



# Russia's Accession to the WTO

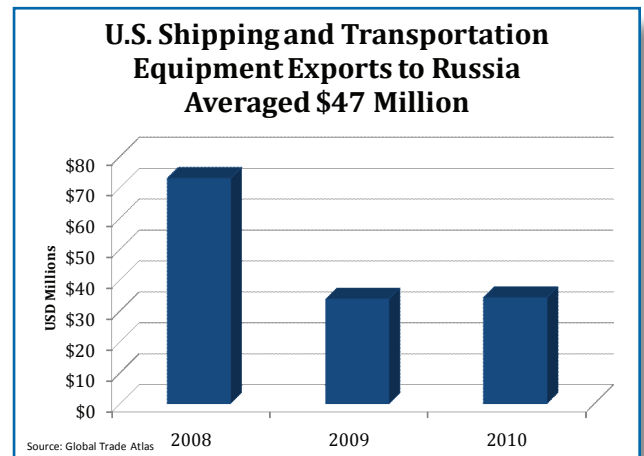
## *Opportunities for the U.S. Shipping and Transportation Equipment Sector*

### **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 shipping and transportation equipment and, after full implementation of its WTO commitments, Russia will reduce its average tariff on shipping and transportation equipment to 7.6 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.

### **Shipping and Transportation Equipment Sector Overview**

- The shipping and transportation equipment sector accounted for \$47 million of U.S. exports to Russia over 2008-2010 (annual average).<sup>1</sup>
- Russia is the 20<sup>th</sup> largest market for U.S. shipping and transportation equipment exports.<sup>2</sup>
- Top U.S. shipping and transportation equipment exports to Russia include various types of trailers, transport containers, hooks and coupling devices, and tug boats.
- In 2009, U.S. production of shipping and transportation equipment products exceeded \$48 billion.<sup>3</sup>
- The U.S. shipping and transportation sector employed over 155,000 workers in 2009.<sup>4</sup>



### **Improved Market Access for U.S. Shipping and Transportation Equipment Exporters to Russia**

- Russia's tariffs on shipping and transportation equipment currently average 8.3 percent and go as high as 20 percent.<sup>5</sup>
- After full implementation of its WTO accession commitments, Russia's average tariff on U.S. shipping and transportation equipment exports will be reduced to, and bound at, 7.6 percent.

### **Key States Exporting to Russia**

- Top U.S. states exporting shipping and transportation equipment to Russia include: Texas, Illinois, Pennsylvania, North Dakota, Washington, Mississippi, Indiana, Michigan, New York, and Florida.

<sup>1</sup> Global Trade Atlas. Calculation based on import data as reported by Russia. The definition for shipping and transportation equipment used in this report, unless otherwise cited, is based on Harmonized System (HS) Chapters 86 and 89 and Headings 8701 and 8716.

<sup>2</sup> U.S. Department of Commerce, Census Bureau.

<sup>3</sup> U.S. Department of Commerce, Census Bureau, within NAICS 333 and 336. Shipments used as a best available proxy for production.

<sup>4</sup> U.S. Department of Labor, Bureau of Labor Statistics, within NAICS 336.

<sup>5</sup> 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 Shipping and Transportation 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.

### 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.

### 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.

### 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.