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Trade Policy Review Body**TRADE POLICY REVIEW****REPORT BY THE SECRETARIAT****RUSSIAN FEDERATION**

This report, prepared for the second Trade Policy Review of the Russian Federation, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from the Russian Federation on its trade policies and practices.

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SUMMARY

1. Real GDP growth in the Russian Federation averaged 1.7% in 2016-19, compared with 4.8% in 2003-12. Prudent management resulted in macroeconomic stability, as evidenced by the existence of a fiscal surplus during most of the review period, a low inflation rate, and ample international reserves. The Russian Federation managed to mitigate the impact of declining and volatile oil prices and other external developments, notably through the floating exchange rate regime, and a new fiscal rule. At the same time, the consistent decline in the rate of potential economic growth since the financial crisis has drawn attention to certain structural issues with respect to productivity and economic diversification, as discussed in a recent World Bank study. New national development objectives and related national projects were adopted in 2018 (revised in 2020), which aim to improve the Russian Federation's long term economic growth and development performance. It has been observed that participation in global value chains can contribute to the achievement of these new development goals because of its positive effect on productivity growth, quality of jobs, and poverty reduction.

2. In 2020, the economy contracted by 3%, due in large extent to the impact of the COVID-19 pandemic and the related disruption of the global oil markets, which has resulted in a substantial increase in unemployment. Macroeconomic stabilization policies and accumulated buffers have enabled the Russian Federation to manage the impact of these adverse shocks. For 2021, the IMF expects GDP growth of 3.8%. The Bank of Russia paused its accommodative policy actions in mid-2020, keeping the key policy rate at a record low of 4.25% and maintaining short term interest rates close to the key rate. Since March 2021, the Bank of Russia has increased the key rate several times in response to intensifying inflationary pressures.

3. The current account surplus, as a percentage of GDP, reached 7.0% in 2018 but weakened thereafter, mainly due to lower energy-export receipts, financial market volatility, and increased geopolitical risks. In 2020, a sharp drop in imports, particularly of services, limited the decline of the current account surplus, estimated at 2.4% of GDP.

4. Mineral fuels represented nearly half of total merchandise exports in 2020, followed by manufacturing exports. Merchandise exports also remain geographically concentrated, albeit decreasingly. The EU-27 was the largest destination for merchandise exports in 2020, followed by Asia. Merchandise exports fell dramatically from 2019 to 2020. Merchandise imports are dominated by machinery, chemicals, and transport equipment. Asia was the largest source of merchandise imports in 2020, followed by the EU-27. Merchandise imports also declined from 2019 to 2020. The trade deficit in services declined during the review period, largely due to the COVID-19 pandemic. The main categories of services exports are transport services, telecommunications services, and professional and management consulting services. Regarding services imports, the largest shares are accounted for by transport services, technical, trade-related and other business services, and travel. The EU-27 is the largest services trading partner. In line with the strong decline in global FDI flows in 2020 due to the COVID-19 pandemic, FDI inflows plummeted in 2020, driven by the manufacturing and service sectors.

5. Since the entry into force of the Treaty on the Eurasian Economic Union (EAEU Treaty) on 1 January 2015, trade policy formulation in the Russian Federation involves both EAEU and national institutions and legislation. Since the last Review, significant legal changes have occurred, including in the areas of customs procedures and requirements, export duties and taxes, export support, public procurement, foreign investment, competition, protection of intellectual property, mining and energy, financial services, and telecommunications services. The review period also witnessed the adoption of several new strategies, national projects, and state programmes in various policy areas. The Constitution was amended in 2020.

6. While the Russian Federation continued to pursue import substitution and localization policies, it also emphasized the importance of the promotion and diversification of non-energy exports, especially in the new national development objectives announced in 2018. The National Project on International Cooperation and Export adopted in 2018 comprises various federal projects on Industrial Exports, Exports of the Agro-industrial Complex, and Systemic Measures for the Development of International Cooperation and Exports. In 2020, a target was set to achieve by 2030 real growth in exports of non-resource-based, non-energy goods by at least 70%.

7. The Russian Federation is a party to the Information Technology Agreement and has accepted the Agreement on Trade Facilitation. It started negotiations on accession to the Government Procurement Agreement in 2016, tabling its initial market access offer in June 2017. The Russian Federation accepted the Protocol amending the TRIPS Agreement in 2017. While the Russian Federation's notifications record is generally positive, at least four notifications remained outstanding as at end-2020 under, inter alia, the Agreement on Agriculture and the Agreement on Licensing Procedures. Since its accession to the WTO, the Russian Federation has not made any notifications under Article XVII:4(a) of GATT 1994 regarding state trading enterprises. The Russian Federation has participated in 17 WTO trade disputes: 8 as complainant and 9 as respondent.

8. The Russian Federation continues to strongly support the multilateral trading system as embodied in the WTO and regards the WTO as critical to ensuring a stable and predictable international trading environment. It participates in all four Joint Statement Initiatives, endorsed the Buenos Aires Declaration on Trade and Women's Economic Empowerment, and is one of the members of the Informal Working Group on Trade and Gender. The Russian Federation is contributing to the discussion around WTO reform with a focus on improvements of the WTO's dispute settlement, negotiating, and monitoring functions. In June 2021, it formulated its priorities for the 12th WTO Ministerial Conference in a communication to WTO Members. The Russian Federation also joined several proposals and statements on COVID-19 and world trade.

9. As an EAEU member State, the Russian Federation is part of a free trade agreement (FTA) with the Socialist Republic of Viet Nam (entered into force on 5 October 2016), the Interim Agreement leading to the formation of a free trade area between the EAEU and the Islamic Republic of Iran (entered into force on 27 October 2019), an FTA with Singapore (signed on 1 October 2019, but not yet put into force), and an FTA with Serbia (signed on 25 October 2019, but not yet put into force). The Russian Federation is also a party to a number of agreements that pre-date the entry into force of the EAEU treaty.

10. Since 2014, the Government has implemented the State Programme for the Economic Development and Innovation Economy, combining activities to improve the business and investment environment, increase employment in SMEs, and for self-employed persons, improving labour productivity, stimulating technology adoption, and improving the efficiency of public administration. The State Programme was adjusted repeatedly over the review period, and it was also complemented with other strategies aimed at improving competition in the economy. The Russian Federation continued to undertake reforms to improve the business environment. Challenges remain, including with respect to regulatory quality, legal independence, and corruption. A "regulatory guillotine" mechanism was introduced in 2019 aiming to review and abolish all sectoral regulatory acts and replace them with regulations containing updated requirements and using risk-based principles.

11. There have been important changes to the legal framework for domestic and foreign investors through amended laws and regulations. The list of strategic sectors in which foreign investment requires prior approval was expanded in 2017, and since 2018 citizens of the Russian Federation with multiple citizenships have also been subject to this requirement. In 2017, the Foreign Investment Law was amended through the introduction of a general foreign investment screening mechanism. In 2020, screening procedures for acquisitions of voting stakes in strategic enterprises by foreign investors were expanded to also include temporary acquisitions. Restrictions on FDI remain relatively high overall, according to the OECD's FDI Regulatory Restrictiveness Index, and have increased since 2016. In 2020, a new Federal Law to protect and encourage investment was approved, introducing Capital Investment Promotion and Protection Agreements.

12. Key conditions for the development of electronic commerce, such as (online) consumer protection laws, data privacy, and electronic signatures are in place. Turnover in the relatively fragmented e-commerce sector increased significantly over the review period.

13. The principal customs legislation was updated following the EAEU Customs Code's entry into force on 1 January 2018. The EAU Customs Code introduced various innovations aimed at streamlining customs procedures, including through electronic means, and implementing key provisions of the Agreement on Trade Facilitation. The EAEU Customs Code provides for the pre-arrival notification of third-country imports, except for those shipped by pipelines and electricity transmission lines. It has also upgraded the pre-existing scheme for simplified customs formalities into a Union-wide authorized economic operator scheme. Work on the development of a national

single-window system is ongoing. Elements of the future single window have been consolidated in a Seaport Portal, which facilitates the supervision of trade flows going through the Russian Federation's sea checkpoints. During the review period, the legal framework for customs valuation underwent minor amendments upon the entry into force of the EAEU Customs Code, as well as through the adoption of several legal instruments by the Collegium of the Eurasian Economic Commission.

14. The Russian Federation applies the EAEU unified customs tariff, with some exceptions. The simple average applied MFN tariff rate declined slightly between 2016 and 2021, from 8.3% to 7.9%, which is partly explained by the phased implementation of WTO accession commitments. The average applied rate is 13.4% on imports of agricultural products and 6.3% on imports of non-agricultural products. The Russian Federation has bound its entire tariff at the 10-digit level. The simple average bound tariff rate (8.4%) is about half a percentage higher than the 2021 average unified customs tariff rate. Applied tariff rates could potentially exceed the corresponding WTO bindings for a few tariff lines. Four tariff rate quotas exist on imports of certain agricultural products. Tariff preferences apply pursuant to the EAEU's Common System of Tariff Preferences, FTAs concluded by the EAEU, and certain regional and bilateral trade agreements that predate the entry into force of the EAEU Treaty. Excise taxes and VAT are applied to imports from third countries as well as to intra-EAEU trade. During 2016-21, most excise tax rates were revised upwards, and the standard VAT rate was raised from 18% to 20% as from January 2019. As from 2017, foreign suppliers of services over the Internet must charge the applicable VAT and remit it to the Federal Tax Service.

15. Some amendments were made to the coverage of import prohibitions applied to certain agricultural products from several trading partners, introduced in 2014 and 2015 on national security grounds. In March 2021, there were 21 definitive anti-dumping measures in force, approximately half of which concerned products of the steel industry. A "track and trace" system for the marking of certain goods with (machine-readable) means of identification came into force in 2019. The Russian Federation continued to pursue import substitution through various instruments, particularly the regulation of public procurement, and adopted measures to encourage companies to locate production in the Russian Federation.

16. Export duties were removed on products covered by 235 tariff lines and reduced on various other products. In 2021, export duties were increased on sunflower seeds, soyabeans and ferrous and major base metals. For part of 2020, temporary export quotas on certain grains were in place, before being replaced by export tariff rate quotas with a view to stabilizing their prices in the domestic market in late 2020. Tariffs were adjusted in 2021. Export prohibitions were applied at the EAEU level in March 2020 (eliminated in October 2020) with respect to a range of medical products, devices and personal protective equipment. An export prohibition on certain agricultural products was introduced in April 2020 and removed in July 2020.

17. A new system of financial and non-financial export support was created in 2018 pursuant to the national project International Co-operation and Export. There was a substantial increase in the value of financial support for exports, which is provided principally in the form of export credit, guarantee and insurance facilities and involves as the main institutions the Russian Export Center, the Export and Import Bank, and the Export Insurance Agency of Russia. In addition to tax and non-tax incentives provided through Special Economic Zones and regional schemes, incentives are granted by federal and sub-federal authorities in certain sectors.

18. The legal frameworks for the application of technical regulations and standards and sanitary and phytosanitary measures involve a combination of EAEU and national competences. During the period June 2016-June 2021, 15 technical regulations were adopted by the EAEU, while the Russian Federation enacted over 7,500 national standards. At end June 2021, in addition to 43 EAEU technical regulations, two national technical regulations and 36,839 national standards were in force in the Russian Federation. Steps were taken during the review period at the EAEU level to implement agreements concluded in 2014 for the gradual establishment of a unified market for medicines and medical devices. As at March 2021, common EAEU phytosanitary controls on imports from third countries applied to 128 product groups, and common veterinary and sanitary-epidemiological controls on imports from third countries applied to 110 and 19 product groups, respectively. Between June 2016 and March 2021, the Russian Federation submitted 41 regular notifications to the WTO Committee on Technical Barriers to Trade, and 39 regular and 49 emergency notifications to the WTO Committee on Sanitary and Phytosanitary measures. During the same period, it was asked to

respond to nine specific trade concerns related to technical regulations, and six specific trade concerns related sanitary and phytosanitary measures.

19. In 2017, a National Plan on the Development of Competition Policy in the Russian Federation for the Years 2018-20 was adopted. It aims to: (i) increase consumer satisfaction by expanding the supply of goods, works and services, improving their quality and reducing their prices; (ii) increase economic efficiency and competitiveness of economic entities, including by ensuring equal access to goods and services of natural monopolies and public services necessary for business activities; and (iii) ensure stable growth and development of a multisectoral economy. The Plan lists specific industries in which competition should be promoted. The Law on the Protection of Competition was amended many times. Among the amendments made was a prohibition on creating and operating unitary entities in competitive markets and the introduction of a mechanism to encourage companies to implement special anti-trust compliance measures. Discussions are underway on a possible new package of competition law reforms to address recent developments in the digital economy and data circulation.

20. The IMF reported in 2018 that the size of the Russian State was relatively large and that this had a significant impact on competition and economic efficiency. State-owned enterprises exist in the form of unitary enterprises, joint stock companies and state corporations. There was a substantial decline during the review period in the number of unitary enterprises and in the number of joint stock companies in which the State holds more than 30% of the shares.

21. Public procurement is subject to regulation under three distinct laws, based on the type of procuring entity: (i) procurement by federal and municipal governments; (ii) procurement by certain other types of legal entities namely state-owned enterprises, regulated entities, monopoly entities and utility companies; and (iii) procurement by military entities. While the basic legal framework remained the same, numerous amendments were made to these three laws. Procurement by federal and municipal authorities must be conducted according to certain basic principles, including openness, transparency, competition, professionalism of the procuring entities, facilitation of innovation, and uniformity of the procurement system. The law requires that preferences be given to certain types of suppliers, including small businesses. It allows the Government to adopt legal acts imposing restrictions on the purchase of foreign goods, works and services under certain conditions. These restrictions might include the requirement to procure a minimum mandatory share of Russian goods, including goods delivered during the provision of works and services. Several implementing rules were adopted during the review period that set out the details for the application of these restrictions. In the case of procurement by state-owned enterprises, regulated entities, monopoly entities and utility companies, the Government has the right to establish preferences, including through the procurement of a minimum share of goods, works, and services provided by Russian suppliers. In 2016, a decree was adopted that provides for a 15% price preference to be applied by these entities for goods, works, and services of Russian Federation origin.

22. During the review period amendments were made to legislation on copyright and related rights, industrial designs, geographical indications, electronic means, and patents. In the context of the COVID-19 pandemic, the Government took several measures to improve transparency regarding COVID-19 related intellectual property and to facilitate IP acquisition procedures, a compulsory license was granted for remdesivir, and the Duma adopted a bill that expands the grounds for granting compulsory licenses. The Strategy for Scientific and Technological Development, adopted in 2016, identifies challenges and policy objectives in the area of scientific and technological development, and sets out implementation mechanisms. Among the seven priority areas recognized by the Strategy are digital production technologies and environment-friendly and resource saving energy. Currently, the key document defining IP policy is the Intellectual Property Roadmap under the Government Business Environment Transformation initiative. In March 2019, the Government adopted the State Programme for the Scientific and Technological Development of the Russian Federation 2019-2030.

23. The value of agricultural production increased significantly over the review period. In volume terms, the increase was less significant. The Russian Federation remains a net importer of agricultural goods, but agricultural exports increased substantially in recent years. As a share of total exports, agricultural exports increased from 4.7% in 2019 to 7.4% in 2020. Imports of agricultural goods also increased but less than exports. In 2020, as a response to the COVID-19 pandemic, temporary export quotas were introduced on wheat, meslin, barley, rye and maize. The Government replaced them in late 2020 with a temporary export tariff rate quota on certain grains,

which was adjusted several times in the course of 2021 to stabilize domestic prices. Export duties were also increased on sunflower seeds and soyabeans. In accordance with its WTO accession commitments, the Russian Federation eliminated the tariff quotas on fresh, chilled and frozen pork and pork trimming and replaced them with an ad valorem duty of 25%.

24. Support to agriculture is provided primarily through the State Programme for the Development of Agriculture, originally adopted in 2012, and revised in 2019 to include a second phase (2018-25). This second phase aims to ensure food security, increase domestic production as well as exports, and increase the investment in physical assets in the sector. A first sub-programme provided for by this second phase aims to support agro-industrial sectors directly whereas a second-sub-programme aims to address, inter alia, the operational environment in the agro-industrial sectors, land reclamation, and digital agriculture. A separate State Programme on Integrated Development of Rural Territories was established in 2020. Additional strategies and the Food Security Doctrine, updated in 2020, provide further direction for the implementation of overall policy. Since 2017, the Russian Federation has provided two types of domestic transport subsidies to various agricultural products.

25. While the Russian Federation remains a major producer of wood and wood products, the value generated from forestry and logging is lower than its potential. The production and exports of wood increased during the review period, while imports increased only slightly. In 2018, the Government adopted a Strategy for the Development of the Forest Complex of the Russian Federation until 2030, which was revised in 2021, and reflects four of the national development objectives. It aims to improve production and exports of a broad range of forestry products in the context of a sustainable management of forests and socio-economic development. Support to the forestry sector continues to be provided through a mix of general support to improving the management of forest resources, direct support to industry, and trade measures such as export and import duties. There are two export tariff rate quotas in place for coniferous wood in the rough.

26. The Russian Federation is one of the world's major fish producers, but the shares of the fisheries sector in GDP and total employment are relatively low. During the review period, the catch of fish and crustaceans increased overall, especially in the Pacific Ocean. Since 2014, the Russian Federation has been a net fish exporter. Rules limiting the operation of foreign-owned firms in the fisheries sector were made somewhat more restrictive through an amendment of the definition of foreign ownership. The overall framework for government action in the fisheries sector is defined by the Strategy for the Development of Agriculture and Fisheries through 2030 and the Strategy for the Development of the Fisheries Industry until 2030. Overall, tariff barriers in the fisheries sector are relatively high.

27. The Russian Federation is the world's third-largest crude oil producer and exporter. It is the world's second-largest natural gas producer, and the largest natural gas exporter. It has been observed that the Russian Federation remains structurally highly dependent on hydrocarbons, given that oil and gas dominate the Russian Federation's exports of goods and account for a substantial share of the Government's budget revenue. The Russian Federation's economy is also highly energy intensive. Key priorities of the Russian Federation are to continue to diversify the economy away from its abundant gas and oil resources and to reduce the economy's energy intensity. Production of crude oil reached a record high in 2019 before declining in 2020 because of the fall in global demand due to the COVID-19 pandemic and production cuts agreed by the OPEC+ countries. Exports of crude oil increased significantly in volume terms from 2015 to 2019 and in value terms from 2015 to 2018 and declined from 2019 to 2020. With respect to natural gas, there was also a substantial increase in production from 2015 to 2019, followed by a decline in 2020. A significant recent development is the expansion of production of liquefied natural gas. Gas exports rose sharply between 2015 and 2019 and, in the case of natural gas, declined in 2020. For both oil and gas, the relative importance of Asia as a destination of the Russian Federation's exports is increasing.

28. There were several important changes during the review period to the legal framework governing the oil and gas sector and more generally the mining sector. Amendments were made to the licensing provisions of the Subsoil Law, including introduction of special provisions on the allocation of subsoil plots containing hard-to-recover materials. The conditions under which foreign investors can operate in the mining sector were changed through various amendments to the Strategic Investment Law and the Law on Foreign Investment. In 2019, the Government began to implement a reduction in phases of export duties on oil, gas condensate and petroleum products until their elimination in 2024. This was the second phase of the "tax manoeuvre" that had been

initiated in 2015. The reduction of export duties was accompanied by an equivalent increase in the Mineral Resources Extractions Tax. A tax on the additional income from the extraction of hydrocarbons was also introduced. The Government adopted a new Energy Security Doctrine in 2019 and, in 2020, an Energy Strategy of the Russian Federation for the Period up to 2035.

29. Banking dominates the financial sector in the Russian Federation. Concentration in the banking sector remains high, as does the role of state-owned banks. The banking sector remains financially sound overall. The Bank of Russia increased regulatory supervision and the number of banking institutions declined significantly. It also introduced proportionate regulation of banks and microfinance institutions, and it introduced regulatory measures to improve resilience to liquidity shocks (especially among systemically important banks) and to influence risk taking by commercial banks in retail lending. The Bank of Russia also continued to support the development of national payment systems. As the use of technology in financial services is high, access to financial services remained strong during the pandemic. The level of competition in the banking sector remains limited. It has been reported that restrictions on trade in commercial banking services increased between 2016 and 2020.

30. The number of insurance companies fell, and concentration increased. While the Government eliminated certain ownership-related restrictions for insurance companies with majority foreign ownership, restrictions to trade in insurance services are reported to have increased between 2016 and 2020. To strengthen the solvency of insurance companies, which remains above regulatory margins, the Bank of Russia increased minimum capital requirements, to be phased in until 2023, and established new approaches to determine financial stability and solvency of insurers. Across financial services, the authorities increased disclosure requirements and other regulations aimed at increasing transparency and protecting consumers. In 2016, the Bank of Russia established a National Reinsurance Company with which insurers have to insure part of their ceded obligations.

31. The telecommunications market is competitive and characterized by high rates of mobile penetration, relatively low market concentration, and affordable prices for standardized mobile and data baskets. There are four mobile network operators and more than 20 mobile virtual network operators. Number portability has been available to customers wanting to change their mobile operator since December 2013, and requirements for offering access to (and interconnection with) telecommunications infrastructure on a contractual basis apply to all infrastructure owners, with major suppliers of public telecommunications services being required to grant non-discriminatory access. Following regulatory changes, national roaming charges (within-network roaming charges for subscribers travelling within the Russian Federation) were eliminated from 1 June 2019. In 2015, general rules requiring personal data collected on Russian citizens to be stored in the Russian Federation came into force, and since 2016, communications service providers and internet-based data distributors are required to store information regarding message transmission of users.

32. Transport services contribute an important share of the Russian Federation's total services exports. In 2019, the Federal Service for Supervision of Transport carried out a set of activities to transition to a risk-based model of supervisory activities. The Transport Strategy 2030, adopted in 2008 and revised in 2018, is the main policy document for the transport sector. Among its most important goals are the creation of a competitive transport and logistics services market and improved integration of the Russian Federation into the global transport system. Transport plays an important role in the import substitution policy.

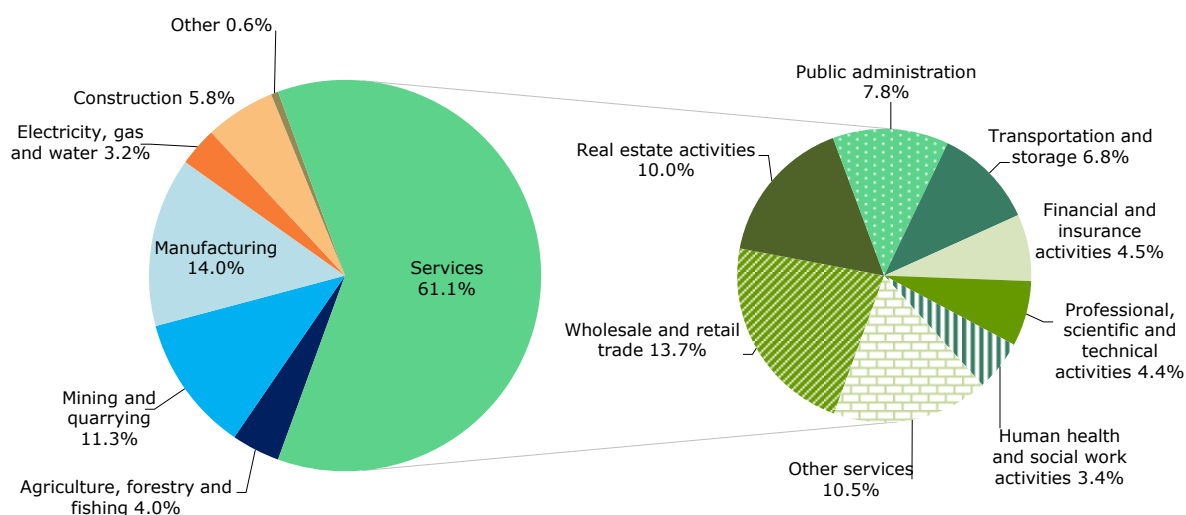
1 ECONOMIC ENVIRONMENT

1.1 Main Features of the Economy

1.1. The Russian Federation is one of the world's biggest producers of oil, gas, and electricity, and one of the most energy-intensive economies. Considering the contribution of the oil and gas sector to GDP, employment, exports, and federal budget revenue, the Russian Federation has been characterized as "structurally highly dependent on hydrocarbons".¹ Key priorities of the Russian Federation are to continue to diversify the economy away from its abundant gas and oil resources and to reduce the economy's energy intensity (Section 4.2.2).

1.2. As shown in Chart 1.1, the services sector continues to be the main contributor to GDP, with an estimated 61.1% share during the period 2016-20 (62.5% in 2015), followed by manufacturing with 14.0% (13.8% in 2015)²; mining and quarrying with 11.3% (9.8% in 2015); construction with 5.8% (6.3% in 2015); and agriculture and related activities with 4.0% (4.3% in 2015).

Chart 1.1 GDP by economic activity (at current basic prices), 2016-20



Note: Simple average during the period 2016-20.

Source: Federal State Statistic Service, *National Accounts*. Viewed at: <https://eng.rosstat.gov.ru/folder/13913>.

1.3. Despite a recent decline in the number of state-owned enterprises, the size of the Russian State is relatively large, with significant implications for competition and efficiency (Section 3.3.5).

1.4. The Russian Federation continues to face important demographic challenges. In 2020, according to preliminary estimates, life expectancy decreased for the first time since 2003, mainly due to the COVID-19 pandemic. It is now 71.1 years (compared with 73.3 years in 2019), and life expectancy is expected to return to the 2019 level by 2024.³ Under the new national development plan and objectives, the aim is to increase life expectancy to 80 years by 2030 (Section 1.2). Although there is a National Strategy for Action for Women 2017-22, the Russian Federation also faces gender equality challenges, notably in terms of wages and retirement, according to the World Bank.⁴

¹ World Bank, *Russia Integrates: Deepening the Economy's Integration in the Global Economy*, p. 43.

² The Russian Federation is one of the world's largest manufacturers. Its main industries include oil and gas, mining, processing precious stones and metals, aircraft building, aerospace production, weapons and military machinery manufacture, electric engineering, pulp and paper production, automotive industry, transport, and agricultural machinery production.

³ RBC Group, *Life Expectancy in Russia in the Pandemic Decreased by 2 Years*, 11 March 2021. Viewed at: <https://www.rbc.ru/economics/11/03/2021/604a3c099a7947c4afb996b7>.

⁴ The Russian Federation ranks 129th (of 190) in the World Bank's *Women, Business and the Law 2021* report. Viewed at: <https://wbl.worldbank.org/en/wbl>.

1.2 Recent Economic Developments

1.5. At the time of its previous Review in 2016, the Russian Federation was still recovering from both the 2008-09 global financial crisis and the 2014 oil shock. A strong economic rebound in 2010-12 was subsequently dampened by conflicts and instability in the region, which led to some countries imposing economic restrictions on the Russian Federation, which took countermeasures. The economic uncertainty caused by these developments resulted in strong capital outflows, a sharp decline in the value of the ruble, and an increase in inflation. The Government responded with an anti-crisis plan aimed at: (i) stabilizing the banking sector; (ii) introducing a fiscal stimulus; (iii) switching to a floating exchange rate regime; and (iv) introducing an import substitution programme.⁵ Since then, real GDP growth averaged 1.7% during 2016-19 (compared with 4.8% in 2003-12), insufficient to achieve income convergence with advanced economies.

1.6. For 2020, the IMF made the estimate that the GDP of the Russian Federation contracted by 3.0%⁶, mainly due to the COVID-19 pandemic and the related disruption in global oil markets.⁷ However, according to the IMF, the Russian economy has proven more resilient than many other emerging economies during the pandemic, partly reflecting a large share of protected public employment, the relatively limited COVID-related restrictions that excluded much of the industrial sector, and the coordinated fiscal, monetary, and macro-prudential response to the crisis.

1.7. In 2020, the Russian Federation had a nominal GDP of USD 1,479 billion (USD 1,281 billion in 2016), with a GDP per capita of USD 10,135 (USD 8,818 in 2016) (Table 1.1). In purchasing power parity (PPP) terms, GDP was calculated at USD 4,133 billion in 2020 (USD 3,539 billion in 2016), while GDP per capita was estimated at USD 28,220 (USD 24,128 in 2016).⁸ According to the World Bank, the Russian Federation is the world's sixth-largest economy in PPP terms.⁹

Table 1.1 Selected economic indicators, 2016-20

	2016	2017	2018	2019	2020 ^a
GDP at current prices (RUB billion)	85,616.1	91,843.2	103,861.7	109,241.5	106,967.5
GDP at current prices (USD billion)	1,281.0	1,575.4	1,650.5	1,690.6	1,479.0
Population (million)	145.3	145.5	145.7	145.9	145.9
GDP per capita USD	8,818	10,825	11,326	11,589	10,135
Unemployment rate (%)	5.5	5.2	4.8	4.6	5.8
Inflation (CPI % change, period average)	7.1	3.7	2.9	4.5	3.4
National accounts					
Real GDP (% change)	0.2	1.8	2.8	2.0	-3.0
Final consumption expenditure of:	-1.5	3.4	3.5	2.9	-5.2
Households	-2.6	3.7	4.3	3.2	-8.6
General government	1.4	2.5	1.3	2.4	4.0
Non-profit institutions serving households	1.0	0.5	-1.7	-0.2	2.5
Gross capital formation	-0.6	6.4	-1.6	3.3	-2.0
Gross fixed capital formation	1.3	4.7	0.6	1.5	-4.3
Exports	3.2	5.0	5.6	0.7	-4.3
Imports	-3.7	17.3	2.7	3.4	-12.0
Public finance (% of GDP)					
Total revenues	32.9	33.8	35.9	36.2	35.7
Oil and gas revenues	5.7	6.5	8.7	11.3	4.9
Non-oil and gas revenues	27.3	27.3	27.3	28.9	30.6
Total expenditure	36.6	35.3	33.0	34.2	39.7
Deficit (-) / Surplus (+)	-3.7	-1.5	2.9	1.9	-4.6
Non-oil and gas deficit	-9.3	-8.0	-5.8	-5.3	-8.9

⁵ WTO document WT/TPR/S/345/Rev.1, 6 December 2016.

⁶ IMF (2021), *World Economic Outlook: Managing Divergent Recoveries*, April.

⁷ Oil prices collapsed to as low as USD 20 per barrel in March-April 2020, rebounding to USD 50-USD 55 in January 2021. Oil production fell by 18% in May 2020, bringing it to levels last seen in 2004, as the Russian Federation and Organization of the Petroleum Exporting Countries (OPEC) members agreed on cuts to stabilize oil markets. IMF (2021), *Russian Federation: Staff Report for the 2020 Article IV Consultation*, IMF Country Report No. 21/36, pp. 36-38.

⁸ Federal State Statistic Service. Viewed at: <https://eng.rosstat.gov.ru/folder/11335>.

⁹ World Bank (2020), *Russia Integrates: Deepening the Country's Integration in the Global Economy*, p. 9.

	2016	2017	2018	2019	2020 ^a
General government debt	14.8	14.3	13.6	13.8	21.0
Money and credit (% change)					
Base money	3.8	8.6	8.0	5.8	25.9
Ruble broad money	9.2	10.5	11.0	9.7	13.5
Credit to the economy	-0.5	8.2	11.5	8.6	13.1
External sector					
Current account (% of GDP)	1.9	2.0	7.0	3.9	2.4
Trade in goods and services (% of GDP)	46.7	46.8	51.6	49.3	46.3
Terms of trade (% of change)	11.3	23.4	15.3	-1.9	-18.1
RUB/USD (period average)	66.8	58.3	62.9	64.6	72.3
RUB/EUR (period average)	74.0	66.0	74.1	72.3	82.8
Real effective exchange rate (% of change: - depreciation)	-0.5	15.9	-7.7	2.5	-7.5
Gross international reserves (USD billion)	377.7	432.7	468.5	554.4	595.8
In months of imports (of goods and services)	17.0	15.9	16.4	18.8	23.5
Total external debt (USD billion)	511.8	518.4	455.1	491.3	467.4
% of GDP	39.9	32.9	27.6	29.1	31.6
Urals crude oil spot price (USD per barrel)	41.7	53.1	69.7	63.9	41.4
Oil extraction (million tonnes)	547.8	546.5	555.5	561.0	513.1

a Preliminary data.

Source: Bank of Russia, *Statistics*. Viewed at: <https://www.cbr.ru/eng/statistics/>; Federal State Statistics Office. Viewed at: <https://eng.rosstat.gov.ru/folder/11335>; Ministry of Finance, *Statistics*. Viewed at: <https://minfin.gov.ru/en/statistics/>; IMF. Viewed at: <https://www.imf.org/en/data>; IMF Country Report No. 21/36, February 2021; IMF (2021), *World Economic Outlook: Managing Divergent Recoveries*, April; and information provided by the authorities.

1.8. The economic contraction in 2020 wiped out employment gains made over the last decade, while regional inequality fell, as the crisis had a disproportionate impact on relatively wealthy regions that are more reliant on oil and gas, and where the services sector plays a greater role.¹⁰ The unemployment rate that had been decreasing in recent years went from 5.5% in 2016 to 5.8% in 2020, the highest in eight years, while the poverty rate went from 13.2% at the end of 2019 to 12.1% in Q2 2020. The rate of informal employment remains high, at around 20%.¹¹

1.9. For 2021, the IMF expects GDP growth of 3.8%. Underlying this forecast is the assumption that COVID-19 vaccines become widely available during 2021 both in the Russian Federation and its trading partners, allowing for a rebound in domestic demand and exports. The IMF also assumes that oil and gas exports will increase.¹²

1.10. Before the COVID-19 pandemic, the Russian Federation's economic management was praised for achieving macroeconomic stability (inflation under control, fiscal budget in surplus, low national debt, and ample foreign reserves) but was criticized for the failure to secure higher economic growth. Since the global financial crisis, the Russian Federation's estimated potential GDP growth rate has declined consistently, from around 3% to 1.7% in 2010-17.¹³

1.11. The decline in the Russian Federation's potential economic growth has raised concerns about its medium-term prospects and the risks of stalled convergence in GDP per capita with advanced economy levels. As a result, new national goals were announced in 2018 (see below), suggesting that the Russian Federation will strive to further integrate into global production, value, and logistics chains. In this regard, special emphasis is put on developing modern technologies and highly skilled labour. According to the World Bank, further integration into global value chains (GVCs) would be an important step towards achieving these new goals. Indeed, GVC participation, especially in manufacturing, magnifies the effects of traditional trade and contributes to increased productivity,

¹⁰ IMF Country Report No. 21/36, p. 5.

¹¹ World Bank (2020), *Russia's Economy Loses Momentum Amidst COVID-19 Resurgence; Awaits Relief from Vaccine*, Russia Economic Report 44.

¹² IMF (2021), *World Economic Outlook: Managing Divergent Recoveries*, April.

¹³ World Bank (2020), *Russia Integrates: Deepening the Country's Integration in the Global Economy*, p. 9.

better jobs, and lower poverty.¹⁴ An IMF study of structural issues facing the Russian Federation regarding productivity and economic diversity discusses the need for certain measures relating to the investment climate, transport infrastructure, customs clearance, preferential trade agreements, and allocation of resources to R&D.¹⁵

1.12. Presidential Decree No. 204 of 7 May 2018 on National Objectives and Strategic Tasks of the Russian Federation's Development in the Period up to 2024 identifies nine national goals: (i) ensure sustainable natural population growth; (ii) increase life expectancy to 78 years (to 80 years by 2030); (iii) ensure sustainable growth of wages and pensions above inflation; (iv) halve the number of people living in poverty; (v) improve housing conditions for at least 5 million households annually; (vi) increase the share of innovating organizations to 50%; (vii) speed up the digitalization of the economy and the social sphere; (viii) become one of the world's five largest economies, with growth rates above the global average and inflation of 4%; and (ix) support high-productivity, export-oriented businesses in the key sectors of the economy, doubling non-raw-material and non-energy exports.¹⁶

1.13. Thirteen national projects were developed with a view to achieving those nine goals: health care, education, demography, culture, tourism, road safety, urban development, ecology, science, small and medium-sized enterprises (SMEs), digital economy, labour productivity, and international cooperation and export. The overall cost of implementing the strategy is estimated at RUB 26 trillion, i.e. about 4% of 2018 GDP.¹⁷

1.14. Presidential Decree No. 474 of 21 July 2020 on the National Development Goals of the Russian Federation in the Period up to 2030 has supplemented Presidential Decree No. 204, actualizing the list of national goals, and setting a new deadline for their completion (from 2024 to 2030). Presidential Decree No. 474 was adopted in part because of the assessment of the COVID-19 pandemic's impact on Russian and world economies and recovery forecasts for the global economy. The new list of national goals includes: (i) maintenance of the population, health, and well-being of people; (ii) opportunities for self-realization and talent development; (iii) a comfortable and safe living environment; (iv) decent and productive work and successful entrepreneurship; and (v) digital transformation. The national objectives of Presidential Decree No. 204 were incorporated in Presidential Decree No. 474.¹⁸

1.15. Some specific targets to be achieved by 2030 include: (i) increasing the number of people employed in SMEs and individual entrepreneurs to 25 million; (ii) attaining 100% waste segregation; (iii) achieving a four-fold increase in volume of investment in domestic IT products (compared with 2019); and (iv) ensuring investment and export growth of non-raw-material and non-energy goods (at least 70% compared with 2020).¹⁹

1.2.1 Fiscal policy

1.16. In 2015, the fiscal rule introduced in December 2012 to help manage the impact of volatile oil resource revenues and limit fiscal sustainability risks was suspended due to the sharp decrease in oil prices and some changes in external conditions.²⁰ A new fiscal rule adopted in 2017 provides that if oil prices are above a benchmark price of USD 40 (in real 2017 terms), the authorities will purchase foreign exchange equal to the excess fiscal revenue and save that revenue in the National Wealth Fund (NWF). Such savings must be held at the Bank of Russia as part of Russian Federation's national reserves, at least until the target of NWF assets of 7% liquid assets has been reached. Conversely, the Government can borrow from the NWF if oil prices fall below the benchmark price. By weakening the impact of the oil prices on the exchange rate, the fiscal rule supports the non-oil

¹⁴ World Bank (2020), *Russia's Economy Loses Momentum Amidst COVID-19 Resurgence; Awaits Relief from Vaccine*, Russia Economic Report 44.

¹⁵ IMF Country Focus, *Russia: Five Reforms to Increase Productivity, Diversify Growth*, 10 July 2017. Viewed at: <https://www.imf.org/en/News/Articles/2017/07/05/na070717-russia-five-reforms-to-increase-productivity-diversify-growth>.

¹⁶ Office of the President. Viewed at: <http://kremlin.ru/events/president/news/57425>.

¹⁷ Chatham House, Royal Institute of International Affairs, *Russia Economic Policy and the Russian Economic System: Stability versus Growth*.

¹⁸ Office of the President. Viewed at: <http://kremlin.ru/events/president/news/63728>.

¹⁹ Russian Government Decisions, *Mikhail Mishustin Approves Strategy for the Manufacturing Sector*, 9 June 2020. Viewed at: <http://government.ru/en/docs/39844/>.

²⁰ WTO document WT/TPR/S/345/Rev.1, 6 December 2016.

economy and facilitates export diversification and thus contributes to the strengthening of the economy's competitiveness and the promotion of trade integration.²¹ In the context of the 2019-21 budget, the fiscal rule was relaxed for a limited period to accommodate higher infrastructure spending under the 13 national projects unveiled in May 2018. While initially the rule targeted a primary deficit of 0% of GDP, as revised it targets a deficit of 0.5% of GDP.²² Another relaxation of the fiscal rule took place in 2020 as part of the Government's COVID-19 response.

1.17. The ample fiscal policy space allowed the Russian authorities to mount a sizeable public health and countercyclical response to the economic crisis in 2020, which helped limit the economic downturn. The fiscal policy response was mostly concentrated on expenditure measures (about 3.5% of GDP), revenue measures (0.4% of GDP), and loans and guarantees (0.6% of GDP). Consequently, the general government deficit, as a percentage of GDP, is estimated at 4.6% in 2020, compared with surpluses of 2.9% and 1.9% in 2018 and 2019, respectively (Table 1.1).²³ Fiscal support in 2020 was targeted at the health sector, vulnerable households and the unemployed, and the most affected sectors (mainly SMEs), and at preventing large-scale layoffs. Support specific to SMEs included wage subsidies, interest rate subsidies, subsidized credits, and forgone revenue (e.g. permanent reduction in social security contributions).²⁴

1.18. The 2021-23 budget envisages a significant fiscal consolidation, in the expectation that support programmes will no longer be needed to the same extent as in 2020. However, according to the IMF, despite a significant increase in borrowing in 2020, the combination of relatively low public debt, modest gross financing needs, and sizeable macro-fiscal buffers (Section 1.2.3), the Russian Federation has some fiscal space to continue supporting firms and households still experiencing economic stress while removing programmes that are no longer needed.²⁵ Regional transfers are set to drop more than 10% in real terms in 2022, compared to the 2017-19 pre-pandemic average.²⁶

1.19. The 2021-23 budget is to eliminate many tax breaks for the oil and gas sector as part of the transition from the mineral extraction tax to the profit tax. The Russian Federation would also benefit from further removing inefficient and inequitable tax expenditures in other sectors, while social assistance spending could be better targeted to reach the most vulnerable and help reduce poverty and inequality.²⁷

1.2.2 Monetary and exchange rate policy

1.20. In November 2014, the Bank of Russia adopted a *de jure* and *de facto* free floating exchange regime²⁸, and switched from exchange rate targeting to inflation targeting of 4% letting the ruble be determined by supply and demand in the currency market.²⁹ Inflation targeting contributed to significant de-dollarization and reduced inflation, as measured by the Consumer Price Index, from double-digit levels (10.2% on average during 2003-12) to 3.4% in 2020 (Table 1.1).³⁰

²¹ IMF (2019), *Russian Federation: 2019 Article IV Consultation – Press Release Staff Report*, IMF Country Report No. 19/260, p. 19.

²² IMF Country Report No. 19/260, pp. 9-10; and IMF Country Report No. 17/198, pp. 23-35.

²³ World Bank (2020), *Russia's Economy Loses Momentum Amidst COVID-19 Resurgence; Awaits Relief from Vaccine*, Russia Economic Report 44.

²⁴ IMF Country Report No. 21/36, p. 43.

