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TRADE POLICY REVIEW

REPORT BY

RUSSIAN FEDERATION

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by the Russian Federation is attached.

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 Russian Federation.

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1 RUSSIA IN THE MULTILATERAL TRADING SYSTEM

1.1. The accession of the Russian Federation to the WTO on 22 August 2012 marked a landmark in the country's integration into the multilateral trading system.

1.2. Russia's accession to the WTO was accompanied by fundamental legislative changes that laid solid and predictable foundations in the Russian market for all its participants, including foreign trade operators. As a result, the implementation of the WTO rules into the national legislation has contributed towards an improvement in Russia's international ratings. For instance, since 2012, Russia has been annually moving upwards in the Doing Business rating compiled by the World Bank Group. From being ranked 120th (out of 183) in 2012, Russia moved to the 51st place (out of 189) in 2016.

1.3. During the past four years, Russia's trade policy was predominantly focused on further integration into the multilateral trading system and liberalization of the trade regime, both in the context of the WTO commitments and within the regional economic integration.

1.4. While participating in the regional integration processes, the Russian Federation continuously demonstrates its commitment to maintaining and strengthening the critical role of the WTO as the main platform for the negotiations on multilateral trade liberalization, as well as for the development and enforcement of the multilateral trade rules. Russia welcomes the conclusion of the Trade Facilitation Agreement, which sets the grounds for reducing the costs of trade operations. The benefit from the implementation of this agreement to the Russian economic operators is estimated to be between US\$10 and 27 billion. Moreover, this agreement will stimulate the modernization of customs administration, expansion of international trade, and strengthening of economic competitiveness of all the WTO Members.

1.5. Through the presentation of the first national trade policy review in the WTO the Russian Federation reiterates its commitment to transparency of trade policy regime.

1.6. Russia actively promotes the initiative aimed at improving transparency mechanisms for regional trade agreements on various international platforms - WTO, APEC, G-20. The need to address systemic impact of regional trade agreements on the multilateral trading system and to improve transparency of the regional economic integrations was reflected in the WTO Ministerial Declaration of the Tenth WTO Ministerial Conference in Nairobi (Kenya).

1.7. As part of the preparations for the Tenth WTO Ministerial Conference, Russia had submitted a proposal on the draft resolution on transparency in domestic regulation of services and advocated in favor of strengthening transparency rules in anti-dumping and countervailing investigations. Russia will continue its work on the aforementioned initiatives within the specialized working bodies of the WTO.

2 ECONOMIC AND TRADE ENVIRONMENT

2.1 Macroeconomic Situation

2.1. Since the end of 2012, the Russian economy has experienced a slowdown. Compared to a 3.5% GDP increase in 2012, in 2013 it amounted to 1.3%, and in 2014 - 0.6%. In 2015, there was an absolute GDP reduction of 3.7%, for the first time since 2009. Overall, between 2012 and 2015, the average GDP growth rate amounted to 0.5%.

2.2. At the same time, in 2015 the nominal GDP increased by 35.4% as compared to 2011 and amounted to 80.804 billion rubles.

2.3. In 2015 - early 2016, the development of the Russian economy was negatively affected by the external factors. Deteriorating external economic environment together with anti-Russian trade sanctions have entailed serious consequences for the Russian economy, including the rouble depreciation, trade balance contracting, increased economic uncertainty, and tighter non-price lending conditions.

2.4. At the same time, transition of the national currency to a floating exchange rate helped to adapt the economy to external shocks. In comparison to 2014, in 2015 the current account of the balance of payments improved as a result of a substantial reduction of the imbalance of services and investment income. There was a significant decrease in the private capital outflow from Russia due to a lower demand of the Russian companies and banks for foreign assets, as well as reduced household demand for foreign currency.

2.5. In the first half of 2016 the economic recession has slowed down, which indicated an adjustment of the Russian economy to the recent external shocks. Moreover, in 2017 a GDP growth rate is expected to rebound.

2.6. In 2015, inflation was driven predominantly by rouble depreciation. In December 2015, inflation was at 12.9%. However, price growth was limited by a restrained fiscal policy and moderately tight monetary policy together with low consumer demand, and a mostly favourable situation in both domestic and global food markets. Between March and May 2016, consumer price growth has stabilized at 7.3%.

3 FOREIGN TRADE

3.1 Trade in Goods

3.1. Between 2012 and 2015, Russia's foreign trade turnover decreased by 37.5%. Imports fell by 42.4%, and exports decreased by 34.5%. The negative import dynamics was primarily influenced by rouble devaluation that significantly reduced demand for foreign goods. The negative export dynamics was largely caused by a fall in the world prices for energy, ferrous and non-ferrous metals. However, as compared to 2014, in 2015 the physical volume of the Russian exports increased by 4.6%, which exceeded the world average by almost three times.

