

WORLD TRADE ORGANIZATION

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**Working Party on the
Accession of the Russian Federation**

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ACCESSION OF THE RUSSIAN FEDERATION

Attached is a consolidated list of comments, proposals and requests for specific information or clarification, together with the Russian Federation responses, emanating from the revised draft of the Working Party Report (document WT/ACC/SPEC/RUS/25/Rev.1 refers) relating to issues which will be taken up at the Working Party meetings scheduled for the week beginning 3 March 2003. For ease of reference comments relating to these issues and already circulated in document WT/ACC/SPEC/RUS/30¹ are reproduced hereunder.

¹ Italicised text refers to comments previously circulated in document WT/ACC/SPEC/RUS/30.

Paragraph No.	Comment
General	
<p>At the conclusion of the meeting of the Working Party on 30 January 2003, the Chairman invited members to submit further written inputs in terms of specific points of clarification needed to flesh out the draft Working Party report and drafting suggestions both of a technical and substantial nature. As in the preparation for the January Working Party meeting, these contributions, along with points of concern that have emerged in Russia's bilateral contacts with WTO Members, would then provide the guidelines for the new inputs required from Russia in order to prepare discussions in the next meeting of the Working Party in early March.</p> <p>The Chairman also proposed that the focus of attention at the March meeting of the Working Party should be on the sections and chapters of the draft report that deal with Policies affecting Trade in Goods, with the exception of those sub-sections that concern Customs-related matters (eg customs regulations and tariff, customs duties, other duties and charges, customs fees and charges, valuation, formalities on imports and export).</p> <p>Accordingly, this present contribution focuses on the treatment of this particular group of issues in the draft Working Party report, in preparation for the March meeting of the Working Party. We look forward to a full response by Russia to the concerns raised by Members in the expectation that this will enable the Working Party to make significant early progress on these issues. In all areas where Russia is taking forward relevant legislative initiatives, an update on progress on the enactment of legislation and information on its intended implementation should be provided. Needless to say, to the extent that they have not already been satisfactorily addressed in the draft Working Party report, all concerns, requests for clarification or drafting proposals previously raised or made by us on these and all other issues relevant to the accession process remain valid. We also fully reserve the right to propose additional text for the future development of the report.</p>	
<p>While the new information provided by Russia in WT/ACC/SPEC/RUS/29 and WT/ACC/SPEC/RUS/30 is useful, the form of the presentation of information does not assist Members in taking forward the discussion of the draft Working Party report. The structure of the information does not allow Members to readily assess responses to specific questions or identify where issues may have been resolved.</p> <p>Furthermore, in some sections Russia has combined information on proposed legislative changes with existing policies. It is unclear whether the legislative basis for existing policies will be repealed or will co-exist with new legislation.</p> <p>We recommend that Russia augment its responses and provide them in the format of specific answers against outstanding concerns raised in the left paragraph of these documents, together with suggested re-drafts in relevant sections of the WP report where this is appropriate. This will allow the WP to better assess those concerns/questions that have been resolved and those requiring further discussion. This approach should assist WP members and Russia to arrive at text for appropriate commitments in the WP report.</p>	
<p>We look forward to full responses from Russia in relation to the issues raised in WT/ACC/SPEC/RUS/30 and would suggest that it adopt the approach of providing specific answers against each question/concern raised by Members.</p>	

Paragraph No.	Comment
	<p>At the January 30 meeting of the Working Party (WP), the Chairman requested additional inputs for certain sections of the draft WP report he identified, for review in March 2003. Following are additional comments and questions that we believe will be helpful in developing the factual basis for further revision of the draft WP report.</p> <p>Based on our understanding that the main work of the March 2003 WP meeting will be to improve the factual basis of the draft report, we have limited our requests for commitment language, and reserve the right to provide these at a later time, as well as any additional comments and specific drafting suggestions that may be necessary. In the interest of transparency, we have also submitted comments on some of the topics that will be taken up at subsequent meetings of the Working Party. We request that these comments be included in a separate document, as was done with other such comments in WT/ACC/SPEC/RUS/30 in January. We would also note that our previous general comments on developing the draft WP report text, reflected in WT/ACC/SPEC/RUS/29, remain part of our approach to this exercise.</p>
66-80	<p>POLICIES AFFECTING TRADE IN GOODS Registration requirements for import/export operations</p>
66-80	<p>This section will need to be revised in light of prospective new legislation, such as the draft Foreign Trade Law.</p> <p>Paragraphs 72 and 73 provide further explanatory material on the restrictions applicable for trade in pharmaceuticals and precious metals. We understand that Russia has also eliminated activity licensing for trade in precious metals and precious stones: can Russia confirm this and provide the relevant legislative citation? This information should be included in the WP report.</p> <p>Paragraph 74 refers to a ban on imports of pharmaceuticals by “sole domestic and foreign practitioners”. What is the scope and rationale for this?</p> <p>Paragraph 80 contains an account of the views expressed by members of the WP, rather than draft commitments language. There is no reason for this paragraph to be in brackets, unless it were also converted into commitments language.</p>
66-80	<p>We request that the Russian Federation provides a revised version of document WT/ACC/SPEC/RUS/21/Rev.1 – Reference paper 12 on Activities subject to licensing covering both goods and services as well as information on the licensing bodies, descriptions of criteria and the fees requested.</p> <p>We thank the Russian Federation for providing an example on medicines describing the basic administrative measures necessary for carrying out activity in the field of medicines. The information contained in that document should be included under this section.</p> <p>For clarity and transparency purposes, we suggest that the last part of paragraph 73 starting with “regarding importation of pharmaceuticals...” and paragraph 74 be included at the end of paragraph 72.</p> <p>We have the same requests/comments as mentioned in document WT/ACC/SPEC/RUS/30 on paragraph 72.</p>
66-80	<p>The changes made to this Section of the draft working party report generally have enhanced clarity, and we appreciate the effort that Russia has made to provide the requested information.</p>

68	Russia should respond to Members' concern that the State Customs Committee representatives have recently encouraged the limitation of the number of traders in certain products through certain customs points of entry. If the last sentence of paragraph 72 is intended as a response on this issue, it needs to be expanded and clarified. Do laws of the type described in paragraph 72 exist? What recourse to companies have in the face of "encouragement" to limit the number of traders?
69	<p>This paragraph will need updating to with reference to the new draft Law on the State Regulation of Foreign Trade Activity and other legislation regulating or licensing international trade activities.</p> <ul style="list-style-type: none"> - Please include reference to the exceptions to the general rule, e.g., alcoholic beverages, pharmaceuticals and precious stones and metals. - We understand that the activity licensing requirement for the import and export of precious stones and metals may have been eliminated. Can this be confirmed?
70	Please clarify that when registering a legal entity in the Russian Federation, the requirement to confirm of payment of no less than 50% of the charter capital of the firm is not a requirement to pay to the government 50% of charter capital. We do not believe this is the case, so we would appreciate clarification of this requirement.
71-74	<p>Please indicate if there are any other exceptions, limitations, or additional requirements for activity licensing or acquiring an import or export license than those listed.</p> <ul style="list-style-type: none"> - Can access to an activity license be restricted for economic or geographic reasons? If so, please identify and explain these restrictions.
72	<p>Para 72 states "Once a company obtained such an activity licence in all two cases mentioned above, it would be eligible for the receipt of import and export licenses each time it wished to import or export goods subject to licensing."</p> <ul style="list-style-type: none"> - Is a firm that holds an activity license required to obtain an import license each time it wishes to import or export products? According to RUS/10/Rev.1, import licenses are valid for a period of 12 months. If a firm imports more than one time during that time period, are they able to use the same import license as long as it is valid and covers the products being shipped or is a new license application necessary? Please clarify your use of "each time" in para 72, sentence 3.
73	<p>Para 73: Most of the text in this paragraph refers to export requirements. We suggest that it be moved to the section on export restrictions and licensing requirements later in the report.</p> <ul style="list-style-type: none"> - Please provide information on any activity or <u>import</u> licensing applied to precious metals, including rare earth metals, and stones.
73-74	<p>Paras 73 and 74 include references to representative offices in the Russian Federation as able to apply for an import license and import pharmaceuticals. We understand, however, that a foreign firm representative office may only import and export pharmaceuticals for promotional purposes, and not to conduct commercial operations.</p> <ul style="list-style-type: none"> - Please clarify the purposes for which a representative office may secure import and export licenses and engage in importation and exportation of

	<p>pharmaceuticals. Can a representative office be the importer of record for pharmaceuticals ultimately distributed commercially in Russia?</p> <p>- Please clarify if a firm or individual, either foreign or Russian, that is not registered in Russia and does not have a representative office, may be allowed to be the importer or exported of record in general, and specifically in the case of goods subject to activity licensing.</p>
77	<p>Please indicate the status of the draft federal law on licenses for ethyl alcohol and alcohol-containing products. Please update this information to address any new procedures contemplated for the importation and exportation of alcohol and alcohol-containing products.</p> <p>- Russia should indicate how it intends to bring its import requirements on alcoholic beverages into conformity with WTO.</p>
80	<p>We note that this statement of Members' concerns requires some clarification.</p> <p>RUS/25/Rev.1 needs to be revised to include an appropriate commitment responding to the request of WP members, along the following lines:</p> <p>xx. The representative of the Russian Federation confirmed that foreign trade was not subject to State monopoly. No restrictions would be applied to the rights of enterprises, including sole proprietors to import and export goods into or from the Russian Federation except as provided for in WTO Agreements. He further confirmed that the criteria for registration of import and export operations were generally applicable and published and that these requirements were applied in a non-discriminatory manner towards importers and exporters. [The working party took note of these commitments.]</p> <p>xx The representative of the Russian Federation confirmed that from the date of accession, the Russian Federation would ensure that its laws, regulations and other measures relating to the registration for import and export operations and all fees, charges, or taxes levied on such operations would comply fully with the Russian Federation's WTO obligations, including Articles VIII, XI and III of GATT 1994 and that the Russian Federation would implement such laws, regulations and other measures in full conformity with its obligations. [The working party took note of these commitments.]</p>
66-80	<p><i>We urge the RF to submit a new revision of WT/ACC/SPEC/RUS/21/Rev.1 Reference Paper 12 on Activities Subject to Licensing covering both goods and services and including information on licensing bodies, descriptions of criteria and fees. This is important not only in respect of import/export operations for goods, but for trade in services as well.</i></p> <p><i>We agree with other members that a schema for /an example of one good and one service to follow what licenses, other requirements and possible market limitations such as distribution limitations are met before the consumer receives the product would help our understanding of the system. We urge the RF to make this before the Working Party's next meeting.</i></p>
66-80 & Table 7	<p><i>We welcome the additional information provided by Russia in relation to its import and export licensing regime. Russia, however, has not addressed many of the concerns of Members in relation to the WTO consistency of its practices. The additional information provided by Russia indicates significant areas where</i></p>

	<p><i>substantive and procedural aspects of its registration requirements or “activity licensing” are unlikely to be in conformity with WTO rules.</i></p> <p><i>Further discussion in this sphere will need to concentrate on reforms necessary in this area to ensure that the WTO’s guarantees on the right to trade under GATT Articles III:4 and XI:1 are satisfied, as well as the provisions of the WTO Agreement on Import Licensing.</i></p> <p><i>In particular:</i></p> <ul style="list-style-type: none"> - <i>We ask that Russia augment the information it has provided in the second draft to provide a complete description of:</i> - <i>the formalities, requirements and eligibility criteria that need to be satisfied, and the relevant procedures for the application of the restrictions maintained on the right to engage in importation and exportation of select goods (i.e. listed in Paragraphs 71-73);</i> - <i>their purpose and WTO justification.</i> - <i>Additional and more specific questions in relation to each of those measures are detailed below. Russia could address some of these questions by making available copies of English translations of all relevant legal instruments, including those related to activity licensing, for examination in the Working Party.</i> - <i>We request that English translations of all such legal instruments be provided for examination in the Working Party.</i>
68	<p><i>As only three exceptions are spelled out in the text (pharmaceuticals, alcohol and precious stones and metals), what can then be said on the question posed in para 68 on gas and electricity? Need consistency in the text and no gaps of information that might lead to question marks.</i></p>
68	<p><i>Members requests for further information on recent efforts of the Ministry of Agriculture and State Customs Committee to limit the number of both importing and exporting firms engaged in international trade of certain products have not been addressed in subsequent paragraphs.</i></p> <p><i>We ask that Russia confirm that there are no plans to place restrictions on the number of importers and exporters, and that Russian law prohibits such restrictions.</i></p> <p><i>We ask Russia to address fully Members’ concerns.</i></p>
69-70	<p><i>The registration requirements or requirements for activity license for imports/exports are set out in para 69-70 with the three exceptions of alcohol, pharmaceuticals and precious stones and metals. As we understand this, except for the three exceptions, the foreign participant (exporter) on the outside of the Russian border does not need an activity license. All participants within the Russian border (importer) need an activity license, but this is a general activity license, not particular to foreign trade. The requirements in the text seem clear. Can registration be denied assuming documents are in order?</i></p>
71	<p><i>We seek clarification of the definition of “to do business in these areas” in relation to regulation of Production and Turnover of Ethyl Alcohol etc.</i></p> <p><i>We seek clarification as to whether “natural persons and legal entities” also includes foreign companies or persons. Could Russia please clarify whether : (i) foreign businesses or persons have the right to participate in foreign trade activity in relation to ethyl alcohol, alcoholic and alcoholic-containing products; and (ii) whether they are, like Russian participants, required to obtain an activity licence.</i></p>
72	<p><i>We suggest that the information in the last part of paragraph 73 and in paragraph 74 concerning restrictions on importation and exportation of pharmaceutical products be consolidated into paragraph 72 for the purposes of clarity and transparency.</i></p> <ul style="list-style-type: none"> - <i>We seek clarification in relation to the number of licences and approvals required to import pharmaceutical products. Is it the case that importers</i>

