



Russia's Accession to the WTO

Opportunities for the U.S. Information and Communications Technologies (ICT) Sector

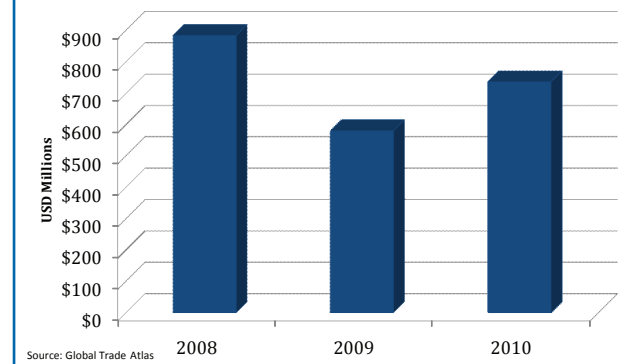
Russia's membership in the WTO will provide significant commercial opportunities for U.S. exporters:

- 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 committed to join the Information Technology Agreement (ITA) upon accession, as well as bind all of its tariffs on ICT products at an average rate of 4.0 percent after full implementation of its WTO commitments.
- 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.

ICT Sector Overview

- ICT products accounted for over \$733 million of U.S. exports to Russia over 2008-2010 (annual average).¹
- Top U.S. ICT exports to Russia include computers, servers, storage devices, optical fiber, telecommunications network and transmission equipment (such as routers and parts), laboratory/analytical instruments and their parts, and automatic and process control instruments.
- In 2009, U.S. production of ICT products was \$204 billion.²
- The U.S. ICT sector employed over 763,000 workers in 2009.³
- The United States leads in many of the more advanced computer hardware product segments (such as high performance computers and servers), is a major vendor of PCs, disk drives and hardcopy peripheral equipment, and has a strong hold on the global markets for software and information technology services. The United States also leads in high-end telecommunications network and transmission equipment (such as switches, network management, packet transport, routers, access points, controllers, and wireless backhaul).
- New highly advanced consumer electronic products are in constant demand in the Russian market and these sales show continuing growth. Solid export opportunities exist for U.S. companies, particularly in high quality electronics and modern digital electronic products, especially as the Russian consumer market recovers from the global economic crisis.⁴

U.S. ICT Exports to Russia Averaged \$733 Million



Improved Market Access for U.S. ICT Exporters to Russia

- Russia's tariffs on ICT products currently average 6.7 percent and go as high as 20 percent.⁵
- After full implementation of its WTO accession commitments, Russia's average tariff on U.S. ICT products will be reduced to, and bound at, 4 percent.
- Russia has committed to join the Information Technology Agreement (ITA), providing duty-free treatment on all ITA products within three years. As a result, information technology products from computers to telecommunications equipment will enter the Russian market duty-free.

¹ Global Trade Atlas. Calculation based on import data as reported by Russia. The definition for ICT used in this report, unless otherwise cited, is based on select products within Harmonized System (HS) Chapters 84, 85, and 90.

² U.S. Department of Commerce, Census Bureau, within NAICS 3332, 3333, 334 (minus 3345) and 3359. Shipments used as a best available proxy for production.

³ U.S. Department of Labor, Bureau of Labor Statistics, within NAICS 334 and 334 (non-seasonally adjusted data).

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

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

Key States Exporting to Russia

- Top U.S. states exporting ICT products to Russia include: California, Texas, New York, Massachusetts, Oklahoma, Illinois, Wisconsin, Tennessee, North Carolina, and Washington.

Other Key Commitments by Russia for the Information and Communications Technologies (ICT) Sector

National Treatment:

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

Transparency:

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

Import Licensing:

Upon accession, Russia and its Customs Union partners will be bound by rules set forth in the WTO Agreement on Import Licensing and Russia’s Protocol of Accession, which govern what documents and information can be required of applicants to obtain an import license, the procedures that must be followed, including maximum timeframes for issuing a license, and protections for traders from discriminatory procedures and excessive delays. These rules will bring predictability and transparency to Russia’s import licensing regime. Implementation of this agreement will benefit U.S. exports a broad range of products subject to “automatic” and “non-automatic” licensing. Of particular note for the ICT sector, Russia agreed to streamline its import licensing regime for products containing encryption technologies, greatly easing the importation process for ICT products with encryption technology. Many common consumer electronic products can now be imported into Russia with simply a one-time notification instead of having to obtain an import license and permission from the Federal Security Services.

Intellectual Property Rights:

Upon accession, Russia will become subject to the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement) which sets out minimum requirements for protecting and enforcing intellectual property rights, including with respect to copyrights and related rights; trademarks; patents; undisclosed information, including trade secrets and pharmaceutical and agricultural chemicals data submitted to obtain marketing approval for pharmaceutical and agricultural chemicals; industrial designs; and semiconductor lay-out designs. The TRIPS Agreement further provides rules governing the enforcement of intellectual property rights, covering, inter alia, civil and administrative procedures and remedies, provisional measures (i.e., preliminary injunctions), customs procedures and criminal procedures. Full implementation of this agreement, which is subject to WTO dispute settlement procedures, will benefit U.S. innovators, producers, and key exports.

Ex Officio Authority to Enforce Intellectual Property Right:

As a result of negotiating its accession to the WTO, Russia has significantly improved the ex officio authority of its customs officials. As a result, Russian Customs inspectors have the power to stop the release of goods suspected of infringing copyright, related rights, trademarks, service marks, and designations of place of origin. Thus, Russian Customs authorities are now further endowed with powers to exercise the function of protecting intellectual property rights in the course of export and import operations, both on the basis of the right holder’s application or on Russian Customs’ own initiative. This authority is an important tool in Russia’s ability to protect intellectual property rights.

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.

Telecommunication Services:

Russia will open its telecommunications services market, both on a facilities and non-facilities basis, to all WTO suppliers. Sectoral coverage is comprehensive and Russia will allow foreign telecommunications companies to operate as 100 percent foreign-owned enterprises. Russia also accepted the pro-competitive WTO Basic Telecommunications Reference Paper that requires the establishment of an independent regulator, the prevention of anti-competitive behavior by the dominant supplier, and the introduction of transparency obligations and interconnection requirements.

E-Commerce and Cross-Border Services:

Russia has undertaken commitments to allow cross-border provision of telecommunications and Internet-based services. For example, Russia has undertaken commitments to allow Internet-based provision of a broad range of professional services, such as legal, accounting and architectural services, as well as Internet-based educational services. In addition, Russia has undertaken full commitments for cross-border wholesale and retail distribution.