



NEWSLETTER NR. 37 - Russia's accession to the WTO

At the end of a historic "marathon" of more than 18 years,¹ as WTO Director-General Pascal Lamy aptly described the event, the Russian Federation passed the finish line. It was a win-win deal marking the approximation of such an important State to the rules and principles of the world trade system.

The Eighth WTO Ministerial Conference meeting in Geneva on 16 December 2011 *formally adopted* Russia's terms and conditions of accession including a package of trade policy reforms and a number of commitments. Thus, Russia can, at last, join the WTO within the 220-day time period (until 15 June 2012) allowed for the ratification by the Duma and the Russian Federation Council of the Accession Agreement.

Much as this process is mandatory for the Accession Agreement to be validly recognised, it should be regarded as a mere formality, and so Russia will become a WTO *member* in its own right 30 days of notifying ratification. Russia will then become the 154th WTO Member State — shortly to be followed by Samoa and Montenegro, whose terms of accession were approved on 17 December 2011.

Though Russia was the world's 11th largest economy, with a GDP approximating \$1.5 trillion, it was the only G20 member still outside of the WTO. Commencing on the accession date, it will be under an obligation fully to implement the free-trade rules and principles underlying the Agreement instituting the WTO, and the agreements attached to it, save for general transition periods.

By the Russian Federation's accession, the WTO/GATT rules become extended to 97% — i.e. nearly the whole — of the world market. The development of global trade rules has thereby been completed, at a time of serious world-wide financial and economic crises, ten years after The Peoples' Republic of China joining the WTO. In fact, unlike other WTO Member States, the peculiarity of the Chinese case required the introduction of an involved Protocol of Accession and a number of transitional rules.

Russia has, however, enjoyed a far simpler protocol than China — as to form, at least. Conversely, the Russian Federation seems to have secured less favourable substantive terms than China. In particular, the average final bound tariffs accorded to China are far higher than for Russia, as shown in the table below:

¹ It was the longest-lasting accession process in the history of the WTO/GATT. Russia submitted its formal application for membership in the WTO in June 1993. On 16-17 June 1993, a Working Party was set up to review Russia's application. The first session of the Working Party was held in July 1995, followed by 31 other formal meetings. Three ambassadors chaired the Working Party in succession: Ambassador William Rossier (Switzerland), 1995 to 2000, Ambassador Kare Bryn (Norway), 2000 to 2003, and Ambassador Stéfan Jóhannesson (Iceland), 2003 to 2011.



Average bound tariff rates after implementation of all commitments

	Russia	China
Industrial products	7.3%	8.9%
Agricultural products	10.8%	15%

Yet, Russia's consolidated tariff rates, especially on industrial products, are far higher than those prevailing in the United States, in the European Union or in Japan.

Partly atoning for this disadvantage, the European Union granted Russia *market economy status* as early as 2002,² while this benefit has repeatedly been denied to China, despite China having been a WTO member for more than ten years, and much as China's reiterated requests have recently been endorsed — on the face of it, at least — by the United States.³ A most likely reason for this is that such recognition might make it harder to open anti-dumping procedures against China within the WTO. For the market economy status has many a commercial implication, especially for the European manufacturers, who bemoan the flooding of the single market with products supplied below cost by some Chinese manufacturers. It would be fair to wonder whether the distinction made between China and Russia in this respect makes any sense. For it is difficult to believe that Moscow has a market economy far more advanced than that of China.

Unlike China's Accession Protocol, the far simpler Protocol on the Accession of the Russian Federation (attached as **Ex. 1** hereto) is a *very slender* instrument only consisting of ten articles.⁴ It expressly refers to Russia's commitments contained in the *Report of the Working Party* of 17 November 2011,⁵ and to two annexes thereto (which are not yet available on the WTO website).

² The European Union was the first trading power to grant Russia market economy status in late 2002. After the European Commission officially recognised such status in August 2002 (see *Press Release* of 20 August 2002, IP/02/1223), the proposal was granted by the European Council at the end of that year. See the *Press Release* on the Council Meeting of 5 November 2002, C/02/333. The example set by the European Union was followed by the United States soon afterwards.