	<p><i>require both a licence “for the production of wholesale trade” as well as a general licence relating to any activity that “might cause damage to the rights, lawful interests and health of Russian nationals...” prior to obtaining an import or export licence? What is meant by “in all the two cases mentioned above” in the sentence “once a company obtained such an activity licence in all two cases mentioned above”?</i></p> <ul style="list-style-type: none"> - <i>We seek greater information in the relation to the “uniform procedure” for obtaining import licences, including formalities, requirements and eligibility criteria that need to be satisfied, and the relevant procedures for their application.</i> - <i>We ask that Russia clarify each stage of this procedure, including in relation to obtaining activity licences, the “permission” of the federal medicine control agency referred to in paragraph 74, and the import licence itself.</i> - <i>We seek clarification of the policy objective behind requiring the issuance of new export or import license for each and every instance of trade, despite the fact that importers have also obtained activity licences in this sphere.</i>
73	<ul style="list-style-type: none"> - <i>We welcome the additional information provided by Russia in relation to precious stones and metals. However we seek further clarifications.</i> - <i>We seek an explanation of the policy objective and WTO justification underpinning the prohibition on the exportation from Russia of precious metals.</i> - <i>We request (see also in under ‘general’ above) full information in relation to the procedures and criteria underpinning licensing requirements for each product mentioned in Paragraph 73. For example, we request clarification of how non-automatic licensing requirements work in relation to affinated gold, silver and natural precious stones.</i>
80	<p><i>The commitment in paragraph 80 will ultimately be acceptable but Russia has not yet demonstrated that it can achieve WTO conformity in practice.</i></p> <p><i>Until the issues raised by Members on trading rights are satisfactorily addressed and appropriate reforms enacted, we will not be ready to accept that Russia will be ready to maintain appropriate WTO conformity as foreshadowed at paragraph 80.</i></p>
Table 7	<p><i>We seek clarification of how the structures for licensing fees outlined in Table 7 meet the requirements of Article VIII:1(a) of GATT 1994.</i></p> <p><i>We request that Table 7 be augmented to include all fees associated with each layer of licensing mentioned for other goods in Paragraphs 71-74.</i></p>
68, 72, 79	<p><u>Russian Federation:</u></p> <p style="text-align: center;"><u>Licensing of pharmaceutical export and imports</u></p> <p><u>Licensing of pharmaceutical imports</u></p> <p>Pursuant to the Federal Law N 86-FL “On Pharmaceuticals” as well as the federal law N 128-FL “On Licensing of Selected Business Activities” the following entities are entitled to import pharmaceuticals to the territory of the Russian Federation:</p> <p>Research institutions, institutions, laboratories for development, research and control of quality, effectiveness and safety of pharmaceuticals subject to authorization of the federal pharmaceutical quality control body for import of a specific shipment of pharmaceuticals, as well as enterprises – pharmaceutical producers for purposes of own production of pharmaceuticals, pharmaceutical wholesalers and foreign enterprises - pharmaceutical producers and wholesalers,</p>

	<p>subject they have own affiliates on the territory of the Russian Federation, which have got:</p> <ul style="list-style-type: none"> - license for a relevant type of business activity pursuant to 128-FL; - import license pursuant to 86-FL. <p>Therefore, foreign enterprises, which intend to import to the territory of the Russian Federation, shall:</p> <ul style="list-style-type: none"> - establish (register) an affiliate of the company on the territory of the Russian Federation; - register as a legal person on the territory of the Russian Federation; - get license for the relevant type of activity (pharmaceutical production or distribution) pursuant to provisions of 128-FL; - get license for pharmaceutical import to the territory of the Russian Federation according to the Import and Export Regulation. <p>There are no statutory licensing requirements for pharmaceutical exports from the territory of the Russian Federation.</p> <p style="text-align: center;"><u>Licensing of export-import of precious metals and precious stones.</u></p> <p>There are no statutory licensing and quoting requirements for imports of precious metals and precious stones to the territory of the Russian Federation.</p> <p>Licensing of export of precious metals and precious stones from the territory of the Russian Federation.</p> <p>The licensing requirements for export of precious metals and precious stones depend on a commodity group. The licensing is mandatory for exports of:</p> <ul style="list-style-type: none"> - refined platinum and metals of platinum group in form of ingots, plates, powder and granules; - unprocessed precious metals (excluding natural pieces of metals not subject to refining) - unprocessed gold and silver (only refined in form of ingots, plates, powder and granules as well as gold used to produce coins) - natural processed and unprocessed precious stones; - mineral matters (only unique amber pieces); - mineral and secondary raw materials containing precious metals, including concentrated ores and residuals of color metals and semi-products of color metal production, when it is possible to extract precious metals using industrial technologies. - <p>No other types of licenses are required.</p> <p><u>Import/export licensing related to natural gas and electricity</u></p> <p>Under the Russian legislation there are no licensing requirements that govern access to pipelines or other distribution network so as to restrict the volume of gas and oil exported from the territory of the Russian Federation. There are no export/import licenses requirements for these products.</p> <p>Under the Federal Law No. 128-FZ of 8 August, 2001 “On Licensing of Specific Types of Activity” the following types of activity are subject to licensing:</p>
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	<ul style="list-style-type: none"> - the operation of oil and gas production facilities; - the processing of oil, gas and oil/gas processing products thereof; - the transportation of oil, gas and oil/gas processing products; - the storage of oil, gas and oil/gas processing products; - the sale of oil, gas and oil/gas processing products; - the activity of operating gas networks. <p>The Ministry of Energy of the Russian Federation issues the activity licenses to legal entities and individual entrepreneurs. The activity licences shall be granted for a five-year term. The effective term of the licence may be extended on the licensee's application in accordance with the licence re-making procedure (the Decision of the Government of the Russian Federation No. 637 of August 28, 2002 "On Licensing Activities in the Field of Operation of Electric Grids and Thermal Grids, the Transportation, Storage Processing and Sale of Oil, Gas and the Products of Processing Thereof").</p>
67	<p><u>Russian Federation:</u></p> <p>There were no general restrictions to the right of persons and entities to import or export, except those connected with national security and public order interests. The State monopoly in foreign trade was abolished by Presidential Decree No. 213 of 15 November 1991 "On Liberalisation of Foreign Economic Activity on the Territory of the Russian Soviet Federal Socialist Republic" (as amended on 27 October 1992) under which all enterprises were given the right to carry out foreign economic activities, whatever their form of ownership.</p>
68	<p><u>Russian Federation:</u></p> <p>The operations of Russian and foreign participants of foreign trade activity involving importation to and exportation from the Russian Federation of precious metals and gemstones is governed by Decrees of the President of the Russian Federation of November 30, 2002, No. 1373 "On Approval of Regulation on Import to and Export from the Russian Federation of Natural and Cut Diamonds" and of June 21, 2001, No. 742 "On the Procedure of Import to and Export from the Russian Federation of Precious Metals and Gemstones". Pursuant to the above, export of certain precious metals and gemstones requires a license issued by the Ministry of Economic Development of Russia. These include: platinum and platinum group metals, nuggets of precious metals not subject to refinery (within the quota allocated by the Government of the Russian Federation), refined gold and silver in bullion, plates, powder and granules, gemstones, precious metal coins, unique amber formations.</p> <p>Quoting and licensing extends also to export of raw material commodities containing precious metals (primarily copper, lead, zinc concentrates). Imports of precious metals and gemstones are not subject to quantitative restrictions or licensing.</p>
69	<p><u>Russian Federation:</u></p> <p>The activity licensing requirements in foreign trade on the territory of the Russian Federation were described in Federal Law No. 157-FZ of 13 October 1995 "On the State Regulation of the Foreign Trade Activity" (amended 8 July 1997, 10 February 1999). Article 2 of this law stipulated that foreign trade activity could be carried out both by Russian as well as foreign participants in foreign trade activities. Foreign participants in foreign trade activities were</p>

	legal entities or natural persons recognized as such by the law of foreign states. If foreign companies or natural persons carried out foreign trade activity (exportation or importation) as foreign participants of foreign trade activity, they did not need to be registered or have any investments in the Russian Federation. The Russian participants in foreign trade activities were Russian legal entities or natural persons who had obtained state registration as legal entities or individual entrepreneurs in accordance with the Russian law.
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70	<p><u>Russian Federation:</u></p> <p>The registration of legal entities and natural persons as individual entrepreneurs was performed in accordance with Article 51 of the Civil Code and Presidential Decree No. 1482 of 8 July 1994 "On Streamlining of State Registration of Enterprises and Entrepreneurs in the Territory of the Russian Federation" and Federal Law No.129-FZ of 8 August 2001 "On State Registration of Juridical Persons". The registration of a legal entity required the submission of an application, the charter of the legal entity in question approved by its founders, a documentary confirmation of deposition of no less than 50 per cent of the charter capital of the firm with the respective bank, and a certificate of payment of state duty in the amount of 2000 Rubles. The registration of a natural person as an individual entrepreneur required an application from that person and a document confirming the payment of the registration charge in the amount of 100 Rubles. Denial of registration could be appealed through a judicial procedure. The registration act permitted the enterprise/individual entrepreneur to engage in economic activity, including foreign trade activity. The above-mentioned principles contained in the Federal Law No.129-FZ of 8 August 2001 "On State Registration of Juridical Persons" entered into force on 1 July 2002 and regulated registration of the establishment, reorganization or liquidation, and introduction of amendments to instituting documents of legal entities as well as and the conduct of the State Registry of legal persons. The Federal Law No.129-FZ of 8 August 2001 "On State Registration of Legal Persons" did not contain any restrictions or discrimination for foreign founders of legal persons. The registration was effected solely by federal bodies. The lists of documents necessary for the registration of a new legal entity as well as of an entity under reorganization were stipulated in Article 5 of the Law on State Registration (application for registration, description of the organizational form, address, copies of instituting documents, and the charter capital) and were exhaustive. Subjects of the Russian Federation had no rights to impose the requirements on legal or natural persons that might affect their rights to engage in importation or exportation of goods.</p> <p>In order to ensure transparency in registration area under the provisions of Article 4 of the Federal Law No.129-FZ of 8 August 2001 "On State Registration of Legal Persons" the Ministry of Tax and Charges Collection of the Russian Federation should follow up the State Register containing information on establishment, reorganization and liquidation of legal entities and other respective information. This information should be published, placed on web-site of the Ministry of Tax and Charges Collection of the Russian Federation (www.nalog.ru) and renewed monthly at least.</p>
71	<p><u>Russian Federation:</u></p> <p>Article 10 of the Law No. 157-FZ of 13 October 1995 "On the State Regulation of Foreign Trade Activity" (amendments of 8 July 1997, 10 February 1999) established that all Russian participants of foreign trade activities were permitted to undertake foreign trade activity, regardless of the form of their property and without any additional special permission or activity licence. This rule had only three exceptions.</p>
72	<p><u>Russian Federation:</u></p> <p>The first aimed at protecting human life and health and at proper collection of</p>

	<p>internal taxes was the importation and exportation of alcoholic beverages. Pursuant to Federal Law No. 173-FZ of 22 November 1995 "On State Regulation of Production and Turnover of Ethyl Alcohol, Alcoholic and Alcohol-Containing Products" (as amended on 7 January 1999), natural persons and legal entities wishing to do business in these areas needed to obtain an activity licence in the agencies of the Ministry of Tax and Charges Collection after their state registration. The licenses were being issued for the purchase, storage and export of ethyl alcohol; purchase, storage and export of alcohol products; export of alcohol products; the import, storage and deliveries of ethyl alcoholic; import, storage and deliveries of alcohol products; import, storage and supplies of alcohol-containing products. Conditions and requirements to be fulfilled by the enterprises and entrepreneurs were stipulated in Articles 18 – 21 of the said Law.</p> <p>The license to export alcoholic and alcohol containing products as well as the licenses to import, store and deliver alcoholic and alcohol containing edible products will be issued to organizations to grant them the right to export and import all types of alcoholic and alcohol containing edible products.</p> <p>To <i>import</i> alcohol products an organization shall obtain an activity license, i.e. a general or one-time license to import, store and deliver alcoholic products issued by the Ministry of Taxes and Fees of the Russian Federation;</p> <p>In the annual volume of alcoholic products turnover imported alcoholic products (except for wines, cognac items and beer) which are imported into the customs territory of the Russian Federation shall not make up more than 10 per cent of the overall annual volume of alcoholic products sold on the territory of the Russian Federation. In so doing the share of alcoholic products with not more than 15 per cent of ethyl alcohol content of the volume of the final product shall constitute at least 60 per cent of the overall annual volume of alcoholic products imported into the customs territory of the Russian Federation.</p> <p>To <i>export</i> alcohol products an organization shall obtain an activity license, i.e. a general or one-time license to export, store and deliver alcoholic products issued by the Ministry of Taxes and Fees of the Russian Federation.</p> <p>The Law establishes two kinds of licences: general licences and one-time licences.</p> <p>The general licenses to import/export, store and deliver alcoholic products shall be issued only to organizations with the paid-up authorized capital of no less than 40 thousand federal statutory minimal wages and which have been performing deliveries of alcoholic products for at least one year (while having the turnover of imported alcoholic products of at least 50 thousand decalitres over one year in equivalent to absolute alcohol). The licences shall be issued for a term of up to three years and shall not restrict the volume of alcohol and alcohol -containing foodstuffs, intended for the import/export (Article 21 of the Federal Law No. 171-FZ "On the State Regulation of the Production and Trading Volume of Ethyl Alcohol and Alcoholic Drinks").</p> <p>One-time licenses shall be issued for a term of up to five months to organizations to export and import, store and deliver alcoholic and alcohol containing edible products amounting to no more than 500 decalitres in equivalent to absolute alcohol with their customs value not exceeding 100 thousand federal statutory minimal wages (Article 21 of the Federal Law No. 171-FZ "On the State Regulation of the Production and Trading Volume of Ethyl Alcohol and Alcoholic Drinks").</p>
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	Licensing fees provided by Federal Law No. 5-FZ of 8 January 1998 "On Charges for Issuance of Licenses for Production and Turnover of Ethyl Alcohol, Alcohol Containing – Products" are shown in Table 7.
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73	<p><u>Russian Federation:</u></p> <p>The second exception also aimed at protecting human life and health related to imports and exports of pharmaceutical products (medicines). According to Federal Law 86-FZ of 22 June 1998 "On Medicines", the right to exports and imports of pharmaceuticals was enjoyed by Russian participants of foreign economic activities, who had a licence for the production or wholesale trade of these goods. Pursuant to Federal Law No. 128-FZ of 8 August 2001 "On Licensing of Certain Types of Activity", the licensing requirement in respect of pharmaceutical activity and production of medicines was due to the overall requirement of license availability in all types of activity that might cause damage to rights, lawful interests and health of Russian nationals and where regulation was only possible in the form of licensing. Once a company obtained such an activity licence in all two cases mentioned above, it would be eligible for the receipt of import and export licenses each time it wished to import or export goods subject to licensing. In accordance with Article 15 of Federal Law No. 128-FZ of 8 August 2001 "On Licensing of Certain Activities", a fee of 1,300 Rubles (about US\$40) was charged for the issuing of each license. Regarding importation of pharmaceuticals, foreign-owned firms enjoyed the same rights as Russian firms in the Russian Federation and could obtain an activity licence under the same scheme. Foreign-owned firms which were not established in the Russian Federation should have their own representative office² in the Russian Federation. If this was the case, these firms could also apply for an import license. The limitation of the number of companies importing and exporting certain products could be done by virtue of federal law only. In absence of such a law no authority had the right to take such measures. Under Article 21 of Federal Law No. 86-FZ of 22 June 1998 "On Medicines" sole domestic and foreign practitioners were not permitted to export pharmaceuticals to the Russian Federation. In accordance with the same law, imports of medicines into Russian Federation were only allowed to enterprises that produced medicines; wholesale traders of medicines; academic research organizations; institutions, laboratories for development, study and control of quality, effectiveness and safety of medicines, subject to permission of the federal medicine control agency for import of the relevant consignment of medicines; foreign enterprises producing medicines and foreign wholesale traders of medicines provided they had representative offices in Russia. All applicants for a licence to import medicines had to undergo an uniform procedure as provided under Government Resolution No. 1539 of 25 December 1998 "On Import into and Export from the Russian Federation of Medicines and Pharmaceutical Substances".</p>
74	<p><u>Russian Federation:</u></p> <p>The third exception concerned the exportation (there were no such requirements for importation) of precious stones and precious metals. The exportation of unprocessed precious metals was prohibited in the Russian Federation. The exportation of affinated platinum was effected under quota restrictions and the exportation of affinated gold, silver and natural precious stones was effected under non-automatic licensing. To obtain an export license for precious metals and precious stones under Presidential Decree No. 742 of 21 June 2001, "On the Procedure of Importation into and Exportation from the Russian Federation of</p>

