in 2014 to Rub 766 in 2015, and to Rub 857 per tonne in 2016 and is to be increased again to Rub 919 per tonne in 2017. The MRET for natural gas is Rub 35 per 1,000 cubic metres and for natural gas condensate Rub 42 per tonne. The MRET is adjusted by coefficients to take account of market prices, export duties, difficulty of extraction, deposit depletion, and location.

³⁷ Government of the Russian Federation online information. Viewed at: <http://government.ru/docs/22720/> (in Russian) [July 2016].

³⁸ Financial Times Online News (2016a).

³⁹ WTO document WT/ACC/RUS/70, 17 November 2011, paragraphs 630-638 and Schedule CLXV, Part V.

of 21 May 1993 "On Customs Tariff". In June 2016, it was reported that the export duty of crude oil would increase from US\$80.6 per tonne to US\$95.9 per tonne from 1 July 2016. Lower duties would continue to apply to high viscosity oil and exports of LPG and crude oil from certain fields in the East Siberia and Caspian regions, and the export duty rate for the Prirazlomnoe Field would remain at zero.⁴⁰

4.2.2 Minerals

4.76. The Russian Federation is a major producer of a large number of minerals: arsenic, asbestos, bauxite, boron, cadmium, cement, chromium, cobalt, copper, diamonds, gold, fluorspar, iron ore, lime, magnesium, manganese, nickel, platinum, potash, nickel, palladium, phosphate, rhenium, sulphur, tin, titanium, tungsten, and vanadium. One sixth of the world's iron ore reserves can be found in the deposits of the Kursk Magnetic Anomaly. The Urals and the Kola Peninsula comprise the largest copper deposits, and large deposits of iron ore are present in the Far East, Karelia, the Kola Peninsula and south-central Siberia. In addition, the Russian Federation is a major producer of fossil fuels (see below).

4.77. Exports of oil, gas, and other minerals are very important to the economy, representing 68.7% of total merchandise exports in 2015 (26% for crude oil, 19.6% for other petroleum oils, 12.2% for natural gas, and 10.9% for other mining) (Section 1.3.1).

4.78. Furthermore, there are significant reserves and production of industrial minerals in the Russian Federation, including apatite which is used to produce phosphate, predominantly found in the Khibiny mountains and Kovdor. The major supplier of this phosphate raw material is Apatit JSC, a mining and chemical enterprise comprising four mining facilities (open pits and underground mines), and a beneficiation complex (two plants) with an annual capacity to produce 8 million tonnes of concentrated apatite.

4.79. The Russian Federation is a leading producer of artificial and natural diamonds and gemstones. Alrosa has the world's largest reserves of diamonds, produces about 95% of the Russian Federation's diamonds, and, in 2015, accounted for about 30% of global rough diamond production (about 38.3 million carats), and had total revenues of Rub 224.5 billion. According to its 2015 annual report, the company's major shareholders include the Federal Agency for State Property Management (43.9% of authorized capital), the Ministry of Property and Land Relations of the Republic of Sakha (25%), and eight districts of the Republic of Sakha (8%).⁴¹ In July 2016, it was reported that the Government had sold 10.9% of Alrosa's shares for Rub 52.2 billion, reducing the holding by the Federal Agency for State Property Management to 33%.^{42,43}

4.80. Other minerals producers include GeoProMining (antimony), United Company RUSAL (aluminium), and Nornilsk Nickel (nickel, palladium, and platinum).

4.2.3 Energy

4.81. The Russian Federation is a major energy producer, exporter and consumer (Chart 4.3 and Table 4.22). It is the world's second largest oil and gas producer, the fourth-largest producer of electricity, the world's sixth largest producer of coal, and has become one of the most energy-intensive economies. Oil production reached a peak in January 2016 at 10.88 million barrels per day. However, due to the decline in international prices since 2014, export revenues from hydrocarbons have fallen, which has had a negative impact on the economy (Section 1.2). In 2015, export revenues from crude oil were less than half their 2012 level, while export revenues from gas fell by about one third. Table 4.23 shows the Russian Federation's trade in energy during the period 2012-15.

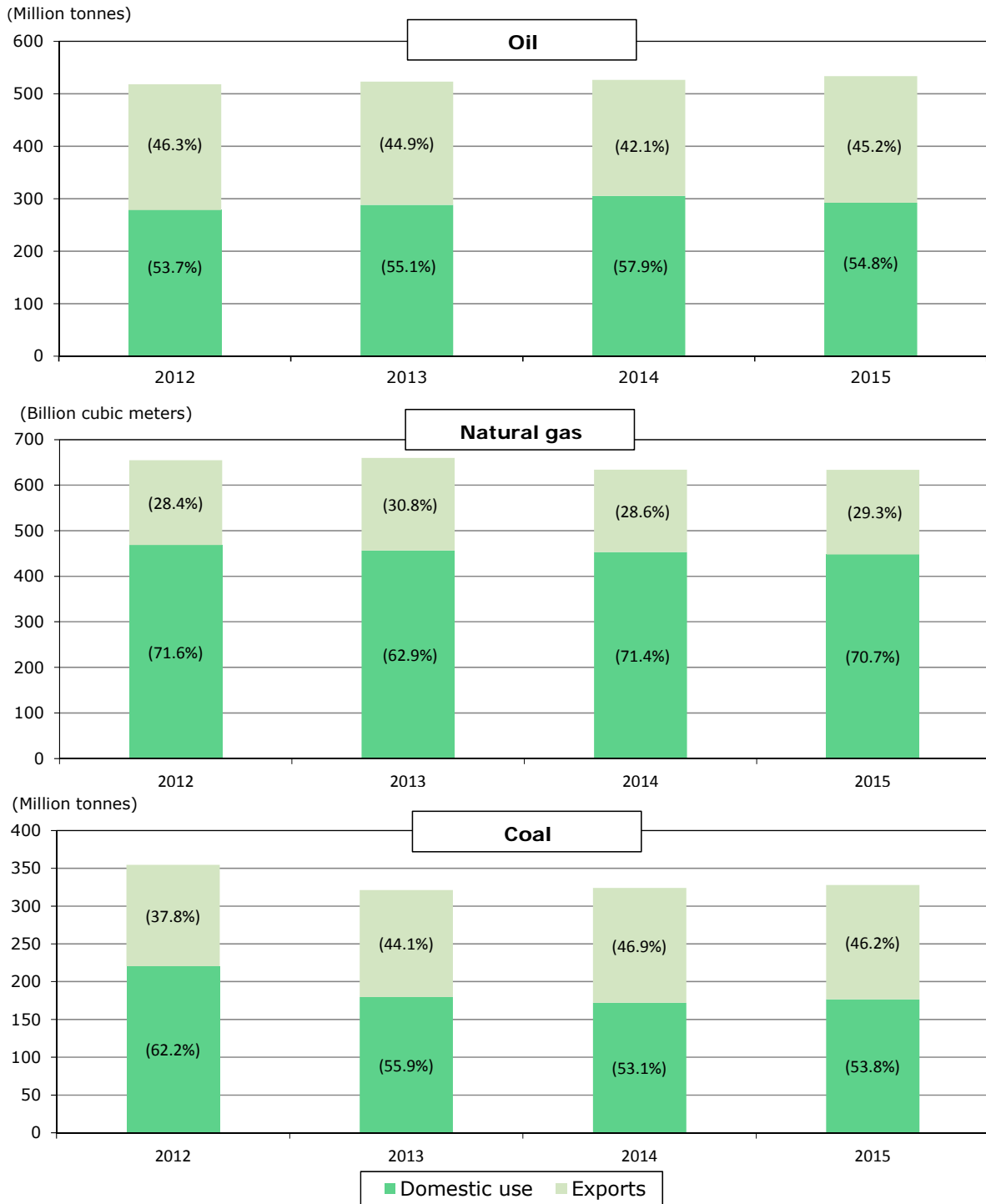
⁴⁰ TASS (2016).

⁴¹ Alrosa online information. Viewed at: <http://eng.alrosa.ru/documents/annual-reports/> [July 2016].

⁴² Alrosa online information. Viewed at: <http://www.alrosa.ru/инвесторам-и-акционерам/уставный-капитал/> (in Russian) [July 2016].

⁴³ Financial Times Online News (2016b).

Chart 4.3 Energy production and exports, 2012-15



Note: Figures in parentheses indicate the share of total production.

Source: WTO Secretariat calculations, based on data provided by the Russian authorities and the Ministry of Energy online information. Viewed at: <http://minenergo.gov.ru/en/activity/statistic> (April 2016).

Table 4.22 Energy production, 2014

	Amounts in 2014	% of world
Crude oil	529 million tonnes	12.6
Natural gas ^a	644 billion cubic metres	18.3
Coal	334 million tonnes	4.2
Hydro production	183 TWh	4.7
Nuclear electricity	173 TWh	7.0

a Extraction of oil and gas condensate in 2015 was 533.1 million tonnes and natural gas extraction in 2015 was 633.4 billion cubic metres

Source: International Energy Agency (2015), 2015 Key World Energy Statistics. Viewed at: https://www.iea.org/publications/freepublications/publication/KeyWorld_Statistics_2015.pdf [July 2016].

Table 4.23 Trade in energy, 2012-15

(US\$ million and % of total)

	2012	2013	2014	2015	2012	2013	2014	2015
	(US\$ million)				(% of total) ^a			
Imports								
Coal	893	794	627	430	0.3	0.3	0.2	0.2
Electric energy	78	134	325	302	0.0	0.0	0.1	0.2
Gas	369	278	323	220	0.1	0.1	0.1	0.1
Gaseous state	225	222	226	173	0.1	0.1	0.1	0.1
Liquefied	145	56	97	47	0.0	0.0	0.0	0.0
Oil (crude)	173	155	308	648	0.1	0.0	0.1	0.4
Exports								
Coal	13,092	11,909	11,759	9,480	2.5	2.3	2.4	2.8
Electric energy	1,019	992	737	744	0.2	0.2	0.1	0.2
Gas	68,835	74,639	62,648	47,518	13.1	14.2	12.6	13.8
Gaseous state	62,253	67,232	55,240	41,844	11.9	12.8	11.1	12.2
Liquefied	6,581	7,407	7,408	5,673	1.3	1.4	1.5	1.6
Oil (crude)	180,930	173,670	153,888	89,576	34.5	32.9	30.9	26.0

a As a share of total imports/exports.

Note: HS Codes are: coal (HS 2701 and 2702); electric energy (HS 2716); gas (HS 2711); and oil (HS 2709).

Source: WTO Secretariat calculations, based on UNSD Comtrade.

4.82. In 2014, the Russian Federation produced a total of 521.3 million tonnes of oil equivalent (Mtoe) and condensate from all sources, of which 223.4 Mtoe were exported.⁴⁴ Crude oil and natural gas represent over 80% of total primary energy production.⁴⁵

4.2.4 Oil

4.83. At 1 January 2016, some 299 licensed enterprises were active in extraction of oil and gas condensate in the Russian Federation. Among these, some 117 enterprises were the subsidiaries or affiliates of 11 vertically-integrated companies that jointly accounted for 87% of Russian oil output. There were also 179 independent extraction companies and three operators working under production-sharing agreements.

4.84. Russian crude oil output grew steadily during the period 2012-15, underpinned by positive dynamics in existing fields and the entry into exploitation of new fields in the Northern, Eastern and Far Eastern parts of the Russian Federation. The number of oil wells in production phase has been on the rise, with more than 6,000 new wells added annually, while their average depth increased from 2,818 m in 2012 to 2,870 m in 2015. The segment's performance has also benefitted from the adoption of output-intensification technologies and tax incentives for certain remote oil fields. Vertically integrated companies' combined capital investments rose from

⁴⁴ Ministry of Natural Resources and Environment (2015).

⁴⁵ International Energy Agency online information. Viewed at: <http://www.iea.org/statistics/> [July 2016].

Rub 861 billion in 2012 to Rub 1,081 billion in 2015, while their costs per tonne of oil output rose from Rub 1,873 to Rub 2,326.⁴⁶

4.85. Having decreased for three consecutive years, the volume of exports of crude oil rebounded to 241.8 million tonnes in 2015 driven by the steady growth in oil output, the decreasing volume of domestically processed oil, and the lower export tax rates in effect from January 2015. Deliveries to Europe accounted for 68% of total oil exports in 2015, followed by shipments to the Asia-Pacific region (31.4%); the corresponding figures for 2014 were 69.6% and 29.8%.

4.86. According to the Ministry of Energy, in 2015 there were 78 enterprises processing oil and gas condensate in the Russian Federation, with a combined refining capacity of 322.5 million tonnes per year. Vertically-integrated companies owned 28 of those processing enterprises (including three owned by Gazprom), constituting 84.1% of overall Russian refining capacity, and accounted for 82.8% of total oil and gas condensate refined in 2015. Some 13.1% of the overall refining capacity was held by nine refining enterprises classified as independent, and the rest was owned by 41 small refineries.

4.87. Having grown from 265.4 million tonnes in 2012 to 288.9 million tonnes in 2014, Russian-refined oil dropped to 282.4 million tonnes in 2015. Only independent enterprises registered an increase in refining activities in 2015. On the other hand, the average oil refining depth increased from 71.1% in 2012 to 74.2% in 2015, on account of technological upgrades predominantly carried out by vertically-integrated companies.⁴⁷ As a result, the Russian Federation has established the necessary production base for transition to fuels of environmental class K5, with capacity sufficient to meet domestic demand.

4.88. During the period under review, the volume of petroleum products traded on Russian commodity exchanges rose from 10.9 million tonnes in 2012 to 15.7 million tonnes in 2015. The Saint-Petersburg International Mercantile Exchange (SPIMEX) was the leading trading platform; small amounts were also traded on the Saint-Petersburg Exchange and the (presently defunct) Inter-Regional Exchange of the Oil and Gas Complex. In 2015, the main petroleum products traded included gasoline (19.4% of domestic consumption), diesel (16.3% of domestic consumption), and fuel oil (8.6% of domestic consumption).

4.89. As of 1 January 2015, the Russian Federation had total oil reserves of 18.3 billion tonnes in categories A (reasonable assured), B (identified), and C1 (estimated), plus 11.1 billion tonnes in category C2 (inferred). The corresponding figures for reserves of gas condensate were 2.2 billion tonnes, plus 1.3 billion tonnes.⁴⁸

4.90. Most of the largest producing oil reservoirs and fields date from Soviet times, although there is considerable potential for new discoveries or exploiting known reserves, particularly hard-to-recover reserves. Estimates of hard-to-recover reserves vary widely: in 2012, Rosneft stated that its tight oil reserves were estimated to be 0.8 billion tonnes⁴⁹; another report estimated that the Bazhenov Formation in West Siberia had technically-recoverable shale oil reserves of about 10.4 billion tonnes out of 173.9 billion tonnes in place, plus technically-recoverable shale gas reserves of 8.1 trillion cubic metres.^{50,51} It has been reported that the Russian Federation may have problems developing these resources, partly due to the decline in market prices, the high cost of extracting tight oil, and because most companies specialized in unconventional oil are foreign-owned.⁵²

⁴⁶ Ministry of Energy (2016).

⁴⁷ Oil refining depth is the ratio of crude oil volumes processed at primary refining facilities, excluding saleable heating oil, liquid fuel used in production, and losses in drying and desalination, to total crude oil volumes processed at primary refining facilities. The number of facilities performing alkylation, catalytic cracking and isomerization has been on the rise.

⁴⁸ Ministry of Natural Resources and Environment (2015).

⁴⁹ Rosneft (2012).

⁵⁰ U.S. Energy Information Administration (2015). Conversion from barrels to tonnes at 7.147512 barrels per tonne, and cubic feet to cubic metres at 35.31472 cubic feet per cubic metre.

