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ACCESSION OF THE RUSSIAN FEDERATION

Additional Questions and Replies

The Permanent Mission of the Russian Federation has submitted replies to questions raised after the eighth meeting of the Working Party held on 29-30 July 1998, with the request that they be circulated to members of the Working Party.

Technical Barriers to Trade/Standards

Question 1.

While noting the response the Russian Federation has proved to Question 28 of WT/ACC/RUS/25 concerning holograms and marks of conformity, we would appreciate further information on the implementation and enforcement efforts that have been undertaken pursuant to Resolution No. 1193 (19 September 1997). Given that holograms can themselves be forged, what safeguards are in place to guard against this practice?

Answer:

Resolution No. 1193 of the Russian Federation Government dated 19 September 1998 provides that the marking of products subject to mandatory certification with special marks protected from forgery, will become mandatory on 1 January 1999. This measure will apply to alcoholic products (except for beer) and audio products.

However, since practical arrangements must be adopted and implemented in this regard, postponement of the introduction of such marking to a later date is being considered.

Terms and conditions for the manufacture of protective marks have been developed and will be published in the mass media in the immediate future. It is understood that fairly strict requirements will be imposed on the manufacture of the marks using special technology designed to eliminate forgery.

A manual for the usage of marks protected from forgery has been drafted and will, upon its approval by the federal supervisory bodies, also be published in the mass media.

It should be kept in mind that the Russian Federal Law No. 158-F. "On Licensing of Certain Activities", dated 25 September 1998, provides in Article 17 that the manufacture of special protective marks is an activity subject to licensing.

Question 2.

In its response to Question 35 of WT/ACC/RUS/25, the Russian Federation notes that no regional standards are being developed. We are nevertheless aware that there are specific regulatory requirements in place in some regions, including in Krasnodar and in Moscow. In this regard we would appreciate clarification of the following points.

(a) Please describe in detail how WTO-related federal legislation is circulated to Russia's regions.

(b) Which bodies in regional administrations are responsible for ensuring that federal legislation is complied with?

(c) How are the powers of the regions to regulate circumscribed?

(d) In particular, how will Russia be able to ensure that regions do not introduce regulatory or other requirements that might conflict with WTO obligations? Please respond with reference to specific decrees, resolutions or acts.

(e) Could the Russian authorities advise the administrative and legislative acts which delineate the ability of Russia's regions to manage their own internal economic arrangements?

(f) Which Federal bodies oversee the activities of the regions with regard to foreign economic relations?

(g) How do Federal bodies oversee such activities and which specific legislative or administrative acts provide it with the authority to override local legislatures?

Answer:

In accordance with Article 5 of the Russian Federation Constitution, the federal organization of the Russian Federation is based on its national integrity, the unity of its governmental system, and the delimitation of jurisdiction and powers between the governmental authorities of the Russian Federation and the governmental authorities of the subjects of the Russian Federation (i.e. the regional governments).

Any special requirements imposed in the regions must be governed by Article 73 of the Russian Federation Constitution which determines where such requirements may be imposed, provided however that in accordance with Article 71 of the Russian Federation Constitution, the Government of the Russian Federation maintains jurisdiction over:

"(p) any standards, references, the meteorological system and the time system."

In accordance with the said provisions of the Russian Federation Constitution and the provisions of the Russian Federation Law "On Standardization", no standards for Russian Federation subjects should be developed in the Russian Federation.

Taking into account the above fundamental principles, in accordance with the "Programme of Actions Taken to Ensure Full Compliance with the Requirements of the WTO TBT and SPS Agreements" (see WT/ACC/SPEC/RUS/8), draft legislation governing compliance with the said Agreements is now under preparation. In particular, the draft law on technical barriers to trade, which

will set forth provisions governing the development and application of technical regulations, already includes a number of articles concerning subordination between technical regulations adopted federally and those of Russian Federation subjects.

In this regard, the Russian Federation would appreciate specific information in the possession of WTO Members concerning any "special regulatory requirements", being applied at the regional level.

(a) The circulation of federal legislation (including WTO related) to Russia's regions is carried out by the following means:

- official publication in certain newspapers and journals;
- maintenance of legal databases by appropriate agencies;
- distribution by State agencies of relevant legislation on issues falling under their jurisdiction to their local representatives such representatives then forward the legislation to regional State bodies; and
- requests by the regions for information with respect to the current legal regime.

The aforementioned procedures are governed, *inter alia* , by the following legal acts:

- the Constitution of the Russian Federation (Articles 15, 84, 107 and 108);
- Federal Law No. 5-FZ "On the Procedure for Publication and Entrance Into Force of Federal Constitutional Laws, Federal Laws and Acts of the Federal Assembly" dated 14 June 1994;
- Decree of the President of the Russian Federation No. 763 "On the Procedure for Publication and Entrance Into Force of Acts of the President of the Russian Federation, Government of the Russian Federation and Legal Acts of Federal Bodies of Executive Power" dated 23 May 1996.

It should be noted that failure to publish a legal act results in its invalidity.

(b) Federal Prosecutor's Office of the Russian Federation acting through its Regional Divisions – According to Federal Law No. 168-FZ "On the Federal Prosecutor's Office" dated 17 November 1995, it is the basic duty of the Federal Prosecutor's Office to supervise the enforcement and implementation of laws by regional legislative and executive bodies and officials, as well as compliance of the regional legislation with Federal legislation. In case any regional regulation is, in the opinion of the federal prosecutor, inconsistent with federal legislation, he must request the regional authorities to repeal such regulation. If the regional authority fails to satisfy the prosecutor's request, the latter may appeal to a court in accordance with the procedural legislation of the Russian Federation.

The Russian delegation has already informed WTO Member countries of the above described procedure for ensuring the conformity of regional regulations with federal laws and of specific examples of its implementation. For instance, WT/ACC/RUS/16/Rev.2 discussed in detail two resolutions of the Russian Constitutional Court (1-П, dated 24 January 1997, and 24-П, dated 21 March 1997) which established a clear legal mechanism for unconditional compliance with federal laws throughout the Russian Federation and simultaneous cancellation of all regional regulations which are in conflict with them, including those concerning taxation.

The President of the Russian Federation - Pursuant to Article 80 of the Constitution of the Russian Federation "the President is the guarantor of the Constitution of the Russian Federation".

Under Article 85 of the Constitution of the Russian Federation, should a regional act of executive power contradict the Constitution of the Russian Federation, federal laws, or international

obligations of the Russian Federation, the President of the Russian Federation may exercise conciliation procedures in order to resolve the dispute or suspend the effect (validity) of such a regional act until a court of competent jurisdiction resolves the dispute.

Authorized Representatives of the President of the Constitution of the Russian Federation - Article 83 of the Constitution of the Russian Federation provides that the President has a right to appoint authorized representatives in the regions. Given the fact that under Article 80 of the Constitution of the Russian Federation, it is the obligation of the President to guarantee observance of the Constitution of the Russian Federation, one of the functions of his authorized representatives in regions is to ensure regional compliance with the Constitution and other federal legislation.

Federal Bodies of Executive Power - Article 78 of the Constitution of the Russian Federation provides that for the purpose of performing their duties, federal governmental bodies may set up local representative offices and appoint their officers. The powers of almost all federal bodies include control and supervisory functions. For example, the powers of the Gosstandart include the control and supervision over the compliance of requirements with respect to State standards, rules of metrology and certification. Gosstandart also "coordinates interregional activities on ensuring the unity of measurement in the Russian Federation".

Regional Administrations - All regions adopt internal legislation which requires a regional administration to act in accordance with federal laws. For example, the Charter of the city of Moscow stipulates: "The city administration shall act on the basis and in compliance with the Constitution of the Russian Federation, the present Charter, federal laws,....acts of the President and the Government of the Russian Federation...". In other words, the administrations themselves are responsible for ensuring that federal legislation is complied with.

(c)(e) Articles 71 and 72 of the Russian Federation Constitution set out what is included in the jurisdiction of the Russian Federation and the joint jurisdiction of the Russian Federation and of regions of the Russian Federation. Article 73 of the Russian Federation Constitution provides that "outside the limits of authority of the Russian Federation and the powers of the Russian Federation, on issues under joint jurisdiction of the Russian Federation and the regions of the Russian Federation, the regions of the Russian Federation shall possess full State power". (A similar rule is provided in Article 76.4 of the Russian Federation Constitution). In other words, powers of the regions are delimited by Articles 71 and 72.

Also, the Russian Federation has concluded agreements with almost all regions on the division of jurisdiction and powers between the government of the Russian Federation and the regions. Within the framework of the requirements of the Russian Federation Constitution, such treaties provide more detail as to how federal and regional powers are divided.

In terms of the ability of Russian regions to manage their own internal economic arrangements, it is not entirely clear what such arrangements entail. As mentioned above, Russian regions may deal with any matters (including economic) unless they fall under Articles 71 (exclusive jurisdiction of the Russian Federation) or 72 (joint jurisdiction of the Russian Federation and regions of the Russian Federation).

(d)(g) According to Article 15.4 of the Constitution of the Russian Federation, where rules of international treaties of the Russian Federation conflict with domestic Russian law, international treaties of the Russian Federation, are paramount to all normative acts of the Russian Federation. The paramountcy applies to all regional acts, regardless of the time when such normative acts were introduced (before or after the introduction of an international treaty) with the exception of the Russian Constitution and most likely, of constitutional laws (federal constitutional laws are of higher legal force than federal laws; they are adopted only on issues which are under exclusive jurisdiction

of the Russian Federation, whereas federal laws may be adopted in respect of matters within the concurrent jurisdiction of the Russian Federation and of regions; procedures for adoption of federal constitutional laws and amendments thereto are much more strict).