³ In this connection, it should be noted that more than eighty countries — New Zealand, Russia and South Africa among them — have already granted China market economy status, but the more developed countries, among which the EU Member States and the United States, have been somewhat reluctant to do so. Still, both the European Union and the United States showed some openness in this respect during last year, as is borne out by Mr Obama's statement of 19 January 2001, whereby the President of the United States officially undertook the commitment to expedite the process already underway to grant such status to China, and the statement by the DG Competition Commissioner, Joaquín Almunia, who, at a forum held in Brussels on the subject on 29 November 2011, reportedly said: "*We have no time to lose. I very much look forward to reaching agreement on granting China the MES without waiting until the last hours*". See, respectively, the White House's *Press Release* of 19 January 2011, available on the website <http://www.whitehouse.gov/the-press-office/2011/01/19/us-china-joint-statement>, and the press stories of 30 November 2011: *EU official urges market economy status for China*, in BBC *Monitoring International Reports*, and *EU urged to grant China's market economy status*, published in China.org.cn.

⁴ WT/MIN(11)24 – WT/L/839, available on the WTO website.

⁵ WT/ACC/RUS/70, available on the WTO website. Russia's commitments are listed at paragraph 1450 of the *Report*.



Exhibit 2 hereto offers a summary description of the commitments and obligations the Russian Federation will undertake upon formal accession in terms approved by the WTO.⁶

According to early commentaries, Russia seems to have undertaken demanding commitments and made considerable concessions relative to the benefits it can expect to derive from WTO membership.⁷ Undoubtedly, the Russian government was forced to come to terms, especially in respect of such industries as agriculture, car manufacturing, and energy. In particular, Russia's national energy industry will most likely be affected, at a local level, by the consequences of the removal of energy subsidies, and of the agreed-upon alignment of its energy prices to the prices applied within the European Union.

Yet, in a comparison between the costs and the benefits arising from WTO membership, the fact should be considered that the Russian domestic industries most severely hit by the Federation's commitments are poorly competitive at this time. Therefore, if the commitments so undertaken are observed, the firms operating in those industries will be bound to modernise in the medium-to-long run.⁸

If combined with a change in the investing community's mindset, with a view to the opportunities afforded by a market already regarded as more transparent and stable merely because of its being subject to the WTO's rules, a more technologically advanced productive structure will help attract foreign capital to Russia.

Furthermore, the certainty of the implementation by Russia of international production standards will benefit the European investors, whose share of investments accounts for over 75% of all the investments made in the Russian Federation. This will result in a considerable increase in Russia's revenues from trading with the European Union, its largest trading partner.⁹ The Commission has estimated that Russia's trade with the EU amounted to 244 billion euros in

⁶ See *WTO, Working Party seals the deal on Russia's membership negotiations* (Nov. 10, 2011), available on http://www.wto.org/english/news_e/news11_e/acc_rus_10nov11_e.htm

⁷ See the interview to Anders Aslund, senior fellow at the Peterson Institute for International Economics, *Russia Beyond The Headlines*, of 2 December 2011.

⁸ The restructuring of the Russian economy in terms of modernisation is also envisaged as a long-term goal in two OECD studies published in December 2011, which analyse the matter in detail. Specifically, the OECD emphasises WTO membership as a great opportunity for Russia with a view, among other things, to reducing restrictions to foreign trade and investments, expediting the privatisation process, fostering economic diversification, and removing aid in the form of subsidies and reduced prices for the benefit of the domestic energy industry. For an extensive review of the issue, see the OECD reports *Review of Labour Market and Social Policies in the Russian Federation* and *Economic Survey of the Russian Federation*.

⁹ The European Union's trading and economic relations with the Russian Federation were already governed by a bilateral instrument, the Partnership and Cooperation Agreement (the "PCA") signed in 1994, which entered into effect on 1 December 1997. One major objective of this agreement was precisely the promotion of mutual trade and investments. The PCA is the source of the heightened commercial relationships between the European Union and Russia in the last few years. Under the PCA, most European imports from Russia are no longer subject to restrictions. Furthermore, negotiations for the conclusion of a new strategic partnership agreement superseding the PCA, and "talks" between the EU and Russia for the approximation of their legislations in every sector, were already in progress before the negotiations for Russia's accession to the WTO were completed (see the *Roadmap on the Common Economic Space* under the PCA now in force). For a more extensive review of the matter, see <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/russia/>



2010, accounting for 45.8% of Russia's overall trade.¹⁰ An analysis of more recent data indicates a substantial increase in the overall value of Russia/EU trade, which grew more than 33% from 2009 to 2010.