⁵¹ Conversion from barrels to tonnes at 7.147512 barrels per tonne, and cubic feet to cubic metres at 35.31472 cubic feet per cubic metre.

⁵² Henderson J. (2015).

4.91. Many of the Russian Federation's hydrocarbon reserves and extractive operations are located in harsh climate regions, subject to dramatic temperature variations over the year. Export markets for hydrocarbons are principally served by pipeline networks and rail.

4.92. Rosneft is a major player in the global oil industry and the world's largest publicly traded petroleum company. Rosneft is active both upstream and downstream, including in prospecting and exploration of hydrocarbon deposits, offshore projects, oil, gas and gas-condensate production, and processing, as well as oil, gas, and product marketing in the Russian Federation and abroad. In 2015, Rosneft had estimated hydrocarbon reserves (ABC1 plus C2) of 18.3 billion tonnes of oil equivalent (toe), produced 265 million toe, had total revenues of Rub 5,150 billion, and had net income of Rub 356 billion. Rosneft is on the list of strategic joint-stock companies approved by Presidential Decree No. 1009 of 4 August 2004. Rosneft is majority controlled by the State: the largest shareholder (69.5% of equity) is Rosneftegaz OJSC which is 100% state-owned; BP Russian Investments Ltd owns 19.75% of shares; the Federal Agency for State Property Management owns one share; and 10.75% are free floating shares.⁵³

4.93. Lukoil is the second largest petroleum company in the Russian Federation, the fifth in the world among non-government companies in hydrocarbon production, and the largest privately-owned company in the Russian Federation. Lukoil is a vertically integrated oil and gas company with investments and activity throughout the world, although over 88% of proved hydrocarbon reserves of 2.3 billion toe are within the Russian Federation. In 2015, it produced 100.7 million tonnes of crude oil, had total revenues of Rub 5,750 billion, and had net income of Rub 291 billion.⁵⁴

4.94. The third ranked oil producer in Russia is Gazprom Neft, which is 95% owned by its parent, Gazprom. In addition to natural gas, Gazprom Neft produced about 482 million barrels of oil in 2014. Gazprom Neft owns and operates four oil refineries within the Russian Federation, nearly 2,000 petrol stations in the country and in Europe, and its market capitalization was approximately US\$10.5 billion at end-2015.

4.2.5 Gas

4.95. Gas is important for the Russian economy as an exported commodity and as a feedstock to industry and manufacturing: about 2-3 cubic metres of gas are consumed within the Russian Federation for each cubic metre exported.

4.96. At 1 January 2016, natural and associated petroleum gas (APG) production in the Russian Federation was carried out by 81 affiliates of vertically integrated oil companies, 16 entities belonging to Gazprom, 4 entities owned by Novatek, 153 independent enterprises and three operators working under production-sharing agreements.⁵⁵ Gazprom accounted for 63.9% of gas output in 2015, down from 73.1% in 2012.

4.97. The share of APG in overall output grew steadily during the review period, rising from 8.4% in 2012 to 12.4% in 2015. According to the Ministry of Energy, the overall APG utilization rate increased from 76.2% in 2012 to 88.2% in 2015.

4.98. Some 11.3% of the 2015 gas output was processed in the Russian Federation, up from 10.8% in 2012. Gazprom accounted for 96.3% of processed natural gas, and Sibur Holding was the leader in processed APG with 56.2% of the market. Gross output of liquefied petroleum gas (LPG) amounted to 15.9 million tonnes in 2015, of which 35.8% was exported. The corresponding figures for liquefied natural gas (LNG) were 10.8 million tonnes and 99.8%. The main destinations for LNG exports were Japan and the Republic of Korea.

4.99. Trading in natural gas was launched on the Saint-Petersburg International Mercantile Exchange (SPIMEX) in October 2014. Some 7.5 billion cubic metres of natural gas, representing about 1.7% of domestic consumption, were traded on the commodity exchange in 2015.

4.100. As of 1 January 2015, the Russian Federation's reserves of free natural gas amounted to 50.2 trillion cubic metres in categories A (reasonable assured), B (identified), and C1 (estimated),

⁵³ Rosneft (2016).

⁵⁴ PJSC Lukoil (2016).

⁵⁵ Ministry of Energy (2016).

plus 20.1 trillion cubic metres in category C2 (inferred). The corresponding figures for reserves of diluted gas were 1.4 trillion cubic meters, plus 1.5 trillion cubic meters.⁵⁶

4.101. Gazprom is the only entity with permission to export gas out of the territory of the Russian Federation.⁵⁷ Gazprom is 38.4% state-owned, with another 11.9% owned by companies controlled by the State.⁵⁸ The remaining shares of Gazprom are privately owned. In 2014, Gazprom produced 443.9 billion cubic metres of natural and associated gas, 14.5 million tonnes of condensate, and 35.3 million tonnes of oil. Gazprom accounts for 12% of the world's gas production.⁵⁹ Gazprom also purchases gas from central Asian producers, and has a number of joint-ventures and production-sharing agreements with central Asian producers.⁶⁰

4.102. Action by the European Commission in respect of Gazprom's commercial activities in the EU has resulted in exposure to greater competition, and a likely decline in historical prices and pricing models. In September 2015, Gazprom moved to public auctions for spot gas supplies in Europe, a break from its practice of signing long-term contracts linked to oil prices. An EU antitrust action against Gazprom is ongoing.⁶¹

4.2.6 Oil and gas transportation

4.103. The majority of Russian energy exports (oil and gas) are transported by pipeline. Investment in the pipeline sector has traditionally been affected by the privileges granted to certain companies (notably Rosneft and Gazprom), long-term price expectations and, more recently, has suffered as a result of restrictions placed on investments in the Russian Federation by other countries.

4.104. The Russian Federation has more than 16,500 km of oil pipelines spanning the whole territory.⁶² The wholly state-owned company Transneft is the monopoly operator of the crude oil pipeline network. The company was established by Presidential Decree No. 1403 of 17 November 1992, which was further elaborated in Government Decree No. 810 of 14 August 1993.

4.105. According to the authorities, the diversification of markets and routes of delivery of energy resources to foreign consumers continues. In September 2015, a shareholders' agreement was signed on the realization of the "Nord Stream-2" project involving the construction of two offshore gas pipeline strings with a total capacity of 55 billion cubic metres per year to Germany under the Baltic Sea.

4.106. Repeated discussions concerning elimination of Gazprom's export monopoly and permitting export competition by other Russian producers have been unsuccessful. According to the authorities, the preservation of a single export channel of natural gas from the Russian Federation through the pipelines is in the interests of socio-economic development of the country because it eliminates competition between Russian suppliers and ensures the maximization of sales and tax revenues from exports.

4.107. Gazprom owns the Gas Transmission System (GTS), the greater part of which is comprised of the Unified Gas Supply System (UGSS) of the Russian Federation. The UGSS encompasses gas production, processing, transmission, storage and distribution facilities. According to Gazprom, the UGSS assures continuous gas supply from the wellhead to the ultimate consumer.⁶³ The GTS in the Russian Federation is 170,000 km in length. There are 250 compressor stations used for gas transmission.⁶⁴

⁵⁶ Ministry of Natural Resources and Environment (2015).

⁵⁷ Bloomberg Online News (2015).

⁵⁸ Gazprom online information. Viewed at: <http://www.gazprom.com/investors/stock/> [23 March 2016].

⁵⁹ Gazprom online information. Viewed at: <http://www.gazprom.com/about/today/> [15 March 2016].

⁶⁰ Gazprom online information. Viewed at: <http://www.gazprom.com/about/production/central-asia/> [19 April 2016].

⁶¹ European Commission (2015).

⁶² Transneft online information. Viewed at: <http://en.transneft.ru/pipelines/> [24 March 2016].

⁶³ Gazprom online information. Viewed at: <http://www.gazprom.com/about/production/transportation/> [19 April 2016].

⁶⁴ The UGSS is controlled by Gazprom's Central Operations and Dispatch Department.

4.108. The Russian Federation is seeking to develop new market access for gas exports, including through an agreement with China to export gas and build a new pipeline network. According to one report, the agreement includes the possibility of Chinese investment in the upstream side.⁶⁵ According to the authorities, the terms of the long-term contract signed in 2014 ("The Power of Siberia" project) for delivery of pipeline gas to China via the eastern gas route will provide for the export of up to 38 billion cubic metres per year for 30 years starting in 2019. In the context of implementing the strategy of diversifying markets for the Russian Federation's natural gas exports, exports of pipeline gas to China through "The Power of Siberia 2" should be up to 30 billion cubic metres per year with an expected starting date for deliveries in 2023.

4.109. Gazprom provides independent companies with access to gas: in 2014, Gazprom's GTS in the Russian Federation pumped gas for 24 independent companies. The volume of distributed gas was 121.1 billion cubic meters.⁶⁶ Gazprom controls access to pipelines for shipments to western markets for exports of gas from central Asian producers.

4.2.7 Coal

4.110. There are about 157 billion tonnes of proven reserves of coal in the Russian Federation, comprising sub-bituminous and lignite grade coal reserves of 107.9 billion tonnes, and anthracite and bituminous grade coal reserves of 49.1 billion tonnes. Total estimated reserves are between 4 and 5 trillion tonnes. The overwhelming majority of these reserves are located in Siberia and the Far East of the Russian Federation. The Kuzbass coalfield has the largest proven coal reserves.

4.111. Coal mining in the Russian Federation is carried out in 60 pit mines and 107 surface mines across 16 coal basins in 25 regions with a production capacity of 411.2 million tonnes per year.⁶⁷ Traditional export markets for coal have been in Europe, but the Russian Federation is now seeking to increase exports to the Asia-Pacific region anticipating continued growth in both thermal and coking coal in those markets. According to the authorities, although exports to China have declined, exports to India have increased from 1.6 million tonnes in 2014 to 3.6 million tonnes in 2015.

4.2.8 Electricity

4.112. At 1 January 2016, the Russian Federation had 243,188 MW of installed power generation capacity, including new and upgraded generation facilities with combined capacity of 4,853 MW installed in the course of 2015. Generation capacity connected to the unified electricity transmission system (UES) of the Russian Federation represented 235,306 MW in 2015, its utilization rate was 50.3%. Around 50 gigawatts (GW) of generating plant in the west of the Russian Federation is approaching planned retirement age. Gazprom has indicated it will seek to reduce natural gas supplies for electricity generation in order to free up gas for export. At present, gas-fired electricity generation plants burn about 60% of the gas marketed in the Russian Federation by Gazprom. Gazprom has sought to reduce this by 50% by 2020, as its reservoirs head towards depletion.

4.113. In 2015, consumption of electric power in the Russian Federation amounted to 1,036 billion kWh, of which some 97.3% was through the UES. Production of electricity reached 1,050 billion kWh, with UES-connected facilities accounting for 97.8%. Some 521.6 million Gcal of thermal energy were produced during 2015. Demand for electric and thermal power in 2015 was lower than in 2014, mainly on account of the warmer climatic conditions.⁶⁸

4.114. The Federal Grid Company (FGC) is the operator and manager of the Russian Federation's UES, including high-voltage transmission lines, with the status of a natural monopoly. FGC provides electricity transmission and technological connection services across 77 Russian regions, covering a territory of 15.1 million square kilometres. With more than 139,000 km of transmission lines and 334 GVA of installed transformer capacity, FGC is the largest publicly traded electricity

⁶⁵ Financial Times Online News (2015).

⁶⁶ Financial Times Online News (2015).

⁶⁷ World Coal online information. Viewed at:

http://www.worldcoal.com/coal/17102013/The_mining_landscape_Part_One_140/ [5 April 2016].

⁶⁸ The average temperature in the month of February 2015 was 4.1 degrees Celsius higher than in February 2014, which translated into a 2.3% decrease in energy consumption. Ministry of Energy (2016).

transmission company in the world.⁶⁹ FGC is majority owned (80.1%) by the public joint-stock company Rosseti, whose controlling shareholder (87.9%) is the State, represented by the Federal Agency for State Property Management of the Russian Federation. Besides FGC, Rosseti has 36 other subsidiaries and affiliates, including 14 interregional distribution grid companies. Rosseti's power transmission and distribution network comprises 2.3 million km of lines and 490,000 substations with transformation capacity of more than 761 GVA.⁷⁰

4.115. Some non-nuclear generators have been privatized in the Russian Federation: OGK-4 is 76% owned by E.ON, and OGK-5 is 56% owned by Enel, while others are owned by Inter RAO or Gazprom. In May 2015, the Ministry of Economic Development announced delays to commissioning new nuclear power plants due to "a current energy surplus". In July 2012, the Ministry of Energy announced plans concerning commissioning of 83 GW of new electricity generation capacity by 2020, including 10 GW of nuclear generation. In 2013 this was revised by the Ministry to 28.26 GW by 2019. Total investment envisaged was Rub 8,230 billion (Rub 4,950 billion on upgrading power plants and Rub 3,280 billion for new grid capacity plus Rub 1,320 billion on nuclear).

4.3 Services

4.116. In 2015, services contributed 62.3% to the GDP of the Russian Federation. Real estate, renting and business activities is the main services sub-sector (17.3% of total GDP), followed by wholesale and retail trade (16.3%), transport and communications (7.9%), compulsory social security (6.4%), and financial intermediation (5.3%) (Section 1.1). The Ministry of Economic Development is the Russian Federation's WTO services enquiry point. In its WTO entry terms, the Russian Federation made specific commitments on 11 services sectors and on 116 sub-sectors.⁷¹

4.3.1 Financial services

4.117. Since 2013, the Central Bank of Russia (CBR) has regulated banks, insurance companies⁷², securities markets, private pension funds and micro-finance institutions. According to the IMF, with the transformation of the CBR into a "mega regulator", financial supervision has been enhanced, and the CBR has managed to stabilize the financial system after the quasi closure of international financial markets to Russian entities (Section 1.1). Nonetheless, the financial sector is dominated by banking activities, with state-owned banks playing a dominant role. Thus, there is considerable scope for deepening and diversifying the Russian financial sector by further developing the securities and insurance markets. There are also significant variations in financial inclusion between urban and rural areas across income levels.⁷³

4.118. In its GATS commitments, the Russian Federation indicated that it would review the operation and necessity for the implementation of temporary discretionary measures in the banking and insurance sub-sectors within five years of its accession to the WTO (i.e. by August 2017).

4.3.1.1 Banking

4.119. According to the IMF, the CBR has taken successful anti-crisis measures to preserve banking stability. The Government's capital support programme was completed and most forbearance measures which were introduced in December 2014 have been lifted, with the exception of continued flexibility in provisioning against loans restructured during December 2014-December 2015. To offset the impact of tighter capital definition and new capital buffers under Basel III, the CBR lowered the minimum regulatory capital adequacy ratio (CAR) of banks from 10% to 8%, which is in line with the minimum Basel III requirements. Moreover, retail deposits have increased, liquidity conditions improved, and banks' reliance on CBR funding decreased. Furthermore, bank lending is relatively diversified across sectors without significant

⁶⁹ Federal Grid Company online information. Viewed at: http://www.fsk-ees.ru/eng/company/about_company/.

⁷⁰ Rosseti online information. Viewed at: <http://www.rosseti.ru/eng/about/history/>.

⁷¹ WTO document WT/ACC/RUS/70/Add.2, 17 November 2011.

⁷² In 2011, the Federal Services of Insurance Supervision (FSIS) was integrated into the Federal Financial Market Services (FFMS), the securities supervisory body. Subsequently, the FFMS was merged with the CBR.

⁷³ IMF (2016b).