Under Article 76 of the Russian Federation Constitution, no laws or other legal acts of the Russian Federation regions may conflict with federal laws unless the regional law or legal act regulates issues which are within the exclusive jurisdiction of such a region (see Articles 73, 76.4 of the Russian Federation Constitution and in specific case, the agreement between the region and the Russian Federation regarding the division of powers). In the event of a conflict between a federal law and any other act issued in the Russian Federation regarding an issue within the exclusive jurisdiction of the Russian Federation or an issue within the joint jurisdiction of the Russian Federation and regions of the Russian Federation, the federal law will prevail. It should be noted that issues relating to international treaties and agreements of the Russian Federation and foreign economic relations of the Russian Federation are within the exclusive competence of the Federal Government. It is also worth noting that the coordination of international and foreign economic relations of regions of the Russian Federation and the fulfilment of international treaties and agreements of the Russian Federation falls under the joint jurisdiction of the Federal Government and the regions of the Russian Federation.

As to ensuring that international treaties are fulfilled and complied with, Article 32 of the Federal Law No. 101-FZ "On International Treaties" dated 16 June 1995 provides that both federal and regional bodies are responsible for such compliance as follows:

"1. The President of the Russian Federation and the Government of the Russian Federation must take measures aimed at ensuring the implementation of the international treaties of the Russian Federation.

2. Federal bodies of executive power, whose competence includes issues governed by international treaties of the Russian Federation must ensure the implementation of the obligations of the Russian Federation under such treaties and the exercise of the rights of the Russian Government arising from such treaties. They must also oversee the execution of the obligations of other parties to the treaties.

3. The organs of the relevant region of the Russian Federation must, within the limits of their powers, ensure the implementation of the international treaties of the Russian Federation.

4. General supervision over the implementation of the international treaties of the Russian Federation must be carried out by the Ministry of Foreign Affairs of the Russian Federation."

In accordance with Article 125 of the Constitution of the Russian Federation and Article 3 of the Federal Constitutional Law No. 1-FKZ "On the Constitutional Court of the Russian Federation" dated 21 July 1994, the Constitutional Court of Russia decides among other cases, the compliance with the Constitution of the Russian Federation of:

- "the constitutions of republics, the charters, and the laws and other legal acts of the subjects of the Russian Federation adopted either on issues under the jurisdiction of bodies of State authority of the Russian Federation or under the joint jurisdiction of bodies of State authority of the Russian Federation and bodies of State authority of the subjects [regions] of the Russian Federation; and
- the treaties concluded between bodies of State authority of the Russian Federation and bodies of State authority of the subjects of the Russian Federation, and treaties concluded as between bodies of State authority of the subjects of the Russian Federation".

Also, the Constitutional Court of the Russian Federation decides cases on jurisdictional matters:

- between bodies of State authority of the Russian Federation and bodies of State authority of the subjects of the Russian Federation; and
- between higher bodies of State authority of the subjects of the Russian Federation.

The following bodies may make requests to resolve the aforementioned cases and disputes: the President of the Russian Federation, the Council of the Federation, the State Duma, one fifth of the members of the Council of the Federation or of the deputies of the State Duma, the Government of the Russian Federation, the Supreme Court of the Russian Federation and the Higher Arbitration Court of the Russian Federation, and the bodies of legislative and executive power of the subjects of the Russian Federation.

Article 85 of the Constitution of the Russian Federation empowers the President of the Russian Federation to use conciliatory procedures to resolve disputes between the bodies of State authority of the Russian Federation and bodies of State authority of the subjects of the Russian Federation, as well as between bodies of State authority of the subjects of the Russian Federation. In case of failure to reach an agreement, the President may submit the dispute for the consideration to court of competent jurisdiction.

Article 85 of the Constitution of the Russian Federation also gives the President of Russia the right to suspend acts of the bodies of executive power of the subjects of the Russian Federation where such acts contradict the Constitution of the Russian Federation and the federal laws, or international commitments of the Russian Federation or where such acts violate human rights and freedoms. Such suspensions, will remain in effect until the issue is resolved by a court of competent jurisdiction, which as a rule will be the Constitutional Court of the Russian Federation, but may also be a constitutional court (or other court with similar jurisdiction and powers) of a region of the Russian Federation.

(f) In accordance with Article 9 of the Federal Law No. 157-FZ "On State Regulation of Foreign Trade Activities" dated 13 October 1995, the Ministry of Trade of the Russian Federation (formerly the Ministry of Foreign Economic Relations of the Russian Federation) is responsible for coordination of foreign trade activities on the issues that fall under the joint jurisdiction of the Russian Federation and subjects of the Russian Federation.

See also 2(b) above.

Question 3.

In response to Question 4 of WT/ACC/RUS/25 the Russian Federation advises that "national practice of drafting standards and technical regulations allows for submission of written comments by concerned parties, including WTO Members...". We would appreciate clarification as to whether Gosstandard's regulations have been updated to reflect this commitment, as our understanding has been that Gosstandard procedures only provided for comment on draft standards and regulations by Russian nationals.

Answer:

The regulations for the development of State standards applicable in the Russian Federation (GOST R 1.0-92 and GOST R 1.2-92) contain no restrictions on the submission of comments and proposals by foreign countries on draft State standards under preparation by the Russian government.

Procedures are already in place for the active participation, by interested countries, in the drafting of both standards and laws. In particular, during the development of State standard GOST R 51121-97 "Non-Food Products. Consumer Information. General Requirements", constructive proposals were presented by experts from a number of European countries through the European Business Club in Moscow. In addition, the Russian State Committee for Standards has already received comments and proposals from a number of countries on the draft laws on technical barriers to trade and on confirmation of conformity.

Question 4.

With reference to the response given by the Russian Federation to Question 23 of WT/ACC/RUS/25, can the Russian Federation provide details of the specific geographical and climactic or other conditions that would justify the need to deviate from international standards, and outline how the measures in place differ from those that would be derived from international standards?

Answer:

Possible differences between national laws, regulations or standards and the requirements of international standards may include the following:

(a) The industrial frequency of electric power consumed in Russia is 50 Hz. Adopting the frequency of 60 Hz which is used in a vast majority of other countries is a typical example of a technological problem (as the same is described in Clause 2.4 of the TBT Agreement) which arises in securing conformity (harmonization) between the requirements of regulations.

(b) The contents of foodstuffs consumed by the population are determined by traditions of national cuisines which utilise certain specific products (fish for Arctic peoples, mutton for southerners, potatoes as a part of aggregate vegetable consumption for the inhabitants of European Russia, etc.). This necessitates stricter requirements governing the content of undesirable ingredients in such products as compared to countries having different dietary regimes. The Russian delegation believes that this is a typical example of measures justified by climatic or geographic factors (as described in Clause 2.4 of the TBT Agreement).

(c) Governmental Resolution No. 1575 "On the Approval of Regulations to Ensure the Presence of Information in Russian on Food Products to be Imported in the Russian Federation" dated 27 December 1996 and Governmental Resolution No. 1037 "On Measures to Provide Information in Russian for Non-food Items Brought into the Territory of the Russian Federation" dated 15 August 1997, require that information be provided in Russian on labels for imported products.

(d) Geographic and climatic conditions are taken into account for mechanical engineering products in accordance with the requirements of GOST 15150 "Machines, Instruments and Other Engineering Products. Versions for Various Climatic Regions. Categories, Conditions of Operation, Storage and Transportation with Respect to the Impact of Climatic Environmental Factors".

If required, the number of examples could be increased, but fundamentally, it is necessary to emphasize that such requirements apply both to domestic entrepreneurs and to foreign partners. Therefore, the provision of Clause 2.1 of the TBT Agreement is fully complied with, i.e. non-discriminatory treatment is provided.

Question 5.

Does Gosstandard have any special relationships with other standardising bodies in the CIS (e.g., Derzhstandard in Ukraine or UzStandard in Uzbekistan) or elsewhere? Are there any arrangements in place between Gosstandard and other agencies regarding the mutual recognition of test results?

Answer:

The interaction between the Russian State Committee for Standards and the national standardization authorities of the CIS members is carried out pursuant to the "Agreement on the Pursuance of Agreed Policies in Standardization, Metrology and Certification" signed by representatives of the Commonwealth governments in Moscow on 13 March 1993.

The Intergovernmental Council on Standardization, Metrology and Certification which was formed pursuant to the above Agreement, and which includes the heads of the national standardization authorities of its members, was recognized by the ISO as a Eurasian regional standardization organization (EASS) in 1995.

Bilateral standardization cooperation is now taking place with virtually all States in the CIS. Intergovernmental agreements on cooperation in standardization, metrology and certification were signed with the Republic of Uzbekistan and Ukraine in Moscow on 22 December 1993 and 14 March 1994, respectively.

Matters related to mutual recognition of the results of examinations/tests are governed both in general documents signed at the interdepartmental level, such as:

(a) the Agreement on Mutual Recognition of the Results of Governmental Tests and Approval of the Type, Metrological Certification, Verification and Calibration of Measuring Instruments and the Results of Accreditation of Laboratories Engaged in Testing, Verification or Calibration of Measuring Instruments (Tashkent, 06 October 1992);

(b) the Agreement on the Principles of Performance and Mutual Recognition of Certification Activities (Krasnodar, 04 June 1992); and

(c) the Procedure for Recognition of Certification Results (Chisinau, 20 October 1993); as well as on a bilateral basis, as an example, the Agreement on Mutual Recognition of the Results of Governmental Tests of Measuring Instruments (Minsk, 28 January 1994) with the Republic of Belarus.

Question 6.

The Agreement on Technical Barriers to Trade and the Agreement on Sanitary and Phytosanitary Measures include a number of special requirements aimed at ensuring that sanitary and phytosanitary measures and technical standards and regulations do not create unnecessary or unjustified barriers to trade. It is therefore important to ensure that steps are taken to ensure that personnel responsible for the elaboration of sanitary and phytosanitary measures and technical regulations and standards are aware of the requirements of the Agreement. What specific actions has the Russian Federation taken to provide training for Russian officials in the requirements of the two agreements?