3.2. The commodity structure of Russia's exports is dominated by fuel and energy goods. In 2015, their share decreased by 7.4 percentage points as compared to 2012. Metals and metal products rank second in the commodity structure of the Russian exports. Between 2012 and 2015, their relative share increased by 1.1 percentage points. In 2015 machines, equipment and vehicles were placed third. Their share in 2015 increased by 2.3 percentage points as compared to 2012. Also, between 2012 and 2015, the share of chemical products and rubber in the structure of the Russian exports increased by 1.3 percentage points.

3.3. Machines, equipment and vehicles dominate Russia's commodity import structure. Between 2012 and 2015, their share decreased by 5.1 percentage points. Chemical products and rubber come second in the commodity import structure. The relative share of these goods for the abovementioned period has increased by 3.3 percentage points. Food and agricultural raw materials are on the third place in the Russian commodity import structure. Their share increased by 1.7 percentage points as compared to 2012.

3.4. The European Union is Russia's largest trading partner. It plays a special role in the geographical structure of the Russian foreign trade. Trade with the EU constitutes more than 50% of Russia's trade turnover despite the fact that between 2012 and 2015 the EU's share in the trade turnover of the Russian Federation has decreased by 3.9 percentage points.

3.5. The Asia-Pacific Economic Cooperation (APEC) countries represent the second largest group in terms of the foreign trade volume. Between 2012 and 2015, their share in Russia's total trade turnover increased by 4.3 percentage points and amounted to 28.1 % in 2015. Among the APEC countries, China represents Russia's key trading partner. In 2012, China's share in Russia's total trade turnover increased by 1.7 percentage points and amounted to 12.1% in 2015.

3.6. The CIS countries represent the third largest group in terms of the trade turnover. Between 2012 and 2015, their relative share decreased by 2.2 percentage points and amounted to 12.6% in 2015. At the end of 2015, the share of Russia's Eurasian Economic Union partners in the total trade turnover amounted to 8.1%.

3.7. Since the Russia's accession to the WTO in 2012 a number of sectoral consequences were identified. A significant effect can be observed in the export-oriented industries that were

previously adversely affected by discriminatory restrictive measures. For instance, quotas on the importation of metal products of Russian origin to the European Union markets were eliminated.

3.8. There was an increase in the export volume of the following goods: meat and meat by-products - from 35 thousand tonnes to 97 thousand tonnes; vegetables and some edible roots - from 83 thousand tonnes to 117 thousand tonnes; cereals - 22 million tonnes to 31 million tonnes; inorganic chemical products - 5.8 thousand tonnes to 6.4 thousand tonnes; wood and wood products - 30 million tonnes to 36 million tonnes; glass and glass products – 779 thousand tonnes to 1,2 million tonnes; ferrous metal products - 2 million tonnes to 2.4 million tonnes.

3.2 Trade in Services

3.9. The services' share in Russia's GDP represents more than 60% despite the fact that the Russian services market has only recently begun to develop actively.

3.10. In 2012, the volume of trade in services in Russia amounted to US\$171.3 billion, with exports accounting for US\$62.4 billion, and imports - US\$108.9 billion. By 2014, the total volume of trade in services has increased to US\$186.8 billion, with exports amounting to US\$65.8 billion, and imports – to US\$121.0 billion. During the first three quarters of 2015, the total volume of trade in services amounted to US\$106.0 billion.

3.11. In terms of a geographical structure of Russia's trade in services, the European Union holds the leading position. Between 2012 and 2015, its share has increased by 2.2 percentage points and amounted to more than 40% of Russia's total trade in service.

3.12. The share of APEC countries in Russia's trade in service amounts to about 12.5%. Among APEC countries, the USA takes the lead. During the period under review its' relative share amounted to about 5.7%.

3.13. During the period under review the average share of CIS countries amounted to 11.3%. A significant share in the Russian services turnover is taken by Turkey and Switzerland - 6.3% and 4.2%, respectively.

4 TRADE POLICY

4.1 Customs and Tariff Policy

4.1. The inclusion of Russian companies into the global value chains is crucial for Russia's further integration into the multilateral trading system. Therefore, Russia's customs and tariff policy is aimed at attracting foreign direct investments into the Russian economy, and at the reduction of direct and indirect costs to the foreign economic activity participants. The customs and tariff policy of Russia is based on a tariff escalation principle.