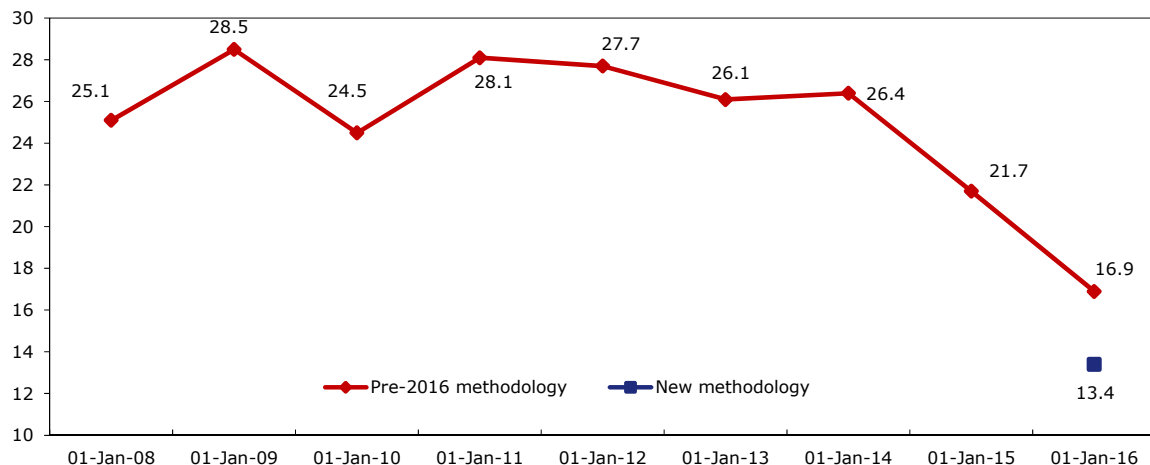
concentration in the oil and gas industry.⁷⁴ However, the Russian banking system remains weak and faces significant challenges, as reflected in the closure of many, mainly small, banks.⁷⁵

4.120. The CBR considers 10 domestic banks as having "systemically important" status since together they hold more than 60% of the total assets of the Russian banking sector.⁷⁶ The largest bank in terms of assets is Sberbank; its founder and principal shareholder (50%) is the CBR.⁷⁷ VTB Bank, the second largest bank by assets, is mainly owned by the Russian Government (60.9%) and the remaining shares are traded on the Russian stock market. Gazprombank, established in 1990 to provide banking services for the gas industry, has since become the third largest bank. The Ministry of Finance owns 100% of Gazprombank's type A preferred shares and the State corporation Deposit Insurance Agency owns 100% of type B preferred shares.⁷⁸

4.121. Foreign capital participation in the Russian banking sector decreased from a peak of 25.1% in 2008 to 16.9% at the beginning of 2016 (Chart 4.4). Starting in 2016, the methodology used by the CBR to calculate foreign capital participation in the total authorized capital of credit institutions is that set out in Article 18 of the Federal Law "On Banks and Banking Activities". Under the new methodology, foreign capital participation is 13.4%.⁷⁹ Under its GATS commitments, the Russian Federation permits the establishment of representative offices of foreign banks. The right to foreign capital participation in the Russian banking system is limited to 50%. A quota on foreign participation is applied to the entire banking sector. The Russian Federation's GATS commitments permit it to impose temporary limits on foreign investment in the banking and insurance sectors, if foreign investment in those sectors exceeds a specified charter capital ratio. This ratio is calculated annually and, if foreign investment exceeds this ratio, the CBR has the discretionary authority to take certain actions to temporarily limit further foreign investment.

Chart 4.4 Foreign capital participation in the Russian banking system, 2008-16

% of foreign investments in aggregate capital of credit institutions



Source: Information provided by the Russian authorities.

4.122. At the beginning of 2015, the Russian Federation had 1,021 credit institutions registered (down from 1,049 at the beginning of 2014) and 733 operating credit institutions (credit institutions that have the right to conduct banking operations), down from 834 at the beginning of 2014. As of 1 March 2016, there were 104 foreign-invested credit institutions in the Russian Federation, down from 113 in 2012 (Table 4.24).

⁷⁴ The oil and gas industry typically borrows externally to take advantage of the lower cost of funding and deeper capital markets.

⁷⁵ IMF (2016b).

⁷⁶ CBR online information. Viewed at: http://cbr.ru/press/pr.aspx?file=20102015_100129ik2015-10-20t10_01_03.htm (in Russian).

⁷⁷ The remainder of Sberbank's shares are held by international and domestic investors.

⁷⁸ These preferred shares have a different share nominal value. According to Regulation No. 354 of 28 July 2015, the Government of the Russian Federation can indirectly determine the decisions made by the Gazprombank through having more than 50% of the total number of votes per voting shares.

⁷⁹ Law No. 295-1 of 2 December 1990 "On Banks and Banking Activities", Article 18 as amended by Law No. 372-FZ of 14 December 2015.

4.123. Credit institutions in the Russian Federation had Rub 82,999 billion in assets in 2015, up from Rub 49,510 billion in 2012. Loans extended to the non-financial sector and to individuals have also increased significantly over the last few years (Table 4.25).

Table 4.24 Russian credit institutions, 2012-16

	01.01.12	01.01.13	01.01.14	01.01.15	01.03.16
Number of credit institutions ^a	113	117	122	113	104
	Share of the banking sector (%)				
in assets	16.9	17.8	15.3	13.9	12.8
in own funds (capital)	17.6	19.3	17.3	17.2	16.8
in loans to non-financial organizations	14.0	14.2	12.0	11.6	11.1
in interbank loans	30.0	27.3	19.0	14.1	15.9
in household deposits	11.4	13.5	12.5	12.0	11.7
in deposits and other funds on accounts of legal entities (without credit institutions)	17.4	18.6	15.6	13.7	11.7

a Foreign invested at 50% or greater.

Source: Information provided by the Russian authorities.

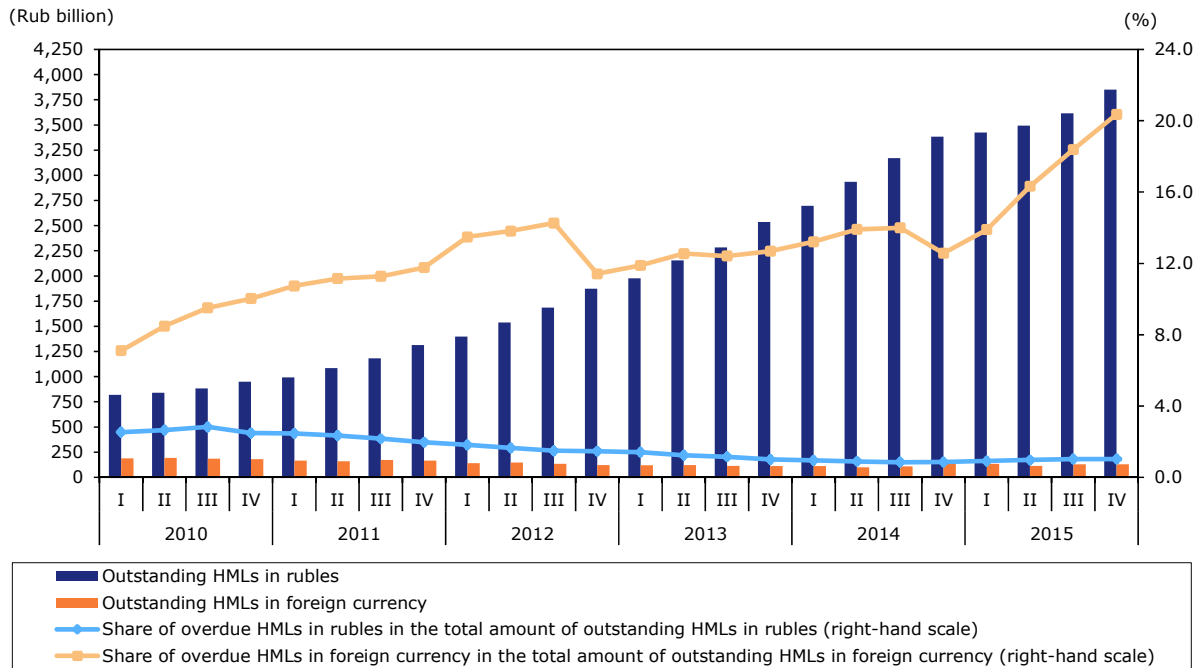
Table 4.25 Main indicators for the banking sector, 2012-15

	2012	2013	2014	2015
Credit institutions assets, total (Rub billion)	49,510	57,423	77,663	82,999
% change, corresponding date of the previous year (%)	18.9	16.0	35.2	6.9
Loans extended to non-financial sector (Rub billion)	19,971	22,499	29,536	33,300
% change, corresponding date of the previous year (%)	12.7	12.7	31.3	12.7
Overdue debt, % of loans extended to non-financial sector (%)	4.6	4.1	4.2	6.2
Loans extended to individuals (Rub billion)	7,737	9,957	11,329	10,684
% change, corresponding date of the previous year (%)	39.4	28.7	13.8	-5.7
Overdue debt, % of loans extended to individuals (%)	4.0	4.4	5.9	8.0

Source: Information provided by the Russian authorities.

4.124. In 2015, housing mortgage loans (HMLs) reached Rub 3,912 billion (Chart 4.5), including overdue arrears of Rub 44 billion. Arrears in foreign currency denominated loans reached the equivalent of Rub 135 billion, including overdue arrears of Rub 27 billion. The share of overdue arrears in foreign currency denominated loans amounted to 38% in the overall percentage of arrears on housing mortgage loans. The total share of overdue arrears increased from 1.3% in 2014 to 1.8% in 2015.

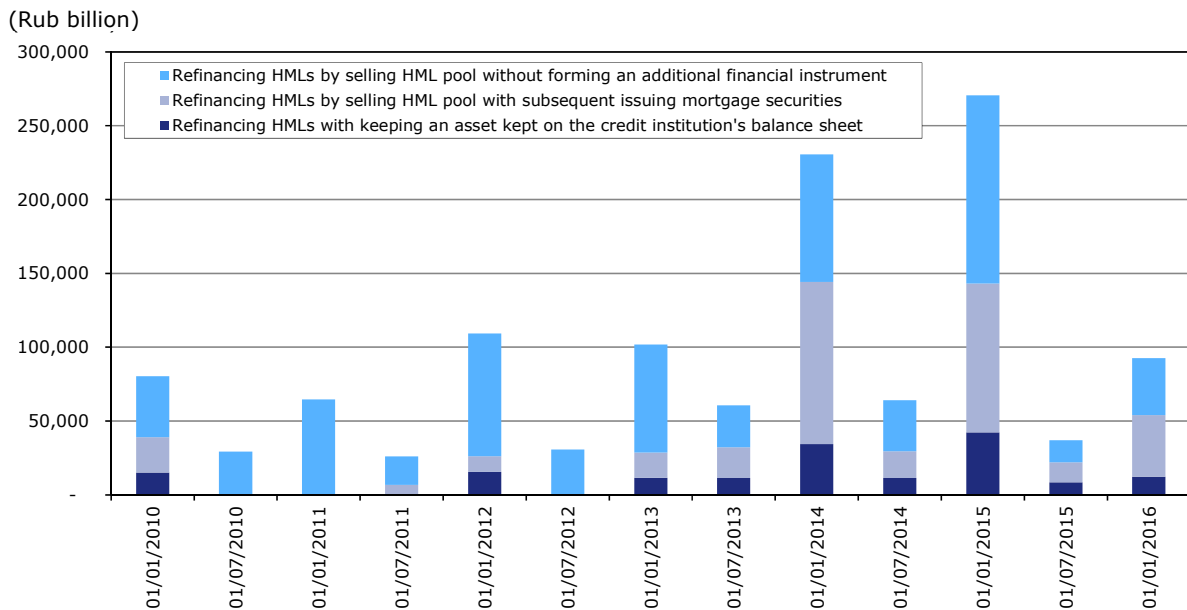
Chart 4.5 Outstanding HMLs, 2010-15



Source: WTO Secretariat calculations, based on data from the CBR. Viewed at: <http://www.cbr.ru/Eng/statistics/?PrtId=svs> (data accessed in April 2016).

4.125. In 2015, the volume of HMLs that were refinanced through issuing mortgage-backed bonds (an asset on a credit institution's balance sheet) stood at Rub 8.4 billion. Since 2012, the percentage of assets (as a share of GDP) has increased steadily from 70% to 102.7%. Over the same period, loans (as a percentage of GDP) have increased from 50.7% to 70.7%. Data on refinancing of HMLs are shown in Chart 4.6. Securitized mortgages have increased in importance since 2012.

Chart 4.6 Refinancing HMLs, 2010-16



Source: WTO Secretariat calculations, based on data from the CBR. Viewed at: <http://www.cbr.ru/Eng/statistics/?PrtId=svs> (data accessed in June 2016).

4.3.1.2 Insurance

4.126. In 2015, the top five insurers in the Russian Federation accounted for 47% of total written premiums in all market segments. Rosgosstrakh (RGS) is the largest insurance company, with nearly US\$3.4 billion in gross written premiums in 2014, and a market share of over 15%.⁸⁰ Sogaz Insurance Group is the second-largest insurance company⁸¹, followed by Ingosstrakh Insurance Company. It held 7% of the Russian insurance market in 2014, reporting gross written premiums of more than US\$1.7 billion.⁸²

4.127. An action plan for the insurance sector, "Development strategy of insurance business in the Russian Federation up to 2020", was set out in Government Decree No. 1293-4 of 22 July 2013. The date of introduction of the relevant legislation is set for 2017. Under its GATS commitments, the Russian Federation does not permit the establishment of insurance branches in the field of life and non-life insurance. By August 2021 (i.e. 9 years from the date of its accession to the WTO), the Russian Federation is to allow commercial presence in the form of a branch of a foreign insurer in life insurance and non-life insurance (except insurance of state procurement and mandatory insurance other than mandatory insurance of civil liability of owners of cars) subject to licensing, financial soundness and guarantee deposit requirements. Particular requirements for establishment of a branch by a foreign insurer are also set out in the Russian Federation's GATS commitments.⁸³

4.128. Under its GATS commitments, the Russian Federation also retained a limitation on mode 3 market access for insurers that are subsidiaries of a foreign investor in which foreign participation in the charter capital (voting shares) exceeds 51%, for a period of 5 years starting from the date of its WTO accession. Mode 3 is unbound with respect to issuance of licences to provide life insurance services and mandatory personal insurance of passengers and mandatory insurance of civil liability of owners of cars. A similar restriction is retained for reinsurance and retrocession.

4.129. Law No. 4015-1 of 27 November 1992 "On Organization of Insurance Business in the Russian Federation" contains restrictions on foreign insurance companies' activities through subsidiaries and associated companies.⁸⁴ Article 6 of the law provides that subsidiaries of foreign investors of majority foreign-owned companies are precluded from providing mandatory insurance, life insurance or other mandatory state insurance. In addition, such enterprises cannot provide insurance in respect of consignments, deliveries or insurance of purchases for state needs or property of state or municipal entities.

4.130. Insurance organizations that are subsidiary companies of foreign investors or those having a share of foreign investors in their authorized capital of over 51% may not carry out the following activities in the Russian Federation until 22 August 2017 (i.e. five years after the Russian Federation's WTO accession): insurance of citizen's life, health and property at the expense of funds allocated for these purposes from the corresponding budget to federal executive bodies (insurants); insurance related to the procurement of goods, works and services for public and community needs; insurance of property interests of the government and municipal organizations; life insurance under paragraph 1 of Article 4 of Law No. 4015-1; and compulsory insurance of civil liability of car owners in the Russian Federation.