Answer:

The Russian State Committee for Standards has a far-flung network of educational and research institutions which train personnel in standardization, metrology and certification. An integral part of the training process is an in-depth study of materials and regulatory documentation.

In connection with Russia's preparation for accession to the WTO, additional arrangements to study international rules and regulations have been made. Clauses devoted to the study of the TBT Agreement and the SPS Agreement are included in the curricula.

Specialists of the Russian State Committee for Standards involved in the drafting of technical standards and rules are receiving training under international programmes (TACIS, SABIT).

In this regard, the Russian party is ready to discuss with interested WTO Member countries, proposals for technical assistance in this field.

Preferential Trade Arrangements

Question 7.

The Economic Union Treaty signed on 24 September 1993 contemplates free movement of goods, services, labour and capital.

- **What forms of economic coordination beyond the free trade area and the customs union agreements are currently in effect? For example, to what extent are trade and other payments among CIS countries conducted on a different basis than those with third countries?**

Answer:

The Parties to the Treaty on the Economic Union coordinate their policies in different fields of economic cooperation provided for in this Treaty and in corresponding bilateral intergovernmental agreements on the long-term economic cooperation, including those connected with movement of labour and trade in certain types of services such as transportation.

The Treaty does not establish special rules for payments between the CIS countries which are directly implemented.

Question 8.

The response to Question 267 in WT/ACC/RUS/4 Russia indicated that approximately 25 per cent of its imports in 1993 and 1994 had been from GSP beneficiaries, but did not report on CIS trade. Russia has provided additional information in WT/ACC/RUS/21/Rev.1/Add.1 and Add.2 on Russia-CIS trade, but not on the comparative portion of that trade in Russia's total imports and total exports.

Could Russia please provide information on approximately what portion of Russia's imports enter duty free (a) from CIS countries, (b) from GSP recipients, (c) on an MFN basis, in a recent representative period?

Answer:

(a) In 1997, the share of the CIS countries in total Russian imports was 26.6 per cent.

Imports from the CIS countries were duty-free pursuant to bilateral free trade agreements.

(b) Imports from the countries included in Russia's national preference system accounted for 14.1 per cent of all Russian imports in 1997, including:

- 0.3 per cent from the least developed countries (duty free);

- 13.8 per cent from developing countries whose products are subject to import customs duties at 75 per cent of the base rate.

(c) Imports from the countries with which Russia has treaties or agreements on mutual granting of MFN treatment accounted for 70.3 per cent of total imports in 1997, not counting duty-free imports from the CIS countries (see also answer (a) herein).

- **Tariff preferences**

Question 9.

Please confirm that all the agreements listed in Chapters 1 and 2 in force at the present time. What further ratifications, approvals, or legislative actions are needed to implement their provisions? (note: In earlier documentation, Russia indicated that a number of the concluded agreements were not in force.)

Answer:

All agreements listed in Chapters 1 and 2 of WT/ACC/RUS/21/Rev.1 remain in effect.

However, negotiations to conclude a multilateral FTA between the CIS countries to improve the Agreement on the FTA signed in 1994, are now under way. Similar to the present Agreement, the new agreement will cover trade in goods only. Exemptions from the free trade regime are under discussion. The agreement will follow the requirement of the GATT-94 Article XXIV and other relevant WTO provisions.

Question 10.

Chapters 1 and 2 of WT/ACC/RUS/21/Rev.1 indicates that Russia's trade with the other republics of the former Soviet Union is conducted through a system of free trade agreements.

- **Please confirm that the only Russian imports from the countries listed in Chapters 1 and 2 of WT/ACC/RUS/21/Rev.1 that do not receive duty-free treatment from Russia are sugar (or indicate any additional products). Please indicate what imports from countries listed in Chapters 1 and 2 are subject to export tariffs or taxes?**

- **In light of the information provided in response to the previous question, please indicate what portion of Russia's import and export trade with the CIS is not subject to duty-free treatment.**

Answer:

The only exemption from the free trade regime in the importation into Russia of products originating from CIS countries is white sugar.

No Russian exports to CIS countries are exempt from the free trade regime. Therefore, the exemptions from the free trade regime account for about 1.5 per cent of the Russian trade turnover with the CIS countries.

Question 11.

Chapter 1 of WT/ACC/RUS/21/Rev.1 notes that Article 1 of the FTAs with Uzbekistan, Turkmenistan and Tadjikistan provides for goods subject to export duties, licensing and quotas, and that Russia no longer applies export duties to this trade.

- **Do these countries apply export duties to any of their trade with Russia?**

- **What is the status of licensing and quota restrictions on this trade?**

Answer:

Russian exports to Uzbekistan, Turkmenistan and Tajikistan are subject to no restrictions or exemptions from the free trade regime. The Russian party imposes no import duties (except for white sugar) or restrictions upon imports into Russia originating from these countries. As concerns the specific features of the foreign trade regime applicable in Uzbekistan, Turkmenistan and Tajikistan, official data in this regard can be provided by governmental agencies of these countries.

- **Services preferences**

Question 12.

Please provide a list of services imports and exports with any of the countries in Chapters 1 or 2 now conducted on a preferential basis (Note: The response to Question 329 of WT/ACC/RUS/9 stated that "numerous" services agreements existed and that Russia would draft its GATS schedule "taking into account" these agreements.)

Answer:

Most of the contracts on provision of services are concluded between private economic operators. The agreements concluded between Russia and other CIS States establish preferential treatment for almost all modes of supply. This is why it is not practical to prepare an exhaustive list of services traded between Russia and CIS countries enjoying preferential treatment.

Taxation Issues

Question 13.

For historical reasons, Russia does not apply the VAT and applies only net excise taxes to imports from other CIS countries. This situation exists in some other CIS countries as well. (Note: Under this system, CIS exports are taxed at their source, i.e. by the exporting CIS country.) The VAT and full excise taxes are applied to imports from non-CIS countries. This would appear to discriminate against non-CIS imports into Russia.

- **Russia should, as soon as possible, bring its practices into line with principles of non-discrimination and most-favoured nation treatment as soon as possible. Can Russia confirm that it will revise this system, and give a date when Russia's application of the VAT, excise taxes and other indirect taxes to imports will be on an MFN basis?**

- **What steps has Russia taken to address this situation? What does Russia intend to do in 1998**

Answer:

The Russian Federation is considering plans to adopt after 2000 a standardized system of collecting indirect taxes (VAT and excise taxes) in foreign trade on the "destination country" principle.

Question 14.

We understand that Russia has recently entered into an agreement with Ukraine exempting imports from VAT and excise taxation.

Please clarify the nature and status of Russian application of such taxes on Ukraine trade - are all imports exempted or just certain products?

Answer:

The Russian authorities collect no VAT with respect to the importation of any Ukrainian products into Russia. Wherever any Ukrainian products excisable in the Russian Federation are imported into Russia, the Russian party reduces the amount of excise tax payable by the amount of excise tax paid in Ukraine.

Decree No. 1392 of the Russian Federation President, dated 31 December 1997, "On Invalidation of Decree No. 1216 of the Russian Federation President, dated 18 August 1996, "On Collection of the Value Added Tax on Products Originating from Ukraine and Imported into the Customs Territory of the Russian Federation" exempts from VAT, as from 1 February 1998, any products originating from the customs territory of Ukraine upon their importation into the customs territory of the Russian Federation.

Therefore, no VAT is charged on any products imported into Russia which originate from the customs territory of Ukraine, provided that a certificate of origin is available.

Question 15.

In previous replies the Russian Federation informed about the establishment of uniform excise rates for all types of domestic excisable products imported into the Russian Federation pursuant to Federal Law No. 12-FZ of January 1997.

- **What are the criteria for classification of imported cigarettes into different classes? What kind of documentation is required?**

- **Which is the authority responsible for such classification? Does the system operated create conditions for different treatment of domestic and imported cigarettes in practice?**

Answer:

Federal Law No. 12-ФЗ of January 1998 fixed different excise rates for different classes of cigarettes. This classification is quite identical for both imported and Russian cigarettes. The classification is based on the requirements of the Russian State standard (GOST 3935-81) for the content of various substances (tar, nicotine, etc.) in cigarettes.

Rules of Origin

Question 16.

We would appreciate an update on the rule of origin used to identify goods that trade duty free within Russia's FTAs. It is unclear that the rules of origin used give goods processed from imported inputs or traded by foreigners equal treatment with other imports manufactured in CIS countries.

Answer:

To date, Russia has entered into free trade bilateral agreements only with the CIS member States. At the same time, the CIS countries are covered by the Agreement on the Establishment of the Free Trade Area, dated 15 April 1994, to which Russia is also a party. Attached to that Agreement are the "Regulations for Identifying the Country of Product Origin" approved by the Resolution of the Council of the CIS Government Heads, dated 24 September 1993. These Regulations determine that a product's country of origin is the State where such product was completely manufactured or subjected to a sufficient degree of processing.

To date, there are no specifically stipulated criteria of origin with respect to particular products or countries. Therefore the general rule (Clause 5 of the Regulations) applies in accordance with which a product is deemed sufficiently processed if it has been reclassified under the CIS Foreign Trade Commodity Nomenclature at the four digit level.

In this regard, pursuant to this general rule and Article 3 of the Agreement on the Establishment of the Free Trade Area, no customs duties apply to trade among the CIS countries with respect to any products manufactured in the CIS countries, including those from imported materials, which meet this criterion.

It should be noted that, pursuant to Clause 9 of the Regulations for Identifying the Country of Product Origin (as restated by the Resolution of the Council of the CIS Government Heads dated 18 October 1996), no duty-free treatment may apply to any products manufactured in the CIS countries and exported from them into the Russian Federation by foreign companies or foreign individuals not resident in one of the CIS countries.

Question 17.