²⁵ Government debt is projected to increase to 21% of GDP by end-2020, nearly 7.5% of GDP higher than at end-2019. However, this is well below other emerging market peers, and gross financing needs remain low (projected at some 3% of GDP on average over 2020-25). IMF Country Report No. 21/36, p. 12.

²⁶ World Bank (2020), *Russia's Economy Loses Momentum Amidst COVID-19 Resurgence; Awaits Relief from Vaccine*, Russia Economic Report 44.

²⁷ IMF Country Report No. 21/36, pp. 12-13.

²⁸ Under this arrangement, the exchange rate of the ruble is determined by market forces. The Bank of Russia may intervene in the domestic foreign exchange market in the event of threats to financial stability.

²⁹ The main function of the Bank of Russia, as determined by Article 75 of the Constitution, is to protect the ruble and ensure its stability. The sustainability of the ruble is achieved through maintaining price stability, which is the primary objective of monetary policy (Article 3 of Federal Law No. 86-FZ of 10 July 2002 on the Central Bank of the Russian Federation (Bank of Russia)). The Bank of Russia is accountable to the State Duma, which appoints and dismisses the Bank of Russia Governor (on the proposal of the President of the Russian Federation) and members of the Bank of Russia Board of Directors (on the proposal of the Bank of Russia Governor, agreed with the President of the Russian Federation).

³⁰ IMF (2021), *World Economic Outlook: Managing Divergent Recoveries*, April.

1.21. Inflation had been below the 4% target since mid-2017, except in 2019 when it reached 4.5% partly due to an increase in the VAT rate from 18% to 20% (Section 3.1.4). More recently, annual inflation rose above the inflation target in conditions of the gradual recovery of demand, ruble depreciation, and high food prices. A spike in global risk aversion and falling oil prices prompted a real effective exchange rate depreciation of 7.5% in 2020 (Table 1.1).

1.22. Since the middle of 2020, the Bank of Russia has paused its accommodative policy actions, keeping the key policy rate at a record low of 4.25% per year and maintaining short-term interest rates close to the key rate. However, on 22 March 2021, the Bank of Russia increased the key rate for the first time in two years from 4.25% to 4.5% per annum, and then raised it three times to 6.5% on 23 July 2021, as inflationary pressures intensified.³¹ The Bank of Russia will consider the necessity of further increases in the near future. The Bank of Russia's latest annual inflation forecast for 2021 went up to 5.7%-6.2%, and the Bank expects that annual inflation will edge down to 4.0%-4.5% in 2022 and remain close to the 4.0% target further on.³² For 2021 and 2022, the IMF estimates average inflation rates of 4.5% and 3.4%, respectively.³³

1.23. The Russian Federation has an exchange system free of restrictions on the making of payments and transfers for current international transactions.³⁴ Some of the few remaining restrictions on foreign exchange transactions were removed over the reporting period, as foreign currency transactions between residents and non-residents no longer require a "transaction passport", while information on the underlying contract has to be collected by banks.³⁵ Some requirements for residents to repatriate proceeds of export contracts remain in place, but they are being progressively removed, according to the authorities, while proceeds of contracts between residents and non-residents executed in rubles can be transferred into foreign bank accounts, denominated in rubles.³⁶

1.2.3 Balance of payments

1.24. Traditionally, the Russian Federation has enjoyed surpluses in both its trade and current accounts of its balance of payments (Table 1.2), on the back of its significant oil and gas export revenues. The current account surplus, as a percentage of GDP, reached 7.0% in 2018 but weakened thereafter, mainly due to lower energy-export receipts, financial market volatility, and increased geopolitical risks. In 2020, a sharp drop in imports, particularly of services due to less outbound tourism, limited the drop of the current account, estimated at 2.4% of GDP (Table 1.1).³⁷ According to the IMF, the Russian Federation's external position is broadly in line with fundamentals and "desirable policies".³⁸ For 2021, the IMF expects a current account surplus of 3.9% of GDP.³⁹

1.25. Macro-fiscal stabilization policies and accumulated buffers are helping the Russian Federation manage the impact of the COVID-19 pandemic. As at end-2020, the Bank of Russia's international reserves stood at a comfortable USD 595.8 billion (23.5 months of imports), while the external debt, at 31.6% of GDP in 2020 (Table 1.1), compares favourably to the 60% Emerging Markets and Developing Economies (EMDE) average. As at end-2020, the Russian Federation's National Wealth Fund reached a robust USD 182.3 billion (12.7% of GDP), while its liquid part reached 8.1% of GDP.⁴⁰

³¹ Pro-inflationary factors largely pertain to the weakening of the ruble on the back of increased volatility in global markets, as well as to higher geopolitical risks, negative oil-price dynamics, and capital outflows due to the COVID-19 outbreak. World Bank (2020), *Russia's Economy Loses Momentum Amidst COVID-19 Resurgence; Awaits Relief from Vaccine*, Russia Economic Report 44.

³² Bank of Russia, "The Bank of Russia Increases the Key Rate by 100 b.p., to 6.50% p.a.", 23 July 2021.

³³ IMF (2021), *World Economic Outlook: Managing Divergent Recoveries*, April.

³⁴ IMF Country Report No. 21/36.

³⁵ Federal Law No. 265-FZ of 2 August 2019 on Amendments to the Federal Law on Currency Regulation and Currency Control.

³⁶ CMS, *Currency Control*. Viewed at: <https://cms.law/en/rus/publication/doing-business-in-russia-2020/currency-control/foreign-currency-transactions>.

³⁷ IMF (2021), *World Economic Outlook: Managing Divergent Recoveries*, April.

³⁸ IMF Country Report No. 21/36, p. 7.

³⁹ IMF (2021), *World Economic Outlook: Managing Divergent Recoveries*, April.

⁴⁰ World Bank (2020), *Russia's Economy Loses Momentum Amidst COVID-19 Resurgence; Awaits Relief from Vaccine*, Russia Economic Report 44.

Table 1.2 Balance of payments, 2016-20

(USD billion)

	2016	2017	2018	2019	2020
Current account	24.5	32.2	115.7	65.4	36.1
Goods and services	66.3	83.2	165.0	129.1	76.7
Credit	332.4	410.5	508.6	481.6	380.4
Debit	266.1	327.2	343.6	352.5	303.7
Goods	90.2	114.6	195.1	165.8	93.7
Credit	281.7	352.9	443.9	419.7	333.4
Debit	191.5	238.4	248.9	253.9	239.6
Services	-24.0	-31.3	-30.1	-36.7	-17.0
Credit	50.6	57.5	64.6	61.9	47.0
Debit	74.6	88.9	94.7	98.7	64.1
Primary income	-35.5	-42.1	-40.4	-53.5	-34.9
Credit	40.5	46.6	52.9	53.9	44.7
Debit	76.0	88.6	93.3	107.4	79.6
Secondary income	-6.3	-9.0	-8.9	-10.2	-5.7
Credit	8.6	10.6	12.3	14.7	13.4
Debit	14.9	19.6	21.3	24.8	19.1
<i>Of which: Workers' remittances</i>	-7.0	-8.3	-8.4	-7.3	-5.6
Credit	1.2	1.4	1.7	2.2	2.5
Debit	8.3	9.7	10.1	9.5	8.1
Capital account	-0.8	-0.2	-1.1	-0.7	-0.5
Current and capital account balance (Net lending (+) / net borrowing (-))	23.7	32.0	114.6	64.7	35.6
Financial account balance (Net lending (+) / net borrowing (-))	18.3	34.6	116.7	63.5	39.3
Direct investment	-10.2	8.2	22.6	-10.1	-3.5
Net acquisition of financial assets	22.3	36.8	31.4	21.9	5.7
Net incurrence of liabilities	32.5	28.6	8.8	32.0	9.2
Portfolio investment	-2.4	-8.0	7.6	-12.7	25.3
Net acquisition of financial assets	0.7	1.3	-1.8	4.8	14.2
Net incurrence of liabilities	3.0	9.2	-9.4	17.5	-11.1
Financial derivatives (other than reserves) and employee stock options	0.0	0.4	-0.7	2.6	1.9
Net acquisition of financial assets	-12.8	-13.8	-11.7	-11.3	-25.4
Net incurrence of liabilities	-12.8	-14.1	-11.0	-13.9	-27.4
Other investment	22.7	11.4	49.0	17.2	29.4
Net acquisition of financial assets	-5.4	-9.4	24.2	10.2	18.6
Net incurrence of liabilities	-28.1	-20.7	-24.9	-6.9	-10.8
Reserve assets	8.2	22.6	38.2	66.5	-13.8
Net errors and omissions	-5.4	2.6	2.1	-1.2	3.7

Source: Bank of Russia, *External Sector Statistics*. Viewed at:
https://www.cbr.ru/eng/statistics/macro_itm/svs/.

1.26. Since 2014, a floating ruble has acted as a shock-absorber for external disruptions. According to the IMF, cash breakeven oil prices in the Russian Federation are around USD 10 per barrel, thanks to low operating costs, progressive taxes, and the stabilizing effect of the exchange rate. This suggests the oil and gas industry is well placed to weather a protracted period of low oil prices. However, keeping oil production at current levels would require significant investment, therefore the full-cost breakeven price is closer to USD 30-USD 40 per barrel. A prolonged period of oil prices below this level could threaten long-term GDP growth, the current account surplus, and the viability of the oil and gas sector.⁴¹

1.27. In the face of economic restrictions imposed by certain Members since 2014, the Russian Federation has been implementing an import substitution policy to satisfy the demand in its local market by securing the competitiveness of Russian goods.⁴² According to the World Bank, the import substitution strategy has shown mixed results in terms of achieving higher domestic

⁴¹ IMF Country Report No. 21/36, p. 9.

⁴² The Governmental Commission on Import Substitution was established under Government Decree No. 758 of 4 August 2015.

production levels and decreasing import dependence.⁴³ The economic recovery plan, as announced in June 2020, introduced measures supporting production of strategic components aimed at meeting demands of the Russian industry sector, which faced temporary gaps in supply chains during the pandemic.⁴⁴

1.28. During the review period, the Russian Federation also actively pursued export promotion policies to encourage diversification. Since 2018, the National Project on International Cooperation and Export has been the main tool to promote exports (Section 2.2), as part of the new national development goals (Section 1.2). Nonetheless, according to the World Bank, import substitution stands in the way of sustainable export diversification as access to imported components is generally important for exporters and manufacturers.⁴⁵ According to the authorities, however, import substitution does not imply bans on imported components. A forthcoming government strategy for socio-economic development is expected to incorporate best policy practices to enhance the global competitiveness of Russian goods.

1.3 Trade and Investment Performance

1.3.1 Trade in goods and services

1.29. The ratio of merchandise trade (exports and imports) to GDP averaged almost 50% during the period 2016-20 (Table 1.1). In 2020, the Russian Federation ranked 12th among world merchandise exporters and 15th among importers (considering EU member States as one and excluding intra-EU trade).⁴⁶ Since March 2020, the Russian Federation has been facing a sizeable negative term of trade shock, absorbed through ruble depreciation and import adjustment, while non-energy exports have been resilient to the pandemic's shocks.⁴⁷

1.30. The global spread of the pandemic and the resulting containment measures took a heavy toll on Russian merchandise exports, which increased from USD 285.3 billion in 2016 to USD 424.1 billion in 2019 and declined to USD 336.6 billion in 2020. Mineral fuels represented 49.8% of total merchandise exports in 2020 (compared with 58.2% in 2016). Next comes manufacturing exports, led by base metals and articles thereof, which contributed 10.4% of total merchandise exports in 2020 (10.1% in 2016). Vegetable products increased their share in total merchandise exports from 2.5% in 2016 to 3.9% in 2020 (Table A1.1 and Chart 1.2).

1.31. Merchandise exports also continue to be highly concentrated geographically, albeit decreasingly. In 2020, 33.8% of total exports were shipped to the European Union (EU-27) (compared with 43.4% in 2016), followed by Asia with 27.1%, and the Commonwealth of Independent States (CIS)⁴⁸ (12.8%). During the review period, China became the largest single export market (14.6% of total merchandise exports in 2020), followed by the Netherlands (7.4%), the United Kingdom (6.9%), and Germany (5.5%). The shares of the United States and Japan were 3.3% and 2.7%, respectively, in 2020 (Table A1.2 and Chart 1.3).

1.32. Merchandise imports also suffered from COVID-19 mitigation measures. They increased USD 181.8 billion in 2016 to USD 244.1 billion in 2019 and USD 231.1 billion in 2020. Machinery including electrical equipment led total merchandise imports with 31.7% share in 2020 (31.3% in 2016), followed by chemicals (12.7%) and transport equipment (12.4%). Vegetable products represented 5.0% of total merchandise imports in 2020 (Table A1.3 and Chart 1.2).

⁴³ World Bank (2020), *Russia Integrates: Deepening the Country's Integration in the Global Economy*, p. 54.

⁴⁴ World Bank (2020), *Russia Integrates: Deepening the Country's Integration in the Global Economy*, pp. 52-53.

⁴⁵ World Bank (2020), *Russia Integrates: Deepening the Country's Integration in the Global Economy*, pp. 54-56. The same report suggests that to align its various policies affecting foreign trade, the Government could adopt a foreign trade strategy that emphasizes firm competitiveness and quality of domestically produced goods.

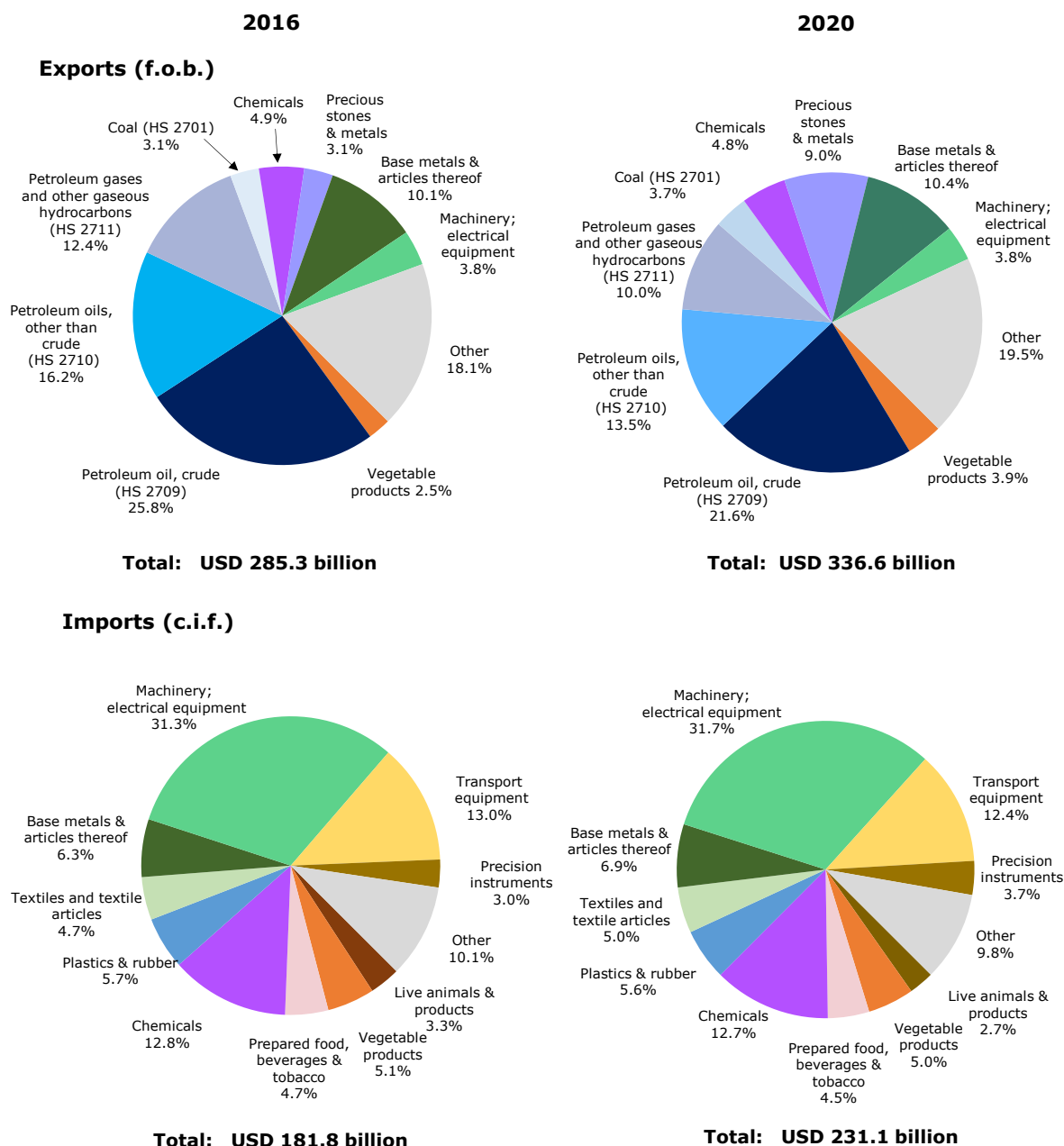
⁴⁶ WTO Statistics Database, *Trade Profiles: Russian Federation*. Viewed at: https://www.wto.org/english/res_e/statistics_e/daily_update_e/tariff_profiles/RU_E.pdf.

⁴⁷ World Bank (2020), *Russia's Economy Loses Momentum Amidst COVID-19 Resurgence; Awaits Relief from Vaccine*, Russia Economic Report 44.

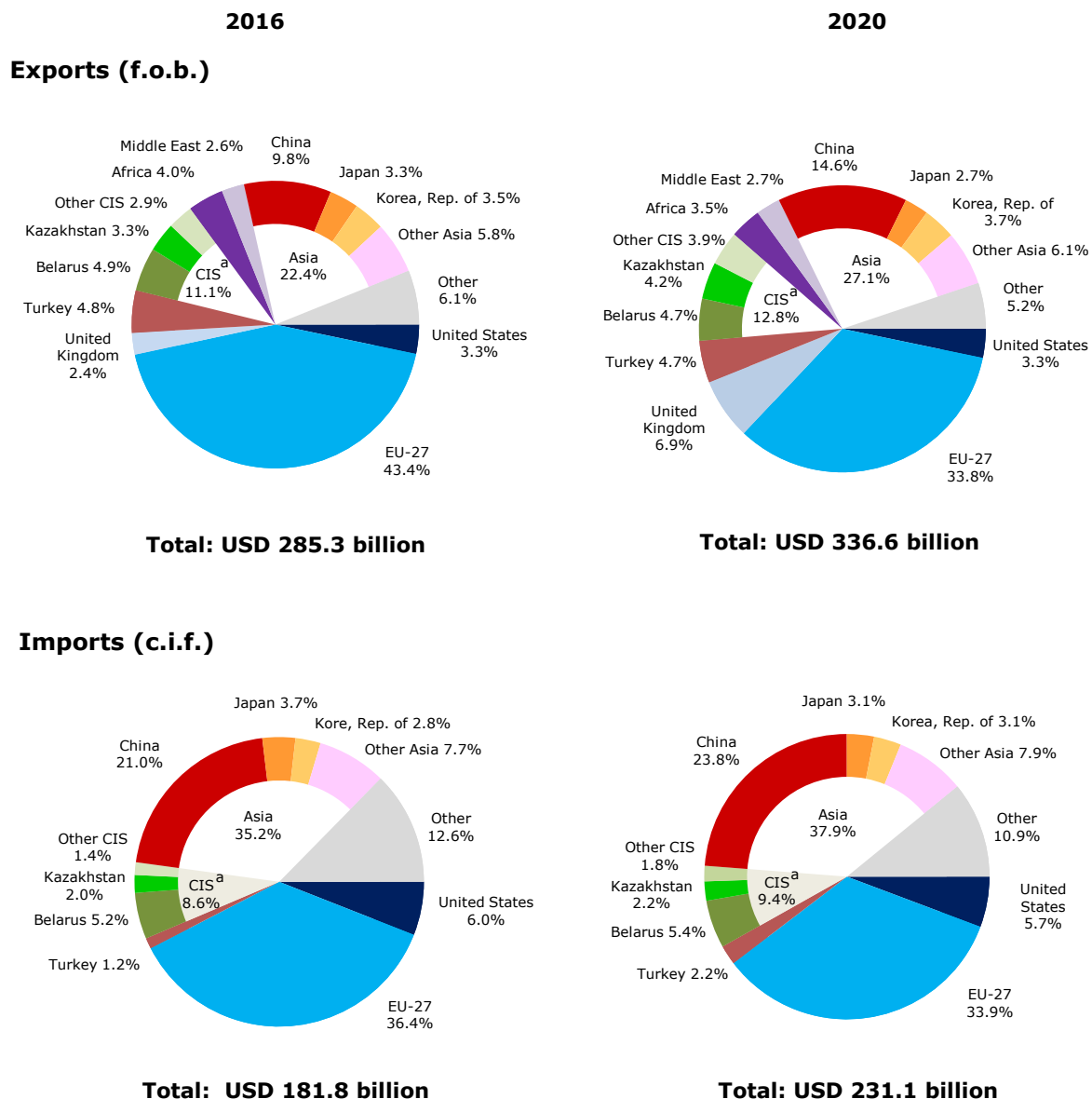
⁴⁸ Commonwealth of Independent States, including certain associate and former member States.

1.33. Asia was the source of 37.9% of total merchandise imports in 2020 (35.2% in 2016), with China increasing its participation from 21.0% in 2016 to 23.8% in 2020. Led by Germany, the EU-27 represented 33.9% of Russian merchandise imports in 2020, compared with 36.4% in 2016. The participation of the United States decreased from 6.0% in 2016 to 5.7% in 2020, while that of Japan also went down, from 3.7% to 3.1% (Table A1.4 and Chart 1.3).

Chart 1.2 Product composition of merchandise trade by main HS section/subheading, 2016 and 2020



Source: WTO Secretariat calculations, based on data provided by the authorities.

Chart 1.3 Direction of merchandise trade, 2016 and 2020

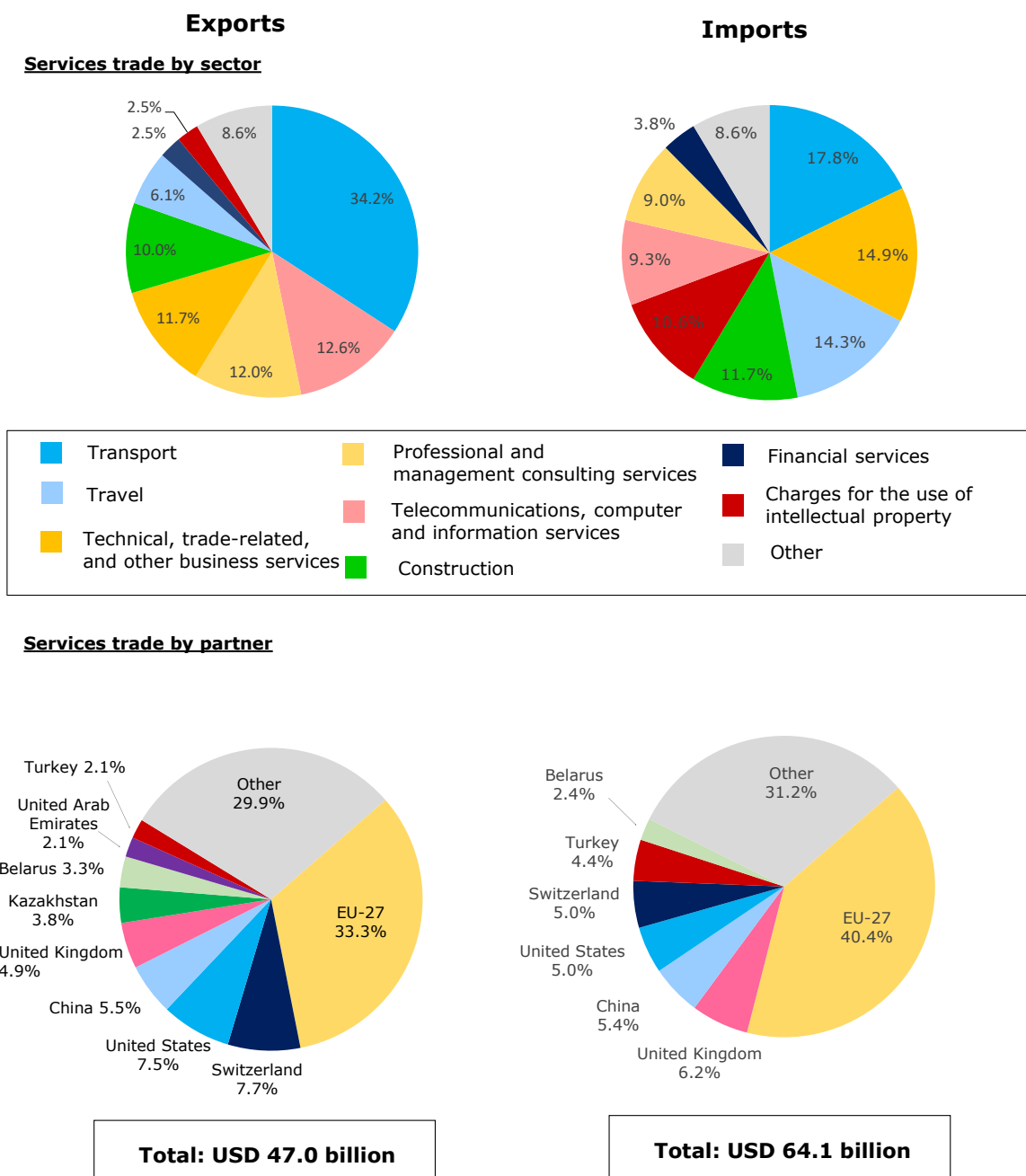
a Commonwealth of Independent States, including certain associate and former member States.

Source: WTO Secretariat calculations, based on data provided by the authorities.

1.34. Regarding services trade, the Russian Federation ranked 15th as exporter and 11th as importer in the world (considering EU member States as one and excluding intra-EU trade) in 2019.⁴⁹ The Russian Federation is a net importer of services, although its deficit decreased from USD 24.0 billion in 2016 to USD 17.0 billion in 2020 (Table 1.2), largely due to the impact of the pandemic. Transport and travel services exports were hit the hardest, with restrictions on foreign travel and lower global demand. Net outflows have mostly occurred in the form of payments for foreign travel and other business services (Table A1.5), with the EU-27 being the largest trading partner in services trade (Chart 1.4). At the same time, despite the negative impact of the pandemic, the foreign trade turnover in services increased in construction and related services from USD 10.3 billion in 2019 to USD 12.2 billion in 2020, and in telecommunications, computer, and information services from USD 10.7 billion in 2019 to USD 11.9 billion in 2020.⁵⁰

⁴⁹ WTO Statistics Database, *Trade Profiles: Russian Federation*. Viewed at: https://www.wto.org/english/res_e/statistics_e/daily_update_e/tariff_profiles/RU_E.pdf.

⁵⁰ Data provided by the authorities.

Chart 1.4 Trade in services by sector and partner, 2020

Source: Bank of Russia, *External Sector Statistics*. Viewed at: https://www.cbr.ru/eng/statistics/macro_itm/svs/.

1.3.2 Foreign direct investment

1.35. The Russian Federation has experienced reduced FDI inflows between 2014 and 2019, mainly due to increased uncertainties derived from economic measures applied by some countries and the Russian Federation's countermeasures. According to the World Bank, this exposed the economy's structural vulnerabilities, and adversely affected investors' sentiments and their valuations of assets in the Russian Federation. Over this period, falling oil prices further led to severe exchange rate

deterioration, which adversely affected the value of investment stock directly, as well as contributed to the worsening of valuations and divestments.⁵¹

1.36. FDI inflows ranged around USD 30 billion per year between 2016 and 2019, with a temporary drop to USD 8.8 billion in 2018. In line with the strong decline in global FDI flows in 2020 due to the COVID-19 pandemic, FDI inflows plummeted from USD 32 billion in 2019 to USD 8.7 billion in 2020, driven by the manufacturing and services sectors. The Russian Federation is also an important contributor to global FDI, with FDI outflows averaging USD 28.1 billion during 2016-19; outflows of USD 5.3 billion are estimated for 2020 (Table 1.3).⁵²

1.37. In 2020, most FDI into the Russian economy originated in the United Kingdom, followed by Singapore and Hong Kong, China, while the main recipients of FDI outflows were Switzerland, Germany, and the United Kingdom (Table 1.3). Over the last few years, the volume of FDI into the Russian Federation was, on average, largely accounted for by mining and quarrying of fuel and energy materials, followed by services and manufacturing (mainly basic metals and fabricated metals) (Table 1.4).

Table 1.3 FDI flows by main partners, 2016-20^a

(USD million)

	2016	2017	2018	2019	2020
FDI inflows					
World	32,539	28,557	8,785	31,975	8,663
United Kingdom	478	2,076	2,522	4,686	9,105
Singapore	16,274	2,703	1,587	530	8,571
EU-27	2,215	12,995	-2,308	18,050	-15,996
Netherlands	165	-1,427	7,846	6,393	1,928
France	1,997	854	1,134	2,044	1,441
Austria	1,071	-174	884	924	-39
Cyprus	-436	8,674	-10,108	7,932	-4,368
Hungary	362	184	259	284	139
Bahamas	5,802	6,211	1,009	1,143	688
Bermuda	2,551	1,256	843	967	1,009
Hong Kong, China	-30	573	135	2,687	2,303
Switzerland	1,842	1,511	1,690	23	-900
United States	402	495	376	-105	402
Qatar	0	0	-314	1,465	260
Kazakhstan	350	205	159	130	107
Turkey	26	79	118	214	331
Japan	140	83	345	116	72
United Arab Emirates	82	94	324	148	70
Norway	34	31	44	23	554
China	345	140	-13	136	31
<i>Memorandum:</i>					
EU-28	2,693	15,071	214	22,736	-6,891
FDI outflows					
World	22,314	36,757	31,377	21,923	5,298
EU-27	11,799	23,720	20,431	18,342	-3,157
Cyprus	9,827	21,241	10,681	14,344	-1,492
Austria	258	6,739	221	369	168
Ireland	1,139	634	2,032	832	1,158
Germany	393	724	1,078	1,420	2,053
Luxembourg	-1,633	1,857	2,000	727	597
Singapore	888	6,136	1,566	1,923	146
United Kingdom	755	192	2,626	2,454	1,967
Switzerland	1,433	2,281	794	-2,152	2,712
Bahamas	1,205	1,300	1,258	223	116
Belarus	629	494	646	588	474
Kazakhstan	476	727	366	187	64
Kyrgyz Republic	125	150	52	33	39

⁵¹ World Bank (2020), *Russia Integrates: Deepening the Country's Integration in the Global Economy*, p. 162.

⁵² UNCTAD, *Investment Trends Monitor*, Issue 38, January 2021; and data provided by the authorities.

	2016	2017	2018	2019	2020
Ukraine	822	-92	213	240	94
Brazil	7	120	168	93	18
United States	873	126	653	-577	-677
Turkey	1,184	557	534	-2,107	188
<i>Memorandum:</i>					
EU-28	12,554	23,912	23,056	20,796	-1,189

a Based on average during the period 2016-20.

Source: Bank of Russia, *External Sector Statistics*. Viewed at:
https://www.cbr.ru/eng/statistics/macro_itm/svs/.

Table 1.4 FDI inflows by economic activity, 2016-20

(USD million)

	2016	2017	2018	2019	2020
Total	32,539	28,557	8,785	31,975	8,663
Agriculture, forestry and fishing	-141	-274	58	-23	119
Mining and quarrying, of which:	22,304	8,329	5,043	8,446	8,209
Mining and quarrying of fuel and energy materials (hard coal, lignite, crude petroleum, natural gas)	25,738	7,472	5,149	9,169	8,935
Mining and quarrying except fuel and energy materials (mining of metal ores, various minerals and non-metallics)	-3,434	857	-106	-723	-727
Manufacturing, of which:	4,884	2,867	4,289	6,608	-2,149
Food products, beverages, and tobacco products	511	898	269	-755	-475
Wood and products of wood and cork, except furniture; articles of straw and plaiting materials	291	164	-168	-125	-38
Paper and paper products; printing and reproduction of recorded media	175	92	298	-131	-174
Coke and refined petroleum products	-537	793	-258	778	456
Chemicals and chemical products; pharmaceutical products and pharmaceutical preparations	1,187	-78	-772	201	-2,805
Basic metals and fabricated metal products, except machinery and equipment	2,173	263	4,037	5,714	930
Manufacture of motor vehicles, trailers and semi-trailers and other transport equipment	535	68	1,091	1,179	76
Electricity, gas, steam and air conditioning supply	-98	1,173	696	405	433
Water supply; sewerage, waste management and remediation activities	-9	-37	-2	18	9
Construction	-342	2,072	-214	163	192
Services, of which:	5,441	13,823	-1,634	15,087	1,381
Wholesale and retail trade; repair of motor vehicles and motorcycles	1,701	1,826	-7,075	7,246	4,442
Information and communication	-362	780	-1,197	-300	-598
Financial and insurance activities	3,301	7,136	8,368	6,604	-1,643
Real estate activities	399	1,402	583	125	-100
Professional, scientific and technical activities	15	2,523	-4,107	-506	-1,372
Other	500	603	549	1,271	469

Source: Bank of Russia, *External Sector Statistics*. Viewed at:
https://www.cbr.ru/eng/statistics/macro_itm/svs/.

1.38. During the review period, measures were taken by the Russian authorities to attract larger FDI inflows and improve the business climate. For example, Federal Law No. 69-FZ of 1 April 2020 on the Protection and Encouragement of Investment in the Russian Federation was approved in 2020, and the authorities are implementing a "regulatory guillotine" mechanism that includes consolidating key regulatory principles (Section 2.4).

1.39. The Russian Federation improved its ranking in the World Bank Doing Business Index from 40 in 2016 to 28 in 2020.⁵³ However, according to the World Bank, starting a business, enforcing

⁵³ World Bank (2020), *Doing Business 2020, Economy Profile*. Viewed at:
<https://www.doingbusiness.org/en/data/exploreeconomies/russia#>.

contracts, and resolving insolvency are some of the key impediments to investing in the Russian Federation.⁵⁴ Moreover, corruption and uncertainties regarding the stability of the region remain major challenges.⁵⁵ At the same time, as indicated by the OECD's FDI Restrictiveness Index, the Russian Federation still ranks poorly compared to some OECD countries for a number of policies.⁵⁶

⁵⁴ World Bank, *Ease of Doing Business in the Russian Federation*. Viewed at: <http://www.doingbusiness.org/data/exploreeconomies/russia>.

⁵⁵ Santander, *Russia: Foreign Investment*. Viewed at: https://santandertrade.com/en/portal/establish-overseas/russia/foreign-investment?url_de_la_page=%2Fen%2Fportal%2Festablish-overseas%2Frussia%2Fforeign-investment&&actualiser_id_banque=oui&id_banque=0&memoriser_choix=memoriser.

⁵⁶ OECD FDI Regulatory Restrictiveness Index. Viewed at: <https://www.oecd.org/investment/fdiindex.htm>.

2 TRADE AND INVESTMENT REGIMES

2.1 General Framework

2.1. According to its Constitution, the Russian Federation is a federal republic consisting of "subjects", i.e. regions and entities of various legal structures. The executive, legislative, and judiciary form three independent branches of power of the State. A revised Constitution was adopted on 4 July 2020, introducing a number of changes that include: (i) certain limits to the enforcement of decisions of interstate bodies established under international treaties; (ii) some adjustments in the overall balance of powers; and (iii) new requirements for presidential candidates.

2.2. The President of the Russian Federation as head of state is elected by direct popular vote for a period of six years, renewable once following the recent constitutional changes.¹ The overall role of the President is to ensure the coordination and functioning of the State, while "guaranteeing" the Constitution, human and civil rights, and freedoms. The President also determines the basic guidelines for domestic and foreign policy of the Federation. Following approval by the State Duma², the President appoints the Chairperson of the Government of the Russian Federation (Prime Minister), Deputies of the Chairperson of the Government, and heads of federal executive bodies (including the Federal Ministers), except for the heads of the bodies in charge of the issues of defence, state security, internal affairs, justice, foreign affairs, emergencies, and public security. The latter are appointed by the President in consultations with the Federation Council. The President of the Russian Federation signs draft laws approved by the legislative branch and has wide power in proposing, naming, or dismissing key civil servants. For example, the President presents nominees for other important posts such as the Chairperson of the Bank of Russia (to the State Duma) or Chairperson of the Constitutional Court of the Russian Federation (to the Federation Council) and appoints (following consultation with the Federation Council) or dismisses the General Prosecutor of the Russian Federation. The President can also dismiss Deputies of the Chairperson of the Government and heads of federal executive bodies, accept or reject the resignation of the Government, and recommend dismissing the Chairperson of the Bank of Russia, the Chairperson of the Constitutional Court, and certain judges (see below). The President issues decrees and orders that cannot be inconsistent with the Constitution or federal laws and can also submit draft laws to the State Duma.

2.3. The Government of the Russian Federation, headed by the Chairperson of the Government under the general direction of the President, holds executive powers; ensures the implementation of a single trade, fiscal, credit, and monetary policy; and carries out measures on the implementation of foreign policy. It develops the federal budget, submits it to the State Duma, implements it, and reports on its execution to the State Duma. The Chairperson of the Government "bears personal responsibility" regarding the exercise of the Government's powers to the President.³ The Government issues resolutions and orders to implement policies. The Federation and regions share responsibility for civil rights and freedoms, education, healthcare, land, environmental protection, or public administration.⁴ The Government resigns upon election of a new President.

2.4. The Federal Assembly is the legislature and consists of two chambers. The 450 members of the Lower Chamber (State Duma) are elected by popular vote, using a mixed electoral system every five years. Half of the deputies are elected based on lists in each constituency (one constituency-one deputy), with the other half elected based on a proportional basis at the federal level. The Upper Chamber (Federation Council) comprises senators of the Russian Federation: two representatives from each subject of the Russian Federation, and up to 30 additional senators appointed by the

¹ The constitutional reforms in 2020 reduced the number of total terms of the President to two, while formerly the President could serve *two consecutive* terms. The reform also introduced a new requirement for candidates not to have held foreign residency in the past and having been a resident in the Russian Federation for at least 25 years (formerly 10 years). The new requirements, including limits on presidential terms, apply from the next election, effectively resetting past terms for the incumbent President. Viewed at: <http://www.en.kremlin.ru/acts/news/62988>.

² The constitutional reform changed parliament's role from giving consent to confirming the candidate. However, should the State Duma reject a candidate three times, the President can nevertheless appoint the Prime Minister and has the right to dissolve the State Duma and call for new elections (Constitution, Article 111.4).

³ Constitution, Article 113.

⁴ Constitution, Articles 71 and 72. Viewed at: <http://kremlin.ru/acts/constitution>.

President.⁵ Draft laws are first adopted by the State Duma before being approved or rejected by the Federation Council. Once a draft law is approved by the two chambers, the President signs the federal law adopted by the Federal Assembly unless s/he uses veto powers, which the legislative branch can override with certain majorities. The 2020 revisions to the Constitution further introduced an option for the President to request the Constitutional Court to review a law for its constitutionality before signing it. The President can also suspend the acts of the legislative branch pending the review of their consistency with the Constitution by a relevant court. The State Duma has the right to bring charges against the President for the purposes of impeachment.⁶

2.5. The judiciary consists of the Constitutional Court of the Russian Federation, the Supreme Court of the Russian Federation, a system of lower courts of general jurisdiction (including military courts), and arbitration courts (including a specialized court on intellectual property rights (IPRs)), both at the level of the subjects of the Russian Federation and at the federal level, as well as justices of peace of the subjects of the Russian Federation at district level for smaller disputes. The Supreme Court of the Russian Federation is the highest court for, *inter alia*, civil, administrative, and criminal cases, as well as those on the resolution of economic disputes.⁷ The Constitutional Court is the highest court to review (*ex ante*) the constitutionality of laws and international treaties and also rules on the constitutionality of laws or other normative legal acts of the Russian Federation following complaints by citizens, legal entities, or municipalities or upon inquiry of lower courts in connection to a specific case.⁸ Similar courts exist at the level of the subjects of the Russian Federation. The Office of the Public Prosecutor is tasked with ensuring the observance of all legal acts and the Constitution by federal and regional governments, and also has a role as State Prosecutor. In accordance with amendments introduced to the Constitution in 2020, the Federation Council now has the authority to dismiss, upon the proposal of the President, the chairmen and judges of the Constitutional and Supreme Courts, as well as judges of some lower courts in case they act in a manner discrediting the honour and dignity of a judge.⁹

2.6. Draft normative legal acts are subject to a regulatory impact assessment procedure (which also considers, *inter alia*, the impact of a draft normative legal act on micro, small, and medium-sized enterprises (MSMEs)). Draft normative legal acts are posted for at least 30 days on the regulation.gov.ru website for public access and the opportunity to provide comments and make proposals that can be considered by the developers of the acts. Similar systems are operating in regions of the Russian Federation in respect of normative acts of regional authorities.

2.7. All legal instruments are published in official sources, notably the official gazette (the *Rossiyskaya Gazeta*), the *Parlamentskaya Gazeta*, and the *Sobranie zakonodatelstva Rossiyskoy Federatsii*, as well as on the pravo.gov.ru website. Legal acts of the President (such as presidential decrees) and the Government (such as government resolutions) are subject to official publication in the *Rossiyskaya Gazeta* and the *Sobranie zakonodatelstva Rossiyskoy Federatsii*. Other websites making legal acts accessible online are government.ru/docs/all, garant.ru, consultant.ru, and docs.cntd.ru.

2.8. The hierarchy of legal instruments in the Russian Federation is, from highest to lowest: (i) the Constitution; (ii) federal constitutional laws; (iii) federal laws; (iv) decrees and orders of the President, and resolutions and orders of the Government; and (v) acts of federal executive authorities.¹⁰

2.9. Some of the recent amendments to the Constitution affect the trade-related institutional framework. Generally, international law takes precedence over domestic law, as the Constitution spells out that international treaties should be applied where such international treaties establish

⁵ The term Senator was introduced during the constitutional reform, which also included former Presidents as Senators in the Federal Council and introduced the ability of the President to nominate up to 30 Senators in addition to those representing the federal subjects. Before the recent amendments, the President could appoint up to 10% of the number of the members of the Federation Council as Senators.

⁶ Constitution, Article 93.

⁷ Supreme Court website. Viewed at: http://www.supcourt.ru/en/judicial_system/overview/.

⁸ Federal Constitutional Law No. 1-FKZ of 21 July 1994 on the Constitutional Court of the Russian Federation, Articles 3, 96, and 101.