⁸⁰ RGS originates from Gosstrakh, the insurance monopoly during Soviet times. RGS offers a wide variety of insurance products, including personal and business property insurance, business liability insurance, medical insurance and life insurance. RGS is publicly traded on the Moscow Exchange. It has a market capitalization of nearly US\$2.51 billion. The Russian Government is not a shareholder.

⁸¹ Sogaz was established in 1993. In 2014, it had combined gross written premiums of over US\$2.7 billion and a market share of about 11%. Gazprom holds a 40% stake in Sogaz. Rossiya Bank, Volga Group and other business entities also hold substantial stakes. The Russian Government is not a shareholder.

⁸² Nearly half of Ingosstrakh Insurance Company's premiums came from its property insurance business. Personal injury insurance accounted for another 22% of premiums, while auto insurance made up 15% of 2014 premiums. Seven shareholders control more than 96% of Ingosstrakh's shares. The shares are not publicly listed. The Russian Government is not a shareholder.

⁸³ WTO document WT/ACC/RUS/70/Add.2, 17 November 2011, pp 39-41.

⁸⁴ As noted by the authorities, international norms provide that an "associated company" is deemed to be one in which a foreign investor holds more than 20% of shares, whereas in the Russian Federation the limitations are set at 49% and 51%.

4.131. An insurance organization that is a subsidiary of a foreign investor, may provide insurance in the Russian Federation, subject to the requirement that the foreign investor has performed the activity of insurance company for the preceding 15 years, in compliance with the legislation of the home jurisdiction, and has also been active in the insurance market of the Russian Federation for at least 2 years. These requirements do not apply to EU-based investors. Law No. 234-FZ amended Article 6.4 of Law No. 4015-1. An insurance organization that is the subsidiary of a foreign investor (the principal organization) or has a partner share of foreign investors in its authorized capital of over 49% has the right to perform insurance activity in the Russian Federation if the foreign investor (the principal organization) is an insurance company that has carried out its activity in conformity with the legislation of the corresponding State for at least 5 years.⁸⁵

4.132. The Russian Federation applies a total foreign investment quota limitation on the whole sector. The share of foreign capital in the charter capital of all insurance companies registered in the Russian Federation is not permitted to exceed 25%.⁸⁶ If the indicated maximum allowable shareholding is attained or exceeded, the CBR no longer issues permits for the performance of insurance activities to subsidiaries of foreign insurance companies and insurance organizations (foreign investors' share of which is above 49%). The CBR also has the discretion to take certain temporary actions affecting foreign investments in the insurance sector, if foreign investments exceeded the 50% ratio.

4.133. Prior permission is required before shares in the charter capitals of Russian insurance companies may be transferred to foreign investors and their subsidiaries. Any increase in the capital of an insurance company from foreign investors' funds and their subsidiaries also requires prior permission from the insurance supervisory authority.

4.3.2 Telecommunications and postal services

4.134. A key priority of the Russian Federation is to strengthen its telecommunication industries and further invest in information technologies (IT). The Russian Federation's basic telecommunications indicators are set out in Table 4.26.

Table 4.26 Telecommunications indicators, 2012-15

	2012	2013	2014	2015 ^a
Subscribers				
Fixed telephony ('000)	42,168	40,473	38,213	36,525
Per 100 inhabitants	29.4	28.2	26.1	24.9
Fixed broadband ('000)	20,923	23,745	24,825	26,679
Per 100 inhabitants	14.6	16.5	17.0	18.2
Cellular mobile telephony ('000)	208,065	218,300	221,030	227,288
Per 100 inhabitants	145.1	151.9	151.1	155.1
Active mobile broadband ('000)	75,442	85,908	93,778	101,180
Per 100 inhabitants	52.6	59.8	64.1	69.0
Wireless broadband ('000)	75,588	86,070	93,892	101,305
Per 100 inhabitants	52.7	59.9	64.2	69.1
% of households with Internet	72.1	60.3	69.1	69.9
% of people using the Internet	63.8	70.0	64.0	67.0
Revenues (in US\$ million)				
Telecommunication services	45,552	46,377	39,483	25,023
Of which:				
Fixed telephony services	7,982	7,000	5,481	3,214
Mobile network	22,024	22,571	18,827	10,842

a Provisional.

Source: World Telecommunications/ICT Indicators 2015, and information provided by the Russian authorities.

⁸⁵ In addition, the requirements for EU investors have been repealed, and replaced by a new paragraph 10 of the Law that provides that restrictions established in the first and second paragraphs of item 3 and 4 of this Article shall not extend to insurance organizations which are subsidiary companies of foreign investors (principal organizations) or which have a foreign investors share in their authorized capital of over 49%, which were created or reorganized before 22 August 2012, and if, in conformity with the legislation of the Russian Federation, operating on that date they had the right to carry out insurance activity indicated in the first and second paragraphs of that Article.

⁸⁶ Law No. 267-FZ of 25 December 2012 increased the maximum charter capital to 50%.

4.135. In its GATS commitments, the Russian Federation undertook obligations in relation to the following sub-sectors:

- a. Public voice telephone services (CPC 7521); local telephone services (CPC 75211); long distance and international communication services (CPC 75212); mobile telephone services (CPC 75213);
- b. Packet switched data transmission services (CPC 7523);
- c. Circuit-switched data transmission services (CPC 7523);
- d. Private leased circuit services (CPC 7522, 7523);
- e. Electronic mail (CPC 7523)
- f. Voicemail (CPC 7523);
- g. Online information and data base retrieval (CPC 7523);
- h. Electronic data interchange (EDI) (CPC 7523);
- i. Enhanced/value-added facsimile services, incl. store and retrieve;
- j. Code and protocol conversion;
- k. Online information and/or data processing (including transaction processing) (CPC843); and
- l. Other (CPC 7529).

4.136. The Russian Federation reserved limitations in mode 3 concerning incorporation and a maximum foreign equity cap of 49% for charter capital. According to the authorities, this requirement has been lifted.

4.137. The Ministry of Telecom and Mass Communications (MTMC or Minsvyaz) is developing and implementing national policy and legal regulation in the following areas:

- Telecommunications, including the allocation and conversion of the radio frequency spectrum;
- Postal communications;
- Mass media, including the electronic media, development of the Internet, television and radio broadcasting, and related technologies;
- Publishing, printing, and distribution of printed media;
- Information technology, including creation of government information resources and promotion of access to such resources; and
- Personal data processing and Internet governance.

4.138. The legal regulation of these areas has changed over the last few years. In order to reform universal service to facilitate the construction of communication lines in remote and inaccessible areas, Law No. 9-FZ of 3 January 2014 "On amending the Federal law on communications" was adopted. The Law provides that, in localities with a population between 250 and 500 with public access to telephone services, there must be at least one Internet access point installed. Such an access point must be connected through a fibre-optic line, and be capable of ensuring data transmission at not less than 10 megabits per second. The Law states that the obligation to provide universal telecommunication services on the whole territory of the Russian Federation is entrusted by the Government to the operator that occupies the dominant position in the public communications network over at least two thirds of the regions of the Russian Federation. Such an operator may not waive its responsibility for the provision of universal services.

4.139. A contract for provision of universal telecommunication services should be for a period of 10 years. For any universal service contract entered into after the date of entry into force of Law No. 9-FZ, the amount of financial support established by the contract for the provision of universal telecommunication services for any given year may not exceed the total size of the Universal Service Fund in that year. According to Government Order No. 437-R of 26 March 2014, the obligation to provide universal telecommunication services is imposed on the open joint-stock company (OPSC) Rostelecom. That order entered into force on 1 April 2014.

4.140. The Federal Agency on Press and Mass Communications (Rospechat), under the MTMC, provides subsidies on a competitive basis from the federal budget for the production of, *inter alia*, socially significant electronic and print media, television and radio programmes, and television documentaries.⁸⁷

4.141. Construction of high speed fibre-optic networks in the framework of reform of universal communication services was to be completed in 11 regions of the Russian Federation during 2015. According to the authorities, at the end of 2015, 1,188 access points were commissioned on the territory of 65 regions of the Russian Federation. To solve the problem of a digital divide in the country, some 215 million km of fibre-optic communication lines are planned, with corresponding benefits for larger rural settlements with a total population of up to 37 million people.

4.142. The development of broadband services in the Russian Federation has progressed rapidly. At the end of 2013, the average connection speed in the country was 7.45 Mbps, more than double the world average of 3.82 Mbps. The Russian Federation was among the 24 countries with the highest-speed Internet access. It is expected that by 2018, the average connection in the Russian Federation will reach the level of 44 Mbps. According to the World Bank⁸⁸, the Russian Federation has one of the lowest levels of prices for Internet services in the world. On a number of indicators, the Russian Federation ranks among the world leaders in terms of broadband services.

4.143. The cost of an unlimited Internet connection in the Russian Federation at 5 Mbps does not exceed 5% of monthly income for 90% of households. According to the International Telecommunication Union (ITU), in 2014, the Russian Federation had a high level of penetration of mobile Internet access, with an overall average of 60%. The Russian Federation has similar availability of mobile Internet access to that found in other developed countries.

4.144. Resolution No. 1284 of 29 November 2014 "On approval of the regulations on non-discriminatory access to infrastructure to accommodate the telecommunications networks" concerns non-discriminatory access to infrastructure for users and the creation of competitive market conditions in the public telecoms sector. The Resolution regulates the actions of natural monopolies operating in public telecommunications and owners of the infrastructure facilities directly used to provide public telecommunications services: It sets out requirements for non-discriminatory access by users to the infrastructure designed for the provision of telecommunication services, applicable to all owners of infrastructure. Furthermore, it: establishes the duty of the owner of the infrastructure to provide users of public telecommunications services with the right to receive public telecommunications services from the service provider of their choice; aims to ensure equal conditions of access to infrastructure for users of the infrastructure (operators) and the availability of information about conditions of access to infrastructure; and provides users with open information on infrastructure to enable stakeholders to compare the conditions of access to the market.

4.145. Order of the MTMC No. 279 of 4 September 2014, amended the methodology for calculating the amount of a one-time fee and an annual fee for the use of radio frequency spectrum in the Russian Federation, and introduced a new charging principle. Now fees for cellular operators depend on the volume of radio spectrum used, and not on the number of base stations in the network. This approach to determining fees stimulates cellular operators to increase their networks' coverage without increasing the financial burden on the use of radio frequency spectrum.

4.146. Mobile number portability has been guaranteed by Law No. 253-FZ of 25 December 2012 (in force since 1 December 2013) "On amending the Federal Law 'On communications' and Articles 333.33 and 333.34 of the Tax Code of the Russian Federation". It provides that mobile telephone subscribers have the right to preserve a subscriber number while concluding a mobile services contract with another provider. The number of mobile telephone numbers transferred from one provider to another since the launch of the project in October 2015 has exceeded 2 million.

⁸⁷ Rospechat Order No. 380 "On the organization of work for the provision of state support in the field of electronic mass media in 2016", 25 December 2015.

⁸⁸ World Bank online information. Viewed at: <http://documents.worldbank.org/curated/en/2015/01/24140845/russian-federation-sector-assessment-broadband-russia>.

4.147. Work on improvements to quality management of communication services has progressed from consultations with industry and experts and resulted in a draft concept for management of communication quality in the Russian Federation. The concept is designed to upgrade the industry to a new level by providing mechanisms for the assessment of the quality of service in a regulatory framework. The objective of providing an objective assessment of quality, together with unified public monitoring methods and involvement of consumers in the process is to allow customers to make more informed choices about the quality of services.

4.148. In December 2014, the Minister of Telecom and Mass Communications approved the "Methodology for assessing the quality of mobile communication services". The methodology was developed to harmonize rules and requirements for assessing the quality of mobile communication services. This will allow network operators, subscribers, analytical agencies, supervisory authorities, administrations of the regions of the Russian Federation and other stakeholders to obtain objective information with which to evaluate the quality of telecommunications services and choice of service providers. The methodology also assesses the quality parameters of voice services, SMS delivery, and data transmission, as provided by different operators.

4.149. Simplified procedures for the inauguration of networks were set in place on 1 January 2015 by an order of the MTMC. According to the authorities, these new procedures will greatly facilitate the deployment of new communications networks, in particular for remote and sparsely populated areas. According to the authorities, all procedures are transparent and clearly regulated.

4.150. In December 2014, Order of the MTMC No. 1342 "On the procedure of provision of telephone communication services" was issued.⁸⁹ The Order is aimed at improving the relationship between subscribers and operators in relation to both fixed and mobile communications services in public networks. The Decision "On the procedure of provision of telephone communication services" introduces uniform rules for the provision of telephone services; it replaced the previously existing "rules of provision of services of mobile communications" and "rules of provision of local, Interzone, long-distance and international telephone services". The Decision provides for the possibility of remote interaction between the operator and the subscriber through a personal cabinet or other tools, provided by the operator. A subscriber can change the tariff plan, composition of services, terms and conditions, as well as perform other actions related to the provision of telephone services. The Decision establishes a duty for operators of mobile and fixed communication services to notify the subscribers not less than 10 days prior to services tariff changes – through the media when using fixed-line telephony and through SMS when using mobile communications.

4.151. Work is ongoing on the modernization and improvement of postal communication regulation. An Expert Council on development of the postal industry and its regulation was set up by Order of the MTMC No. 175 of 11 July 2013. This project was undertaken jointly with the Federal Customs Service (FCS) of the Russian Federation and the federal state unitary enterprise (FSUE) Russian Post.

4.152. Order of the MTMC No. 518 of 31 December 2014 established a development strategy for the FSUE Russian Post for the period up to 2018. In addition, Order of the MTMC No. 105 of 10 April 2015 approved a concept for the development of postal services in the Russian Federation for the period until 2020. Order No. 105 defines the objectives of postal service development, and the principles and tasks of state regulation in the field of postal services. The concept also addresses issues related to the availability of postal services, market development and improvement of the quality of postal services.

4.153. Order of the MTMC No. 234 of 31 July 2014 approved rules for the provision of postal services. It establishes the possibility to send simple and customized postage in electronic form, as well as regulating the intake and delivery features of such mail.

4.154. In accordance with Order of the MTMC No. 144 of 21 June 2013 a working group was established with the participation of the FCS and the FSUE Russian Post in order to formulate a joint policy in the field of technological and legislative initiatives in the implementation of customs operations and procedures for international mail. The Working Group issued Orders No. 609/69 of

⁸⁹ The order was developed by the MTMC in accordance with the Action Plan for the promotion of competition and antimonopoly policy improvement.

1 April 2013 and No. 1788/258 of 23 September, 2013 "On the ground of international mail exchange, subject to the postal service on the territory of the Russian Federation" with the aim of providing for more effective processing of international mail through the opening of a new international mail exchange.

4.155. Maximum public postal tariffs are set out in Order of the Federal Antimonopoly Service No. 232/16 of 15 March 2016 "On the approval of tariffs for forwarding services of domestic correspondence (postcards, letters, parcels) provided by FSUE Russian post".⁹⁰

4.156. In order to ensure the availability of postal services for people with disabilities, consistent with the requirements of Law No. 419-FZ of 1 December 2014 "On amendments to certain legislative acts of the Russian Federation on the social protection of disabled persons in connection with the ratification of the Convention on the rights of persons with disabilities" the MTMC approved Order No. 355 of 22 September 2015, which defines the conditions for unhindered access of disabled people to the facilities and services of the postal service. It establishes requirements to assist people with disabilities to overcome barriers to postal services.

4.157. In 2015, the public joint-stock company (PJSC) Post Bank was created in partnership with the FSUE Russian Post and VTB group. The project involves the provision of banking services based on the existing network of postal offices. The creation of a bank would provide the possibility of access to modern financial services to citizens throughout the country, including in remote and sparsely populated areas.