² In accordance with Article 33 of the Civil Code of the Russian Federation the representative office is a detached division of legal entity, located elsewhere than its business address, which represents and protects the interests of such legal entity.

	<p>Precious Metals and Precious Stones". The following authorizations were required: (i) CBR and crediting institutions having the CBR licence to perform operations with precious metals under the Federal Law No. 395-1 of the Russian Federation of 2 December 1995 "On Banks and Banking", extracting organizations having the licence under the Federal Law No. 2395-1 of the Russian Federation of 21 February 1992 "On Underground Resources" as well as the producers and individual entrepreneurs having the confirmed property rights to a certain metal had the right to export of refined gold and silver; (ii) for export of precious stones and precious metals – registration certificate of the Purity Supervision Committee (issued based on Federal Law No. 41-FZ of 23 March 1998 "On Precious Metals and Precious Stones"); (iii) for export of ores of non-ferrous metals containing precious metals – opinion of the Ministry of Finance and the Ministry of Industry and Science regarding the practicability and feasibility of commercial recovery of precious metals (Presidential Decree No. 742 of 21 June 2001, "On the Procedure of Importation into and Exportation from the Russian Federation of Precious Metals and Precious Stones").</p> <p>Exports of certain precious metals and precious stones are performed under licenses issued by the Ministry of Economic Development of Russia – platinum and platinum group metals, nuggets of precious metals not subject to refinery (within the quota allocated by the Government of the Russian Federation), refined gold and silver in bullion, plates, powder and granules, gemstones, precious metals coins, unique amber formations.</p> <p>The authorized exporters are:</p> <ul style="list-style-type: none"> a) the Central Bank of the Russian Federation; b) lending institutions licensed by the Central Bank of the Russian Federation to perform transactions in precious metals (in respect of the said precious metals held by them or sold by them on the foreign market under commission agreements with the owners of such precious metals); c) mining companies (in respect of the said precious metals held by them by reason of their mining operations); d) producers of precious metals (in respect of the said precious metals held by them by reason of their production operations); e) other organizations and individual entrepreneurs that are Russian participants of foreign trade as defined by the legislation of the Russian Federation on regulation of foreign trade activity (hereinafter referred to as "Russian participants of foreign trade"). <p>Quoting and licensing extends also to export of raw material commodities containing precious metals (primarily copper, lead, zinc concentrates).</p> <p>As a mandatory condition of export of raw material commodities containing precious metals:</p> <ul style="list-style-type: none"> a) consignments of raw material commodities intended for export must be accompanied with certificates of chemical composition issued by analytical laboratories approved for adequacy of equipment and lack of bias by the State Committee of the Russian Federation for Standardization and Metrology. The procedure for such approval (attestation) of analytical laboratories and the procedure for issuance of the above certificates are in the discretion of the State Committee of the Russian Federation for Standardization and Metrology; b) availability of opinions of the Ministry of Finance of the Russian
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	<p>Federation and the Ministry of Industry, Science and Technology of the Russian Federation as to the possibility and economic effectiveness of commercial recovery of precious metals from raw material commodities in the Russian Federation.</p> <p>Export of uncut natural diamonds is subject to quoting where such export is performed by the mining companies (except diamonds unfit for use in jewelry and –3+2 classes, ‘bort’ and ‘drilling’ types), or from state depositaries of precious metals and gemstones of the Russian Federation Regions (Yakutia, Magadan Region).</p> <p>Import of precious metals and gemstones is free from any quantitative restrictions and licensing. All documentation and procedures required for an export or import transaction in precious metals and gemstones are completed at the dedicated customs checkpoints.</p>
77	<p><u>Russian Federation:</u></p> <p>In order to improve the system of import licensing in the Russian Federation, the State Duma of the Federal Assembly of the Russian Federation had passed in the first reading and was currently preparing for the second reading a draft federal law "On Amending the Federal Law On Charges for Issuance of Licenses and Right for Production and Marketing of Ethyl Alcohol, Alcohol Containing and Other Alcoholic Products". This draft law was designed to provide a unified rate of the licensing charge (500 minimum wages) for the right of production, storage and sale of alcoholic products, the right to export ethyl alcohol and alcoholic products and the right to purchase ethyl alcohol, alcohol-containing and alcoholic products for import, storage and wholesale.</p>
81-84	<p>Import Regulations</p> <p>- Customs Regulations and Customs Tarriff</p>
81-84	<p>The revised text is a step in the right direction, but Russia should respond to the longstanding information requests of WP members, as follows:</p> <ul style="list-style-type: none"> - Please provide a copy of the draft Customs Code prior to its enactment. - Please provide a copy of Chapter 25.1 of Part II of the Tax Code prior to its enactment. - Please confirm in the text that Customs Order No. 25 of January 25, 2001 has been repealed. - Has Russia provided a copy of its HS 2002 applied tariff schedule, as noted in para 86?
84	<p>Text should be updated to reflect the fact that both the draft Customs Code and Chapter 25.1 are in their second readings before the Duma and are available for WP review, and a description should be provided of their provisions as they relate to WTO Agreements, e.g., a listing of the WTO Agreements and other obligations whose provisions were implemented in the text of the new Code.</p>
81	<p><u>Russian Federation:</u></p> <p>The existing Law “On Customs Tariff” and the draft chapter “Customs Duty and Customs Charges” of Part II of the Tax Code of the Russian Federation address issues of customs tariff regulation of import and export of goods, and determination of the basis for calculation of customs duties and other customs payments (customs value of goods) consistently with the rules and disciplines of GATT (WTO). As for customs administration and customs procedures, these are governed by the Customs Code of the Russian Federation. We therefore maintain that customs administration does not fall within the scope of Law “On</p>

	Customs Tariff” or the draft chapter “Customs Duties and Customs Charges”, as is suggested by para. 81.
84	<p><u>Russian Federation:</u></p> <p>In October 2002, the Government of the Russian Federation presented to the State Duma of the Federal Assembly of the Russian Federation a draft chapter 25.1 “Customs Duties and Customs Charges” to be incorporated into Part II of the Tax Code of the Russian Federation. This draft chapter provides methods of determination of the basis for calculation of customs duties and other customs payments (customs value) in accordance with the provisions of Article VII GATT and the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994 (the Agreement on the rules of customs valuation).</p> <p>Thus, the language “Draft Article 27 of the new Customs Code contains provisions on customs valuation procedures” as well as all other references to “Article 27 of the draft Customs Code of the Russian Federation” determining the methods of customs valuation should be deleted from para. 84.</p> <p>The language “In anticipation of further requests from members, the representative of the Russian Federation stated that the interpretative notes annexed to the Customs Valuation Agreement not included in draft Chapter 27 of the Tax Code would be reflected in another regulatory act” should be deleted for the same reason as above and considering that the draft Chapter 25.1 “Customs Duty and Customs Charges” of Part II of the Tax Code of the Russian Federation presented by the Government of the Russian Federation to the State Duma of the Federal Assembly of the Russian Federation and approved by the Ministry of Economic Development of Russia does not contain any applicable provisions but provides merely that the federal executive authority for customs is entitled to issue, with consent of the Ministry of Economic Development and Trade of the Russian Federation, guidelines on customs valuation of goods imported to the customs territory of the Russian Federation provided that such guidelines do not contravene the provisions of this Code.</p> <p>To better and more accurately reflect the draft Chapter 25.1 “Customs Duty and Customs Charges” presented by the Government of the Russian Federation to the State Duma, the language “The draft envisaged that the primary basis for customs value was the transaction value” should be replaced with “The draft envisaged that the primary method of customs valuation was the method of transaction value”.</p>
85-90	- Ordinary Customs Duties
89	Please list any trading partners that are WTO Members that do not receive MFN treatment. Indicate where the most recent list of GSP recipients can be found, e.g., the most recent legal citation.
90	Russia should include a substantive response in this Section to the question on application of double-tariffs to WTO members.
85-90 Tables 10-12	<p><i>There will need to be a reference in this section of the draft Report to Russia undertaking bilateral market access negotiations leading to the Schedule of Concessions and Commitments on Goods which will be annexed to the draft protocol of accession.</i></p> <ul style="list-style-type: none"> - <i>We note that the questions raised by Members in paragraph 100 of the first draft of ACC/SPEC/RUS/25 were not entirely answered.</i> - <i>We seek clarification as to whether further amendments can be expected in</i>

	<i>Russia's Law on Customs Tariff and whether those amendments would affect key issues such as the application of tariffs, including establishment of the taxable base value.</i>
90	<i>The issue in para 90 of the possibility to apply double MFN tariff rates to goods originating from WTO members must be seen in connection with the section on rules of origin.</i>
90	<i>Question provided in the Para 90 of the report continues to be of a serious concern to my delegation and we hope that the Russian delegation can provide its reply at today's meeting.</i>

89	<p><u>Russian Federation:</u></p> <p>The following WTO members do not enjoy MFN treatment:</p> <p>Antigua and Barbuda, Bahrain, Barbados, Belize, Brunei Darussalam, Central African Republic, Côte d'Ivoire, Democratic Republic of the Congo, Dominica, Dominican Republic, Estonia, Fiji, Guatemala, Haiti, Hong Kong (China), Lesotho, Macao (China), Malawi, Maldives, Namibia, Niger, Papua New Guinea, Paraguay, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Separate Customs Territory of Penghu, Kinmen, and Matsu (Taiwan enjoys MFN treatment), Solomon Islands, Suriname, Swaziland, Togo, Trinidad and Tobago, United Arab Emirates.</p> <p>As it was stated in para 89 of the document WT/ACC/SPEC/RUS/25/Rev.1 the WTO members could have the lists of Russia's MFN partners and GSP recipients (to be distributed as a non-paper by the WTO Secretariat).</p>
91-96	- Tariff Quotas
91-96	<p>In light of developments in January 2003, this section will require extensive attention.</p> <ul style="list-style-type: none"> - Based on information provided to the WP during informal session, Russia should update this Section to lay out the scope, purpose, legal authority, and administration of TRQs applied to imports, both for trade remedy and trade liberalizing purposes. - The text should reflect the views of Members on Russia's establishment of TRQs, in particular their opposition to the imposition of TRQs to limit imports into Russia in areas currently subject to tariff-only regulation, and that they do not consider this issue to be resolved. - The statement of Members rejecting Russia's contention that license or quota auctioning is WTO consistent or a fee for services should be expanded to include reference to the fact that any fees charged or revenues collected in this regard must not exceed the bound rate of duty established. - The text should also reflect Members' requests for a <u>commitment</u> from Russia that in the event that Russia ever makes use of TRQs, they would be administered consistent with WTO requirements, including allocation on a non-discriminatory basis among all import suppliers, and that any fees charged or revenues collected in their administration would not exceed the bound rate of duty established in Russia's Schedule of Concessions on Goods Market Access.
91-96	<p>We urge Russia to address the substance of the questions raised by Members in relation to this section of the Report.</p> <p>In view of recent developments in this area which we view with deep concern, the important issue of tariff quotas will need Russia's full explanation and reconsideration at the meeting of the Working Party to be held in March 2003.</p>
91-96	<i>List the items where tariff quotas are used and will be used.</i>
91-96	<p><i>We are strongly opposed to Russia's proposals to introduce new tariff quotas to restrict market access.</i></p> <p><i>Whether and how tariff quotas might be applied is subject to bilateral negotiation at present, and we reserve the right to return to the issues raised in this section of the draft Report later in the negotiations in the light of agreed terms of bilateral settlement.</i></p>
94-95	Has Russia joined the Rome Convention for the Protection of Performers,