⁹ Constitution, Article 102.

¹⁰ Normative legal acts of federal executive authorities (i.e. acts whose binding effect extended to all of the territory of the Russian Federation) include resolutions, orders, rules, instructions, regulations, and decisions.

rules other than those provided for by (domestic) law.¹¹ Two amendments to the Constitution clarify this principle by allowing the Constitutional Court to prevent enforcement of supranational decisions where they are based on the interpretation of international treaties that contradict the Constitution or public policy. According to the Constitutional Court, this particular amendment does not entail a rejection by the Russian Federation of its compliance with the international treaties or implementation of its international commitments but is designed to adopt a Constitution-consistent mechanism for the implementation of relevant (supranational) decisions.¹²

2.2 Trade Policy Formulation and Objectives

2.10. The Ministry of Economic Development (MED) and the Ministry of Industry and Trade (MIT) are responsible for the development and implementation of foreign trade policies.¹³ The MED and the MIT coordinate with the Ministry of Foreign Affairs (MFA) and other Ministries and trade-related agencies, notably the Ministry of Agriculture, the Ministry of Energy, the Ministry of Finance, the Ministry of Transport, and the Bank of Russia. The MED and the MIT conduct consultations with the private sector, academic community, and civil society on an *ad hoc* basis or within the framework of specially designed bodies like the Committee on Trade Policy and Customs Matters of the Russian Union of Industrialists and Entrepreneurs and a similar committee in the Chamber of Trade and Industry of the Russian Federation to discuss trade policy developments and initiatives.¹⁴

2.11. Federal Law No. 164-FZ of 8 December 2003 on the Fundamentals of the State Regulation of Foreign Trade Activity in the Russian Federation remains the main legislative act that governs fundamental principles of trade policy. With the entry into force of the Treaty on the Eurasian Economic Union (EAEU Treaty) on 1 January 2015, a number of competences in the trade field were divided between the supranational regulatory bodies of the EAEU and the national executive institutions of the EAEU member States. As a result, trade policy formulation in the Russian Federation is implemented through both national and EAEU institutions and legislation.¹⁵

2.12. Since the last Review, significant changes to relevant trade legislation have occurred, particularly in the areas of customs procedures and requirements¹⁶, export duties and taxes¹⁷, export support¹⁸, public procurement¹⁹, foreign investment²⁰, competition²¹, protection of IPRs²², financial

¹¹ Constitution, Article 15.

¹² Constitutional Court Conclusion No. 1-Z of 16 March 2020 on the Compliance of the Law on the Amendment of the Constitution of the Russian Federation with the Provisions of Chapters 1, 2, and 9 of the Constitution. Viewed at: <http://doc.ksrf.ru/decision/KSRFDecision459904.pdf>, pp. 20-21.

¹³ The specific roles of the MED and the MIT in trade policy, as described in WTO document WT/TPR/S/345/Rev.1, 6 December 2016, paras. 2.7-2.8, have not changed since the previous Review.

¹⁴ Other organizations consulted by the MED and the MIT on trade policy matters are Opora Russia, Delovaya Russia, and the Centre of Expertise on WTO-Related Matters. WTO document WT/TPR/S/345/Rev.1, 6 December 2016, para. 2.11.

¹⁵ Regarding the relationship between EAEU law and domestic law, the authorities indicate that the EAEU Treaty is part of the domestic legal system of the Russian Federation and envisages direct application of legal acts of EAEU bodies. The direct applicability of an EAEU legal act within the domestic legal order of EAEU member States depends upon the content of the act and the legal system of individual Member States. For example, EAEU technical regulations, the EAEU common customs tariff, and numerous other legal acts adopted by EAEU bodies are directly applicable in the Russian Federation, but international treaties concluded by the EAEU may require implementing regulations.

¹⁶ Key developments included the entry into force of the EAEU Customs Code, the adoption at the national level of a new customs law, and several EAEU legal decisions on customs valuation (Section 3.1.1).

¹⁷ Particularly with respect to energy (Section 4.2.2).

¹⁸ The legislation on the state corporation responsible for the provision of export support was amended to change its mandate (Section 3.2.4).

¹⁹ While the basic legal framework has remained the same, numerous amendments were made to the three main laws regulating public procurement (Section 3.3.6).

²⁰ Including amendments to legislation on foreign investment in companies of strategic importance (Sections 2.4 and 4.2.2).

²¹ See Section 3.3.4 for a review of amendments made during the review period to the Law on the Protection of Competition.

²² Changes were made to legislation on copyrights and related rights, industrial designs, geographical indications, and patents, and several international legal instruments were accepted, including the Protocol amending the TRIPS Agreement (Section 3.3.7).

services²³, and telecommunications services.²⁴ There were no major changes to the legislation on non-tariff measures (Section 3.1.5), trade remedies (Section 3.1.6), special economic zones (Section 3.2.6), technical regulations and standards (Section 3.3.2), sanitary and phytosanitary measures (Section 3.3.3), and state ownership and privatization (Section 3.3.5).

2.13. The Russian Federation observes, in this Review, that its priorities include strengthening its position in the global market and enhancing the contribution of foreign economic activities to its socio-economic development. In this regard, the main objectives of the Russian Federation's trade policy are to: (i) modernize and diversify the economy, foster its global competitiveness, and create favourable conditions for its continuous growth and stable development; (ii) promote sustainable and innovative economic development; (iii) increase trade and investment volumes; (iv) accelerate global integration processes; (v) create favourable conditions for Russian exporters, importers, producers, and consumers of goods and services; and (vi) boost the competitiveness of the Russian Federation's services sector. At this very general level, the trade policy objectives do not appear to have fundamentally changed since the last Review.²⁵

2.14. Recent developments in the Russian Federation's trade policy have been closely related to the pursuit of industrial policy. Federal Law No. 488-FZ of 31 December 2014 on the Industrial Policy in the Russian Federation defines the purposes of industrial policy as follows: (i) creation and development of modern industrial infrastructure, including for the facilitation of activities in the industrial sector; (ii) creation of a competitive environment for activities in the industrial sector; (iii) encouragement of the subjects of activity in the industrial sector to implement the results of the intellectual activity and production of innovative industrial products; (iv) encouragement of the subjects of activity in the industrial sector to utilize material, financial, labour, and natural resources efficiently and effectively, to provide for the increase in labour productivity, and the introduction of import-substitutable, resource-saving, and ecologically safe technologies; (v) increase in high value-added output; (vi) support for technological modernization of the subjects of activity in the industrial sector, and modernization of basic production assets; (vii) reduction of the risk of technogenic emergencies at industrial infrastructure facilities; and (viii) ensuring technological independence of the national economy.²⁶ The Industrial Policy Law defines conditions under which financial support may be provided to industries, introduces the special investment contract as a new type of incentive for industrial activities, provides for priority of domestic products and services in public procurement, establishes a state information system to support the industrial sector, provides for the establishment of industrial parks, and introduces incentives for the development of industrial clusters.²⁷

2.15. Notwithstanding the growing importance of import substitution and localization (Section 3.1.7), there has also been a shift in the Russian Federation's recent trade policy towards greater emphasis on the promotion and diversification of non-commodity exports, as illustrated by the establishment, in 2015, of the Russian Export Center and the launch, in 2016, of several export

²³ Including amendments to the Law on Banks and Banking Activities and to legislation on foreign ownership restrictions in insurance (Section 4.3.1).

²⁴ Including amendments to the basic Law on Communication Services and a new Law on Cybersecurity (Section 4.3.2).

²⁵ See the list of trade policy objectives in the previous Review. WTO document WT/TPR/S/345/Rev.1, 6 December 2016, para. 2.14.

²⁶ WTO document WT/TPR/M/345/Add.1, 19 December 2016, p. 67. The authorities indicate that the Russian Federation's industrial policy is guided by the following basic principles: rational combination of forms and methods of state regulation and market economy; measures of direct and indirect stimulation of industrial activities; information openness in the development of industrial policy; and equal access of industrial entities to state support in accordance with the terms of its provision. The promotion of industrial activities is carried out by providing financial and non-financial support, support for innovation in the industrial sector and development of human resources, support for foreign economic activity, provision of state and municipal preferences, and other support measures.

²⁷ No significant changes were made to Law No. 488-FZ during the review period. However, within the framework of the national goal "Decent and Effective Work and Successful Entrepreneurship", established by Presidential Decree No. 474 of 21 July 2020, the national project International Cooperation and Export is being implemented, the goal of which is to ensure by 2030 real growth in the export on non-energy goods by at least 70% compared to 2020. This will be achieved by, *inter alia*, implementation of the federal programmes Industrial Exports, Exports of Agricultural Products, and Systemic Measures for the Development of International Cooperation and Exports.

promotion programmes²⁸ (Section 3). One of the national development objectives adopted in May 2018 in Presidential Decree No. 204 was the creation of a highly productive, technologically advanced export-oriented subsector in basic sectors of the economy, particularly in manufacturing and agriculture industries.²⁹ In relation to this objective, the Decree required the Government to develop or amend, by 1 October 2018, a national project (programme) on international cooperation and export.³⁰ Regarding the targets to be achieved by this national project (programme), the Decree provides that by 2024 non-resource-based exports must account for at least 20% of gross domestic product (GDP) and amount to at least USD 250 billion annually³¹ and that trade volume between Member States of the EAEU must have increased by a factor of 1.5.³² It also instructs the Government to direct industrial, agricultural, and trade policies, including mechanisms of state support, towards achievement of international competitiveness of Russian goods and services on external markets; reduce administrative obstacles in the area of international trade, including through the creation by 2021 of a single window system; complete the creation of a set of flexible instruments for export support (by 2021); eliminate the logistical obstacles to the export of goods through railroads, motor, and sea transportation; create a unified system of institutions for export promotion; and complete the creation of common markets for goods, services, capital, and labour within the EAEU.³³

2.16. The National Project on International Cooperation and Export adopted pursuant to Presidential Decree No. 204 of 7 May 2018³⁴ comprises the following federal projects: (i) Industrial Exports; (ii) Exports of the Agro-industrial Complex³⁵; (iii) Exports of Services³⁶; (iii) International Trade

²⁸ World Bank (2020), *Russia Integrates: Deepening the Country's Integration in the Global Economy*, p. 53. The report includes a detailed analysis of recent international trade trends in the Russian Federation. One of its findings is that export diversification progressed slowly from 2013 to 2019, "as the economy remains structurally highly dependent upon hydrocarbon export revenues". Closely related to this, "Russia's low levels of export diversification are coupled with lower complexity of the export basket, compared to other countries with similar income levels" (Ibid., pp. 43-44). An earlier study by the IMF of the Russian Federation's recent experience regarding export diversification concludes that "generally positive long-term trends in diversification have stalled and have not been accompanied to a move into more sophisticated products". IMF (2017), *Russian Federation: Selected Issues*, IMF Country Report No. 17/198.

²⁹ Presidential Decree No. 204 of 7 May 2018 on National Objectives and Strategic Tasks of the Russian Federation's Development in the Period up to 2024, Article 1(i).

³⁰ Presidential Decree No. 204 of 7 May 2018 on National Objectives and Strategic Tasks of the Russian Federation's Development in the Period up to 2024, Article 2(b).

³¹ Including exports of engineering products (USD 50 billion), agriculture products (USD 45 billion), and services (USD 100 billion).

³² Presidential Decree No. 204 of 7 May 2018 on National Objectives and Strategic Tasks of the Russian Federation's Development in the Period up to 2024, Article 14(a).

³³ Presidential Decree No. 204 of 7 May 2018 on National Objectives and Strategic Tasks of the Russian Federation's Development in the Period up to 2024, Article 14(b).

³⁴ The passport of this National Project was approved by the Presidium of the Council under the President of the Russian Federation for strategic development and national projects on 24 December 2018. MIT, *Passport of the National Project International Cooperation and Exports*. Viewed at: https://minpromtorg.gov.ru/docs/#!/passport_nacionalnogo_proekta_nacionalnyy_proekt_mezhdunarodnaya_kooperatsiya_i_eksport1619027296; and L. Goncharenko, S. Sybachin, N. Sidorov, and Zyaed, N.M. "National Projects for the Development of the National Economy: The Way of Russian Federation", *Journal of Legal, Ethical and Regulatory Issues*, Vol. 24, 2021.

³⁵ This project aims to increase the volume exports of agricultural products to reach USD 45 billion by the end of 2024. Within this overall target, quantitative performance indicators exist for the growth of exports of certain products (fat and oil, grain, fish and seafood, meat and dairy products, and the food and processing industry). The project provides for the creation of an export-oriented commodity distribution infrastructure, elimination of trade barriers (tariff and non-tariff) to ensure access of agricultural products to target markets, creation of a system for promoting and positioning agricultural products, conclusion of agreements on increasing the competitiveness of companies in key industries (fish and crustaceans, fat and oil products, food processing industry, and grain products), and implementation of a strategy for the development of agricultural logistics.

³⁶ The objective of this project was to increase the volume of exports of services to USD 100 billion by the end of 2024. Specific performance indicators exist for the growth rates of exports of certain services (transport, use of intellectual property and business services, travel services, telecommunication, computer and information services, construction services, services related to industrial products, financial and insurance services, and services in the field of culture and recreation). The project encompasses measures aimed at simplifying visa and migration registration procedures for target countries and regulatory reforms to facilitate the export of services.

Logistics³⁷; and (iv) Systemic Measures for the Development of International Cooperation and Exports.³⁸

2.17. One of the new national development objectives adopted by Decree No. 474 of 21 July 2020 is decent, efficient work and successful entrepreneurship. One of the targets that has been set to achieve this objective is real growth by 2030 in exports of non-resource-based, non-energy goods by at least 70% compared to 2020. This target is expected to be achieved, within the framework of the National Project on International Cooperation and Export, through three federal projects: Industrial Exports, Exports of Agricultural Products, and Systemic Measures for the Development of International Cooperation and Exports.³⁹ The introduction of this new target for growth of non-commodity exports was accompanied by a substantial increase in the amount of funding allocated to the federal projects on Industrial Exports and Exports of Agricultural Products.⁴⁰

2.3 Trade Agreements and Arrangements

2.3.1 WTO

2.18. The Russian Federation grants at least MFN treatment to all of its trading partners. It is a party to the Information Technology Agreement and the Agreement on Trade Facilitation (TFA), which the Russian Federation accepted on 22 April 2016. Since 29 May 2013, it has acted as an observer to the Agreement on Trade in Civil Aircraft and the Government Procurement Agreement (GPA). The Russian Federation started GPA accession negotiations in the second half of 2016, issuing its initial GPA market access offer in June 2017.

2.19. The Russian Federation continues to strongly support the multilateral trading system as embodied in the WTO and sees the WTO as critical to ensuring a stable and predictable international trading environment. According to the authorities, this was one of the key priorities for the Russian Federation's presidency in BRICS 2020, which was explicitly reflected in the Joint Statement by BRICS Trade Ministers on the Multilateral Trading System and WTO Reform adopted on 1 June 2021. The Russian Federation is contributing to the discussion around WTO reform with a focus on improvements of the dispute settlement, negotiating, and monitoring functions of the WTO, as well as institutional improvements for its operation. The Russian Federation proposed its vision of the MC12 package reflecting its key priorities.⁴¹ The Russian Federation participates in all four Joint Statement Initiatives, endorsed the Buenos Aires Declaration on Trade and Women's Economic Empowerment, and is one of the members of the Informal Working Group on Trade and Gender. According to the authorities, the Russian Federation's proposal on involving MSMEs in domestic regulatory development served as a basis for the respective recommendation endorsed by the Informal Working Group on MSMEs in December 2020.⁴² The Russian Federation, together with other WTO Members, also advanced a proposal that governments should voluntarily provide information on MSMEs in the government reports under the TPR.⁴³ The Russian Federation is also actively involved in the discussions regarding domestic support in agriculture, eliminating special agricultural

³⁷ This project aimed to increase the export of transport services (road, rail, water, and air transport) to USD 25 billion in 2024. It included specific performance indicators with respect to the reduction of time necessary to pass border controls at key international checkpoints, the increase in throughput of export-oriented checkpoints, and improvement in the Russian Federation's position on the Global Logistics Ranking and on the Doing Business Index (with respect to the average time spent on paperwork during export operations and the average time spent on passing border and customs control during export operations).

³⁸ This project has a main objective of increasing the volume of exports covered by support instruments of the Russian Export Center to USD 25 billion in 2024. It provides for measures to reduce administrative and regulatory barriers in terms of tax, currency, and customs legislation; organization of interaction between foreign economic activity participants according to the "one window" principle based on the digital platform of the Russian Export Center; development of laboratory facilities and recognition of test results to defend the interests of Russian manufacturers in the development of international standards; and creation of a unified export promotion system.

³⁹ MIT, *International Cooperation and Export*, Viewed at: <https://minpromtorq.gov.ru/projects/international/export-support/>. The projects on Exports of Services and International Trade Logistics were terminated in October 2020.

⁴⁰ MIT, *Financial Support of Federal Projects for 2021-2023*. Viewed at: <https://minpromtorq.gov.ru/projects/international/export-support/financing/>.

⁴¹ WTO document JOB/GC/261, 22 June 2021.

⁴² WTO document INF/MSME/3, Annex 4, 9 November 2020.

⁴³ WTO document INF/MSME/W/1/Rev.2, 22 February 2019.

safeguards, tariff quota allocation, enhancing transparency of applied import custom duties, and negotiations on fishery subsidies.

2.20. Between June 2016 and 4 August 2021, the Russian Federation made 306 notifications to the WTO. The notifications were concentrated on SPS and TBT measures (more than 50% of notifications), as well as on anti-dumping and countervailing measures (20% of notifications) (see Table A2.1). As at end-2020, at least four notifications remained outstanding under, *inter alia*, the Agreement on Agriculture and the Agreement on Licensing Procedures. Since its accession, the Russian Federation has not made any notifications under Article XVII:4(a) of GATT 1994 regarding state trading enterprises. In March 2019, the Russian Federation made its first notification under the TFA.⁴⁴ The Russian Federation has also regularly submitted tariff data to the WTO Integrated Database (IDB).

2.21. Related to the COVID-19 pandemic, the Russian Federation notified four measures affecting trade in goods, one measure affecting trade in services, and six measures affecting IPRs. The Russian Federation also notified 22 support measures and 5 SPS measures. The Russian Federation also joined a number of proposals and statements on COVID-19 and world trade.⁴⁵

2.22. The Russian Federation has participated in 17 trade disputes: 8 as complainant⁴⁶ and 9 as respondent.⁴⁷ In addition, it has been involved as a third party in 89 cases. Most of the disputes saw either the European Union, the United States, or Ukraine as a counterpart.

2.3.2 Regional and preferential agreements

2.23. The EAEU Treaty entered into force on 1 January 2015 between the Russian Federation, Kazakhstan, and Belarus, with Armenia joining in January 2015 and the Kyrgyz Republic in August 2015. The EAEU Treaty provides for the free movement of goods between its Members. The EAEU Treaty contains the basic principles of the functioning of the EAEU in areas such as tariff and customs regulation, foreign trade policy, technical regulation, SPS measures, and macroeconomic and foreign exchange policies. It also comprises various elements of cooperation and regulation of financial markets, services and investment, competition policy and natural monopolies, energy, transportation, government procurement, IPRs, industrial policy, and agriculture, as well as the movement of labour.⁴⁸ The Agreement was notified on 12 December 2014 in WTO document WT/REG358/N/1, S/C/N/785. Further international agreements governing free trade in goods are concluded by the EAEU together with its Member States. Member States are eligible to grant tariff preferences in trade with third countries unilaterally based on an international treaty of the Member State with the third country concluded before 1 January 2015, or an international treaty concluded by all Member States.

2.24. As part of the EAEU, the Russian Federation is part of a free trade agreement (FTA) with the Socialist Republic of Viet Nam (entered into force on 5 October 2016 and notified to the WTO on 4 May 2017 in WTO document WT/REG385/N/1, S/C/N/889), the Interim Agreement leading to the formation of a free trade area between the EAEU and the Islamic Republic of Iran (entered into force

⁴⁴ WTO document G/TFA/N/RUS/1, 1 March 2020.

⁴⁵ For additional information, see the WTO page on COVID-19 proposals: https://www.wto.org/english/tratop_e/covid19_e/proposals_e.htm.

⁴⁶ The eight cases are: *United States – Anti-Dumping Measures on Carbon-Quality Steel from Russia* (DS586), *United States – Certain Measures on Steel and Aluminium Products* (DS554), *Ukraine – Measures relating to Trade in Goods and Services* (DS525), *European Union – Anti-Dumping Measures on Certain Cold-Rolled Flat Steel Products from Russia* (DS521), *European Union – Cost Adjustment Methodologies and Certain Anti-Dumping Measures on Imports from Russia (Second complaint)* (DS494), *Ukraine – Anti-Dumping Measures on Ammonium Nitrate* (DS493), *European Union and its member States – Certain Measures Relating to the Energy Sector* (DS476), and *European Union – Cost Adjustment Methodologies and Certain Anti-Dumping Measures on Imports from Russia* (DS474).

⁴⁷ The nine cases are: *Russian Federation – Additional Duties on Certain Products from the United States* (DS566), *Russian Federation – Measures Concerning the Importation and Transit of Certain Ukrainian Products* (DS532), *Russian Federation – Measures Concerning Traffic in Transit* (DS512), *Russian Federation – Measures Affecting the Importation of Railway Equipment and Parts Thereof* (DS499), *Russian Federation – Tariff Treatment of Certain Agricultural and Manufacturing Products* (DS485), *Russian Federation – Anti-Dumping Duties on Light Commercial Vehicles from Germany and Italy* (DS479), *Russian Federation – Measures on the Importation of Live Pigs, Pork and Other Pig Products from the European Union* (DS475), *Russian Federation – Recycling Fee on Motor Vehicles* (DS463), and *Russian Federation – Recycling Fee on Motor Vehicles* (DS462).

⁴⁸ Refer to WTO document WT/REG358/1 for a factual presentation of the FTA.

on 27 October 2019 and notified to the WTO 31 January 2020 in WTO document WT/REG401/N/1), an FTA with Singapore (signed on 1 October 2019, but not yet put into force), and an FTA with Serbia (signed on 25 October 2019, but not yet put into force). FTAs with Egypt, India, and Israel are currently under negotiation. Joint feasibility studies with Mongolia and Indonesia were launched in 2020.

2.25. The Russian Federation is also a party to the Treaty on a Free Trade Area Between Members of the Commonwealth of Independent States (CIS).⁴⁹ It is also party to the Agreement on the Establishment of the Common Economic Zone Between the Government of the Republic of Belarus, the Government of the Republic of Kazakhstan, the Government of the Russian Federation, and the Cabinet of Ministers of Ukraine.⁵⁰ In addition, bilateral FTAs with Azerbaijan, Belarus, Kazakhstan, Georgia, Serbia, Turkmenistan, and Uzbekistan are also in force (for additional details on these, see WTO document WT/TPR/S/345/Rev.1, 6 December 2016). The Russian Federation is also conducting bilateral negotiations on FTAs on trade in services and investments with Singapore and the Republic of Korea.

2.3.3 Other agreements and arrangements

2.26. The EAEU as a group provides preferences under the Generalized System of Preferences (GSP) to 104 developing countries and 48 least developed countries (LDCs).⁵¹ Importers pay 75% of duties for goods originating in developing countries, while those originating in LDCs enter duty free. Since January 2019, preferential rules of origin are in place for the GSP scheme.⁵²

2.4 Investment Regime

2.27. The MED designs economic policy, including policies related to regulatory impact assessment, investment, and special economic zones. Since 2014, the Government has implemented the State Programme for the Economic Development and Innovation Economy, combining activities to improve the business and investment environment, increase employment in SMEs, and for self-employed, improving labour productivity, stimulating technology adoption, and improving the efficiency of public administration.⁵³ The State Programme was adjusted repeatedly over the reporting period, and it was also complemented with other strategies aimed at improving competition in the economy. These include Government Order No. 147-r of 31 January 2017 to improve processes relevant for doing business⁵⁴, Presidential Decree No. 618 of 21 December 2017 on the Main Directions of the State Policy on the Development of Competition, the 2018 Road Map to promote competition in the Russian economy and move certain areas of natural monopolies from a state of natural monopoly to a competitive market for 2018-20⁵⁵ (see also Section 3.3.4), and the 2019 Strategy for the Development of Competition and Anti-Trust Regulation in the Russian Federation for the Period up to 2030.

2.28. The Russian Federation has continued to implement reforms aimed at improving the business environment, as reflected in various internationally comparable indicators, but boosting growth will require a more structural approach, according to the IMF.⁵⁶ According to the latest Doing Business

⁴⁹ Armenia, Belarus, Kazakhstan, the Kyrgyz Republic, the Republic of Moldova, the Russian Federation, Tajikistan, and Ukraine are parties to the treaty, signed on 18 October 2011. See WTO documents WT/REG343/N/1, 7 June 2013; WT/REG343/N/2, 18 March 2015; and WT/REG343/N/3, 8 June 2018.

⁵⁰ The Common Economic Zone Agreement is a framework agreement and does not introduce any kind of preferential treatment among its parties. See WTO document WT/REG358/1, 13 July 2018.

⁵¹ WTO document WT/COMTD/PTA1/N/1, 16 July 2019; and the official websites it links to.

⁵² WTO document G/RO/LDC/N/RUS/2, 22 January 2019.

⁵³ Government Decree No. 316 of 15 April 2014 on Approval of the State Programme for Economic Development and Innovation Economy.

⁵⁴ They relate to issues such as land registration and obtaining a building permit, reforming processes of state supervision and control including shifting to a risk-based approach (see also below), support for SMEs, connecting to utilities, improving mechanisms for regional investor protection, communication, and investment attraction. Government Order on Approval of Target Models for Simplifying Business Procedures and Increasing the Investment Attractiveness of the Constituent Entities of the Russian Federation.

⁵⁵ Government Decree No. 1697-r of 16 August 2018 on Approval of the Action Plan ("Road Map") for the Development of Competition in the Sectors of the Economy of the Russian Federation and the Transition of Certain Spheres of Natural Monopolies from the State of Natural Monopoly to the State of a Competitive Market for 2018-2020.

⁵⁶ IMF (2021), *Russian Federation: Staff Report for the 2020 Article IV Consultation*, IMF Country Report No. 21/36.

report published before "data irregularities" were identified and the series was discontinued⁵⁷, the Russian Federation had improved its Ease of Doing Business Score from 74.1% of the top performers in 2016 to 78.2% in 2020. Also, the Russian Federation's rankings in the World Economic Forum's (WEF) Global Competitiveness Index remained at 43 between 2017 and 2019, despite improvements in the overall score as other countries also undertook reforms.⁵⁸ While the IMF in 2017 stressed the importance of simplifying business operating and licensing standards to encourage international participation in the domestic economy⁵⁹, according to the 2019 Enterprise Survey the time required to obtain an operating licence is shorter than in other upper-middle income countries, and had fallen significantly since 2012.⁶⁰ However, given methodological design requirements, most international indicators of the business environment focus on narrowly defined activities that can be potentially targeted with narrow reforms without necessarily improving the broader and more general business environment. To reduce the bureaucratic burden businesses face, the authorities introduced a "regulatory guillotine" mechanism in 2019 (see below), going beyond indicator-based reforms.

2.29. Efforts to improve how the Government manages the economy are of great importance to the business environment and are reflected in indicators, which at the same time demonstrate room for further work. For example, according to the World Bank's Worldwide Governance Indicators, government effectiveness in the Russian Federation improved between 2016 and 2019, but more than 40% of countries continue to outperform the Russian Federation, while the country continues to rank below the 40th percentile in "regulatory quality".⁶¹

2.30. Overall, the Russian Federation continues to lag in key areas affecting the overall investment regime, such as legal independence and corruption. According to the WEF's Global Competitiveness Index, business executives in the Russian Federation perceive increasing challenges regarding the independence of the legal system over the reporting period⁶², while the Russian Federation ranked in the bottom quartile of the distribution for the rule of law in 2019 in the Worldwide Governance Indicators.⁶³ The IMF in 2017 stressed the need to strengthen property rights and contract enforcement to reassure investors.⁶⁴ And perceptions about the prevalence of corruption in the Russian Federation remain high, according to the Transparency International 2020 Corruption Perception Index (rank 129 of 180), the WEF's 2019 Global Competitiveness Index (rank 116 of 141), and the World Bank's Worldwide Governance Indicators on the control of corruption (in the bottom quartile of the distribution).⁶⁵ To combat corruption, in 2018 the Government amended

⁵⁷ World Bank, *World Bank Group to Discontinue Doing Business Report*, 16 September 2021. Viewed at: <https://www.worldbank.org/en/news/statement/2021/09/16/world-bank-group-to-discontinue-doing-business-report>.

⁵⁸ Methodological changes to the index were introduced with the 2018 version, making it challenging to compare scores over the whole period, but the score of the Russian Federation increased from 2017 to 2018, and from 2018 to 2019. Reports viewed at: <http://reports.weforum.org/>.

⁵⁹ IMF Country Focus, *Russia: Five Reforms to Increase Productivity, Diversify Growth*. Viewed at: <https://www.imf.org/en/News/Articles/2017/07/05/na070717-russia-five-reforms-to-increase-productivity-diversify-growth>.

⁶⁰ World Bank Enterprise Surveys, *Country Highlights: Russian Federation 2012*. Viewed at: <https://www.enterprisesurveys.org/content/dam/enterprisesurveys/documents/country-highlights/Russia-2012.pdf>; and *Russian Federation 2019: Country Profile*. Viewed at: <https://www.enterprisesurveys.org/content/dam/enterprisesurveys/documents/country/Russian-Federation-2019.pdf>.

⁶¹ World Bank, *Worldwide Governance Indicators*. Viewed at: <https://databank.worldbank.org/source/worldwide-governance-indicators>. Government Effectiveness measures perceptions related to the quality of policy formulation and implementation, public and civil service, its degree of independence from political pressures, and government commitment to such policies. Regulatory Quality measures "perceptions of the ability of the Government to formulate and implement sound policies and regulations that permit and promote private sector development".

⁶² The WEF's Global Competitiveness Index indicates a deteriorating perception of the situation despite a small increase in the ranking for judicial independence. Viewed at: www.weforum.org.

⁶³ World Bank, *Worldwide Governance Indicators*. Viewed at: <https://databank.worldbank.org/source/worldwide-governance-indicators>. The "rule of law" captures "perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence".

⁶⁴ IMF Country Focus, *Russia: Five Reforms to Increase Productivity, Diversify Growth*. Viewed at: <https://www.imf.org/en/News/Articles/2017/07/05/na070717-russia-five-reforms-to-increase-productivity-diversify-growth>.

⁶⁵ Transparency International, *Corruption Perceptions Index*. Viewed at: <https://www.transparency.org/en/cpi/2020/index/rus>; WEF, *Global Competitiveness Report 2019*. Viewed at:

Federal Law No. 273-FZ of 25 December 2008 on Combatting Corruption to create a publicly available registry of persons dismissed from office because of a loss of confidence due to (perceived) corruption, and strengthen the rules preventing conflicts of interests.

2.31. The Civil Code outlines the organizational and legal forms and legal capacities of legal entities. Businesses as profit organizations can take the form of partnerships and companies, peasant (farmer) farms, economic cooperatives and production cooperatives, and state and municipal unitary enterprises. State Corporations, such as Vnesheconombank (Section 3.2.4) or Rostec (Section 4.3.2.4), are considered non-profit organizations. Commercial juridical persons have to be registered with the Federal Tax Service under the Ministry of Finance and be included in the Unified State Register, with most of the information provided during registration publicly available therein (including information on licences issued to juridical persons).⁶⁶

2.32. Entities can register by submitting hard copies or soft copies signed by a "qualified electronic signature", the most secure of electronic signatures available in the Russian Federation. Firms are obliged to update changes to recorded information with the Federal Tax Service maintaining the Register. Foreign and Russian juridical persons can also create branches (except in certain sectors) or representative offices. Insolvency is regulated by Federal Law No. 127-FZ of 26 October 2002 on Insolvency (Bankruptcy). It was amended more than 40 times over the review period, *inter alia*, increasing protection of the rights of citizens participating in shared-equity construction and establishing a mechanism for out-of-court bankruptcy for citizens.

2.33. Business taxes include a profit tax of 20% and other taxes such as land or property taxes or stamp duties. A number of tax incentives are also in place, complemented by various sector-specific support programmes (Section 3.3.1). Tax incentives include investment tax credits for R&D, regional tax incentives, and other incentives for investors in geographically demarcated areas, such as special economic zones, other areas, or freeports, that all aim to attract domestic and foreign investment, often in high-tech sectors. All envision a range of tax incentives and in some cases provide relaxed rules on immigration (Section 3.2.6).

2.34. A network of agencies and institutions working on investment promotion is in place at the federal and regional levels, but there is no institution at the national level coordinating functions across different agencies, according to the World Bank.⁶⁷ Among them is the Foreign Investment Advisory Council (FIAC), which was founded in 1994 by the Government and foreign companies with the objective of improving the business environment in the Russian Federation. The FIAC is chaired by the Prime Minister, and international companies and government agencies identify and agree on specific actions in line with emerging priorities. Currently, some of the seven identified priorities relate to localization, the improvement of customs law and administration, and the development of technical regulations.⁶⁸

2.4.1 Regulatory framework

2.35. Over the reporting period, there have been important changes to the legal framework for domestic and foreign investors operating in the Russian Federation through amended laws and regulations. There are few explicit restrictions for foreign investors in general, but foreign investments in key strategic sectors⁶⁹ require prior approval by the Government Commission on Monitoring Foreign Investment. The list of such "strategic sectors" was expanded in 2017, and citizens of the Russian Federation with multiple citizenships have also fallen under this law since 2018.⁷⁰ Over the reporting period, nearly 300 applications were received by the authorities. Among

http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf; and World Bank, *Worldwide Governance Indicators*. Viewed at: <https://databank.worldbank.org/source/worldwide-governance-indicators>.

⁶⁶ Federal Law No. 129-FZ of 8 August 2001 on State Registration of Legal Entities and Individual Entrepreneurs (as amended).

⁶⁷ World Bank (2020), *Russia Integrates: Deepening the Country's Integration in the Global Economy*, Chapter 4, p. 171.

⁶⁸ For more information, see <https://fiac.ru/>.

⁶⁹ These sectors of "strategic importance for national defence and state security" are defined in Federal Law No. 57-FZ of 29 April 2008 on the Procedure for Making Foreign Investments in Business Entities of Strategic Importance for Ensuring the National Defence and State Security (as amended).

⁷⁰ Federal Law No. 57-FZ was amended by Federal Law No. 165-FZ of 18 July 2017 on Amending Article 6 of the Federal Law on Foreign Investments in the Russian Federation and the Federal Law on the Procedure for Making Foreign Investments in Business Entities of Strategic Importance for Ensuring the

the around 100 applications considered where decisions were undertaken during the review period, nearly 90% received such prior approval according to data provided by the authorities.

2.36. A "regulatory guillotine" mechanism was introduced in 2019 under Presidential Instruction No. Pr-294 of 26 February 2019, aiming to review and abolish all sectoral regulatory acts and replace them with regulations containing updated requirements and using risk-based principles. Significant work has been undertaken in each of the areas covered by 43 working groups. According to the authorities, 12,300 regulations containing mandatory requirements (more than 30% of mandatory requirements under revision) were abolished and 447 regulations adopted instead, often by regrouping various requirements into more comprehensive regulations.⁷¹ The authorities also consolidated key regulatory principles in Federal Law No. 248-FZ of 31 July 2020 on State Control (Supervision) and Municipal Control in Russian Federation and Federal Law No. 247-FZ of 31 July 2020 on Mandatory Requirements in the Russian Federation. The Government has also launched a "regulatory sandbox" mechanism to facilitate digital innovation.⁷²

2.37. In 2017, the Government introduced a general foreign investment screening mechanism by amending the Foreign Investment Law (Federal Law No. 160-FZ of 9 July 1999 on Foreign Investment in the Russian Federation).⁷³ In 2020, the Russian Federation expanded FDI screening procedures for the acquisitions of voting stakes in strategic enterprises by foreign investors to also include temporary acquisitions.⁷⁴ Some ownership restrictions also apply to the banking and insurance sectors as a whole (Section 4.3.1), the aviation sector, mass media, and audiovisual services; foreigners cannot own land in border and certain other areas, and some government support programmes are open only to Russian companies. There are no restrictions on the use of revenues and profits. There are also no restrictions for Russian citizens wanting to invest abroad.

2.38. Restrictions on FDI remain relatively high overall, according to the OECD's FDI Regulatory Restrictiveness Index, and they have increased since 2016. While measuring statutory restrictions on FDI across 22 economic sectors, it does not capture all effective restrictions (the Index does not assess the implementation of regulations, or restrictions arising from state ownership).⁷⁵ Across the four dimensions of the Index (foreign equity limitations, screening or approval mechanisms, restrictions on the employment of foreigners as key personnel, and operational restrictions (branching, capital repatriation, or land ownership)), the restrictions in the Russian Federation were among the highest of all OECD and other countries covered by the Index in 2019. Screening and approval measures (whose restrictiveness increased significantly between 2016 and 2019, as stated above), as well as equity restrictions, generated the largest restrictions. Potential investors in sectors related to transport, media, and financial services faced the largest restrictions.

2.39. The SPIC (Special Investment Contract) was introduced in 2015 pursuant to the Industrial Policy Law. Under the previous legislation, 45 SPICs have been concluded in the following sectors: automotive industry (14); chemicals (8); pharmaceuticals/medicine (7); machine building (8); agriculture and special machine building (2); forestry machine building (1); metallurgy/materials (4) and aircraft (1). The relevant legislative provisions were changed in 2019. The amended legislation took effect in 2019 and implementing rules were adopted in 2020. As provided for in the amended legislation, a SPIC is an agreement between an investor and the State under which: (i) the investor undertakes to implement an investment project with the aim to introduce or develop and implement a modern technology that will enable it to master mass production of globally competitive industrial products in the Russian Federation; and (ii) the State undertakes to ensure the stability of the conditions for conducting business activities and to apply incentives to stimulate industrial activities provided for in federal or regional legislation. A "modern technology" in this connection is

National Defence and State Security, adding in particular activities related to the use of atomic energy and operators of electronic platforms for the public procurement of goods and services.

⁷¹ Analytical Center for the Government of the Russian Federation, *Regulatory Guillotine Mechanism Effect Should Be Extended*, 9 November 2020. Viewed at: <https://ac.gov.ru/en/news/page/regulatory-guillotine-mechanism-effect-should-be-extended-26684>. An overview of the work undertaken by the working groups can be found here: <https://knd.ac.gov.ru/group/>.

⁷² Federal Law No. 258-FZ of 31 July 2020 on Experimental Legal Regimes in the Field of Digital Innovation in the Russian Federation."

⁷³ UNCTAD Investment Policy Hub, *Russian Federation: New Amendments to Foreign Investment Law Introduce a General FDI Screening*, 30 July 2017.

⁷⁴ UNCTAD (2021), *Investment Policy Monitor*, Issue 24.

⁷⁵ OECD, FDI Regulatory Restrictiveness Index. Viewed at: <https://www.oecd.org/investment/fdiindex.htm>.

one of more than 600 technologies included in a list of modern technologies approved by the Government and issued in November 2020. A SPIC is concluded for a period not exceeding 15 or 20 years, depending upon the amount of the investments involved. There is no minimum amount of investment required, but the projected investments during the implementation of the SPIC may not be less than the total amount of expenditures and revenues lost by the State as a consequence of the granting of the industry-specific incentives to the SPIC. One of the advantages conferred by the SPIC is the expedited and simplified procedure for obtaining the status of a product manufactured in the Russian Federation in that confirmation of the "made in the Russian Federation" status is possible from the date of the SPIC while the investor agrees to meet the applicable localization requirements within three years.

2.40. In 2020, a new Federal Law to protect and encourage investment was approved, introducing Capital Investment Promotion and Protection Agreements. These are new instruments of investment promotion between government entities at the federal and/or state level and private enterprises either following government initiative or unsolicited proposals by private enterprises.⁷⁶ Such firm-specific investment promotion and protection agreements can be concluded for investments in nearly all economic sectors with certain exceptions⁷⁷ and allow for the reimbursement of some investment costs incurred by private enterprises for investment in infrastructure (broadly defined), and also provide certainty regarding the regulatory framework affecting the investment for a period of 6 to 20 years depending on the size of the investment (a "stabilization clause"), while setting certain targets that companies agree to achieve and that are monitored. Investment agreements are transferable.

2.4.2 International cooperation

2.41. Over the reporting period, the Russian Federation concluded three additional bilateral investment treaties (BITs) with the Islamic Republic of Iran, Morocco, and Palestine; a number of new BITs entered into force; and the BIT with India ended in 2017, bringing the total of BITs in force to 62 according to UNCTAD (65 according to the authorities). They are complemented by six Treaties with Investment Provisions (including the EAEU).⁷⁸ The Russian Federation also concluded additional double taxation agreements (DTAs) with Hong Kong, China; Ecuador; and Japan, and amended four (including most recently Cyprus, Malta, and Luxembourg), bringing the total number of DTAs to 83, according to the authorities. The Russian Federation also adhered to the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting, entering into force in 2019. In 2016, the Russian Federation approved new rules governing the prioritization and negotiation of international agreements on the promotion and protection of investments.

2.42. The Russian Federation is a member of the Multilateral Investment Guarantee Agency (MIGA) and a signatory to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (UNCITRAL). It has signed, but not ratified, the ICSID (International Centre for Settlement of Investment Disputes) Convention. Since 2016, there have been five investment disputes, four under the Russian Federation-Ukraine BIT, and one under the Greece-Russian Federation BIT.⁷⁹

2.5 E-commerce

2.43. The e-commerce sector is relatively fragmented, with the two largest companies (Wildberries and Ozon) jointly accounting for a little more than 20% of the market⁸⁰, but turnover increased significantly over the review period to reach RUB 3 trillion in 2020.⁸¹ A small share of these

⁷⁶ Federal Law No. 69-FZ of 1 April 2020 on the Protection and Encouragement of Investment in the Russian Federation.

⁷⁷ For example, gambling, tobacco and alcohol production, oil and gas, wholesale and retail, regulated financial services, or construction (Article 6).

⁷⁸ UNCTAD Investment Policy Hub, *International Investment Agreements Navigator: Russian Federation*. Viewed at: <https://investmentpolicy.unctad.org/international-investment-agreements/countries/175/russian-federation>.

⁷⁹ UNCTAD Investment Policy Hub, *Investment Dispute Settlement Navigator: Russian Federation*.

