



# Russia's Accession to the WTO

## Opportunities for the U.S. Building Products Sector

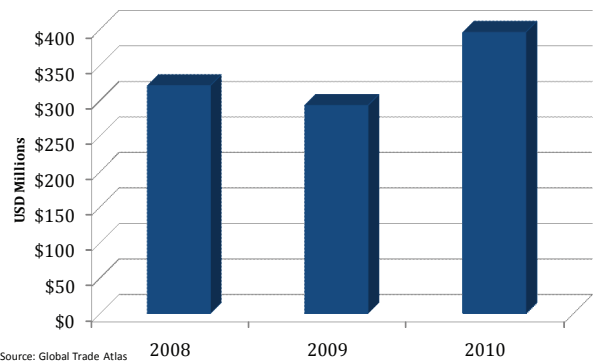
### Russia's membership in the WTO will provide significant commercial opportunities for U.S. exporters:

- U.S. manufacturers and exporters will have more certain and predictable market access as a result of Russia's commitment not to raise tariffs on any products above the negotiated rates and to apply non-tariff measures in a uniform and transparent manner.
- Russia agreed to bind all of its tariffs on building products and, after full implementation of its WTO commitments, Russia will reduce its average tariff on building products to 9.0 percent.
- To join the WTO, Russia must change its trade regime and implement many trade liberalizing obligations. The United States, by contrast, will merely extend permanently to Russia the same trade treatment it already extends to all other WTO Members, and has extended to Russia every year since 1994.
- Russia's obligations, including those on tariffs and non-tariff measures, will be enforceable through use of WTO dispute settlement.

### Building Products Sector Overview

- The building products sector accounted for \$337 million of U.S. exports to Russia over 2008-2010 (annual average).<sup>1</sup>
- Russia is the 16<sup>th</sup> largest market for U.S. building product exports.<sup>2</sup>
- Top U.S. building products exports to Russia include compressors, filter and purifying machines pumps, structures made of iron or steel, valves, pumps, and air conditioners.
- In 2009, U.S. production of building products approached \$146 billion.<sup>3</sup>
- U.S. SMEs exported approximately \$12 million in building products to Russia in 2008 and comprised over 67 percent of all U.S. building product firms exporting to Russia in 2008.<sup>4</sup>
- The U.S. building products sector employed over 700,000 workers in the United States in 2009.<sup>5</sup>

### U.S. Building Product Exports to Russia Averaged \$337 Million



### Improved Market Access for U.S. Building Products Exporters to Russia

- Russia's tariffs on building products currently range up to 20 percent.<sup>6</sup>
- After full implementation of its WTO accession commitments, Russia's average tariffs on U.S. building products exports will be reduced to, and bound at, 9 percent, with tariffs ranging from zero to 15 percent.

### Key States Exporting to Russia

- Top U.S. states exporting building products to Russia include: Texas, Oklahoma, Pennsylvania, New York, Illinois, California, Louisiana, Wisconsin, Florida, and Utah.

1 Global Trade Atlas. Calculation based on import data as reported by Russia. The definition for building products in this report, unless otherwise cited, is based on select products in the Harmonized System (HS) Chapters 25, 27, 38, 39, 68, 69, 70, 73, 74, 76, 83, 84, 90, and 94. This report includes all non-metal, mineral based building products including ceramics and glass.

2 U.S. Department of Commerce, Census Bureau.

3 U.S. Department of Commerce, Census Bureau, within NAICS 327 and select products within 321, 324, 326, 332, and 333. Shipments used as a best available proxy for production.

4 U.S. Department of Commerce, Census Bureau, within NAICS 327.

5 U.S. Department of Labor, Bureau of Labor Statistics, within NAICS 327 and select products within 321, 326, 332, and 333 (non-seasonally adjusted data).

6 The calculated average tariff rates reported in this paper reflect only the ad valorem duty rates contained in Russia's WTO Schedule of Concessions and Commitments on Goods, as well as Russia's applied rates as contained in the Customs Union Common External Tariff.

## Other Key Commitments by Russia for the Building Products Sector

### National Treatment:

National treatment requires that imported goods be treated no less favorably than domestically produced products. As a result, Russia cannot impose on imports measures that are more burdensome or stringent, such as additional inspections, higher taxes, or stricter technical requirements, than those applied to domestically produced products.

### Customs Valuation and Fees:

The WTO Customs Valuation Agreement and Russia's commitments in its Protocol of Accession, inter alia, establish rules on methods used to determine the value of imports to calculate tariffs. These commitments increase certainty and predictability on this core trade issue. Upon accession, Russia will cut its maximum customs fee, paid to clear imported goods through customs, by about two-thirds. In addition, Russia will establish lower fixed fees for the customs clearance of goods using electronic format or other simplified filing methods, and overall will ensure that its fees related to importation and exportation will not exceed the cost of services rendered.

### Technical Barriers to Trade/ Standards:

As a WTO Member, Russia and its Customs Union partners will be responsible for implementing the terms of the Agreement on Technical Barriers to Trade (TBT) and standards-related commitments in Russia's Protocol of Accession. The TBT Agreement includes obligations relating to the preparation, adoption, and application of mandatory technical regulations and voluntary standards to avoid the creation of unnecessary barriers to trade. Russia and its Customs Union partners will also assume an obligation to provide a notice and comment process on proposed technical regulations affecting trade in goods, to comply with TBT Agreement rules for conformity assessment procedures, and to use relevant international standards as a basis for their technical regulations, except where ineffective or inappropriate for achieving the legitimate objective. Implementation of these obligations can facilitate trade in almost all products.

### Government Procurement:

Within four years of becoming a WTO Member, Russia will commence negotiations to join the WTO's plurilateral Government Procurement Agreement (GPA). Government purchases generally account for 10 percent to 15 percent of a country's GDP. The GPA subjects the purchases covered by the GPA to a system of WTO rules aimed at ensuring that procurement is conducted in a fair, transparent, predictable, and non-discriminatory manner that levels the playing field for foreign suppliers.

### Transparency:

Upon accession, Russia will ensure that laws and regulations pertaining to trade in goods, trade in services, or intellectual property rights will be published before they become effective and will be subject to "notice and comment" procedures. Compliance with these rules will not only give interested persons (e.g., U.S. producers and exporters) an opportunity to provide input into the rules governing trade with Russia, but it will also ensure advance notice for any changes. In addition, where Customs Union (CU) authorities have responsibility for WTO issues, such as sanitary and phytosanitary measures, technical barriers to trade, customs issues, and enforcement of intellectual property rights at the CU border, these transparency obligations will apply.