In fact, it is reasonable to believe that Russia's accession to the WTO will benefit the European Union itself, of which Russia is the third largest trading partner after the US and China. According to the Commission, the immediate benefits for the European Union can be estimated around 4 billion euros.¹¹

As for the benefits Russia is expected to derive in terms of GDP from membership in the WTO, the World Bank estimates that Russian GDP could well grow by 3% in the short-to-medium run, and could be as high as 11% in the long run.¹²

Yet, it is most unlikely that the predicted increase in Russian trade could compare to the amazing increase achieved by China after its accession to the WTO — 300% of Chinese trade with the EU.¹³ This is because of the small number of industries to which the Russian Federation's economic resources appear to flow. Thus, it should be hoped that the modernisation process discussed above will lead to a diversification of the Russian economy and its opening-up to new market segments.

Some basic statistics about the Russian Federation, which may help grasp the significance of the new economic and legal order of world trade, are offered in **Exhibit 3** hereto.

Alberto Santa Maria

Edoardo Gambaro

Milan, January 2012

¹⁰ See the *Press Release* of 10 November 2011 from the Directorate General for Trade of the European Commission, *EU welcomes conclusion of negotiations on Russia's WTO accession*, available on <http://trade.ec.europa.eu/doclib/press/index.cfm?id=750>

¹¹ *Ibid.*

¹² See the *Report* published by the World Bank in 2004, *Economy-Wide and Sector Effects of Russia's Accession to the WTO* by Jesper Jensen, Thomas Rutherford and David Taff, p. 3.

¹³ The DG Trade of the European Commission has estimated that the value of trade between China and the European amounted to 4 billion euros in 1978, and remained more or less unchanged until the 1990s, only to climb tremendously after China's accession to the WTO up to 296 million euros in 2009. Chinese trade with the European Union rose 22% in 2010, approximating 100 billion euros more than in the prevision year.



EXHIBIT 1

**WORLD TRADE
ORGANIZATION**

WT/MIN(11)/24
WT/L/839
17 December 2011

(11-6617)

ACCESSION OF THE RUSSIAN FEDERATION

Decision of 16 December 2011

The Ministerial Conference,

Having regard to paragraph 2 of Article XII and paragraph 1 of Article IX of the Marrakesh Agreement Establishing the World Trade Organization (the "WTO Agreement"), and the Decision-Making Procedures under Articles IX and XII of the WTO Agreement agreed by the General Council (WT/L/93);

Taking note of the application of the Russian Federation for accession to the WTO Agreement dated 14 June 1993 (L/7243);

Noting the results of the negotiations directed toward the establishment of the terms of accession of the Russian Federation to the WTO Agreement and having prepared a Protocol on the Accession of the Russian Federation;

Decides as follows:

The Russian Federation may accede to the WTO Agreement on the terms and conditions set out in the Protocol annexed to this Decision.



PROTOCOL ON THE ACCESSION OF THE RUSSIAN FEDERATION

Preamble

The World Trade Organization (hereinafter referred to as the "WTO"), pursuant to the approval of the Ministerial Conference accorded under Article XII of the Marrakesh Agreement Establishing the World Trade Organization (hereinafter referred to as the "WTO Agreement"), and the Russian Federation,

Taking note of the Report of the Working Party on the Accession of the Russian Federation to the WTO Agreement reproduced in document WT/ACC/RUS/70, dated 17 November 2011 (hereinafter referred to as the "Working Party Report"),

Having regard to the results of the negotiations on the accession of the Russian Federation to the WTO Agreement,

Agree as follows:

