California

Opportunities from Russia’s Accession to the WTO

- Russia’s WTO accession will create new opportunities for California’s companies and workers to export goods, such as information and communications technologies (ICT), agricultural products, and automotive products, as well as services, to Russia.

- By joining the WTO, Russia agrees to abide by WTO rules, including specific commitments on issues such as non-discrimination, standards, and protection of intellectual property rights. Russia’s accession will give the United States the opportunity to use WTO tools, including dispute settlement, to ensure Russia’s compliance with its commitments on market access and WTO rules. Russia will be obligated to treat U.S. goods and services on an equal or better basis with those of other WTO Members, as well as on an equal or better basis with its own goods and most services.

- If California’s companies, farmers, ranchers, and workers are to compete successfully for the export opportunities of the 21st century, they need fair trade and more open access to foreign markets, which Russia’s accession to the WTO will help provide.

- If Congress ends application to Russia of Title IV of the Trade Act of 1974 (also known as the Jackson-Vanik Amendment), California’s companies and workers will be able to benefit from the new market access opportunities that stem from Russia acceding to the WTO, and the U.S. government will have the ability to enforce those benefits through WTO dispute settlement. Ending application of Jackson-Vanik to Russia will ensure that exports of U.S. goods and services enjoy the same access to the Russian market as those of their global competitors.

Key Benefits for California’s Industries

Information and Communications Technologies (ICT):

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

Agriculture:

Russian imports of fruit and tree nuts from the United States increased 21 percent and 33 percent, respectively, from 2009 to 2010. California’s grape industry provided the state with more than $3.2 billion in farm cash receipts in 2010, while its almond industry provided the state with more than $2.8 billion in farm cash receipts in 2010. As part of its market access commitments, Russia will reduce its tariff on grapes from 10 percent to 5 percent within three years and will bind its rate on almonds at 5 percent upon accession. In 2010, Russia was also a significant market for U.S. whey exports. The dairy industry is also an important segment of California agriculture, generating cash receipts of $5.9 billion in 2010. California was the nation’s second largest exporter of dairy products, with exports valued at $706 million in 2010. For whey, Russia will implement a tariff-rate quota of 15,000 tons upon accession at a 10 percent in-quota duty. Russia will also reduce its rates on other commercially significant U.S. dairy products from a rate of 25 percent to 15 percent within three to four years after accession. Upon accession, Russia’s sanitary and phytosanitary (SPS) measures must be adopted and implemented in accordance with the WTO SPS Agreement, bringing increased transparency and predictability to its plant, animal, and public health regimes. Having these disciplines will give the United States additional tools to address SPS issues affecting exports to Russia and to reopen this critical market to U.S. dairy products.

Automotive Sector:

U.S. automotive exports to Russia were over $1.3 billion on annual average from 2008 to 2010. Russia is building its automotive industry, and U.S. auto components and parts manufacturers can supply the growing Russian auto industry. As part of its WTO accession, Russia committed to reducing many of its tariffs on automotive vehicles and vehicle parts, which currently range up to 35 percent. After full implementation of its WTO accession commitments, Russia’s average tariff on vehicles will be bound at 12.3 percent, down from the current applied average tariff of 17.5 percent. Russia’s average tariff on auto parts will be bound at 6.9 percent on average. Since 2005, Russia has maintained an
automotive industry investment regime which allows for
the duty free entry of auto parts used in the production
of vehicles that contain a certain level of Russian
content. Such requirements to locally produce goods are
inconsistent with the WTO Agreement on Trade-Related
Investment Measures (TRIMs), and Russia has committed
to eliminate the TRIMs inconsistent elements of its
investment regime by July 2018.