4.2. In order to foster the development of different industry sectors of the economy, production of high value-added goods and modernization of industrial processes, the customs and tariff policy of the Russian Federation is aimed at the tariff liberalization to enhance and improve access to the raw material and component bases.

4.3. Since its accession to the WTO, Russia has been gradually reducing its applied tariff protection level. Compared to 2012 when the average weighted customs tariff rate was 9.14%, in 2015 the average weighted level was reduced by 3,05 percentage points and amounted to 6.09% with the average bound level of 10.1% for agricultural goods and 6,7% for industrial goods being in accordance with Russia's commitments in the WTO.

4.2 Improving Customs Administration

4.4. Steps are currently being taken to stimulate foreign trade activities, to expedite customs formalities and to reduce the release time for goods, including through removal of redundant barriers in customs regulations, a simplification of customs procedures and a reduction of required time for customs formalities.

4.5. In furtherance of the Treaty on the Eurasian Economic Union and in order to improve customs administration, the work is under way to develop a draft Customs Code of the Eurasian Economic Union.

4.6. The elimination of excessive regulation, simplification of customs operations through an ubiquitous use of information technologies, and the facilitation of an effective use of the resources of customs authorities are at the heart of the Customs' Code development. The key purpose here is to ensure a balance of interests between the government agencies and the business.

4.7. The draft Customs Code of the Eurasian Economic Union provides for a substantial simplification of customs formalities in accordance with the international standards and global practices. Specific provisions are introduced to give preference to electronic customs declaration, to automate customs operations through the use of an information system without the involvement of customs officials (automatic goods release technology), to maintain goods declaration as the only document required by the customs authorities (with no additional documents required), to introduce the "single window" approach for customs formalities, and to reduce the release time of goods.

4.8. A number of measures have been introduced in order to improve international trade conditions and investment attractiveness of the Russian Federation, which primarily targeted the following areas: reduction in the number of documents required for customs declaration e.g. contracts (foreign trade agreements), licenses, certificates of conformity, declarations of conformity, State Control Certificates, certificates of export of rough diamonds, transaction passports, identification certificates for products not covered by the export control regulations, and the other approvals and permits. Reduction in the number of permitting documents was made possible after the implementation of an electronic interagency communication system (hereinafter – EICS) among the federal executive authorities.

4.9. Information about documents (data) is supplied to the customs authorities directly from the Federal authorities not later than on the next working day after the decision on issuance of the document to the concerned person is adopted.

4.10. The aforementioned measures have reduced the administrative burden and improved customs processing for the participants of foreign economic activity.

4.11. At the end of 2015, the time of customs operations in respect of imported goods (provided that those goods were not subject to additional controls and were not identified as risky, thus requiring further inspection) was 1 hour 37 minutes, and 50 minutes in respect of exported goods (in 2014 - 5 hours 2 minutes for imports, and 1 hour 40 minutes for export).

4.12. Automatic goods declaration (hereinafter - GD) registration technology and automatic release of goods were implemented. In 2015 more than 110 thousands GD were automatically registered on pilot zone facilities, and more than 1.5 thousands GD released.

4.13. The number of documents required for the customs declaration of goods was reduced (4 documents for exports and 6 documents for imports in contrast to 6 documents for exports and 8 documents for imports in 2014).

4.14. Electronic goods' declaration technologies were implemented under the customs transit procedure.

4.15. A list of bona fide transport companies not required to comply with the customs transit measures was established within a framework of an experiment (158 transport companies).

4.16. A subject-oriented approach to risk management based on a categorization of foreign economic activity participants was implemented.

4.3 Agricultural and Fisheries Policy

4.17. Agriculture is one of the priority sectors of the Russian economy. Agriculture development policy is implemented at federal and sub-federal levels through medium-term domestic support planning, provided on a state program basis.

4.18. Since the accession to the WTO, the Russian Federation implements the State Program for agriculture development and regulation of agricultural products, raw materials and food markets for 2013 - 2020 (hereinafter - the State Program).¹ The State Program sets out the crop and livestock production sub-sectors (including beef cattle production) as the main areas of agriculture development.

4.19. The structure of the State Program is largely determined by the WTO commitments of the Russian Federation. For this reason, special attention is paid to implementation of non-distorting domestic support measures, including decoupled income support for agricultural producers.

4.20. In general, during the implementation period of the State Program agricultural production has been growing steadily. Certain progress is observed in the diversification of agricultural production, including output of high value-added products. However, additional efforts are required to address the issues related to technological modernization of agriculture sector and development of agri-food market infrastructure.

4.21. Fisheries industry plays an important role in maintaining food security of the Russian Federation, conservation of aquatic biological resources and improvement of population life quality.