PART I - GENERAL

1. Upon entry into force of this Protocol pursuant to paragraph 8, the Russian Federation accedes to the WTO Agreement pursuant to Article XII of that Agreement and thereby becomes a Member of the WTO.
2. The WTO Agreement to which the Russian Federation accedes shall be the WTO Agreement, including the Explanatory Notes to that Agreement, as rectified, amended or otherwise modified by such legal instruments as may have entered into force before the date of entry into force of this Protocol. This Protocol, which shall include the commitments referred to in paragraph 1450 of the Working Party Report, shall be an integral part of the WTO Agreement.
3. Except as otherwise provided for in paragraph 1450 of the Working Party Report, those obligations in the Multilateral Trade Agreements annexed to the WTO Agreement that are to be implemented over a period of time starting with the entry into force of that Agreement shall be implemented by the Russian Federation as if it had accepted that Agreement on the date of its entry into force.
4. The Russian Federation may maintain a measure inconsistent with paragraph 1 of Article II of the General Agreement on Trade in Services (hereinafter referred to as "GATS") provided that such a measure was recorded in the list of Article II Exemptions annexed to this Protocol and meets the conditions of the Annex to the GATS on Article II Exemptions.

PART II - SCHEDULES

5. The Schedules reproduced in Annex I to this Protocol shall become the Schedule of Concessions and Commitments annexed to the General Agreement on Tariffs and Trade 1994 (hereinafter referred to as the "GATT 1994") and the Schedule of Specific Commitments annexed to the GATS relating to the Russian Federation. The staging of the concessions and commitments listed in the Schedules shall be implemented as specified in the relevant parts of the respective Schedules.
6. For the purpose of the reference in paragraph 6(a) of Article II of the GATT 1994 to the date of that Agreement, the applicable date in respect of the Schedules of Concessions and Commitments annexed to this Protocol shall be the date of entry into force of this Protocol.



PART III - FINAL PROVISIONS

7. This Protocol shall be open for acceptance, by signature or otherwise, by the Russian Federation within a period of 220 days from the approval of the Protocol of Accession of the Russian Federation.
8. This Protocol shall enter into force on the thirtieth day following the day upon which it shall have been accepted by the Russian Federation.
9. This Protocol shall be deposited with the Director-General of the WTO. The Director-General of the WTO shall promptly furnish a certified copy of this Protocol and a notification of acceptance by the Russian Federation thereto pursuant to paragraph 7 to each Member of the WTO and to the Russian Federation.
10. This Protocol shall be registered in accordance with the provisions of Article 102 of the Charter of the United Nations.

Done at Geneva this sixteenth day of December two thousand and eleven, in a single copy in the English, French and Spanish languages, each text being authentic, except that a Schedule annexed hereto may specify that it is authentic in only one of these languages.



ANNEX I

SCHEDULE CLXV – THE RUSSIAN FEDERATION

Authentic only in the English language.

(Circulated in document WT/ACC/RUS/70/Add.1)

SCHEDULE OF SPECIFIC COMMITMENTS ON SERVICES

LIST OF ARTICLE II EXEMPTIONS

Authentic only in the English language.

(Circulated in document WT/ACC/RUS/70/Add.2)



EXHIBIT 2

ABSTRACT OF THE COMMITMENTS OF RUSSIAN FEDERATION

▶Market access for goods and services

As part of the accession, Russia concluded 30 bilateral agreements on market access for services and 57 on market access for goods.

▶Market access for goods - tariff and quota commitments

On average, the final legally binding tariff ceiling for the Russian Federation will be 7.8% compared with a 2011 average of 10% for all products. Moreover, Russia has agreed to lower its tariffs on a wide range of products.

The tables below show both the average tariff ceiling for agriculture products, manufactured goods and the products as a whole, and the average tariff ceiling related to selected products:

Average Tariff Ceiling

	Current	After accession
Agriculture	13.2%	10.8%
Manufactures	9.5%	7.3%
All Products	10.0%	7.8%

Selected Products - Average Tariff

	Current	After full implementation of tariff commitments
Dairy	19.8%	14.9%
Cereals	15.1%	10.0%
Oilseeds, fats and oils	9.0%	7.1%
Chemicals	6.5%	5.2%
Automobiles	15.5%	12.0%
Electrical Machinery	8.4%	6.2%
Wood and paper	13.4%	8.0%
Sugar	US\$ 243/ton	US\$ 223/ton
Cotton	5%	0.0%
Information Technology (ITA) Products	5.4%	0.0%



The final bound rate will be implemented on the date of accession for more than one third of national tariff lines with another quarter of the tariff cuts to be put in place three years later. The longest implementation period is 8 years for pork, followed by 7 years for motor cars, helicopters and civil aircraft.