Chemicals:
U.S. chemical exports to Russia averaged almost $1.6
billion annually from 2008 to 2010 and accounted
for 13 percent of total U.S. industrial goods exports
to Russia. Russia has agreed to final bound rates on
chemical products along the processing chain that are
generally consistent with the rates agreed to under the
Chemical Tariff Harmonization Agreement. After full
implementation of its WTO accession commitments,
Russia's average tariff on chemical products will be
reduced to, and bound at, 5.3 percent, down from the
current average tariff of 6.7 percent. The average Russian
tariff U.S. exporters face on key chemical subsectors
will be reduced as well. After full implementation of its
WTO accession commitments, Russia's average tariff on
cosmetics will be bound at 6.3 percent, from the
current average tariff of 13.5 percent; on plastics at 6.2
percent on average, down from the current average tariff
of 10 percent; and the average tariff on pharmaceuticals
will be bound at an average rate of 4.4 percent.

Medical Equipment:
The medical equipment sector represented almost $748
million in U.S. exports to Russia over 2008-2010 (annual
average). After full implementation of its WTO accession
commitments, Russia's tariff on medical equipment will
be bound at an average rate of 4.3 percent, with the
maximum end of the spectrum bound at 7 percent.
Russia committed to binding 97 percent of its tariffs on
medical equipment at 5 percent or less.

Computer and Related Services:
Russia has made very broad commitments for computer
and related services, including commitments for U.S.
service providers involved in hardware and software
installation, data processing, and database services.

Audio-Visual Services:
Russia's commitments for audio-visual services are
broader than those of other countries that have recently
joined the WTO. Upon accession to the WTO, Russia will
open its market to U.S. audio-visual service suppliers
in several important sectors, such as motion picture
distribution and projection services, as well as the sale
of television and radio programs to television and radio
stations. Russia will also allow foreign audio-visual
companies to operate as 100 percent foreign-owned
enterprises.

Other Key Benefits for California's Companies

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

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

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

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

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

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

Russia: A Large and Growing Market

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

California’s Companies, Farms, and Workers Depend on World Markets, Including Russia

- California exported almost $575 million in goods to Russia on average from 2008 to 2010. From 2005 to 2010, California’s goods exports to Russia almost doubled.
- California’s top goods exports to Russia from 2008 to 2010 included: information and communications technologies (ICT), automotive products, chemicals, medical equipment, almonds and other nuts, dairy products (excluding cheese), processed fruits and vegetables, and fresh fruit.
- California’s overall export shipments of merchandise to all markets in 2010 totaled $143.2 billion.
- California is the largest producer of agricultural products in the United States. In 2010, the state’s farm cash receipts totaled $37.5 billion.
- In 2010, California ranked first among all 50 states in terms of exports of tree nuts, valued at $3.6 billion; fruits, valued at $3.2 billion; and vegetables, valued at $2 billion.
- A total of 59,998 companies exported goods from California in 2008. Ninety-six percent (57,461) of those companies were small and medium-sized enterprises (SMEs), with fewer than 500 employees.
- SMEs generated more than two-fifths (44 percent) of California’s total merchandise exports in 2008.
- Four metropolitan areas in California exported over $10 billion each in merchandise in 2009: Los Angeles-Long Beach-Santa Ana, San Jose-Sunnyvale-Santa Clara, San Francisco-Oakland-Fremont, and San Diego-Carlsbad-San Marcos.

The calculated average tariff rates reported in this paper reflect only the ad valorem duty rates contained in Russia’s WTO Schedule of Concessions and Commitments on Goods, as well as Russia’s applied rates as contained in the Customs Union Common External Tariff. All state export data in this report are based on the Origin of Movement (OM) series. This series allocates exports to states based on transportation origin, i.e., the state from which goods began their journey to the port (or other point) of exit from the United States. The transportation origin of exports is not always the same as the location where the goods were produced. Thus conclusions about “export production” in a state should not be made solely on the basis of the OM state export figures.

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

### Industrial Goods

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

* Percent ad valorem, unless otherwise specified.

### Agricultural Goods

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

* Percent ad valorem, unless otherwise specified.

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