4.3.3 Transport

4.158. The Russian Federation has some 86,000 km of rail, with 34,000 km of that electrified. It has 1.3 million km of public roads, more than 100,000 km of inland waterways, 7,300 km of tram and trolleybus lines, about 500 km of underground lines, nearly 850 million tons of cargo handling capacity at its sea ports, and 297 airfields, 117 of which form the base national airfield network. In 2015, the share of transport in total GDP was 5.2%, and 32.5% in total services exports. The main transport indicators are shown in Table 4.27.

Table 4.27 Freight and passenger transport volumes, by type of transport, 2012-14

	2012	2013	2014	% of total in 2014
Passengers (in million)				
Total	21,042	19,623	19,535	100.0
Automobile (bus)	12,470	11,591	11,563	59.2
Underground	3,446	3,491	3,437	17.6
Trolleybus	2,051	1,735	1,803	9.2
Tram	1,928	1,629	1,551	7.9
Railway	1,059	1,080	1,076	5.5
Air	74	85	93	0.5
Inland waterway	14	13	13	0.1
Cargo transportation (in million tonnes)				
Total	10,539	10,178	9,890	100.0
Automobile	5,842	5,635	5,417	54.8
Industrial railway transport	3,266	3,153	3,107	31.4
Railway transport of general use	1,272	1,237	1,231	12.4
Inland waterway	141	135	119	1.2
Marine	18	17	16	0.2
Air	1	1	1	0.01

Note: Sorted by size of 2014 data.

Source: Information provided by the Russian authorities.

4.159. The Ministry of Transport (MT) is responsible for all transport activities in the Russian Federation. It carries out state policy and normative and legal regulatory functions in the fields of:

⁹⁰ The Order was drawn up in accordance with the Regulations on the State Regulation of Tariffs for Public Telecommunications and Publicly Available Postal Service approved by the Government Decree No. 637 of 24 October 2005.

- Aviation: civil aviation, airspace management and air navigation services of the users of the country's airspace, aerospace search and rescue, and state registration of rights to aircraft;
- Maritime affairs: transport (including maritime ports), inland waterways, and operation and security of the shipping hydraulic structures;
- Rail transport;
- Road transport: automobile (including transport controls at crossing points on the state borders of the Russian Federation), road management, and road traffic administration; and
- Electricity: urban electricity (including the underground) and industrial transport.

4.160. The main policy document is the Transport Strategy of the Russian Federation for the period up to 2030. It sets out several objectives, including⁹¹:

- the development of a common transport space of the Russian Federation;
- providing for access to, and improving the quality of transportation and logistics services for freight transportation;
- providing for access to, and improving the quality of transport services for the public in accordance with social standards;
- integration into the world transport system and realization of the transit potential of the Russian Federation;
- increasing the security of the transport system; and
- reducing the negative impacts of the transport system on the environment.

4.161. The key instrument for the implementation of the Transport Strategy is the State Programme of the Russian Federation "On the development of the transport system", which includes the tasks of⁹²:

- acceleration of movement of goods and lowering of transportation costs in the economy;
- increasing the availability of transport services for the public;
- improving the competitiveness of the Russian transport system in the world market for transport services; and
- improvement of integrated security and sustainability of the transport system.

4.3.3.1 Rail transport

4.162. The railway system is the key mode of transportation in the Russian Federation. It is the third largest rail network in the world in terms of track length. Rail plays an integral part in the freight transportation market, comprising 45.3% of total freight transport in 2015. The high share of rail in the Russian freight transportation market is a result of the country's geography, the economic importance of commodity production and heavy industry, and the limitations of other transportation networks. Freight rail volumes in the Russian Federation are mostly comprised of commodities such as coal, oil products and oil, metals and ores, and construction materials.⁹³

⁹¹ Approved by Government Decree No. 1032-r of 11 June 2014.

⁹² Established by the Resolution of the Government of the Russian Federation No. 319 of 14 April 2014.

⁹³ The Russian Federation has historically witnessed high levels of correlation between growth in GDP, industrial production and in rail freight turnover.

4.163. The Russian Federation has been engaged in reform of the rail freight transportation market since 2001 (in the context of growing demand for transportation services in the economy), by increasing the efficiency and stability of the existing rail infrastructure. Reforms have been designed to attract investment, including private investment in the sector.

4.164. While Russian Railways retains a monopoly in the provision of rail infrastructure and is by far the major player in the provision of locomotive traction services, the regulatory framework gives third-party operators the legal right to access such infrastructure on a non-discriminatory basis alongside Russian Railways and its subsidiaries. Since 2001, private operators have been expanding their fleets through the acquisition of new railcars, increasing their share from around 30% of railcar stocks at the end of 2005, to around 80% at the end of 2014.⁹⁴

4.165. According to the authorities, the rail transportation system in the Russian Federation is a natural monopoly, subject to state regulation, including price regulation. Prior to the formation of the Federal Cargo company and the First Cargo company, regulated by the State, the level of freight charges, including the car component of the tariff, was the same as for the market benchmark. Today, in the absence of Russian Railways freight car park, the significance of adjustable tariff rates has decreased significantly.

4.166. In 2013, due to the implementation of the international obligations undertaken by the Russian Federation upon its accession to the WTO, which provide for the use of common rail tariffs for all users of the railway transport services, it completed the unification of tariffs for the carriage of goods by modes of transportation (except transit). With regard to rail transit, a railways tariff policy of the CIS member States on the transport of goods in international traffic has been implemented, which provides for the application of tariff conditions on all goods transiting through the territory of the Russian Federation regardless of the country of origin and the destination of the shipment.

4.167. As from 27 January 2013, cargo transportation tariffs of all kinds are defined according to the rules and rates in section 2 of Price List No. 10-01 (excluding transit), which was previously used only for domestic traffic and export-import traffic through the Russian ports. Section 3 of Price List No. 10-01, which was previously used for billing export and import goods transportation through the border transfer stations, has now been removed. The rates in Price List No. 10-01 are based on the average network costs on the federal railways and are applied in all parts of the infrastructure of Russian Railways that were taken into permanent operation, and are uniform and mandatory for all users of the services of Russian Railways.⁹⁵

4.3.3.2 Road transport

4.168. Under the GATS, the Russian Federation undertook commitments in the field of road transport services: (a) passenger transportation (CPC 7121, 7122) and (b) freight transportation (CPC 7123), with mode 3 market access, subject to company and vehicle registration in the Russian Federation. Mode 4 access is subject to the requirement that drivers of vehicles engaged in transportation within the territory of the Russian Federation, must be Russian citizens.

4.169. One of the main tasks of the MT is to monitor international road transport. In 2015, the length of highways of federal importance that conform to regulatory requirements accounted for 32,880 km, which is more than 60% of the total volume of highways of federal importance.

4.170. On 11 November 2014, the State Duma of the Federal Assembly of the Russian Federation adopted Law No. 362-FZ "On amendments to the Federal law 'On State monitoring of international road transport and liability for violation of the order of execution' and the Code on administrative

⁹⁴ The fleet of rolling stock currently consists of general purpose rolling stock such as gondola (open top) cars, and specialized rolling stock. The total Russian railcar fleet amounted to approximately 1.2 million units at the end of 2014. The most common type of railcar in the Russian Federation is the open top (gondola) car, comprising around 46% of the total railcar fleet. Gondola cars can be used to carry a wide variety of cargoes (e.g. ferrous metals, scrap metals, ores, crushed stone, coal, timber, and containers). Rail tank cars are the second most common type of railcar, comprising around 24% of the total railcar fleet. They are designed to transport liquid and gaseous commodities, such as oil products and oil.

⁹⁵ Order of the FCS No. 396-t/1 of 18 December 2012 "On amendments and additions to the provision of the FCS".

offences of the Russian Federation in connection with the improvement of the public monitoring of implementation of international road transport", which provides for increased efficiency in monitoring international road transportation.

4.171. With the entry into force of Law No. 362-FZ, the supervisory bodies of the Russian Federation were given additional authorities to improve the effectiveness of public monitoring of international road transport, including:

- conformity control of transport operation permission by checking the CMR, invoice, certificate of origin, veterinary and phytosanitary certificates, and document confirming the safety of products to establish compliance with the sanitary-epidemiological and hygienic requirements, as well as submitting orders of the sender or receiver of the goods to the carrier of cargo transportation;
- checking the completeness and correctness of the application for the permission;
- bringing drivers to administrative responsibility for transport execution;
- detention until vehicles traveling from the territory of the Russian Federation whose drivers are fined under articles 11.26 and 11.29 of the Code of Administrative Offences of the Russian Federation pay the fines.

4.172. On 13 July 2015, Law No. 220-FZ was adopted "On organizing regular carriage of passengers and luggage by road and urban ground electric transport in the Russian Federation and on amendments to some legislative acts of the Russian Federation", which regulates, *inter alia*, the organization of regular carriage of passengers and luggage by road and urban ground electric transport, and also regulates the establishment, change, and cancellation of regular transport routes.

4.173. To facilitate road repairs, in 2011, a decision was made to create road funds that would allow for the medium- and long-term planning of the development of public roads of both federal and regional importance and would also ensure stable financial support for all areas of road activities. Means from the funds are used exclusively for the maintenance and construction of roads that would generally improve transport and operational conditions of the roads in the medium-term and would also reduce transport costs for road users. Article 31.1 of Law No. 257-FZ of 8 November 2007 "On roads and traffic activities in the Russian Federation and on amendments to some legislative acts of the Russian Federation", which entered into force on 15 November 2015, established that the movement of vehicles exceeding the permissible maximum mass of 12 tonnes on roads of general use with federal status are allowed only if compensating for all the expenses to the roads caused by such vehicles.

4.3.3.3 Maritime transport

4.174. Under the GATS, the Russian Federation undertook commitments on maritime transport services, and international transport (CPC 7211, 7212, except for cabotage transport).⁹⁶ Maritime auxiliary services, and cargo handling services are committed in respect of modes 2, 3, 4, with restrictions on mode 3 requiring incorporation in the Russian Federation. Internal waterways transport is only committed in respect of "(f) other supporting services for internal waterways transport".

4.175. Port management in the Russian Federation is based on Law No. 261-FZ "On sea ports in the Russian Federation and the Merchant Marine Code", according to which port management is carried out by the Seaport Administration.⁹⁷ The Seaport Administration, under the Federal Agency of Sea and River Transport, provides organizational, logistical and financial support to the execution of the seaport captains' functions. These functions are established by Law No. 261-FZ of

⁹⁶ Other forms of commercial presence for the supply of international maritime transport are allowed only in the form of a juridical person of the Russian Federation. The Russian Federation did not undertake commitments on the establishment of registered companies for the purpose of operation of a fleet under the national flag (mode 3) and ship's crew (mode 4).

⁹⁷A full list of seaports, with full descriptions of their (technical) features can be found at [http://www.morflot.ru/devatelnost/morskoy_transport/reestr mp](http://www.morflot.ru/devatelnost/morskoy_transport/reestr_mp).

8 November 2007 "On sea ports in the Russian Federation and on amendments to some legislative acts of the Russian Federation", other federal laws, and normative legal acts of the Government of the Russian Federation.⁹⁸

4.3.3.4 Air transport

4.176. The Federal Air Transport Agency (Rosaviatsiya) oversees civil aviation in the Russian Federation, provides government services and manages governmental property in the sphere of civil aviation, use of air space in the country, space platforms, governmental services in safety and security of transport, registration of aircraft and scrutiny of aircraft sales. The Federal Air Transport Agency reports to the MT.⁹⁹

4.177. In its GATS commitments, the Russian Federation undertook limited commitments on air transport services, in respect of maintenance and repair undertaken on an aircraft or part thereof when it is withdrawn from transport services. Mode 3 is subject to the requirement of incorporation in the country, and foreign participation in the charter capital of the juridical persons of the Russian Federation established before the date of the Russian Federation's WTO accession must not exceed 25%.

4.178. The main domestic airlines in the Russian Federation are Aeroflot - Russian Airlines, Sibir Airlines, Ural Airlines, Pobeda, Ut Air and Rossiya. Aeroflot Group is Russia's largest airline group and one of the largest in Europe.¹⁰⁰ In 2015, the Group accounted for 36.7% of the Russian air-travel market, carrying 39.4 million passengers, of which 26.1 million flew Aeroflot - Russian Airlines. PJSC Aeroflot is the Group's parent company. The Aeroflot Group services over 319 regular destinations in 54 countries, with Aeroflot - Russian Airlines operating 133 regular routes across 52 countries. Aeroflot is a member of the SkyTeam Alliance.¹⁰¹ The Russian Federation owns a majority (51.17%) stake in PJSC Aeroflot (through the Federal Agency for State Property Management). Of the remainder, around 41% is free-float owned by institutional and retail investors.

4.4 Tourism

4.179. Under the GATS, the Russian Federation undertook commitments in a number of tourism and travel sectors (i.e. hotels and restaurants, including catering (CPC 641, CPC 642, CPC 643)). Mode 3 commitments on hotels and restaurants are subject to requirements of incorporation in the Russian Federation and authorization from local authorities taking into account city-development planning and programmes of social and economic development in their jurisdiction.

4.180. The Russian Federation's relevant GATS commitments on tour operators include tour operators and tour agencies services (CPC 7471), and tourist guide services (CPC 7472). Mode 3 is subject to requirements concerning incorporation in the Russian Federation and that the foreign investor be a commercial incorporated organization with a minimum of 5 years' experience of supplying tour operator services in the country of origin. Suppliers of out-bound and in-bound tourism operator services can have a maximum total foreign participation in charter capital (voting shares) of 49%. These limitations are set to expire 7 years from the date of the Russian Federation's accession to the WTO (i.e. by August 2017).

⁹⁸ The Seaport Administration also provides services for seaport users. The founder and the property owner of the Administration is the Russian Federation. The administration founders' functions and authorities are carried out by the Federal Agency of Sea and River Transport.

⁹⁹ Russian Aviation online information. Viewed at: <http://www.ruaviation.com/dir/info/6/?h> [29 April 2016].

¹⁰⁰ Aeroflot online information. Viewed at: <http://ir.aeroflot.com/business-overview/o-kompanii/>.

¹⁰¹ Aeroflot Group includes Aeroflot - Russian Airlines, Rossiya, Aurora, and Pobeda. According to the company, this multi-brand strategy means the Group can expand its presence in all key market segments on both domestic and international routes. Aeroflot Group aims to sustain and grow its position as a leading global airline. The Group's fleet is among the youngest of competing airlines; Aeroflot planes' average age is 4.4 years, and Aeroflot Group's planes average 6.4 years. As of the end of 2015, the Group's fleet comprised 262 planes, 170 of which are operated by Aeroflot - Russian Airlines.

4.181. At the end of 2015, there were 152 hotels under international management in the Russian Federation with a total room stock of 34,466 keys operations.¹⁰² More than half of the existing room supply was in Moscow and St. Petersburg (54%), followed by Sochi (12%), the Moscow Region (6%), Ekaterinburg (3%) and other locations. Current plans suggest that by 2020 the number of foreign-invested hotels will increase by 118 new properties (23,450 rooms), amounting to 270 hotels (57,916 rooms) located in 54 towns and cities. It is expected that foreign hotel operators will expand due to a number of events, including the FIFA World Cup (to be held in Russia in 11 cities and towns), increasing the stock of foreign-invested hotels by 61 new properties (12,977 rooms).

