



Russia's Accession to the WTO

Opportunities for the U.S. Construction Equipment Sector

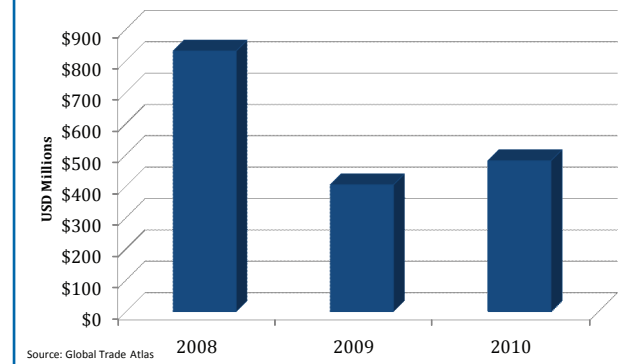
Russia's membership in the WTO will provide significant commercial opportunities for U.S. exporters:

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

Construction Equipment Sector Overview

- The construction equipment sector accounted for almost \$573 million of U.S. exports to Russia over 2008-2010 (annual average).¹
- Russia is the 11th largest market for U.S. construction equipment exports.²
- Top U.S. construction equipment exports to Russia include parts for boring and sinking machinery, bulldozers and angledozers, boring and sinking machinery, dumpers, front-end shovel loaders, excavators, and mobile cranes.
- In 2009, U.S. production of construction equipment products approached \$40 billion.³
- The U.S. construction equipment sector employed over 130,000 workers in the United States in 2009.⁴
- Russia will be undertaking large scale construction projects in preparation for the 2012 APEC Summit and the 2014 Winter Olympics, creating demand for construction equipment and export opportunities for U.S. producers and exporters.

U.S. Construction Equipment Exports to Russia Averaged \$573 Million



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

- Russia's tariffs on construction equipment currently range up to 25 percent.⁵
- After full implementation of its WTO accession commitments, Russia's average tariff on U.S. construction equipment exports will be bound at 5.3 percent, with tariffs ranging from zero to 10 percent.
- Russia committed to binding 77 percent of its tariffs on construction equipment at 5 percent or less.

Key States Exporting to Russia

- Top U.S. states exporting construction equipment to Russia include: Texas, Illinois, Washington, Wisconsin, California, Oregon, Iowa, Pennsylvania, Oklahoma, and New York.

1 Global Trade Atlas. Calculation based on import data as reported by Russia. The definition for construction equipment used in this report, unless otherwise cited, includes products within Harmonized System (HS) Headings 8425-26, 8428-29, 8430-31, 8479, 8701, and 8704.

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

3 U.S. Department of Commerce, Census Bureau, NAICS 333120, 333131, 333923, and 333924. Shipments used as a best available proxy for production.

4 U.S. Department of Labor, Bureau of Labor Statistics, NAICS 33312 and 33392 (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 Construction 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.

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.

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.