Tariff rate quotas (TRQs) will be applied to beef, pork, poultry and some whey products. Imports entering the market within the quota will face lower tariffs while higher duties will be applied to products imported outside the quota.

The in-quota and out of quota rates related to the above mentioned products are listed in the table below:

Tariff Rate Quotas

	In-Quota Rate	Out-of-Quota Rate
Beef	15%	55%
Pork	0.0%	65% (25% as of 1/1/2020)
Selected Poultry Products	25%	80%
Some Whey Products	10%	15%

►Market access for services

The Russian Federation has made specific commitments on 11 services sectors and on 116 sub-sectors. Russia’s commitments include the following:

Services	Commitment
Telecommunications	<ul style="list-style-type: none"> • Russia’s foreign equity ceiling (49%) will be eliminated 4 years after accession. • Russia will apply the WTO Basic Telecommunications Agreement.
Insurance	<ul style="list-style-type: none"> • Foreign companies can establish branches 9 years after accession.
Banking	<ul style="list-style-type: none"> • Foreign banks may establish subsidiaries. • No cap on foreign equity (individual banks); but overall foreign capital participation is limited to 50% (excluding foreign investment in potentially privatized banks).
Transport	<ul style="list-style-type: none"> • Russia made commitments respecting maritime and road transport.
Distribution	<ul style="list-style-type: none"> • 100% foreign-owned companies can engage in wholesale, retail and franchise sectors.



► Export duties

Export duties will be fixed for over 700 tariff lines, including certain products in the sectors of fish and crustaceans, mineral fuels and oils, raw hides and skins, wood, pulp and paper and base metals.

► General commitments on market access

Quantitative restrictions on imports, such as quotas, bans, permits, prior authorization requirements, licensing requirements or other requirements or restrictions that could not be justified under the WTO provisions will be **eliminated** and not (re) introduced.

The Russian Federation will apply all its laws, regulations and other measures governing **transit of goods (including energy) in conformity with GATT and WTO provisions**. From accession, all laws and regulations regarding the application and the level of charges and customs fees imposed in connection with transit will be published.

Railway transportation **charges on goods in transit** will, **by 1 July 2013**, be applied in a manner which conforms with the WTO provisions.

From accession, importers of alcohol, pharmaceuticals and some products with encryption technology will not need import licences.

Upon accession, the Russian Federation will apply the Custom Union Generalised System of Preferences scheme (CU GSP) for developing and least-developed countries.¹⁴

The Russian Federation will **reform its tariff regime for sugar in 2012**, with a view to further liberalisation.

By the date of accession, any tariff exemption for **space equipment** will be provided on a Most Favoured Nation basis.

No licences will be required for imports of more than a dozen **encryption technology products**, including electronic digital signature devices, personal smart-cards or wireless radio equipment. No new restrictions, such as experts' evaluations, approvals, and licences, will be adopted or applied.¹⁵

¹⁴ 152 developing countries and least-developed countries benefit from the CU GSP. Under this scheme, the import duties applicable to products eligible for tariff preferences and originating from developing countries were at the level of 75% of the MFN duty rates and from least-developed countries at the level of 0%.

¹⁵ For those encryption technology related products needing an import licence, expert evaluation and approval will only be needed once.



Products including **alcohol, wood and meat** will be subject to measures requiring their declaration and/or entry at designated customs checkpoints. **Any measures contrary to the WTO Agreement will be eliminated as of the date of accession.**

The Russian Federation will not apply **country-specific customs procedures.**

Russia will review its market access requirements for the **establishment of direct branches of foreign banks and securities firms** in the context of future negotiations on the accession of the Russian Federation to the OECD.

