



# Russia's Accession to the WTO

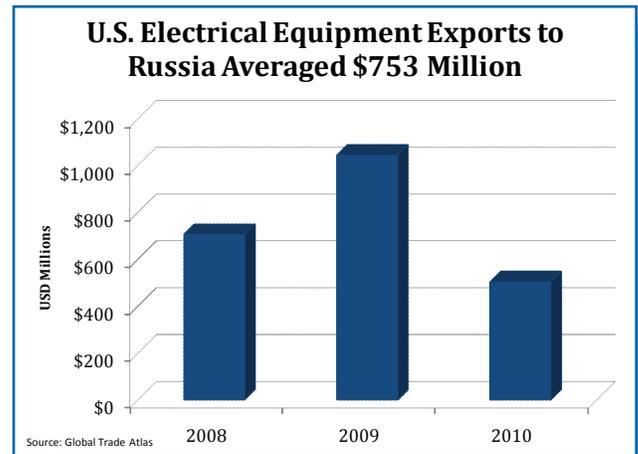
## Opportunities for the U.S. Electrical Equipment Sector

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

- U.S. manufacturers and exporters will have more certain and predictable market access as a result of Russia's commitment not to raise tariffs on any products above the negotiated rates and to apply non-tariff measures in a uniform and transparent manner.
- Russia agreed to bind all of its tariffs on electrical equipment and, after full implementation of its WTO commitments, Russia will reduce its average tariff on electrical equipment to 6.1 percent.
- To join the WTO, Russia must change its trade regime and implement many trade liberalizing obligations. The United States, by contrast, will merely extend permanently to Russia the same trade treatment it already extends to all other WTO Members, and has extended to Russia every year since 1994.
- Russia's obligations, including those on tariffs and non-tariff measures, will be enforceable through use of WTO dispute settlement.

### Electrical Equipment Sector Overview

- The electrical equipment sector accounted for almost \$753 million of U.S. exports to Russia over 2008-2010 (annual average).<sup>1</sup>
- Russia is the 19<sup>th</sup> largest market for U.S. electrical equipment exports.<sup>2</sup>
- Top U.S. electrical equipment exports to Russia include turbo-generators, electric generating sets, various electrical machinery, AC motors, electric storage batteries, and electric heating resistors.
- In 2009, U.S. production of electrical equipment products exceeded \$120 billion.<sup>3</sup>
- The U.S. electrical equipment sector employed over 969,000 workers in 2009.<sup>4</sup>



### Improved Market Access for U.S. Electrical Equipment Exporters to Russia

- Russia's tariffs on electrical equipment currently average 7.0 percent and go as high as 20 percent.<sup>5</sup>
- After full implementation of its WTO accession commitments, Russia's average tariff on U.S. electrical equipment exports will be reduced to, and bound at, 6.1 percent, with tariffs ranging from zero to 15 percent.
- Russia committed to binding 65 percent of its tariffs on electrical equipment at 5 percent or less.

### Key States Exporting to Russia

- Top U.S. states exporting electrical equipment to Russia include: Texas, Connecticut, California, Oklahoma, Louisiana, Wisconsin, New York, Massachusetts, Pennsylvania, Tennessee, and Alabama.

<sup>1</sup> Global Trade Atlas. Calculation based on import data as reported by Russia. The definition for electrical equipment in this report, unless otherwise cited, is based on products within Harmonized System (HS) Headings 8443, 8470, 8473, 8501-02, 8504-05, 8507, 8511, 8516, 8519, 8522-23, 8531, 8536, 8539, 8543-48, 9007-08, 9010, 9013-14, and 9022.

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

<sup>3</sup> U.S. Department of Commerce, Census Bureau, selected products within NAICS 327, 331, 333, 334, 335, and 336. Shipments used as a best available proxy for production.

<sup>4</sup> U.S. Department of Labor, Bureau of Labor Statistics, within NAICS 334, 335, and 336 (non-seasonally adjusted data).

<sup>5</sup> The calculated average tariff rates reported in this paper reflect only the ad valorem duty rates contained in Russia's WTO Schedule of Concessions and Commitments on Goods, as well as Russia's applied rates as contained in the Customs Union Common External Tariff.

## Other Key Commitments by Russia for the Electrical Equipment Sector

### National Treatment:

National treatment requires that imported goods be treated no less favorably than domestically produced products. As a result, Russia cannot impose on imports measures that are more burdensome or stringent, such as additional inspections, higher taxes, or stricter technical requirements, than those applied to domestically produced products.

### Customs Valuation and Fees:

The WTO Customs Valuation Agreement and Russia's commitments in its Protocol of Accession, inter alia, establish rules on methods used to determine the value of imports to calculate tariffs. These commitments increase certainty and predictability on this core trade issue. Upon accession, Russia will cut its maximum customs fee, paid to clear imported goods through customs, by about two-thirds. In addition, Russia will establish lower fixed fees for the customs clearance of goods using electronic format or other simplified filing methods, and overall will ensure that its fees related to importation and exportation will not exceed the cost of services rendered.

### Technical Barriers to Trade/ Standards:

As a WTO Member, Russia and its Customs Union partners will be responsible for implementing the terms of the Agreement on Technical Barriers to Trade (TBT) and standards-related commitments in Russia's Protocol of Accession. The TBT Agreement includes obligations relating to the preparation, adoption, and application of mandatory technical regulations and voluntary standards to avoid the creation of unnecessary barriers to trade. Russia and its Customs Union partners will also assume an obligation to provide a notice and comment process on proposed technical regulations affecting trade in goods, to comply with TBT Agreement rules for conformity assessment procedures, and to use relevant international standards as a basis for their technical regulations, except where ineffective or inappropriate for achieving the legitimate objective. Implementation of these obligations can facilitate trade in almost all products.

### Transparency:

Upon accession, Russia will ensure that laws and regulations pertaining to trade in goods, trade in services, or intellectual property rights will be published before they become effective and will be subject to "notice and comment" procedures. Compliance with these rules will not only give interested persons (e.g., U.S. producers and exporters) an opportunity to provide input into the rules governing trade with Russia, but it will also ensure advance notice for any changes. In addition, where Customs Union (CU) authorities have responsibility for WTO issues, such as sanitary and phytosanitary measures, technical barriers to trade, customs issues, and enforcement of intellectual property rights at the CU border, these transparency obligations will apply.

### Government Procurement:

Within four years of becoming a WTO Member, Russia will commence negotiations to join the WTO's plurilateral Government Procurement Agreement (GPA). Government purchases generally account for 10 percent to 15 percent of a country's GDP. The GPA subjects the purchases covered by the GPA to a system of WTO rules aimed at ensuring that procurement is conducted in a fair, transparent, predictable, and non-discriminatory manner that levels the playing field for foreign suppliers.