Chapter 1 of WT/ACC/RUS/21/Rev.1 states that tariff preferences under the FTAs with Armenia, Azerbaijan, Georgia, Moldova, and Ukraine are granted "on the basis of a certificate of origin, provided that the exporter is a resident of a CIS country".

- **Does this policy deny duty-free treatment to exports from foreign owned firms or goods exported by citizens of other countries doing business in CIS countries?**

- **We seek Russia's establishment of rules of origin that does not exclude goods processed from imported inputs from the duty free treatment accorded other goods produced in CIS countries.**

Answer:

Pursuant to Clause 9 of the Regulations for Identifying the Country of Product Origin attached to the Agreement on the Establishment of the Free Trade Area, dated 15 April 1994, tariff

preferences may be granted to products manufactured in the CIS countries only provided that such products are exported by residents of the CIS member countries. Therefore, unless a foreign company is registered as resident in any CIS country, no products manufactured in the CIS countries and exported into the Russian Federation by such company, will be granted duty-free treatment.

As concerns foreign nationals, Clause 9 of the Regulations stipulates that "resident" means an individual permanently living in one of the CIS countries.

At present, Russia, under the Agreement on the Establishment of the Free Trade Area, already applies the Regulations for Identifying the Country of Product Origin and, subject to the requirements of the Regulations, any products manufactured in the CIS countries from imported basic materials are granted duty-free treatment.

Intellectual Property Rights Protection

Question 18.

In response to Question 153 in WT/ACC/RUS/9, Russia indicated that it extends retroactive IPR protection for works covered by copyright and related rights to CIS works, and will extend this treatment to all WTO Members when it implements TRIPS. What is preventing Russia from extending such treatment now?

Answer:

The issue concerning the introduction of retroactive protection of copyrights and related rights has met no practical solution to date, as a result of a number of legal and economic factors. For future details please refer to Section 2a of the TRIPS documents submitted by the Russian delegation to the Ninth Meeting of the Working Party (WT/ACC/RUS/7/Add.2).

Russian ministries and agencies responsible for these issues are currently working to eliminate such factors and bring Russian law into conformity with international practice in the area of protection of intellectual property rights.

In this connection, Russian specialists are studying the experience of retroactive protection with respect to items subject to copyrights and related rights in WTO Member countries. The Russian party also plans to employ consulting assistance of foreign experts intended to explain this problem (the manner and practice of application) and provide the necessary information. All the above demonstrates that a certain time is needed to prepare and adopt the necessary legal acts.

Customs Union Arrangements

Question 19.

Russia, Belarus, Kazakstan and the Kyrgyz Republic have declared their intention to form a customs union. WT/ACC/RUS/21/Rev.1 would seem to indicate that these arrangements are not yet in operation.

Answer:

On 06 January 1995, the Russian Federation and the Republic of Belarus signed an intergovernmental agreement on a Customs Union which subsequently was joined by the Republic of Kazakstan (20 January 1995) and the Kyrgyz Republic (29 March 1996). Duty-free treatment is

given to trade between the Customs Union countries without any exemptions or restrictions. All of the above Agreements apply only to trade in products.

The four States have fully accepted the rights and obligations arising from the Agreements as regards the Customs Union's goals, operating principles, mechanisms and stages of formation, the distribution of customs duties, taxes and charges, the terms and conditions applicable to the imposition of temporary restrictions, and customs control.

Formation of the Customs Union is now underway.

Question 20.

Chapter 2 of WT/ACC/RUS/21/Rev.1 states that "trade with these countries (i.e., Belarus, Kazakstan, and the Kyrgyz Republic) is currently carried out under the conditions of a free trade regime, without any limitations or restrictions". This would appear to indicate that the customs union has not yet been implemented, i.e., that the external applied tariffs are not fully harmonized.

- **Can Russia confirm that all tariff lines, for both import and export, are duty and quota free within this FTA?**

- **Can Russia confirm that the common external tariff has not yet been implemented? What is the status of efforts to implement a common external tariff?**

- **Please outline the "Uniform Procedure for the Regulation of External Economic Activity" agreements with Belarus, Kazakstan and the Kyrgyz Republic.**

- **What forms of economic coordination beyond the establishment of a common external tariff are provided for by these agreements? What is the status of implementation, and the status of planning for near term implementation?**

Answer:

In pursuance of the free trade agreements between Russia, Belarus, Kazakstan and the Kyrgyz Republic all the tariff lines, both for import and export, are duty and quota free within the FTA.

No common import customs tariff for the countries which have signed the Agreement on the intention to form the Customs Union (Russia, Belarus, Kazakstan and the Kyrgyz Republic) is in place as yet. Activities are underway to bring closer the rates of import customs duties of these four countries.

The separate Intergovernmental Agreements signed with Belarus, Kazakstan and the Kyrgyz Republic on 06 and 20 January 1995 and 10 January 1996 respectively establish a common procedure for regulating foreign trade activities and making decisions in the following areas:

- determination of a trade regime in relations with third parties;
- tariff and non-tariff regulation of foreign trade activities;
- currency regulation and currency control of foreign trade operations; and
- application of temporary restrictions in mutual trade and trade with third countries.

See also the answer to Question 7 herein.

Partnership and Cooperation Agreement with the European Communities

Question 21.

We seek to understand to what extent Russia's Partnership and Cooperation Agreement (PCA) with the European Communities, which entered into force in December 1997, contains trade preferences for either goods or services.

Chapter 3 of WT/ACC/RUS/21/Rev.1 refers to the provisions of the PCA that provide for the possible start of talks on the establishment of a free trade agreement.

- **Are there any provisions of this agreement that currently provide for better than MFN treatment of European Communities' exports to Russia, or for exports of Russian goods to the European Communities? If so, please describe them.**

Answer:

In respect of goods, the PCA is a non-preferential agreement, and there are no provisions in the PCA, the implementation of which leads to de-facto discrimination between EC and other WTO Members' products entering Russia's customs territory. However, the scope of the MFN clause in the PCA and in certain other trading agreements between Russia and other WTO Members may differ from case to case, reflecting the historical conditions under which the respective agreements were concluded.

In respect of services, provided by EC suppliers, the PCA in some cases establishes, depending on the service sector, subsector or mode of supply, MFN or NT treatment, with certain exemptions. In the absence of similar agreements with other WTO Members, the PCA establishes a clear set of rules and obligations governing market access in specific sectors, which will be implemented by Russia subject to the terms and conditions of the agreements.

The PCA provides for the possibility of conclusion of a free trade agreement, covering goods as well as trade in services, establishment and operation of companies and movement of capital. In particular, Article 3 of the PCA provides that "the Parties shall examine together in the year 1998 whether circumstances allow the beginning of negotiations of the establishment of a free trade area". Discussions on whether conditions exist to allow talks to begin on the conclusion of such an agreement have not yet started.

Question 22.

We understand that the PCA contains provisions that relate its obligations to commitments undertaken in the GATS and to investment. Questions 91, 112, and 113 in WT/ACC/RUS/13/Add.1 indicates the existence of a significant preferential/reciprocal services trade in insurance and financial services, including with the European Communities. We understand that the PCA provisions related to are as follows:

- **MFN treatment for post-establishment, subject to sectoral exceptions. Russian exclusions: mining, fishing, real estate purchase and brokerage, telecommunications services (including mobile and satellite services), mass media services, leasing of federal property;**

- **free payments and transfers linked to trade in goods, services, or capital;**

- **in banking, national treatment (for subsidiaries only, not branches, and with certain other exceptions); elimination in December 1995 of restrictions on dealings of foreign banks with Russian clients; removal of most non-national treatment in three or five years from signature; consideration after five years from signature of removal of the last two remaining exceptions to national treatment (a higher minimum capital for foreign banks and a ceiling of 12 per cent on the overall share of foreign capital in the Russian banking system);**

- **in insurance, removal of the 49 per cent cap on foreign share in insurance companies within five years after signature of the agreement;**

- **temporary entry of European Communities' nationals as senior intra-corporate transferees;**

- **cross-border services: MFN treatment for a list of sub-sector including, *inter alia,* some or all of the following: engineering, architecture, computer services, advertising, value-added telecom, construction, wholesale, franchising, adult education, renting and leasing of transport equipment, reinsurance, auxiliary insurance services, and direct insurance (MAT only). Standstill provision. Temporary entry provisions for service sellers;**

- **limited sector-specific commitments in maritime. Air, rail, and inland waterways transport are excluded. Consultations on MFN treatment in mobile satellite communications.**

To what extent are these provisions currently in effect? Is there a timetable for implementation?

Do these provisions constitute special treatment for European Communities' service providers under this Agreement?

Answer:

The PCA came into force on 1 December 1997. All the provisions of this agreement are in effect from that date.

In the absence of similar agreements between Russia and other WTO Members, some PCA provisions provide preferences in favour of EC service providers.

Question 23.

The response to Question 444 in WT/ACC/RUS/4 concerning the provisions of the PCA stated: "As for trade in services, the treatment granted by one party to the other in accordance with the Agreement will not be more favourable than that granted by the first party in accordance with the provisions of GATS with respect to each sector, subsector and the manner of providing services". We understand that this provision is contained in Article 51, paragraph 1, of the Agreement.

- **Does this mean that MFN treatment in services covered by the PCA is automatically extended through GATS to fellow WTO Members?**

Answer:

Russia is not yet a party to the GATS and hence is not bound by GATS Article II provisions, including the MFN provisions. After accession to the WTO, Russia will apply GATS Article II as

well as the other provisions of the GATS and of the Protocol of Accession, including those parts relevant to market access and MFN exemptions in service trade, towards its fellow WTO Members.

Question 24.

The PCA addresses a number of issues relevant to the GATS, including commercial presence [pre- and post-establishment], cross-border delivery of services, and temporary entry of service suppliers and intra-corporate transferees [managers, executives, and specialists].