4.22. In 2014, the Government of the Russian Federation adopted the State Program for development of fish industry (hereinafter - the Program), consisted of 8 sub-programmes.²

4.23. The Program is mainly focused on the development of commercial fish farming (aquaculture), infrastructural development of fisheries industry (capital investments), application of new technologies, and ensuring the transition from raw materials export to innovative type of development based on conservation, reproduction and rational use of aquatic biological resources.

4.24. According to the Program, provision of internal market with aquatic biological resources is planned to be performed through development of aquaculture. This process is to be implemented by means of technological production modernization and building of innovative system in aquaculture sector. Development of aquaculture is designed to ensure positive dynamics of artificial reproduction of aquatic biological resources.

4.25. The Ministry of Agriculture of the Russian Federation, being the authority responsible for carrying out state policy and legal regulation in agriculture and fisheries sectors, continues its systematic work aimed at optimization of domestic support measures under the conditions of the Russian Federation's accession to the WTO.

4.4 Industrial policy

4.26. The industrial policy is developed and implemented in accordance with the Federal Law of the Russian Federation No. 488-FZ of 31 December 2014 "On Industrial Policy in the Russian Federation".

4.27. The central goal of Russian Federation's industrial policy is to develop a technology intensive competitive industry that would facilitate a transition of the Russian economy from development based predominantly on export of raw materials towards the innovative type of development. Therefore, the key objectives of the industrial policy of the Russian Federation are creation and development of modern industrial infrastructure, support of technological modernization of industrial entities, as well as increase in the output of products with high added value.

¹ Resolution of the Government of the Russian Federation No. 717 of 14 July 2012 "On State Program for Agriculture Development and Regulation of Agricultural Products, Raw Materials and Food Markets for 2013 - 2020".

² Resolution of the Government of the Russian Federation No. 314 of 15 April 2014 "On Adoption of the State Program of the Russian Federation "Development of Fisheries Industry".

4.28. Russia's industrial policy is based on the following fundamental principles: keeping the state regulation of the market economy to a minimum; combining of industrial development stimulation forms and methods; information transparency in both the industrial policy development and the implementation of measures aimed at stimulating entities to implement the results of intellectual activities; mastering production of innovative industrial goods; use of material, financial, labour and natural resources in a rational way; raising labour productiveness; implementing resource-saving and ecologically safe technologies.

4.29. Institutional reforms are among the key systemic measures used by the Russian Government to support further favourable integration of the Russian Federation into the global economy. Since 2011, the Russian export support system has been characterized by an emergence of new financial institutions for export development whose activities are in line with the relevant WTO rules. In 2011, the Russian Agency for Export Credit and Investment Insurance (EXIAR) was established for providing insurance of export credits and investments. It expanded significantly the range of financial services available for the exporters.

4.30. In 2015, JSC Russian Export Centre was established in order to improve accessibility to and transparency of the state support for exporters using the "single window" mechanism. It coordinates the provision of credit and insurance support, renders consulting services for promotion of products in specific foreign markets, conducts market research, searches for foreign partners, assists in obtaining foreign patents, licenses and certificates and supplies other non-financial services.

4.31. For the purpose of extending export financial support, a program of subsidization of interest rates on credits provided by the Russian Export-Import Bank (Roseximbank) was launched. Such credits are provided mainly to the medium-sized companies.

4.5 Energy Policy

4.32. A large number of companies with foreign participation is operating on the territory of Russia in the energy sector. They include both small-scale projects in the field of exploration and production of hydrocarbons and strategic partnerships between major players in the oil and gas market. As of 2015, companies from more than 15 countries have their assets in the territory of Russia. Examples of major projects with foreign companies' participation on the territory of Russia include a joint venture to develop Kharyaginskoye oil field (JSC Zarubezhneft in collaboration with Total and Statoil), Salym group of oil fields (Gazprom Neft jointly with Shell), South-Russian oil and gas field (Gazprom in collaboration with BASF AG).

4.33. Currently, three production sharing agreements with foreign participation on the development of raw hydrocarbon deposits have been concluded in the Russian Federation - Sakhalin-1, Sakhalin-2, Kharyaginskoye SRP. Russia is actively liberalizing its trade policy with respect to all energy types. The coal market is now fully liberalized. The role of independent gas producers (IGP) on the internal gas market has significantly expanded. In 2015, the market share of IGP was expected to reach 33%.

4.34. In addition, Russia is currently implementing tax policy changes with respect to crude oil. It is planned that in the future the existing tax on oil and gas production will be replaced with a more effective tax on financial results based on the common practice, which will enhance the investment attractiveness of the oil and gas sector.