⁸⁰ Anna Rzhavkina and Alexander Marrow, "COVID-19 Crisis: A Shot in the Arm for Russian E-commerce", *Reuters*, 19 November 2020. Viewed at: <https://www.reuters.com/article/us-russia-ecommerce-focus-idUSKBN27Z10Z>.

⁸¹ Association of Internet Trade Companies (2020), *E-commerce in 2020*. Viewed at: <https://akit.ru/internet-torgovlya-v-rossii-2020/>.

transactions are exported (around RUB 90 billion in 2020). Alibaba is active in the market as a joint venture with a Russian company, while Amazon, as another major player, has not entered the market although options to ship goods directly or via intermediaries to the Russian Federation exist.

2.44. Key conditions for the development of electronic commerce, such as (online) consumer protection laws, data privacy, and electronic signatures are in place. Consumers generally have the right to cancel orders and return purchases within 15 days. While producers can determine the duration of warranties they grant, consumers can generally file complaints within a two-year period in case of deficiencies unless a shorter warranty time has been determined.⁸² Companies are required to provide accurate information to consumers and need to be identifiable by them. In terms of data protection⁸³, companies have to keep private data confidential, are required to register with Roskomnadzor before being allowed to process data, and require consent (which can be withdrawn) from individuals whose data will be processed, with some exceptions spelled out in the law. Electronic messages to promote products, services, or political campaigning require prior consent from the recipients. Both handwritten and electronic signatures have validity for all commercial contracts, with varying levels of certification of the signatory in existence.⁸⁴ In January 2021, new rules for retail entered into force, basically reflecting a number of earlier documents and introducing new elements relevant for e-commerce, such as the requirement for sellers to issue order confirmations, simpler procedures for delivering such goods remotely, or rules on automated sales.⁸⁵ The Russian Federation participates in the Joint Statement Initiative on e-commerce.

2.45. Key barriers to the sector's development as of 2017 relate to slow package delivery, although there are reports that the situation has improved significantly as companies adjusted to COVID-19-related shopping patterns.⁸⁶ The courier service market is relatively concentrated, with the three largest players dominating the market although major international players are also active.⁸⁷ Most online purchases are shipped with the Russian Postal service or EMS, while courier services such as DHL and UPS also operate. The *de minimis* threshold for small cross-border shipments was set at EUR 500 and/or 25 kilograms on 1 January 2019 and was set to be further decreased to EUR 200 on 1 January 2020.⁸⁸ While in the past, most shipments were paid with cash-on-delivery, the share of online payments is said to have increased significantly over the past years.

⁸² See Law No. 2300-I of 7 February 1992 on Protection of Consumer Rights (as amended).

⁸³ Federal Law No. 152-FZ of 27 July 2006 on Personal Data (as amended).

⁸⁴ Federal Law No. 63-FZ of 6 April 2011 on Electronic Signature.

⁸⁵ Rospotrebnadzor (2020), *On the New Rules for the Sale of Goods at Retail*. Viewed at: https://www.rospotrebnadzor.ru/about/info/news/news_details.php?ELEMENT_ID=16500.

⁸⁶ UNIDO (2017), *National Report on E-Commerce Development in Russia*. Viewed at: <https://www.unido.org/api/opentext/documents/download/9920890/unido-file-9920890>.

⁸⁷ Mordor Intelligence (2020), *Russia Courier, Express, and Parcel (CEP) Market – Growth, Trends, Covid-19 Impact, and Forecasts (2021-26)*. Viewed at: <https://www.mordorintelligence.com/industry-reports/russia-courier-express-and-parcel-market>.

⁸⁸ WTO document INF/MSME/W/4, 14 June 2019.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures Directly Affecting Imports

3.1.1 Customs procedures, valuation, and requirements

3.1. As a member of the Eurasian Economic Union (EAEU) and its predecessor, the Customs Union with Belarus and Kazakhstan, the Russian Federation applies common customs legislation, as well as national legal instruments that govern aspects not regulated by the former. During the review period, changes to the legal framework took place at both the EAEU and the national levels.

3.2. In effect from 1 January 2018, the EAEU Customs Code replaced the unified Customs Code and other legal instruments of the Customs Union, most of which had been in force since 2010. It brought about various innovations aimed at streamlining customs procedures, including through electronic means, and implementing key provisions of the WTO Agreement on Trade Facilitation.¹

3.3. The principal customs legislation was updated following the EAEU Customs Code's entry into force. Federal Law No. 311-FZ of 27 November 2010 on Customs Regulation in the Russian Federation was replaced by Federal Law No. 289-FZ of 3 August 2018 on Customs Regulation in the Russian Federation and on Amending Certain Legislative Acts of the Russian Federation.² Federal Law No. 289-FZ of 3 August 2018 regulates matters that fall under national competence, including the advance payment of duties, fees, and charges, as well as procedures for review and appeal of customs decisions. The Law also sets a 60-day timeframe for issuing advance rulings on classification and origin, whereas the maximum period provided for in the EAEU Customs Code is 90 days.

3.4. As at the time of the previous Review, there are no general activity registration or licensing prerequisites for engaging in cross-border trade, although specific requirements continue to apply to controlled goods. Russian tax residency is required for declaring commercial imports to the Federal Customs Service (FCS). Using the services of professional customs brokers remains optional. In March 2021, there were 587 licensed customs brokers, up from some 400 in March 2016.³ According to the authorities, customs brokers compete freely; their fees are not regulated, and there are no geographic restrictions on their operations within the Russian Federation.⁴

3.5. The EAEU Customs Code provides for the pre-arrival notification of third-country imports, except for those shipped by pipelines and electricity transmission lines. The notifications' content and format are determined by the EAEU Commission, depending on the means of transport used.⁵ In general, the customs authorities must be notified at least two hours before the goods' arrival at the EAEU's border. For third-country imports shipped by water transport, the minimum period is six hours. The stated purpose of pre-arrival notifications is to enable the customs authorities to assess risks and initiate corresponding control procedures. Pre-arrival notifications submitted in the form of an electronic document may be used as transit declarations.⁶

3.6. The Russian Federation maintains a risk management system for the processing of import and export declarations. The risk assessment methodology is largely domestically determined, although recommendations for implementation of certain risk profiles may be elaborated at the EAEU level. Commercial imports deemed to be of low risk are cleared solely on the basis of the customs declaration and are released, as a rule, within four hours of the declaration's registration. The customs declarations of consignments flagged by the risk management system for documentary and/or physical checks must be accompanied by the relevant commercial and transport documents.

¹ For a summary of the main provisions of the new EAEU Customs Code, see WTO document WT/REG358/1, 13 July 2018, paras. 3.127-3.130.

² WTO documents G/TFA/N/RUS/1, 1 March 2019; and G/VAL/N/1/RUS/4, 23 May 2019.

³ Customs brokers are required to have civil liability insurance with coverage of at least RUB 20 million and to make a security deposit (RUB 5 million for brokers not involved in declaring exports subject to export duties, EUR 500,000 otherwise).

⁴ Common rules for the registration of customs brokers are set out in the EAEU Customs Code and Eurasian Economic Commission (EEC) Collegium Decision No. 271 of 11 December 2012.

⁵ EEC Collegium Decisions No. 51 of 10 April 2018, No. 56 and No. 57 of 17 April 2018, and No. 62 of 24 April 2018.

⁶ EEC Collegium Decision No. 214 of 25 December 2018.

Where applicable, the supporting documentation must also include an import licence and/or permit, a certificate of origin, or a sanitary and phytosanitary (SPS) certificate.

3.7. The authorities indicate that work on the development of a national single-window system is ongoing. It is guided by an action plan adopted by the Supreme Eurasian Economic Council in 2015, a resolution adopted by the Government in 2017, and a reference model description approved by the Eurasian Intergovernmental Council in 2019.⁷ Elements of the future single window have been consolidated in a Seaport Portal, which facilitates the supervision of trade flows going through the Russian Federation's sea checkpoints.

3.8. The EAEU Customs Code upgraded the pre-existing scheme for simplified customs formalities into a Union-wide authorized economic operator (AEO) scheme. Open to both importers and exporters, the new scheme provides for three types of AEO status with specific eligibility requirements and advantages granted.⁸ As of 17 May 2021, 164 legal persons were inscribed in the AEO register.

3.9. The World Bank Logistics Performance Index for 2018 ranked the Russian Federation 75th of 160 economies for logistics generally and 97th for customs specifically. The corresponding rankings for 2014 were 90th and 133rd, respectively.⁹ The authorities indicate that the FCS has been elaborating annual action plans aimed at streamlining customs formalities and thereby further improving the Russian Federation's rankings related to cross-border trade. In addition, the FCS has been conducting time release studies in accordance with the methodology established by the World Customs Organization. According to the results of a December 2020 study, the maximum release times for non-risky consignments were 78 minutes for imports (12 minutes for seaborne imports) and 40 minutes for exports.

3.10. During the review period, the legal framework for customs valuation underwent minor amendments upon the entry into force of the EAEU Customs Code, as well as through the adoption of several legal instruments by the Collegium of the Eurasian Economic Commission (EEC). Consequently, changes were also made to the national legislation, including with regard to the customs valuation of exports.¹⁰ The Russian Federation provided updated notifications and a new checklist of issues to the Committee on Customs Valuation in 2019.¹¹

3.11. The authorities affirm that the transaction value of the goods is mostly used for customs valuation purposes (88% of all cases). Whenever this method cannot be used, recourse to other methods follows the hierarchy set out in the WTO Customs Valuation Agreement. The dutiable value of imports is the sum of the purchase cost and the expenses incurred up to the point of entry into the customs territory of the EAEU. Consignments can be released under bond prior to the final determination of their customs value. The FCS does not provide advance rulings on customs valuation.

3.12. The FCS has concluded cooperation agreements with the customs authorities of several foreign jurisdictions. These agreements typically contain provisions on the exchange of data regarding consignments and transport vehicles, on the setting up of a "simplified customs corridor", or on transit traffic.

3.13. While the right to challenge a decision, action, or inaction of the customs authorities is stipulated in the EAEU Customs Code, the exact manner and timeframes are set out in the national legislation of each member State. In case of disagreement with FCS decisions, importers must first lodge a request for reconsideration at the customs office where the decision was made. Subsequent appeals may be made to the superior customs administration centre, and then to the courts.

⁷ Supreme Eurasian Economic Council Decision No. 19 of 8 May 2015, Government Resolution No. 561 of 12 May 2017, and Eurasian Intergovernmental Council Decision No. 6 of 30 April 2019.

⁸ WTO document WT/REG358/1, 13 July 2018, para. 3.129(j).

⁹ World Bank, *Global Rankings*. Viewed at: <https://lpi.worldbank.org/international/global>.

¹⁰ Federal Law No. 289-FZ of 3 August 2018; and Government Resolution No. 1694 of 16 December 2019.

¹¹ WTO documents G/VAL/N/1/RUS/4 and G/VAL/N/2/RUS/2, 23 May 2019; G/VAL/N/1/RUS/4/Add.1, 14 June 2019; and G/VAL/N/1/RUS/5, 16 October 2019.

According to the authorities, during 2016-20 most appeals related to decisions on the goods' classification and customs valuation, as well as to prosecutions of administrative offences.

3.1.2 Rules of origin

3.14. Common rules of origin for goods imported into the territory of the EAEU govern MFN and certain preferential trade flows (imports under the Union's Common System of Tariff Preferences (CSTP) and under the free trade agreements (FTAs) concluded by the EAEU). The Russian Federation's trade under FTAs concluded before 1 January 2015 remains governed by the preferential rules of origin stipulated in each agreement.¹²

3.15. The EAEU non-preferential rules of origin apply to MFN imports and are used for the purposes specified in Article 37 of the Treaty on the Eurasian Economic Union (EAEU Treaty), including non-tariff measures, trade remedies, marking requirements, public procurement, and trade statistics. As from 12 January 2019, origin is conferred on the basis of a list of criteria for wholly obtained products, a change in HS classification at the 4-digit level, or a maximum threshold for non-originating inputs (50% of value-added).¹³ Basic operations, such as preparation for sale, labelling, freezing, colouring, or packaging, do not confer origin. A certificate of origin is required for consignments worth more than USD 150 that may be subject to trade remedies depending on their origin.

3.16. To qualify for preferential treatment under the CSTP, imported goods must be either wholly obtained or sufficiently processed in one of the eligible developing countries and least-developed countries (LDCs). The criteria for conferring wholly obtained status are almost the same as under the EAEU's non-preferential rules of origin. A timetable for the gradual differentiation of the sufficient processing threshold (the admissible share of third-country inputs in the exported product's value) for exports from developing countries and LDCs became effective on 16 January 2019.¹⁴ Whereas the threshold for developing countries remains at 50%, the threshold for LDCs is set at 55% between 1 January 2020 and 31 December 2024, and at 60% from 1 January 2025 onwards.

3.17. In general, importers claiming CSTP treatment must submit the original certificate of origin (Form A) during customs clearance. This requirement was temporarily relaxed in response to the COVID-19 pandemic.¹⁵ The origin of imports whose customs value does not exceed EUR 5,000 may be attested by a declaration of origin.

3.1.3 Tariffs

3.18. As a member of the EAEU, the Russian Federation applies, with some exceptions, its unified customs tariff (UCT) and receives a share (85.065% as from 1 January 2020) of the revenue from customs duties and trade remedies levied on imports from third countries.¹⁶

3.19. During 2016-19, customs duties and levies on international trade ranged between 14% and 17% of annual tax revenue. In addition, value added tax (VAT) and excise taxes on imports accounted for 11% to 12% annually. The relative importance of customs duties and charges on imports in tax receipts was generally in decline (Table 3.1).

¹² WTO documents G/RO/N/207, 2 November 2020; G/RO/N/194, 18 February 2020; G/RO/N/179 and G/RO/LDC/N/RUS/2, 22 January 2019; G/RO/LDC/N/RUS/1, 18 September 2017; G/RO/N/162, 21 July 2017; G/RO/N/106/Corr.1, 2 July 2015; G/RO/N/115, 11 April 2014; and G/RO/N/84, 27 September 2012. Pursuant to Federal Law No. 289-FZ of 3 August 2018, the FCS is to issue advance rulings on the origin of imports within 60 days of receipt of the respective application.

¹³ EEC Council Decision No. 49 of 13 July 2018, amended by EEC Council Decision No. 57 of 10 July 2020, with effect from 1 January 2021.

¹⁴ EEC Council Decision No. 60 of 14 June 2018.

¹⁵ EEC Council Decision No. 36 of 3 April 2020.

¹⁶ Pursuant to the EAEU Treaty (Annex 31), the Russian Federation applies higher-than-UCT rates on certain parts used in the industrial assembly of motor vehicles.

Table 3.1 Tax revenue, 2016-19

(RUB billion)

	2016	2017	2018	2019
Total tax revenue	15,447	17,633	21,303	21,937
Taxes on income, profits, and capital gains	5,412	6,888	8,070	8,761
Taxes on property	998	1,105	1,270	1,186
Taxes on goods and services	6,402	7,055	8,263	8,961
VAT	4,793	5,272	6,164	7,077
Imports	1,763	1,901	2,256	2,613
Domestic	3,030	3,371	3,909	4,464
Excise tax	1,414	1,581	1,589	1,336
Imports	59	76	95	89
Domestic	1,355	1,505	1,494	1,247
Other	196	203	509	548
Taxes on international trade and transactions	2,635	2,585	3,700	3,029
Duties and charges on imports	572	588	681	740
Import duties	486	502	574	611
Trade remedies	4	4	5	7
Customs fees	17	18	20	20
Customs taxes (natural persons)	6	7	16	25
Export taxes	2,046	1,979	3,000	2,289
Other taxes	0	0	0	1
Memo:				
Total customs revenue	4,456	4,562	6,051	5,731

Source: WTO Secretariat calculations, based on information provided by the authorities.

3.20. With regard to imports from third countries, the remit of the EEC includes: (i) setting UCT and CSTP rates, as well as rates under preferential trade agreements concluded by the EAEU; (ii) regulating tariff exemptions; and (iii) setting tariff rate quotas (including the administration method) and allocating quota volumes among member States. EEC decisions on UCT rates are normally taken by a two-thirds qualified majority vote, except for sensitive products on which consensus is required.

3.21. The 2021 UCT is based on the 2017 version of the Harmonized Commodity Description and Coding System (HS), and comprises 12,286 lines at the 10-digit level. Approximately 86% of all tariff lines, including duty-free ones, have *ad valorem* rates (Table 3.2). Most of the remaining lines have mixed duties in the form of an *ad valorem* rate with a minimum specific duty expressed in euros per unit (except sugar (HS 1701) for which it is expressed in US dollars).¹⁷ There are no seasonal tariffs.

Table 3.2 Structure of the MFN tariff, 2016 and 2021

	MFN applied		Final bound ^a
	2016	2021	
Bound tariff lines (% of all tariff lines)	n.a.	n.a.	100.0
Simple average rate	8.3	7.9	8.4
WTO agricultural products	14.6	13.4	13.4
WTO non-agricultural products	6.5	6.3	7.1
Duty-free tariff lines (% of all tariff lines)	16.0	16.0	3.8
Simple average of dutiable lines only	9.9	9.4	8.7
Tariff quotas (% of all tariff lines)	0.4 ^b	0.2	1.0
Non- <i>ad valorem</i> tariffs (% of all tariff lines)	14.8	14.0	12.1
Non- <i>ad valorem</i> tariffs with no AVEs (% of all tariff lines)	4.4	4.6	4.4
Domestic tariff "peaks" (% of all tariff lines) ^c	3.0	2.4	1.3
International tariff "peaks" (% of all tariff lines) ^d	6.4	4.2	3.0
Nuisance applied rates (% of all tariff lines) ^e	0.8	1.0	1.4
Number of lines			
Total	11,561	12,286	11,557
<i>Ad valorem</i> rates	9,850	10,567	10,161
Duty-free lines	1,845	1,968	443

¹⁷ The number of distinct *ad valorem* duty rates decreased from 77 in 2016 to 31 in 2021. For non-*ad valorem* duties, the corresponding figures were 284 and 225, respectively.

	MFN applied		Final bound ^a
	2016	2021	
Non- <i>ad valorem</i> rates	1,711	1,719	1,396
Specific	557	609	572
Compound	0	35	35
Mixed	1,154	1,075	789

n.a. Not applicable.

a Average final bound rates are based on the Russian Federation's Consolidated Tariff Schedule in HS07 nomenclature, whereas average MFN rates are based on the 2016 and 2021 UCT schedules in HS12 and HS17 nomenclatures, respectively.

b Based on WTO document G/AG/N/RUS/12, 26 April 2016.

c Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate. There were only two such peaks in 2012, as temporary rate increases on some 100 lines had raised the overall average.

d International tariff peaks are defined as those exceeding 15%.

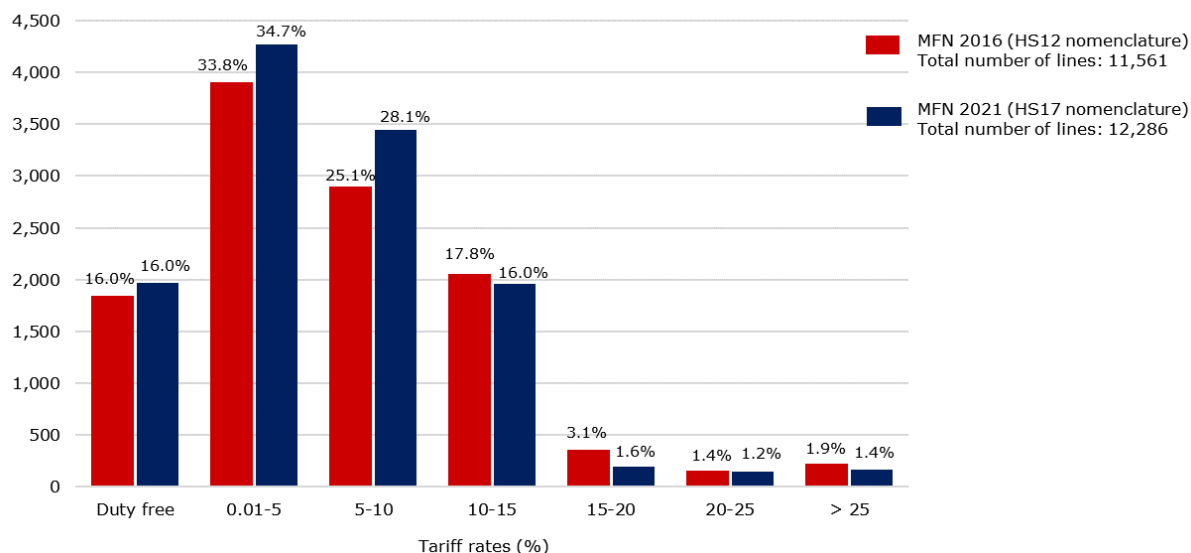
e Nuisance rates are those greater than zero, but less than or equal to 2%.

Source: WTO Secretariat calculations, based on data provided by the authorities and UN International Trade Centre Trade Map database.

3.22. The simple average applied MFN tariff declined slightly from 8.3% in 2016 to 7.9% in 2021; for dutiable lines, the decline was from 9.9% to 9.4%. The phased implementation of the Russian Federation's accession commitments partly explains the reduction in average applied rates. Some 16% of tariff lines are duty free (same as in 2016) and 1.4% of all lines carry rates of over 25%, down from 1.9% in 2016 (Chart 3.1). Overall tariff dispersion remains significant, with rates (including *ad valorem* equivalents (AVEs)) ranging from zero to 284.6% (Table A3.1). The average applied rate on agricultural products (WTO definition) is 13.4% (down from 14.6% in 2016), whereas the corresponding average for non-agricultural products stands at 6.3% (down from 6.5% in 2016).

Chart 3.1 Frequency distribution of MFN tariff rates, 2016 and 2021

Number of tariff lines



Note: Figures above bars denote the share of the respective tariff schedule's total lines. They do not add to 100% due to the presence of non-*ad valorem* rates without AVEs. Calculations exclude in-quota rates.

Source: WTO Secretariat calculations, based on data provided by the authorities and UN International Trade Centre Trade Map database.

3.23. Upon acceding to the WTO in 2012, the Russian Federation bound its entire tariff at the 10-digit level, with bound rate reductions for 7,028 tariff lines (60.8% of all lines) to be phased in over periods of one to eight years (Table 3.3). The final bound tariff became effective in 2020. The Russian Federation bound "other duties and charges" at zero.

Table 3.3 Implementation of final bound tariffs, 2012-20

Year	No. of tariff lines at the final bound rate	No. of lines with further reductions in bound rate to be implemented	
		No. of tariff lines	%
2012	4,529	7,028	60.8
2013	5,030	6,527	56.5
2014	6,344	5,213	45.1
2015	9,339	2,218	19.2
2016	10,737	820	7.1
2017	11,409	148	1.3
2018	11,486	71	0.6
2019	11,533	24	0.2
2020	11,557	0	0.0

Note: According to the authorities, the annual reduction of import duties occurred on 1 September, except for 77 tariff lines that were subject to a different implementation date. The Russian Federation's Consolidated Tariff Schedule is based on HS07 nomenclature.

Source: WTO Secretariat calculations, based on the Consolidated Tariff Schedules (CTS) database.

3.24. The process of certifying the Russian Federation's bound tariff schedule to incorporate the changes resulting from the introduction of nomenclature versions HS12 and HS17 has not been completed.¹⁸ In the absence of a common nomenclature version, comparisons between the Russian Federation's bound and applied tariffs (based on HS07 and HS17, respectively) are prone to imprecision.¹⁹ With that caveat, the simple average bound tariff rate (8.4%) is about half a percentage point higher than the 2021 average UCT rate. Besides nomenclature differences, this gap may be partly due to the greater share of duty-free lines in the UCT (Table 3.2).

3.25. For three tariff lines, the MFN rates applied in 2021 are somewhat higher than the corresponding bindings (by up to 2 percentage points). The Russian Federation's bindings for seven additional tariff lines could potentially be exceeded, because the applied rates match the corresponding (*ad valorem*) bound levels but also have a minimum specific duty component. For one additional tariff line, the MFN rate is *ad valorem* (6.5%) while the bound rate is compound (4.5% plus EUR 0.02 per kg).

3.26. The Russian Federation's Consolidated Tariff Schedule contains four tariff quotas: fresh and chilled beef; frozen beef; fresh, chilled or frozen poultry; and whey and modified whey. Tariff quotas on pork trimming and fresh, chilled and frozen pork were replaced by an *ad valorem* rate of 25% as from 1 January 2020. The EEC decision establishing the tariff quota volumes for 2021 (Table 3.4) stipulates that allocation among third-country exporters is to be done in accordance with the Russian Federation's national legislation and its WTO obligations.²⁰

Table 3.4 Tariff quotas on imports, 2021

Product group	In-quota HS codes ^a	TQ volume ('000 tonnes) ^b	2021 MFN tariff		Bound tariff	
			In-quota rate	Out-of-quota rate	In-quota rate	Out-of-quota rate
Fresh and chilled beef	0201100001	40	15%	50%, but not less than EUR 1 per 1 kg	15%	55%
	0201202001					
	0201203001					
	0201205001					
	0201209001					
	0201300004					
Frozen beef	0202100001	530	15%	50%, but not less than EUR 1 per 1 kg	15%	55%
	0202201001					
	0202203001					
	0202205001					
	0202209001					
	0202301004					
	0202305004					
	0202309004					

¹⁸ WTO document G/MA/W/158/Rev.2, 14 April 2021.

¹⁹ Approximately 10% of tariff lines could not be compared due to nomenclature differences.

²⁰ EEC Collegium Decision No. 102 of 18 August 2020.

Product group	In-quota HS codes ^a	TQ volume ('000 tonnes) ^b	2021 MFN tariff		Bound tariff	
			In-quota rate	Out-of-quota rate	In-quota rate	Out-of-quota rate
Fresh, chilled, or frozen poultry	0207142001	250	25%, but not less than EUR 0.2 per 1 kg	80%, but not less than EUR 0.7 per 1 kg	25%	80%
	0207146001					
	0207141001	100	25%	80%	25%	80%
	0207271001	14	25%, but not less than EUR 0.2 per 1 kg	80%	25%	80%
	0207273001		25%, but not less than EUR 0.2 per 1 kg	80%, but not less than EUR 0.7 per 1 kg	25%	80%
Whey and modified whey	0207274001					
	0207276001					
	0207277001					
	0404101201	15	10%	15%	10%	15%
	0404101601					

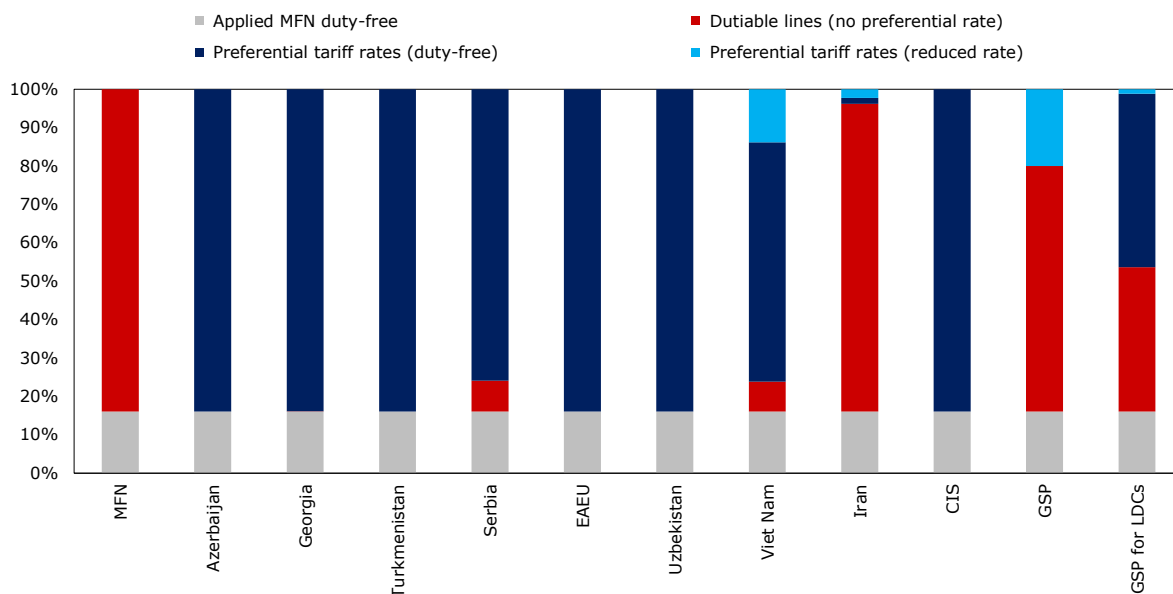
a HS codes are based on the 2021 applied tariff schedule (HS17).

b Trigger volumes spanning several HS codes signify cumulative imports under these HS codes.

Source: WTO Secretariat calculations, based on the Consolidated Tariff Schedules (CTS) database and information provided by the authorities.

3.27. As part of the common external trade regime implemented together with its EAEU partners (Armenia, Belarus, Kazakhstan, and the Kyrgyz Republic), the Russian Federation applies tariff preferences under the EAEU-Islamic Republic of Iran and EAEU-Viet Nam FTAs, as well as under the EAEU's CSTP scheme (Section 2.3.2). In addition, the Russian Federation maintains tariff preferences under several regional and bilateral agreements (Chart 3.2 and Table 3.5) that predate the entry into force of the EAEU Treaty. Statistics regarding the share of preferential imports in total imports, as well as regarding tariff revenue forgone on preferential imports, were not available.

Chart 3.2 Distribution of applied MFN and preferential tariffs, 2021



Source: WTO Secretariat calculations, based on data provided by the authorities.

Table 3.5 Tariffs under preferential arrangements, 2021

	Simple average (%)			Duty-free tariff lines (% of total)		
	Overall	WTO agriculture	WTO non-agriculture	Overall	WTO agriculture	WTO non-agriculture
MFN	7.9	13.4	6.3	16.0	7.7	18.3
Azerbaijan	0	0	0	100	100	100
CIS	0	0	0	100	100	100
EAEU	0	0	0	100	100	100
Georgia	0.0	0.2	0	99.9	99.6	100
Iran, Islamic Republic of	7.7	13.2	6.2	17.5	9.0	19.9

	Simple average (%)			Duty-free tariff lines (% of total)		
	Overall	WTO agriculture	WTO non-agriculture	Overall	WTO agriculture	WTO non-agriculture
Serbia	1.6	4.8	0.7	91.9	88.4	92.9
Turkmenistan	0	0	0	100	100	100
Uzbekistan	0	0	0	100	100	100
Viet Nam	2.5	6.6	1.3	78.3	64.6	82.2
CSTP	7.4	12.0	6.1	16.0	7.7	18.3
CSTP for LDCs	4.7	7.0	4.1	61.2	70.7	58.6

Note: If no preferential rate is applied, the corresponding MFN rate is used for the calculations.

Source: WTO Secretariat calculations, based on information provided by the authorities.

3.28. The EAEU-Viet Nam FTA envisages preferential tariff rate quotas. The EEC is responsible for apportioning quota volumes among member States, as well as for determining the method for allocation among importers. No quota volume was assigned to the Russian Federation for 2021.²¹

3.1.4 Other charges affecting imports

3.29. The EAEU Customs Code sets out a list of customs payments including import and export duties, VAT, excise tax, and customs fees. The Code also stipulates that the amount of customs fees charged may not exceed the estimated cost incurred by the customs authorities for the services rendered.

3.30. The same principle is enshrined in the Russian Federation's national legislation, which sets out customs fees for clearance-related operations, customs escort, and storage.²² The customs fees' calculation bases and rates are updated periodically by government resolutions. The latest update for customs escort and storage fees dates from 2018, whereas customs clearance fees were last revised (mostly upwards) in 2020 (Table 3.6).

Table 3.6 Fees for customs services, 2021

Fee type and calculation base	Rate (RUB)
Customs clearance fees^{a,b}	
a) Customs value of consignment:	
200,000 and less	775
from 200,000 to 450,000	1,550
from 450,000 to 1,200,000	3,100
from 1,200,000 to 2,700,000	8,530
from 2,700,000 to 4,200,000	12,000
from 4,200,000 to 5,500,000	15,500
from 5,500,000 to 7,000,000	20,000
from 7,000,000 to 8,000,000	23,000
from 8,000,000 to 9,000,000	25,000
from 9,000,000 to 10,000,000	27,000
over 10,000,000	30,000
b) Goods not subject to customs value determination:	
50 items or fewer (per declaration)	6,000
from 51 to 100 items (per declaration)	12,000
101 or more items (per declaration)	20,000
c) Air, sea, river, combined (river-and-sea) vessels	20,500 per vessel
(i) moved as commodities under the customs regimes of temporary importation, temporary exportation, processing (repairs) on the customs territory or processing (repairs) outside the customs territory and	
(ii) upon completion of temporary importation by initiating a re-export procedure, temporary exportation by initiating a re-import procedure, processing on the customs territory by initiating a re-export procedure, processing outside the customs territory by initiating either a re-import procedure or a release-for-domestic-consumption procedure	

²¹ EEC Collegium Decision No. 110 of 8 September 2020.

²² Federal Law No. 289-FZ of 3 August 2018.

Fee type and calculation base	Rate (RUB)
Customs escort fees^c	
a) A motor vehicle or a unit of railway rolling stock:	
for a distance up to 50 km	2,000
for a distance from 50 to 100 km	3,000
for a distance from 100 to 200 km	4,000
for a distance over 200 km	1,000 per 100 km, minimum 6,000
b) A sea or river vessel, or an aircraft (regardless of the distance)	20,000 per vessel
Fees for storage at a customs post^c	
In a temporary storage warehouse	1 per 100 kg, per day
In specially equipped premises	2 per 100 kg, per day

a Government Resolution No. 342 of 26 March 2020.

b Different rates and calculation bases apply to goods subject to temporary periodical declaring and goods imported for personal use.

c Government Resolution No. 1082 of 11 September 2018.

Source: WTO Secretariat calculations, based on the Consolidated Tariff Schedules (CTS) database.

3.31. VAT and excise taxes are levied on imports from third countries, as well as on intra-EAEU trade. The EEC has been working with EAEU member States on the establishment of systems for streamlined control of the turnover and movement of goods in the Union. Such systems are being implemented for identification of foreign economic activity participants, electronic filing at national tax authorities and automatic exchange of information among them, and certain goods' marking and tracing (Section 3.1.7). Amendments to the EAEU legislation have also been drafted with a view to establishing a common procedure for collecting VAT on electronically supplied services.²³

3.32. In the Russian Federation, excise taxes may be levied on specific, *ad valorem*, or compound bases, depending on the good.²⁴ In general, excise tax rates are reviewed annually; they are identical for imports and domestically produced goods.

3.33. During 2016-21, most excise tax rates were revised upwards (Table 3.7). Specific rates continued to apply on all excisable goods, except cigarettes. In 2019, crude oil was added to the list of excisable goods, with a special formula for the calculation of the applicable tax rate. A formula was also introduced for the excise tax rate on intermediate hydrocarbon distillates.

Table 3.7 Excise taxes, 2016 and 2021

(RUB)

Description	2016	2021
	(from 1 April to 31 December)	(from 1 January to 31 December)
Ethyl alcohol made of all types of raw materials	102 per 1 litre of absolute ethyl alcohol contained	566 per 1 litre of absolute ethyl alcohol contained
Alcohol-containing products (except perfumery, cosmetic and household chemical goods in metal aerosol packaging)	400 per 1 litre of absolute ethyl alcohol contained	566 per 1 litre of absolute ethyl alcohol contained
Grapes used to produce wine	-	31 per tonne
Wine inputs, grape must, fruit must	-	32 per litre
Alcohol products with volume content of ethyl alcohol ≤ 9%	400 per 1 litre of absolute ethyl alcohol contained	452 per 1 litre of absolute ethyl alcohol contained
Alcohol products with volume content of ethyl alcohol > 9%	500 per 1 litre of absolute ethyl alcohol contained	566 per 1 litre of absolute ethyl alcohol contained
Champagne and sparkling wines	26 per 1 litre ^a	41 per 1 litre
Natural wines (except champagne and sparkling wines)	9 per 1 litre ^b	32 per 1 litre ^b
Wine beverages made without the addition of food-based rectified ethyl alcohol	-	41 per 1 litre
Cider, perry (poiré), mead	9 per 1 litre	23 per 1 litre

²³ EAEU (2019), *Review of EAEU Member States' Tax Systems*. Viewed at: <http://www.eurasiancommission.org/ru/nae/news/Pages/22-10-2019-1.aspx>.

²⁴ Federal Law No. 117-FZ of 5 August 2000, Chapter 22.

Description	2016	2021
	(from 1 April to 31 December)	(from 1 January to 31 December)
Beer with normative (standardized) volume content of ethyl alcohol $\leq 0.5\%$	0 per 1 litre	0 per 1 litre
Beer with normative (standardized) volume content of ethyl alcohol $> 0.5\%$ and $\leq 8.6\%$	20 per 1 litre	23 per 1 litre
Beer with normative (standardized) volume content of ethyl alcohol $> 8.6\%$	37 per 1 litre	43 per 1 litre
Smoking, chewing, pipe and waterpipe tobacco (including snuff), except inputs for production of tobacco articles	2,000 per 1 kg	3,806 per 1 kg
Tobacco for consumption by heating	-	7,248 per 1 kg
Electronic nicotine delivery systems, tobacco heating devices	-	60 per 1 piece
Liquids for electronic nicotine delivery systems	-	16 per 1 ml
Cigars	141 per 1 piece	258 per 1 piece
Cigarillos	2,112 per 1,000 pieces	3,666 per 1,000 pieces
Cigarettes ^c	1,250 per 1,000 pieces + 12% but not less than 1,680 per 1,000 pieces	2,359 per 1,000 pieces + 16% but not less than 3,205 per 1,000 pieces
Cars with engine power > 67.5 Kw (90 hp) and ≤ 112.5 Kw (150 hp)	41 per 0.75 kW (1 hp)	51 per 0.75 kW (1 hp)
Cars with engine power > 112.5 Kw (150 hp) and ≤ 150 Kw (200 hp)	402 per 0.75 kW (1 hp)	491 per 0.75 kW (1 hp)
Cars with engine power > 150 Kw (200 hp) and ≤ 225 Kw (300 hp)	402 per 0.75 kW (1 hp)	804 per 0.75 kW (1 hp)
Cars with engine power > 225 Kw (300 hp) and ≤ 300 Kw (400 hp)	402 per 0.75 kW (1 hp)	1,370 per 0.75 kW (1 hp)
Cars with engine power > 300 Kw (400 hp) and ≤ 375 Kw (500 hp)	402 per 0.75 kW (1 hp)	1,418 per 0.75 kW (1 hp)
Cars with engine power > 375 Kw (500 hp)	402 per 0.75 kW (1 hp)	1,464 per 0.75 kW (1 hp)
Motorcycles with engine power > 112.5 Kw (150 hp)	402 per 0.75 kW (1 hp)	491 per 0.75 kW (1 hp)
Natural gas ^d	30%	30%
Motor gasoline unclassifiable in class 5	13,100 per tonne	13,624 per tonne
Motor gasoline of class 5	10,130 per tonne	13,262 per tonne
Diesel fuel	5,293 per tonne	9,188 per tonne
Oil for diesel and/or carburettor (injection) engines	6,000 per tonne	5,841 per tonne
Virgin ("straight-run") gasoline	13,100 per tonne	15,533 per tonne
Benzene, paraxylene, orthoxylene	3,000 per tonne	3,187 per tonne
Jet kerosene	3,000 per tonne	2,800 per tonne
Intermediate hydrocarbon distillates	5,293 per tonne	formula
Crude oil	-	formula

- Nil.

- a The excise tax rate for sparkling wines with a protected geographical indication or a protected appellation of origin was RUB 13 per 1 litre.
- b The excise tax rate for wines (except sparkling wines) with a protected geographical indication or a protected appellation of origin was RUB 5 per 1 litre.
- c The *ad valorem* component is calculated on the basis of the maximum retail value (the product of the maximum retail price indicated on the pack (retail unit) and the number of packs (units) supplied or imported). All tobacco products sold on the Russian market must be labelled with a maximum retail price.
- d Unless a different rate is stipulated in any of the Russian Federation's international agreements.

Source: Federal Tax Service; and Tax Code.

3.34. The standard VAT rate was raised from 18% to 20% as from January 2019. A reduced rate of 10% remains in place for certain items, including basic foodstuffs, goods for children, medicines, medical devices, and certain printed publications (Table A3.2). During the review period, the list of eligible goods for children was expanded. Some supplies, including exports, remain zero-rated and are thus eligible for a refund of the VAT paid on inputs (Table A3.3). Various exemptions from VAT also remain in place, mainly for social assistance and economic development purposes (Table A3.4).

3.35. During the review period, the Russian Federation implemented a framework for the collection of VAT on electronically supplied services. As from 2017, foreign suppliers of services over the Internet must charge the applicable VAT and remit it to the Federal Tax Service.

3.1.5 Import prohibitions, restrictions, and licensing

3.36. The EAEU Treaty (Articles 46-47 and Annex 7) remains the legal basis for the application of non-tariff measures (NTMs). The EEC is vested with the authority to impose, extend, and terminate NTMs; institutional arrangements for their enforcement are made at the national level. NTMs may take the form of import/export prohibitions, quantitative restrictions, exclusive trading rights, automatic and non-automatic licensing, and authorization procedures. In exceptional cases, EAEU member States may also unilaterally impose NTMs.

3.37. The EAEU NTMs are set out in a "Single List", which entered into force on 1 January 2010 and has been amended a number of times.²⁵ As at June 2021, the Single List comprised 7 items prohibited for importation and 15 restricted items that were subject to (non-automatic) import licensing. Many of the NTMs in place implemented obligations undertaken under international conventions, such as CITES, the Stockholm Convention, and the Basel Convention, while others reflected national or regional interests. Most NTMs were of a permanent nature.²⁶

3.38. In August 2014, the Russian Federation prohibited, on national security grounds, the importation of certain agricultural products from several trading partners. Through periodic extensions, the import ban was maintained during 2016-21, with some amendments to coverage (Table 3.8). In its current form (in force until 31 December 2021), the prohibition applies to imports of designated products from Albania, Australia, Canada, the European Union, Iceland, Liechtenstein, Montenegro, Norway, Ukraine, the United Kingdom, and the United States.