	Producers of Phonograms and Broadcasting Organizations? If not, when it intends to do so? If acceded to the Convention, will Russia make reservations concerning the Article 12, if yes – which reservation particularly? What kind of other reservations Russia intends to make, if any?
95	<i>We seek the addition of the following text to the first sentence of this paragraph: “by enacting amendments to the Tax Code to ensure MFN access to its TRQs”</i>
96	<i>The fundamental issue raised at paragraph 96 relates to the qualifications that enterprises need to have in order to receive tariff quota allocations under whatever system is used by Russia to allocate tariff quota. The WTO conformity of the qualifications that enterprises need to have in order to receive tariff quota allocations is a separate issue from that of the WTO conformity of the type of allocation method used.</i> <i>While noting that we do not consider that the auctioning method conforms with WTO requirements, we welcome the statement that there are no eligibility requirements to participate in TRQ auctions that favour local production. However, we ask that information be included in the draft Report that clarifies the qualifications that enterprises need to have in order to receive tariff quota allocations.</i>
95	<u>Russian Federation:</u> The draft Chapter 25.1 “Customs Duties and Customs Charges” of Part II of the Tax Code of the Russian Federation provides the general principles of operation of tariff quota. The determination of the procedure for distribution of tariff quota is left in the discretion of the Government of the Russian Federation. Thus, we propose deleting the last sentence of para. 95 should be deleted.
97	- Tariff Exemptions
97	This text should be expanded to include reference to tariff exemptions granted currently or in the recent past for investment purposes (automobiles and PSA projects) or to promote domestic industry (aircraft). The text should be updated to include reference to any such authority in the draft Customs Code.
97	<u>Russian Federation:</u> In the first sentence after the words “in accordance with the provisions of Federal Law No. 5003-1 of 21 May 1993 “On Customs Tariff” add “and cannot be <i>ad hoc</i> ”, which will make it consistent with the provisions of Article 35 of the Law “On Customs Tariff” and will reflect the general principle of granting tax and customs preferences in the Russian Federation compatible with the GATT rules and disciplines. “Printed or recorded materials related to culture, science, education” should be removed from the list of goods eligible for customs preferences in para. 97 as the applicable section (1) of Article 35 of the Law “On Customs Tariff” which provided the above preferences is currently ineffective (Federal Law of November 25, 1995, No. 185-FZ, Article 3). Article 34 of the Law “On Customs Tariff” provides the general principles of provision of tariff benefits stipulated in Articles 35, 36 and 37 of the Law. Thus it would be reasonable to remove the reference to Article 34 in the penultimate sentence of para. 97. The words “Commitments under International Agreements” should likewise be removed from the above sentence.

	<p style="text-align: center;"><u>Tariff Quotas</u></p> <p>I. White sugar (from the 20th of July 2002) originated from developing countries – GSP recipients</p> <p><u>Legal Reason:</u></p> <p>Resolution of the Government of the Russian Federation dated 15 of July 2002 N 536</p> <p>II. Beef (from the 1st of April 2003)</p> <p><u>Legal Reason:</u></p> <p>Resolution of the Government of the Russian Federation dated 23 of January 2003 N 49</p> <p>III. Pork (from the 1st of April 2003)</p> <p><u>Legal Reason:</u></p> <p>Resolution of the Government of the Russian Federation dated 23 of January 2003 N 50</p> <p>The Ministry of Economic Development and Trade of the Russian Federation is an authorised body.</p> <p>For the 1st group of goods tariff quotas are auctioned at a stock exchange. The Ministry issues licences.</p> <p>For the 2nd and 3rd group of goods tariff quota for 90% of volume tariff quotas are divided using the same method as for the 2nd group of goods and for the last 10% are auctioned at a stock exchange. The Ministry issues licences.</p>
108-110	- Other Fees
108-110	<p><i>We note and welcome that all port fees are non-discriminatory. We have noted problems of implementation between the Ministry of Transportation and the Fisheries Committee.</i></p> <p><i>It should be made clearer that the commitment text covers more sub-headings than the one ("Other fees") it is placed under.</i></p>
109	<p><i>Referring to the Para 109 we welcome the notion by the representative of the Russian Federation that port-charges are collected on the basis of non-discrimination principle. Does this mean that port charges are applied on MFN basis towards all WTO members? How would that commitment relate to the draft MFN exemption list of the Russian Federation of 14.03.2002 where it is indicated that Russia would like to apply exemption from the MFN treatment as regards to the payment of port charges.</i></p>

108-110	<p><u>Russian Federation:</u></p> <p><u>Port fees</u></p> <p>The representative of the Russian Federation confirmed that port-charges are collected in the commercial seaports of the Russian Federation, irrespective of their organization, legal status and ownership, from Russian and foreign vessels and floating facilities on the basis of non-discrimination principle.</p> <p>He then stated that the port fees used in commercial seaports (Tables 13(a) and 13(b)) of the Russian Federation had been approved by the Ministry of Transport on 21 July 1995. The port fees used in fishery seaports had been approved by the Fisheries Committee on 12 October 1995.</p> <p>GATS Article II (MFN) exemptions of the Russian Federation is currently a matter of bilateral negotiations.</p>
111-116	<p>Application of Internal Taxes on Imports</p> <p>- Excise Taxes</p>
115	<p><u>Russian Federation:</u></p> <p>Pursuant to Chapter 22 “Excise Taxes” of the Tax Code of the Russian Federation (hereinafter the “Code”), effective July 1, 2001, the country of destination principle is applied to excisable goods carried across the customs borders of the Russian Federation from CIS states except the Republic of Belarus, i.e. excisable goods imported to the territory of the Russian Federation from the CIS states are subject to excise taxes. No offset of excise taxes paid on the territory of such states, except in the Republic of Belarus, is done. Any sale of excisable goods outside of the Russian Federation, except in the Republic of Belarus, is tax-free.</p> <p>Thus, effective July 1, 2001, a uniform taxation procedure applies to carriage of excisable goods across Russia’s customs border with other countries, except the Republic of Belarus, thus there is no differentiated excise treatment of imports of excisable goods from CIS countries as compared with imports of such goods from other countries.</p> <p>Excise taxes are charged on sale of excisable Russian goods in the Republic of Belarus and imports of excisable goods from the Republic of Belarus to the Russian Federation based on the country of origin principle, by virtue of Article 27 of the Agreement between the Russian Federation and the Republic of Belarus of December 8, 1999 “On the Creation of a Union State”. The said Article provides that the Union State maintains a uniform principle in respect of levying indirect taxes irrespective of the actual location of the taxpayer within its territory. In this regard and pursuant to Article 13 of Federal Law No. 118-FZ of August 5, 2002 “On Enacting Part II of the Tax Code of the Russian Federation and Amending Certain Tax Acts of the Russian Federation”, the amount of excise tax payable on excisable goods originating in and imported from the Republic of Belarus is reduced by the amount of excise tax paid in the country of origin.</p> <p>As for inclusion of the customs duty in the taxable base for the purposes of the value-added tax and excise taxes levied on imports of goods to the customs territory of the Russian Federation, this requirement of the Russian legislation is</p>

	consistent with the practice of implementation of the GATT.
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117-125	- Value Added Tax
117-125	<p><u>Russian Federation:</u></p> <p>The Russian Federation and the Republic of Belarus are the parties of the bilateral Treaty of 8 December 1999 leading, <i>inter alia</i>, to the formation of a unique economic space based on the legislation to be unified. Both states are negotiating the issues of taxation within this unique economic space. In this regard a draft agreement on the procedures of compensation of losses of the budgets applying indirect taxes in bilateral trade on the basis of country of origin has been placed for consideration.</p>
126-129	Quantitative Import Restrictions, including Prohibitions and Quotas
126-129	<p>We note the statement in paragraph 186 that SCC Order No 1002 of 19/10/01 (limiting number of customs posts for timber exports) is no longer applied. Russia indicates that the Order was cancelled by means of a teletype message issued by the SCC. Can Russia explain how a teletype message provides a satisfactory legal basis for this (including in the light of the footnote to paragraph 56, in which Russia states that such communications are purely recommendatory)? Also, how have relevant WTO/GATT transparency and publication requirements been met in this particular example?</p>
	<p>As regards restrictions applied on alcohol, alcoholic drinks and alcohol-containing products, we would welcome further information on the proposed legislative and regulatory amendments. The reference in paragraph 129 to the intention to amend Law 171 of November 1995 and to eliminate any import and export licensing is welcome. Russia should provide firmer information on the details of this legislative amendment and on the timetable for its enactment and implementation.</p> <p>In relation to Import Licensing, we remain concerned at the wide coverage and do not consider that a convincing case for cover under GATT Article XX can be made in every case. We also invite Russia to clarify the situation concerning licensing requirements for telecommunications equipment and cryptographic products.</p>
129	<p>The text should be updated to include information concerning the elimination of the ban on imports of alcohol, e.g., the title and status of the legislation that eliminated the ban, and the disposition of any other non-tariff restrictions or requirements on the importation of alcoholic beverages, other than tariffs, excise taxes, and activity and import licensing.</p>
126-129	<p><i>Referring to the quantitative import restrictions described in detail in Paras 127–129 we would appreciate if the Russian delegation could indicate when the Law No 171 (173?)– FZ is going to be repealed? Do we understand correctly that this Law is going to be repealed by the same draft law referred to in Para 77?</i></p>
126-129	<p><u>Russian Federation:</u></p> <p>Even after the draft law “On Making Amendments and Supplements to the Federal Law “On State Regulation of Production and Turnover of Ethyl Alcohol, Alcoholic and Alcohol-Containing Products”, currently in the State Duma (still preparing for a second reading), is passed, it will not repeal Federal Law 171-FZ. What the above draft law essentially does, is make a number of amendments to the existing law, including elimination of import quota and introduction of automatic import licensing, which are intended to achieve WTO compliance.</p>
130-141	Import Licensing Systems

130-141 Tables 16(a) and (b)	<p>In §132 Members expressed many concerns and questions about licensing requirements for pharmaceutical products, i.e. the periodic re-registration requirement that is not automatic.</p> <p>In connection with §72, it seems that in order to import pharmaceutical products in Russia, the applicant must get an activity license, a preliminary import permit (from the ministry of Health (§134) and an import license (§137). Please explain the rationale of such a preliminary permit and how is it consistent with the Import licensing Agreement (article 1.6: Application procedures shall be as simple as possible).</p> <p>Paragraph 136 indicates that Members expected the Russian Federation to make a commitment that any import licences on ethyl alcoholic beverages and pharmaceutical products should be granted automatically on the basis of a regime compatible with WTO requirements including art.2 LIC. We urge the Russian delegation to take such a commitment.</p> <p>In § 134 the 0.05% fee on the contract value of goods is not compliant with article VIII GATT because it does not correspond to the cost of service rendered. In § 140 the Russian delegation indicated that legislative and regulatory framework to modify procedures on imports of pharmaceutical products was currently ongoing. Please indicate what are the modifications foreseen and if they will repeal also the 0.05% fee of the contract value of goods for issuance of a preliminary permit or transform this fee into a fee consistent with Article VIII GATT.</p> <p>Please indicate what have been undertaken to amend or repeal Law No 86 concerning pharmaceuticals mentioned in paragraph 139. Has the new draft Foreign trade and Import Export Licensing Law been adopted yet ? What will be the main changes introduced by this law ?</p> <p>We also associate with the comments contained in SPEC/RUS/30 page 7 regarding § 134-140.</p>
130-141	This section should be reorganized to consolidate information for each type of licensing addressed and to respond in a coordinated fashion to the concerns raised by WP Members.
130-131	<p>Text will need to be updated in light of provisions of the draft Law on State Regulation of Foreign Trade, which revises the authority to use import and export licensing to regulate trade, and a description should be provided of its provisions as they relate to the WTO Agreements, e.g., Article XI and XIII of the GATT and the Agreement on Import Licensing Procedures.</p> <p>Please clarify if the reference in this section to human, animal, and plant health includes SPS requirements, or only to the specific products listed in Table 16(a).</p>
132-133	Text should reflect views of WP Members that in some cases, licenses may not be necessary within the meaning of GATT Article XX, and that in combination with activity licensing and Russia's offer on distribution services, Russia's import regime for pharmaceuticals and alcoholic beverages poses non-tariff hurdles to importation and distribution of that should be streamlined and simplified in line with WTO provisions and that Russian's offer on distribution services required improvement.
133-134	Please clarify whether a Representative Office is sufficient to import pharmaceuticals for commercial purposes, as it has been clearly stated

	<p>elsewhere that a Representative Office can not engage in business activities, but only promote trade, e.g., through participation in a trade show.</p> <p>The text should be reorganized and expanded to describe, step by step, the requirements for importing pharmaceuticals, including commercial registration, activity licensing, registration by the Ministry of Health and mandatory certification by Gosstandart, and non-automatic import licensing (which involves both the Ministry of Health and MEDT).</p> <ul style="list-style-type: none"> - In addition, please explain why both an activity license and non-automatic import licenses are necessary when the activity license requirement already exists to screen importers? Russia has not notified Members that pharmaceuticals are subject to quantitative restrictions. What is the aspect of import regulation that cannot be addressed with automatic import licensing? - Please clarify what is meant by a “preliminary permits” for imports of pharmaceutical products referred to in paragraph 134. Are these import licenses or some other form of import permit? When is a preliminary permit as opposed to an “import license” required? What is the procedure for application? What is the duration of the preliminary permit? How does this permit fit in with the procedures outlines for how to obtain activity and import licenses? - Please clarify how the <i>ad valorem</i> fee for this permit can be consistent with GATT Article VIII, when it is based on a percentage of the contract value, rather than on the cost of the services provided and what steps Russia will take to bring it into conformity with WTO requirements. <p>Concerning the introduction in December 2002 of obligatory conformity certification of medicines (pharmaceuticals), separate from the requirements of the 1998 Law on Medicines:</p> <ul style="list-style-type: none"> - Please describe in the text how this certification procedure functions; how it differs from the previous process of registration of medicines by the Ministry of Health; whether the conformity certification is intended to replace the previous procedure or supplement it; and whether these procedures apply equally to imported and domestically-produced medicines? - What is the relationship between prior authorizations required for importation of goods subject to Hygienic Assessment and Mandatory Certification and the import licensing requirements laid out in Table 16(a). How are such requirements applied to domestic output?
Table 16(a)	<p>Please address concerns that the list of products subject to non-automatic import licensing, e.g., product group 8471 listed under Information Protection Devices, contains approximately 23 HS lines and is too broadly drawn, as not all of these products are used solely for the purposes of encryption. Can HS lines be identified within the 8471 category to specify which products require a non-automatic import license?</p> <ul style="list-style-type: none"> - Can some indication be given of the representative HS codes for “Special Devices for Unauthorized Obtaining of Information?”
134-138	<p>We have serious concerns on practices applied by line ministries or other institutions charging extra fees for importation permits based on the contract</p>