4.182. Rostourism is the government entity responsible for regulation of tourism and tourism operators in the Russian Federation. On 30 December 2015, Rostourism revoked the licenses of 19 tour operators associated with Turkish companies or individuals. The measure, which came into force on 1 January 2016, affected major travel companies. Among the restrictions is a ban on charter flights to Turkey. On 30 December 2015, the Russian Federation banned Turkish-controlled companies involved in tourism or in the construction industry from doing business in the country.¹⁰³

¹⁰² Ernst & Young online information. Viewed at: <http://www.ey.com/RU/en/Industries/Real-Estate/ey-international-hotels-in-russia-2016> [29 April 2016].

¹⁰³ Moscow Time Online News (2016).

REFERENCES

- Blackseagrains (2016), "Russian Ministry of Agriculture completed grain purchasing interventions", 19 April. Viewed at: <http://www.blackseagrains.net/novosti/russian-ministry-of-agriculture-completed-grain-purchasing-interventions> [June 2016].
- Bloomberg Online News* (2015), "Russia Holds Onto Gazprom Export Monopoly to Prop Up Budget", 21 October. Viewed at: <http://www.bloomberg.com/news/articles/2015-10-21/russia-holds-onto-gazprom-export-monopoly-to-prop-up-budget> [12 April 2016].
- Bloomberg Online News* (2016), "These Are the World's Most Innovative Economies", Bloomberg Innovation Index 2016, 19 January. Viewed at: <http://www.bloomberg.com/news/articles/2016-01-19/these-are-the-world-s-most-innovative-economies>.
- BRIC Wall Online Blog* (2015), "Current State of Data Protection and Exclusivity in Russia", 30 December. Viewed at: <https://bricwallblog.wordpress.com/tag/data-exclusivity/>.
- Bourliand E., Menchik D. (2015), "Russia: Special investment contracts as part of Russia's industrial policy", *International Tax Review*, 29 October. Viewed at: <http://www.internationaltaxreview.com/Article/3501679/Russia-Special-investment-contracts-as-part-of-Russias-industrial-policy.html> [April 2016].
- Burenin A. (2014), "Skolkovo Innovation Center", presentation, April. Viewed at: file:///D:/Users/finn/Downloads/01_SKOLKOVO_FOUNDATION_Presentation_Engl.pdf [April 2016].
- Byshovets V. (2015), "Assessment, declaration and control of customs value of goods in the Russian Federation" presentation by Federal Customs Service. Viewed at: <http://eng.customs.ru/> [April 2016].
- Central Bank of Russia (2015), *Guidelines for the Single State Monetary Policy in 2016 and for 2017 and 2018*. CBR online information. Viewed at: http://www.cbr.ru/eng/publ/ondkp/on_16-eng.pdf.
- Davydova I. and Franks JR. (2015), "The Rise and Rise of Large Farms: Why Agroholdings Dominate Russia's Agricultural Sector". *Journal of the National Research University*, Vol. 24, No. 3, pp. 133–159, Higher School of Economics (Мир России. АГРОКОМПЛЕКС РОССИИ И ЗАРУБЕЖЬЯ).
- European Commission (2015), Press Release, "Antitrust: Commission sends Statement of Objections to Gazprom for alleged abuse of dominance on Central and Eastern European gas supply markets", 22 April. Viewed at: http://europa.eu/rapid/press-release_IP-15-4828_en.htm.
- Eximbank of Russia's (2012 and 2014), *Annual Reports*. Viewed at: <http://eximbank.ru/upload/iblock/6e8/annuareport2012.pdf> and <http://eximbank.ru/upload/iblock/781/Eximbank-of-Russia-AnnualReport-2014.pdf>.
- Eximbank of Russia's (2015), *Auditor's Report on the Financial Statements of Eximbank of Russia for 2015* (April 2016). Viewed at: http://eximbank.ru/upload/iblock/7c0/Росэксимбанк_отчетность_МСФО_2015.pdf
- FAO (2012), *The Russian Federation Forest Sector – Outlook Study to 2030*, Rome. Viewed at: <http://www.fao.org/docrep/016/i3020e/i3020e00.pdf> [June 2016].
- FAO, UNECE (2015), *Forest Products – Annual Market Review 2014-2015*, Geneva. Viewed at: <http://www.unece.org/fileadmin/DAM/timber/publications/2015-FPAMR-E.pdf>.
- Financial Times Online News* (2015), "China and Russia set to finalize gas deal", 8 March. Viewed at: <http://www.ft.com/intl/cms/s/0/c0c385ea-c55f-11e4-bd6b-00144feab7de.html#axzz42ytgjzSt> (pay wall, last consulted 15 March 2016).

Financial Times Online News (2016a), "Russia orders companies to pay higher dividends to state", 19 April. Viewed at: <http://www.ft.com/cms/s/0/b0cd0a1a-0651-11e6-a70d-4e39ac32c284.html#axzz4FdieBJ2P> [July 2016].

Financial Times Online News (2016b), "Russia sells 1% stake in Alrosa", 11 July. Viewed at: <https://next.ft.com/content/13397952-4772-11e6-8d68-72e9211e86ab> [July 2016].

Global Innovation Online (2015), The Global Innovation Index 2015, "Effective Innovation Policies For Development". Viewed at: <https://www.globalinnovationindex.org/userfiles/file/reportpdf/gii-full-report-2015-v6.pdf>.

GRATA (2015), "New Industrial Policy in the Russian Federation", February. Viewed at: http://www.gratanet.com/en/news/recent_publications [April 2016].

GRATA (2016), "Subsidies to the Industrial Clusters Members in the Implementation of Joint Projects on Production of Products for the Purposes of Import Substitution in Russia", 15 February. Viewed at: http://www.gratanet.com/en/news/recent_publications [April 2016].

Henderson J. (2015), *Key Determinants for the Future of Russian Oil Production and Exports*, Oxford Institute for Energy Studies, OIES Paper WPM 58, April. Viewed at: <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2015/04/WPM-58.pdf> [July 2016].

IMF (2014a), "Article IV Consultation - Staff Report; Informational Annex; Press Release", Washington.

IMF (2014b) "Russian Federation Fiscal Transparency Evaluation", Country Report No 14/134, May. Viewed at: <https://www.imf.org/external/pubs/ft/scr/2014/cr14134.pdf>.

IMF (2015a), Article IV Consultation, Country Report No. 15/211. Viewed at: <http://www.imf.org/external/pubs/ft/scr/2015/cr15211.pdf>.

IMF (2015b), *Press Release No. 15/533*, 23 November. Viewed at: <https://www.imf.org/external/np/sec/pr/2015/pr15533.htm>.

IMF (2016a), *Economic Outlook*, April, Washington, D.C.

IMF (2016b), *Russian Federation: Financial System Stability Assessment*. Washington, D.C.

Krivosos, E. (2014), "Russia and domestic support commitments in the WTO", presentation to IAMO Conference: "The rise of the 'emerging economies': Towards functioning agricultural markets and trade relations?", 25 June.

Lowder, S.K., Skoet, J. and Singh, S. (2014), *What do we really know about the number and distribution of farms and family farms in the world? Background paper for The State of Food and Agriculture 2014*, ESA Working Paper No. 14-02, Rome, FAO, p. 2.

Ministry of Agriculture (2016), *National report on progress and results of the implementation in 2015 of the State Programme for agricultural development and regulation of agricultural products, raw materials and food for 2013-2020*, 11 May. Viewed at: <http://www.mcx.ru/news/news/show/50734.355.htm> [June 2016] (Russian only).

Ministry of Energy (2016), *Operations and development of the Russian fuel and energy complex 2015*, Moscow.

Ministry of Industry and Trade (2015), "Special investment contract as a government package of economic benefits to investors localizing industrial production in Russia", presentation. Viewed at: http://minpromtorg.gov.ru/common/upload/files/docs/Prezentatsiya_o_spetsialnykh_investitsionnykh_kontraktakh_na_angliyskom_yazyke.pdf [April 2016].

Ministry of Natural Resources and Environment (2015), *State report on conditions and use of mineral resources in the Russian Federation 2014*, Moscow.

Ministry of Telecom and Mass Communication (2015), "Increase of the use of legal content in the Internet", 15 July. <http://www.minsvyaz.ru/ru/activity/directions/409/>.

Moscow Times Online News (2016), "Russia Could Restore Licences of Turkish Tour Operators Within Week", 11 January. Viewed at: <http://www.themoscowtimes.com/business/article/russia-could-restore-licenses-of-turkish-tour-operators-within-week/555479.html> [29 April 2016].

NOVA Capital (2015), "Investments in Forest Sector in Russia", presentation in Helsinki, 18 March. Viewed at: <http://www.idanmetsatieto.info/tiedostot/tiedotteet/Rudik.pdf> [June 2016].

OECD (2013), "Russia Modernizing the Economy", OECD Better Policies Series, OECD Publishing, Paris, April.

OECD (2014), *OECD Economic Surveys: Russian Federation 2013*, January, Paris. OECD Publishing. Viewed at: <http://www.oecd.org/eco/surveys/economic-survey-russian-federation.htm>.

OECD (2015a), Agricultural support (indicator), doi: 10.1787/6ea85c58-en (accessed on 8 December 2015). Viewed at: <https://data.oecd.org/agrpolity/agricultural-support.htm>.

OECD (2015b), *Improving the Business Climate in Russia*, Economic Department Working Papers No. 192, March, Paris. Viewed at: [http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=ECO/WKP\(2015\)10&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=ECO/WKP(2015)10&docLanguage=En).

OECD (2015c), "Russian Federation: Key Issues and Policies", OECD Studies on SMEs and Entrepreneurship, OECD Publishing, Paris, October,

OECD (2015d), *Agricultural Policy Monitoring and Evaluation 2015*, OECD Publishing, Paris, p. 11. Viewed at: http://dx.doi.org/10.1787/agr_pol-2015-en [June 2016].

OECD (2016), *OECD Review of Fisheries: Country Statistics 2015*, OECD Publishing. Viewed at: http://dx.doi.org/10.1787/rev_fish_stat_en-2015-en [June 2016].

PJSC Lukoil (2016), *Annual Report 2015*. Viewed at: http://www.lukoil.com/materials/doc/Annual_Report_2015/LUKOIL_AR_2015_ENG.pdf [July 2016]

Rosneft (2012), "Non-deal Roadshow presentation", PowerPoint presentation, slide 6, 5 October. Viewed at: https://www.rosneft.com/upload/site2/document_file/7hZRhgNUTt.pdf [July 2016].

Rosneft (2016), *Annual Report 2015*, pp 148-149. Viewed at: https://www.rosneft.com/upload/site2/document_file/a_report_2015_eng1.pdf [July 2016].

Rylko, D., Khotko, D., Svetlana, A., Yunosheva, N. and Glazunova, I. (2015), *Country Report: Russian Federation*, Agricis Trade, Institute for Agricultural Market Studies.

Safaryan H. and Batalov A. (2015), "Implementation of the import substitution policy – further developments", CMS Russia, 2 September. Viewed at: <http://www.lexology.com/library/detail.aspx?g=a597f1e6-18a6-421e-9e82-113e39512730> [April 2016].

Shagaida, N. (2014), "Russia's Policy of Agricultural Land Privatization: A Total Lack of Coherence". Russian Economic Developments, No. 2, Gaidar Institute for Economic Policy, Russian Presidential Academy of National Economy and Public Administration. Viewed at: <http://ssrn.com/abstract=2654698>.

Simeone, J. (2013), "Russia's Forest Sector and International Trade in Forest Products: Export Taxes on Roundwood, Priority Investment Projects, and WTO Accession", *Vestnik: Journal of Russian and Asian Studies*, 11 April. Viewed at: http://www.sras.org/russia_forest_sector_wto [June 2016].

Swiss Federal Institute of Intellectual Property Online (2011), "Bilateral Agreement with Russia on the Protection of Geographical Indications Comes into Force", 1 September [accessed on 20 November 2015]. Viewed at: <https://www.ige.ch/en/news-archiv/news/news-details/news/1314-inkrafttreten-des-abkommens-mit-russland-ueber-den-schutz-der-geographischen-anga.html>.

TASS (2016), *Russian News Agency online*, "Crude export duty in Russia up to US\$95.9 a tonne from July 1 – ministry", 15 June. Viewed at: <http://tass.ru/en/economy/882101> [July 2016].

Tspeliaeva J. and Eltsov Y. (2012), "Russia: The land of the bountiful giants", BNP Paribas. Viewed at: http://www2.deloitte.com/content/dam/Deloitte/ru/Documents/finance/report_bnp.pdf [June 2016].

UNCTAD (2015), "Generalized System of Preferences – List of Beneficiaries", 1 February, New York and Geneva.

USDA (2014), Foreign Agricultural Service, *Forestry Policy and Trade Update*, Report No. RS1496, 11 December.

U.S. Department of State (2015), "2015 Investment Climate Statement - Russia", Washington. Viewed at: <http://www.state.gov/e/eb/rls/othr/ics/2015/241713.htm> [April 2016].

U.S. Energy Information Administration (2015), *Technically Recoverable Shale Oil and Shale Gas Resources: Russia*, U.S. Department of Energy, September. Viewed at: https://www.eia.gov/analysis/studies/worldshalegas/pdf/Russia_2013.pdf [July 2016].

VEB (2012, 2013, and 2014), *Annual Reports*. Viewed at: http://www.veb.ru/common/upload/files/veb/reports/annual/VEB_Annual_2012_e.pdf; http://www.veb.ru/common/upload/files/veb/reports/annual/VEB_Annual_2013_eng.pdf; and http://www.veb.ru/common/upload/files/veb/reports/annual/VEB_Annual_2014_eng.pdf

World Bank (2014), *Connecting to Compete, Trade Logistics in the Global Economy, The Logistics Performance Index and Its Indicators*, 4th edition, Washington. Viewed at: <http://www.worldbank.org/content/dam/Worldbank/document/Trade/LPI2014.pdf>

World Bank (2015), *Doing Business 2016, Measuring Regulatory Quality and Efficiency*, 13th edition, Washington. Viewed at: <http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB16-Full-Report.pdf>.

World Economic Forum (2015), *The Global Competitiveness Report 2015-2016*, Switzerland, p. 307. Viewed at: <http://reports.weforum.org/global-competitiveness-report-2015-2016/>.

WIPO (2007), "The Economic Contribution of Copyright Based Industries in Russia", Moscow. Viewed at: http://www.wipo.int/export/sites/www/copyright/en/performance/pdf/econ_contribution_cr_ru.pdf.

WIPO (2013), *World IP Indicators, Special Section on International Mobility of Inventors*, p. 21, Economics & Statistics Series. Viewed at: http://www.wipo.int/edocs/pubdocs/en/intproperty/941/wipo_pub_941_2013.pdf.

WIPO (2015), *World IP Indicators*. Viewed at: <http://www.wipo.int/ipstats/en/wipi/>.

