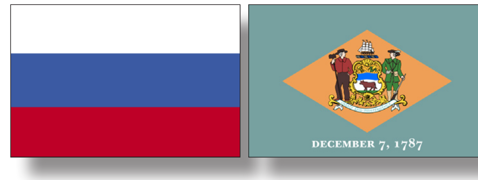
INTERNATIONAL
TRADE
ADMINISTRATION

Delaware

Opportunities from Russia's Accession to the WTO

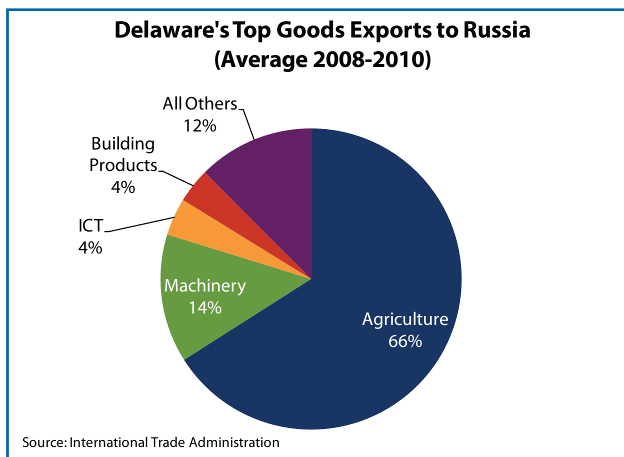


- Russia's WTO accession will create new opportunities for Delaware's companies and workers to export goods, such as agricultural products, machinery, and information and communications technologies (ICT), as well as services, to Russia.
- By joining the WTO, Russia agrees to abide by WTO rules, including specific commitments on issues such as non-discrimination, standards, and protection of intellectual property rights. Russia's accession will give the United States the opportunity to use WTO tools, including dispute settlement, to ensure Russia's compliance with its commitments on market access and WTO rules. Russia will be obligated to treat U.S. goods and services on an equal or better basis with those of other WTO Members, as well as on an equal or better basis with its own goods and most services.
- If Delaware's companies, farmers, ranchers, and workers are to compete successfully for the export opportunities of the 21st century, they need fair trade and more open access to foreign markets, which Russia's accession to the WTO will help provide.
- If Congress ends application to Russia of Title IV of the Trade Act of 1974 (also known as the Jackson-Vanik Amendment), Delaware's companies and workers will be able to benefit from the new market access opportunities that stem from Russia acceding to the WTO, and the U.S. government will have the ability to enforce those benefits through WTO dispute settlement. Ending application of Jackson-Vanik to Russia will ensure that exports of U.S. goods and services enjoy the same access to the Russian market as those of their global competitors.

Key Benefits for Delaware's Industries

Agriculture:

Russia is the third largest export market for U.S. poultry. The poultry industry accounts for 74 percent of Delaware's total farm cash receipts with sales of $786 million in 2010. Poultry products are the state's largest export with overseas sales estimated at $103 million in 2010. As part of its WTO accession commitments, Russia will maintain a 250,000 ton tariff-rate quota (TRQ) for chicken halves and chicken leg quarters with an in-quota tariff of 25 percent. In addition, the United States negotiated separate TRQ access for commercially important turkey products. If Russia were to eliminate its TRQs on poultry in the future, Russia would apply a tariff of 37.5 percent to U.S. exports.



Machinery:

U.S. machinery exports to Russia were $1.3 billion on annual average from 2008 to 2010 and accounted for 11 percent of total U.S. industrial goods exports to Russia. As part of its WTO accession, Russia committed to reduce or eliminate many of its tariffs on machinery, which currently are applied at rates up to 25 percent. After full implementation of its WTO accession commitments, Russia's tariffs on machinery products will be bound at an average rate of 6.4 percent.

Information and Communications Technologies (ICT):

U.S. exports of ICT products to Russia were $733 million on annual average from 2008 to 2010. Russia has committed to join the Information Technology Agreement (ITA), providing duty-free treatment on all ITA products within three years. As a result, information technology products from computers to telecommunications equipment will enter the Russian market duty-free. After full implementation of its WTO accession commitments, Russia's tariff on all ICT products will be bound at an average rate of 4.0 percent, down from the current average tariff of 6.7 percent.

Building Products:

The building products sector accounted for $337 million in U.S. exports to Russia over 2008-2010 (annual average). After full implementation of its WTO accession commitments, Russia's average tariff on building products exports will be reduced to, and bound at, 9 percent, with the maximum end of the spectrum bound at 15 percent.

Consumer Goods:

U.S. exports of consumer goods to Russia were almost $213 million on annual average from 2008 to 2010. After full implementation of its WTO accession commitments, Russia's tariff on all consumer goods will be bound at an average rate of 10.3 percent, down from the current average tariff of 13.3 percent. After full implementation of its WTO accession commitments, Russia's tariff on appliances will be reduced to, and bound at, 9.8 percent on average, down from the current average tariff of 12.2 percent; its tariff on furniture will be reduced to, and bound at, 9.7 percent on average, down from the current average tariff of 13.2 percent; and its tariff on recreational goods will be reduced to, and bound at, 9.5 percent on average.