	<p>value of the goods.</p> <p>We would like to see a clear commitment in the Accession Report on elimination of non-WTO consistent measures until the date of accession.</p>
<i>Table 16(a)</i>	<p><i>List of goods subject to non-automatic import licensing are in Table 16(a). The table gives more clarity for some products, and a lot less for others. The product group information protection has been restricted, which is positive, while no information on the product group on special devices for unauthorised receipt of information. The products on the lists referred to should be listed in the table.</i></p>
<i>130-141 & Table 16</i>	<p><i>We welcome the additional information provided by Russia in the second draft, but it still remains unclear whether key aspects of Russia's current regime relating to import licensing systems are in appropriate conformity with WTO requirements.</i></p> <ul style="list-style-type: none"> - <i>We support concerns raised by Members in paragraph 132 regarding the scope for justifying controls under GATT Article XX (paragraph 131), as well as those being justified under Article XXI rather than the SPS or TBT Agreements (e.g., pharmaceutical products, drugs etc., products for plant protection, sturgeon species of fish). We ask Russia to address the substance of those concerns.</i> - <i>While import licensing may be the appropriate mechanism for administering certain controls, the justification for controls needs in all cases to be fully in accordance with applicable WTO rules, as much as the specifics of the import licensing procedures used to administer those controls.</i> - <i>We also expect that all measures imposed by Russia (e.g., fees and charges, SPS measures and other technical regulations and conformity assessment procedures, licensing and approval requirements and procedures) will be applied equally and uniformly to Russian legal and natural persons and Russian products as they are to foreign legal and natural persons and foreign products.</i> - <i>We ask Russia to provide positive confirmation of national treatment being accorded to foreign legal and natural persons and foreign products, in respect of where intending traders are subject to activity licensing requirements and/or import/export licensing requirements.</i> - <i>We request full details of all respects in which foreign legal and natural persons and foreign products are subject to different requirements from those applicable to Russian legal and natural persons and Russian products, in relation to substantive and procedural aspects of activity licensing and in relation to import and export licensing.</i>
<i>134-140</i>	<p><i>We ask that Russia also respond in a substantive way to the concerns expressed by Members in paragraphs 134-140.</i></p> <ul style="list-style-type: none"> - <i>We seek a response from Russia in relation to concerns about the double requirements for importing alcoholic beverages. Furthermore, we note that the same concern applies to importation of pharmaceutical products (which requires an activity and an import licence).</i> - <i>We seek further clarification of the Russia's current procedures for import licensing (paragraph 134), and how they specifically meet the requirements of the WTO Agreement on Import Licensing.</i> - <i>In relation to the question posed in paragraph 137 as to whether foreign manufacturers of pharmaceuticals required an office in the Russian Federation in order to obtain a licence, we note that the response provided in Paragraph 140 requires clarification. Will Russia confirm that the only requirement for a foreign company to obtain an import licence is registration in Russia, but that if it is not registered it can still obtain a licence provided it had a representative office in Russia?</i> - <i>Is it possible under Russian law for a foreign company to open a</i>

	<i>representative office in Russia without becoming a registered company?</i> - <i>What are the requirements for becoming a registered foreign company in Russia?</i>
140	<i>We appreciate the statement in Para 140 that the legislative and regulatory framework to modify procedures for imports of pharmaceutical substances and medicines is currently ongoing. Would these legislative changes repeal the fee of 0.05% of the contract value of goods for issuance of preliminary permits for imports of pharmaceutical products that is currently charged inconsistently with Article VIII of the GATT 1994?</i>

164-165	- Pre-shipment Inspection
164-165	This section should be updated to indicate any new developments in Russia's use, or not, of pre-shipment inspection facilities.
164-165	<i>We have no substantive problems with the text in paragraphs 164-165. However:</i> - <i>We would like Russia to comment on why it considers it might be necessary to implement preshipment inspection.</i>
164-165	<u>Russian Federation:</u> In order to verify the quality, the quantity, the price, including currency exchange rate and financial terms, as well as the customs classification of goods to be imported to the territory of the Russian Federation the Government of the Russian Federation is considering a draft Resolution to introduce the procedures on preshipment inspection. The WTO Agreement on Preshipment inspection provides for the opportunity to contract for or mandate the use of preshipment inspection activities without limitation of time of such use. The Government of the Russian Federation intends to use preshipment inspection activities for some time to estimate whether the use of preshipment inspection activities is worthwhile or not.
166-175	- Trade Remedy Measures
169 & 174	Paragraph 169 addresses the need for Federal Law 63-FZ to be replaced by WTO-conform legislation. There is no reason for the views of WTO Members on this to be presented in brackets. A consequent commitment by Russia should also be included. Similarly, paragraph 174 should not be in brackets as it describes the views expressed by WTO Members. Commitments language as outlined here should however be included in future drafts of the Working Party report.
166-175	The Section title should include separate reference to the three different types of trade remedy (Anti-dumping, Countervailing Duty and Safeguard Regimes). <u>Additional Inputs:</u> In January, Russia concluded a safeguard investigation on imports of poultry meat, and determined that it would apply measures in the form of quotas to restrict imports. We are reviewing the report of that investigation and reserve the right to provide additional comments on this issue for the draft Working Party report text at a future time. The WP report text should be updated to reflect the imminent passage of new legislation that intends to bring Russia's trade remedy regime into conformity with WTO Agreements, noting improvements in the new legislation that correct deficiencies in current legislation, and responding to the concerns raised in the earlier draft, e.g.: - By what date does Russia foresee enactment of the new legislation and implementation of new procedures in investigations? - Please provide a list of all current antidumping, countervailing duty, and safeguard actions in place against imports, listing both products covered and countries affected, to illustrate how the current legislation has been used. - What is the functional difference in procedure or penalty application under the current Russian "trade remedies" regime between antidumping remedies and safeguards?

168	This section, concerning the application of import quotas for balance of payments purposes, does not indicate that Russia intends to administer this and subsequent such authority in conformity with Article XII of the GATT and the Understanding on Balance of Payments Measures, nor to give preference to price based measures. Reference to these WTO obligations should be included in the text.
166-175	<i>Information based on new legislation expected.</i>
166-167	<u>Import Surcharge:</u> <i>We note paragraphs on Russia's import surcharge (paras 122-123 of the first draft report) have been transferred to another part of the Report. We nevertheless seek the inclusion in the draft Report of responses to the concerns raised by Members in paragraph 123 of the former draft.</i> <i>We seek the inclusion of commitment language.</i>
169-170	<i>Paragraph 170 seems to suggest that some legislation on trade remedies has already been passed whereas paragraph 169 refers to Russia's intention to pass such legislation.</i> <i>- We ask that these paragraphs be reconciled.</i>
171	<i>Members have raised what appear to be several legitimate concerns which have not been fully addressed by the response in paragraph 171, particularly in relation to safeguards. Furthermore, we seek clarification of the meaning of the passage within Federal Law No.63-FZ that investigations "should be primarily devoted" to determination of injury, causation aspects and dumped imports.</i> <i>We ask that the substance of these concerns be addressed.</i>
173	<i>We seek an update on the passage of legislation referred to in paragraph 173.</i>
166-175	<u>Russian Federation:</u> In order to make this sub-heading clear for the WTO Members the Russian Federation proposes to define each part of this sub-section. In particular: - <u>Import surcharge</u> - <u>Antidumping</u> - <u>Countervailing Measures</u> - <u>Safeguards</u> <u>Import surcharge</u> The representative of the Russian Federation noted that Article 15 of Federal Law No. 63-FZ of 14 April 1998 "On Measures to Protect the Economic Interests of the Russian Federation with Respect to Foreign Trade in Goods" provided the legal framework to safeguard the country's balance of payment. In particular this Article contained: 1. For the purposes of maintaining the equilibrium of the balance of payments of the Russian Federation the Government of the Russian Federation may adopt a decision to impose a temporary limitation on the imports of goods. 2. The limitation of the imports of goods shall be implemented by means of introducing an import quota or other measures for a term required to restore the equilibrium of the balance of payments of the Russian Federation with due regard to the international obligations of the Russian Federation.

	<p>3. The monitoring of the implementation of such a quota or other goods imports restriction measures shall be the responsibility of the federal body of executive power specified in Article 3 of the present Federal Law.</p> <p>4. Decision on the imposition of limits on the imports of goods in the case specified under Item 1 of the present Article shall be made on the proposal of the Central Bank of the Russian Federation or of federal bodies of executive power as approved by the Central Bank of the Russian Federation.</p> <p>5. The measures listed in the present Article shall be applicable on a non-discriminatory basis.</p> <p>Therefore Russian Federation believes that there is no inconsistencies of the provisions of Federal Law No. 63-FZ with WTO requirements, i.e. Article XII of GATT 1994 and the UR Understanding on that article.</p> <p>A temporary 3% surcharge introduced by Resolution of the Government of the Russian Federation No. 791 of July 17, 1998, was in effect until February 28, 1999, and is not maintained at present.</p> <p><u>Antidumping, Countervailing Measures, Safeguards</u></p> <p>The representative of the Russian Federation also noticed that a new draft Federal Law "On Safeguard, Anti-Dumping and Countervailing Measures" had been prepared by the Government with the objective of introducing full conformity with the relevant WTO provisions in these areas. This new law had been submitted to the State Duma. The draft Federal Law makes more precise the terminology in these areas in compliance with the rules and provisions of WTO. Thus the draft provides a clearly distinction between the serious and material injury. Also a new Law expands government's authority on a phase of initiation of investigation. The draft provides the understanding of a specific subsidy in full conformity of WTO provisions. The definition of the dumping margin best of all correspond to Article II of the Agreement on implementation of Article VI of the General agreement on tariffs and trade 1994. A new Law keeps in force five-year maximum duration for antidumping and countervailing measures and eight-year for safeguards</p> <p>The new law should be applied to a legal relationship raised after it coming into force. It means that the investigation started before coming into force a new Law should be conducted under according 63-FZ</p> <p>List of all current antidumping, countervailing and safeguards duties and conducted investigations</p>
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1. Safeguards measures

Name of goods	Phase	rate
Corn starch (Custom Tariff Code 1108 12 000 0) Potato starch (Custom Tariff Code –1108 13 000 0), with the exception of members EEU	Safeguards duty	30 % nor less 0,11 euro/1 kg; 10 % nor less 0,04 euro/1 kg
Caramel (Custom Tariff Code – 1704 90 710 0,1704 90 750 0), with the exception of Byelorussia	Safeguards duty	21 % nor less 0,18 euro/1 kg
Compressors (Custom Tariff Code – 8414 30 910 1, 8414 30 910 2), with the exception of members EEU	Safeguards duty	20 %
Poultry meat (Custom Tariff Code – 0207)	Import quota	1050000000 kg
Crystalline silicon (Custom Tariff Code – 2804 69 0000)	The investigation finished. Decision pending.	
Ball bearings and roller bearings (Custom Tariff Code – 8482 10 9000, 8482 20 0000)	The investigation finished. Decision pending.	
Sugar syrup (Custom Tariff Code – 1702 90 990 0), With the exception of Byelorussia	The investigation is conducted	
Confectionery with cocoa (Custom Tariff Code – 1806 90 5001, 1806 90 5002, 1806 90 5009)	The investigation is conducted	
Wall-paper (Custom Tariff Code – 4814)	The investigation is conducted	
Fluor-spar (Custom Tariff Code – 2529 21 000 0)	The investigation is conducted	

2. Countervailing measures

Metal bars (Custom Tariff Code –7213 10 000; 7213 91 100; 7213 91 410; 7213 91 490; 7213 91 700; 7214 20 000; 7214 99 100; 7214 99 390; 7227 20 000; 7227 90 950; 7228 20 190; 7228 20 300; 7228 20 600; 7228 30 690; 7228 30 890;7228 60 890) against Ukraine	Countervailing duty	21 %
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3. Antidumping measures

Flat rolled metal (Custom Tariff Code –7210 49 90000) against Ukraine and Kazakhstan	Provisional antidumping duty	31,8 % (for Ukraine); 36,9 % (for Kazakhstan)
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176-181	Export Regulations - Export Duties
176-181	A full list of the currently-applied duty rates and the products affected should be reinstated in the draft WP report. We continue to expect Russia to make commitments in this area, as indicated in our previous papers and referenced in paragraph 179 (which should not be in brackets, since these are the views expressed by Members).
176-181	During the December 2002 meeting, the Russian Federation indicated that high value products have been removed from the list of products subject to export duties and that the list has been shortened and that it will provide an updated list. We would appreciate to have this list for our next Working Party meeting in March 2003.
176-181	The text should be expanded and updated to include description of Russia's future plans in conjunction with application of tariffs, VAT, and excise changes to exports. In particular, we seek confirmation that Russia removed some export duties and information on Russia's plans in this regard. This information is necessary whether or not Russia eventually takes any sort of commitment..
180	<p>Please explain, in light of improved economic circumstances, if these taxes are still necessary for the reasons outlined in the paragraph, i.e., dealing with the external debt?</p> <ul style="list-style-type: none"> - Please clarify whether Russia is still levying VAT on any exported products. - Please address the efficiency and timeliness of VAT export refunds. We understand that exporters have had difficulties claiming such legally permissible refunds, and that there have been delays in their transmittal, without explanation
179	<p><i>Suggests the addition of the following text at the end of the paragraph:</i></p> <p><i>"Some members also requested the Russian Federation to reduce the number of products subject to the export duties, especially the products with higher value added (e.g. a coniferous bonded wood), so that the negative impact in trade in such products with higher value added can be minimised."</i></p>
181	<p><i>suggests the addition of the following text at the end of the paragraph:</i></p> <p><i>"[...The Russian Federation confirmed its efforts the reduction in the number of the products subject to export duties, especially the products with higher value added.]"</i></p>
176-181	<p><u>Russian Federation:</u></p> <p>Export duties play an import fiscal and regulatory role in the Russian Federation. Export duties payable on a limited number of goods were introduced as a temporary measure to respond to a sharp plunge of the Ruble in August of 1998 which gave the exporters a significant edge in the form of additional income over sales of goods on the domestic market to satisfy its</p>