Table 3.8 Product coverage of Government Resolution No. 778 of 7 August 2014 (as amended)

HS Code	Entry into force	Product name
0103 (except 0103 10 000 0)	04/11/2017	Live pigs (except purebred breeding animals)
0201		Meat of bovine animals, fresh or chilled
0202	09/06/2016	Meat of bovine animals, frozen
0203		Pork meat, fresh, chilled or frozen
0206 (except 0206 10 100 0, 0206 22 000 1, 0206 29 100 0, 0206 30 000 1, 0206 30 000 3, 0206 41 000 1, 0206 49 000 1, 0206 80 100 0, 0206 90 100 0)	04/11/2017	Edible offal of cattle, pigs, sheep, goats, horses, donkeys, mules, and hinnies, fresh, chilled or frozen (except inputs for the production of pharmaceuticals)
0207	09/06/2016	Meat and edible offal of poultry in heading 0105, fresh, chilled or frozen
0209	04/11/2017	Pork and poultry fat, not rendered or otherwise extracted, fresh, chilled, frozen, salted, in brine, dried or smoked
0210		Meat (salted, in brine, dried or smoked)
0301 (except 030111000 0 and 030119 000 0)		Live fish (except fry of salmon, trout, turbot flounder, and sea bass)
0302, 0303, 0304, 0305, 0306, 0307 (except 0307 60 9000), 0308	02/11/2016	Fish, crustaceans, molluscs and other aquatic invertebrates (except spat of oysters, mussels, and white-footed shrimp)
0401, 0402, 0403, 0404, 0405, 0406	09/03/2021	Milk and dairy products (except specialized lactose-free milk and lactose-free dairy products for clinical and dietary nutrition, and dry milk whey with demineralization >90%)
0701 (except 0701 10 000 0), 0702 00 000, 0703 (except 0703 10 110 0), 0704, 0705, 0706,	17/10/2019	Edible vegetables and certain roots and tubers (except seed potatoes, seed onions, sweet corn for planting, peas for planting, chickpeas for planting, and lentils for planting)

²⁵ WTO documents G/LIC/N/2/RUS/3 and G/LIC/N/2/RUS/4, 9 August 2019; and G/LIC/N/3/RUS/5, 9 October 2019. A list of the measures in force can be viewed at: http://www.eurasiancommission.org/en/act/trade/catr/nontariff/Pages/ediny_perechen.aspx. See also WTO document WT/TPR/S/411/Rev.1, 15 July 2021, Table A3.2.

²⁶ A surveillance mechanism on certain steel products, based on automatic licensing, was in place from 1 January 2020 to 31 December 2020 (EEC Board Decision No. 90 of 4 June 2019).

HS Code	Entry into force	Product name
0707 00, 0708, 0709, 0710, 0711, 0712 (except 0712 90 110 0), 0713 (except 0713 10 100 0, 0713 20 000 0, 0713 40 000 0), 0714		
0801, 0802, 0803, 0804, 0805, 0806, 0807, 0808, 0809, 0810, 0811, 0813		Fruit and nuts
1501	04/11/2017	Pork fat (including lard) and poultry fat, other than that of headings 0209 or 1503
1502	04/11/2017	Fat of cattle, sheep or goats, other than that of heading 1503
1503 00	04/11/2017	Lard stearin, lard oil, oleostearin, oleo oil and animal oil, non-emulsified, unmixed, or not otherwise prepared
1601 00		Sausages and similar products, of meat, meat offal or blood; food preparations based on these products
1901 90 110 0, 1901 90 910 0, 2106 90 920 0, 2106 90 980 4, 2106 90 980 5, 2106 90 980 9	30/09/2015	Prepared foodstuffs (except biologically active additives; specialized food products for athletes; vitamin and mineral complexes; flavoring additives; protein concentrates (animal and vegetable origin) and their mixtures; dietary fibers; and food additives (including complex ones))
1901 90 990 0		Cheese-based foodstuffs containing milk fat of 1.5% or more
2501 00	01/11/2016	Salt (including table salt and denatured salt) and pure sodium chloride, whether or not dissolved in water, or containing or not containing additives of anti-caking or flowing agents, and sea water (excluding dietary supplements)

Source: Government Resolution No. 778 of 7 August 2014 (last amended on 25 February 2021).

3.39. In December 2015, the Russian Federation also banned, on national security grounds, the importation of certain products of Turkish origin. The list of prohibited imports was subsequently narrowed down, through four revisions, to fresh or chilled tomatoes (HS 0702 00 000) with effect from November 2017.²⁷

3.1.6 Anti-dumping, countervailing, and safeguard measures

3.40. There were no major changes to the legal and institutional framework for trade remedies during the review period.²⁸ Being part of the EAEU's common external trade regime, contingency measures towards third parties remain the exclusive competence of the EEC. The EAEU Treaty (Articles 48-50 and Annex 8) and the relevant EEC decisions provide the legal basis for application of anti-dumping (AD), countervailing (CV), and safeguard (SG) measures.²⁹ Recent legislative amendments regulated the period between publication and entry into force of provisional and certain definitive duties³⁰, and implemented bilateral emergency action provisions of the EAEU-Viet Nam FTA.³¹

3.41. The legislation in force does not preclude the simultaneous imposition of AD, CV, and SG measures on the same product. A separate investigation would be required prior to the imposition of each type of measure. Such investigations may be initiated and conducted concurrently. To date, AD, CV, and SG measures have not been applied in parallel on the same product.

²⁷ Government Resolution No. 1296 of 30 November 2015 (last amended on 21 December 2019).

²⁸ WTO documents WT/TPR/S/345/Rev.1, 6 December 2016, Section 3.1.7; and G/ADP/N/1/RUS/2, G/SCM/N/1/RUS/2, and G/SG/N/1/RUS/2, 20 May 2016.

²⁹ The industrial subsidies provisions of the EAEU Treaty (Articles 93 and 105 and Annex 28) also set out conditions under which member States may impose "compensatory measures" on intra-EAEU trade. Rules for the harmonization of industrial subsidies and additional competences of the EEC in this regard were to enter into force from January 2017.

³⁰ EEC Council Decisions No. 99 of 14 September 2018 and No. 30 of 22 February 2019.

³¹ EEC Council Decision No. 115 of 18 October 2016.

3.42. Between June 2016 and March 2021, the EEC's Department for Internal Market Defence (DIMD) initiated three original SG investigations and 29 AD proceedings, comprising 13 original investigations and 16 expiry reviews (Table 3.9). During the same period, original investigations resulted in the imposition of one definitive SG and nine definitive AD measures, and all six completed expiry reviews resulted in continuation of the AD measures in place. No measures were imposed in one AD, one CV, and two SG investigations.

Table 3.9 Trade remedy proceedings by DIMD, June 2016-March 2021

Type	2016	2017	2018	2019	2020	2021
Anti-dumping measures						
Proceedings initiated	2	7	5	5	9	1
Original investigations completed	1	1	0	5	1	2
Provisional measures imposed	0	1	0	0	0	0
Definitive measures imposed	1	1	0	4	1	2
Interim reviews completed	0	1	3	0	1	0
Changed circumstances	0	0	2	0	1	0
Anti-circumvention	0	1	0	0	0	0
New shipper	0	0	1	0	0	0
Expiry reviews completed	1	0	3	1	1	0
Continuation of measures	1	0	3	1	1	0
Safeguard measures						
Investigations initiated	0	0	1	2	0	0
Original investigations completed	0	0	0	1	0	0
Provisional measures imposed	0	0	0	0	0	0
Definitive measures imposed	0	0	0	1	0	0
Countervailing measures						
Investigations initiated	0	0	0	0	0	0
Original investigations completed	1	0	0	0	0	0

Source: Eurasian Economic Commission.

3.43. In March 2021, there were 21 definitive trade remedy measures in effect, compared with 18 in May 2016. Seven measures expired between June 2016 and March 2021 (Table 3.10). The average timespan of AD and SG measures in force at some point during the same period was seven and two years, respectively. Ten AD measures had been in place for longer than 5 years, including 6 measures with timespans exceeding 10 years. Approximately half of the contingency measures in force concerned products of the steel industry.

Table 3.10 Definitive contingency measures, 2016-2021

Product	HS code	Type	Expiry	Exporter
Measures in force as at March 2021				
Certain steel pipes and tubes	7304, 7305, 7306	AD	01/06/2021	Ukraine
Cold-rolled flat steel products with polymer coating	7210, 7212, 7225	AD	22/01/2023	China
Cold-worked seamless pipes and tubes of stainless steel	7304	AD	10/12/2023	China; Malaysia
Steel forged rolls	8455	AD	28/02/2022	Ukraine
Stainless steel flatware	8211, 8215	AD	15/01/2021	China
Seamless steel oil country tubular goods	7304	AD	12/05/2021	China
Crawler bulldozers	8429	AD	29/07/2021	China
Commercial vehicle tyres	4011	AD	18/08/2021	China
Seamless pipes and tubes of stainless steel	7304	AD	25/02/2021	Ukraine
Bars and rods	7213, 7214, 7227, 7228	AD	29/04/2021	Ukraine
Ferro silicon manganese	7202	AD	27/10/2021	Ukraine
Hot-rolled steel angles	7216, 7228	AD	02/07/2022	Ukraine
Rolling-element bearings (excl. needle roller bearings)	8482	AD	20/08/2023	China
Graphite electrodes	8545	AD	24/09/2023	India
Aluminium alloy wheels	8708	AD	27/04/2024	China
Herbicides	3808	AD	19/07/2024	European Union
Zinc plated or coated flat-rolled steel products	7210, 7212, 7225	AD	04/01/2025	Ukraine; China
Hot-worked seamless pipes and tubes of stainless steel	7304	AD	31/01/2025	China

Product	HS code	Type	Expiry	Exporter
Aluminium alloy strips	7606	AD	23/10/2025	Azerbaijan; China
Leaf-springs	7320	AD	20/03/2026	China
Welded tubes of stainless steel	7306	AD	13/03/2026	China
Measures terminated between June 2016 and March 2021				
Steel railway wheels	8607	AD	21/01/2021	Ukraine
Hot-rolled steel products	7208, 7211, 7225, 7226	SG	30/11/2020	All countries
Lemon acid	2918	AD	09/04/2020	China
Combine harvesters and modules	8433	SG	21/08/2016	All countries
Tableware and kitchenware of porcelain	6911	SG	28/09/2016	All countries
Light commercial vehicles	8704	AD	14/06/2018	Germany, Italy, Turkey
Enamelled baths of cast iron	7324	AD	25/01/2018	China

Source: Eurasian Economic Commission.

3.44. During the review period, the Russian Federation was involved, as a defendant, in one dispute settlement case relating to AD duties on light commercial vehicles. On 20 June 2018, the Russian Federation informed the Dispute Settlement Body (DSB) that, following the expiration of the measures at issue, the DSB's recommendations and rulings in this dispute had been fully implemented.³²

3.1.7 Other measures affecting imports

3.45. A ban on the international transit of certain cargo through the territory of the Russian Federation was implemented in 2014 and underwent several amendments before being lifted in July 2019.³³ From that date, the transit traffic of goods originating in jurisdictions that have imposed certain economic restrictions against Russian legal and/or natural persons, as well as goods originating in or being transported through Ukraine, must be traced using identification means (seals) operating on the basis of the global navigation satellite system (GLONASS) and, in case of transportation by road, registration cards for drivers. Rules governing the transit of such goods when transported by air were enacted in June 2020.³⁴

3.46. After the successful implementation of a pilot project for the marking of fur products with RFID tags, the Eurasian Intergovernmental Council established a Union-wide "track and trace" system for the marking of certain goods with (machine-readable) means of identification in February 2018, which became effective on 29 March 2019.³⁵ From that date, the transportation, purchase, and sale of unmarked fur products within the EAEU are prohibited.³⁶ Subsequent EEC Council Decisions have extended the marking system's product coverage, while giving member States certain flexibility regarding the implementation date.³⁷ Proposals for additional products are reviewed by the EEC, which must decide by consensus on their inclusion in the marking system. In the absence of a consensus decision, member States may establish marking requirements pursuant to national legislation but following the general principles of the Union-wide system. Specific EEC Council Decisions have exempted certain tobacco products and alcoholic beverages from the EAEU's

³² WTO document WT/DS479/12, 21 June 2018.

³³ Presidential Decree No. 290 of 24 June 2019 and Government Resolution No. 1877 of 27 December 2019.

³⁴ Presidential Decree No. 401 of 19 June 2020.

³⁵ Agreement on the Marking of Goods with Means of Identification in the EAEU of 2 February 2018, ratified by Federal Law No. 281-FZ of 3 August 2018.

³⁶ Upon importation into the EAEU, goods covered by the marking system are to be marked before their release from customs for domestic consumption. Local manufacturers of similar goods must apply the marking before offering them for sale. The marking requirements do not apply to goods exported outside the EAEU.

³⁷ Additions to the marking system's product coverage, along with the earliest implementation dates, were set out in EEC Council Decisions No. 127 of 18 November 2019 on certain light manufacturing products (as from 1 January 2021), No. 128 of 18 November 2019 on fragrances (as from 1 October 2020), No. 129 of 18 November 2019 on pneumatic tyres (as from 1 December 2020), No. 130 of 18 November 2019 on photo cameras and flashlights (as from 1 October 2020), and No. 129 of 23 December 2020 on certain dairy products (as from June-December 2021).

marking system, thereby giving member States the freedom to set marking requirements at the national level.³⁸

3.47. The Russian Federation develops import substitution programmes through various instruments. These include the regulation of public procurement under Federal Law No. 44-FZ and Federal Law No. 223-FZ of 18 July 2011³⁹ (Section 3.3.6). Foreign data storage systems were prohibited by Decree No. 1746 of 21 December 2019 in procurement for governmental purposes. The Russian authorities observe in this Review that since 2016 there have been no priority sectors for import substitution.⁴⁰ With respect to a recent World Bank report that identifies planned decreases in import shares in certain industries⁴¹, the authorities note that these indexes for import substitution in certain sectors have a forecast character.

3.48. Import substitution policy has been accompanied by measures designed to encourage foreign firms to locate production in the territory of the Russian Federation. A key element in this localization policy is the definition of rules on the conditions under which a product is recognized as made in the Russian Federation.⁴² To be certified as made in the Russian Federation, a product must meet the requirements set out in Decree No. 719 of 17 July 2015 with respect to the products covered by the Appendix to that Decree⁴³, meet the country of origin criteria of the CIS Agreement on the Rules for Determining the Country of Origin of Goods in the CIS, or be the subject of a Special Investment Contract (SPIC) (Section 2.4.1).⁴⁴

3.49. The Industrial Assembly Investment Regime introduced in 2005 in the automotive sector provided for preferential tariffs or tariff exemptions for imports of components used in the industrial assembly of motor vehicles and parts and components thereof conditional upon compliance with the requirement regarding local content. These tariff measures expired in September 2018.⁴⁵ The Russian Federation observes that "[u]pon expiry of transition periods granted within WTO accession framework to Russian local [sic] requirements in automotive sector, local content policies, operate in line with standard WTO requirements, including under the TRIMS Agreement".⁴⁶ The authorities

³⁸ EEC Council Decisions No. 43 and No. 44 of 23 April 2021.

³⁹ The authorities indicate that the Government Commission on Import Substitution was established as a coordinating body mandated to ensure consistency of actions among federal executive bodies and local authorities and organizations for the purposes of resolving issues related to the creation of conditions for the timely and complete satisfaction of the needs of legal entities specified in Federal Law No. 223-FZ.

⁴⁰ In the previous Review, the Russian Federation indicated that the priority sectors for import substitution were equipment for the food-manufacturing industry, heavy machine-building, energy machine-building, the electro-chemical and cable industry, oil and gas machine-building, the tool-making industry, ship-building equipment (as regards ship accessory equipment), the radio-electronic industry, the chemical and petrochemical industry (accelerants, production of rare-earth metals, composite materials, paints and lacquers, plastics, cleaning and polishing agents, and rubber and plastic products), the pharmaceutical industry, the medical industry, production of conventional weapons, the civil aircraft industry, the engine industry, and components and equipment for transport machine-building. WTO document WT/TPR/M/345/Add.1, 19 December 2016, p. 316.

⁴¹ According to the World Bank report, "[t]he Russian Government developed import substitution programmes for 22 industries, covering approximately 2,000 products in the industries for pharmaceuticals, medical, radio-electronics, transport, construction, and metallurgy ... it was planned that in the timber industry the share of imports should decrease to 49 percent, in the oil and gas engineering industry to 55 percent, in the automotive industry up to 7 per cent, in machine tools up to 75 percent, and in pharmaceuticals up to 33 percent". World Bank (2020), *Russia Integrates: Deepening the Country's Integration in the Global Economy*, p. 52. The authorities also note that the correct forecast figures are: timber industry, 21.3%; oil and gas engineering industry, 43%; automotive industry, 38%; machine tools, 58%; and pharmaceuticals, 50%.

⁴² The authorities consider that the measures discussed in this paragraph do not affect imports.

⁴³ Decree No. 719 of 17 July 2015 on Confirmation of Industrial Manufacturing of Products in the Territory of the Russian Federation. Such requirements pertain to the possession of intellectual property rights, availability of a service centre in an EAEU member State, the conduct of specified technological operations in the Russian Federation, and limits on the number or value of foreign components used in the production process. Specific localization requirements exist in the following sectors: mechanical engineering and metal industries; food and food processing; automotive industry; information and computer technologies; medical technologies; and pharmaceuticals. Industrial Development Fund, *Production Localization in the Russian Federation: Specific Features of the Legislation*. Viewed at: http://idfrf.com/upload/iblock/04b/Production_localization_in_the_RF.pdf.

⁴⁴ The localization requirements do not apply if a foreign product has no domestic analogue in the Russian Federation. Decree No. 719 of 31 July 2015 on the Criteria for Designating Industrial Products as Industrial Products Having No Analogue Produced in the Russian Federation.

⁴⁵ WTO document G/SCM/Q2/RUS/19, 26 January 2021, p. 4.

⁴⁶ Russian Federation, Replies to Initial Questionnaire, Item B13.

indicate that the auto investment programmes were terminated in 2020 and that there are no measures, or plans to develop new measures, to replace these programmes.

3.50. During the review period, the import substitution policies pursued by the Russian Federation were raised in meetings of relevant WTO bodies.⁴⁷ Several studies have raised questions with respect to the effectiveness and economic rationale of these policies⁴⁸ (Section 1).

3.2 Measures Directly Affecting Exports

3.2.1 Customs procedures and requirements

3.51. The basic legislation on export procedures and requirements is contained in the EAEU Customs Code and Federal Law No. 289-FZ of 3 August 2018 (Section 3.1.1).

3.52. Registration and documentation requirements for exports, in general, are similar to those for imports (Section 3.1.1). To export goods from the customs territory of the EAEU, the carrier must submit to the relevant customs body (the FCS) documents and information listed in paragraphs 1 and 2 of Article 92 of the EAEU Customs Code, such as the goods declaration or a copy thereof, and the transit declaration concerning the goods.⁴⁹ Documents may be provided by the carrier or someone acting on the carrier's orders. If the goods are leaving the EAEU through a border post in the Russian Federation, only a declaration number is required; if they are exported from the EAEU through another member State, a copy of the declaration is required.⁵⁰ Exports of goods have to take place at designated points of departure within the working hours of customs bodies.⁵¹

3.53. According to the World Bank's most recent Ease of Doing Business report, the time needed to export goods from Moscow is 66 hours (compared to an average of 16.1 hours for Europe and Central Asia), and a cost of USD 580, down from USD 1,125 in 2015⁵², but still higher than the average for Europe and Central Asia (Table 3.11). In the case of the Russian Federation (Moscow), the high delays (costs) of exports are mainly driven by port or border handling and the cost of inspections.⁵³ It should be noted, however, that the methodology used in this aspect of the Ease of Doing Business report has sometimes been questioned. The authorities consider that the World Bank's figures are incorrect and submit that in 2020, according to the FCS, the time limit for export of goods not identified as risk consignments (for which additional information is required) was 40 minutes.

Table 3.11 Time and cost to export, 2020

	Moscow	Europe & Central Asia
Time required to export		
Border compliance	66 hours	16.1 hours
Documentary compliance	26 hours	25.1 hours
Cost to export		
Border compliance	USD 580	USD 150
Documentary compliance	USD 80	USD 87.6

Source: World Bank (2020), *Doing Business 2020, Economy Profile*. Viewed at: <https://www.doingbusiness.org/en/data/exploreeconomies/russia#>.

⁴⁷ E.g. WTO documents G/TRIMS/Q/RUS/4-10, G/TRIMS/M/48, 30 October 2020.

⁴⁸ E.g. N. Volchkova, "The Export Trap of Russian Import Substitution Policies", *BRE Review*, 28 February 2020. Viewed at: <https://sites.utu.fi/bre/the-export-trap-of-russian-import-substitution-policies/>. World Bank Group (2020), *Russia Integrates: Deepening the Country's Integration in the Global Economy*, p. 63.

⁴⁹ This applies to the whole customs territory of the EAEU regardless of the border post through which goods are exported. EAEU Customs Code, Article 92, para. 2.

⁵⁰ EAEU Customs Code, Article 92, para. 2.

⁵¹ EAEU Customs Code, Article 79, para. 1.

⁵² WTO document WT/TPR/S/345/Rev.1, 6 December 2016, para. 3.91.

⁵³ World Bank (2020), *Doing Business 2020, Economy Profile*. Viewed at: <https://www.doingbusiness.org/en/data/exploreeconomies/russia#>.

3.2.2 Export taxes, charges, and levies

3.54. Export duties are not applied on intra-EAEU trade. The EAEU has no common regulation for export duties; member States are thus free to unilaterally apply export duties in accordance with their respective domestic legislation and international commitments.⁵⁴

3.55. Export duties in respect of third countries are applied under Law No. 5003-I of 21 May 1993 on Customs Tariffs and implementing regulations on raw materials and semi-finished goods, mainly for fiscal purposes. According to the authorities, in a few cases (such as oil seeds, and raw hides and skins), export duties are imposed to ensure greater availability of raw materials for the domestic industry or for the purpose of securing needs of domestic defence industries. Export duties on waste and scrap are imposed to address environmental protection problems. According to the authorities, the Russian Federation applies export duties on 147 tariff lines, or subdivisions thereof, at the 10-digit level. Nine tariff lines have an export duty of zero (including gas condensate⁵⁵) and other rates, often applied as mixed duties, have *ad valorem* elements of up to 80% for some wood products. Government Resolution No. 754 of 30 August 2013 on the Approval of the Rates of Export Customs Duties on Goods Exported from the Russian Federation Outside of the Parties to the Agreements on the Customs Union, and on the Recognition as Invalid of Certain Acts of the Government of the Russian Federation (as amended) provides a comprehensive, up-to-date list of all customs duties currently in force with respect to exports to third countries (i.e. non-EAEU countries).⁵⁶

3.56. The Russian Federation eliminated export duties on 495 lines as part of its WTO accession commitments.⁵⁷ It also undertook to establish two export tariff rate quotas for wood products with in-quota export duties of 13% and 15%.⁵⁸ Since 2016, the Russian Federation removed export duties on 235 tariff lines, or subdivisions thereof, at the 10-digit level. The export duties were reduced on raw hides and skins, wood, copper, nickel and aluminium waste and scrap, tungsten, cobalt, cermet, and articles thereof. There was also a gradual reduction of export duties on certain energy products (Section 4.2.2).

3.57. In January 2021, a Resolution by the Prime Minister was signed to adjust exports through export tariff rate quotas on wheat, barley, rye, and corn to stabilize their prices on the domestic market. As from 2 June 2021, this tax was to be replaced by floating duties, calculated using a benchmark index (Section 4.1.3). It covers products delivered from the Russian Federation outside the EAEU. The regulations are expected to reduce export volumes and refocus market participants from selling agricultural raw materials abroad to export high value-added agricultural products.⁵⁹

3.58. Regarding sunflower seeds (HS 120600), the export duty was significantly increased for the period from 9 January to 30 June 2021 to 30% but at least EUR 165 per tonne. Also, export duties on soya beans were introduced for the period February-June 2021. Both export duties have been extended at higher rates from 1 July 2021 to 31 August 2022 (Section 4.1.3.2).⁶⁰

3.59. As from 1 August 2021, temporary export duties were introduced on ferrous and major base metals ranging from USD 54/mt to USD 2,321/mt and will be in effect through the end of December 2021. The new duties system will take 15% as a base and involve a metal-specific rate. The Ministry of Economic Development (MED) estimates that these export duties will add revenues for about RUB 110-RUB 115 billion for ferrous metals and some RUB 50 billion for non-ferrous metals.⁶¹

⁵⁴ WTO document WT/REG358/1, 13 July 2018, para. 3.44.

⁵⁵ Tariff line 2709 00 100 1.

⁵⁶ Government Resolution No. 754 of 30 August 2013 (as amended). Viewed at: <http://ivo.garant.ru/#/document/70443626/paragraph/1:0>.

⁵⁷ WTO document WT/TPR/S/345/Rev.1, 6 December 2016, paras. 3.93 and 3.94; and WT/REG358/1, 13 July 2018, para. 3.45.

⁵⁸ Government Resolution No. 779 of 30 July 2012 (as amended).

⁵⁹ Ministry of Agriculture, *Russian Prime Minister Signs Resolution on Grain Export Duties*, 28 January 2021. Viewed at: <https://mcx.gov.ru/en/news/Russian-Prime-Minister-signs-resolution-on-grain-export-duties/>.

⁶⁰ Government Resolution No. 754 of 30 August 2013 (as amended).

⁶¹ Government of the Russian Federation. Viewed at: <http://www.government.ru/en/news/42599/>.

3.60. Exports from the Russian Federation to countries outside of the EAEU are not subject to excise taxation. Exports are zero-rated for VAT purposes.

3.2.3 Export prohibitions, restrictions, and licensing

3.61. The EAEU rules on common non-tariff regulatory measures in relation to trade with third countries⁶² allow for the application, in exceptional cases, of bans or quantitative restrictions on exports to prevent or reduce any critical shortage in the internal market of food products or other goods essential for the internal EAEU market, as well as bans or quantitative restrictions on export required for the application of standards or rules for the classification, sorting, and sale of goods in international trade. In addition, exports to trade third countries may also be subjected to one of the non-tariff regulatory measures based on more general exceptions.⁶³ EAEU measures applied pursuant to these provisions to exports to third countries are included on the Single List of goods, which entered into force on 1 January 2010 and has been amended a number of times. As at June 2021, 20 categories of products were subject to export prohibitions, restrictions, or licensing.⁶⁴

3.62. According to the authorities, during the review period the Single List of goods was amended with respect to export licensing measures regarding gamma-butyrolactone (GBL) and certain fauna animals (e.g. giraffes and populations of ovis).⁶⁵

3.63. The EAEU also maintains a common list of goods that are significantly important to the internal market in which temporary bans or export restrictions can be put in place.⁶⁶ The list has 85 categories of goods listed by HS code. The products include meat, milk, grains, flour, beans, oilseeds, vegetable oil and oilcakes, animal feed, fuels, hides and skins, wood, wastepaper, wool, and various metal waste and scrap. Since 2016, the list has been supplemented by certain wood products (HS 4401, 4403, 4404, 4406, and 4407) and agricultural products (onions, garlic, and turnips).

3.64. On 24 March 2020, the EAEU imposed temporary export prohibitions on a range of medical products, devices, and personal protective equipment (PPE) to prevent critical shortages in response to the COVID-19 pandemic. They applied mainly to cotton wool, gauze, bandages, masks, half masks, respirator masks, respirators, filters for PPE for respiratory devices, goggles, disinfectants,

⁶² As discussed in Section 3.1.5, "common non-tariff regulatory measures" comprise the following categories of measures: (i) prohibition of import and/or export of goods; (ii) quantitative restrictions on import and/or export of goods; (iii) exclusive right to export and/or import goods; (iv) automatic licensing (surveillance) of export and/or import of goods; and (v) authorization-based procedure for import and/or export of goods. Annex 7 to the EAEU Treaty specifies the procedure for issuing licences and permits for the export and import of goods included in the Common List of Goods subject to non-tariff regulatory measures in trade with third countries. The period of validity of a single-use licence may not exceed one year from its effective date and may be limited to the duration of a foreign trade contract (agreement), or to the validity period of the document serving as the basis for the issuance of the licence.

⁶³ The general exceptions listed in Annex 7 allow for measures: (i) necessary to maintain public morals or law and order; (ii) necessary to protect life human life or health, the environment, and the life or health of animals and plants; (iii) related to the export and/or import of gold or silver; (iv) applied to protect cultural values and heritage; (v) necessary to prevent the depletion of irreplaceable natural resources and implemented simultaneously with a limitation of domestic production or consumption related to the use of such natural resources; (vi) linked to restriction of export of domestic raw materials to provide sufficient quantity of such materials for the domestic manufacturing industry in periods when domestic prices for such materials are kept lower than world prices as the result of a stabilization plan implemented by the Government; (vii) necessary to acquire or distribute goods that are in short supply either generally or locally; (viii) necessary for the purpose of defence and security; and (ix) necessary to ensure the implementation of legal acts not contravening international commitments and related to the application of the customs legislation, preservation of environment, protection of intellectual property, and other legal acts.

⁶⁴ WTO documents G/LIC/N/2/RUS/3 and G/LIC/N/2/RUS/4, 9 August 2019; and G/LIC/N/3/RUS/5, 9 October 2019. A list of the measures in force can be viewed at: http://www.eurasiancommission.org/en/act/trade/catr/nontariff/Pages/ediny_perechen.aspx. See also WTO document WT/TPR/S/411/Rev.1, 15 July 2021, Table A3.3.

⁶⁵ In some countries, GBL has been found in extracts from samples of unadulterated wines.

⁶⁶ EEC, EEC Board Decision No. 83 of 26 July 2016. Viewed at: <http://www.eurasiancommission.org/ru/act/trade/catr/nontariff/Pages/shv.aspx>.

shoe covers, certain types of clothing and accessories, and gloves.⁶⁷ These temporary export prohibitions were eliminated on 1 October 2020.

3.65. On 21 April 2020, the EAEU also prohibited the exportation of certain agricultural goods, such as onions, garlic, turnips, rye, rice, buckwheat, millet, cereals, wholemeal flour, and cereal granules (Section 4.1.3).⁶⁸ These temporary export prohibitions were eliminated on 1 July 2020.

3.66. In exceptional cases, EAEU member States may also unilaterally introduce and temporarily apply (for up to six months) non-tariff measures to imports from and/or exports to third countries. The EAEU member State that intends to introduce a temporary measure shall in advance, but no later than three calendar days prior to its introduction, notify the EEC and submit a proposal for the introduction of such measures within the customs territory of the EAEU.⁶⁹ During the review period, the Russian Federation introduced temporary quantitative restrictions on export of ferrous waste and scrap, birch, and logs and a temporary prohibition of exports of raw hides and skins. All of these quantitative restrictions have been abolished.

3.67. An exclusive right remains in place for exports outside the EAEU's customs territory of natural gas (HS 2711 11 000 0 and 2711 21 000 0) originating from the Russian Federation.

3.2.4 Export finance, insurance, and guarantees

3.68. The EAEU Treaty provides for the application of joint measures to promote exports of goods originating from member States to third-party markets; the indicative list includes export credit and export insurance facilities, "made in the EAEU" labelling, and coordinated exhibition, advertising, and branding activities.⁷⁰ However, according to the authorities, in practice export support has been carried out only at the national level.

3.69. On 24 December 2018, the Presidential Council for Strategic Development and National Projects announced a new set of measures to promote exports and industrial development under the International Cooperation and Export national project (Section 2.2). The key aim of this project is to double the Russian Federation's export of both non-energy and non-resource-based goods and services by 2025. For this purpose, a system of financial and non-financial export support was established. Financial measures are export credits with interest rate support, insurance, and guarantees of export credits, as well as support for participation in international exhibitions. Non-financial measures include consultation services, assistance in searching for potential partners abroad, and support for ensuring compliance with customs procedures in the destination country.

3.70. At the federal level, the state corporation VEB.RF (formerly Vnesheconombank) is the principal development institution involved in export support, although it is not its main activity. It is not licensed or subject to regulatory oversight by the Bank of Russia. VEB.RF aims to improve the quality of life of the Russian people through facilitating financing for infrastructure, technology, ecological, and social welfare projects. In mid-2018, VEB.RF embarked on an important transformation and adopted a new business model in response to, *inter alia*, the deterioration of investment conditions.⁷¹

3.71. The core business areas and principal policies of VEB.RF are set out in Federal Law No. 82-FZ of 17 May 2007 on State Development Corporation VEB.RF, as amended by Federal Law No. 452-FZ of 28 November 2018 on State Development Corporation VEB-RF, and the Memorandum on the Financial Policies approved by Government Resolution No. 1510 of 23 July 2018. This Memorandum also describes the conditions and procedures for VEB.RF's participation in national projects to be implemented in areas stipulated by Presidential Decree No. 204 of 7 May 2018 on National

⁶⁷ Amendments to EEC Board Decision No. 30 of 21 April 2015 on Measures of Non-tariff Regulation. EEC Board Decision No. 41 of 24 March 2020. Viewed at: https://docs.eaeunion.org/docs/ru-ru/01425254/err_26032020_41.

⁶⁸ EEC Board Decision No. 43 of 30 March 2020, as amended by EEC Board Decision No. 57 of 21 April 2020. Viewed at: <http://www.eurasiancommission.org/ru/act/trade/catr/nontariff/Documents/EP.pdf/1.11.pdf>.

⁶⁹ The EEC shall consider the proposal from the member on the imposition of a temporary measure and may decide to impose such measure in the customs territory of the EAEU. If the decision to impose temporary quantitative restriction is not adopted, the EEC informs the customs authorities of the relevant member that the temporary measure is valid for not more than six months from the date of its introduction.

⁷⁰ EAEU Treaty, Article 41.

⁷¹ VEB.RF, *White Paper on Our Activities*. Viewed at: <https://veb.ru/en/white-paper-on-our-activities/>.

Objectives and Strategic Tasks of the Russian Federation's Development in the Period Up to 2024 (Section 2.2).⁷²

3.72. As part of its new business model, VEB.RF has committed to financing priority national objectives for about RUB 3 trillion. This is expected to contribute an additional RUB 8-RUB 9 trillion to the economy. VEB.RF is directly involved in priority projects, including supporting urban economies, infrastructure, and medical and healthcare projects. These projects are aimed at improving the public good (e.g. development of depressed regions and cities with populations over 100,000 (in total, approximately 50 million people), development of senior living communities, and clean-up of illegal garbage dumping). VEB.RF now focuses on the following investment areas: infrastructure (40%), production sector and high-technology sphere (30%), and urban economy (30%).⁷³ As of 31 December 2020, VEB.RF had RUB 3,406 billion in assets, RUB 2,717 billion in liabilities, and a RUB 1,169 billion loan portfolio.

3.73. VEB.RF offers its clients the following export finance products⁷⁴:

- *export lending*: financing of commercial exporter credits, financing of trade turnover with foreign buyers, direct foreign buyer credit, and credit to the bank of a foreign buyer; and
- *guarantee support*: tenders, return of advance payment, payments, and performance of obligations under an export contract.

3.74. VEB.RF supports export development through its subsidiary – state export support institution Russian Export Center (REC).⁷⁵ Having decided to adopt a holistic approach to providing financial and non-financial support to exporters, the authorities set up the REC as a single window in 2015.⁷⁶ Besides matching customers with the appropriate support facilities, the REC may assist entrepreneurs in carrying out market research, finding partners, participating in international tenders, structuring export projects, conducting negotiations, and drawing up export contracts. The REC's mandate also includes acting as an interface between the Government and businesses, to ensure that legislative initiatives and new facilities respond to the needs of exporters. According to the authorities, the REC has autonomy to set the fees for its export support services, and it has not received any funding from the federal budget to date.

3.75. The key strategic goal of the REC is to form an efficient infrastructure for the export of non-resource products and services, as well as to provide support to the companies considering the export of their products. The REC established a comprehensive system of financial and non-financial export support instruments. The REC's systematic activity is focused both on large businesses and small and medium-sized enterprises (SMEs). Since 2019, the REC also compensates 15 approved commercial banks for subsidized interest rates on export credits and other loans to exporters, and it provides subsidies to insurance premiums under export credit insurance contracts.⁷⁷ In 2019, the REC supported more than 11,000 exporters and total exports valued at USD 19.5 billion through its support programmes.

3.76. Aiming to offer comprehensive integrated services to export-oriented companies, the REC arranges for credits to domestic producers that export, other exporters of Russian goods, and foreign buyers of Russian goods via the Export and Import Bank (Roseximbank or Eximbank), and these credits can be insured by the Export Insurance Agency of Russia (EXIAR).⁷⁸ Unlike VEB.RF, Eximbank is a credit institution subject to Russian banking legislation and regulation by the Bank of Russia. According to the authorities, VEB.RF and related companies do not follow uniform directives on

⁷² VEB.RF, *White Paper on Our Activities*.

⁷³ VEB.RF, *White Paper on Our Activities*.

⁷⁴ VEB.RF, *White Paper on Our Activities*. The authorities indicate that this export financing is provided in full conformity with WTO rules.

⁷⁵ The REC was established by Federal Law No. 185-FZ of 29 June 2015 on Amendments to the Federal Law on the Bank for Development and Article 970 of Part 2 of the Civil Code.

⁷⁶ Federal Law No. 185-FZ of 29 June 2015. As of 1 July 2021, the REC's charter capital amounted to RUB 74.5 billion. REC, *Export Support in 2019*. Viewed at: <https://2019.exportcenter.ru/en/expocenter/export-support-in-2019/>.

⁷⁷ REC (2020), *Annual Report 2019*, Chapter 2.

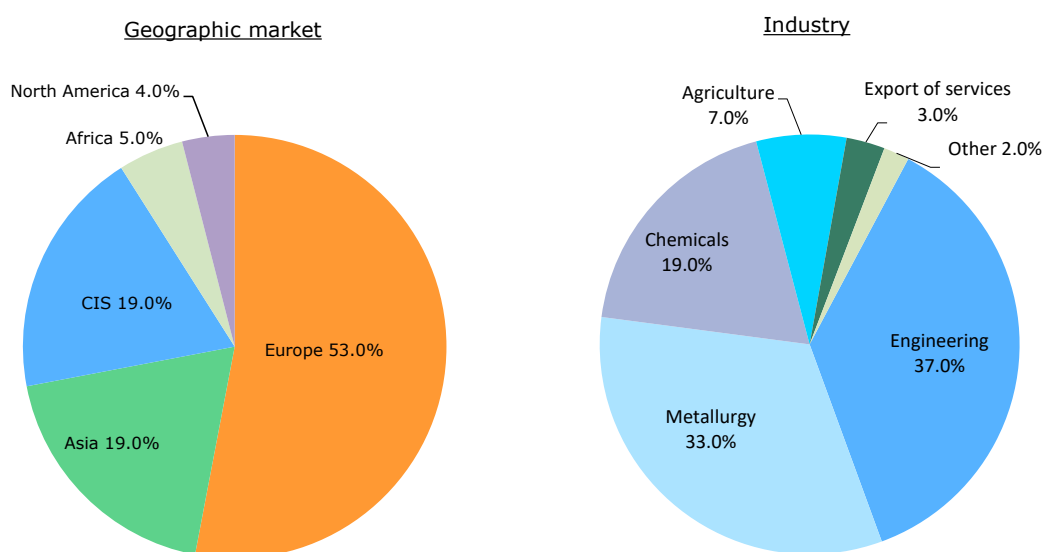
⁷⁸ The REC is the sole shareholder of EXIAR, which in turn is the owner of Eximbank.

minimum Russian content and sectoral or geographical priorities; separate legal acts and/or internal documents may be established to guide the operations of each entity.

3.77. The export credit and guarantee facilities provided by Eximbank are primarily targeted at the supply of industrial goods, works, and non-financial services. Typically, the cost of Russian-sourced inputs (including labour and services) must represent at least 30% of the export contract's overall value.⁷⁹ Unlike commercial banks, Eximbank cannot provide export finance for raw materials. In 2019, Eximbank was the second-largest provider of international factoring services, implemented under EXIAR's insurance coverage for receivables. Eximbank's loan portfolio increased from RUB 10.4 billion at end-2014 to RUB 130.2 billion at end-2020, whereas its portfolio of guarantees decreased from RUB 84.3 million to RUB 4.6 billion in the same period. In 2020, 37.0% of export finance provided by Eximbank was allocated in the engineering industry, followed by metallurgy, with Europe as the main destination with 53.0% of the total share (Chart 3.3).

Chart 3.3 Eximbank: export finance by geographic market and industry, 2020

(% of total value of export contracts supported)



Source: WTO Secretariat, based on data provided by the authorities.

3.78. EXIAR provides a range of insurance products to mitigate risks related to export finance and investment overseas. The holders of EXIAR insurance policies can deduct expenditures on premiums from their corporate tax base and are deemed compliant with foreign exchange repatriation requirements, provided that they have opted to receive any policy-related indemnification on a bank account.⁸⁰ The Bank of Russia treats an EXIAR insurance policy as a first-class security, which allows Russian-incorporated credit institutions to benefit from a more favourable provisioning regime (a liquidity advantage).⁸¹ A VAT exemption for insurance services related to export credits and investments applies to all commercial insurance companies, including EXIAR.

3.79. In 2020, the amount of export credits supported by EXIAR amounted to USD 17.3 billion (USD 3.9 billion in 2014). Over the same period, gross premiums written increased from USD 23.5 million to USD 98.1 million, while the number of insured exporters rose from 112 to 497. In 2020, the majority of insurance and reinsurance contracts concluded by EXIAR were short-term (less than two years), with corporate, bank, and sovereign exposure risks accounting for 80.2%, 10.2%, and 9.6% of the overall portfolio, respectively. In 2020, almost half of EXIAR's export finance went to the engineering industry, followed by chemicals. Europe was the main destination, with 25.6% of the total share (Chart 3.4).

