



EUROPEAN COMMISSION

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Proposal for a

COUNCIL DECISION

on the position to be adopted on behalf of the European Union within the relevant instances of the World Trade Organization on the accession of the Russian Federation to the World Trade Organization

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

Overview of the Terms of Accession to the WTO of the Russian Federation

I. INTRODUCTION

Members of the World Trade Organization (WTO) and the Russian Federation have reached the concluding stage of the negotiation of an agreement on the terms on which the Russian Federation may accede to the organization. This comes after 18 years of negotiations, which began when the Russian Federation submitted its application to join the WTO in 1993. There must now be a Council Decision approving the terms of accession of the Russian Federation, before the EU can formally support the accession of the Russian Federation to the WTO.

A summary of the terms of the accession is set out below.

II. SUMMARY OF TERMS OF ACCESSION OF THE RUSSIAN FEDERATION TO THE WTO BY SECTOR

Import Tariffs

The overall average final bound rate (FBR) of the Russian Federation is 7.6%.

Concerning industrial goods, the average FBR is 7.9%, but in different sectors it fluctuates from no duty for the Information Technology Agreement (ITA) products to the low averages in pharmaceuticals and medical equipment (4.3%), agricultural equipment (4.6%), footwear (5%), chemicals and construction equipment (5.2%) to the highest averages for glass (11.1%) and ceramics (12.2%).

The trade statistics for 2010 show that chemicals, machinery and motor vehicles are three key industrial sectors that constituted more than 60% of the total EU exports to Russia. In these sectors the average FBR varies from 5.3% for chemicals to 6.5% for machinery and appliances to 9.2% for vehicles and parts thereof.

Concerning agricultural goods, the estimated average FBR is 11.5% with the highest average rates for rice (20%), dairy products (14.6%) and vegetable oils (11.4%).

Out of 11,327 tariff lines in the goods' schedule of the Russian Federation, 6,992 will not reach its FBR at the moment of accession, and will consequently have an implementation period. As of the date of accession of the Russian Federation to the WTO, the longest implementation periods are foreseen for motor vehicles (7 years) and certain chemicals and furniture products (6 years).

These average bound levels for tariffs are very reasonable, in particular compared to the current average bound or even applied rates of the other BRIC countries. For example, China's FBR for industrial goods is 10% (average applied rate - 8.7%), Brazil's - 31.4% (average applied rate - 14.1%) and India's - 48.5% (average applied rate - 10.1%). In agriculture, China is bound to an estimated average rate of 15.6% and India - 31.8%.

Export Tariffs

The goods' schedule of the Russian Federation includes binding export tariff concessions and commitments with regard to a broad range of products, mainly raw materials, including fish and sea fruits, seeds, mineral and chemical products, oil and gas products, metal ores and scrap, plastic, hides and skins, wood, pulp, paper, and precious and semi-precious stones.

Services

The schedule of specific commitments in services of the Russian Federation is very satisfactory and grants European service suppliers significant market opportunities. Russia will undertake market access and national treatment commitments in a broad range of service sectors, including professional, computer and other business services, construction, postal and courier services, telecommunication, news agency services, transport, distribution, environmental, financial (insurance, banking and securities services), and tourism and travel-related services. Russia also undertook a commitment concerning intra-corporate transfers of natural persons providing services and concerning business visitors, including visitors setting up a commercial presence.

Protocol commitments

In the final, multilateral stage of the accession process, WTO Members collectively sought to ensure the basic conformity of trade laws, regulations, administrative procedures and institutions of the Russian Federation and of the Customs Union (CU) between the Russian Federation, the Republic of Kazakhstan and the Republic of Belarus, where Russia had transferred its national regulatory competences to the CU, with WTO rules and agreements, setting out the corresponding commitments in the Protocol of accession and Working Party Report. The following issues are of particular interest to the EU:

Trading rights

Russia committed to apply all laws, regulations and other measures affecting importation or exportation of goods in conformity with relevant provisions of the WTO Agreement, including the Agreement on Import Licensing Procedures and the relevant GATT provisions. Specifically with regard to the regulation of importation of alcoholic beverages, pharmaceuticals and products with encryption technology, Russia agreed not to require import or activity licenses in order to undergo customs declaration procedures. Furthermore, any permits, prior authorisation and licensing requirements that could not be justified under the provisions of the WTO Agreement shall be eliminated and not applied from the date of Russia's WTO accession.

