



Russia's Accession to the WTO

Opportunities for the U.S. Agricultural Equipment Sector

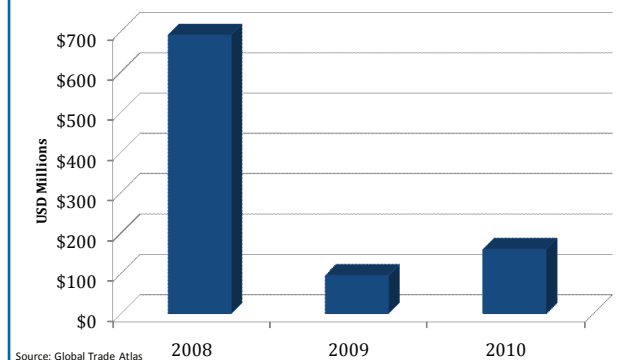
Russia's membership in the WTO will provide significant commercial opportunities for U.S. exporters:

- 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 agricultural equipment and, after full implementation of its WTO commitments, Russia's average tariff on agricultural equipment will be 5.2 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.

Agricultural Equipment Sector Overview

- The agricultural equipment sector accounted for almost \$316 million of U.S. exports to Russia over 2008-2010 (annual average).¹
- Russia is the 4th largest market for U.S. agricultural equipment exports.²
- Top agricultural equipment exports to Russia include tractors, combine harvesters, seeders, parts for harvesting machines, scarifiers and cultivators, and disc harrows.
- In 2009, U.S. production of agricultural equipment products exceeded \$22 billion.³
- The U.S. agricultural equipment sector employed over 56,000 workers in the United States in 2009.⁴
- Given its vast endowment of arable land, rising global food demand, and plan to expand its agro-industrial sector, Russia's farm sector is positioned as a major long-term customer for U.S. agricultural equipment.

U.S. Agricultural Equipment Exports to Russia Averaged \$316 Million



Improved Market Access for U.S. Agricultural Equipment Exporters to Russia

- After full implementation of its WTO accession commitments, Russia's tariffs on U.S. agricultural equipment exports will be bound at an average rate of 5.2 percent, with tariffs ranging from 2 to 10 percent.⁵
- Russia committed to binding nearly 88 percent of its tariffs on agricultural equipment at 5 percent or less.

Selected Products:

- *Combine Harvesters and Threshers*: In recent years, without the discipline of WTO membership, Russia increased its tariff on combine harvesters from 5 percent to effective rates of over 15 percent. Immediately upon Russia's accession to the WTO, Russia's average tariff on U.S. combine harvester and thresher exports will be bound at 5 percent.

Key States Exporting to Russia

- Top U.S. states exporting agricultural equipment to Russia include: Iowa, Illinois, North Dakota, Wisconsin, Nebraska, Kansas, Texas, Georgia, Minnesota, and New York.

1 Global Trade Atlas. Calculation based on import data as reported by Russia. The definition for agricultural equipment in this report, unless otherwise cited, is based on Harmonized System (HS) Headings 8432, 8433, 8434, and 8701.

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

3 U.S. Department of Commerce, Census Bureau, NAICS 333111. Shipments used as a best available proxy for production.

4 U.S. Department of Labor, Bureau of Labor Statistics, NAICS 333111 (non-seasonally adjusted data).

5 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 Agricultural Equipment 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.

Trade-Related Investment Measures:

Upon accession, pursuant to the WTO Agreement on Trade-Related Investment Measures, Russia will be prohibited from imposing certain conditions on investing in Russia in order to obtain a benefit from the government. For example, unless specifically "grandfathered" in Russia's Working Party Report, Russia would not be able to impose local content requirements or export requirements as a condition of investing in Russia. Implementation of this Agreement will ensure that companies make investment decisions and business plans based on commercial considerations.

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.