In its participation in **preferential trade agreements**, Russia will observe the provisions of the WTO Agreement without any differentiating between those agreements already in effect upon accession and those which would come into effect in the future.

▶ **Government Procurement Agreement**

The Russian Federation intends to join the WTO Government Procurement Agreement (GPA). Upon accession, Russia will (i) notify this intention to the WTO Government Procurement Committee at the time of accession; (ii) become an observer to the GPA; (iii) initiate negotiations for membership within four years of its accession and (iv) award contracts in a transparent manner.

▶ **Industrial and agricultural subsidies**

▶ **Industrial subsidies**

The Russian Federation will eliminate all its industrial subsidies or modify them so that any subsidy provided will not be contingent upon exportation or upon the use of domestic over imported goods.

The Russian Federation will notify its subsidies to the WTO and would not invoke any of the provisions of Articles 27 (special and different treatment of developing country members) and 28 (transitional implementation) of the WTO Agreement on Subsidies and Countervailing Measures.

▶ **Agricultural subsidies**

The total trade distorting agricultural support will not exceed USD 9 billion in 2012 and will be gradually reduced to USD 4.4 billion by 2018.



To avoid excessive concentration of support on individual products, from the date of accession to 31 December 2017, the annual agricultural support going to specific products will not exceed 30% of the agriculture support that is not for specific products.

▶ **All agricultural export subsidies will be bound at zero.**

The **VAT exemption applied to certain domestic agricultural products** would be **eliminated** upon accession.

▶ **Pricing of energy**

Producers and distributors of natural gas in the Russian Federation will operate on the basis of normal commercial considerations, based on recovery of costs and profit.

However, Russia will continue to regulate price supplies to households and other non-commercial users, based on domestic social policy considerations.

▶ **Sanitary and phytosanitary measures (SPS)**

All SPS measures will be developed and applied in the Russian Federation in accordance with the WTO Agreement.

Russia will ensure that all legislation related to technical regulations, standards and conformity assessment procedures complies with the WTO TBT Agreement.

The Russian Federation will develop and apply international standards on SPS measures through membership and active participation in the Codex Alimentarius, the World Organization for Animal Health (OIE) and the International Plant Protection Convention.

The reasons for suspension, cancellation, or refusal of an import permit will be consistent with international standards, recommendations, and guidelines as well as the WTO SPS Agreement.

Except in case of serious risks of animal or human health, Russia will not suspend imports from establishments based on the results of on-site inspection before it had given the exporting country the opportunity to propose corrective measures.

▶ **Technical barriers to trade (TBT)**

Russia will use **international standards** for the development of technical regulations unless they were an ineffective or inappropriate means for achieving the pursued objectives.



By the end of 2015, Russia's mandatory requirements for **telecommunication equipment** used in public networks will be limited to the requirements contained in technical regulations adopted consistently with the Eurasian Economic Community and Custom Union agreements.

The Russian Federation will regularly review its lists of products subject to obligatory certification or declaration of conformity, as well as all the technical regulations applied on its territory to ensure that they are necessary and in accordance with the WTO TBT Agreement.

Certified accreditation bodies will be replaced by a **single national accreditation body** no later than 30 June 2012.

► **Trade-related investment measures (TRIMS)**

The Russian Federation will ensure that all laws, regulations and other measures related to the TRIMS Agreement are consistent with the WTO provisions.

All WTO-inconsistent investment measures, including preferential tariffs or tariff exemptions (such as the existing automobile investment programmes) and any agreements concluded under them will be eliminated by 1 July 2018. No other trade related investment measures inconsistent with the WTO Agreement may be applied after Russia's accession to the WTO.

► **Protection of trade-related intellectual property (TRIPS)**

Upon accession, the Russian Federation will **fully apply the provisions of the TRIPS Agreement** including provisions for enforcement, without recourse to any transitional period.

The Russian government will continue to take actions against the operation of **websites** (with servers located in Russia) that promote illegal distribution of content protected by copyright or related rights. Russia will investigate and prosecute companies that illegally distribute objects of copyright or related rights on the Internet.

By the time of its accession, Russia will apply all rules of the Berne Convention for the Protection of Literary and Artistic Works.