Services:

Russia's WTO accession commitments on services will improve or bind current trade practices in 116 services sub-sectors, ensure full national treatment in 30 sub-sectors, and provide U.S. service companies with more certain and predictable market access in Russia. Russia is undertaking legally enforceable market access commitments covering U.S. priority services sectors, including audio-visual, telecommunications, distribution, express delivery, energy, and financial services (including insurance, banking, and securities).

Financial Services:

Russia will liberalize its treatment of foreign bank subsidiaries, including allowing 100 percent foreign ownership of all commercially meaningful types of non-insurance financial services firms, including banks, broker dealers, and investment companies. Russia has agreed that foreign companies can own and trade the full range of securities (including state securities, bullion, and new instruments once they are approved), lead-manage Russian securities issuance, and participate in financing of privatization of government-owned firms. Russia has also agreed to allow important cross-border services such as financial leasing, financial information, and data processing, as well as credit cards and other types of payments.

Other Key Benefits for Delaware's Companies

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.

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.

Sanitary and Phytosanitary Measures:

As a WTO Member, Russia will be obliged to ensure that its sanitary and phytosanitary measures are consistent with the Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures. This Agreement requires that measures imposed to protect human or animal (sanitary) or plant (phytosanitary) life and health be based on science, risk assessments based on the appropriate assessment of the actual risk involved, and do not arbitrarily or unjustifiably discriminate against imports. The Agreement also provides other disciplines on how SPS measures are adopted and applied. For example, governments are required to notify other countries of any proposed changes to SPS requirements which affect trade. Russia and the Customs Union have adopted the legal framework to allow Russia to fully implement its WTO SPS obligations on day one of WTO membership. The United States believes Russia's implementation of this Agreement will help address significant barriers to U.S. exports of agricultural goods, in particular meat and poultry. In addition, the United States will have additional tools to address SPS issues affecting exports to Russia.

New Market Access in Russia

- Russia will bind tariffs across the board, and U.S. exporters will gain greater certainty of access with Russia's obligation not to raise tariffs above the negotiated rates for any product. See tables for key industrial and agricultural goods bound tariff rates.
- Russia's industrial goods bound tariff rate will be reduced to an average of 7 percent within seven years of joining the WTO. The majority of these tariff cuts will be fully implemented within two years, with many being implemented immediately. Additionally, Russia's commitments will provide deep tariff cuts for manufactured goods in many areas of commercial significance to the United States.
- Russia is undertaking legally enforceable market access commitments covering U.S. priority services sectors, including audio-visual, telecommunications, distribution, express delivery, energy, and financial services (including insurance, banking, and securities).
- Russia's WTO membership will bring more certainty for U.S. companies exporting to Russia, and provide the United States with mechanisms to address potential trade disputes with Russia – mechanisms unavailable to U.S. industries and workers as long as Russia remains outside the WTO.

Russia: A Large and Growing Market

- Russia's 2010 GDP of nearly $1.5 trillion makes it the world's 11th largest economy, and it has been one of the world's fastest-growing economies over much of the past decade.
- Russia's estimated 2010 per capita GDP (based on purchasing power parity) of $15,837 is significantly above that of any of the other "BRICS" markets: Brazil's per capita GDP is $11,239, South Africa's is $10,498, China's is $7,519, and India's is $3,339.
- Russia's economy is expected to see annual average real growth of 4 percent from 2011 to 2015.
- With its highly educated population and growing middle class, Russia continues to be a promising market for many U.S. companies.
- U.S. exports to Russia have grown significantly over the past decade. In particular, Russian purchases of U.S.-produced goods doubled between 2005 and 2010.
- On average, Russia purchased $11 billion annually in U.S.-produced goods from 2008 to 2010.
- Russia is becoming an ever larger market for agricultural products. In 2005, Russia imported just under $15.8 billion worth of agricultural products, but by 2010 imports doubled to more than $31.7 billion. U.S. producers and exporters are well positioned to take advantage of the expected increased demand for consumer-ready imported foods as the Russian economy expands.
- In 2010, the United States was the third largest agricultural goods supplier to the Russian market, where imports of U.S. food and agricultural products reached nearly $1.3 billion. Russian retail food and beverage sales are forecast to increase in real terms from just over $200 billion in 2010 to more than $240 billion by 2014—a 20 percent increase. This is good news for U.S. food exporters as imports are expected to meet some of this growing consumer demand.
- Russia and the United States currently have a dynamic and important trade relationship that benefits farmers, manufacturers, and consumers in both countries.