	<p>immediate needs.</p> <p>We note that export duties do not affect the price of a commodity but rather redistribute a part of additional income of the exporters obtained from export due to a recalculation of foreign currency against the devaluated ruble rate encouraging exports. Export duties provided a solution for replenishing the revenues of the Budget (which was also required to perform Russia's international financial commitments) and a trade remedy to protect Russian consumers, i.e. addressed both social and economic needs.</p> <p>Statements to the effect that export duties "influence prices", "distort international trade", "represent indirect subsidies", "may discriminate against foreign buyers" are, in our opinion, ungrounded.</p> <p>Export duties is an instrument of trade policy of many WTO Members fully consistent with the WTO provisions. The export tariff of the Russian Federation was submitted to the members of the Working Party. In this regard the delegation of the Russian Federation reiterated its position that the requests of some WTO Members to phase out export duties either as an instrument of trade policy or under an established time table is beyond the standard requirements towards the acceding country under the existing WTO provisions.</p> <p>Despite the fact that this instrument of trade policy is essential for purposes to pay the external debt of the Russian Federation, in 2001-2002 the list of goods subject to export duties was reduced more than on 40 per cent, while the simple mean rate of export duties reduced from 10,5 to 6,5 per cent. The products subject to export duties and respective duty rates on June, 2002 on 10-digit level of HS-2002 were enumerated in the Table attached to WT/ACC/SPEC/RUS/25/Add.2 (Annex I). The list of products subject to export duties containing 680 lines at present included mostly stock exchange products subject to world prices. Thus, export duties could not discriminate against foreign buyers and raise the level of export prices. Moreover, the number of products subject to export duties would be gradually reduced depending on diminishing the external debt of the Russian Federation.</p>
182-187	- Quantitative Export Restrictions, Including Prohibitions and Quotas
182-187	Para 182-84: These paragraphs will need updating in light of the draft law on the State Regulation of Foreign Trade Activity. In addition, most of the text of para 73 refers to export requirements and should be incorporated into this Section.
182	The text of this paragraph says that export bans have been eliminated, which directly conflicts with the statement in para 73 that export of unprocessed precious metals and stones is prohibited. This conflict should be resolved.
183	<p>Please provide information on any export bans or quantitative restrictions that still exist in Russia's trade regime, e.g., controls on natural gas exports, and provide an explanation on how this is consistent with Article XI of GATT 1947. Please clarify if any export restrictions remain on rare earth metals precious stones (natural or processed), and give legislative citations of their existence or repeal.</p> <p>- Please explain how, and the degree to which, the Commission for the Access to Trunk Oil and Gas Pipelines allocates the distribution of oil and gas between domestic and foreign markets.</p>
185-186	Please provide information on timber products that are covered by these

	<p>measures, and clarification of whether the restricted use of checkpoints for exports is more widespread, i.e., are there additional products? What measures is Russia taking to address the concerns expressed?</p> <p>We understand that pursuant to the Law “On Gas Supply,” GAZPROM is legally obligated to supply the Russian domestic market with gas at a State controlled price and that consumers having contracts with GAZPROM enjoy an automatic right of renewal. In effect, this restricts the quantity of gas available for export. Please explain how these requirements are consistent with Article XI of the GATT.</p>
183	<p><i>We thank Russia for the explanation of national interest contained in paragraph 184. We ask that Russia include in the draft Report a response to the question in the first sentence of paragraph 183 asking for details of export restrictions abolished since 1996.</i></p>
182-187	<p><u>Russian Federation:</u></p> <p>The export restrictions that existed in the Russian Federation until they were abolished in 1996, concerned primarily dual purpose goods, military and strategically important goods. Thus, for instance, Resolution of the Russian Federation Government No. 854 of November 6, 1992, “On Licensing and Quoting of Export and Import of Goods (Works, Services) on the Territory of the Russian Federation” (currently ineffective) provided a list of goods subject to export licensing and quota. Resolution of the Russian Federation Government No. 199 of February 28, 1995, “On Streamlining Exports of Cotton Fibre from the Russian Federation” imposed a ban on exports from the Russian Federation of cotton fibre purchased abroad which was motivated by the intention to protect the interests of Russian consumers and producers of textiles and other goods, and to protect also the jobs in cotton-processing and related facilities. The ban has been subsequently lifted.</p>
188-194	<p>- Export Licensing Procedures</p>
191 & 193	<p>In paragraph 191, Russia indicates that legislative action in the area of export licensing is pending. Can Russia please provide further relevant information?</p> <p>Paragraph 193 does not give a sufficient response to the concerns we have raised in relation to the licensing of access to oil and gas pipelines for export products. The assertion that “there were no licensing requirements that govern access to pipelines or other distribution networks so as to restrict the volume of gas and oil exported” has not been supported by any convincing argumentation or evidence. We therefore reiterate our concerns and our request for a substantive response.</p>
188-191	<p>These paragraphs will need updating in light of the provisions of the draft law on the State Regulation of Foreign Trade Activity and subsequent changes to the regulations mentioned in paragraph 191.</p> <p>Does Russia have any licensing requirements for export of fertilizers?</p>
194	<p>Russia should respond to Members’ request that Russia undertake commitments and specifically justify existing restrictions on exports of precious metals and stones, pharmaceuticals, alcohol, and products for plant protection. Pending receipt of additional information, it is not clear that these requirements are justified under GATT Articles XX or XXI, or other WTO Agreements.</p>
Table 17 (a)	<p><i>We welcome that Russia is no longer seeking WTO legal cover under the exceptions of Article XX of GATT 1994 for measures applied by means of the non-automatic licensing to exports of certain precious metals and stones, objects made thereof, and</i></p>

	<i>certain alloys, semi fabricates, ores, concentrates and wastes (Table 17(a)).</i>
189-191	<p><i>We welcome Russia's recognition that export restrictions on precious stones and metals (paragraphs 191) are not in compliance with WTO disciplines.</i></p> <ul style="list-style-type: none"> <i>- We request Russia to include in this section of Report a clarification and full explanation of the purpose and justification sought under GATT Article XV:9(b) for the non-automatic licensing of exports of precious metals and stones, objects made thereof, and certain alloys, semi fabricates, ores, concentrates and wastes.</i> <i>- We seek an update on the efforts to amend laws and regulations relating to these measures to ensure WTO consistency.</i> <p><i>Members also raised the justification for export restrictions on pharmaceuticals (paragraph 189) and restrictions on customs posts and distribution (paragraph 192).</i></p> <ul style="list-style-type: none"> <i>- We seek the inclusion in this section of the Report of Russia's responses to these concerns.</i> <i>- We also note that Russia's table of goods subject (Table 17(a)) includes a larger number of entries than in the previous draft of the Working Party report.</i> <i>- We seek clarification as to the reasons for the addition of some goods. Furthermore, we seek clarification as to whether the exclusion of alcohol and vodka from the list means that all export licensing procedures in relation to these products have been removed.</i>
192	<p>We are concerned on practices applied by Russian authorities (licensing requirements, practice by specially assigned federal commission) limiting access to oil pipelines and thus effectively prohibiting exports of oil products. We believe this is in breach with the provisions of the Article XI of the GATT.</p> <p>We seek inclusion in the Report further explanation how Russia will ensure conformity with the WTO rules and the Article XI of the GATT particularly in this sector?</p>
194	<p><u>Russian Federation:</u></p> <p>Amendments have been made to Decree of the President of the Russian Federation of June 21, 2001, No. 742; a draft decree to make additional amendments to Decree 742 concerning exports of ores and concentrates of precious metals has been prepared and is being considered by the Presidential Administration.</p> <p>February 6, 2002 was the effective date of Presidential Decree No. 1373 of November 30, 2002, "On Approval of the Regulation on Import to the Russian Federation and Export from the Russian Federation of Natural and Cut Diamonds" which contains provisions liberating the diamond market.</p>
195-199	- Export Financing, Subsidy and Promotion Policies
198	The assertion made by Russia in Paragraph 198 that pricing practices concerning exported natural gas are "commercially based" should either be deleted or balanced by language indicating the very different view taken by WTO Members (cf the section of the report on Pricing Policies).
195-199	A recent OECD report indicates that Russia has substantially reduced and reallocated its subsidies to the coal sector over the past few years. According to the report, State budget finance to the coal sector and adjustment loans to support coal sector restructuring in Russia has been reduced from \$US1,940 million in 1996 to \$US200 million in 2000. The report provides a breakdown of coal subsidies in 1996 and 2000. Further to our recent questions on this issue, we would be grateful if Russia could provide responses to the following specific

	<p>questions:</p> <ul style="list-style-type: none"> - Can Russia confirm the figures contained in the OECD report? - Is Russia able to provide more recent figures? - Could Russia provide details on how the subsidies in the various categories referred to in the OECD report are being delivered? In particular: <ul style="list-style-type: none"> - Are any of these subsidies linked to production? - Are any of these subsidies contingent upon export performance? - Could Russia confirm that operating loss subsidies were eliminated by the end of 2001, as stated in the OECD report? - Could Russia provide details (including timeframes) on plans to phase out remaining subsidies? - Could Russia provide details on any generic subsidies where coal producers are beneficiaries (i.e. subsidies not mentioned in the OECD report)?
195-199	<p>Russia should provide information on the draft Law on State Aids, outlining its provisions, and indicating the extent to which it deals comprehensively with subsidies and outline provisions of the law that address WP concerns, e.g., subcentral subsidies, and subsidies funded by “revenues foregone” by the State, e.g., tax exemptions or through state-mandated price controls, as well as through direct budgetary outlays.</p> <ul style="list-style-type: none"> - To what extent are loans provided under Government Resolution No. 538 (“On Provisions of Budgetary Loans to Finance the Implementation of High-Return Contracts for Production and Supply of Products, Including Export Supplies”) contingent upon export performance? - Please discuss the benefits to domestic producers of price and availability of natural gas, particularly to export industries.
199	Please clarify if Russia intends to invoke Article 29. Does Russia maintain that it has no prohibited subsidies and thus Article 29 is irrelevant?
-	<p><u>Import Duty Drawback Schemes</u></p> <p>Please clarify if Russia intends to invoke Article 29. Does Russia maintain that it has no prohibited subsidies and thus Article 29 is irrelevant?</p>
195-199	<i>We seek the inclusion in this section of the draft Report of fuller responses to the concerns raised by Members under paragraphs 195 and 197, including through the provision of detailed information on the nature of any industrial subsidies that may impact on export industries.</i>
199	<i>Commitment text of para 199 made much clearer, includes now deferrals of taxes.</i>
195-199	<p><u>Russian Federation:</u></p> <p>The draft law "On State Aid" is in the process of preparation by the federal bodies of executive power. The draft refers to relations, affecting competition on the Russian market, which arise in connection with granting and use of the state aid, as well as control over its granting and use.</p> <p>The definition of state aid includes direct transfer of financial resources, issuance of loan guarantees, foregone revenue by the state (tax advantages, soft loans), provision by the government of goods or services other than general infrastructure, other forms of support of revenues and prices.</p>

	The draft contains a list of prohibited types of state aid, which receipt is conditional on export activities or import substitution.
195-199	<p><u>Russian Federation:</u></p> <p>The state support of the coal industry is carried out in accordance with the program of restructuring of the coal sector aimed at acceleration of transfer to non-subsidised activities, enforcement of government control and higher effectiveness of use of state resources.</p> <p>As per the resolution of the Government of 03.12.1997 No/1523 "On state financing of restructuring of the coal industry" the priority directions of restructuring are providing for the social security of the employees, secure conditions of work in coal mining, and financing of technical measures to liquidate the most loss-making and non-perspective coal (shistous) mines.</p>

Financing of coal industry (million roubles)	2000	2001	2002
Total	7967.4	6294.8	6998.3
Liquidation of loss-making mines	2076.1	2462.6	2042.0
Social security of employees and secure conditions of work in coal mining	4373.0	2981.4	4556.3
Production support	1518.3	590.8	-
Subsidising of interest rates on commercial loans	-	260.0	400.0

RF	Since 2002 the federal budget does not provide allocations for the support of production. The main directions are measures to enhance social security of employees and secure conditions of work in coal mining and liquidation of particularly loss-making mines. No resources are allocated for export subsidies. These directions will be retained in the future.
202-208	<p>3. Internal Policies Affecting Foreign Trade in Goods</p> <p>- Industrial policy, including subsidy policies</p>
202-208	<p>Concerning the last sentence of Paragraph 202, can Russia confirm that there currently are no export subsidies in place that are based on revenue foregone? If Russia cannot do so, then the word "budget" should be deleted from this sentence. In addition, the wording "or import substitution subsidies" should be added to the end of the sentence to cover all prohibited subsidies.</p> <p>In connection with paragraph 204, we note that we are still waiting for a response from Russia with more detailed information on certain particular named subsidy programmes that have been brought to the attention of the Working Party. This request was made more than one year ago.</p> <p>Paragraph 205 indicates that relevant legislation is in the pipeline. We note that this legislation must be in line with WTO requirements (rather than it "should be" as in the text) and invite Russia to provide additional relevant information on this.</p> <p>In Paragraph 208, the limitation of a commitment in this area solely to "federal and regional subsidy measures identified" is not acceptable. WTO disciplines apply to all subsidy programmes, including at sub-regional level, whether or not they have been identified in the course of the Working Party's work. Accordingly, this limitation should be deleted.</p>