- **We would be interested in hearing your views as to how these PCA provisions will be reflected in Russia's GATS offer.**

Answer:

PCA was negotiated and concluded as a tool to foster long-term bilateral trade and economic cooperation between Russia and its main trading partner in Europe and in the world, on a reciprocal basis, taking into account special features of historical and economic relationships. Russia's GATS offer may reflect these PCA provisions. A draft schedule of market access commitments together with a draft schedule of Article II exemptions will be presented to Working Party members in due course.

Industrial Subsidies

Note by the Russian Federation concerning questions on subsidies (Nos. 25-33):

At the recent eighth meeting of the Working Party, the Russian party delivered to the WTO Member countries updated and supplemented materials on industrial subsidies (WT/ACC/RUS/26 and WT/ACC/RUS/26/Corr.1) which practically superseded WT/ACC/RUS/22. The updated structured material included revised data on industrial subsidies in the Russian Federation. This information was prepared on the basis of real and actual allocations from the federal budget according to the results of 1997.

The answers given below are mainly based on the information contained in WT/ACC/RUS/26 and WT/ACC/RUS/26/Corr.1.

Question 25.

Concerning Appendix 2 to WT/ACC/RUS/22:

Please explain the difference between "Transfers" (column 1), "Allocations to Federal Regional Programme" (column 2) and "Grants" to regional governments (column 5)?

Answer:

Both transfers and grants are, in the Russian Federation, non-repayable in nature. Allocations to federal regional programmes can, in theory, be either repayable or non-repayable although they are generally non-repayable in nature.

Question 26.

WT/ACC/RUS/22/Add.1/Rev.1 (Appendix 6) contains a summary of federal "Grants and Subsidies to Regions", which includes the amounts listed in Appendix 2 for "Transfers", "Subventions", "Closed Administrative Areas" and "Arctic Deliveries". However, this section

of Appendix 6 does not include the amounts listed in Appendix 2 under "Allocations to Federal Regional Programmes" and "Grants".

- **Where in Appendix 6 are those funds reflected?**

Answer:

Financial support for Russian Federation subjects out of the federal budget exists in the form of:

- transfers from the Federal Fund of Financial Support for Russian Federation Subjects;
- subventions to the City of Moscow for performing the functions of the Russian Federation capital;
- subventions to the resort city of Sochi;
- subventions to the budgets of closed administrative areas within which facilities of the Russian Federation Ministry of Defence or the Russian Federation Ministry of Nuclear Energy are located;
- allocations to Federal regional programmes;
- compensations to Far Eastern regions for electric power charges; and
- State financial support for the delivery of products/goods to Arctic and equivalent areas.

Transfers from the Federal Fund of Financial Support for Russian Federation Subjects

For the purpose of determining the shares of Russian Federation subjects (i.e. regional governments) in the Federal Fund of Financial Support, Russian Federation subjects are classified on the basis of their geographic position and the factors most influencing the revenues and budget expenditures. Subjects of the Russian Federation are divided into 3 groups. The first two groups include regions located either partly or fully in the Arctic zone. The third group includes all regions not included in the first and second groups.

The basic condition for the provision of budget transfers is that the estimated expenditures exceed the estimated revenues according to the original data.

The governmental authorities of Russian Federation subjects determine, in their own discretion, the uses of any federal budget funds allocated from the Federal Fund of Financial Support in the form of transfers. As a rule, these funds are used to finance current expenditures of the budgets of Federation subjects, e.g. the payment of wages and wage arrears to employees at budget-financed institutions.

Subventions to the City of Moscow for performing the functions of the Russian Federation capital

Subventions to the City of Moscow are determined by Russian Federation Law No. 4802-1 "On the Status of the Russian Federation Capital", dated 15 April 1993. The costs incurred by Moscow in performing the functions of the Russian Federation capital must be reimbursed in full out of subventions from the Russian federal budget. Such funds must be used strictly for their intended purpose.

Subventions to the resort City of Sochi

The Sochi resort area is a resort of federal significance and has the status of an environmental and economic district. In order to support its operation and address first-priority environmental problems, a special-purpose subvention has been granted to Sochi annually. The instructions to the Russian Ministry of Finance concerning the special-purpose subventions for 1997 and for the period

ending in 2001 are contained in Resolution No. 511 of the Russian Federation Government dated 30 April 1997.

Grants to the budgets of closed administrative areas (see answer to Question 32 herein)

Allocations to Federal regional programmes

For special-purpose financing of programmes out of the federal budget, the Russian Federation Ministry of Economics must, in conjunction with the Russian Federation Ministry of Finance and in consultation with State customers, within the time frame fixed by the Russian Federation Government for the formation of the federal budget for each fiscal year, submit to the Russian Federation Government its proposals concerning federal special-purpose programmes to be financed out of the federal budget as well as the proposed levels of financing.

Allocations from the federal budget to finance regional programmes include the implementation of resolutions of the Russian Federation Government implementing federal programmes to promote the social and economic development of regions, improve the environmental situation, ensure the seismic stability of facilities and promote the establishment of free economic areas, etc.

Expenses to compensate Far Eastern regions for electric power charges

The cost of electric power is much higher in Far Eastern regions than in other regions of the country. In order to ensure the competitiveness of Far Eastern industrial enterprises consuming electric power and to equalize the electric power rates set in various regions of the country, companies engaged in electric power generation and supply in Far Eastern regions annually receive funds from the federal budget in order to offset the difference between the cost of electric power and the power rate applicable in such Far Eastern regions. These funds are distributed among electric power producers for each budgetary year by order of the Russian Federation Government (see the answer to Question 31).

State financial support for the delivery of products/goods to Arctic and equivalent areas

In order to maintain guaranteed supplies for the population of the Arctic regions, the enterprises and organizations responsible for supporting life therein (supplies of oil, oil products, fuel, foodstuffs, medicines as well as industrial products and non-food consumer goods), the regional fund and the Federal Fund have been set up to implement State financial support for product delivery to the Arctic and equivalent areas.

All the above forms of support are granted to regional administrations primarily for social support purposes. Direct financial support for enterprises in economic sectors is provided under other items of budgetary expenditures, e.g. support for coal mining, the fuel and energy sector etc. (see WT/ACC/RUS/26, Tables 1 and 2). Such distribution is done on an enterprise-specific basis.

See also WT/ACC/RUS/26, pages 4, 11-15.

Question 27.

Appendix 6 lists one prohibited (Red box") subsidy under "Budgetary Loans for Enterprises and Organizations", which was identified at the December 1997 Working Party meeting as an export subsidy.

Please describe that subsidy in detail, including any laws or regulations authorizing or relating to such support. Please, identify and other export subsidies or import substitution subsidies currently authorized by law, regulation, decree or policy, regardless of whether such subsidies were provided or funded in the current budget year or in previous years.

Answer:

In 1997, the Russian Federation Government (by its Resolution No. 53, dated 20 January 1996) extended budgetary loans to two engineering companies in the amount of 50 billion Rubles (in 1997 prices) to support their exports bearing an interest rate one-half of the Bank of Russia's refinancing rate (WT/ACC/RUS/26, Table 1, item 2.2). These loans were extended by setting off the government's debt and obligations to these companies which had accrued before 1996. In 1998 this lending practice was terminated, and no further plans for such lending exist. No other export subsidies were granted in 1997.

Question 28.

On page 2 of WT/ACC/RUS/22, item 1(k) refers to a "centralized reserve fund" for the coal industry.

Please explain the nature of this fund, its purpose and how it is administered?

Answer:

Pursuant to Resolution No. 1523 of the Russian Federation Government, dated 3 December 1997 (as amended by Resolution No. 1026 of 03 September 1998), a "Procedure for the Formation and Use of the Centralized Reserve Fund of Coal Industry Restructuring" and a "Procedure for the Formation and Use of the Centralized Fund of State Support for Employees Released upon Liquidation or Reform of Coal Mining Industries" were prepared and approved. These Procedures describe in detail what funds should be allocated to such centralized reserves and how the proceeds of these reserves must be used. The proceeds of the fund are to be used to compensate for any costs resulting from accidents or natural disasters, to eliminate their consequences and to provide aid for casualties and their families.

The fund is administered by the Interministerial Commission on Social and Economic Problems of Coal Mining Regions jointly with the respective ministry of the Government of the Russian Federation and under supervision of the Ministry of Fuel and Energy.

The amount of funds allocated to the centralized reserve fund of coal industry restructuring in a given year must not exceed 5 per cent of the funds designated in the federal budget for State support of the coal industry.

Question 29.

On page 2 of WT/ACC/RUS/22, item 2 refers to subsidies of 9.7 billion Rubles to the oil industry and petrochemical enterprises to retain regulated prices for the production and sale of liquefied gas for individual households.

What is the nature of these subsidies and how are they administered (e.g., how and to what extent are the subsidy benefits limited to households rather that industrial consumers)?

Answer:

In accordance with Resolution No. 239 of the Russian Federation Government "On Measures to Systematise State Regulation of Prices/Rates", dated 07 March 1995 (as amended by the Resolution of the Russian Federation Government dated 30 July 1998), liquefied gas for household needs is included in the list of industrial-purpose products, the prices of which are subject to State regulation by the Government of the Russian Federation and the federal executive authorities.

The price regulation for the liquefied gas used for the household needs is carried out by the regional bodies of executive power.

However, given the continuing increase in the prices of physical resources and decrease in the purchasing power of individuals, production of this commodity continues to incur losses. In order to compensate chemical and petrochemical producers for part of their losses, they are granted State assistance.

Industrial use of liquefied gas which is produced, transported and stored in small-size portable cylinders is not feasible.

The specific distribution of funds among budgetary recipients is under the authority of the Russian Ministry of Economics, which is exercised in consultation with the Russian Ministry of Finance.

Question 30.

On page 2 of WT/ACC/RUS/22, item 3 refers to partial compensation to enterprises for the costs associated with the maintenance of social assets.