5 APPENDIX TABLES

Table A1. 1 Merchandise exports by product group, 2012-15

	2012	2013	2014	2015
Total (US\$ million)	524,766	527,266	497,834	343,908
	(% of total)			
Total primary products	80.4	80.0	79.8	75.6
Agriculture	4.9	4.9	5.6	6.8
Food	3.2	3.0	3.8	4.7
0412 - Other wheat (including spelt) and meslin, unmilled	0.9	0.7	1.1	1.1
0342 - Fish, frozen (excluding fillets and minced fish)	0.4	0.4	0.4	0.5
Agricultural raw material	1.8	1.8	1.8	2.2
2482 - Wood of coniferous, sawn of a thickness >6 mm	0.6	0.7	0.7	0.8
Mining	75.4	75.1	74.1	68.7
Ores and other minerals	1.3	1.2	1.3	1.3
Non-ferrous metals	3.8	3.4	3.3	4.6
6841 - Aluminium and aluminium alloys, unwrought	1.2	1.2	1.1	1.8
6821 - Copper anodes; alloys; unwrought	0.4	0.3	0.4	0.9
6831 - Nickel and nickel alloys, unwrought	0.7	0.7	0.8	0.7
Fuels	70.3	70.6	69.5	62.8
3330 - Petroleum oils and oils obtained from bituminous minerals, crude	34.5	32.9	30.9	26.0
334 - Petroleum oils and oils obtained from bituminous minerals (other than crude)	19.7	20.8	23.3	19.6
3432 - Natural gas, in the gaseous state	11.9	12.8	11.1	12.2
3212 - Other coal	2.2	2.0	2.1	2.4
3431 - Natural gas, liquefied	0.9	1.0	1.1	1.3
Manufactures	16.2	16.4	17.2	20.4
Iron and steel	4.4	4.0	4.2	4.4
6726 - Semi-finished iron/steel products <0.25% carbon	1.2	1.0	1.1	1.1
Chemicals	4.7	4.5	4.7	5.8
5629 - Fertilizers, n.e.s.	0.8	0.7	0.6	0.9
5623 - Mineral or chemical fertilizers, potassic	0.7	0.4	0.5	0.9
5621 - Mineral or chemical fertilizers, nitrogenous	0.7	0.6	0.7	0.8
5226 - Other inorganic bases and metal oxides, hydroxides and peroxides	0.3	0.4	0.4	0.5
Other semi-manufactures	2.6	2.8	3.0	3.5
6672 - Diamonds (excl. industrial, sorted) not mounted/set	0.9	0.9	1.0	1.1
Machinery and transport equipment	3.5	4.1	4.0	5.4
Power generating machines	0.7	0.9	0.8	1.2
7144 - Reaction engines	0.2	0.3	0.3	0.5
Other non-electrical machinery	0.6	0.7	0.6	0.8
Agricultural machinery and tractors	0.0	0.1	0.0	0.1
Office machines & telecommunication equipment	0.4	0.5	0.8	0.9
Other electrical machines	0.5	0.5	0.5	0.6
Automotive products	0.6	0.7	0.7	0.8
Other transport equipment	0.7	0.8	0.6	1.1
7924 - Aeroplanes, etc. (excl. helicopters), >15,000 kg unladen	0.1	0.2	0.2	0.5
Textiles	0.1	0.1	0.1	0.1
Clothing	0.0	0.1	0.1	0.1
Other consumer goods	0.8	1.0	1.1	1.1
Other	3.5	3.6	3.0	4.0

Source: UNSD Comtrade database, SITC Rev.3.

Table A1. 2 Merchandise exports by destination, 2012-15

	2012	2013	2014	2015
Total (US\$ million)	524,766	527,266	497,834	343,908
	(% of total)			
Americas	3.9	3.8	3.3	4.0
United States	2.5	2.1	1.9	2.4
Other America	1.4	1.6	1.4	1.6
Europe	52.4	50.7	49.3	44.5
EU-28	46.9	45.8	45.2	39.9
Netherlands	14.5	13.1	13.4	11.7
Italy	5.3	5.5	5.8	4.7
Germany	4.6	4.4	5.0	4.6
Poland	3.8	3.7	3.2	2.8
Latvia	1.6	1.9	2.5	1.9
Finland	2.0	2.3	2.1	1.9
Belgium	1.3	1.5	1.9	1.8
United Kingdom	2.4	2.3	1.5	1.3
France	1.4	1.1	1.0	0.9
Spain	1.1	1.1	0.9	0.8
Slovak Republic	1.0	1.0	0.9	0.8
EFTA	2.2	1.8	0.9	1.0
Other Europe	3.3	3.1	3.2	3.6
Turkey	3.1	2.9	3.0	3.4
Commonwealth of Independent States (CIS)	11.7	11.6	10.5	11.1
Belarus	4.1	3.2	3.3	3.6
Kazakhstan	2.8	3.3	2.8	3.0
Ukraine	2.8	2.9	2.3	2.1
Africa	1.8	1.4	1.7	2.1
Egypt	0.6	0.5	0.8	0.9
Middle East	1.5	1.5	1.7	1.9
Asia	16.9	18.3	20.0	20.9
China	6.8	6.8	7.5	8.2
Japan	3.0	3.7	4.0	4.2
Other Asia	7.1	7.8	8.5	8.5
Korea, Republic of	2.6	2.8	3.6	3.8
India	1.4	1.3	0.9	1.3
Chinese Taipei	0.6	0.8	0.8	0.8
Other	11.9	12.8	13.5	15.4

Source: UNSD Comtrade database, SITC Rev.3.

Table A1. 3 Merchandise imports by product group, 2012-15

	2012	2013	2014	2015
Total (US\$ million)	316,193	314,945	286,649	182,782
	(% of total)			
Total primary products	16.8	17.4	18.1	19.2
Agriculture	13.3	14.2	14.4	15.1
Food	12.3	13.3	13.5	13.9
0112 - Meat of bovine animals, frozen	0.8	0.8	0.8	0.6
Agricultural raw material	0.9	0.9	0.9	1.2
Mining	3.5	3.2	3.7	4.1
Ores and other minerals	1.6	1.5	1.6	1.9
2852 - Alumina (aluminium oxide), other than artificial corundum	0.5	0.4	0.5	0.8
Non-ferrous metals	0.6	0.6	0.7	0.6
Fuels	1.3	1.2	1.4	1.6
Manufactures	82.7	82.0	81.6	80.2
Iron and steel	2.8	2.7	2.6	2.3
Chemicals	12.1	12.8	13.0	15.0
5429 - Medicaments, n.e.s.	2.6	2.8	2.7	2.8
5416 - Glycosides; glands, etc. and extracts; antisera/vaccines, etc.	0.7	0.7	0.7	0.8
Other semi-manufactures	8.1	8.1	8.0	7.9
Machinery and transport equipment	46.6	44.9	44.3	41.8
Power generating machines	1.7	2.1	2.0	2.0
7165 - Generating sets	0.7	1.0	0.9	0.8
Other non-electrical machinery	13.4	13.4	13.3	13.2
7284 - Machinery and appliances for particular industries, n.e.s.	0.9	1.1	1.1	1.2
7418 - Other machinery, plant and similar laboratory equipment	0.5	0.5	0.7	0.8
Agricultural machinery and tractors	0.9	0.8	0.8	0.7
Office machines & telecommunication equipment	7.6	7.1	8.0	9.2
7643 - Transmission apparatus for radio-telephony, radio-telegraphy, radio-broadcasting or television	1.3	1.5	1.7	1.8
7649 - Parts and accessories for apparatus of division 76	1.1	1.0	1.0	0.9
7522 - Data processing machines, with at least processing, input and output units	1.3	1.0	1.0	0.9
7599 - Parts and accessories with the machines of subgroups 751.1, 751.2, 751.9 and group 752	0.1	0.1	0.3	0.8
7641 - Electrical apparatus for line telephony or line telegraphy	0.3	0.3	0.5	0.7
Other electrical machines	5.8	5.1	5.0	4.7
Automotive products	14.6	13.4	11.6	8.9
7812 - Motor vehicles for the transport of persons, n.e.s.	6.3	5.3	4.5	3.5
7843 - Other parts and accessories of the motor vehicles of groups 722, 781, 782 and 783	3.4	3.6	3.4	2.9
7132 - Internal combustion piston engines for propelling vehicles of division 78, group 722 and headings 744.14, 744.15 and 891.11	1.0	1.1	1.0	0.7
Other transport equipment	3.5	3.9	4.5	3.8
7924 - Aeroplanes, etc. (excl. helicopters), >15,000 kg unladen	1.0	1.3	2.4	1.6
7932 - Ships, boats and other vessels	0.3	0.6	0.5	0.9
Textiles	1.5	1.4	1.4	1.5
Clothing	2.9	2.9	3.0	3.1
Other consumer goods	8.8	9.3	9.3	8.7
8514 - Other footwear with uppers of leather or composition leather	0.7	0.7	0.6	0.6
8722 - Instruments and appliances used in medical, surgical or veterinary sciences	0.6	0.5	0.6	0.6
Other	0.5	0.6	0.3	0.6

Source: UNSD Comtrade database, SITC Rev.3.

Table A1. 4 Merchandise imports by origin, 2012-15

(US\$ million and %)

	2012	2013	2014	2015
Total (US\$ million)	316,193	314,945	286,649	182,782
	(% of total)			
Americas	8.6	9.2	10.5	11.0
United States	4.9	5.3	6.5	6.3
Other America	3.7	3.9	4.0	4.7
Brazil	1.1	1.1	1.4	1.6
Europe	46.1	46.9	45.7	42.5
EU-28	42.0	42.6	41.2	35.8
Germany	12.1	12.0	11.5	10.4
Italy	4.2	4.6	4.4	4.3
France	4.4	4.1	3.7	3.0
Poland	2.4	2.6	2.5	2.1
United Kingdom	2.6	2.6	2.7	2.0
Netherlands	1.9	1.9	1.8	1.6
Spain	1.6	1.6	1.5	1.5
Czech Republic	1.7	1.7	1.7	1.5
Finland	1.6	1.7	1.6	1.3
Belgium	1.4	1.3	1.2	1.0
EFTA	1.6	1.6	1.6	1.5
Switzerland	1.0	1.0	1.1	1.1
Other Europe	2.6	2.8	2.9	5.3
Turkey	2.2	2.3	2.3	2.2
Commonwealth of Independent States (CIS)	13.8	12.3	11.4	11.1
Belarus	4.1	4.4	4.3	4.4
Ukraine	5.7	5.0	3.7	3.1
Kazakhstan	3.0	1.8	2.5	2.3
Africa	0.8	0.9	1.0	1.3
Middle East	0.7	0.9	0.7	0.8
Asia	29.8	29.7	30.3	32.6
China	16.4	16.9	17.7	19.3
Japan	5.0	4.3	3.8	3.7
Other Asia	8.5	8.6	8.8	9.6
Korea, Republic of	3.5	3.3	3.1	2.5
India	1.0	1.0	1.1	1.2
Vietnam	0.7	0.8	0.8	1.1
Other	0.1	0.1	0.3	0.7

Source: UNSD Comtrade database, SITC Rev.3.

Table A1. 5 Services trade by sector, 2012-15

(US\$ million)

	Exports					Imports					Net exports			
	2012	2013	2014	2015	% share in 2015	2012	2013	2014	2015	% share in 2015	2012	2013	2014	2015
Services	62,340	70,123	65,744	51,791	100.0	108,927	128,382	121,022	88,402	100.0	-46,587	-58,259	-55,278	-36,611
Goods-related services	3,948	4,126	3,207	2,620	5.1	1,739	2,049	1,845	1,493	1.7	2,209	2,078	1,363	1,127
Transport	19,161	20,747	20,542	16,828	32.5	16,443	17,505	15,420	11,662	13.2	2,718	3,242	5,122	5,166
Passenger services	7,117	8,210	7,692	4,822	9.3	5,298	6,051	4,955	3,484	3.9	1,818	2,160	2,738	1,338
Freight services	6,545	6,503	6,477	5,633	10.9	8,188	8,271	7,097	5,364	6.1	-1,643	-1,768	-621	269
Other transport services	5,499	6,033	6,373	6,373	12.3	2,957	3,183	3,368	2,814	3.2	2,543	2,850	3,005	3,559
Sea transport	3,912	4,181	4,580	4,803	9.3	4,031	4,106	3,890	3,183	3.6	-119	75	691	1,619
Air transport	10,317	11,534	10,980	7,905	15.3	10,148	11,025	9,761	6,980	7.9	169	508	1,219	926
Other transport	4,788	4,849	4,723	3,900	7.5	2,244	2,345	1,741	1,478	1.7	2,544	2,504	2,982	2,422
Space	16	17	19	9	0.0	54	77	0	19	0.0	-38	-60	19	-10
Rail	2,138	2,101	1,590	1,167	2.3	1,186	1,279	895	706	0.8	952	822	695	461
Road	630	701	1,090	949	1.8	833	784	615	546	0.6	-203	-83	476	403
Pipeline	1,867	1,846	1,846	1,611	3.1	37	37	43	37	0.0	1,831	1,809	1,804	1,574
Other	136	184	177	164	0.3	134	168	189	170	0.2	2	16	-12	-7
Postal and courier services	144	183	258	220	0.4	20	28	28	21	0.0	124	155	230	199
Travel	10,759	11,988	11,759	8,465	16.3	42,798	53,453	50,428	34,934	39.5	-32,039	-41,464	-38,669	-26,469
Construction	4,729	5,906	4,730	3,664	7.1	7,594	9,362	7,520	4,831	5.5	-2,866	-3,456	-2,790	-1,167
Insurance and pension services	430	522	396	552	1.1	1,333	1,393	1,658	1,244	1.4	-904	-871	-1,262	-692
Financial services	1,317	1,702	1,597	1,207	2.3	2,775	3,391	2,400	1,998	2.3	-1,457	-1,689	-803	-791
Charges for the use of intellectual property	664	738	666	726	1.4	7,629	8,371	8,021	5,634	6.4	-6,965	-7,633	-7,356	-4,908
Telecommunications, computer and information services	3,494	4,163	4,504	3,971	7.7	5,169	6,080	6,854	5,520	6.2	-1,675	-1,917	-2,351	-1,549
Other business services	16,408	18,449	16,736	12,610	24.3	20,120	22,876	23,152	18,459	20.9	-3,712	-4,428	-6,417	-5,849
Research and development services	399	383	454	320	0.6	169	181	159	160	0.2	230	203	295	159
Professional and management consulting services	6,923	8,189	7,476	5,388	10.4	5,624	6,478	5,874	4,923	5.6	1,299	1,711	1,601	465
Technical, trade-related, and other business services	9,087	9,876	8,806	6,903	13.3	14,328	16,218	17,118	13,376	15.1	-5,241	-6,342	-8,312	-6,473
Personal, cultural, and recreational services	556	770	681	341	0.7	1,117	1,264	1,611	1,092	1.2	-562	-493	-930	-751
Government goods and services, not included elsewhere	875	1,012	927	807	1.6	2,210	2,640	2,113	1,534	1.7	-1,335	-1,628	-1,187	-727

Source: WTO Secretariat, based on data from the Central Bank of the Russian Federation. Viewed at: <http://www.cbr.ru/Eng/statistics/?PrtId=svs> (data accessed in June 2016).

Table A1. 6 Services exports by destination, 2012-15

	2012	2013	2014	2015	2012	2013	2014	2015
	(US\$ million)				(% of total)			
World	62,340	70,123	65,744	51,791	100.0	100.0	100.0	100.0
EU-28	23,879	27,950	27,208	19,635	38.3	39.9	41.4	37.9
of which:								
United Kingdom	5,387	4,874	4,544	3,158	8.6	7.0	6.9	6.1
Germany	3,854	4,543	4,172	2,699	6.2	6.5	6.3	5.2
Cyprus	3,002	3,303	2,961	2,372	4.8	4.7	4.5	4.6
France	1,144	1,178	1,533	1,598	1.8	1.7	2.3	3.1
Netherlands	1,512	1,837	1,695	1,404	2.4	2.6	2.6	2.7
Ireland	555	1,543	1,849	1,225	0.9	2.2	2.8	2.4
CIS	10,053	10,718	10,107	8,407	16.1	15.3	15.4	16.2
of which:								
Kazakhstan	1,949	2,223	2,066	2,521	3.1	3.2	3.1	4.9
Ukraine	2,375	2,392	2,513	1,872	3.8	3.4	3.8	3.6
Belarus	849	1,473	1,490	1,228	1.4	2.1	2.3	2.4
Uzbekistan	1,262	1,311	1,042	588	2.0	1.9	1.6	1.1
Tajikistan	631	601	586	377	1.0	0.9	0.9	0.7
Kyrgyz Republic	341	343	341	348	0.5	0.5	0.5	0.7
Switzerland	4,461	4,711	3,443	3,054	7.2	6.7	5.2	5.9
United States	4,111	4,275	3,678	2,775	6.6	6.1	5.6	5.4
Turkey	2,312	3,773	2,961	2,343	3.7	5.4	4.5	4.5
China	1,530	1,617	1,498	1,545	2.5	2.3	2.3	3.0
India	866	932	644	742	1.4	1.3	1.0	1.4
British Virgin Islands	1,040	1,264	1,177	667	1.7	1.8	1.8	1.3
United Arab Emirates	563	676	625	655	0.9	1.0	1.0	1.3
Hong Kong, China	240	334	434	536	0.4	0.5	0.7	1.0
Other	13,286	13,873	13,970	11,431	21.3	19.8	21.2	22.1

Source: WTO Secretariat, based on data from the Central Bank of the Russian Federation. Viewed at: <http://www.cbr.ru/Eng/statistics/?PrtId=svs> (data accessed in June 2016).