► **Transparency**

The provisions of the WTO Agreement will be applied uniformly throughout the Russian Federation territory, including in regions engaging in frontier traffic and special economic zones.



All legislation affecting trade in goods, services and intellectual property rights will be published promptly. The Russian Federation will regularly update its **official publications** including websites and make these laws readily available to WTO members, individuals and enterprises. To improve access to official publications, the Russian Federation would establish an **enquiry point** providing assistance to members and all other stakeholders.

In particular, the Russian Federation will **publish all legislation**, affecting trade in goods, services, or intellectual property rights, **prior to their adoption and provide a reasonable period of time, no less than 30 days, for members to comment**, except for emergency cases, national security, monetary policy, measures whose publication would impede law enforcement, be contrary to the public interest, or prejudice the commercial interest of particular public or private enterprises.

Russia will provide annual reports to WTO members on developments in its **on-going privatization programme**.

Russia will apply **price controls on certain products and services**, including natural gas, raw diamonds, vodka, water supply services, gas transportation services, baby food, medical goods, public transport services and railway transportation services. Price control measures will not be used for purposes of protecting domestic products, or services provided. Lists of goods and services subject to state price controls will be published in the *Rossiyskaya Gazeta* from the date of accession.

► Functioning of the Custom Union between Russia, Kazakhstan and Belarus

The Custom Union between Russia, Kazakhstan and Belarus was created on 1 January 2010. All customs borders were removed between the three countries on 1 July 2011.

From 1 January 2012, the three states will have a single economic space.

The Russian Federation will publish any Custom Union legislation before adoption and would provide a reasonable period of time for WTO members and all stakeholders to comment to the competent Custom Union Body.



EXHIBIT 3

STATISTICS ON RUSSIAN FEDERATION (Sources: WTO, World Bank, and European Commission)

► Main Indicators

- Populations (thousands, 2010): 141,750
- Gross Domestic Product (millions of USD, 2010): 1,479,819
- Current Account Balance (millions of USD, 2010): 71,129
- Trade per capita (millions of USD, 2008-2010): 5,279
- Trade-to-GDP ratio 2008-2010): 51.5
- Life expectancy (years): 69 (2009)
- Population below national poverty line (% of population): 11.1% (2006)
- Unemployment, total (% of total labour force): 8.2% (2009)
- CO₂ emissions (megagrams per capita): 10.8 (2007)

► Rank in World Trade (2010)

- Merchandise: 12th (exports) and 18th (imports)
- Commercial services: 23rd (exports) and 16th (imports)

► Merchandise Trade (2010)

- Merchandise exports, f.o.b. (millions of USD): 400,132
- Merchandise imports, f.o.b. (millions of USD): 248,738
- Main export destinations: European Union (52.2%); Ukraine (5.8%); Turkey (5.1%); China (5.1%); Belarus (4.5%)
- Main import origins: European Union (38.3%); China (15.7%); Ukraine (5.6%); United States (4.5%); Japan (4.1%)
- Main traded products (exports and imports): agricultural; fuels and mining products, manufactures
- Share in total world exports: 2.63%
- Share in total world imports: 1.61%

► Trade in commercial services (2010)

- Exports of commercial services (millions of USD): 43,961
- Imports of commercial services (millions of USD): 70,223
- Main traded services (exports and imports): transportation and travel
- Share in total world exports: 1.19%
- Share in total world imports: 2%



► **Currency (last 4 years, 20 December 2007 to 20 December 2011)**

The Russian ruble was devalued:

- 18.1% against the euro (with 37% peaks from October 2008 to January 2009);
- 21.7% against the U.S. dollar;
- 1.2% against the British pound

► **Trade between the EU and the Russian Federation**

In 2010, imports from Russia were mainly energy and mineral fuels products (79.5%), some manufactured goods chemicals and raw materials. EU exports to Russia were diversified, covering nearly all categories of machinery and transport equipment (44.7%), manufactured goods, food and live animals.

- EU goods exports to Russia (in euro billions, 2010): 86.1
- EU goods imports from Russia (in euro billions, 2010): 158.6
- EU services exports to Russia (in euro billions, 2010): 22.6
- EU services imports from Russia (in euro billions, 2010): 14.2