Please, explain in detail how this support is administered (e.g., what constitutes a "social asset", is the compensation limited to expenses incurred after the effective date of Decree No. 8 (10 January 1993) or can it cover past expenses incurred while the enterprises were under an obligation to maintain the social assets; what criteria are used to determine which enterprises are eligible for compensation; how is the level of compensation determined)?

Answer:

In accordance with Resolution No. 1325 of the Russian Federation Government "On the Financing of Social, Cultural and Utility Assets Transferred to Local Executive Authorities upon Privatization of Enterprises", dated 23 December 1993, and Resolution No. 235 "On the Procedure for Transfer of Social, Cultural and Utility Assets into the State Ownership of Russian Federation Subjects and Municipal Ownership", dated 07 March 1995, social (polyclinics, schools, kindergartens, baths, etc.) and housing assets may be transferred into municipal ownership. However, the transfer of such assets held in the balance sheet of industrial enterprises is often difficult, since they frequently are in poor condition or are located in remote or hard-to-access areas. In these cases, the enterprises are forced to maintain these assets at their own expense and the State has to compensate them for part of their expenses.

The specific distribution of funds among budgetary recipients is under the authority of the Russian Ministry of Economics which is exercised in consultation with the Russian Ministry of Finance.

Question 31.

On page 2 of WT/ACC/RUS/22, item 4 refers to a power rate compensation payment for power generation and supply companies.

- **Please, provide a detailed explanation of this support including the legal authority and any applicable criteria for, or restrictions on, such payments.**

- **Please, provide a detailed explanation of the State support for "other sectors" referred to in item 5 on page 2 of WT/ACC/RUS/22.**

Answer:

As concerns the procedure for electric power rate compensation, see the answer to Question 26 herein.

As concerns State support for other industries, see Table 1 in WT/ACC/RUS/26.

Question 32.

On page 3 of WT/ACC/RUS/22 there is a general description of deferrals of payments to the federal budget granted to certain industrial enterprises to stabilize their financial condition.

- **What is the legal authority for such deferrals? How are deferrals granted (e.g., what criteria are used to establish eligibility for a deferral; are deferrals granted on an annual basis or for a longer term)?**

- **Please, explain the nature of the investment tax credits referred to on page 3 of document WT/ACC/RUS/22, including the interest rate and the meaning of the statement that such credits are given on a "non-forgivable basis". In addition, please identify the legal authority for such credits.**

- **What is the legal authority for the type of disaster relief granted to KamAZ in 1993 (WT/ACC/RUS/22, page 3)? What types of disasters qualify for such relief? What criteria are use to determine if relief is appropriate for a specific enterprise and the level of such relief granted? Please, describe the specific nature of the "forgivable and non-forgivable resources" given to KamAZ?**

- **Please describe the purpose, nature and administration of support to "closed administrative areas", which are referred to on page 3 of cf and Appendix 2 to that document.**

- **Please provide a more detailed description of the nature and administration of the "Special-Purpose Programmes" listed in Appendix 4 and discussed on page 4 of WT/ACC/RUS/22.**

- **Please describe the role of the Anti-Monopoly Committee in the provision of industrial subsidies.**

Answer:

In order to stabilize the financial condition of certain industrial enterprises, they were granted deferrals of payments to the federal budget in 1997 at an interest rate one-half of the refinancing rate

fixed by the Central Bank of the Russian Federation in accordance with applicable law. The total amount of such deferrals was 5749.1 billion Rubles, including 5706.6 billion Rubles, or 99.3 per cent of the total amount, for fuel and energy enterprises (see WT/ACC/RUS/26, Table 1, items 2.3, 4.2, 5, 6.5, and WT/ACC/RUS/26/Corr.1). These deferrals may be granted to enterprises following a drastic deterioration of their financial condition. These deferrals are to be granted for one fiscal year for a period of 6 months or less, subject to mandatory payment of interest with respect to such a deferral.

Regarding investment tax credits, see WT/ACC/RUS/26, page 3, and WT/ACC/RUS/26/Corr.1, last paragraph.

The financial aid provided for JSC KamAZ was necessitated by the extraordinary situation arising from a fire at the engine plant, which is part of the company. The decision to provide State support for the company was caused by the need to retain the level and range of its products, as determined for 1993, and to restore the burnt-out plant as soon as possible, since a significant portion of the vehicles manufactured by the plant is used for the needs of the economy and the power ministries. Resolution No. 358 of the Russian Federation Government "On First-Priority Measures to Eliminate the Consequences of the Fire at the Engine Plant", dated 22 April 1993, approved the Program of First-Priority Measures to Eliminate the Consequences of the Fire at the Engine Plant. In pursuance of the said Resolution and Government Orders No. 1204-p, dated 07 July 1993, and No. 1276-p, dated 16 July 1993, the company was granted budgetary appropriations on a non-repayable basis (i.e. the company will not repay the funds to the State). WT/ACC/RUS/26 does not refer to this type of support, because the funds were allocated during 1993 and 1994.

The budgets of closed administrative areas are drawn up by the Russian Federation Ministry of Finance and financed out of the federal budget. According to Article 5 of Russian Federation Law No. 3297-1 "On Closed Administrative Areas", dated 14 July 1992, any deficit of the budget of a CAA should be covered by subventions and grants from the federal budget which account for 65-70 per cent of an average CAA budget. A "closed administrative area" is defined in the said law as "a territorial unit having its own bodies of executive power within the territory of which the industrial plants developing, manufacturing and utilising weapons of mass destruction, military objects are situated, or radioactive hazardous activities are being carried out". A special regime for citizens residing in such closed administrative units is maintained. The Russian Federation Government is entitled, within the limits of the approved funds, to redistribute the amounts of such grants during the year according to the revenue performance of the relevant CAA budgets. The said budgets are independent from the budgets of the relevant Russian Federation subjects and typically receive no financial support from them. CAA grants have no strict purpose. It is planned to liquidate all CAAs in the future. See also WT/ACC/RUS/26, Table 3.

The development, approval and implementation of federal special-purpose programmes, including regional ones, should be carried out in accordance with the procedure approved by Resolution No. 594 of the Russian Federation Government. The list of federal special-purpose programmes to be financed out of the federal budget must be approved by the federal budget law for the relevant fiscal year. The federal budget for each fiscal year must specifically allocate funds to the State customers of such programmes in order to finance their capital investments, research and development costs and other operating expenses. The general purpose of all federal special-purpose programmes that have been developed and approved by the Government to date is to identify and implement a package of measures ensuring the elimination of the crisis and the creation of an efficient regional economy as well as the solution of social problems. Table No. 4 of WT/ACC/RUS/26 sets forth for reference purposes the list of federal special-purpose programmes included in the Federal Budget Law for 1997. It should be noted, however, that virtually no financing under these programmes took place. See also WT/ACC/RUS/26/Corr.1.

Question 33.

WT/ACC/RUS/22, (answers to Questions 67, 68 on page 33) refers to the Government Committee On Credit Policy.

- **What is the role of this committee in the allocation of government and commercial credit resources to industrial sectors or enterprises?**

- **Please, describe any other subsidies provided by the federal government to specific industries or groups of enterprises or industries, which may not be reflected in the federal budget, such as: preferential pricing of goods or services (e.g., tax holiday, forgiveness of taxes due), government loan guarantees, forgiveness of debt and preferential access to credit.**

Answer:

Resolution No. 666 of the Russian Federation Government, dated 01 July 1995 (as amended by Russian Federation Government Resolution No. 712 of 19 June 1996) approved the Regulations of the Government Commission for Financial and Monetary Policies formed by Resolution No. 1375 of the Russian Federation Government, dated 13 December 1994. However, the Commission was virtually inoperative in the recent periods (late 1997 and early 1998), so Resolution No. 935 of the Russian Federation Government, dated 12 August 1998, revised the composition and functions of the Commission. As yet, this Commission has not operated either, because the Resolution was issued immediately before the current financial crisis and resignation of the previous Government.

In accordance with Resolution No. 935 of the Russian Federation Government, dated 12 August 1998, the objective of the Government Commission for Financial and Monetary Policies is to implement uniform governmental financial and monetary policies aimed at developing the Russian economy, strengthening the purchasing power of the Russian Ruble, reducing the level of inflation, creating favorable conditions for investment and improving currency control.

- See WT/ACC/RUS/26 and WT/ACC/RUS/26/Corr.1.

Legislative Developments

Question 34.

WT/ACC/RUS/16/Rev.3 makes a number of references to liberalization of trade in the precious metals sector, including ending the State monopoly on trade in these products and removing quantitative restrictions on trade in these products.

What changes have been made to import licensing regulations governing trade in precious metals (Market Access, document WT/ACC/RUS/16/Rev.3)?

Answer:

The licensing procedure for precious metal imports in the Russian Federation has not changed.

Question 35.

By adopting Resolution No. 134 of 22 October 1997, the Russian Government undertook to amend the rates of customs tariffs, however small, not more frequently that on a semi-annual

basis, changes not exceeding 10 per cent for an *ad valorem* rate (or an equivalent for the specific or combined rate) and becoming effective after 180 days.

- **As of 11 February 1998, pursuant to Resolution No. 1608 of 19 December 1997 on partial changes of rates of import customs duties adopted by Resolution No. 1560 of 27 December 1996 of the Government of the Russian Federation, combined rates of customs duties are to be introduced for about 130 tariff lines.**

- **What is the basis for determination of the specific part of the customs duty and is it intended to be an equivalent for the *ad valorem* duty?**

- **How are the above changes considered to be in compliance with Resolution No. 1608 of 1997?**

- **Does the Russian Federation plan to further extend the application of combined rates of customs duties of this type for other groups of products?**

Answer:

In the Russian import tariff, the specific component of combined rates of import customs duties is equivalent in its amount to the *ad valorem* component. The specific component is determined using the average prices of contracts with respect to the relevant product which have been registered by the customs authorities during the 12 immediately preceding months.