Table A1. 7 Services imports by origin, 2012-15

	2012	2013	2014	2015	2012	2013	2014	2015
	(US\$ million)				(% of total)			
World	108,926	128,382	121,022	88,402	100.0	100.0	100.0	100.0
EU-28	47,040	56,831	56,223	40,797	43.2	44.3	46.5	46.1
of which:								
Germany	7,147	8,053	7,523	5,573	6.6	6.3	6.2	6.3
United Kingdom	6,025	6,810	6,250	5,106	5.5	5.3	5.2	5.8
Cyprus	4,853	5,263	5,698	4,408	4.5	4.1	4.7	5.0
France	2,671	3,851	4,754	4,039	2.5	3.0	3.9	4.6
Ireland	2,849	3,471	3,274	2,876	2.6	2.7	2.7	3.3
Netherlands	3,328	3,630	3,476	2,456	3.1	2.8	2.9	2.8
Finland	3,636	4,334	4,025	2,399	3.3	3.4	3.3	2.7
Turkey	7,931	11,671	9,721	6,642	7.3	9.1	8.0	7.5
CIS	10,423	10,878	8,057	5,776	9.6	8.5	6.7	6.5
of which:								
Belarus	1,693	2,059	2,224	1,702	1.6	1.6	1.8	1.9
Ukraine	4,343	4,486	1,930	964	4.0	3.5	1.6	1.1
United States	6,132	6,637	6,608	4,921	5.6	5.2	5.5	5.6
Egypt	2,738	2,575	3,596	3,206	2.5	2.0	3.0	3.6
Switzerland	3,053	3,607	3,202	2,636	2.8	2.8	2.6	3.0
China	2,149	2,053	2,054	1,763	2.0	1.6	1.7	2.0
Thailand	2,259	2,952	2,516	1,251	2.1	2.3	2.1	1.4
United Arab Emirates	1,791	2,203	1,644	1,113	1.6	1.7	1.4	1.3
Panama	1,191	1,611	1,497	1,059	1.1	1.3	1.2	1.2
Israel	941	1,166	1,226	1,022	0.9	0.9	1.0	1.2
Other	23,277	26,197	24,679	18,217	21.4	20.4	20.4	20.6

Source: WTO Secretariat, based on data from the Central Bank of the Russian Federation. Viewed at: <http://www.cbr.ru/Eng/statistics/?PrtId=svs> (data accessed in June 2016).

Table A3. 1 Supplies subject to 10% VAT, 2016

	Description
1.	Foodstuffs: <ul style="list-style-type: none"> - livestock and poultry; - meat and meat products, except certain gourmet products; - milk and dairy products (including dairy ice cream); - eggs and egg products; - vegetable oil; - margarine; special-purpose fats (including cooking, confectionery, bakery fat, and dairy fat and cocoa butter substitutes); - sugar, including raw sugar; - salt; - grain, feed mix, grain waste; - oilseeds and products thereof; - bread and bakery products; - cereals; - flour; - pasta; - live fish, except certain valuable species; - seafood and fish products, except certain gourmet types; - baby and diabetic foodstuffs; - vegetables (including potatoes)
2.	Children's goods: <ul style="list-style-type: none"> - knitwear articles for newborn babies and children of nursery, pre-school, junior and senior school age groups; - garments, except articles made of natural leather and fur (unless made of sheep or rabbit skin) for newborn babies and children of nursery, pre-school, junior and senior school age groups; - footwear, except sports footwear; - children's beds and mattresses; - prams; - school exercise books; - toys; - plasticine; - pencil cases; - counting sticks; - school abacuses; - school diaries; - drawing books; - sketchbooks; - folders for exercise books; - covers for textbooks, diaries, exercise books; - cards containing figures and letters; - diapers
3.	Periodical printed publications, except periodical printed publications of an advertising or erotic nature
4.	Books related to education, science and culture, except books of an advertising or erotic nature
5.	Medicines, including pharmaceutical substances, medicinal products intended for clinical trials of drugs and medicines prepared by pharmacy organizations
6.	Medical devices, unless VAT-exempt
7.	Breeding eggs and breeding cattle (pigs, sheep, goats, horses), including the semen and embryos thereof

Source: Government Resolutions No. 41 (23 January 2003), No. 688 (15 September 2004), and No. 908 (31 December 2004).

Table A3. 2 Supplies subject to 0% VAT, 2016

	Description
1.	Goods declared for export or under the free zone regime
2.	International transportation services, including those related to pipeline transport of hydrocarbons and electricity transmission
3.	Precious metals supplied by: taxpayers engaged in their extraction from scrap and waste, the State Precious Metals and Precious Stones Fund of the Russian Federation, the Precious Metals and Precious Stones Funds of subjects of the Russian Federation, the Central Bank of the Russian Federation, and banks
4.	Fuel and lubricants necessary for the normal operation of aircraft and maritime vessels
5.	Goods (works and services) for use by diplomatic missions and international organizations operating on the territory of the Russian Federation
6.	Goods (works, services, and property rights) obtained by foreign partners of the International Olympic Committee in preparation of the 2014 Sochi Winter Olympics and Paralympics and of the Federation Internationale de Football Association (FIFA) in preparation of the 2018 World Cup tournament in the Russian Federation

Source: Article 164 of the Tax Code of the Russian Federation.

Table A3. 3 Supplies exempt from VAT, 2016

	Description
1.	Essential and vital medical equipment
2.	Prosthetic and orthopaedic items, raw materials and articles for their manufacture and semi-finished products for such items
3.	Equipment (including motor vehicles) and materials used exclusively for disability prevention or the rehabilitation of disabled persons
4.	Spectacles (except sunglasses), lenses and spectacle frames (except sunglasses frames)
5.	Materials for manufacturing immuno-biological medicines for the diagnosis, prevention and (or) treatment of infectious diseases (according to the list approved by the Government of the Russian Federation)
6.	Unregistered medicines intended for medical care for health of individual patients, and hematopoietic stem cell and bone marrow for unrelated transplantation
7.	Foodstuffs directly produced by and sold in canteens of educational and pre-school establishments, and medical organizations; and foodstuffs produced by public catering organizations and sold directly to such canteens or establishments
8.	Postage stamps (except collectable stamps), stamped postcards and envelopes, and lottery tickets for authorized lotteries
9.	Coins made of precious metals (except collectable coins) constituting the currency of the Russian Federation or of foreign states
10.	Goods placed under the customs regime of duty-free shops
11.	Goods (works, services), except excisable goods and excisable minerals, sold (performed, rendered) as part of the granting of free aid (assistance) to the Russian Federation under the Federal Law "On Free Aid (Assistance) to 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) to the Russian Federation"
12.	Cultural property acquired by state or municipal institutions, cultural valuable objects received as a gift of state and municipal cultural institutions , state and municipal archives and cultural valuable objects received as a gift of institutions in accordance with the legislation of the Russian Federation on valuable objects of cultural and national heritage of the peoples of the Russian Federation
13.	The sale of entrance tickets and subscriptions for theatrical, spectator, cultural and entertainment events, amusements in zoos and culture and relaxation parks, and excursion tickets and passes, the form of which has been approved in the established procedure as blank forms for which strict records are kept
14.	The sale of programmes at performances and concerts, catalogues and booklets
15.	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
16.	All kinds of publications received by state and municipal libraries and museums of international book exchange, as well as works of cinematography, imported by specialized state organizations under international non-profit exchanges
17.	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, or services (except brokers' and other intermediary services) produced and sold: <ul style="list-style-type: none"> - by public organizations of disabled persons (including those created as unions of public organizations of disabled persons), in which disabled persons and their lawful representatives constitute no less than 80% of the membership; - organizations whose charter capital consists entirely of contributions by the aforementioned public organizations of disabled persons, if the number of disabled persons on the payroll constitutes no less than 50%, and their share in the salary fund no less than 25%; - institutions (whose property belongs exclusively to the aforementioned public organizations of disabled persons) created for educational, cultural, therapeutic, physical exercise and sport, scientific, informational and other social purposes, and to render legal and other assistance to disabled persons, disabled children and their parents; - health treatment workshops in anti-tuberculosis, psychiatric, psycho-neurological institutions, public social protection or social rehabilitation establishments
18.	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

	Description
19.	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 Tax Code) to the State Fund of Precious Metals and Gems of the Russian Federation, of gems as raw materials (except uncut diamonds) for treatment to enterprises, regardless of their forms of ownership, for subsequent sale for export; the sale of gems as 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)
20.	The sale of uncut diamonds to refining enterprises of all forms of ownership
21.	The internal sale (transfer, performance, and rendering for internal needs) by penitentiary system organizations and institutions of goods produced (works performed, services rendered) by such organizations and institutions
22.	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
23.	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
24.	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%, as in-kind compensation, in-kind issuances for remuneration of labour, and for catering for employees engaged in the agricultural work
25.	Goods produced in the economic activity of Russian organizations on land, being the territory of a foreign state with the right to land use of the Russian Federation on the basis of an international treaty
26.	Goods, except excisable items, transferred in the framework of international cooperation of the Russian Federation in the field of exploration and use of outer space, as well as in the framework of agreements on spacecraft launch services, as per the list approved by the Government of the Russian Federation
27.	Ferrous and non-ferrous scrap and waste (implemented by Law No. 85-FZ of 17 May 2007)
28.	Technological equipment (including accessories and spare parts), analogues of which are not produced in the Russian Federation, according to the list approved by the Government of the Russian Federation
29.	Goods intended for official use of foreign diplomatic and similar representations, and personal use of diplomatic and administrative and technical staff of these representations, including the members of their families residing with them
30.	Russian currency and foreign currency banknotes, which are legal tender currencies (other than for collectors), as well as securities – stocks, bonds, certificates, bills
31.	Deep sea fishing products caught and/or processed by fishing enterprises of the Russian Federation
32.	Vessels to be registered in the Russian International Ship Register
33.	Consumables for research, not manufactured in the Russian Federation, according to the list in order to be approved by the Government of the Russian Federation
34.	Aircraft carrier ships and platforms
35.	The provision of insurance, coinsurance and reinsurance services for export credits and investments against entrepreneurial and/or political risks

Source: Articles 149 and 150 of the Tax Code of the Russian Federation.

Table A3. 4 Russian Federation's applied MFN tariff summary, 2016^a

	Number of lines	Simple average (%)	Tariff range (%)	SD ^a	Share of duty free lines (%)	Share of non- <i>ad valorem</i> tariffs (%)	2012 applied tariff (%)
Total	11,561	8.3	0 - 319.8	10.3	16.0	14.8	11.0
HS 01-24	3,003	14.0	0 - 319.8	17.4	4.2	34.9	17.3
HS 25-97	8,558	6.4	0 - 68.2	4.9	20.1	7.7	8.9
By WTO category							
WTO agricultural products	2,634	14.6	0 - 169.4	17.4	5.5	38.6	17.6
Animals and products thereof	516	32.7	0 - 113.8	28.4	6.2	68.8	34.9
Dairy products	164	17.2	5 - 47.9	6.1	0	56.7	22.7
Fruit, vegetables, and plants	563	8.9	0 - 22.2	3.5	3.2	16.0	12.3
Coffee, tea, and cocoa and cocoa preparations	74	7.4	0 - 16.5	3.9	12.2	50.0	11.3
Cereals and preparations	250	10.1	0 - 33.2	3.6	2.0	32.4	13.4
Oils seeds, fats, oil and their products	200	7.6	0 - 20.4	5.4	15.5	14.0	9.2
Sugars and confectionary	130	23.4	1.7 - 149	25.2	0	83.1	13.6
Beverages, spirits and tobacco	424	11.9	0 - 169.4	10.6	6.1	49.3	17.3
Cotton	6	0	0	0	100	0	0
Other agricultural products, n.e.s.	307	4.9	0 - 12.5	2.4	5.9	5.2	6.1
WTO non-agricultural products	8,927	6.5	0 - 319.8	6.0	19.0	7.8	9.1
Fish and fishery products	520	8.1	0 - 319.8 ^b	14.5	1.2	6.5	11.9
Minerals and metals	1,736	7.5	0 - 20	4.6	8.9	0.7	10.0
Chemicals and photographic supplies	1,354	5.0	0 - 13.7	2.3	9.7	0.6	6.4
Wood, pulp, paper and furniture	589	9.4	0 - 68.2	5.4	4.2	9.7	14.1
Textiles	882	8.2	0 - 17.7	3.6	1.1	13.3	11.2
Clothing	360	8.5	0.5 - 27.3	4.6	0	83.3	15.3
Leather, rubber, footwear and travel goods	343	6.3	0 - 33.8	4.4	8.5	20.7	10.1
Non-electric machinery	1,247	3.0	0 - 16.7	4.3	62.1	0.7	3.5
Electric machinery	599	4.6	0 - 17	4.7	44.2	1.5	7.8
Transport equipment	472	8.8	0 - 43.5	7.4	22.0	16.1	10.9
Non-agricultural products, n.e.s.	750	7.4	0 - 20	5.6	25.6	0.1	10.5
Petroleum	75	4.5	0 - 5	1.5	9.3	0	4.8
By ISIC sector^c							
ISIC 1 - Agriculture, hunting and fishing	745	6.2	0 - 33.2	3.8	9.9	7.9	8.5
ISIC 2 - Mining and quarrying	126	4.3	0 - 15	2.6	18.3	0	4.6
ISIC 3 - Manufacturing	10,689	8.5	0 - 319.8	10.6	16.3	15.5	11.3
By stage of processing							
First stage of processing	1,375	6.1	0 - 33.2	3.6	9.2	7.4	8.2
Semi-processed products	3,214	6.7	0 - 149.0	5.4	6.1	3.7	8.5
Fully processed products	6,972	9.5	0 - 319.8	12.5	21.8	21.4	12.7

a Standard deviation.

b The highest tariff peak is calculated on a tariff line (HS 1604320090) for which imports in 2015 were 9 tonnes. The next tariff peak in the same sector is 70.9% (HS 1604320010). Both tariff codes belong to HS 160432 (Caviar substitutes).

Note: Calculations for averages are based on the national tariff line level (10-digit), excluding in-quota rates. Tariff schedule is based on HS2012. *Ad valorem* equivalents (AVEs) were estimated based on 2012 import data (for 2012 tariff averages) and 2015 import data (for 2016 tariff averages) at the 10-digit tariff from UN International Trade Centre Trade Map. In case of unavailability, the *ad valorem* part is used for compound and alternate rates.

Source: WTO Secretariat calculations, based on data provided by the authorities, WTO TAO database and UN International Trade Centre Trade Map database.