4.35. At the end of June 2015, the Government of the Russian Federation supported an initiative on the introduction of a financial results' tax for pilot projects in the field of oil production, which will correspond to the common practice (this tax is implemented in a number of tax systems of developed oil-producing countries, including Norway and the UK).

4.6 Investment Policy

4.36. The Russian Federation pays special attention to attracting foreign investments into the economy and creating conditions for the growth of domestic and foreign investments. Between 2012 and 2015, in order to create favorable investments conditions, Russia has signed bilateral investment treaties with Nicaragua, Zimbabwe, Uzbekistan, Guatemala, Bahrain, Azerbaijan,

Cambodia, Iran and Morocco. To date, Russia has signed 81 agreements, 64 of which have come into force.

4.37. A prerequisite for attracting investment into the economy is a favorable investment environment that can be stimulated through the implementation of "roadmaps". More than 400 legal acts, including 85 federal laws, were adopted and implemented within the framework of roadmaps, followed by a real positive effect confirmed by the entrepreneurs. As an example of recent developments in this context, a "roadmap" on improvement of corporate management was enacted by the Government of the Russian Federation on 25 June 2016.

4.38. Since 1994 the Foreign Investment Advisory Council (FIAC) has been successfully operating in Russia. The FIAC is a result of the combined efforts of the Russian government and foreign businesses to improve the investment climate in Russia. The key task of the Council is to assist Russia in forging and promoting a favorable business environment based on global expertise and the experience of international companies operating in Russia. The Council is chaired by the Russian Prime Minister and includes more than 50 top international companies and banks.

4.39. In addition, the following measures were implemented to improve the investment climate:

- Legislative framework for the public-private partnership was developed at the federal level;
- Standstill in tax conditions will be maintained until 2018;
- A moratorium on a number of non-tax payments for entrepreneurs (in effect until 1 January 2019) was introduced.

4.40. In 2012-2015, the list of investment activities requiring special approval was amended due to significant changes in the investment legislation. Currently the list of strategic activities (hereinafter - the List), contained in the Federal Law of the Russian Federation No. 57-FZ dated 29 April 2008 "On the Procedure for Facilitating Foreign Investment in Legal Entities Having Strategic Importance for Russian National Defense and State Security", contains 45 activity types. A prior approval by the Government Commission on Monitoring of Foreign Investment in the Russian Federation is required if the level of investment with regards to the abovementioned activities exceeds a certain threshold. In 2014, the list of strategic activities was expanded to include such activities as evaluation of vulnerability of transport infrastructure facilities and vehicles; protection of such facilities from unlawful interference, carried out by transportation safety forces; certification of transportation safety forces carried out by the certifying organization in accordance with the Russian legislation on transportation safety.

4.41. In addition, the activity of companies engaged in food processing which is related to use of infectious agents was removed from the list of strategic activities. The List was expanded to include services provision in the Russian ports. In addition, it was clarified that strategic importance criteria relates exclusively to the activity of editors and publishers of periodicals, whose total circulation meets the following requirements: 15 million copies twice (or more) a week; 2.5 million copies once a week, or once in 2 or 3 weeks; 700 thousand copies once a month, or once every 2 months; 300 thousand copies once a quarter and less³. In addition, between 2012 and 2015, improving the investment climate remained a key priority of the Russian policy. In 2011, the Russian Direct Investment Fund (RDIF) was established. Its main tasks included carrying out profitable investments, and attracting foreign direct investment, the world's best technologies and personnel into Russia. To date, RDIF was able to raise more than US\$25 billion worth of foreign investment.

4.42. In order to improve the investment climate, Russia has also made a number of legislative changes with regards to business activities. In 2014-2015, company registration procedure was

³ Federal Law of the Russian Federation No. 15-FZ dated 3 February 2014 "On introducing changes to some legislative acts of the Russian Federation on Providing Transport Security"; Federal Law of the Russian Federation No. 343-FZ dated 4 November 2014 "On introducing changes to the Federal Law "On the Procedure for Facilitating Foreign Investment in Legal Entities Having Strategic Importance for Russian National Defense and State Security" and some legislative acts of the Russian Federation".

simplified: it is no longer required to notarize a bank card with signature specimens in order to open a bank account; the requirement to set up an authorized capital prior to the registration of a company and the requirement to notify tax authorities with regards to the opening of a bank account were also abolished.⁴

4.43. In 2013-2014, the construction sector has also undergone a number of reforms: the number of government approvals required to obtain a construction permit was reduced⁵. In 2013-2014, the introduction of an electronic document management in the fields of taxation, export-import operations and filing lawsuits significantly reduced the administrative burden on the companies.