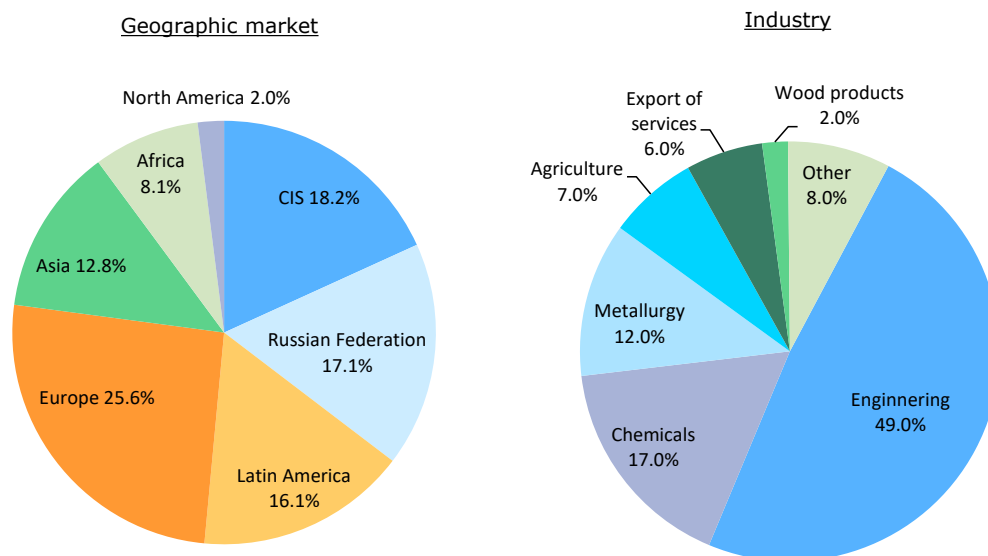
⁷⁹ Eximbank, *Financial and Guarantee Export Support*. Viewed at: <http://eximbank.ru/eng/credits/>.

⁸⁰ Federal Law No. 245-FZ of 19 July 2011.

⁸¹ EXIAR, *Working for EXIAR: The Benefits for Banks*. Viewed at: http://www.exiar.ru/en/products/for-banks/banks_advantages.php.

Chart 3.4 EXIAR export finance by geographic market and industry, 2020

(% of total value of export contracts supported)



Source: WTO Secretariat, based on data provided by the authorities.

3.2.5 Export promotion and marketing assistance

3.80. In addition to the REC, international market expansion services for Russian entrepreneurs are offered by the MED together with the Ministry of Industry and Trade (MIT), including through 53 overseas trade representations and 105 intergovernmental committees on economic and scientific cooperation. The MED is also involved in the deployment of domestic infrastructure support for export-oriented SMEs and the elaboration of service delivery requirements and relevant performance indicators. In March 2021, this infrastructure comprised 82 regional SME support centres and 42 regional integrated centres.⁸² According to the authorities, the support centres provide non-financial services free of charge; their activities are co-financed by the federal and sub-federal budgets, with the former accounting for on average near 92% of the funding.

3.81. The range of export promotion and marketing assistance activities includes the provision of trade and market prospects information, training seminars, personalized advisory services, and coordination and facilitation of Russian companies' participation in international trade fairs. The overseas trade representations elaborate, on an annual basis, a guide to doing business and a review of developments in the host economy; both publications are downloadable at the MED's integrated foreign economic information portal.⁸³ The MED, through the overseas trade representations, also organizes business missions that bring together Russian representatives from business and academia with potential foreign partners.⁸⁴ Furthermore, the MED has concluded cooperation agreements with the executive authorities of 82 subjects of the Russian Federation, to assist them in the planning and implementation of international business development activities for socially important local companies or projects, on the basis of mutually agreed terms set out in a "project passport".

3.82. An Interdepartmental Commission for Exhibition and Fair Activities, comprising, *inter alia*, representatives from the MIT, the MED, sectoral ministries, unions, and associations, drafts annually a list of overseas exhibitions and fairs in which Russian companies and associations may participate with partial funding from the federal budget.⁸⁵ The final list of overseas events and the budgetary

⁸² The regional integrated centres, formerly known as European information and consulting (correspondent) centres, are members of the Enterprise Europe Network.

⁸³ Integrated Foreign Economic Information Portal, *Russia Is Your Business Partner*. Viewed at: <http://www.ved.gov.ru/exportcountries/businessguide/> and http://www.ved.gov.ru/exportcountries/economics_review/.

⁸⁴ The MED publishes the programme of business missions for the coming year by December of the current year.

⁸⁵ MIT Order No. 374 of 2 December 2008.

appropriation for the co-financing of Russian representations are approved by decree of the Government. The budget allocations for co-financing of the participation of companies in exhibitions and fairs amounted to RUB 2.6 billion in 2018, RUB 3.1 billion in 2019, and RUB 0.3 billion in 2020.⁸⁶

3.2.6 Special economic zones and regional schemes

3.83. Under Federal Law No. 116-FZ of 22 July 2005 on Special Economic Zones in the Russian Federation, four different types of special economic zones (SEZs) may be established: industrial and production zones, technology and innovation zones, tourist and recreational zones, and port and logistical zones. SEZs in the Russian Federation aim to attract investments (both Russian and foreign) and promote regional socio-economic and industrial development. The key objectives of SEZs are: (i) effective participation of Russian businesses in global value chains; (ii) promotion of the economic and investment attractiveness of the Russian Federation and its regions; (iii) creation of employment opportunities, including high-performance jobs; (iv) development of the digital economy; (v) economic diversification, including export diversification; (vi) promotion of export growth; (vii) promotion of knowledge, skills, expertise, and technology transfer; (viii) promotion of manufacturing development (e.g. high-tech industries, shipbuilding, transport infrastructure, and tourism); and (ix) development of new technologies, including IT and innovation.

3.84. SEZs provide local and foreign investors with a reduction in initial expenditure for up to 30% on capital investment. Moreover, SEZs provide tax exemptions, customs and social preferences, and favourable administrative procedures, as well as construction of general engineering and transport infrastructure financed from both federal and regional budgets. Some of the SEZ key incentives are summarized in (Table 3.12).

Table 3.12 Special economic zones: selected incentives, 2021

	Normal rate	SEZ rate	Note
Corporate income tax	20%	0-2% (federal) 0-13.5% (regional)	Applies to federal and regional tax for the period of conducting the activity as a resident in the SEZ. In addition, there are tax allowances for research and development, losses, and accelerated allowances for depreciation of fixed assets.
Property tax	0-2.2%	0	For 10 years
Land tax	0.3-1.5%	0	For 5 or 10 years
Vehicle tax	EUR 0.1-3.5/hp	According to the decision of the region (0%)	According to the decision of the region
Social taxes and insurance	34% 15% for SMEs 7.6% for IT companies and producers of radio-electronics	2017: 14% 2018: 21% 2019: 28% The preferences were lifted in 2020.	For residents conducting technology and innovative activities, and residents of tourist and recreational SEZs
Customs		Duty free	<ul style="list-style-type: none"> - For foreign goods placed and used within the territory of an SEZ. - Russian goods placed and used in an SEZ are subject to the customs regime for exports with excise duties but without customs duties where applicable. - Processed products leaving an SEZ and destined for the EAEU are treated as imports into the EAEU and duties and charges are applied. - Export duties and charges, where applicable, are charged from processed products leaving an SEZ and destined for outside the EAEU.
VAT	20%	0	Exempt for services by residents in port SEZs

Source: Information provided by the authorities.

⁸⁶ Data provided by the authorities.

3.85. The form of ownership of SEZs' administration companies is not limited. Customs operations regarding goods placed in the territory of SEZs are governed by the EAEU Customs Code. Customs duties and taxes payable upon importation, as well as anti-dumping, countervailing, and safeguard duties, are to be paid on imported inputs in case of selling products originating in SEZs to the rest of the customs territory of the Russian Federation (or to other EAEU members). SEZ residents are not subject to any export requirements. Firms in industrial and production SEZs are required to invest at least RUB 120 million, and there are no other eligibility criteria for residents of SEZs.

3.86. The authorities indicate that at end-2020, there were 38 SEZs (19 industrial and production; 7 technology and innovation; 10 tourism and recreational; and 2 port and logistics). There are investors from 41 countries and 830 residents, and 42,120 jobs were created. Private capital investment amounted to RUB 447.6 billion (RUB 243.3 billion of foreign investments) with annual investment inflows of RUB 70-RUB 80 billion.⁸⁷

3.87. In addition to SEZs, there are regional schemes: the Skolkovo Innovation Center (SIC)⁸⁸, the Vladivostok Free Port⁸⁹, territorial development zones⁹⁰, and the Far Eastern Federal District.⁹¹ The SIC hosts research work in the areas of energy efficient technologies, advanced industrial technologies, nuclear and space technologies, biomedical technologies, and IT.⁹² A participant must be a Russian legal entity established to carry out research activity under Federal Law No. 244-FZ of 28 September 2010 on Skolkovo Innovation Center and be given the status of a participant in the SIC. The benefits apply for 10 years from registration and include grant support, relaxed rules on immigration for foreign employees working in the SIC, and tax advantages. Some of the tax advantages are exemptions from taxes on profits and property tax, refunds of VAT and import duties, and reduced rates for social taxes and insurance contributions. By the end of 2020, the SIC had over 2,750 participants (start-ups and research and development (R&D) centres). The combined revenue of such start-ups and R&D centres amounted to more than RUB 162.8 billion, the volume of attracted investments amounted to RUB 19.1 billion, and the number of created jobs in these start-ups and R&D centres exceeded 51,000.

3.88. The Vladivostok Free Port (VFP) regime aims to facilitate construction projects and the renovation of port terminals; improve transport, logistics, and warehouse facilities; and encourage other investment projects related to port activities. It provides incentives for businesses operating in the free port zone, including reduced rates of corporate profit tax and social taxes and insurance contributions, exemption from property tax, and a facilitated visa regime. On the territory of VFP, investors have special tax, customs, and administrative regimes.

3.89. The VFP regime applies to 22 municipalities in 5 regions; it provides 87,010 jobs with an estimated investment volume of RUB 1.1 billion. Each region applies its own tax incentives, but typically the following regime is provided: 0% income tax for the first 5 years and 12% for the next 5 years, and a unified social tax at the rate of 7.6% for 10 years. The most important administrative preferences are the possibility to apply the procedure of free customs zones and the system of "one single window".⁹³

3.90. Territorial Development Zones (TDZs) may be established for up to 20 years where state support may be provided to accelerate the socio-economic development of regions of the Russian Federation. Regions approved by the Government may apply for the creation of TDZs where incentives (e.g. tax incentives, leasing, subsidies, and state guarantees on loans) may be granted. By the end of 2020, no TDZs had been created.

3.91. In the Far Eastern Federal District (FEFD), the largest of the eight federal districts of the Russian Federation but the least populated, development areas may be established for up to

⁸⁷ Data provided by the authorities.

⁸⁸ Federal Law No. 244-FZ of 28 September 2010 on Skolkovo Innovation Center and Federal Law No. 243-FZ of 28 September 2010 on Amending Certain Legislative Acts of the Russian Federation Following the Enactment of the Federal Law on Skolkovo Innovation Center.

⁸⁹ Federal Law No. 212-FZ of 13 July 2015 on Vladivostok Free Port took effect on 12 October 2015.

⁹⁰ Federal Law No. 392-FZ of 3 December 2011 and Government Resolution No. 326 of 10 April 2013 provide for the establishment of territorial development zones.

⁹¹ Federal Law No. 473-FZ of 29 December 2014 on Priority Social and Economic Development Areas in the Russian Federation entered into force in March 2015.

⁹² Skolkovo, *Participants*. Viewed at: <http://sk.ru/net/participants/>.

⁹³ Information provided by the authorities.

70 years. Extensive state support is provided to investors aimed at encouraging import substitution and industrial development of the region in priority sectors (e.g. agriculture and fisheries, transport, industrial production, and mining). Various incentives are granted, including special tax and customs preferences and simplified administrative procedures.⁹⁴

3.92. The Territories of Advanced Socio-Economic Development (TACED) are the main instruments of FEFD development. At present, 22 such territories have been created; they provide 90,824 jobs with an estimated investment of RUB 4.374 billion. Residents of TACED receive tax benefits and administrative preferences. In particular, they are subject to the following tax regime: 0% income tax for the first five years and 12% for the next five years; 7.6% social tax; 0% land tax for three to five years; 0% corporate property tax for the first five years, and 2.2% for the next five years.⁹⁵

3.3 Measures Affecting Production and Trade

3.3.1 Incentives

3.93. The EAEU Treaty contains disciplines on the granting of subsidies in relation to industrial products.⁹⁶

3.94. EAEU rules on industrial subsidies are to a large extent based on the rules of the WTO Agreement on Subsidies and Countervailing Measures but differ in several important respects. They prohibit export subsidies, import substitution subsidies, specific subsidies that cause injury to any section of the national economy of another member State, specific subsidies contingent upon local content or trade-balancing requirements, and specific subsidies that may cause serious prejudice to the interest of other member States.⁹⁷ Subsidies other than specific and prohibited subsidies are deemed permissible, and certain types of subsidies are treated as non-actionable. In addition to rules on procedural and substantive aspects of countervailing duty investigations by national competent authorities of the member States, the EAEU also grants important powers to the EEC to enforce implementation of the common rules on industrial subsidies.⁹⁸

3.95. The application of the EAEU substantive disciplines on industrial subsidies is subject to country-specific temporary exceptions. In acceding to the WTO, the Russian Federation "confirmed that any subsidy programme in place or established after accession within the territory of the Russian Federation would be administered in conformity with the WTO Agreement on Subsidies and Countervailing Measures".⁹⁹

3.96. In its latest notification to the WTO, the Russian Federation submitted information regarding subsidies granted at the federal and sub-federal levels for 2017 and 2018. At the federal level, support was provided to several sectors under different legislative acts and in various forms, such as capital contributions, partial compensation for interest charged on loans, and grants (Table 3.13). At the sub-federal level, the support provided by the sub-federal authorities was usually for specific sectors and also took various forms, including tax incentives, compensation for expenditures and interest on loans, and grants.¹⁰⁰

⁹⁴ Information provided by the authorities.

⁹⁵ Information provided by the authorities.

⁹⁶ EAEU Treaty, Article 93, Annex 28 (industrial subsidies). See the Secretariat Factual Presentation in WTO document WT/REG358/1, 13 July 2018, paras. 3.117-3.125. For developments relating to support to agriculture, see Section 4.1.3.

⁹⁷ EAEU Treaty, Annex 28, Section II.

⁹⁸ One aspect of this is the EEC's power to make rulings on whether a subsidy granted by a member State is consistent with the Voluntary Harmonization Agreement concluded in May 2017 pursuant to paragraph 7 of Annex 28. If the EEC determines that a subsidy is in conformity with that Agreement, member States may not take action against such a subsidy under their domestic countervailing duty legislation.

⁹⁹ WTO document WT/ACC/RUS/70, 17 November 2011, para. 698.

¹⁰⁰ See WTO document G/SCM/N/343/RUS, 14 January 2020.

Table 3.13 Federal support programmes, 2017 and 2018

(RUB million)

Support to	2017	2018
Civil industries	2,964	5,716
Traditional and new materials	1,700	776
Light and textile industry, arts and crafts, juvenile products industry	3,567	3,671
High-tech products in civil industries	5,637	7,066
Transport and specialized machine building	169,223	192,035
Industrial infrastructure and operation support infrastructure in industry	224	185
Medicines production	619	834
Medical products	1,235	1,480
Shipbuilding	2,389	2,086
Fisheries industries	198	114
Civil aviation and air navigation service	300	407
Foreign economic activity	0	186
Establishment and development of Skolkovo Innovation Center	11,860	11,256
Auto investment programme	..	..
Territories with special economic regimes	..	..

.. Not available.

Source: WTO document G/SCM/N/343/RUS, 14 January 2020.

3.97. Various tax incentives are available at both the federal and sub-federal levels. Under the Tax Code, regional executive authorities have some flexibility in offering tax-rate and tax-base concessions, and setting the corresponding eligibility criteria¹⁰¹, but are required to apply the tax breaks uniformly to all qualifying businesses in their jurisdiction. While most regions have established a prior approval process for the granting of tax incentives, a few have chosen to rely on taxpayers' self-assessment. Consequently, considerable tax rate dispersion across regions, economic activities, and types of taxpayers continue to exist.¹⁰²

3.98. Federal activity-specific incentives include: (i) a 150% deduction of qualifying R&D expenditures from the profit tax base; (ii) accelerated depreciation for fixed assets used in science and technology; (iii) social security contributions at lower rates for technology and software companies; and (iv) exemption of capital gains on listed shares in Russian high-tech companies from profit tax, if acquired after 1 January 2011 and held for more than five years.¹⁰³ In addition, the overall corporate profit tax rate has been set at zero during 2012-22 for providers of education and medical services.¹⁰⁴

3.99. Various tax incentives remain in place for the oil and natural gas industries, with concessions depending on field characteristics, such as age and accessibility. Trunk gas pipelines and related structures, gas production project sites, and helium production and storage facilities are eligible for a corporate property tax waiver during 2015-34, if the initial commissioning took place after 1 January 2015.¹⁰⁵

3.100. Under Government Decree No. 191 of 23 February 2019 (as amended on 4 August 2020), the Corporate Competitiveness Enhancement Programme (KPPK) is being implemented. The KPPK aims to increase production and competitiveness of industrial products with high added value by providing access to subsidized investment loans for the creation of production in the Russian Federation and/or abroad, and certain financial instruments for products destined for exports.

¹⁰¹ Most regional executive authorities require a minimum level of capital investment or place restrictions on the type of business activity undertaken, but in some cases employment and wage rate considerations constitute the main eligibility criteria.

¹⁰² PwC, *Russian Federation: Corporate – Tax Credits and Incentives*. Viewed at: <https://taxsummaries.pwc.com/russian-federation/corporate/tax-credits-and-incentives>.

¹⁰³ The same exemption also applies to capital gains realized on the sale of unlisted shares and participations in any Russian company.

¹⁰⁴ PwC, *Russian Federation: Corporate – Tax Credits and Incentives*.

¹⁰⁵ PwC, *Russian Federation: Corporate – Tax Credits and Incentives*.

3.3.2 Standards and other technical requirements

3.101. There have been no major changes to the legal and institutional framework for standards, technical regulations, and conformity assessment procedures since the previous Review.¹⁰⁶ An EAEU-level Agreement on the Intra-Union Circulation of Products Not Covered by EAEU Technical Regulations and Rules for Ensuring Their Safety was concluded on 3 February 2020. Pursuant to this Agreement, member States retain regulatory competence to develop and apply within their territory technical regulations in the areas of defence and security, protection of state secrets, and nuclear power.

3.102. The EAEU Treaty (Articles 51-55 and Annexes 9-11) sets out a regulatory system based on a set of requirements and procedures common to all member States.¹⁰⁷ Common requirements may take the form of compulsory conformity assessment for product groups (originally 67) slated to become subject to EAEU technical regulations¹⁰⁸ and lists of standards whose voluntary application is deemed to ensure compliance with EAEU technical regulations (lists for 42 technical regulations approved as of 2020). Procedural harmonization initiatives have resulted in standardized conformity assessment schemes and documents, a single register of accredited conformity assessment entities, a single register of issued conformity assessment documents, and mutual recognition of measurement uniformity assurance outcomes.¹⁰⁹

3.103. The EEC and the competent bodies of each member State may develop and submit draft technical regulations to the EEC Council for approval and adoption. Enforcement of technical regulations is carried out in accordance with national legislation. The EEC adopted recommendations on cooperation among compliance-controlling bodies and on their collaboration with member States' customs administrations in the enforcement of EAEU technical regulations in 2018 and 2019, respectively.¹¹⁰ A draft Agreement on the Principles and Approaches of State Control (Surveillance) of Compliance with the Requirements of EAEU Technical Regulations is at the signing stage.

3.104. Standardization work may be carried out at the supranational and national levels. The Federal Technical Regulation and Metrology Agency (Rosstandart) remains the national standardization body. Rosstandart represents the Russian Federation in international and regional standards setting organizations, such as the International Organization for Standards (ISO), the International Electrotechnical Commission (IEC), the Euro Asian Council for Standardization, Metrology and Certification (EASC), the Pacific Area Standards Congress (PASC), and the Standards and Metrology Institute for Islamic Countries (SMIIC).¹¹¹ Rosstandart also serves as the supervising authority for legal metrology, conformity assessment, and liability matters arising from the violation of technical regulations.

3.105. At end-June 2021, in addition to 43 EAEU technical regulations, there were two national-level technical regulations (Table 3.14) and 36,839 national standards in force in the Russian Federation. Between June 2016 and June 2021, the EEC Council adopted 15 EAEU technical regulations, and the Russian Federation enacted over 7,500 national standards. The authorities affirm that standards and technical regulations implemented in the Russian Federation are generally based on international standards or relevant parts thereof, except when fundamental climatic, geographical, or technological factors render the latter ineffective or inappropriate for the fulfilment of legitimate objectives.

¹⁰⁶ WTO document WT/TPR/S/345/Rev.1, 6 December 2016, Section 3.1.8.

¹⁰⁷ WTO document WT/REG358/1, 13 July 2018, Section 3.4.1.

¹⁰⁸ The EAEU technical regulations in force can be viewed at: <http://www.eurasiancommission.org/ru/act/teqnreg/deptexreg/tr/Pages/TRVsily.aspx>.

¹⁰⁹ EEC (2020), *EAEU Figures and Facts: Technical Regulation and SPS Measures*.

¹¹⁰ EEC Collegium Recommendations No. 9 of 19 June 2018 and No. 22 of 23 July 2019.

¹¹¹ Rosstandart has not accepted the WTO TBT Code of Good Practice. A national standard (GOST R 1.2-2020), approved by Rosstandart Order No. 328-ST of 30 June 2020, sets out updated rules for the development, adoption, updating, amendment, and termination of Russian standards.

Table 3.14 Technical regulations, 2016-21

Technical regulation	Legal basis
On the safety of maritime transport facilities	Government Resolution No. 620 of 12 August 2010, last amended on 7 October 2019
On the safety of inland water transport facilities	Government Resolution No. 623 of 12 August 2010, last amended on 6 August 2020
On tobacco products	Replaced by EAEU technical regulation 035/2014 as from 15 November 2017

Source: Information provided by the authorities.

3.106. Between June 2016 and March 2021, the Russian Federation submitted 41 regular notifications to the WTO Committee on Technical Barriers to Trade (TBT Committee), all of which concerned EAEU-level measures. In 21 submissions (46% of the total) the allowed period for comments was 60 days or more. Only three notifications allowed for a comment period of less than 45 days.

3.107. The Russian Scientific and Technical Centre for Information on Standardization, Metrology and Conformity Assessment (Standartinform) is the national enquiry point, and the MED is the notification authority under the Agreement on Technical Barriers to Trade. Between June 2016 and March 2021, the Russian Federation was asked to respond to nine specific trade concerns raised by several Members to the TBT Committee. During that period, the Russian Federation also joined various delegations in raising eight specific trade concerns.¹¹²

3.108. Accreditation in the EAEU is carried out in accordance with member States' respective national systems. Applicants wishing to carry out compulsory conformity assessment activities must be registered as a legal entity in the EAEU and must obtain accreditation in the jurisdiction of registration. Accredited conformity assessment entities (certification bodies and testing laboratories) may also be inscribed in the EAEU's single register; the relevant eligibility criteria were adopted in December 2018.¹¹³ Conformity assessments performed by entities inscribed in the single register are recognized throughout the EAEU. EAEU member States aim to conduct, on an ongoing basis, joint comparative assessments of accreditation bodies in order to achieve equivalence of national systems.

3.109. At end-March 2021, 5,771 testing laboratories were accredited in the Russian Federation, of which 1,383 were inscribed in the EAEU's single register. The corresponding figures for product and service certification bodies were 584 and 273, respectively (Table 3.15).

Table 3.15 Entities accredited in the Russian Federation, March 2021

Entities	Accreditation criteria	No. of accreditations	EAEU register
Testing laboratories	GOST ISO/IEC 17025	5,771	1,383
Inspection bodies	GOST R ISO/IEC 17020	14	6
Interlaboratory comparison (proficiency testing) providers	GOST ISO/IEC 17043	19	0
Calibration laboratories and metrology service providers	GOST ISO/IEC 17025	2,184	0
Quality management system certification bodies	GOST R ISO/IEC 17021	111	0
Product/service certification bodies	GOST ISO/IEC 17065	584	273
Personnel certification bodies	GOST R ISO/IEC 17024	2	0

Source: Information provided by the authorities.

3.110. The Federal Service for Accreditation (RusAccreditation) is the national authority for accreditation. Through RusAccreditation, the Russian Federation is a party to 14 TBT-related technical cooperation instruments. RusAccreditation represents the Russian Federation in relevant international initiatives, including the International Laboratory Accreditation Cooperation (ILAC), the International Accreditation Forum, the Asia Pacific Accreditation Cooperation (APAC), and the EASC.

¹¹² WTO, Technical Barriers to Trade Information Management System. Viewed at: <http://tbttims.wto.org>.

¹¹³ EEC Council Decision No. 100 of 5 December 2018.

During the review period, RusAccreditation joined the APAC mutual recognition agreement (MRA) and the ILAC MRA for the accreditation of testing and calibration laboratories.

3.111. General requirements for the packaging of goods and labelling requirements for foodstuffs are set out in EAEU technical regulations TR CU 005/2011 and TR CU 022/2011, respectively. In addition, packaging, marking, and labelling requirements are stipulated in all product-specific EAEU technical regulations. The authorities indicate that no packaging, marking, or labelling requirements are established at the national level.

3.112. Two agreements concluded in 2014 set the basis for the gradual establishment of a unified EAEU market for medicines and medical devices. As at December 2020, the body of EAEU legislation governing the intra-Union circulation of medicines and medical devices comprised more than 80 normative legal acts (EEC decisions and recommendations). The first volume of a EAEU Pharmacopoeia, a document intended to ensure a common approach to assessing the quality of medicines, was adopted in 2020.¹¹⁴ A Union-wide regime for the compulsory registration of medicines superseded the relevant national systems as from 1 January 2020.¹¹⁵ The transition period during which EAEU registration is an optional alternative to the national registration of medical devices is set to end on 31 December 2021. In the Russian Federation, the Federal Service for Surveillance in Healthcare (Roszdravnadzor) under the Ministry of Health remains in charge of the circulation of medicines and medical devices.

3.3.3 Sanitary and phytosanitary requirements

3.113. As with standards and technical regulations, the legal and institutional framework for SPS protection is a mixture of national and EEC competences. There were no major changes to that framework during the review period.¹¹⁶ In 2018, the Russian Federation adopted rules for controls carried out at overseas production, processing, and dispatch sites of planting materials intended for importation into its territory.¹¹⁷

3.114. Pursuant to the EAEU Treaty (Articles 56-57 and Annex 12), the EEC remains responsible for coordinating the elaboration and implementation of SPS measures by EAEU member States.¹¹⁸ Its remit includes: (i) approving the common lists of goods subject to sanitary-epidemiological, veterinary, and phytosanitary controls at the EAEU border; (ii) setting common sanitary, epidemiological, veterinary, phytosanitary, and hygienic requirements for goods marketed within the EAEU; (iii) approving standardized SPS certificates¹¹⁹; and (iv) establishing unified procedures for inspections and market monitoring activities carried out by the competent national authorities. The EEC also adopts EAEU technical regulations, some of which relate to SPS measures.

3.115. As at March 2021, common phytosanitary controls on imports from third countries applied to 128 product groups. The corresponding figures for common veterinary and sanitary-epidemiological controls were 110 product groups and 19 product groups, respectively.¹²⁰ Goods marketed within the EAEU were subject to 106 phytosanitary requirements, and a range of veterinary and sanitary-epidemiological requirements. The bulk of these requirements were set out in more than 25 EAEU technical regulations. The authorities affirm that no export restrictions or prohibitions were introduced for SPS reasons during the review period, and all SPS-related import restrictions were duly notified to the WTO.

¹¹⁴ EEC (2020), *EAEU Figures and Facts: Technical Regulation and SPS Measures*.

¹¹⁵ The files of any medicines registered under member States' national systems prior to that date must be brought in line with the EAEU regime by 31 December 2025.

¹¹⁶ WTO document WT/TPR/S/345/Rev.1, 6 December 2016, Section 3.1.9.

¹¹⁷ Government Resolution No. 128 of 8 February 2018 on the Approval of Rules for Controls Carried Out at Overseas Production (including Processing) and Dispatch Sites of Planting Materials Intended for Importation Into the Russian Federation from Foreign States or Groups of Foreign States Where Quarantine Objects Typical for such Planting Materials Have Been Revealed in Accordance with International Treaties of the Russian Federation".

¹¹⁸ WTO document WT/REG358/1, 13 July 2018, Section 3.4.1.1.

¹¹⁹ The competent national authorities of a EAEU member State may agree with third-country competent authorities on the admissibility of certificates that differ in format from those standardized at the EAEU level.

¹²⁰ Commission Decisions No. 299 of 28 May 2010 (last amended on 8 December 2020), No. 317 of 18 June 2010 (last amended on 8 December 2020), and No. 318 of 18 June 2010 (last amended on 5 April 2021).

3.116. Pursuant to the EAEU Treaty, member States can unilaterally implement provisional SPS measures that have not been harmonized at the Union level, declare disease-free and pest-free zones (based on the regionalization principle), and implement a higher level of protection than in the rest of the EAEU, based on scientific justification.¹²¹ Any national laws relating to SPS measures are to be applied to the extent that they do not contradict the EAEU Treaty and the acts constituting the law of the EAEU. The Russian authorities affirm that all unilaterally implemented SPS measures affecting international trade are duly notified to the WTO.

3.117. The institutional framework for SPS measures within the Russian Federation remains broadly unchanged since the previous Review.¹²² The Federal Service for Veterinary and Phytosanitary Surveillance (Rosselkhoz nadzor) under the Ministry of Agriculture remains responsible for implementing and enforcing EAEU and domestic measures related to plant and animal health. The remit of Rosselkhoz nadzor also comprises drugs for veterinary use, pesticides and agrochemicals, animal feed, genetically modified organisms, diseases common to humans and animals, and food safety at the border. According to the authorities, Rosselkhoz nadzor operates 10 electronic information systems aimed at facilitating the admission of imports subject to SPS controls. These systems also serve as the backbone for a rapid alert system, operated in conformity with the relevant provisions of the Agreement on Trade Facilitation.

3.118. The Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing (Rospotrebnadzor), reporting directly to the Government, remains in charge of, *inter alia*, developing and approving national sanitary and epidemiological guidelines and hygienic norms, as well as carrying out sanitary and epidemiological surveillance.

3.119. The Russian Scientific and Technical Centre for Information on Standardization, Metrology and Conformity Assessment (Standartinform) is the national enquiry point, whereas the MED is the notification authority under the SPS Agreement. The Russian Federation submitted 39 regular and 49 emergency notifications to the WTO between June 2016 and March 2021. SPS measures adopted at the EAEU level were the subject of nearly half of the regular notifications. Approximately 87% of the measures announced in regular notifications and 92% of emergency measures were based on international standards. During the same period, the Russian Federation was asked to respond to six specific trade concerns raised by several Members at the Committee on Sanitary and Phytosanitary Measures. The Russian Federation also raised four specific trade concerns and supported six concerns raised by other Members.¹²³

3.3.4 Competition policy and price controls

3.3.4.1 Current legal framework, recent amendments, and development prospects

3.120. The National Plan on the Development of Competition Policy in the Russian Federation for the years 2018-20 was adopted in 2017, in the form of a Presidential Decree on State Competition Policy Guidelines. The national plan aims to, *inter alia*: (i) increase consumer satisfaction by expanding the range of goods, works, and services, improving their quality, and reducing their prices; (ii) increase economic efficiency and competitiveness of economic entities, including by ensuring equal access to goods and services of natural monopolies and public services necessary for conducting business activities; and (iii) ensure stable growth and development of a multisectoral economy. Besides the main aims, the national plan also sets out key indicators of competition development and expected results to be achieved by the end of 2020¹²⁴, all of which are set to serve the wider goals of strengthening the economy, reducing the number of anti-competitive

¹²¹ EEC (2020), *EAEU Figures and Facts: Technical Regulation and SPS Measures*.

¹²² WTO document WT/TPR/S/345/Rev.1, 6 December 2016, Section 3.1.9.

¹²³ WTO, Sanitary and Phytosanitary Information Management System. Viewed at: <http://spsims.wto.org>.

¹²⁴ The targets are to: (i) ensure the presence of at least three economic entities (at least one of which should be a private entity) in any given market, except for the markets of natural monopolies; (ii) reduce the number of anti-competitive arrangements by half compared with 2017; and (iii) increase the share of set-asides for SMEs in government procurement transactions.

arrangements, and, importantly, decreasing the presence of the State in certain commodity markets.¹²⁵

3.121. In addition, the national plan contains a list of industries in which competition should be promoted. In accordance with the list, competition should be enhanced in, *inter alia*, the healthcare sector, with one of the expected results being the reduction of prices for medicines and medical supplies for consumers. Other sectors include telecommunications, public utilities, and transport services. To secure enhancement of competition and liberalization of markets in specific sectors, the Government adopted a road map containing detailed steps, deadlines, and responsible bodies.¹²⁶ According to the Federal Antimonopoly Service (FAS), 200 of 228 measures set out in the road map had been implemented by the beginning of 2021.¹²⁷

3.122. As in the previous reporting period, the legal framework regulating competition policy comprises the Constitution, the Civil Code, Federal Law No. 135-FZ of 26 July 2006 on the Protection of Competition (last amended in February 2021), and other federal laws. In addition, competition policy can be regulated by government resolutions and by the FAS, if envisaged in the legislation.

3.123. Competition in cross-border markets within the EAEU (of which the Russian Federation is a founding member) is regulated by unified provisions of the EAEU Treaty.¹²⁸ EAEU member States are allowed to establish additional prohibitions in their legislation, as well as additional requirements and limitations regarding prohibitions.¹²⁹ The EAEU Treaty prohibits the abuse of market dominance, anti-competitive agreements, and unfair competition, and it confers enforcement powers on the EEC.¹³⁰ It further provides for the harmonization of member States' national legislation in the area of competition policy on the basis of general principles, including effective control of economic concentrations, regulation of natural monopolies, prohibition of anti-competitive agreements concluded by public authorities, prohibition of preferences granted by state or municipal authorities (except in particular cases)¹³¹, and codification and application of penalties.

3.124. During the review period, Federal Law No. 135-FZ was amended several times.¹³² Notably, the amendments to the Law resulted in a prohibition of creating and operating unitary entities¹³³ in competitive markets.¹³⁴ Another amendment related to the suspension of the execution of FAS rulings. Before the amendment, compliance with FAS rulings was suspended if an appeal was lodged

¹²⁵ The IMF recently concluded that due to the State's large presence in certain markets, some state-owned enterprises have dominant positions. IMF (2018), *Russian Federation: Selected Issues*, IMF Country Report No. 18/276.

¹²⁶ Government Decree No. 1697-r of 16 August 2018 on Approval of the Action Plan ("Road Map") for the Development of Competition in the Sectors of the Economy of the Russian Federation and the Transition of Certain Spheres of Natural Monopolies from the State of Natural Monopoly to the State of a Competitive Market for 2018-2020.

¹²⁷ FAS (2019), *Report on Competition Policy in the Russian Federation in 2019 to the Organisation for Economic Co-operation and Development*. Viewed at: <https://fas.gov.ru/documents/b-n-3609af5f-7476-4122-bb77-d04c49d96ca7>.

¹²⁸ Criteria to decide on the cross-border nature of the market were approved by EEC Council Decision No. 29 of 19 December 2012. They can be viewed at: http://www.consultant.ru/document/cons_doc_LAW_139427/66b1bf7f1776c2a74da3b346618fc41bf5439e56/#dst100009.

¹²⁹ See the EAEU Treaty, adopted on 29 May 2014, which can be viewed at: https://www.wto.org/english/thewto_e/acc_e/kaz_e/WTACCKAZ85_LEG_1.pdf.

¹³⁰ EEC decisions on antitrust cases can be appealed to the Court of the Eurasian Economic Union, see Annex 1, Articles 3 and 9; Annex 1, Article 13; and Annex 2, Article 106 of the EAEU Treaty.

¹³¹ As regards preferences granted by state or municipal authorities, Annex 19, para. 2(4), to the EAEU Treaty defines "State or Municipal Preference" as the "provision by executive authorities, local authorities of the member States, other bodies, or organizations exercising functions of these bodies to individual business entities (market participants) [of] preferences that provide them with more favorable conditions of activities by transferring State or municipal property, other objects of civil rights or by way of providing property exemptions, State or municipal guarantees".

¹³² Federal Law No. 135-FZ was updated 18 times between 29 July 2017 and 17 February 2021. For details on competition policy regulations, see WTO document WT/TPR/S/345/Rev.1, 6 December 2016, Section 3.3.4.

¹³³ A unitary enterprise is defined as a commercial organization that does not have ownership over the property attached to it. Only state and municipal enterprises can take the form of a unitary enterprise.

¹³⁴ Federal Law No. 485-FZ of 27 December 2019 on Amending the Federal Law on State and Municipal Unitary Enterprises and Federal Law on the Protection of Competition.

before a court. After the amendment, state and municipal bodies are no longer exempted from the requirement to comply with FAS rulings even when an appeal has been filed with a court.¹³⁵

3.125. Regarding the internal monitoring of risks in economic entities, the notion of "internal compliance with the anti-monopoly regulation" was introduced to encourage companies to implement special anti-trust compliance measures. The mechanism helps to reduce the risk of violating anti-monopoly legislation. Any economic entity, whether public or private, can adopt internal acts to assess risks of anti-monopoly legislation violations, measures to decrease risk, and measures to control the functioning of such internal systems.¹³⁶ The internal acts establishing an internal control system can be submitted to the FAS for a conclusion about the compliance of such acts with anti-monopoly legislation.

3.126. In accordance with information provided by the authorities, if an internal act on anti-monopoly compliance or its draft contains all the mandatory elements provided for in Article 9.1(2) of Federal Law No. 135-FZ, and there are no provisions that contradict the anti-monopoly legislation, the FAS reaches a positive conclusion on compliance with the requirements of the anti-monopoly legislation. In this case, such an economic entity does not violate the anti-monopoly legislation if its actions are carried out within the agreed rules of the compliance system. After completion of this procedure, the time-periods between inspections of a particular economic entity by the FAS can be increased from three to five years, or the investigation can result in the lack of inspections by the FAS in relation to an economic entity. In case of non-compliance with the requirements of anti-monopoly legislation, the FAS reaches a negative conclusion.

3.127. Regarding the fight against cartels, a Government Decree was adopted that approved the Programme of Inter-Agency Measures for 2019-2023 for the Detection and Combatting of Cartels and other Agreements Limiting Competition.¹³⁷ As reported by the Government, around 400 cases of violation of the anti-monopoly regulations are registered every year, 85% of which relate to cartels.¹³⁸ The Programme is thus "designed to consolidate efforts and resources of the authorities to defend the national interests of the Russian Federation and create unified practice for preventing cartels and anticompetitive agreements".¹³⁹ The Programme also entails close cooperation between the FAS and different law enforcement authorities to curb anti-monopoly arrangements.

3.128. Both *ex ante* and *ex post* notifications are possible under merger control rules. For *ex ante* control, the following financial thresholds are applicable: (i) the aggregate worldwide value of assets of the acquirer's group and the target's group of companies exceeds RUB 7 billion, and the aggregate worldwide value of assets of the target's group of companies exceeds RUB 400 million; or (ii) the aggregate worldwide turnover of the acquirer's group and the target's group of companies from the sale of goods, works, and services during the last calendar year exceeds RUB 10 billion, and the aggregate worldwide value of assets of the target's group of companies exceeds RUB 400 million.¹⁴⁰ These thresholds are not applicable to financial organizations. *Ex post* notification is applicable only to cases of intra-group transactions where the information on the group has already been provided to the competition authorities ahead of the transaction.

3.129. During the review period, the FAS issued several guidelines and recommendations aimed at facilitating compliance with anti-monopoly regulations.¹⁴¹ Examples of such guidelines include: (i) the Recommendation on Practices in the Use of Information Technology in Trade, Including Those Related to the Use of Price Algorithms, which delineates practices that violate anti-monopoly regulations from practices that can be deemed acceptable when trading non-food products using

¹³⁵ Federal Law No. 509-FZ of 27 December 2019 on Amending Article 52 of the Federal Law on the Protection of Competition.

¹³⁶ Federal Law No. 33 of 1 March 2020 on Amending the Federal Law on the Protection of Competition.

¹³⁷ The Decree can be viewed at: http://www.consultant.ru/document/cons_doc_LAW_327701%20/.

¹³⁸ See introduction to the session of the Government on 27 June 2019 by Dmitry Medvedev, which can be viewed at: <http://government.ru/news/37179/>.

¹³⁹ The Government-Approved Inter-Department Programme for Exposing and Suppressing Cartels of 2 July 2019 can be viewed at: <http://en.fas.gov.ru/press-center/news/detail.html?id=54172>.

¹⁴⁰ Ilene Knable Gotts (ed.) (2020), *Merger Review Control*, 11th edition.

¹⁴¹ The FAS guidelines and recommendations can be viewed at: https://fas.gov.ru/documents/type_of_documents/acts.

Internet-based technologies and algorithms¹⁴²; (ii) Guidelines on Determination of the Amount of Losses Caused as a Result of Violation of the Antimonopoly Legislation, which clarify issues related to the implementation of provisions on abuse of a dominant position¹⁴³; and (iii) Guidelines on Certain Issues in the Analysis of the State of Competition, which aim to introduce a unified application of anti-monopoly legislation when analysing the state of competition.¹⁴⁴

3.130. On 4 March 2021, the Supreme Court issued a so-called "Plenum", with a view to ensuring the unified application of anti-monopoly rules.¹⁴⁵ In addition to procedural aspects relating to the hearing of anti-monopoly cases, the Plenum clarifies other matters, such as the need to assess the causal link between bidders' behaviour in the government procurement auction and the subsequent change of prices, the recommendation to take into account other economic factors when deciding on dominant position in cases when the company controls less than 50% of the market, and the definition of the term "group of entities".

3.131. Anti-monopoly legislation continued to be applied during the COVID-19 pandemic. The FAS published an announcement urging economic entities not to abuse the emergency situation to gain extra profit. Moreover, the FAS confirmed that it would closely monitor the prices of goods, such as face masks and foodstuffs, in specific markets. Cartels or other anti-competitive arrangements were not exempted as a result of the pandemic.¹⁴⁶ The anti-monopoly authority issued, *inter alia*, warnings to market participants in order to prevent excessive demand, a shortage of such goods, and an increase of prices.

