



Russia's Accession to the WTO

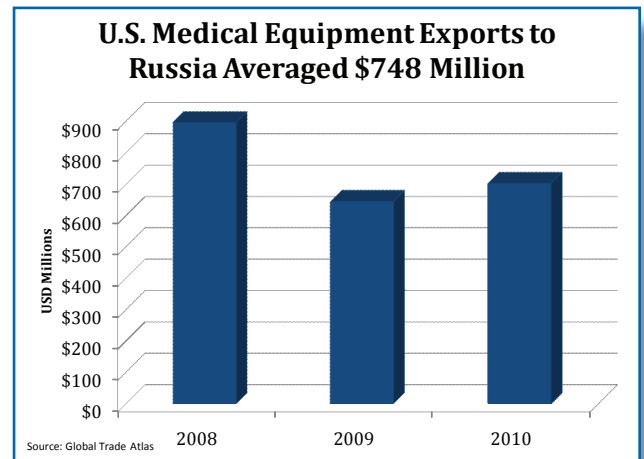
Opportunities for the U.S. Medical Equipment Sector

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 medical equipment and, after full implementation of its WTO commitments, Russia's average tariff on medical equipment will be 4.3 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.

Medical Equipment Sector Overview

- The medical equipment sector accounted for almost \$748 million of U.S. exports to Russia over 2008-2010 (annual average).¹
- Top U.S. medical equipment exports to Russia include CT machines, ultrasound equipment, artificial body parts, specialty needles and catheters, ventilators, MRI equipment, pacemakers, and x-ray equipment.
- In 2009, U.S. production of medical equipment exceeded \$98 billion.²
- The U.S. medical equipment sector employed over 274,000 workers in 2009.³
- Russia's healthcare system is evolving rapidly and receiving increased attention from the government. In addition, reports suggest that almost two-thirds of the medical equipment and devices used in public clinics and hospitals are obsolete and need replacement. These factors create promising opportunities for U.S. medical equipment exports.⁴



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

- Russia's tariffs on medical equipment currently range up to 15 percent.⁵
- After full implementation of its WTO accession commitments, Russia's average tariff on U.S. medical equipment exports will be bound at 4.3 percent, with tariffs ranging from zero to 7 percent.
- Russia committed to binding 97 percent of its tariffs on medical equipment at 5 percent or less.

Key States Exporting to Russia

- Top U.S. states exporting medical equipment to Russia include: California, Massachusetts, Wisconsin, Tennessee, New York, Washington, Pennsylvania, Ohio, Texas, and Illinois.

1 Global Trade Atlas. Calculation based on import data as reported by Russia. The definition for medical equipment used in this report, unless otherwise cited, is the Uruguay Round Medical Equipment sector agreement and includes select products within Harmonized System (HS) Chapters 28, 38, 84, 85, 87, 90, and 94. Pharmaceuticals are not covered by this report.

2 U.S. Department of Commerce, Census Bureau, NAICS 334510, 334517, 339112, 339113 and 339114. Shipments used as a best available proxy for production.

3 U.S. Department of Labor, Bureau of Labor Statistics, NAICS 334510, 339112, and 339113 (non-seasonally adjusted data).

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

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 Medical 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.

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.

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.

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.