4.7 Public Procurement Policy

4.44. In the recent years, the Russian Federation has made considerable efforts to improve the public procurement system. On 5 April 2013, the Federal Law No. 44-FZ "On the System of Public Procurement Contracts for Products, Works, Services for State and Municipal Needs" replaced the Federal Law dated 21 July 2005 No. 94-FZ "On the Placement of Orders for the Procurement of Goods, Performing Works, and Rendering Services for State and Municipal Needs".

4.45. Between 1 January 2015 and 1 April 2016, the amount of notices of procurement under the Federal Law No. 44-FZ has exceeded 6.6 trillion rubles. The total amount of concluded contracts (excluding contracts that constitute a state secret and are not publicly available) has amounted to 6.3 trillion rubles, which represents more than 10% of Russia's GDP. There are more than 330 thousand state and municipal customers and about 500 thousand suppliers operating in the contractual system. Currently, the system of public procurement contracts is based on the principles of openness, transparency, competition, customers' professionalism, innovative development, uniformity of the contractual system in procurement, effective provision for state and municipal needs, and procurement efficiency.

4.46. In 2015, the establishment of the fundamental contractual system institutions on information provision, justification and procurement planning has been completed by more than 90%:

- Procurement information system;
- Public discussion of major procurement;
- Procurement control;
- Procurement monitoring;
- Procurement audit;
- Training in the field of procurement.

4.47. The following are the priority areas of the contractual system development:

- Digitization of all open competitive methods for suppliers' identification (contractors, service providers) in order to facilitate openness and transparency and to ensure competition within the system of public procurement contracts for goods, works and services for state and municipal needs;
- Obligatory disclosure of information regarding subcontractors engaged in the fulfillment of contracts;
- Establishment of mandatory payment terms for goods delivered, works performed (its results), services rendered and for the individual stages of the contract implementation;

⁴ World Bank Group Report, 2016 Doing Business Report, Economy Profile of the Russian Federation, p. 20. Viewed at: <http://www.doingbusiness.org/data/exploreeconomies/~media/giawb/doing%20business/documents/profiles/country/RUS.pdf?ver=2>.

⁵ World Bank Group Report, 2016 Doing Business Report, Economy Profile of the Russian Federation, p. 30. Viewed at: <http://www.doingbusiness.org/data/exploreeconomies/~media/giawb/doing%20business/documents/profiles/country/RUS.pdf?ver=2>.

- Formation of a catalogue for procurement of goods, works and services for the state and municipal needs, which will form a basis for the system of price references for goods, works and services.

4.48. Therefore, Russia's system of public procurement contracts of goods, works and services for state and municipal needs meets the highest international standards with respect to the public procurement information system, anti-corruption practices, openness and transparency of public procurement, and the efficient protection of the rights and legitimate interests of market participants in the procurement procedures. These conclusions are also supported by the researches conducted by different international organizations, including the World Bank (analytical report "Comparative analysis of state procurement 2016", which includes an overview of state procurement systems of 77 countries).

4.8 Intellectual Property Rights

4.49. Since 1 January 2008, the sphere of intellectual property is regulated by Part 4 of the Civil Code of the Russian Federation. With respect to intellectual property rights protection and enforcement, since Russia's accession to the WTO, amendments to Part 4 of the Civil Code (the Federal Law No. 35-FZ dated 12 March 2014 "On Amendments to the First, Second and Fourth Parts of the Civil Code and Certain Legislative Acts of the Russian Federation"), federal laws on the protection of intellectual property rights on the Internet, as well as amendments to the Federal Law on customs regulations concerning customs protection of intellectual property rights (the Federal Law No. 73-FZ dated 6 April 2015 "On the Introduction of Amendments to the Federal Law "On Customs Regulation in the Russian Federation") were adopted.

4.50. Provisions of the Federal Law No. 187-FZ dated 3 July 2013 "On Amendments to Certain Legislative Acts of the Russian Federation on the Protection of Intellectual Property Rights in Information and Telecommunications Networks" and the Federal Law No. 364-FZ dated 24 November 2014 "On Amendments to the Federal Law "On Information, Information Technologies and Protection of Information" and the Code of Civil Procedure of the Russian Federation make up anti-piracy legislation providing for both a judicial mechanism to restrict access to illegally posted objects of copyright and related rights on the Internet (except photographic works), and extra-judicial mechanism for restricting access to content.

4.51. The judicial mechanism allows rights holders to apply to the Moscow City Court with an application for interim measures, and then, according to an enforceable court decision, to the authorized federal authority (Roskomnadzor), with a request to restrict access to information resources illegally distributing the objects of copyright and related rights.