3.132. Regarding the future development of anti-monopoly legislation, discussions are underway on the so-called "fifth anti-monopoly package", which envisages legislative amendments. The amendments aim to reflect recent developments, especially in the areas of the digital economy and data circulation.¹⁴⁷ In addition, a National Competition Development Plan 2021-25 was developed by the FAS. It focuses on the enhancement of competition in the following priority areas: healthcare, the agro-industrial complex, financial markets, road construction, science and education, and information technology. Digitalization of anti-monopoly regulation is another of the Plan's priorities for the upcoming years.¹⁴⁸ In order to ensure the necessary digital transformation aimed at improving the quality of the implementation of the functions assigned to the anti-monopoly authority, the FAS is implementing a project to develop an automated information system, called Anti-Cartel, that uses artificial intelligence and big data technologies to identify signs of cartel collusion in the markets.

3.3.4.2 Enforcement of anti-monopoly regulation

3.133. The FAS and its territorial branches, operating directly under the authority of the Government¹⁴⁹, are responsible for administering and enforcing anti-monopoly regulation.¹⁵⁰ The FAS has a mandate that includes price regulation, public and defence procurement and procurement

¹⁴² The FAS Executive Council Recommendation on Practices in the Use of Information Technology in Trade, Including Those Related to the Use of Price Algorithms of 18 March 2019 can be viewed at: <https://fas.gov.ru/documents/684828>.

¹⁴³ The FAS Guidelines on Determination of the Amount of Losses Caused as a Result of Violation of the Antimonopoly Legislation can be viewed at: <https://fas.gov.ru/documents/561690>.

¹⁴⁴ The FAS Guidelines on Certain Issues in the Analysis of the State of Competition can be viewed at: <https://fas.gov.ru/documents/685047>.

¹⁴⁵ See the Supreme Court Decision of the Plenum No. 2 of 4 March 2021, which can be viewed at: <http://supcourt.ru/documents/own/29742/>.

¹⁴⁶ See the Antitrust Law and Legislation in Russia During COVID-19, which can be viewed at: <https://cms.law/en/int/expert-guides/cms-expert-guide-to-antitrust-law-and-legislation-during-covid-19/russia>.

¹⁴⁷ FAS, "Fifth Anti-Monopoly Package Will Be Adopted after Discussions", 4 December 2020. Viewed at: <https://fas.gov.ru/publications/22338>.

¹⁴⁸ FAS (2019), *Report on Competition Policy in Russian Federation in 2019 to Organisation for Economic Co-operation and Development*. Viewed at: <https://en.fas.gov.ru/upload/other/FAS%20Annual%20Report%202019.pdf>.

¹⁴⁹ Presidential Decree No. 21 of 21 January 2020 on the Structure of Federal Bodies of Executive Branch.

¹⁵⁰ Federal Law No. 135-FZ of 26 July 2006, Article 23 (last amended in February 2021).

by specific types of legal entities, compliance with the Law on Advertising, and foreign investments in strategic industries.¹⁵¹

3.134. In the exercise of its competition policy functions, the FAS, besides conducting an investigation (fact-finding) and deciding on a case at first instance, also proposes draft laws, adopts acts of secondary legislation, and is vested with other powers related to the regulation of competition policy. As a first instance of hearing a case, the FAS can adopt: (i) conclusions on the facts of the case; (ii) warnings; (iii) decisions; and (iv) instructions. FAS decisions and instructions may be appealed before a court within three months of their adoption. Decisions and/or instructions of FAS territorial branches can be appealed to the collegial body of the FAS.

3.135. Violations of Federal Law No. 135-FZ are subject to administrative and criminal penalties, depending on the nature and gravity of the offence. Administrative fines may be imposed on legal entities and individual officers; in certain cases, officers may also be disqualified from exercising their functions for up to three years. The Code of Administrative Offences establishes a detailed mechanism for the calculation of fines, including all mitigating and aggravating circumstances. The legal entity or the individual officer can appeal the administrative fine in a court. Criminal liability provisions are in place for any competition-restricting agreement (cartels) that caused major damages (exceeding RUB 10 million) to physical persons, organizations, or the State, or brought the perpetrators major earnings (exceeding RUB 50 million). Criminal penalties include fines (RUB 300,000-RUB 1 million), disqualification to hold certain positions or engage in certain activities, and prison terms of up to seven years.

3.136. Two types of leniency programmes are included in the Code of Administrative Offences No. 195-FZ of 30 December 2001 and the Criminal Code No. 63-FZ of 13 June 1996. The administrative leniency programme takes the form of a note to Article 14.32 of the Code of Administrative Offences.¹⁵² Under the programme, full immunity can be granted for all anti-competitive arrangements (such as cartels and concerted practices). The first legal entity (or group of entities) voluntarily informing the FAS about an anti-competitive arrangement to which it is a party gets full immunity if it: (i) stops its participation in the anti-competitive arrangement; and (ii) provides the FAS with documents and/or information that the FAS did not already possess and that will help establish the existence of the anti-competitive arrangement. Immunity from administrative fines does not guarantee immunity from criminal liability. Such immunity is conditional on active cooperation and providing compensation for the damages caused by an anti-competitive agreement.¹⁵³

3.137. Data on leniency applications received by the FAS during the review period (as well as other competition enforcement data) are shown in Table 3.16. Anti-competitive practices were disclosed on various markets, including healthcare, construction, telecommunications, and transport.¹⁵⁴

Table 3.16 Competition enforcement, 2016-20

	2016	2017	2018	2019	2020
Leniency applications examined (Administrative Code, Article 14.32)	91	118	89	137	196
Claims concerning violations related to the abuse of a dominant position by an economic entity	29,935	23,824	28,441	29,291	36,929
Claims examined concerning violations related to actions/arrangements of economic entities that restrict competition	1,390	1,757	2,069	2,812	2,388
Merger notifications:	83	128	189	144	133
• Approved	83	128	189	144	133
• Disapproved	0	0	0	0	0
Proceedings initiated	4,039	3,534	3,223	3,029	2,395
Total decisions made confirming a violation	2,735	2,621	2,486	2,236	1,823
Total administrative fines imposed	6,048	6,458	8,911	9,526	8,598

¹⁵¹ Government Resolution No. 331 of 30 June 2004 (last amended in May 2020) on Approving the Statute of the Federal Anti-monopoly Service.

¹⁵² Code of Administrative Offences No. 195-FZ, Article 14.32 (last amended in February 2021).

¹⁵³ Criminal Code No. 63-FZ, Article 178 (last amended in February 2021).

¹⁵⁴ FAS, *Report on the State of Competition in the Russian Federation in 2019*. Viewed at: <https://fas.gov.ru/documents/687048>.

	2016	2017	2018	2019	2020
Prescriptions issued	1,894	1,856	1,811	1,404	1,005
Appeals made in the previous period	1,223	683	526	512	391
Appeals made in the review period	668	670	632	571	510
Decisions declared by court as invalid in the previous period	277	179	119	121	88
Decisions declared by court as invalid in the review period	14	31	11	8	6

Source: Data provided by the FAS.

3.3.4.3 International cooperation

3.138. The Russian Federation actively cooperates with international and regional organizations (such as the OECD, UNCTAD, and BRICS) and foreign competition agencies in order to support the integration of the Russian Federation's economy into the world economic sphere, implement the international obligations of the Russian Federation, protect the Russian Federation's interests, and implement best practice clauses.¹⁵⁵ The portfolio of cooperation instruments in place comprises legally binding intergovernmental agreements (such as the EAEU Treaty) and non-binding arrangements between Russian Federation institutions and counterparts in other jurisdictions (such as the Memorandum of Understanding between the FAS and the EU Commission).

3.139. The Russian Federation has concluded bilateral cooperation agreements with competition authorities, including Brazil, Slovakia, France, the Republic of Korea, and Mexico. A single provision on competition policy is included in the FTAs concluded by the EAEU with Serbia and Singapore obliging the parties to ensure effective protection against anti-competitive practices in accordance with their respective national legislation and Article 10*bis* of the Paris Convention for the Protection of Industrial Property.

3.3.4.4 Price controls

3.140. Prices (tariffs) in the Russian Federation are determined freely by market forces, except for several identified sectors where prices are regulated by the State. Presidential Decree No. 221 of 28 February 1995 on Measures to Streamline the State Regulation of Prices (Tariffs) (as amended in April 2016) establishes the main principles of state price regulation in the domestic market. Normative legal acts issued by federal executive bodies concerning state regulation of prices for goods and services are published. All government resolutions concerning state regulation of prices and tariffs, including with respect to natural monopolies, are published in the *Rossiyskaya Gazeta*.

3.141. The FAS is the federal executive body responsible for price regulation, control, and monitoring of several goods and services markets. Other sub-federal bodies also carry out price regulation functions. Prices are regulated, *inter alia*, in the following areas: electric energy (transmission, operational dispatch management, connection to the Unified National Electricity Network, distribution, wholesale, and retail); thermal power (co-generation and retail); water supply and sanitation; railway transportation (public rail infrastructure and transportation (except transit)); natural gas (pipeline transportation, wholesale and retail); transportation of oil and petroleum products (main pipelines); public telecommunications and public postal services (domestic letter post and telegrams, fixed-line connectivity, distribution of Russian TV and radio content, and telephone loop assignment); services at transport terminals, ports, and airports; infrastructure at inland waterways; services on the Northern Sea Route (icebreaking fleet and ice pilotage); air navigation services; and solid domestic waste management.

3.142. Most of the markets subject to price controls are deemed to operate under natural monopoly conditions¹⁵⁶, with the monopoly holders being subject to additional regulation (including information disclosure requirements) and supervision pursuant to the Law on Natural Monopolies. The FAS

¹⁵⁵ For details about cooperation between the FAS and international organizations and foreign competition agencies, see <https://fas.gov.ru/tags/121>.

¹⁵⁶ Article 4 of Federal Law No. 147-FZ of 17 August 1995 on Natural Monopolies (last amended in July 2017) lists areas deemed to be monopolistic, such as transportation of oil and oil products, railway transportation, and transmission of electricity.

maintains a register of natural monopolies that is updated regularly (Table 3.17).¹⁵⁷ In 2019, the FAS submitted to the Government a draft Law on the Basics of State Regulation of Prices (Tariffs). The main aim is to consolidate the legal bases for price regulation in the Russian Federation in different areas, as well as to implement unified principles and approaches. According to the authorities, the draft Law is currently being finalized.

Table 3.17 Number of natural monopolies included and excluded from the register of natural monopoly entities, 2016-20

	2016	2017	2018	2019	2020
Natural monopolies included	191	118	117	337	353
Natural monopolies excluded	..	205	354	453	229

.. Not available.

Source: Data provided by the authorities.

3.3.5 State trading, state-owned enterprises, and privatization

3.143. The Russian Federation has not made any notifications to the WTO on state trading enterprises within the meaning of Article XVII of GATT 1994 and the understanding on the Interpretation of Article XVII.¹⁵⁸

3.144. The Constitution guarantees equal protection to private, state, municipal, and other forms of property, and also aims to prevent monopolization and unfair competition.

3.145. The Civil Code lists three possible legal/corporate forms for an enterprise, and state-owned enterprises (SOEs) take one of these forms: unitary enterprises, joint-stock companies (JSCs), and state corporations.

3.146. Unitary enterprises, basically regulated by Federal Law No. 161-FZ of 14 November 2002 on State and Municipal Unitary Enterprises (as amended), are commercial enterprises whose ownership cannot be divided into shares or equity, and which do not have ownership rights over the assets used in their operations. Such entities are owned by the State or by municipal authorities. According to data provided by the authorities, the number of unitary enterprises declined from 23,262 on 1 January 2016 to 13,801 on 1 January 2020. The reduction of the number of unitary enterprises has resulted from a deliberate government policy and has been achieved through the reorganization of unitary enterprises as JSCs¹⁵⁹, their conversion into state corporations, or the privatization or liquidation of unitary enterprises.

3.147. JSCs, mainly governed under Federal Law No. 208-FZ of 26 December 1995 on Joint-Stock Companies (as amended), may have private shareholders and may be listed on foreign stock exchanges. A distinction exists between open and closed JSCs, depending upon whether or not shares can be publicly traded.¹⁶⁰ According to data provided by the authorities, the total number of state-owned JSCs with the State's share above 30% decreased by 30% (from 1,557 at the beginning of 2016 to 1,084 by 2019), among which are JSCs with state shares of more than 50%, the number of which decreased by 45% during the same period.

3.148. State corporations established under Federal Law No. 7-FZ of 12 January 1996 on Non-Commercial Entities are non-profit, non-commercial organizations where asset management depends in the individual law or charter of establishment, which also sets out their responsibilities

¹⁵⁷ As at April 2021, the register of natural monopolies contained 6,019 entities. See the FAS website, which can be viewed at: <http://fas.gov.ru/pages/activity/tariffregulation/reestr-subektov-estestvennyix-monopolij.html>.

¹⁵⁸ In its accession to the WTO, the Russian Federation made several commitments relating to state-owned and state-controlled enterprises and enterprises with exclusive or special privileges with regards to conducting commercial activity. These are described in WTO document WT/TPR/S/345/Rev.1, 6 December 2016.

¹⁵⁹ Thus, for example, Rosoboronexport, Post of Russia, and Rossirtprom, which at the time of the previous Review were unitary enterprises, now exist as JSCs.

¹⁶⁰ Russian Railways, the Post of Russia, and United Shipbuilding Corporation are examples of open JSCs with 100% ownership by the Russian State, whereas Gazprom, Rosneft, Sberbank, VTB, and Aeroflot are examples of open JSCs with partial state ownership.

and reporting requirements.¹⁶¹ A state corporation is obliged to publish property use reports annually. Annual financial statements of a state corporation are subject to mandatory audit and must be published on its official website. The Accounts Chamber and other state bodies are entitled to supervise the activity of a state corporation. No statistics were available regarding the number of state corporations during the review period.

3.149. The degree of state ownership varies from one sector to another. Some of the key SOEs are listed in Table 3.18.

Table 3.18 Selected state-owned enterprises, 2020

(RUB million)

Company	Sales volume	Net profit	State ownership ^a
Gazprom	7,659.6	932.9	38.4 11 Rosneftegaz 0.9 Rosgazifikatsiya ^b
Rosneft	8,676.0	805.0	less than 0.01 40.4 Rosneftegaz
Sberbank	856.1	760.3	52.3
Russian Railways	2,279.0	52.9	100
VTB Group	..	75.3	60.9
Transneft	1,063.8	197.1	78.1
Rosseti	1,029.7	105.3	85.3
RusHydro	366.6	0.6	61.7
Aeroflot Group	302.2	-123.2	57.3
Rostelecom	546.9	25.3	38.2

.. Not available.

a State percentage of ordinary shares.

b Rosneftegaz is 100% state-owned, and Rosgazifikatsiya is 74.54% state-owned.

Source: Information provided by the authorities.

3.150. An IMF report published in 2018 finds that the Russian State "leaves a deep footprint in the economy".¹⁶² Specifically, "the state represented about one third of Russia's value added (VA) in 2016, smaller than in the mainstream narrative but nonetheless large".¹⁶³ The State accounts for nearly 40% of formal sector activity and 50% of formal sector employment. The Report also finds that this "relatively large"¹⁶⁴ share of the Russian State contributes to economic concentration in several sectors even though concentration is also high in sectors with low state presence. In particular, the State's share is large in sectors considered to be strategic, natural monopolies and public services, in the financial sector and, naturally, in public administration, defence, health, and education.¹⁶⁵ The size of the Russian State has a significant impact on competition and economic efficiency, which underlines the importance of pro-competitive procurement policies. Finally, the Report finds that SOEs appear to underperform relative to non-state firms in a variety of economic activities.¹⁶⁶ The Russian authorities point out that the data used in the IMF report are too old to be used in this Review.¹⁶⁷

¹⁶¹ Examples of state corporations include VEB.RF, the Fund of Housing and Communal Services Development Cooperation, Rostech (defence and high-tech industries), Rosatom (nuclear energy), and Roscosmos (cosmonautics).

¹⁶² IMF (2018), *Russian Federation: Selected Issues*, IMF Country Report No. 18/276, p. 3.

¹⁶³ IMF (2018), *Russian Federation: Selected Issues*, IMF Country Report No. 18/276, p. 12. The Report notes that the State's share in oil and gas extraction and the financial sector increased in recent years. Ibid., p. 8.

¹⁶⁴ The Report's characterization of the size of the Russian State as "relatively large" results from an analysis based on cross-country employment data. IMF (2018), *Russian Federation: Selected Issues*, IMF Country Report No. 18/276, pp. 4 and 14.

¹⁶⁵ IMF (2018), *Russian Federation: Selected Issues*, IMF Country Report No. 18/276, p. 9.

¹⁶⁶ IMF (2018), *Russian Federation: Selected Issues*, IMF Country Report No. 18/276, p. 12.

¹⁶⁷ As noted above, information provided by the authorities indicates a substantial decline during the review period in the number of SOEs in the form of unitary enterprises and JSCs.

3.151. WTO Members have raised concerns regarding purchases by Russian SOEs acting commercially.¹⁶⁸

3.152. The privatization process is regulated by Federal Law No. 178-FZ of 21 December 2001 on Privatization of State and Municipal Property¹⁶⁹ (last amended on 13 July 2015), and implementing legislation. Within the framework of the last forecast for 2017-19, adopted by Government Resolution No. 227-r of 8 February 2017, privatization of state shares was exercised in 581 commercial companies, 252 federal state unitary enterprises, and 1,872 other objects in state property.

3.153. In January 2020, the Government published a privatization plan for 2020-22 that identifies 86 federal unitary state enterprises, 186 JSCs, and 13 LLCs for privatization over the period. According to government estimates, the plan could generate RUB 3.6 billion per year for the federal budget.¹⁷⁰ As part of the Plan's implementation, 49 commercial companies, 9 federal unitary state enterprises, and 315 other objects in state property were privatized in 2020.

3.3.6 Government procurement

3.3.6.1 Overview

3.154. Government procurement encompasses all procurements of goods, services, and works by contractual means to meet state and municipal needs. It amounted to RUB 8.24 trillion in 2019 (or about 7.5% of GDP) (Table 3.19). The main legal framework has remained the same since the previous Review, though numerous amendments have taken place.¹⁷¹ Confidence in the procurement system seems to have been enhanced, as the average number of participants in each procurement procedure increased from 2.94 in 2018 to 3.12 in 2019.¹⁷²

3.155. The Russian Federation is not a party to the WTO Agreement on Government Procurement (GPA). On joining the WTO in August 2012, the Russian Federation agreed to initiate negotiations on accession to the GPA within four years. The Russian Federation became an observer in the Committee on Government Procurement on 29 May 2013 and initiated its GPA accession process in August 2016. The initial market access offer was circulated in June 2017. The Replies to the Checklist of Issues, together with the Federal Law No. 44-FZ of 5 April 2013 on the Contract System in State and Municipal Procurement of Goods, Works and Services, were circulated in January 2018.

Table 3.19 Government procurement and its share in GDP, 2016-19

Year	Value of procurement (RUB trillion)	Share in GDP (%)
2016	5.40	6.30
2017	6.36	6.90
2018	6.95	6.64
2019	8.24	7.48

Source: Information provided by the authorities.

3.3.6.2 Legal framework

3.156. As was the case during the previous review period, government procurement is divided into three categories in terms of the nature of the procuring entity: (i) procurement by federal and

¹⁶⁸ For example, see WTO documents G/TRIMS/M/48, 30 October 2020, paras. 33-44; and G/C/M/138, 12 March 2021, paras. 31.1-31.17.

¹⁶⁹ WTO document WT/ACC/RUS/70, 17 November 2011, para. 59.

¹⁷⁰ Santander, *Russia: Foreign Investment*. Viewed at: https://santandertrade.com/en/portal/establish-overseas/russia/foreign-investment?url_de_la_page=%2Fen%2Fportal%2Festablish-overseas%2Frussia%2Fforeign-investment&actualiser_id_banque=oui&id_banque=0&memoriser_choix=memoriser.

¹⁷¹ Federal Law No. 44-FZ was amended 42 times (from 22 February 2017 to 30 December 2020), Federal Law No. 223-FZ was amended 18 times (from 7 June 2017 to 22 December 2020), and Federal Law No. 275-FZ was amended 11 times (from 29 July 2017 to 8 December 2020).

¹⁷² See Ministry of Finance, *The Summary Analytical Report for 2019 Based on the Results of the Monitoring of Procurement of Goods, Services, and Works for the Satisfaction of State and Municipal Needs in Accordance with Federal Law No. 44-FZ of 5 April 2013*. Viewed at: https://minfin.gov.ru/common/upload/library/2020/06/main/Svodnyy_analiticheskiy_otchet_2019.pdf.

municipal governments; (ii) procurement by certain other types of legal entities, such as SOEs, regulated entities, monopoly entities, and utility companies; and (iii) procurement by military entities. Each type of procuring entity is governed by a different set of laws, as described below (Table 3.20).

Table 3.20 Main legal framework of the federal and municipal procurement system

Law number and date of adoption	Title
Federal Law No. 44-FZ of 5 April 2013	On the Contract System in State and Municipal Procurement of Goods, Works and Services (last amended on 30 December 2020)
Federal Law No. 223-FZ of 18 July 2011	On Purchases of Goods, Works and Services by Certain Types of Legal Entities (last amended on 22 December 2020)
Federal Law No. 275-FZ of 29 December 2012	On the State Defence Order (last amended on 8 December 2020)

Source: Information provided by the authorities.

3.157. For procurement by federal and municipal governments, the applicable law is Federal Law No. 44-FZ of 5 April 2013 on the Contract System in State and Municipal Procurement of Goods, Works and Services, which entered into force on 1 January 2014. During the review period, the Law was amended 42 times to effect both substantive and technical changes. In accordance with data from 2019, there are 307,000 procuring entities regulated by this Law registered in the unified information system, 238,395 of which (about 78%) carried out procurement procedures in 2019.

3.158. For procurement by SOEs, natural monopoly entities, public companies, and utilities companies, the main law is Federal Law No. 223-FZ of 18 July 2011 on Purchases of Goods, Works and Services by Certain Types of Legal Entities. It sets out a list of competitive procurement methods (tenders, auctions, request for quotations, and request for tenders) and the right for the procuring entity to establish requirements for other procurement methods (including the grounds for single source procurement). By the end of 2019, 96,473 entities procuring in accordance with Federal Law No. 223-FZ had been registered in the unified information system, 27,468 of which (around 28%) conducted procurement in that year.¹⁷³

3.159. For procurement by military entities, Federal Law No. 275-FZ of 29 December 2012 on the State Defence Order applies. Entities covered by this Law are federal government authorities, the State Atomic Energy Corporation (Rosatom), and the State Space Corporation (Roscosmos).

3.160. Other laws relating to government procurement include the Constitution, the Civil Code¹⁷⁴, the Budget Code¹⁷⁵, and the Law on Protection of Competition.¹⁷⁶

3.3.6.3 General principles and buy national requirements

3.161. According to Federal Law No. 44-FZ, all procurements should be conducted under the principles of openness, transparency of the information about the procurement system, competition, professionalism of procuring entities, facilitation of innovation, uniformity of the procurement system, efficiency, and responsibility for the attainment of state and municipal needs. The whole procurement system is directed towards the creation of equal conditions for the participation of any interested supplier. The procuring entities (as well as specialized agencies, and their officials, procurement commissions, members of such commissions, participants in the procurement procedure, operators of electronic platforms, and operators of specialized electronic platforms) are prohibited from taking actions that restrict competition, in particular actions that would unreasonably restrict the number of suppliers participating in procurement.

¹⁷³ See *Monitoring of the Implementation in 2019 of Federal Law No. 223-FZ of 18 July 2011 on the Procurement of Goods, Services and Works by Specific Types of Legal Entities*.

¹⁷⁴ The Civil Code (last amended on 12 May 2020) can be viewed at: http://www.consultant.ru/document/cons_doc_LAW_5142/.

¹⁷⁵ The Budget Code (last amended on 12 November 2019) can be viewed at: http://www.consultant.ru/document/cons_doc_LAW_19702/.

¹⁷⁶ The Law on Protection of Competition (last amended on 22 December 2020) can be viewed at: http://www.consultant.ru/document/cons_doc_LAW_61763/.

3.162. At the same time, Federal Law No. 44-FZ allows the Government to adopt legal acts aimed at imposing restrictions on the purchase of foreign goods, works, and services for the purposes of protecting the constitutional order, national defence and security, and the domestic market; developing the national economy; and supporting Russian Federation producers.¹⁷⁷ These restrictions might include the requirement to procure a "minimum mandatory share of Russian goods, including goods delivered during the provision of works and services".¹⁷⁸ The list of such goods and their minimum share in procurement is established in Government Decision No. 2014 of 3 December 2020 on Minimum Mandatory Share of Russian Goods in Procurement and Its Achievement by Procuring Entities.¹⁷⁹

3.163. In addition, detailed implementing rules regarding these restrictions were developed and published in the form of federal resolutions. Examples of such resolutions include Resolution No. 617 of 30 April 2020 on Establishing Market Entry Restrictions for Certain Types of Industrial Goods Originating from Foreign Countries in the Context of Procurement for State and Municipal Needs and Resolution No. 616 of 30 April 2020 on Establishing Ban on Market Entry of Certain Types of Industrial Goods Originating from Foreign Countries in the Context of Procurement for State and Municipal Needs, and Foreign Industrial Goods and Services (Works) in the Context of Procurement for Defence Need. Under these Resolutions, procurement of foreign products will be allowed if there is no production of like domestic goods and services. Foreign participation is also restricted in some sectors, such as software and databases (with limited exceptions)¹⁸⁰, radio-electronic equipment¹⁸¹, and medicines and materials used for medical purposes.¹⁸² These Resolutions do not establish any limitations or specific requirements concerning suppliers and service providers with foreign capital established in the territory of the Russian Federation (and in that of other EAEU member States). Thus, such suppliers and service providers have equal rights to participate in government procurement in the Russian Federation.

3.164. Specific rules apply to contracts envisaging investment obligations from a supplier-investor. Only legal entities registered in the territory of the Russian Federation can participate in procedures for entering into such contracts aimed at establishing or modernizing and/or developing the production of goods in the territory of the Russian Federation.¹⁸³ These contracts can be signed for no more than 10 years, and the minimum amount of investment should be no less than RUB 1 billion. The subject of such contracts is the purchase of goods developed in compliance with the requirements of "local origin".¹⁸⁴ A procurement notice containing the requirements to participate in a procedure for the award of such contract is published in the unified information system 60 days prior to the day of granting access to tenders.¹⁸⁵ Although there is an open call for tenders, once a contract is awarded, the selected supplier becomes the single supplier of such goods for the period of existence of the contract.

3.165. Federal Law No. 44-FZ provides that preferences be given to four types of suppliers: (i) institutions and enterprises of the penitentiary system; (ii) organizations of people with a disability; (iii) small businesses; and (iv) socially oriented non-commercial organizations. Specifically, a procuring entity is obliged to provide the first two groups of suppliers with a price preference at a margin of 15%. Lists of goods, works, and services eligible for preferences when procured from institutions and enterprises of the penitentiary system and organizations of people

¹⁷⁷ Federal Law No. 44-FZ of 5 April 2013, Article 14.

¹⁷⁸ Federal Law No. 44-FZ of 5 April 2013, Article 14(3).

¹⁷⁹ The list can be viewed at:

<http://publication.pravo.gov.ru/Document/View/0001202012080031?index=0&rangeSize=1>.

¹⁸⁰ Government Decision No. 1236 of 16 November 2015 (last amended in 2019) on Imposing a Ban on the Admission of Software Originating from Foreign Countries for the Purpose of Procurement for State and Municipal Needs.

¹⁸¹ Government Decision No. 878 of 10 July 2019 (last amended in 2020) on Measures Stimulating Domestic Production of Radio-electronic Equipment by Means of a Public Procurement System.

¹⁸² Government Decree No. 102 of 5 February 2015 (last amended in 2021) on Establishing Market Entry Restrictions for Individual Types of Medical Devices Originating from Foreign Countries in the Context of Procurement for State and Municipal Needs.

¹⁸³ Federal Law No. 44-FZ of 5 April 2013, Article 111.4.

¹⁸⁴ Federal Law No. 44-FZ of 5 April 2013, Article 111.4(5).

¹⁸⁵ Government Decision No. 1166 of 12 November 2016 on Establishing Specificities of Planning and Conducting Competitions for the Selection of a Supplier with Whom a State Contract Is Signed Envisaging Mutual Investment Obligations of the Supplier-Investor for the Creation or Modernisation and/or Development of Production in the Territory of the Subject of Russian Federation for the Satisfaction of Needs of the Subject of Russian Federation.

with a disability are approved by the Government. From 1 January 2022, procuring entities are obliged to set aside contracts of no less than 25% of the total annual volume of procurements for small businesses and socially oriented non-commercial organizations. Such advantages are specified in the notices of procurement and procurement documentation. In 2019, about RUB 3.8 trillion in contracts was granted to small businesses and socially oriented non-commercial organizations.¹⁸⁶

3.166. Regarding entities covered by Federal Law No. 223-FZ (SOEs, natural monopoly entities, public companies, and utilities companies), the Government has the right to establish preferences, including through the procurement of a minimum share of goods, works, and services provided by Russian suppliers.¹⁸⁷ Furthermore, in case of procurement of goods, including goods supplied when procuring works or services, the contract should stipulate the origins of such goods. A draft decision was introduced to this end.¹⁸⁸ In addition, Government Decree No. 925 of 16 September 2016 sets out a 15% price preference for goods, works, and services of Russian Federation origin procured by entities covered by Federal Law No. 223-FZ. Article 8 of Government Decree No. 925 provides that "preference is granted subject to the provisions of the General Agreement on Tariffs and Trade 1994 and the Eurasian Economic Union Treaty of 24 May 2014".

3.3.6.4 Procurement methods and procedures

3.167. Procurement planning is obligatory under Federal Law No. 44-FZ. The Government has the right to establish requirements related to the form of the plans; the procedure concerning the formation, approval, and amendment of the plans; and the procedure for publishing the plans in the unified information system. Procurement plans must be prepared in accordance with budgetary law and for the given period of planning. Publication of procurement documentation not complying with the information in procurement plans is not allowed. Procurement plans and other procurement documentation are subject to mandatory public consultations from the time that the plans are published in the unified information system.

3.168. Procurement methods were not changed substantially during the review period. They can be classified into two general categories in terms of the extent of competition in the procurement method: (i) competitive methods; and (ii) single-supplier methods. Competitive methods include tendering (open tendering, tendering with limited participation, two-stage tendering, closed tendering, closed tendering with limited participation, and closed two-stage tendering), auctions (electronic auctions and closed auctions), request for quotations, and request for proposals. In tendering, the supplier that offers the best contract conditions will be awarded the contract. In an auction, the supplier that offers the lowest price will win the contract. The procuring entity decides which procurement method will be used for a specific procurement, according to the provisions of Federal Law No. 44-FZ. Closed forms of procurement methods can be organized only with the agreement of the relevant federal executive body. The procuring entities' choices of procurement methods should not result in an unreasonable reduction in the number of participants in the procurement. According to data provided by the authorities, electronic auction is the most frequently used method, while the use of single sourcing remained stable (Table 3.21).

¹⁸⁶ See Ministry of Finance, *Summary Analytical Report for 2019 Based on the Results of the Monitoring of Procurement of Goods, Services, and Works for the Satisfaction of State and Municipal Needs in Accordance with Federal Law No. 44-FZ of 5 April 2013*. Viewed at: https://minfin.gov.ru/common/upload/library/2020/06/main/Svodnyy_analiticheskiy_otchet_2019.pdf.

¹⁸⁷ Federal Law No. 223-FZ of 18 July 2011, Article 3(8).

¹⁸⁸ WTO document G/C/M/138, 12 March 2021, para. 31.3.

Table 3.21 Share of procurement methods, 2016-19

Procurement method	2016	2017	2018	2019
E-auction	56.4% or RUB 3.04 trillion	59.07% or RUB 3.76 trillion	63.56% or RUB 4.42 trillion	65.9% or RUB 5.43 trillion
Procurement from single supplier	23.94% or RUB 1.29 trillion	26.85% or RUB 1.69 trillion	22.59% or RUB 1.56 trillion	21.65% or RUB 1.75 trillion
Open tendering	12.89% or RUB 697 billion	7.01 % or RUB 446 billion	7.7% or RUB 533 billion	5.74% or RUB 474 billion
Tendering with limited participation	4.1% or RUB 221 billion	4.37% or RUB 280 billion	3.78% or RUB 263 billion	4.13% or RUB 344 billion
Request for proposal	1.32% or RUB 72 billion	1.39% or RUB 87 billion	0.75% or RUB 52 billion	1.45% or RUB 134 billion
Other methods	1.35% or RUB 73 billion	1.3% or RUB 82 billion	1.62% or RUB 113 billion	1.64% or RUB 136 billion

Source: Information provided by the authorities.

3.169. For the purposes of transparency and openness, the Law requires that full and reliable information on each procurement be published in a unified information system on the official website of the Russian Federation (www.zakupki.gov.ru) and be accessible to all interested suppliers free of charge. As reported by the authorities, as at 1 January 2019, all procurement procedures are conducted using e-platforms. Procuring entities can procure through electronic catalogues of products as long as the procurement value does not exceed RUB 3 million. According to 2019 data, 62,558 items were included in the catalogue. In addition, a unified accreditation for the electronic platforms was introduced, and the use of a single qualified electronic signature was established. In order to obtain an e-signature and to participate in procurement procedures organized through e-procurement platforms, foreign suppliers usually set up legal entities in the Russian Federation (or in other EAEU member States).

3.170. In evaluating offers, consideration is given to criteria such as price; expenses for operation and repair of the procured products; qualitative, functional, and ecological characteristics of the procured products; and qualifications of the suppliers, including their financial and material resources, work experience, and business reputation. While the contract price is the only criterion to be considered in an auction, other procurement methods should use at least two of these criteria, one of which being price. When procuring new machines and equipment, the procuring entity might use life-cycle costing to evaluate the bids.

3.171. The procuring entity should establish a procurement commission for the award of the contract, except for cases of procurement from a single supplier. To avoid conflicts of interest, Federal Law No. 44-FZ sets out restrictions for groups of people wishing to become members of a procurement commission. The commission should be composed of a limited number of members (either five or three), and most members should have received professional training, hold advanced qualifications in the field of procurement, or have special knowledge of the subject matter of the procurement.

3.172. Procurements can be conducted using either a centralized or decentralized approach. If two or more procuring entities require the same goods, works, and services, such entities have the right to conduct joint tenders or auctions. The rights, obligations, and responsibilities of procuring entities when conducting joint tenders or auctions are stipulated in the agreement signed among the procuring entities. The contract with the winner(s) is signed by each procuring entity individually.¹⁸⁹ In centralized procurement, the procurement agency takes responsibility for organizing the procurement process, including the conclusion of contracts with the winner(s).

3.173. In January 2021, the Government presented to the State Duma draft legislation to amend the existing procedures used for the purchase of goods, works, and services for state and municipal needs.¹⁹⁰ The draft law was signed by the President and will enter into force on 1 January 2022. The amendments envisage, in particular: (i) a decrease in the number of open competitive procedures to three (tendering, auction, request for quotations); (ii) procedures for the conduct of closed electronic procedures; (iii) new grounds for single source procurement; and (iv) a new requirement

¹⁸⁹ Federal Law No. 223-FZ of 18 July 2011, Article 25(1).

¹⁹⁰ Draft legislation on the optimization of public procurement can be viewed at: https://zakupki.gov.ru/epz/main/public/news/news_preview.html?newsId=30898.

allowing only the suppliers that had successfully implemented a state or a municipal contract within the previous three years to participate in a procurement for contracts with the value over RUB 20 million. In accordance with the amendments, two-stage tendering, tenders with limited participation, and requests for tenders are eliminated.

3.3.6.5 Control/monitoring/audit of government procurement and bid challenge review mechanism

3.174. The Ministry of Finance is designated as the public procurement agency, with the powers to elaborate relevant policies and to regulate the area. In addition, the Ministry of Finance carries out regular monitoring of procurement transactions through the unified information system. Results of the annual monitoring are published in the unified information system as a report containing an analysis of the effectiveness of the procurement system. The report also proposes measures for the improvement of legislation. At the federal level, an audit is carried out by the Accounts Chamber. The function of control over procurement transactions is vested in several institutions, including municipal bodies, the FAS, the Treasury, and internal state financial control bodies, each within the scope of its powers. Civil society control is also envisaged by Federal Law No. 44-FZ.

3.175. Under Federal Law No. 44-FZ, any procurement participant has the right to lodge a complaint about actions of a procuring entity, the competent authorized agency, the specialized organization, the procurement commission and its members, officials of the contract service, the contract manager, the operator of the electronic procurement platform, and the operator of the specialized electronic procurement platform, if such actions infringe the rights and legitimate interests of a procurement participant. Both judicial and administrative procedures are available (Table 3.22). The FAS is the administrative body that reviews the complaints. A complaint must be submitted within five days of the evaluation report being published on the unified information system. A complaint about provisions of procurement documentation may be lodged before the deadline for submitting tenders. If the actions against which the complaint is lodged took place after the opening of tenders, such complaint can be launched only by the supplier who has submitted a tender. After the expiration of these specified time-periods, complaints may be pursued only through a judicial procedure.

Table 3.22 Number of complaints, 2016-20

	2016	2017	2018	2019	2020
Administrative complaints	22,437	24,005	30,695	28,384	28,091
Judicial complaints	2,296	2,750	3,260	3,204	2,438

Source: Information provided by the authorities.

3.176. The FAS is required to consider a complaint within five days of the date of receipt of the complaint. The procurement may be suspended where necessary. The FAS must decide whether or not the complaint is justified, and issue instructions to eliminate any violations that may have been committed. The decision may be challenged through a judicial procedure within three months from the date that it was made. Persons guilty of violating relevant legislation shall bear disciplinary, civil, administrative, or criminal liability. The operators of electronic procurement platforms and their officials must cover losses caused by their illegal actions, including the ones associated with disclosure of information obtained in the course of electronic procedures. No other compensation is envisaged.

3.3.6.6 International cooperation

3.177. During the review period, the EAEU (with the Russian Federation being one of its founding members) signed FTAs with Serbia and Singapore, and one interim agreement leading to an FTA with Iran. The FTA with Singapore contains a chapter on government procurement largely concerned with transparency and cooperation. It also envisages that further procurement market liberalization and market access negotiations might be conducted, if necessary.

3.3.7 Intellectual property rights

3.3.7.1 COVID-19 pandemic and IP-related measures

3.178. Since the outbreak of the COVID-19 pandemic, the Russian Federation has taken a number of measures to improve transparency on COVID-19-related intellectual property (IP) information and to facilitate IP acquisition procedures.¹⁹¹ These measures include: (i) the creation of a news section called "Patent of the Week" and an information section on COVID-19-related patents on the website of the Federal Service for Intellectual Property (Rospatent); (ii) adoption of an electronic interaction system between Rospatent and IP applicants from 15 April to 17 May 2020; (iii) acceleration of examination procedures for patent applications for inventions and utility models to combat viruses and associated diseases; and (iv) the possibility to request an extension of the deadline for various IP procedures, including payment of patent application fees and other maintenance fees, submission of documents, and objection to Rospatent decisions.

3.179. On 31 December 2020, Government Order No. 3718-r was issued to grant a compulsory licence for remdesivir¹⁹², an investigational medical treatment of COVID-19¹⁹³, on the grounds of national security under Article 1360 of the Civil Code of the Russian Federation (CC RF). Under this Article, the Government has the power to authorize compulsory licences for the use of an invention, utility model, or industrial design without the consent of its patent holder, if such use is in the interest of national defence and security. The patent holder should, however, be notified of such use in the shortest possible time and be compensated commensurately.

3.180. The Order authorized a Russian company called Pharmasintez to use six patents related to remdesivir under the compulsory licence to supply the Russian population with necessary amounts of remdesivir. These patents (Eurasian patents number EA020659, EA025252, EA025311, EA028742, EA029712, and EA032239) are mainly owned by Gilead Sciences, Inc.¹⁹⁴ The term of the licence is valid until the end of 2021. The order also provides that the patent holder will be notified and receive adequate remuneration.

3.181. In addition to Article 1360, Article 1362 of the CC RF stipulates that compulsory licences can be granted by Russian courts, upon request, on two other grounds: (i) when an invention or industrial design is not sufficiently used by the patent holder for four years from the granting of the patent and a utility model for three years from the granting of the patent, which leads to insufficient supply of goods, works, or services on the market; and (ii) when a dependent patent holder cannot use his or her invention without infringing the rights of another patent holder.¹⁹⁵ In both cases, a person requesting a compulsory licence should provide evidence that the patent holder has refused to enter into a voluntary licensing agreement on terms and conditions corresponding to established practice.

3.182. The State Duma adopted a bill on expanding the grounds for granting compulsory licences, including in emergency use related to protecting the life and health of citizens.¹⁹⁶ The bill also

¹⁹¹ WTO, *COVID-19: Measures Regarding Trade-Related Intellectual Property Rights*. Viewed at: https://www.wto.org/english/tratop_e/covid19_e/trade_related_ip_measure_e.htm.

¹⁹² Government Order No. 3718-r of 31 December 2020.

¹⁹³ Recent trials delivered mixed results on the effectiveness of remdesivir as a COVID-19 treatment.

¹⁹⁴ Gilead applied for four main patent families covering nucleoside analogues' use as antivirals in humans leading to remdesivir, which were filed through PCT application US2009/041432 (EA019883, terminated on 23 April 2020 due to non-payment of renewal fee), US2011/045102 (EA025252, subject to the Order), US2015/057933 (EA032239, subject to the Order), and US2016/052092 (no corresponding Eurasian patent). Xiaoping Wu and Bassam Peter Khazin (2020), *Patent-related Actions Taken in WTO Members in Response to the COVID-19 Pandemic*, WTO Staff Working Paper. Viewed at: https://www.wto.org/english/res_e/reser_e/ersd202012_e.pdf. In addition, the Russian compulsory licence further covers PCT applications US2009/041447 (EA020659), US2010/035641 (EA028742), US2011/044581 (EA025311), and US2014/064412 (EA029712).

¹⁹⁵ The Moscow City Court (Mosgorsud) granted two compulsory licences in 2018 and 2019, respectively, based on paragraph 2 of Article 1362 of the CC RF. Viewed at: <https://www.ilnipsider.com/2020/04/compulsory-licensing-in-russia-in-the-view-of-COVID-19/>.

¹⁹⁶ Bill No. 842633-7 on Amending Article 1360 of the Civil Code of the Russian Federation (in terms of clarifying provisions for the use of an invention, utility model, or industrial design in the interests of national security) (first reading adopted on 15 December 2020). Viewed at: <https://sozd.duma.gov.ru/bill/842633-7>.

suggests that the Government should establish an appropriate policy and practices for determining the amount of compensation and its payment procedure.