	<p>We also request Russia to provide information on the Forestry Industry Development Programme for the Years 2002 – 2015 that was adopted in November 2002. What specific measures are envisaged to support the development of this industry in Russia? (NB: depending on the individual measures adopted, this support programme could also prompt concerns in relation to other areas of the Working Party report, eg registration procedures, export duties, QRs, certification.)</p>
202-208	<p>We appreciate the work Russia has done with the WP to outline existing subsidies. At the current time, however, we are not prepared to accept as accurate the statement in the last line of this paragraph, i.e., “At present, no budget subsidies existed in the Russian Federation which could be considered as export subsidies.”</p>
205	<p>What does the third sentence mean? It says that the new law on State Aids would unlikely interfere with the Tax law. Please clarify.</p> <p>Additional information should be provided on how Russia’s price controls on domestic sales of natural gas suppress the cost of the input to domestic producers, and the relationship of the controlled price to the cost of production and transport.</p> <p>In addition, information should be provided on the following specific questions:</p> <p>Article 4 of the Law on Gas Supply sets out as a basic principle governing federal gas supply policies “the creation of conditions for the wide use of gas as a . . . raw material for the chemical industry.”</p> <ul style="list-style-type: none"> - Please explain the purpose of this policy and how it has been implemented. <p>We are concerned that GAZPROM may not be paying a market price for its lease/concession arrangements for the exploration and production of natural gas.</p> <ul style="list-style-type: none"> - What are the specific terms and conditions of each type of lease/concession currently in effect between the federal and/or regional governments and GAZPROM? - How do these terms and conditions differ from each type of lease/concession/production sharing agreement currently in effect between the government and private sector companies? <p>Based on GAZPROM’s annual reports, please separate and list GAZPROM’s total cost of cost production, distribution, transportation, capital expenditure and return on investment.</p> <ul style="list-style-type: none"> - Please show how these costs are used to derive the controlled, domestic price of natural gas. How are future investment costs taken into account in setting domestic prices? <p>Please describe the gas reform plan currently being considered and the timetable for adoption and implementation. What is the expectation with respect to domestic gas prices in the short- and long-term if the reforms are implemented?</p>
202-208	<p><i>Need a complete picture of RF’s subsidies and rules/legislation in subsidies and economic effects to get the correct picture of possible trade effects. This information should be based on the notification requirements for subsidies that RF will face as a</i></p>

	<i>member of the WTO.</i>
202-208	<p><i>This section should include information on the elimination of coal subsidies.</i></p> <p><i>- We ask that details of the elimination of coal subsidies be included in this section of the draft Report. Have all coal subsidies been eliminated? If not, we seek the inclusion of details of the remaining subsidies and Russia's plans to eliminate them.</i></p>
204-206	<p><i>Members have raised a number of concerns specified in paragraphs 204, and 206, in relation to which more discussion will be needed.</i></p> <p><i>- We seek the inclusion in this section of the draft Report of full responses to those concerns.</i></p>
206-207	<i>The issue of natural monopoly pricing concerning existing pricing mechanisms and reforms are taken up in para 206 and 207 and will need to be elaborated in the future. Will continue to work on this problem based on the plurilateral energy discussions. The issue is whether there is de facto subsidization of the Russian fertilizer industry through the prices on inputs (gas) or even by the non-payment of inputs leading for example to debt/equity swaps.</i>
246-250	- Trade-related Investment Measures (TRIMs)
246-250	<p>We note that document SPEC/30 provides a response by Russia to the questions raised by WTO Members concerning the investment regimes for Production Sharing Agreements (PSAs) and Vehicles. The answers provided do not dispel our concerns that aspects of the PSA regime are in conflict with WTO obligations under the TRIMS agreement. In particular, Russia has not demonstrated that the requirement to place a proportion of all orders for equipment, machinery and supplies with Russian legal entities and for such products to be produced on the territory of the Russian Federation does not amount to a local purchase requirement prohibited under GATT Article III and the TRIMS Agreement.</p> <p>In relation to the Vehicles sector, the response in SPEC/30 provides some information on the recently formulated <u>Development Concept</u> for the industry. However, the form and extent of the intended direct or indirect Government support to the industry is not indicated; nor is it clear how far the measures envisaged would pose problems vis-à-vis the WTO TRIMS, Subsidies or other WTO agreements. We invite Russia to provide more comprehensive information on this concept, including in relation to coherence with specific WTO requirements.</p>
246-250	Please confirm whether Presidential Decree No. 135 of 5 February 1998 "On Additional Measures to Attract Investments for Development of Domestic Car Marketing" has already been abolished. If not, please explain when Russia intends to abolish this Decree.
246-250	<p>- Regarding Article 44 of the TRIPS Agreement, please explain the current legislative situation on establishment of the system for the injunction of imported goods including the infringement of Intellectual Property Rights.</p> <p>- At the experts meeting on TRIPS in September of 2002, we were informed by Russia that further expanding the power of custom authorities is discussing in DUMA.</p> <p>- Please explain the updated situation on expanding the power of custom authorities.</p> <p>- We understand that Russia is to amend its law related to Intellectual Property Rights, including copyright law in order to fully meet the</p>

	<p>obligations of TRIPS Agreement and Berne Convention. Please clarify which points of current these laws have been or need to be amended. Please provide the schedule of amendments of these laws as well.</p> <p>- d) We recognize that counterfeited goods and pirated works of foreign countries are widely distributed in Russia. Please provide us with detailed explanation as to what kind of measures the Russian Government will take in order to combat infringement. In addition, please explain the articles which ensure effective remedies and enforcement system stipulated in TRIPS Agreement. Moreover, please provide the detailed data concerning the market scale of counterfeited goods and pirated works and the number of cases that criminal penalties have been applied.</p>
246-250	<p>Please indicate why the Russian Government has proposed expansion and intensification of the existing PSA local content provisions, which Russia has already acknowledged are inconsistent with the Agreement on TRIMS?</p> <p>How does Russia intend to address its commitment to eliminate all such measures from the date of accession, if it is working to increase the incidence of such measures already in place?</p>
246	Please provide a description of the provisions of the superceding Government Resolution.
247	We would appreciate more information on how Russia plans to address the commitments it has already made to firms to grant incentives for the production of Autos and Aircraft, and for output under the Production Sharing Arrangements if, as is stated, Russia is also committed to eliminating the laws that authorize granting such incentives.
246-250	<p>We welcome the additional information provided by Russia in relation to production-sharing agreements (PSAs).</p> <p>- What steps will Russia take to bring Article 7 of the Federal Law on "Production Sharing Agreements" into compliance with GATT Article III (also see annex to the TRIMS Agreement)?</p>
246-250	<i>Additional information on production sharing is still necessary in this chapter. The provision for some obligations of foreign investors taking part in PSA schemes to place some portion of their orders for locally produced goods must be elaborated. Such practice is inconsistent with Art III of the GATT, see the illustrative list annexed to the TRIM Agreement. Information on changes to conform with the TRIMS Agreement is also necessary.</i>
246-250	<i>We seek the inclusion in this section of the draft Report of full responses to the requests made and concerns raised by Members in paragraph 248. Paragraph 249, for example, does not address the issue of production sharing agreements.</i>
248	<i>Regarding TRIMS we feel that the question in Para 248 on the Law on "Production Sharing" are not sufficiently addressed by the delegation of Russia. We would welcome any further replies in that regard.</i>

Russian Federation:

Law of the Russian Federation of December 30, 1995, No. 225-FZ «On Production Sharing Agreements» provides legal framework for relations arising in the course of Russian and foreign investment in search, exploration and mining of minerals on the territory of the Russian Federation and the continental shelf and/or within the boundaries of the exclusive economic area of the Russian Federation on the terms of production sharing agreements.

The rights and obligations of the parties to a production sharing agreement are governed by civil

law. A production sharing agreement is a contract by which the Russian Federation provides to a business, in consideration for a compensation and for a limited term, exclusive rights to perform search, exploration and mining of minerals in a subsoil plot specified in such agreement and any related works, and the investor undertakes to perform the said works at own risk and expense.

Federal Law «On Production Sharing Agreements» has been amended and supplemented twice by federal laws of January 7, 1997, No. 19-FZ, and of June 18, 2001, No. 75-FZ.

Federal Law of January 7, 1999, No. 19-FZ, introduced the requirement that the terms of the tender or auction must provide for participation of Russian legal entities in the implementation of the agreement to such extent (in such proportion) as determined by the Government of the Russian Federation and competent executive authorities of the Russian Federation regions (Article 7).

The Law also requires the parties to provide as a condition of the agreement that no less than the specified portion of mining and processing (if envisaged by the agreement) technologies purchased by the investor must be produced on the territory of the Russian Federation.

The State Duma of the Federal Assembly of the Russian Federation has been presented with a draft federal law amending and supplementing Article 7 of the Federal Law of the Russian Federation «On Production Sharing Agreements» providing that a certain value of orders (as a percentage of total investment) for equipment, machinery and supplies purchased by the investor during the periods of time or phases of work provided by the agreement for geological exploration, mining, processing or transportation of minerals must be placed with Russian legal entities.

Further, the State Duma has passed in the first reading the draft federal law amending and supplementing the Federal Law «On Production Sharing Agreements» providing:

- *that a limited period of time be allowed for preparation and signing of a PSA. It is proposed to establish a 2-year period for negotiation and signing of an agreement;*
- *for mandatory official publication of details of the participants, project value, taxes and payments;*
- *for a new scheme for dividing production into profit and compensatory values. It is also proposed to replace all taxes and levies, including profit tax and royalty, for the investor with a single tax. The draft law provides a more detailed procedure for transfer of rights and obligations under a PSA in the event of reorganisation of the participating legal entities.*

A significant legislative development is Resolution of the Government of the Russian Federation of August 30, 2001, No. 1155-r appointing the State Unitary Enterprise «Russian Foreign Economic Association «Zarubezhneft» and OJSC «Oil Company Rosneft» as organisations authorised to assist protection of the interests of the Russian Federation in the preparation and implementation of production sharing agreements in respect of subsoil plots and deposits of hydrocarbons [measures affecting import or export by private businesses].

The agreements are valid nowadays:

- *Production sharing agreement on Chayvinskoe, Odoptinskoe and Arkutun-Daginskoe oil and gas-condensate fields (Sakhalin-1), Production sharing agreement on Piltun-Astokhscoe and Lunscoe oil and gas fields (Sakhalin-2), Production sharing agreement on oilfield development and oil production on Haryaginskoe oilfield, Project "Samotlorskoe field".*

Based on the Presidential Decree No. 135 of 5 February 1998 "On Attracting Additional Investments to Promote the Automobile Industry" and the Government Resolution No. 413 of

23 April 1998 "On Additional Measures to Attract Investments for the Development of the Domestic Automotive Industry" there were 4 investment agreements concluded:

- with Finance and Industry Holding «Doninvest» for the production development on SK «Taganrog car plant »;*
- with the Russian-French firm JSK «Avtoframos»;*
- with Russian-American firm SK «Ford Vsevolzhsk»;*
- with Russian-Italian firm SK «Nizhegorod Motors »*

All these agreements provide for establishing of car assembling units in the Russian Federation by the companies «Daewoo» (Southern Korea), «Renault» (France); «Ford Motors» (USA) and «FIAT» (Italy) respectively.

Car-making industry

Resolution of the Government of the Russian Federation of July 16, 2002, No. 978-r approved the Development Concept of the Russian Car-Making Industry (hereinafter the Concept). The Ministry of Industry and Science of the Russian Federation and the Ministry of Economic Development of the Russian Federation jointly with the affected federal executive authorities have been instructed to develop a plan of measures to implement the mid-term Development Concept of Car-Making Industry (2002 – 2004) and submit it within 2 months to the Government of the Russian Federation (the plan of measures has not been approved yet).

The Concept defines the goals, tasks and priorities of the sectoral development to satisfy the requirement of the domestic market, develop production capacities, increase export of motorcars and ensure national security. The Concept covers the period until 2010.

The objectives of the Concept are to create an environment congenial to development of the Russian car-making industry, its integration with the international car-making, and improved effectiveness of production of modern competitive motorcars satisfying the needs of the population and the economic actors. Among the basic provisions of the Concept are the following.

Improved competitiveness of motorcars may be achieved through institutional changes, development of production of hi-tech component parts and materials, application of state standards compatible with international requirements, improvement of R&D and labour components.

Confirmation of conformity of motorcars, components and spare parts to the existing standards takes the form of voluntary certification or declaration by the manufacturer or the seller.

Voluntary certification of products of car-making industry will contribute to the improvement of quality, reliability, durability and suitability to the working conditions, and other consumer qualities of cars.

The use of customs tariff regulation in car-making must be conscious of the need to protect domestic producers with a view to successfully implementing the investment programmes of the enterprises of the sector and filling the domestic market with competitive machinery.

The Concept deems it reasonable to keep the present import customs duty rates for new cars and those that have been used for up to 7 years, unchanged for a seven-years transition period. The said transition period should be sufficient for the Russian Federation to improve domestic production so that it may become competitive on the domestic and foreign markets. Special attention should be given to creating capacities to produce competitive hi-tech automobile components.

Imported cars that have been used for over 7 years must be subject to import customs duty rates proportionate to those charged on new cars.

Domestically-produced cars that have been used for more than 7 years will be made subject to higher insurance premiums and charges for the owners so that to make maintenance and operation of such cars uneconomic and thus to generally improve age characteristics of privately owned cars.

Import customs duties may be reduced for certain types of vehicles that are not produced domestically provided that their characteristics correspond to long-term international norms.

Customs duties for imported components and materials for industrial assembly of cars must be optimised. This will allow reducing the cost of such cars and stimulating development of assembly facilities in Russia.

It is proposed to reduce customs duties for car-making technologies that are not produced in the Russian Federation.

Priority measures of state support for development of domestic car-making include, among others:

- *to create new effective production facilities to manufacture automobile components in the existing and future federal target programmes;*
- *to develop a Russian-Byelorussian program for development of diesel car-making for 2003 – 2008;*
- *to assist the development of a financial leasing system in production and distribution of public use motorcars;*
- *to assist implementation of investment projects in the territory of the Russian Federation involving foreign car-makers;*
- *to introduce an insurance system of motorcars and civil liability based on the age of cars;*
- *to reduce the rates of customs duties for technologies, components, aggregates, blocks, details and parts that are not produced in the Russian Federation;*
- *to raise import customs duties for motorcars and buses with a long operational life;*
- *to level out customs duties for legal entities and individuals for the purpose of import to the customs territory of the Russian Federation of used motorcars;*
- *to purchase domestic motorcars for government needs.*

251-259 **State-trading enterprises ("STEs")**

256-257 The responses provided in paragraph 257 do not satisfactorily address the concerns previously raised by WTO Members, including ourselves (eg identified in paragraph 256). We invite Russia to respond more fully.