4.52. Simultaneously, the Fourth Part of the Civil Code was supplemented with Article 1253.1 regarding the responsibility of an information intermediary providing the possibility of placing the material in the information and telecommunication network.

4.53. Non-judicial mechanism allows the right holder to apply directly to the owner of the Internet resource with a request to cease the infringement of copyright and related rights, and to promptly block the illegal content (within 24 hours of receipt of such request the website owner must take measures to remove the illegal content).

4.54. In addition, the anti-piracy legislation provides for the possibility to block under a court decision a website that has repeatedly and unlawfully posted objects of copyright and related rights (access to this website in this case cannot be restored).

4.55. For the entire period of its application (2013 to 2016) anti-piracy legislation has proven to be efficient; the amount of illegal content on the Internet was reduced, enabling the Russian Federation to carry out further work to improve the legislation in this area, subject to existing law enforcement practice, and to strengthen provisions aimed at termination of the illegal use of objects of copyright and related rights on the Internet.

4.56. In addition, the provisions related to unfair competition of Chapter 2.1 of the Federal Law No. 135-FZ of 26 July 2006 "On Protection of Competition" were harmonized with the global

judicial and administrative practice and incorporated bans on various forms of illegal use of intellectual property rights. The following is recognized as unfair competition:

- Bad faith acquisition and use of trademark rights and means of individualization (Article 14.4 of the Federal Law);
- Illegal use of the results of intellectual activities (Article 14.5 of the Federal Law);
- Actions that may create confusion with activities of a competing business entity or goods or services introduced in circulation by the competing business entity in the Russian Federation, through illegal use of a mark identical or confusingly similar to the trademark, trade name, commercial name, appellation of origin of the competing business entity, as well as by copying or imitation of the appearance of the product introduced in circulation by the competing business entity, packaging of this product, its labels, name, colour scheme, overall corporate design (collectively branded clothing, trading floor design, showcases) or other components individualizing the competing business entity and (or) its goods.

4.57. In order to protect intellectual property rights, business entities may file requests to the antimonopoly body, which according to the results of the analysis of the request can establish the fact of unfair competition and issue a warning or an order to cease the offense, as well as bring the offender to administrative responsibility.

4.58. The new edition of the Federal Law "On Protection of Competition" in terms of unfair competition, which entered into force in 2016, adapts a number of provisions of European regulations in the field of consumer protection and combating unfair competition to the Russian legal framework. Certain elements of acts of unfair competition are formulated on the basis of identified trends in administrative and judicial practice of the Russia's Federal Antimonopoly Service and its territorial bodies.

4.59. The efficiency of law enforcement in Russia has been significantly improved through the implementation of a two-stage special preventive action "Counterfeit" that is carried out annually. It is aimed at preventing the production and trafficking of counterfeit, falsified products and products illegally imported into the territory of the Russian Federation. The Ministry of Internal Affairs of the Russian Federation, the Federal Customs Service of the Russian Federation, the Federal Service for Consumer Rights and Human Welfare Protection, and the Federal Service for Supervision in the Sphere of Health Care and Social Development participate in this action.

4.60. The international police operation "Pangea" is carried out on an annual basis under the auspices of the General Secretary of Interpol. It is aimed at detecting and suppressing illegal sales of falsified medicines via the Internet. The Ministry of Internal Affairs of the Russian Federation, the Federal Customs Service of the Russian Federation and the Federal Service for Supervision in the Sphere of Health Care and Social Development Service participate in this operation in the Russian Federation.

4.61. On 28 October 2011 the Russian Federation signed the Council of Europe Convention on the counterfeiting of medical products and similar crimes involving threats to public health (hereinafter - the Medicrime Convention), which is a pan-European agreement on combating counterfeit medical products.

4.62. As part of the preparation for the ratification of Medicrime Convention by the Russian Federation, the Federal Law No. 532-FZ of 31 December 2014 "On Amendments to Certain Legislative Acts of the Russian Federation to counter the circulation of falsified, counterfeit, substandard and unregistered medicines, medical products and counterfeit dietary supplements" introduced amendments and additions to the Criminal Code of the Russian Federation, Code of Criminal Procedure of the Russian Federation, Code of Administrative Offences of the Russian Federation, establishing sanctions for offenses and crimes involving unlawful circulation of unsafe, falsified, counterfeit and unregistered pharmaceutical and medical products.

4.63. In addition, on 20 January 2014, amendments to the Code of Criminal Procedure of the Russian Federation and the Code of Administrative Offences of the Russian Federation have

entered into force. These amendments provide for an absolute destruction of light industry goods illegally transported across the customs border of the Russian Federation and withdrawn from commerce. Previously, it was allowed not only to destroy, but also to sale the physical evidence (including light industry goods withdrawn from commerce).

