



Russia's Accession to the WTO

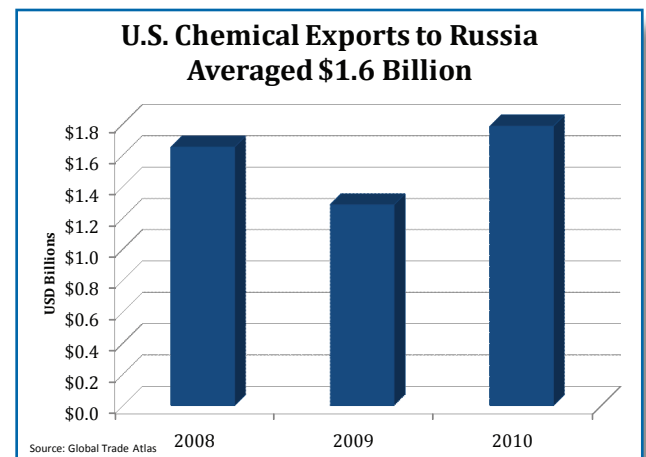
Opportunities for the U.S. Chemicals Sector

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 chemicals and, after full implementation of its WTO commitments, Russia will reduce its average tariff on chemical products to 5.3 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.

Chemicals Sector Overview

- The chemicals sector accounted for almost \$1.6 billion of U.S. exports to Russia over 2008-2010 (annual average) or 13 percent of total U.S. industrial exports to Russia.¹
- Top U.S. chemicals exports to Russia include pharmaceuticals, plastics, cosmetics, soaps, and organic chemicals.
- In 2009, U.S. production of chemicals approached \$743 billion.²
- The U.S. chemicals sector employed over 1.4 million workers in 2009.³
- U.S. SMEs exported over \$280 million in chemicals, plastics, and rubber to Russia in 2008.⁴
- The Russian market presents significant opportunities for U.S. chemical exporters as Russia relies on imports to cover around 50 percent of their market demand. Opportunities are most notable in the area of polymers and high-tech chemicals, where market demand is continuing to grow.⁵
- Russia's pharmaceutical imports from the United States in 2009 were double the level of 2005, as Russia has been devoting more resources to revitalizing its health care system.



Improved Market Access for U.S. Chemicals Exporters to Russia

- Russia's tariffs on chemicals currently average 6.7 percent and go as high as 20 percent.⁶
- Russia has agreed to final bound rates on chemical products along the processing chain that are generally consistent with the rates agreed to under the Chemical Tariff Harmonization Agreement.
- After full implementation of its WTO accession commitments, Russia's average tariff on U.S. chemicals exports will be reduced to, and bound at, 5.3 percent.
- Russia committed to bind 71 percent of its tariffs on chemical products at 5 percent or less.

Selected Subsectors:

- **Cosmetics:** Russia's tariffs on cosmetic products currently average 13.5 percent and go as high as 15 percent. After full implementation of its WTO accession commitments, Russia's tariffs on U.S. cosmetic exports will be reduced to, and bound at, an average rate of 6.3 percent.
- **Plastics:** Russia's tariffs on plastics currently average 10 percent and go as high as 20 percent. After full implementation of its WTO accession commitments, Russia's average tariff on U.S. plastic exports will be reduced to, and bound at, 6.2 percent.
- **Pharmaceuticals:** Russia's tariffs on pharmaceuticals currently average 5.7 percent and go as high as 15 percent. After full

1 Global Trade Atlas. Calculation based on import data as reported by Russia. The definition for chemicals used in this report, unless otherwise cited, is based on Harmonized System (HS) Chapters 28-40.

2 U.S. Department of Commerce, Census Bureau, within NAICS 325 and 326. Shipments used as a best available proxy for production.

3 U.S. Department of Labor, Bureau of Labor Statistics, within NAICS 325 and 326 (based on non-seasonally adjusted data).

4 U.S. Department of Commerce, Census Bureau, within NAICS 325 and 326.

5 U.S. Department of Commerce, U.S. & Foreign Commercial Service, 2010 Country Commercial Guide for Russia.

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.

implementation of its WTO accession commitments, Russia's average tariff on U.S. pharmaceutical exports will be reduced to, and bound at, 4.4 percent.

- *Rubber*: Russia's rubber tariffs currently range up to 20 percent. After full implementation of its WTO accession commitments, Russia's tariffs on U.S. rubber exports will be bound at an average rate of 6.6 percent.

Key States Exporting to Russia

- Top U.S. states exporting chemicals to Russia include: Texas, Michigan, New Jersey, California, Illinois, North Carolina, Ohio, Tennessee, New York, and Massachusetts.

Other Key Commitments by Russia for the Chemicals 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.

Intellectual Property Rights:

Upon accession, Russia will become subject to the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement) which sets out minimum requirements for protecting and enforcing intellectual property rights, including with respect to copyrights and related rights; trademarks; patents; undisclosed information, including trade secrets and pharmaceutical and agricultural chemicals data submitted to obtain marketing approval for pharmaceutical and agricultural chemicals; industrial designs; and semiconductor lay-out designs. The TRIPS Agreement further provides rules governing the enforcement of intellectual property rights, covering, inter alia, civil and administrative procedures and remedies, provisional measures (i.e., preliminary injunctions), customs procedures and criminal procedures. Full implementation of this agreement, which is subject to WTO dispute settlement procedures, will benefit U.S. innovators, producers, and key exports.

Data Protection:

Russia's WTO accession will bring particular benefits to the pharmaceutical industry as Russia has agreed to enhance its regulatory data protection regime to implement fully the relevant provisions of the TRIPS Agreement. One element of this protection is that when a pharmaceutical company submits undisclosed test and other data generated to obtain marketing approval in Russia, others will not be able to rely on that data, without that company's authorization, to support their marketing approval application for six years.

Import Licensing:

Upon accession, Russia and its Customs Union partners will be bound by rules set forth in the WTO Agreement on Import Licensing and Russia's Protocol of Accession, which govern what documents and information can be required of applicants to obtain an import license, the procedures that must be followed, including maximum timeframes for issuing a license, and protections for traders from discriminatory procedures and excessive delays. These rules will bring predictability and transparency to Russia's import licensing regime. Implementation of this Agreement will benefit U.S. exports of a broad range of products subject to "automatic" and "non-automatic" licensing.

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.

Distribution Services:

Russia will liberalize the wholesale, retail and franchise sectors, allowing foreign distributors to operate as 100-percent foreign-owned enterprises upon its accession to the WTO. U.S. distributors will be allowed to engage in the distribution of most products with minimal limitations and on terms comparable to those of domestic distributors. In addition, Russia's commitments for distribution provide for direct sales by individual commission agents.

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.

State-owned Enterprises:

As part of its accession package and as spelled out in its Working Party Report, Russia has agreed to ensure that certain state-owned or state-controlled enterprises will operate based on commercial considerations and provide U.S. and other WTO Member companies market opportunities on a non-discriminatory basis. Thus, Russia will need to ensure that Gazprom will make its purchases and sales of chemical products and gas based on commercial considerations.