Delaware's Companies, Farms, and Workers Depend on World Markets, Including Russia

- Delaware exported over $20.6 million in goods to Russia on average from 2008 to 2010.
- Delaware's top goods exports to Russia from 2008 to 2010 included: machinery, information and communications technologies (ICT), building products, consumer goods, poultry, essential oils, and sauces.
- Delaware's overall export shipments of merchandise to all markets in 2010 totaled $5 billion.
- Delaware's agricultural exports in 2010 supported about 1,800 jobs, on and off the farm.
- Delaware's export sales make an important contribution to its farm economy, which had total cash receipts of $1.1 billion in 2010.
- Almost 950 companies exported goods from Delaware locations in 2008. Eighty-five percent (802) of those companies were small and medium-sized enterprises (SMEs), with fewer than 500 employees.
- SMEs generated 10 percent of Delaware's total exports of merchandise in 2008.
- In 2009, the metropolitan area of Dover exported $57 million in merchandise and the Philadelphia-Camden-Wilmington metropolitan area, which also contains parts of Pennsylvania, New Jersey, and Maryland, exported $19.1 billion in merchandise.

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.

All state export data in this report are based on the Origin of Movement (OM) series. This series allocates exports to states based on transportation origin, i.e., the state from which goods began their journey to the port (or other point) of exit from the United States. The transportation origin of exports is not always the same as the location where the goods were produced. Thus conclusions about "export production" in a state should not be made solely on the basis of the OM state export figures.

Sources: U.S. Department of Commerce, Census Bureau; U.S. Department of Commerce, International Trade Administration; U.S. Department of Agriculture; United States Trade Representative; Global Trade Atlas- Industry summaries are calculated based on import data as reported by Russia; International Monetary Fund, World Economic Outlook.

Russia's Bound Tariff Commitments

Industrial Goods

	Final Bound Rate*	
	Average	Range
Aerospace	8.3	0 - 15
Agricultural Equipment	5.2	2 - 10
Automotive	9.3	2 - 20
Autos	12.3	2 - 20
Auto Parts	6.9	5 - 15
Building Products	9.0	0 - 15
Chemicals	5.3	0 - 15
Cosmetics	6.3	4.5 - 6.5
Fertilizers	5.6	3 - 6.5
Pharmaceuticals	4.4	0 - 15
Plastics	6.2	4 - 6.5
Rubber	6.6	2 - 15
Construction Equipment	5.3	0 - 10
Consumer Goods	10.3	0 - 20
Appliances	9.8	3 - 15
Furniture	9.7	5 - 12.5
Recreation Goods	9.5	3 - 15
Toys	8.9	5 - 15
Electrical Equipment	6.1	0 - 15
Fish and Fish Products	6.9	3 - 17
Forest Products	7.9	0 - 14
Wood	8.5	3 - 14
Paper and Paper Products	7.4	0 - 14
High-Tech Instruments	4.3	0 - 13
Scientific Equipment	3.2	0 - 13
Information & Communications Technologies (ICT)	4.0	0 - 15
ITA	0	0
Machinery	6.4	0 - 20
Energy Equipment	6.7	2 - 15
Tools	6.8	2 - 15
Medical Equipment	4.3	0 - 7
Metals and Ores	7.4	2 - 18
Nonferrous Metals	8.5	2 - 15
Steel	6.0	5 - 15
Shipping and Transportation Equipment	7.6	5 - 15
Textile, Apparel, Footwear, and Travel Goods	9.2	3 - 63.7
Apparel	14.5	5 - 17.5
Footwear	16.0	3.2 - 63.7
Textile	7.9	3 - 17.5
Travel Goods	14.1	10 - 15

* Percent *ad valorem*, unless otherwise specified.

Agricultural Goods

	Maximum Final Bound Rate*
Apples (Fresh)	0.06 € per 1 kg
Beef (Fresh, Chilled) in-quota	15
Beef (Frozen) in-quota	15
Beef (Processed)	20, but not less than 0.5 € per 1 kg
Bovine Semen	5
Breakfast Cereals	10
Butter	15, but not less than 0.22 € per1 kg
Breeding Cattle	5
Citrus	5, but not less than 0.017 € per 1 kg
Grains (Wheat, Meslin, Rye, Barley, Corn)	5
Grapes (Fresh)	5
Live animals	5
Pears and Quinces (Fresh)	5
Pork (Fresh, Chilled, Frozen) in-quota	0
Pork (Processed)	20, but not less than 0.5 € per 1 kg
Poultry (Select Frozen Cuts**) in-quota	25
Poultry (Processed)	20, but not less than 0.5 € per 1 kg
Potatoes	10
Prunes, Dried	5
Tree Nuts	5
Soybeans	0
Sunflower Seeds (Planting)	2.5
Whey in-quota	10
Wine	12.5

* Percent *ad valorem*, unless otherwise specified.

** Gallus domesticus: boneless cuts, halves and quarters, legs and cuts.
Turkey: boneless cuts, whole wings, backs and necks, drumsticks.

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