The use of combined rates of import customs duties in the Russian customs tariff is primarily dictated by the need to control deliberate understatement of the customs value of goods by importers.

In 1998, the Russian Government has made decisions involving both an increase (GR No. 1608 of 19 December 1997; GR No. 254 of 21 February 1998; GR No. 1045 of 5 September 1998) and a reduction in the number of combined rates (GR No. 945 of 13 August 1998), GR No. 1203 of 15 October 1998).

Customs Valuation

Question 36.

Pursuant to Order No. 436 of 11 August 1996 of the State Customs Committee, preference prices for customs valuation have been established for a number of goods. We have information that import duties are calculated and collected on that basis, afterwards the customs authorities check whether the customs value in the customs documentation is correct. In cases where the duty collected exceeds the amount due the difference is to be refunded to the importer.

Answer:

It should be noted that no regulation of the Russian State Customs Committee (SCC) or any other governmental authority establish any "preference prices". We believe that the "preference prices" is a misprint instead of the phrase "reference prices" in the text of the question. In this regard, see WT/ACC/RUS/28.

SCC Order No. 436 of 11 July 1996 was issued in pursuance of SCC Order No. 796 of 29 December 1995 which had approved the "Interim Regulations on the Distribution of the Powers to Control the Customs Value of Products between the Various Levels of Customs Authorities" (hereinafter the "Regulations"). These Regulations establish the functions of customs authorities

related to customs value control and determine the procedure for centralizing a number of customs value control functions at senior levels of the customs service. These orders introduce no "preference" prices.

The Regulations provide that senior customs authorities (regional customs departments and the Russian State Customs Committee (SCC)) must, among other functions, perform analytical work, including verification and review of transactions cleared by custom-houses and documents submitted by declarants/importers. For these purposes, custom-houses must, after completion of customs formalities, deliver such documents to the relevant regional customs departments or the SCC which must use the same only for analytical and methodological activities. SCC Order No. 436 of 11 July 1996 determines the criteria (contract/transaction price and kind/type) in accordance with which documents are selected for delivery to a senior customs authority for review.

The centralization of customs value control functions based on price brackets (SCC Orders No. 757, dated 24 December 1997, and No. 489, dated 13 July 1998) covers about 15 per cent of all product imports in the Russian Federation. According to this criterion, less than 1 per cent of the total imports is subject to review by the senior customs authorities.

Question 37.

What groups of products are subject to this system at present? Can you please specify how are these preference prices determined?

Answer:

See the answer to Question 36

Question 38.

Which authorities have the competence to determine the real customs value? Does the system described cover all imports of these products and imports from all sources? What period is provided for the competent authority to decide whether the customs value of the goods has been correct? What is the basis for such determination? What is the period for refunding of the excessive duty amount collected? Does the Russian Federation intend to abolish this system before accession to the WTO?

Answer:

According to Article 13 of Russian Federation Law No. 5003-1 "On the Customs Tariff", dated 21 May 1993, the declarant must determine the customs value in accordance with the methods set forth in that Law and declare the same to the customs authority. The customs value must be determined and declared by the declarant. The customs authorities will then check such customs value. In the absence of data confirming the accuracy of the declarant's customs valuation or if there is reason to believe that the information provided by the declarant is not true and/or sufficient, a customs official of the Russian Federation may independently determine the customs value of a product.

If the declarant disagrees with the decision of the customs authority as to the customs value, such decision may be challenged through the procedure set forth in the Customs Code.

From the context of the question, it appears that the issue is not customs valuation, which must only be performed in strict compliance with the Law, but rather the procedure for granting the

use of products against security for the payment of customs charges (including deposit of an appropriate amount with the custom-house).

In this case, an interim (provisional) valuation (which is not identical to the customs valuation) will be made. The total period during which the declarant is to furnish any additional information necessary to determine the customs value is 60 days. In certain cases determined by SCC regulations, this period may be extended to 180 days.

This system covers all imports from all sources.

The decision concerning the customs value declared by the declarant must be made on the basis of the requirements imposed by the Russian Federation Law "On the Customs Tariff".

The Russian delegation would appreciate receiving further detailed explanation from WTO Members as to why this procedure might be inconsistent with WTO standards and whether there is a need to rescind or modify the procedure.

TBT/Standards

Question 39.

Regarding the last paragraph of the section on legislative developments, we would like to seek some clarification on the role of Gosgorginspektsiya.

What is the function of Gosgorginspektsiya? Is it responsible for market surveillance, i.e., checking in the marketplace that products comply with regulatory marking and labelling requirements? How does it operate? Under what authority? How do its functions relate to those of the State Anti-Monopoly Committee?

Answer:

The State Trade Inspectorate (Gostorginspektsiya), as already stated in WT/ACC/RUS/16/Rev.3, is a structural unit of the Ministry of Trade (formerly, the Russian Ministry of Foreign Economic Relations). Its principal function is to supervise compliance with regulations of trade and to monitor product quality at the level of retail and wholesale/retail trade. The rights and responsibilities of Gostorginspektsiya are described in more detail in Resolution No. 866 of the Russian Federation Government, dated 14 June 1997, which was submitted to the WTO Secretariat.

Question 40.

We would appreciate a report on the results of the special commission convened by President Yeltsin earlier this year to generate proposals for a new system of "State control". This commission report was expected 1 November.

What was the outcome? Does it have any relationship to Russia's prospective WTO commitments?

Answer:

Please define the question more precisely. The Russian delegation is unaware of the existence of a "Presidential Commission on State Control".

Question 41.

WT/ACC/RUS/16/Rev.3 makes no mention of RF No. 799 "On Measures to Protect the Consumers Market of the Russian Federation Against Poor Quality Imported Goods". Could Russia provide information on this recent regulation?

Answer:

Resolution No. 799 of the Russian Federation Government, dated 12 July 1996, was adopted more than two years ago; it was submitted to the WTO Secretariat before the fourth meeting of the Working Party and discussed in detail at the fourth, fifth and sixth meetings.

Investment Policy/TRIMs

Question 42.

At the December 1997 Working Party meeting, Russia acknowledged that the Law On Production Sharing Agreements has elements that are inconsistent with TRIMs obligations regarding local content, but has stated in its TRIMs submission that further implementation steps have not been taken. We understand that a special government commission and a special department in the Ministry of Fuel and Energy have been established to implement the Law.

We would appreciate hearing your government's views on plans to ensure that PSA provisions are consistent with the TRIMs Agreement and confirmation that Russia will not impose conditions on investors inconsistent with the TRIMS Agreement.

Answer:

As stated in WT/ACC/RUS/5/Add.1, applicable national legislation at the federal level contains no provisions contrary to the requirements of the TRIMs Agreement, with exception of Federal Law No. 225-FZ "On Production Sharing Agreements" (PSA), dated 30 December 1995.

However, the implementation of the Law "On Production Sharing Agreements" is now the only feasible way to obtain the necessary guarantees of a stable environment for long-term investment projects as concerns taxation, accounting, export, etc., since the terms of a PSA will remain in force throughout its effective term. If, during the effective term of the PSA, any new legislation of the Russian Federation, its regional or local governments introduces any measures which impair the commercial results of the investor's activities under the PSA, the agreement must be amended so as to produce the same commercial results to the investor as the investor would have received if the local relevant legislation applicable at the date of the PSA had remained in effect.

To implement this Law, the Russian Federation Government has adopted the following regulatory acts containing similar measures:

1. Resolution No. 174 of the Russian Federation Government "On the Interdepartmental Commission for Enhancing the Competitiveness of Russian Transport Enterprises and Organizations", dated 14 February 1997, determines that "when preparing the terms and conditions of mineral use and drafting production sharing agreements pursuant to the Federal Law of the Russian Federation "On Production Sharing Agreements", it must be stipulated that Russian carriers shall be engaged on a preferential basis in the exportation from the RF customs territory of any products designated as federal property or the property of Russian Federation subjects under such agreements".

2. By Order No. 132-p of 2 February 1996, the Russian Federation Government recommends that, in order to secure the interests of Russian manufacturers, stabilize the operations of the industrial sector and protect national security, "the federal executive authorities and executive authorities in Russian Federation subjects must, in determining the terms and conditions of tenders for exploration and development of mineral deposits, provide for the use of machinery and equipment manufactured by Russian producers".

Several investment agreements with a number of companies from the USA, Japan, France and other countries have been entered into pursuant to the Federal Law "On Production Sharing Agreements". The aggregate investment under these projects is estimated at $28 billion (this information was previously communicated at the eighth meeting of the Working Party).

A Commission of the Russian Federation Government has been formed in order to coordinate the activities of the federal and regional executive authorities with respect to the implementation of production sharing agreements. As well, a Department has been set up within the Russian Ministry of Fuel and Energy for preparing and implementing such agreements.

The purpose of these bodies is to work with regions, governmental agencies and the State Duma in improving the PSA laws (including making them consistent with WTO requirements), to resolve disputes arising in the implementation of already existing agreements and to prepare proposals for inclusion of new underground areas and mineral deposits in the list of those permitted for development under a PSA.

Government Procurement

Question 43.

WT/ACC/RUS/16/Rev.3 reports that on 25 August 1997, Russia adopted Resolution No. 1062, laying out the procedures for awarding the most reliable and qualified suppliers the honorific title "Supplier for State Needs".

- **We understand that this document has been submitted to the WTO Secretariat and we will review it with great interest. Can we assume that foreign firms are eligible to receive this title?**

- **If not, does the title in any way confer an advantage on the holder during a procurement?**

Answer:

In pursuance of Decree No. 630 of the Russian Federation President "On the Establishment of the Title 'Supplier of Products for Russia's State Needs'", dated 25 June 1997, the Russian Federation Government approved by its Resolution No. 1062 of 25 August 1997 the Regulations on the Title "Supplier of Products for Russia's State Needs".