- 251-259
- Russia should list the entities that qualify as state trading enterprises (STEs), and briefly describe their activities.
 - The suppression of domestic energy prices through price controls and other means should be included in the list of practices of concern.
 - Russia should explain the role of unitary enterprises in the context of import and export activity. In particular, whether unitary enterprises are concentrated in certain sectors and/or could affect trade in such goods and services.

We recognize that both Paras 258 and 259 need revision to be more precise about what is being sought and agreed.

Some reports have suggested that the state-owned telephone company

	<p>Svyazinvest, has required its Russian cable suppliers to procure optical fiber from a single supplier as a reward for that supplier's agreement to produce cable in Russia at a later date.</p> <ul style="list-style-type: none"> - Given Svyazinvest's influential market position, please explain how this is consistent with GATT Article XVII? - Specifically, does Svyazinvest have special or exclusive privileges granted by the State? Are there plans to restructure or to privatize Svyazinvest? Does the Russian Government have a specific policy regarding the privatization of infrastructure companies?, e.g., Svyazinvest? Is there any prospect for private control of Svyazinvest? <p>The cost of producing natural gas for GAZPROM, a state-trading enterprise, has been estimated to be approximately \$41 per tcm (see, United Financial Group, GAZPROM: The Kremlin's Choices, May 2002) compared to controlled domestic prices of \$16 per tcm.</p> <ul style="list-style-type: none"> - In light of these facts, please explain how GAZPROM is selling gas in the domestic market "solely in accordance with commercial considerations" as required by Article XVII:1(b) of the GATT. - What steps does the Russian Government plan to take to address the disparity between the cost of production and domestic price? When will this happen? <p>We also understand that GAZPROM holds monopoly rights for exporting gas into Europe. What steps does the Russian Government plan to take to ensure that GAZPRM can and does act in conformity with GATT Article XVII, i.e., decisions on export are made based on commercial considerations, particularly in the light of pricing policies and domestic consumers rights to renew contracts?</p>
251-259	<p><i>We understood that the present text does not reflect state-trading in Russia, and we therefore expect a new draft text. Members' comments on "artificially low domestic energy prices" are reflected in the text, but Russian replies are also necessary. More detailed information on Gazprom and the other state-trading enterprises is necessary to evaluate whether the commitment language is appropriate.</i></p>
252	<p><i>In paragraph 252, it is stated that export deliveries of raw diamonds from the Russian Federation were executed on the basis of commercial contracts concluded between Alrosa and foreign enterprises, and "the state did not interfere into the substance and form of these contracts". Our understanding is that the Russian Government approval or ratification of Alrosa's marketing arrangements is required prior to export.</i></p> <ul style="list-style-type: none"> - <i>We ask that Russia provide a full description of the procedures relating to Alrosa's ability to enter into commercial contracts, how adequate opportunity is afforded to the enterprises of other members to participate in such sales or purchases, and confirm that no Government approval or ratification of the terms of an intended sale and an export licence in relation to that sale is required.</i> - <i>We ask also that Russia comment on the relevance of the Understanding on the Interpretation of Article XVII of GATT 1994, which contains provisions concerning notification.</i>
255-256	<p><i>We seek the inclusion in this section of the draft Report responses to the requests made and concerns raised by Members in paragraphs 255 and 256.</i></p>
260-267	<p>- Free Zones and Special Economic Zones</p>

260-267	We await a response to the information request we submitted bilaterally more than a year ago (as part of the general exercise on Subsidies referred to above).
260-267	<p>Russia has described a system where certain sales from Kaliningrad and Magadan into the rest of Russia are not subjected to tariffs and taxes.</p> <ul style="list-style-type: none"> - WP member concern that the imported component of goods produced in free zones but eventually sold inside the home country should be subject to normal customs formalities when entering the rest of the country, including the application of tariffs and taxes, at least to the imported component. Russia should indicate how it intends to address this problem? - Please provide specific information on whether, and the extent to which, incentives granted to firms establishing in the zones are based on any kind of export performance or local content requirements.
260	<p>The new information on the application of duties and taxes to goods produced in the Kaliningrad and Magadan zones sold in the rest of Russia will require additional discussion, as it appears that such application is suspended under certain criteria.</p> <ul style="list-style-type: none"> - Under these circumstances, the commitment in para 267 does not conform to the information provided, and therefore we seek additional information as to how Russia intends to harmonize its practices. E.g.,: <ul style="list-style-type: none"> -- What level of change in commodity classification constitutes “sufficient processing?” -- If no duties are paid on input products processed in the zones and later “exported” to other regions of the Russian Federation, this may be an actionable subsidy subject to notification. -- To what extent are benefits provided in special economic zones contingent upon use of domestic rather than imported inputs? -- To what extent are benefits provided in special economic zones – with the exception of custom duty exemptions on imported inputs and final stage sales taxes – contingent upon export performance? - These are important questions that should be answered to determine if such benefits engage WTO provisions and should be eliminated or amended prior to accession.
260-267	<i>We seek the inclusion in this section of the draft Report of responses to the questions raised by Members in paragraph 263 and the proposal in paragraph 266.</i>
276-279	- Policies Affecting Foreign Trade in Agricultural Products
276	<i>Could Russia explain more specifically what degree of food security would be considered as sufficient for Russia.</i>
278	<i>With reference to the ongoing agricultural plurilateral process, we suggest that the draft Working Party Report note that a more comprehensive submission of the Russian Federation’s recent agricultural support policies is still required. This information is needed in order to establish an acceptable basis upon which the Russian Federation’s agricultural commitments could be founded, consistent with the requirements set out in WT/ACC/4.</i>
280-281	- Trade in Civil Aircraft
280-281	Russia should provide additional information on its current activities, e.g., licensing and tariff suspensions, to increase market access in Russia for aircraft.

	The text should record that a number of members support a commitment by Russia to join the Agreement on Trade in Civil Aircraft upon accession.
282-284	- Textiles
282-284	<p>We again request that Russia accept the language set forth in paragraph 283 of the RUS/25/Rev1. The purpose of this language is to establish the basis for implementing article 2 of the Agreement on Textiles and Clothing and application of the growth provisions for Russia's quotas. The quantities provided for in bilateral textile agreements in place at the time of accession become the starting points for the liberalizations provided for in the ATC. Such language has been included in the protocols of several accession applicants and the Textile Monitoring Board has reviewed the language in the context of two other accessions.</p> <p>Paragraph 284 should be deleted.</p>

ANNEX

List of the Countries, in the Trade-Political Relations
with which the Russian Federation Applies Most-Favoured-Nation treatment

- | | |
|----------------------------|-------------------------|
| 1. Australia | 65. Libya |
| 2. Austria | 66. Liberia |
| 3. Albania | 67. Lithuania |
| 4. Angola | 68. Luxemburg |
| 5. Argentina | 69. Mauritius |
| 6. Afghanistan | 70. Mauritania |
| 7. Bangladesh | 71. Madagascar |
| 8. Belgium | 72. Macedonia |
| 9. Benin | 73. Malaysia |
| 10. Bulgaria | 74. Mali |
| 11. Bolivia | 75. Malta |
| 12. Bosnia and Herzegovina | 76. Morocco |
| 13. Botswana | 77. Mexico |
| 14. Brazil | 78. Mozambique |
| 15. Burkina Faso | 79. Mongolia |
| 16. Burundi | 80. Myanma |
| 17. Great Britain | 81. Nepal |
| 18. Hungary | 82. Nigeria |
| 19. Venezuela | 83. Netherlands |
| 20. Vietnam | 84. Nicaragua |
| 21. Gabon | 85. New Zealand |
| 22. Guyana | 86. Norway |
| 23. Gambia | 87. Pakistan |
| 24. Ghana | 88. Panama |
| 25. Guinea | 89. Peru |
| 26. Guinea-Bissau | 90. Poland |
| 27. Honduras | 91. Portugal |
| 28. Grenada | 92. Rwanda |
| 29. Greece | 93. Romania |
| 30. Denmark | 94. Salvador |
| 31. Djibouti | 95. Sao Tome & Principe |
| 32. Egypt | 96. Singapore |
| 33. Zaire | 97. Syria |
| 34. Zimbabwe | 98. Slovak Republic |
| 35. Zambia | 99. Slovenia |
| 36. Israel | 100. Somalia |
| 37. India | 101. Sudan |
| 38. Indonesia | 102. USA |
| 39. Jordan | 103. Sierra Leone |
| 40. Iraq | 104. Thailand |
| 41. Iran | 105. Tanzania |
| 42. Ireland | 106. Tunisia |
| 43. Iceland | 107. Turkey |
| 44. Spain | 108. Uganda |
| 45. Italy | 109. Uruguay |
| 46. Yemen | 110. Philippines |
| 47. Cabo Verde | 111. Finland |

- | | | | |
|-----|---------------------|------|--|
| 48. | Cambodia | 112. | France |
| 49. | Cameroon | 113. | FRG |
| 50. | Canada | 114. | Croatia |
| 51. | Qatar | 115. | Chad |
| 52. | Kenya | 116. | Czech Republic |
| 53. | Cyprus | 117. | Chile |
| 54. | China | 118. | Switzerland |
| 55. | Columbia | 119. | Sweden |
| 56. | Congo (Brazzaville) | 120. | Sri Lanka |
| 57. | Korea (KPDR) | 121. | Ecuador |
| 58. | Korea (Republic) | 122. | Equatorial Guinea |
| 59. | Costa Rica | 123. | Ethiopia |
| 60. | Cuba | 124. | Republic of South Africa |
| 61. | Kuwait | 125. | Jamaica |
| 62. | Laos | 126. | Japan |
| 63. | Latvia | 127. | European Community and European
Atomic Energy Community |
| 64. | Lebanon | | |

List of the Developing Countries which are users of the
Scheme of the Preferences of the Russian Federation
(with the Amendments and Addenda of 26 March 1997 and 24 March 1999)

- | | |
|----------------------------|--|
| 1. Albania | 57. Marshall Islands |
| 2. Algeria | 58. Mexico |
| 3. Angola | 59. Micronesia |
| 4. Antigua and Barbuda | 60. Mongolia |
| 5. Anguilla | 61. Montserrat |
| 6. Argentina | 62. Namibia |
| 7. Aruba | 63. Nauru |
| 8. Bahama Islands | 64. Nigeria |
| 9. Barbados | 65. Netherlands Antilles |
| 10. Bahrain | 66. Nicaragua |
| 11. Belize | 67. Nine |
| 12. Bermuda Islands | 68. United Arab Emirates |
| 13. Bolivia | 69. Oman |
| 14. Brazil | 70. Saint Helena |
| 15. British Virgin Islands | 71. Turks and Caicos Islands |
| 16. Brunei | 72. Pakistan |
| 17. Venezuela | 73. Panama |
| 18. Vietnam | 74. Papua New Guinea |
| 19. Gabon | 75. Paraguay |
| 20. Guyana | 76. Peru |
| 21. Ghana | 77. Romania |
| 22. Guatemala | 78. Salvador |
| 23. Honduras | 79. Saudi Arabia |
| 24. Hong Kong | 80. Swaziland |
| 25. Grenada | 81. Seychelles |
| 26. Dominica | 82. Senegal |
| 27. Dominican Republic | 83. Saint Vincent and
the Grenadines |
| 28. Egypt | 84. Saint Christophes and Nevis
and Nevis |
| 29. Zimbabwe | 85. Saint Lucia |
| 30. India | 86. Singapore |
| 31. Indonesia | 87. Syria |
| 32. Jordan | 88. Slovenia |
| 33. Iraq | 89. Suriname |
| 34. Iran | 90. Thailand |
| 35. Cayman Islands | 91. Tokelau |
| 36. Cameroon | 92. Tonga |
| 37. Qatar | 93. Trinidad and Tobago |
| 38. Kenya | 94. Tunisia |
| 39. Cyprus | 95. Turkey |
| 40. China | 96. Uruguay |
| 41. Korea (KPDR) | 97. Fiji |
| 42. Colombia | 98. Philippines |
| 43. Congo | 99. Croatia |
| 44. Korea (Republic) | 100. Chile |
| 45. Costa Rica | 101. Sri Lanka |
| 46. Cote d'Ivoire | 102. Ecuador |
| 47. Cuba | 103. Yugoslavia |
| 48. Kuwait | 104. Jamaica |
| 49. Cook Islands | |
| 50. Lebanon | |

- 51. Libya
- 52. Mauritius
- 53. Macedonia
- 54. Malta
- 55. Malaysia
- 56. Morocco

- 105. Bulgaria

List of the Least Developed Countries which are users of the
Scheme of the Preferences of the Russian Federation

- | | | | |
|-----|----------------|-----|--------------------------|
| 1. | Afghanistan | 27. | Mali |
| 2. | Bangladesh | 28. | Maldives |
| 3. | Benin | 29. | Mozambique |
| 4. | Burkina Faso | 30. | Myanmar |
| 5. | Burundi | 31. | Nepal |
| 6. | Botswana | 32. | Niger |
| 7. | Bhutan | 33. | Rwanda |
| 8. | Vanuatu | 34. | Western Samoa |
| 9. | Haiti | 35. | Sao Tome and Principe |
| 10. | Gambia | 36. | Solomon Islands |
| 11. | Guinea | 37. | Somalia |
| 12. | Guinea-Bissau | 38. | Sudan |
| 13. | Djibouti | 39. | Sierra Leone |
| 14. | Zaire | 40. | Tanzania |
| 15. | Zambia | 41. | Togo |
| 16. | Yemen | 42. | Tuvalu |
| 17. | Cabo Verde | 43. | Uganda |
| 18. | Cambodia | 44. | Central African Republic |
| 19. | Kiribati | 45. | Chad |
| 20. | Comoro Islands | 46. | Equatorial Guinea |
| 21. | Laos | 47. | Ethiopia |
| 22. | Lesotho | | |
| 23. | Liberia | | |
| 24. | Mauritania | | |
| 25. | Madagascar | | |
| 26. | Malawi | | |
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