Pricing policies

Russia committed to apply any existing or future price controls on products and services in a manner consistent with the WTO Agreement and confirmed that price control measures will not be used for the purposes of affording protection to domestic production of goods, or to impare the implementation of Russia's services commitments. With regard to the application of all rail transportation charges, Russia undertook a commitment to accord imports and exports treatment no less favourable than that accorded to like, directly competing and substitutable products transported between domestic locations, no later than 1 July 2013. Concerning natural gas, Russia agreed to ensure that producers and distributors of natural gas in the Russian Federation operate on the basis of normal commercial considerations and, in

respect to their supplies to industrial users, recover their costs, including investment and transportation, as well as are able to make a profit.

Customs procedures and fees

Concerning customs valuation, Russia committed to apply its laws, regulations and practices in line with WTO rules. In particular, Russia would not use any form of minimum value, such as reference prices, or fixed valuation schedule for customs valuation of goods. With regard to designation of specific customs checkpoints for declaration, entry or exit of certain goods, Russia provided an exhaustive list of such measures and undertook a commitment to eliminate them from the date of accession if they were contrary to the WTO Agreement. Russia assumed an obligation to ensure that the level of customs fees, including customs clearance fees, does not exceed the cost of services rendered. Finally, regarding transit procedures, Russia shall apply all its laws, regulations as well as other measures governing transit of goods (including energy), such as those governing charges for transportation of goods in transit by road, rail and air, and any other charges and customs fees imposed in connection with transit, in conformity with the WTO Agreement.

Technical barriers to trade (TBT)

Russia committed to ensure that all technical regulations, standards and conformity assessment procedures applied in the territory of the Russian Federation respect principles of the WTO TBT Agreement, including transparency, non-discrimination and national treatment. Any TBT measures applied in Russia, including those adopted by the competent bodies of the Eurasean Economic Community and the CU, shall be in accordance with the WTO Agreement.

Sanitary and phytosanitary measures (SPS)

Russia committed to develop and apply all SPS measures in accordance with the WTO Agreement from the date of its WTO accession. In particular, SPS measures shall be applied only to the extent necessary to protect human, animal, or plant life or health; shall be based on scientific principles as well as risk assessment and, where they exist, on international standards, guidelines, and recommendations; shall not be more trade restrictive than is required to achieve the appropriate level of protection applied in the Russian Federation; and shall integrate the implementation of the equivalence principle.

Trade-related Aspects of Intellectual Property Rights (TRIPS)

Russia undertook a commitment to apply fully the provisions of the WTO TRIPS Agreement from the date of accession to the WTO, including provisions for enforcement, without recourse to any transitional period.

III. RECOMMENDATION

In submitting the terms of Accession of the Russian Federation to the WTO for approval by the Council, the Commission considers these terms as representing a balanced but ambitious package of market opening as well as regulatory commitments, which will bring substantial benefits to the EU, to the Russian Federation and its WTO trading partners alike.

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 91, 100(2) and 207(4) first subparagraph, in conjunction with Article 218(9) thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) In June 1993 the Government of the Russian Federation applied for accession to the Agreement establishing the World Trade Organization (WTO), pursuant to Article XII of that Agreement.
- (2) A Working Party on accession of the Russian Federation was established on 16-17 June 1993 in order to reach agreement on terms of accession acceptable to the Russian Federation and all WTO Members.
- (3) The Commission, on behalf of the Union, negotiated a comprehensive series of market opening and other regulatory commitments on the part of the Russian Federation which satisfy the Union's requests and objectives and are in line with the development level of the Russian Federation.
- (4) These commitments are now embodied in the Protocol of Accession of the Russian Federation to the WTO.
- (5) Accession to the WTO is expected to make a positive and lasting contribution to the process of economic reform and sustainable development in the Russian Federation.
- (6) The Protocol of Accession should therefore be approved.
- (7) Article XII of the Agreement establishing the WTO provides that the terms of accession are to be agreed between the acceding Member and the WTO, and that the Ministerial Conference of the WTO approves the terms of accession on the WTO side. Article IV.2 of the Agreement establishing the WTO provides that in the intervals between meetings of the Ministerial Conference, its functions shall be conducted by the General Council.

- (8) Accordingly, it is necessary to establish the position to be taken on behalf of the Union within the relevant instances of the WTO, be it the Ministerial Conference or the General Council of the WTO,

HAS ADOPTED THIS DECISION:

Sole Article

1. The position to be adopted on behalf of the European Union within the relevant instances of the WTO on the accession of the Russian Federation to the WTO, is to approve the accession.
2. This decision shall enter into force on the day of its adoption.

Done at [...],

*For the Council
The President*