The title "Supplier of Products for Russia's State Needs" was introduced as a moral incentive for Russian legal entities and individual entrepreneurs supplying products (goods, works, services) for the State needs of the Russian Federation and must be awarded by decision of the Russian Federation Government.

The honorific title "Supplier for State Needs" may also be indirectly awarded to foreign companies acting through their wholly owned subsidiaries being legal entities established under the Russian legislation.

The title "Supplier of Products for Russia's State Needs" may only be awarded to a supplier who has won at least three consecutive tenders/auctions, provided that he supplies products in full compliance with the State contracts entered into by him.

This title gives no advantage to its holder as concerns purchases and is merely a honorific title.

Services

Question 44.

Can Russia provide an indication as to when its schedule of commitments for services will be circulated to WTO Members?

Answer:

Pending.

Question 45.

In its replies to Questions 113, 117, and 118 of WT/ACC/RUS/13/Add.1. Russia indicated that market access in the banking sector provides for the possibility of reciprocal agreements with other countries.

Could Russia, please, provide details? We should like to emphasise that to meet WTO requirements, Russia must give full consideration to the MFN principle, and not discriminate between service suppliers from different countries. We would expect any reciprocity arrangements in banking to be removed.

Answer:

Pending.

Question 46.

In its reply to Question 114 of WT/ACC/RUS/13/Add.1, Russia indicated that there is no plan for a staged liberalization of the 12 per cent ceiling on foreign capital participation in the banking sector, as the limit has not yet been reached. This is not sufficient reason to retain the ceiling, which violates market access rules, and could potentially benefit countries with which Russia has reciprocity agreements.

When will Russia remove the ceiling?

Answer:

Pending.

Question 47.

Russia has indicated that in addition to the overall 12 per cent ceiling on foreign capital participation in the Russian banking system, the following restrictions apply to newly established lending institutions whose authorized capital consists of more than 50 per cent of the

funds contributed by non-residents: (i) the authorized capital of such institutions must be equal to at least 10 billion Rubles; and (ii) the contribution made to the authorized capital by at least one participant must be equal to at least 10 billion Rubles (replies to Question 168 of WT/ACC/RUS/9/Add.3 and to Question 115 of WT/ACC/RUS/13/Add.1).

Answer:

Pending.

Question 48.

Do domestic banking suppliers have to meet these criteria? If not, this would be inconsistent with the principle of national treatment under Article XVII of the GATS and we would request their elimination.

Answer:

Pending.

Question 49.

Russia has indicated a number of areas in which payment and transfers are limited when services are supplied by non-residents. It will be necessary for Russia to demonstrate that restrictions do not contravene the provisions of GATS Article XI.

- **For example, no limitations are made on current account currency transfers made by residents (reply to Question 206 of WT/ACC/RUS/9/Add.2). Could the implications of the distinction between 'resident' and 'non-resident' be explained in more detail? Can foreign nationals be considered resident under any circumstances?**

- **Russia has indicated that hard currency settlements for "certain services" supplied by non-resident individuals are prohibited without a Central Bank licence (reply to Question 206 of WT/ACC/RUS/9/Add.2). Could Russia please detail which services are affected by this legislation, along with reasons why their supply requires a licence?**

- **Russia has indicated that Ruble proceeds from the supply by a non-resident individual of services on the territory, of the Russian Federation must be entered on his or her account with an authorized bank (reply to Question 206 of WT/ACC/RUS/9/Add.2). Why is this the case?**

- **It is also prohibited to purchase foreign currency, on the Russian domestic market using funds from non-resident individuals' rouble-denominated accounts (reply to Question 206 of WT/ACC/RUS/9/Add.2). Could Russia please explain the reason for this restriction?**

- **Are these regulations removed by the foreign trade legislation passed on 30 September 1997 which permits "any Russian individual" to transfer abroad "up to US$2,000 daily without opening a current foreign-currency account or obtaining any additional permits" (WT/ACC/RUS/16/Rev.3)? Does this mean that procedures for-opening and maintenance of current foreign-currency denominated accounts by resident no longer remain to be "settled" (as mentioned in Russia's reply to Question 214 of WT/ACC/RUS/9/Add.2)?**

- **Foreign exchange settlements between non-residents and residents for services provided by, the former, are carried out in accordance with the "licensing procedures" established by the Central Bank (reply to Question 206 of WT/ACC/RUS/9/Add.2). Are there any other restrictions in addition to those mentioned above? (Russia's reply to Question 216 of WT/ACC/RUS/9/Add.2 mentions only the prohibition of the purchase of foreign exchange on the domestic currency, market using funds from non-resident's rouble-denominated accounts noted above.)**

Answer:

Pending.

Question 50.

Russia's reply to Question 207 of WT/ACC/RUS/9 given in answer to Question 94 of WT/ACC/RUS/9 indicates that there are no quantitative restrictions on transactions effected by residents involving capital accounts. However it has previously been indicated that foreign exchange transfers from the Russian Federation by residents under transactions related to movement of capital only be effected with the "permission of the Bank of Russia" (reply to Question 214 of WT/ACC/RUS/9/Add.2), if the "required documents" have been submitted (reply to Question 215 of WT/ACC/RUS/9/Add.2).

- **Could Russia please indicate precisely what restrictions (quantitative or other) apply to restrictions and non-residents on transfers involving the capital account?**

In addition, we seek clarification of any differences in the way that residents and nonresidents are treated.

- **What is meant by the statement "non-residents enjoy more favourable treatment compared with residents as far as currency transactions are concerned" (reply to Question 215 of WT/ACC/RUS/9/Add.2)? What additional benefits do non-residents gain?**

- **Russia indicated that "Non-residents may transfer dividends and other income derived from investment activities from the Russian Federation" (reply to Question 215 of WT/ACC/RUS/9/Add.2). Are there restrictions on other transfers of capital, either by currency regulations or other means?**

- **We are uncertain what Russia intends by allowing non-residents the right to freely transfer foreign exchange from the Russian Federation "if these foreign exchange valuables were previously transferred, imported or sent into the Russian Federation" (reply to Question 214 of WT/ACC/RUS/9/Add.2). Can Russia clarify what is intended?**

Answer:

Pending.

Question 51.

Are there plans to allow branches of foreign insurance companies to carry out insurance business, rather than merely services 'auxiliary' to insurance services? Is such legislation incorporated into the Law on Insurance vetoed by, the President and currently undergoing

review? (replies to Question 107 of WT/ACC/RUS/13/Add.1 and Question 273 of WT/ACC/RUS/9 refer).

Answer:

In accordance with currently applicable legislation, foreign legal entities and foreign individuals may engage in insurance business in the Russian Federation only if they have obtained a licence for conducting insurance activities on Russian territory. Such licences may only be granted to a legal person registered in the Russian Federation.

Question 52.

Russia's reply to Question 274 of WT/ACC/RUS/9 indicated that a 49 per cent limit applies to foreign investors' aggregate ownership interests in the charter capital of joint-venture insurance companies. It also stated that foreign legal entities and individuals only leave the right to participate in the establishment of limited liability or joint-stock companies.

- **Does Russia have plans to eliminate these restrictions which are inconsistent with GATS Article XVI(f)?**

- **Is the commitment to lift quantitative restrictions on foreign involvement in the charter capital of insurance companies within 5 years (under the Partnership and Cooperation Agreement (1994) between the Russian Federation and the European Communities) to be extended to other countries on an MFN basis?**

Answer:

The Russian Federation intends to implement a plan for gradual liberalization of access to the national insurance market, taking into account GATS requirements.

Russia's obligations under the Agreement on Partnership and Cooperation with the European Communities concerning the maximum interest that may be held by foreign investors in the charter capital of insurance organizations will be fulfilled as scheduled.

As concerns the extension of these obligations to other countries, this is a matter for negotiations between such countries and the Russian Federation.

Regional Trade Agreements

Question 53.

We understand that Russia and India are exploring the possibility of establishing a free-trade area. Could Russia provide more information on the following:

- **Are there other countries, besides India and Russia, that will be involved;**

- **For example, will Belarus, the Kyrgyz Republic and Kazakstan be involved? Have these or any other CIS countries been approached?**

- **If so, is a formal linkage envisaged between the FTA and the customs union involving Russia, Belarus, the Kyrgyz Republic and Kazakstan?**

- **What is Russia's view on how the common external tariff (CET) of the CIS customs union will be accommodated?**

Answer:

At this stage Russia is exploring different possibilities for liberalization of trade with third countries and an FTA is only one of the possible variants.

In December 1997, the Commission for Russian-Indian Bilateral Cooperation reviewed the proposal "to establish a preferred/free trade area or other regional trade association including Russia, India and one or two CIS countries. It was agreed to form a group of experts in order to examine the possibility of establishing such an area and submit a report to the Commission".

No specific steps have been taken to date.

At this very preliminary stage, no conclusions on the forms or content of such an area can be made.

Question 54.

We seek details on the expected time frames for finalising an Agreement to create an FTA and for the implementation of the preferential market access arrangements under any such Agreement:

Is the Agreement expected to be finalised before negotiations on the CIS common external tariff have been finalised?

Answer:

See the answer to Question 53 herein.

Question 55.

What is the expected coverage of a future agreement:

- **Will all goods be covered? Or will there be sectors of products that will be exempted, and if so, which sectors/products?**

- **Will services be covered? If so, will there be exempted sectors? Which sectors? Will there be any provisions covering investment?**

- **What rules of origin will apply?**

- **Will there be any special provisions that will not apply on a most-favoured-nation basis regarding rules of origin, trade remedies (e.g., anti-dumping, and countervailing duties, safeguards), standards and conformity, assessment, domestic taxation, and customs fees and charges?**

Answer:

See the answer to Question 53 herein.

Question 56.

What is the nature of the coverage of the Agreement:

- **Will there be complete free trade within the area for all of the products that are covered?**

- **Or will there be preferential access without free trade for some goods or sectors, and if so, which products/sectors?**

Answer:

See the answer to Question 53 herein.