4.64. The State Commission on combating illegal trafficking of industrial products has been established by the Presidential Decree of 23 January 2015 No. 31 "On the additional measures on counterfeiting the illicit trafficking of industrial products" in order to improve state governance in the field of smuggling, production and trafficking of industrial products, including counterfeit goods.

5 REGIONAL ECONOMIC INTEGRATION

5.1 Establishment of the Eurasian Economic Union

5.1. Between 2012 and 2015, the integration processes between the Russian Federation, the Republic of Belarus and the Republic of Kazakhstan were developing actively. The Treaty on the Eurasian Economic Union signed on 29 May 2014 in Astana, and entered into force on 1 January 2015, marked a new stage of economic integration. In 2015, the Republic of Armenia and the Kyrgyz Republic also acceded to the Eurasian Economic Union.

5.2. The key objectives of the Eurasian Economic Union include sustained economic development that would allow for improved living standards in the Member States, creation of a single market for goods, services, capital and labor within the Union, as well as a comprehensive modernization, co-operation and enhancement of competitiveness of the national economies in the global economy. The Eurasian Economic Union operates on the principles of mutually beneficial cooperation, equality and consideration for the national interests of its Member States.

5.3. Upon the entry into force of the Treaty on the Eurasian Economic Union, Russia has lost its right to unilaterally conclude regional trade agreements on trade in goods with the third countries. Therefore, free trade in goods with a third party may be established exclusively on the basis of a Free Trade Agreement between the Eurasian Economic Union and such third party. At the same time Russia can still autonomously conclude regional trade agreements on trade in services.

5.4. In 2015, the Agreement on the Coordination of Actions for Intellectual Property Rights Protection was signed for the purpose of further developing cooperation within the Eurasian Economic Union. This Agreement is aimed at creation of a legal framework for the implementation of information exchange and preventing intellectual property rights' violation within the customs territory of the Eurasian Economic Union.

5.5. Developing the legal framework of the Eurasian Economic Union and strengthening economic integration among its Member States is one of the key priorities of Russia's trade policy.

5.2 CIS Free Trade Area Agreement

5.6. Between 2012 and 2015, in addition to the integration processes within the Eurasian Economic Union, the integration processes within the CIS territory have continued to expand. On 18 October 2011 the CIS Free Trade Area Agreement was signed. It provides for a free trade regime between the Russian Federation, the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic, the Republic of Moldova, the Republic of Tajikistan and Ukraine. In 2014, the Republic of Uzbekistan also acceded to the CIS Free Trade Area Agreement.

5.7. This Agreement establishes a duty-free access to its Members' markets with regards to almost all goods, except for certain sensitive goods, and provides for negotiations on a gradual elimination of export duties.

5.8. In contrast to the previous bilateral free trade agreements between Russia and its CIS partners, the aforementioned Agreement provides not only a free trade regime, but also a uniform set of rules for contingency measures, technical regulations, application of sanitary and phytosanitary measures, and customs administration.

5.3 Free Trade Agreement with the Socialist Republic of Viet Nam

5.9. In addition to participating in dynamic integration processes within CIS, Russia has also been active in the global processes of regional economic integration and the conclusion of free trade agreements of a new generation. Thus, on 29 May 2015 a free trade agreement between the Eurasian Economic Union and its Member States, on the one side, and the Socialist Republic of Viet Nam, on the other side, was signed.

5.10. In comparison to other free trade agreements previously concluded by Russia, the free trade agreement with Viet Nam is unique both in terms of its scope and its membership. It provides for free trade in goods, liberalization of trade in services and the establishment of companies both in Russia and Viet Nam. In addition, the Agreement also provides for the protection of the intellectual property rights, cooperation in the field of e-commerce, establishment of unified principles of competition protection, transparency in the application of sanitary and phytosanitary measures, technical regulations, customs administration.

5.11. Due to the fact that Viet Nam is one of Russia's key trading partners in the South-East Asia, this free trade agreement will contribute towards a further extension of trade relations between Russia and Viet Nam, which will create favorable conditions for the participants of foreign economic activities.

6 FUTURE DIRECTIONS OF RUSSIA'S TRADE POLICY

6.1. The medium- and long- term trade policy of Russia will be determined by the need for economic reforms aimed at creation of a competitive economy based on an innovative model of development, diversification of Russian exports, application of high technologies in the production, and development of competitive advantages in traditional industries.

6.2. Russia will develop its trade policy in accordance with the fundamental rules of the WTO and will continue to support its unique role as negotiating platform for global trade liberalization.