3.183. On 6 December 2005, WTO Members adopted a decision on the Amendment of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), which transforms the 30 August 2003 decision on a special compulsory licensing system into a permanent amendment of the TRIPS Agreement. The Amendment makes it easier for Members with no or insufficient pharmaceutical manufacturing capacity to obtain generic versions of patented medicines by setting aside a compulsory licence provision of the TRIPS Agreement.¹⁹⁷ After the acceptance of the Protocol amending the TRIPS Agreement by two thirds of WTO Members, the Amendment took effect on 23 January 2017. The Russian Federation accepted the Amendment on 22 September 2017, and the State Duma is now considering the inclusion of the special compulsory licensing system of the amended TRIPS Agreement into the CC RF in compliance with Article 31*bis* of the TRIPS Agreement. On 25 May 2021, the bill was adopted by the State Duma in the third reading. It was expected to be signed by the President of the Russian Federation in June-July 2021.

3.3.7.2 Overview

3.184. During the review period, the Russian Federation further improved its administrative systems to ensure the capitalization of IP, as part of its effort to enhance the independence and competitiveness of the country and to strengthen national intellectual capacity. Notably, in December 2016, the Russian Federation approved the Strategy for the Scientific and Technological Development, which identifies the challenges, priorities, and opportunities for scientific and technological development and sets out the Russian Federation's strategic objectives, policy principles, and implementation mechanisms.¹⁹⁸ Currently, the key document to define state IP policy is the Intellectual Property Roadmap under the Government Business Environment Transformation initiative.¹⁹⁹ The Roadmap encompassed all legislative tracks related to the development of the Russian IP system, including accession to international treaties, institutional development, improving examination procedures, and tax regulation.

3.185. The Strategy recognizes seven priority areas: (i) digital production technologies (e.g. robotics, new materials and design methods, big data systems); (ii) environment-friendly and resource-saving energy (e.g. hydrocarbon extraction and processing, energy transportation and storage); (iii) personalized medicines and health technologies (e.g. antibacterial); (iv) farming and aquaculture (e.g. chemical and biological protection equipment for agricultural plants and animals); (v) counteraction against hazards; (vi) intelligent transport, logistics, and telecommunications systems; and (vii) effective responses to other challenges identified by the Strategy.

3.186. In March 2019, the Government approved the State Programme for the Scientific and Technological Development of the Russian Federation 2019-2030²⁰⁰, which is administered by the Ministry of Science and Higher Education. According to the Programme, the annual federal budget allocated for scientific R&D and higher education will increase from RUB 889.7 billion (about USD 11.9 billion, 5.6% of the total federal budget²⁰¹) in 2019 to RUB 1,969.6 billion (about USD 26.4 billion) in 2030.

3.187. The Programme comprises five sections: (i) developing national intellectual potential; (ii) ensuring global competitiveness of higher education; (iii) strengthening basic scientific research for long-term development; (iv) forming and implementing integrated scientific and technological programmes according to the priorities of the Strategy; and (v) building infrastructure for scientific, technological, and innovative activities.

¹⁹⁷ Article 31(f) of the TRIPS Agreement provides: "any such use [i.e. use of a patent without the authorization of the right holder] shall be authorized predominantly for the supply of the domestic market of the Member authorizing such use".

¹⁹⁸ Strategy for the Scientific and Technological Development of the Russian Federation, Presidential Order No. 642 of 1 December 2016. Unofficial English translation is available at: <https://online.mai.ru/StrategySTD%20RF.pdf>.

¹⁹⁹ Rospatent (2020), *Annual Report 2020: Transforming the IP Business Environment*, pp. 16-29.

²⁰⁰ State Programme for the Scientific and Technological Development of the Russian Federation, Government Decree No. 377 of 29 March 2019.

²⁰¹ The federal budget for 2019 amounted to RUB 15,986 billion. TASS, *State Duma Adopts Russia's Budget for 2017-2019*, 9 December 2016. Viewed at: <https://tass.com/economy/917970>.

3.188. The Programme is expected to achieve several concrete results by 2030, including the Russian Federation entering the top 50 of the Global Talent Competitiveness Index²⁰², doubling the number of foreign students in the higher education system, ensuring that at least 800 students for every 10,000 people aged 17 to 30 can receive free higher education, becoming one of the 5 leading countries in terms of the total number of articles published in the priority areas identified by the Strategy, becoming the top 10 leaders in 14 areas of scientific specialization, ensuring the growth rate of domestic R&D spending exceeds the growth rate of GDP, and entering top 5 countries in terms of domestic R&D spending. It should be noted that several IP-related indicators, such as raising investment in IP to 5% of the nation's total investment in fixed assets, and the Russian Federation entering top five leading countries in terms of the total number of patent applications in the priority areas of the Strategy, are integral parts of the Programme.

3.189. Historically, the Russian Federation has strong national R&D capacity. For example, there were 758,462 researchers reported in 2018, the third highest globally, although this number has declined steadily from 833,654 in 2015.²⁰³ According to the Global Innovation Index 2020, the solid tertiary education system of the Russian Federation, ranked 17th globally, indicates one of the strengths in R&D, whereas the regulatory environment, ranked 95th, may be considered as one of the weaknesses.²⁰⁴

3.190. Overall, R&D expenditure as a proportion of GDP remained around 1.10% during 2014-17, with a little drop to 0.98% in 2018, slightly lower than the average of 1.15% among middle-income economies.²⁰⁵ Meanwhile, R&D expenditure per capita rose steadily from USD 266 in 2013 to USD 285 in 2018.²⁰⁶ R&D expenditure performed by business enterprises rose significantly from 43.4% in 2013 to 55.6% in 2018²⁰⁷, indicating the growing participation of the private sector in R&D activities. While the R&D expenditure has contributed to energetic patenting activities, innovation outputs still do not match the R&D investment.²⁰⁸

3.191. In terms of manufactured exports, the share of high technology products increased from 10.7% in 2013 to 13% in 2019, and the export value rose by 17%, to reach USD 10.9 billion.²⁰⁹ During the same period, exports of pharmaceuticals, one of the priority areas identified by the Strategy, also rose about 45%, from USD 592 million to reach USD 856 million.²¹⁰

3.3.7.3 IP legislation

3.192. The Russian Federation has a long-established IP system and houses one of the world's top 10 IP offices in terms of IP filing activities.²¹¹ Since 2015, the Russian Federation has made several amendments to Part IV of the CC RF (Table 3.23), the main source of substantive IP legislation, which entered into force on 1 January 2008, showing the continuing public interest in strengthening and refining the IP legislative framework in support of innovation.

²⁰² Launched in 2014, the Global Talent Competitiveness Index ranks countries based on the ability to enable, attract, raise, and retain talent. The Russian Federation was ranked 53rd among 119 countries in 2018 and has risen to 48th among 132 countries in 2020. Adecco Group (2020), *GTCI: Bridging the Skills Gap: Rethinking Workforce Investment*. Viewed at: <https://gtcistudy.com/the-gtci-index/>.

²⁰³ UNESCO Institute for Statistics, Section on Science, Technology, and Innovation. Viewed at: <http://data.uis.unesco.org/>.

²⁰⁴ Soumitra Dutta, Bruno Lanvin, and Sacha Wunsch-Vincent (eds) (2020), *Global Innovation Index 2020: Who Will Finance Innovation?* Cornell University, INSEAD, and WIPO. Viewed at: https://www.wipo.int/edocs/pubdocs/en/wipo_pub_gii_2020.pdf.

²⁰⁵ UNESCO Institute for Statistics, Section on Science, Technology, and Innovation.

²⁰⁶ UNESCO Institute for Statistics, Section on Science, Technology, and Innovation.

²⁰⁷ UNESCO Institute for Statistics, Section on Science, Technology, and Innovation.

²⁰⁸ Cornell University, INSEAD, and WIPO, *Global Innovation Index 2020: Russian Federation*. Viewed at: https://www.wipo.int/edocs/pubdocs/en/wipo_pub_gii_2020/ru.pdf.

²⁰⁹ World Bank Open Data, *High-technology Exports*. Viewed at: <http://data.worldbank.org/>.

²¹⁰ WTO Data Portal, *Merchandise Exports by Product Group - Annual, "Pharmaceuticals"*. Viewed at: <https://data.wto.org/>.

²¹¹ WIPO (2020), *World Intellectual Property Indicators 2020*. Viewed at: https://www.wipo.int/edocs/pubdocs/en/wipo_pub_941_2020.pdf.

Table 3.23 Summary of amendments to IP legislation, 2015-20

Subject	Legislation	Main changes
Copyright and related rights	Federal Law No. 43-FZ of 28 March 2017 on Amendments to Part IV of the Civil Code of the Russian Federation (CC RF)	<ul style="list-style-type: none"> Strengthen protection of related rights of directors of theatrical and entertainment performances by linking theatrical productions to the objects of related rights if they are expressed in the forms of public performance and recording
	Federal Law No. 319-FZ of 14 November 2017 on Amendments to Part IV of the CC RF	<ul style="list-style-type: none"> Improve activities of organizations on collective management of copyright and related rights Strengthen control over activities of collective management organizations, including the imposition of obligation of accredited organizations to conduct and disclose an annual accountancy (financial) reporting on their official websites
	Federal Law No. 381-FZ of 5 December 2017 on Amendments to Article 1293 of Part IV of the CC RF	<ul style="list-style-type: none"> Expand the list of grounds under which authors of original works of fine art can receive a reward, including at each resale of the original of such works, in which the auction house, gallery of fine art, art salon, or shop participates as an intermediary, seller, or buyer
Industrial designs	Federal Law No. 549-FZ of 27 December 2018 on Amendments to Part IV of the CC RF	<ul style="list-style-type: none"> Provide temporary protection to industrial designs during the stage of substantive examination of applications (i.e. from publication of an application until issuance of a patent) Provide possibility for publishing the information on an industrial design application that had passed formal examination at the request of the applicant
Geographical indications (GIs)	Federal Law No. 230-FZ of 26 June 2019 on Amendments to Part IV of the CC RF, and Articles 1 and 23-1 of the Law on State Regulation of Manufacturing and Circulation of Ethanol, Alcohol Products and Restriction of Alcohol Product Consumption ²¹²	<ul style="list-style-type: none"> Introduce GIs as an independent form of IP that can be obtained by one or several individuals, legal entities, or associations of persons who produce or commercialize the goods Set forth a procedure for registration and granting of the right to use GIs (e.g. requirements for an application for registration of a GI) Provide a distinction between GIs and appellations of origin of goods
Electronic means	Federal Law No. 217-FZ of 20 July 2020 on Amendments to Part IV of the CC RF	<ul style="list-style-type: none"> Introduce, on a voluntary basis, electronic forms of issuance of patents and registration certificates for trademarks, well-known trademarks, GIs, and other IP Allow an applicant to provide 3D models of an invention or utility model for explaining the formula of the invention or the utility model
Patents	Federal Law No. 262-FZ of 31 July 2020 on Amendments to Part IV of the CC RF	<ul style="list-style-type: none"> Introduce procedures of primary information research and assessment of patentability of inventions and utility models, conducted by Rospatent-accredited scientific and educational centres Allow an applicant to request the centre to provide research in respect of an invention and its patentability before examination of application Introduce amendments related to the right of duty-free patenting

Source: Information provided by the authorities.

3.193. The Russian Federation has acceded to 23 treaties administered by WIPO, 3 of which have entered into force since 2018 (Table 3.24). On 20 November 2020 (notification deposited to the European Economic Community on 24 November 2020), the Russian Federation ratified the Agreement on Trademarks, Service Marks and Appellations of Origin of the Eurasian Economic Union signed on 3 February 2020 (entered into force on 26 April 2021). On 4 December 2020 (instrument deposited to WIPO on 11 January 2021), the Russian Federation ratified the Protocol to the Eurasian

²¹² WTO document IP/N/1/RUS/4, IP/N/1/RUS/G/1, 15 October 2019.

Patent Convention of September 9, 1994 on the Protection of Industrial Designs signed on 9 September 2019 (entered into force on 11 April 2021).

Table 3.24 Participation in WIPO-administered international agreements, 2015-20

Treaty/Agreement	Accession	In Force
Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled (Marrakesh VIP Treaty)	8 February 2018	8 May 2018
Hague Agreement Concerning the International Registration of Industrial Design (Hague Agreement)	30 November 2017	28 February 2018
Beijing Treaty on Audiovisual Performances	19 October 2015	28 April 2020

Source: WIPO IP Portal, WIPO-Administered Treaties, Contracting Parties: Russian Federation. Viewed at: http://www.wipo.int/treaties/en/ShowResults.jsp?country_id=147C.

3.3.7.4 Copyright and related rights

3.194. The Russian Federation has amended its copyright legislation since the previous Review, with a focus on copyright collective management and access to and use of information and information technology.

3.195. In order to effectively implement the obligations of collective management organizations introduced by Federal Law No. 319-FZ of 14 November 2017 on Amendments to Part IV of the Civil Code of the Russian Federation (Table 3.23), the Russian Federation requires these collective management organizations to disclose their activities²¹³, and imposes administrative liabilities for failing to disclose annual accounting (financial) reports.²¹⁴

3.196. Regarding protection of information and information technology, Federal Law No. 156-FZ of 1 July 2017 on Amendments to the Federal Law on Information, Information Technologies and Information Protection (FLIITIP) established a mechanism allowing the court to restrict access to "mirrors", i.e. sites that are confusingly similar to the sites to which access was previously restricted due to replicative and illegal posting of information containing copyright items. This Law covers websites that contain unauthorized copyright and related rights' items or the information required to obtain these items. Federal Law No. 276-FZ of 29 July 2017 on Amendments to the Federal Law on Information, Information Technologies, and Information Protection (FLIITIP) prohibits the use of information and telecommunications networks, information systems, and computer programs to access prohibited information resources on the list maintained by the Federal Service for Supervision in the Sphere of Telecom, Information Technologies and Mass Communication (Roskomnadzor). This Law also prevents proxy service (e.g. VPNs) providers from providing access to prohibited information resources in the Russian Federation and bans search engine operators from issuing links to such materials.

3.197. Amendments to Chapter 70 (Copyright Law) of the CC RF are being prepared to bring national legislation in line with the provisions of the WIPO Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled (Marrakesh VIP Treaty), including the expansion of the scope of copyright exceptions to cover any works in the form of a text, musical note, or associated illustration, published or made publicly available otherwise by any information means (e.g. audiobooks) exclusively intended for print-disabled people, and the possibility for the importation of copies in an accessible format without the consent of the copyright holder.²¹⁵

3.3.7.5 Patents

3.198. As listed in Table 3.23, Federal Law No. 262-FZ of 31 July 2020 on Amendments to Part IV of the Civil Code of the Russian Federation is one of the major legal developments in Russian patent

²¹³ Resolution No. 831 of 16 July 2018 on the Approval of the Disclosure Standard by Collectively Accredited Organizations.

²¹⁴ Federal Law No. 318-FZ of 14 November 2017 on Amendments to the Code of the Russian Federation on Administrative Offences.

²¹⁵ Federal Law No. 369-FZ of 5 December 2017 on the Accession of the Russian Federation to the Marrakech Treaty on the Facilitation of Access of the Blind and Persons with Visual Impairments or Other Limited Abilities to Perceive Printed Information to Published Works.

law. It introduces a new mechanism for institutions accredited by Rospatent to carry out, upon the request of an applicant, a preliminary information search and patentability assessment as part of the examination of applications for inventions and utility models. Applicants who submit the preliminary assessment results to Rospatent will benefit from reduced fees and shortened periods of substantive patent examinations.²¹⁶ This mechanism is expected to reduce the amount of preparatory work of Rospatent examiners, help examiners have a better understanding of the essence of the claimed invention, and improve patent quality by involving industry experts to examine prior art and assess patentability before substantive examination by Rospatent.

3.199. During the period 2016-20, the total number of patent applications declined by 11%, mainly due to a considerable decrease in invention and utility model filings and a steady decline in non-resident applications. On average, Rospatent received approximately 54,000 patent applications per year, of which about 69% were resident applications. The share of patent applications for inventions fell from 72% in 2016 to 67% in 2020, while the share of industrial design applications rose from 9% to 15% (Table 3.25). The decline in patent applications was mainly attributed to the COVID-19 pandemic.

3.200. Despite the drop in patent applications, in 2020, Rospatent was ranked 9th worldwide in terms of the number of patent applications²¹⁷, falling from 8th in 2019. As discussed above, the active patenting activities may be attributed to the large amount of R&D expenditure within the country.

Table 3.25 Patent applications, 2016-20

	2016	2017	2018	2019	2020
Total	58,163	54,013	54,269	52,791	51,919
Of which (by applicant)					
Resident	39,829	36,192	37,410	36,431	36,442
Non-resident	18,334	17,821	16,859	16,360	15,477
Of which (by type)					
Inventions	41,587	36,883	37,957	35,511	34,984
Utility models	11,112	10,643	9,747	10,136	9,195
Industrial designs	5,464	6,487	6,565	7,144	7,740

Source: WIPO IP Statistics Data Center; and information provided by the authorities. Data for 2020 are from Rospatent (2021), *Annual Report 2020: Transforming the IP Business Environment*. Viewed at: <https://rospatent.gov.ru/content/uploadfiles/annual-report-2020-short-version-en.pdf>.

3.201. During the same period, Rospatent granted, on a yearly average, approximately 33,000 patents for inventions (about 64% to resident applicants), 8,600 patents for utility models (about 96% to resident applicants), and 5,600 patents for industrial designs (about 48% to resident applicants) (Table 3.26.).

Table 3.26 Patent grants, 2016-20

	2016	2017	2018	2019	2020
Total	46,866	48,367	52,384	49,186	40,574
Of which (by applicant)					
Resident	31,274	31,607	32,758	31,438	..
Non-resident	15,592	16,760	19,626	17,748	..
Of which (by type)					
Inventions	33,536	34,254	35,774	34,008	28,788
Utility models	8,875	8,774	9,869	8,848	6,748
Industrial designs	4,455	5,339	6,741	6,330	5,038

.. Not available.

Source: WIPO IP Statistics Data Center; and information provided by the authorities. Data for 2020 are from Rospatent (2021), *Annual Report 2020: Transforming the IP Business Environment*.

²¹⁶ Rospatent, *AIF: New Procedure Introduced to Outsource Examination for Inventions and Utility Models*, 12 February 2021. Viewed at: <https://rospatent.gov.ru/en/news/aif-procedure-rassmotreniya-patentnyh-zayavok-na-izobreteniya-150221>.

²¹⁷ WIPO (2020), *World Intellectual Property Indicators 2020*, pp. 27 and 31.

3.202. As at 31 December 2020, there were 266,189 patents for inventions, 45,953 for utility models, and 41,161 for industrial designs in force.²¹⁸

3.203. The Russian Federation's comparative innovative and technology capacity is focused on the following technology fields, as evidenced by patents granted for inventions originated from the country between 2016 and 2019: measurement (8.7%), food chemistry (8%, falling from 20.8% to 2.9% during the period), medical technology (7.6%), civil engineering (6.6%), other special machines (5.8%), pharmaceuticals (5.1%), materials/metallurgy (4.9%), transport (4.8%), and engines/pumps/turbines (4.2%).²¹⁹

3.3.7.6 Trademarks

3.204. Following the signature of the Agreement on Trademarks, Service Marks and Appellations of Origin of the Eurasian Economic Union by all EAEU member States, the Russian Federation became the first member to ratify the Agreement (November 2020). This Agreement is considered an important step towards Eurasian integration in the field of IP, as it will create a EAEU Unified Register for trademarks and appellations of origin. The Unified Register will allow an application to be filed with any of the five national patent offices at reduced application fees and be protected within the EAEU Customs Union territory if it passes the examinations at all patent offices.²²⁰

3.205. In accordance with Article 16 of the TRIPS Agreement, the Russian Federation provides a higher level of protection for well-known trademarks. Under Articles 1508 and 1509 of the CC RF, a well-known trademark authorized by Rospatent enjoys infinite duration of protection without any need to renew. The protection further extends to goods that are not similar to those for which a well-known trademark is registered if the use of trademark is likely associated by consumers with the well-known trademark holder and may damage the lawful interests of the holder.

3.206. The high level of protection for well-known trademarks goes together with the high threshold for well-known trademark applicants. As at February 2021, the open registry of the Federal Institute of Industrial Property (FIPS) contained only 224 registered and protected well-known trademarks.²²¹ The IP Court recently rendered an important decision on the concept of well-known trademarks.²²² During the review period, trademark filing activity rose steadily (Table 3.27): resident applications grew remarkably by 62% from 2016 to 2020, and non-resident applications also rose by 9%. The share of resident applications increased from 63% in 2016 to 72% in 2020, which is slightly lower than the average of the upper-middle-income group (75.2% in 2019 without China).²²³ The number of Russian applicants filing abroad rose sharply, by 43%, from 2016 to reach 31,318 in 2019, possibly illustrating an increasing export of domestic brand holders.²²⁴

Table 3.27 Trademark applications, 2016-20

Year	2016	2017	2018	2019	2020
Total	65,862	71,796	75,124	85,040	93,926
Of which (by applicant)					
Resident	41,529	46,602	49,132	58,626	67,396
Non-resident	24,333	25,194	25,992	26,414	26,530

Source: WIPO IP Statistics Data Center; and information provided by the authorities. Data for 2020 are from Rospatent (2021), *Annual Report 2020: Transforming the IP Business Environment*.

²¹⁸ Annual Report of Rospatent 2020.

²¹⁹ WIPO IP Statistics Data Center. Viewed at: <https://www3.wipo.int/ipstats/>.

²²⁰ Rospatent, *Ratification of EAEU Treaty on Trademarks, Service Marks and Appellation of Origin*, 27 October 2020. Viewed at: <https://rospatent.gov.ru/en/news/gosduma-prinyala-zakonoproekt-ratifikacii-dogovora-o-tz-zo-nmpt>.

²²¹ FIPS, *Registry of Well-known Trademarks in the Russian Federation*. Viewed at: <https://www.fips.ru/registers-web/action?acName=clickRegister®Name=WKTM>.

²²² "Raffaello", *International Review of Intellectual Property and Competition Law*, Vol. 52, pp. 71-79, 11 January 2021. Viewed at: <https://doi.org/10.1007/s40319-020-01007-9>.

²²³ WIPO (2020), *World Intellectual Property Indicators 2020*, p. 91.

²²⁴ WIPO IP Statistics Data Center. Viewed at: <https://www3.wipo.int/ipstats/>.

3.3.7.7 Geographical indications

3.207. Federal Law No. 230-FZ of 26 June 2019 on Amendments to Part IV of the Civil Code of the Russian Federation introduced geographical indication (GI) as a new and independent type of IP with an aim to attract foreign investment and promote domestic brands. The Law establishes a registration procedure and requirements for GI protection. Under the Law, GI is defined as a designation used to identify a product as originating from a specific geographical territory, where certain quality, reputation, and other characteristics are attributable to its origin. The term of protection of GIs is 10 years with the possibility of unlimited renewals. In addition, GIs can be registered by one or several individuals, legal entities, or associations of persons who manufacture or commercialize the product.

3.208. Although a geographical designation can be protected as an appellation of origin (AO) under existing Articles 1516-1537 of the CC RF, GI protection has several advantages compared to AO protection. Notably, a GI can be applied as long as the applicant can prove that one stage of the production chain takes place in the geographical location of which the name is being registered, whereas for an AO applicant, all production stages must take place within the geographical location.²²⁵ Additionally, GI protection is available to any foreign applicant, provided that his or her jurisdiction has the same level of protection as under Russian law, but AOs can be protected only if they are protected as AOs in the country of origin.²²⁶

3.209. Applications for GIs began on 27 July 2020. As at 31 December 2020, a total of 44 GI applications were filed, 42 of which were from Russian applicants and 2 from foreign applicants. Among them, one certificate of protection for GI was issued.

3.210. The number of AO applications doubled from 2016 to 2019, with a significant drop in 2020 due to the introduction of GI protection (Table 3.28). Among 157 AO certificates, 145 were granted to residents, showing the domination of domestic applicants in this field. As at 31 December 2020, there were 250 appellations of origin in force.

Table 3.28 Appellations of origin applications and grants, 2016-20

Year	2016	2017	2018	2019	2020 ^a
Total applications	44	56	99	100	34
Of which					
Resident	42	56	97	92	30
Non-resident	2	0	2	8	4
Total issued certificates	24	30	36	67	51
Of which					
Resident	16	27	36	66	..
Non-resident	8	3	0	1	..

.. Not available.

a Rospatent, *Annual Report 2020: Transforming the IP Business Environment*.

Source: Information provided by the authorities.

3.3.7.8 IP enforcement

3.211. IP enforcement in the Russian Federation is implemented by a number of government agencies, including the Prosecutor Office, Ministry of the Interior, the FCS, Federal Service for Supervision in the Sphere of Telecom, Information Technologies and Mass Communication (Roskomnadzor), Moscow City Court (Mosgorsud), and IP Court.

3.212. Legislative changes during the review period provided stricter legal liabilities for IP infringements in the Russian Federation. In 2016, Article 180 of the Criminal Code of the Russian Federation was amended to enhance the liabilities for illegal use of the means of

²²⁵ Rospatent, *Initiatives for Improving Russian Legislation Concerning the Protection of Geographical Indications*, Worldwide Symposium on Geographical Indications (2-4 July 2019). Viewed at: https://www.wipo.int/edocs/mdocs/sct/en/wipo_geo_lis_19/wipo_geo_lis_19_x5.pdf.

²²⁶ A. Zappalaglio and E. Mikheeva (2021), "The New Russian Law of Geographical Indications: A Critical Assessment", *Journal of Intellectual Property Law & Practice*.

individualization of goods, works, and services when such activities are carried out by an organized group of persons.

3.213. In addition, Federal Law No. 95-FZ of 1 April 2020 on Amendments to Article 238.1 of the Criminal Code of the Russian Federation criminalizes certain actions relating to the use of the media or information and telecommunication networks, including the Internet, and strengthens the corresponding legal liabilities. This Law covers manufacturing, importing, and supplying counterfeited, poor quality, or illegal medical products.

3.214. From 2016 to 2019, the number of criminal copyright infringement cases decreased significantly from 1,132 to 438 (Table 3.29). The number of copyright infringements on physical media decreases every year. Infringements of copyrights are committed mostly using the Internet. Such infringements *de facto* are registered on Internet sites not in the country-code top-level domain (ccTLD) ".ru". Besides, the servers with illegal content are not located in the territory of the Russian Federation. During the same period, the number of criminal trademark infringement cases remained around 200 annually.

Table 3.29 IP-related cases (criminal, administrative, and civil), 2016-20

Nature of cases	2016	2017	2018	2019	2020
Criminal cases					
Number of infringements of copyright and related rights (Article 146 of the Criminal Code of the Russian Federation)	1,132	911	594	438	363
Number of illegal use of trademarks (Article 180 of the Criminal Code of the Russian Federation)	210	216	186	265	247
Administrative cases					
Number of IP objects in the customs register (pieces)	4,295	4,617	4,953	5,141	5,406
Copyright and related rights	..	..	..	..	..
Trademarks	..	..	..	..	..
Number of detected counterfeit products (million units)	20.4	10.1	16.2	..	8.7
Amount of prevented damage (USD million)	105	61.4	92.7	109.1	47.3
Civil cases					
Number of IP cases filed with courts of general jurisdiction	..	..	..	..	..
Number of IP cases filed with commercial courts	..	..	..	..	..

.. Not available.

Source: Information provided by the authorities.

3.215. The Russian Federation continues to improve IP administrative and enforcement systems. On 4 September 2018, Federal Law No. 289-FZ of 3 August 2018 on Customs Regulation in the Russian Federation and on Amending Certain Legislative Acts of the Russian Federation came into force, replacing Federal Law No. 311-FZ of 27 November 2010 on Customs Regulation in the Russian Federation.²²⁷ The new customs regulation amended certain norms governing the procedure for IP protection by customs authorities.

3.216. The Law also secures the possibility of a paperless procedure for intellectual property right holders to include IP objects in the customs register administered by the FCS. Moreover, the maximum period for customs registry was extended from two to three years. The amount of liability insurance for causing property damage to the declarant, owner, recipient of the goods, or other persons due to the suspension of the release of goods by customs authorities also increased from

²²⁷ The amendment was developed in connection with the coming into force of the new Customs Code of the Eurasian Economic Union (EAEU) from 1 January 2018. Important changes to the EAEU's new Customs Code include allowing foreign trade operators to make customs declarations electronically, reducing the time of release of goods to four hours, promoting the full implementation of the "single window" mechanism, permitting information systems to make decisions automatically on registration and release of goods in some cases, and establishing grounds for delays in customs duties payment. EEC, *The EAEU New Customs Code Will Enter into Force on January 1, 2018*, 14 November 2017. Viewed at: http://www.eurasiancommission.org/en/nae/news/Pages/14_11_17.aspx.

RUB 300,000 (USD 4,100) to RUB 500,000 (USD 6,800). The number of IP objects included in the customs register has steadily increased to reach 5,406 as at 2020 (Table 3.29).

3.217. In accordance with Article 113 of Federal Law No. 289-FZ, Russian customs authorities are empowered to *ex officio* actions (i.e. without a request from the right holder), including measures to suspend the release of goods if infringing IP signs are detected.

3.218. In 2018, the IP Court heard 741 cases as the court of first instance, 193 of which involved foreign entities, and it heard 1,391 cases as the court of cassation, 155 of which involved foreign entities. Of these cases, 52% related to trademarks, 9% to copyright and related right, and 9% to patents.²²⁸ Other disputes include unfair competition and recovery of compensations.

²²⁸ IP Court, Court statistics, Court of First Instance 2018 report and Court of Cassation 2018 report. Viewed at: <http://ipc.arbitr.ru/node/13545>.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture, Forestry, and Fisheries

4.1. Agriculture, forestry, and fishing contributed more than RUB 3.9 trillion or 4.1% to GDP in 2019. In 2018, 4.3 million people were employed in these sectors (including hunting), accounting for about 5.9% of total employment. Due to its vast landmass and diversity in geographical and climatic features, the Russian Federation produces a large variety of agricultural goods, but the five largest products (milk, wheat, poultry meat, pig meat, and beef and veal) continue to account for more than 50% of the total value of agricultural production. In 2019, the Russian Federation was the largest producer in the world of barley, oats, sugar beets, and sunflower seeds; the third-largest producer of potatoes, rye, and wheat; and the fourth-largest producer of chicken meat. It was among the largest milk producers in 2018.¹

4.2. The nominal value of agricultural production at farm gate prices increased significantly over the review period, from RUB 4,443 million in 2016 to RUB 5,348 million in 2019. In terms of volume, the increase was less significant, as total crop production increased from 230 million tonnes to 241 million tonnes over the same period. The area harvested for crops increased from 61.7 million hectares in 2016 to 63.1 million hectares in 2019, according to the FAO, with crop yields increasing. While production has increased overall since 2016, its structure underwent only small changes as the importance of potatoes, maize, and rye continued to decline, while the share of sunflowers, sugar, and pig meat in production continued their trend increases (Table 4.1). Among the more important products, the area harvested for sunflowers, soya beans, and rapeseed increased between 15% and 56% over the reporting period.²

4.3. According to the authorities, crops were sown on 79.9 million hectares of land in 2019, a large proportion of the 122 million hectares of arable land (and 215 million hectares of agricultural land).³ In 2019, agricultural enterprises produced 58% of all agricultural output, household enterprises produced 28%, and peasant (farm) enterprises accounted for 14%, producing primarily potatoes and vegetables, especially for their own consumption while selling surplus on local markets.

4.4. The majority of land continues to be owned by the State and by municipal authorities, with private citizens holding 28.1% and private enterprises 5.2% of land. Land owned by the State and by municipal authorities can be leased by agricultural producers in accordance with Federal Law No. 101-FZ of 24 July 2002 on the Turnover of Agricultural Land. According to the authorities, limits to the share of total land owned by (a group of) citizens are in place and vary by municipal district to limit concentration of land ownership within a given locality. Foreign citizens or foreign legal entities cannot own agricultural land in the Russian Federation, but they can sign leases.

4.5. While agricultural firms are profitable on average, large productivity differences can be observed. In 2019, 87.2% of agricultural firms were profitable when taking subsidies into consideration, an increase from the year before. On average, profitability was estimated at 14.6%, an increase compared to 2018, while profitability excluding subsidies was estimated to be 9.9%. The average masks important differences, however, as 32.4% of firms earned profits of between 0% and 10%, while 5.4% of enterprises generated profits of more than 70%. Profitability varies greatly across agricultural sectors, with crops generally more profitable than livestock or agro-processing (profitability in both of which declined in 2019).⁴ According to OECD data, yields for wheat, maize, soya beans, and rice have been increasing since the early 2000s but remain below the average for OECD countries (with the exception of rice, where yields are higher).⁵

¹ FAOSTAT, *Crops and Livestock Products*. Viewed at: <http://www.fao.org/faostat/en/#data/QCL>.

² FAOSTAT, *Crops and Livestock Products*.

³ FAOSTAT, *Land Use*. Viewed at: <http://www.fao.org/faostat/en/#data/RL>.

⁴ Government Order No. 1684-r of 26 June 2020 approving the National Report on the Progress and the Implementation Results for 2019 of the State Programme for Agricultural Development and Regulation of Agricultural Markets.

⁵ OECD/FAO (2021), *OECD-FAO Agricultural Outlook (Edition 2020)*, OECD Agriculture Statistics database. Viewed at: <https://data.oecd.org/agroutput/crop-production.htm>.

Table 4.1 Production of selected agricultural products, 2015-20

	2015	2016	2017	2018	2019	2020
Value of production (RUB billion)						
Total	4,139.0	4,443.8	4,516.0	4,629.2	5,187.4	5,741.1
Wheat	542.0	648.2	628.2	615.8	765.3	1,051.1
Barley	128.5	139.1	139.9	137.9	195.7	204.0
Maize	103.2	127.6	92.9	90.3	143.7	146.6
Oats	24.9	30.5	35.6	28.2	30.4	35.2
Rye	11.0	15.7	14.3	10.7	11.5	22.9
Sunflowers	199.8	258.2	191.6	241.0	278.2	325.8
Sugar	119.8	149.8	116.1	111.3	105.8	93.3
Milk	617.1	649.8	739.1	699.6	780.1	833.1
Beef and veal	263.2	268.2	267.1	278.5	295.9	316.6
Pig meat	407.1	406.8	439.1	477.7	477.8	505.1
Poultry meat	430.4	447.9	450.4	472.6	506.9	498.0
Eggs	177.3	182.1	159.8	175.0	187.5	195.3
Potatoes	335.3	230.2	252.0	281.0	233.0	231.2
Non-MPS commodities	779.5	889.9	989.9	1,009.7	1,175.5	1,282.8
Production quantity (million tonnes)						
Wheat	61.8	73.3	86.0	72.1	74.5	85.9
Barley	17.5	18.0	20.6	17.0	20.5	20.9
Maize	13.1	15.3	13.2	11.4	14.3	13.5
Oats	4.5	4.8	5.5	4.7	4.4	4.1
Rye	2.1	2.5	2.5	1.9	1.4	2.4
Sunflowers	9.8	11.8	11.2	13.6	15.4	13.3
Sugar	5.1	5.8	6.7	6.3	7.3	5.1
Milk	29.9	29.8	30.2	30.6	31.4	32.2
Beef and veal	1.4	1.3	1.3	1.4	1.4	1.4
Pig meat	2.7	2.9	3.0	3.2	3.4	3.7
Poultry meat	4.3	4.4	4.7	4.7	4.7	4.7
Eggs	2.4	2.4	2.5	2.5	2.5	2.5
Potatoes	25.4	22.5	21.7	22.4	22.1	19.6

Source: OECD, Agricultural Policy Monitoring and Evaluation. Viewed at: <http://www.oecd.org/agriculture/topics/agricultural-policy-monitoring-and-evaluation/>.

4.1.1 Trade

4.6. Despite the increases in production, the Russian Federation remains a net importer of agricultural goods. Agricultural exports increased by more than 40% over the period 2016-19 in nominal USD terms to USD 20 billion and increased by another 23.6% between 2019 and 2020. They stayed constant as a share of exports at 4.7% until 2019 before increasing to 7.4% in 2020.⁶ The increase in exports was broad based across most of the important export products with particularly notable exceptions of maize and some tobacco products, which declined over the reporting period (in addition to some other products) (Table 4.2). Four products account for more than half of the value of all exports (wheat and meslin, certain vegetable oils, barley, and chocolate (preparations)). In 2019, agricultural exports were primarily destined for Turkey, Kazakhstan, the European Union (EU-27), Egypt, and China, but some products are primarily shipped to other countries (such as barley to the Kingdom of Saudi Arabia).⁷

Table 4.2 Exports of selected agricultural products, 2014-20^a

(USD million, unless otherwise indicated)

HS4	Product description	2014	2015	2016	2017	2018	2019	2020
Total agriculture exports		16,135	13,379	14,324	17,666	20,555	20,101	24,847
	(% of total exports)	3.2	3.9	4.7	4.7	4.6	4.7	7.4
1001	Wheat and meslin	5,423	3,949	4,216	5,796	8,432	6,403	8,189
1512	Sunflower-seed, safflower or cotton-seed oil and fractions thereof	1,461	1,191	1,440	1,780	1,602	2,206	2,811
1003	Barley	785	944	424	732	1,024	764	1,086
1806	Chocolate and other food preparations containing cocoa	651	437	477	552	632	720	729

⁶ Using WTO definition of agriculture, see footnote in Table 4.2.

⁷ No trade data by partner country were available for 2020.

HS4	Product description	2014	2015	2016	2017	2018	2019	2020
1005	Maize (corn)	700	601	861	846	853	618	698
1514	Rape, colza or mustard oil and fractions thereof	295	191	169	239	361	514	586
1905	Bread, pastry, cakes, biscuits and other bakers' wares	361	306	324	342	369	425	450
2306	Oil-cake and other solid residues	455	308	270	221	286	416	433
1507	Soya-bean oil and its fractions	292	305	345	392	406	398	482
0713	Dried leguminous vegetables	210	322	385	411	325	360	349
0207	Meat and edible offal, of the poultry	65	76	118	173	191	327	427
1201	Soya beans, whether or not broken	24	119	133	169	290	279	487
1701	Cane or beet sugar and chemically pure sucrose, in solid form	6	7	59	276	178	271	467
2106	Food preparations not elsewhere specified or included	225	156	318	418	233	271	294
2402	Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes	564	518	451	375	302	263	196
1206	Sunflower seeds, whether or not broken	42	33	84	132	50	254	564
2403	Other manufactured tobacco and manufactured tobacco substitutes	214	224	205	212	187	252	316
2303	Residues of starch manufacture and similar residues	142	116	144	149	202	222	240
1204	Linseed, whether or not broken	152	137	206	189	147	219	230
1517	Margarine; edible mixtures or preparations of animal or vegetable fats or oils	190	155	162	200	188	208	229

a Major items according to 2019 data.

Note: WTO definition of agriculture: HS Chapters 01-24 less fish and fishery products (HS 03, 0508, 0511.91, 1504.10, 1504.20, 1603-1605, and 2301.20), plus some selected products (HS 2905.43-2905.45, 3301, 3501-3505, 3809.10, 3823, 3824.60, 4101-4103, 4301, 5001-5003, 5101-5103, 5201-5203, and 5301-5302).

Source: WTO Secretariat calculations, based on UN Comtrade database.

4.7. Imports of agricultural products increased by 14.1% between 2016 and 2020, less than exports, and slightly fell as a share of total imports. In 2020, agricultural imports were valued at USD 28.3 billion. Imports were particularly dominated by fruits, dairy products, (alcoholic) beverages, (preparations of) meats, and soya beans, accounting for around 47.9% of total agricultural imports (Table 4.3). In 2019, imports primarily originated in the EU-27, Belarus, Brazil, China, and Turkey.⁸

Table 4.3 Imports of selected agricultural products, 2014-20^a

(USD million, unless otherwise indicated)

HS4	Product description	2014	2015	2016	2017	2018	2019	2020
Total agriculture imports		37,702	25,429	24,789	28,650	28,087	28,394	28,275
	(% of total imports)	13.2	13.9	11.9	11.0	11.7	11.5	12.2
0805	Citrus fruit, fresh or dried	1,487	1,191	1,171	1,192	1,237	1,289	1,279
0406	Cheese and curd	1,582	720	751	943	965	1,161	1,227
2204	Wine of fresh grapes	1,143	691	728	1,004	1,051	1,161	1,093
0803	Bananas, including plantains, fresh or dried	958	910	999	1,140	1,155	1,120	1,117
2208	Spirits, liqueurs and other spirituous beverages	1,237	713	684	947	943	1,114	976
0202	Meat of bovine animals, frozen	2,249	1,161	833	895	893	809	708
1201	Soya beans, whether or not broken	1,151	942	977	966	993	792	862
2309	Preparations of a kind used in animal feeding	808	560	561	707	746	762	848

⁸ No trade data by partner country were available for 2020.

HS4	Product description	2014	2015	2016	2017	2018	2019	2020
2106	Food preparations not elsewhere specified or included	953	485	948	1,181	645	670	712
1511	Palm oil and its fractions	642	642	647	702	749	668	793
2401	Unmanufactured tobacco; tobacco refuse	1,044	952	921	721	664	651	628
0405	Butter and other fats and oils derived from milk	742	307	400	535	426	640	600
0702	Tomatoes, fresh or chilled	1,045	676	492	561	631	639	555
0901	Coffee	572	511	517	639	593	631	652
1806	Chocolate and other food preparations containing cocoa	631	347	345	462	540	587	547
0808	Apples, pears and quinces, fresh	980	540	526	601	725	586	772
0810	Other fruit, fresh	453	293	263	339	441	477	536
0809	Apricots, cherries, peaches, plums and sloes, fresh	504	278	277	416	431	461	640
0402	Milk and cream	657	412	510	527	305	428	332
0902	Tea, whether or not flavoured	646	638	548	525	497	426	413

a Major items according to 2019 data.

Note: WTO definition of agriculture: HS Chapters 01-24 less fish and fishery products (HS 03, 0508, 0511.91, 1504.10, 1504.20, 1603-1605, and 2301.20), plus some selected products (HS 2905.43-2905.45, 3301, 3501-3505, 3809.10, 3823, 3824.60, 4101-4103, 4301, 5001-5003, 5101-5103, 5201-5203, and 5301-5302).

Source: WTO Secretariat calculations, based on UN Comtrade database; and data provided by the authorities.

4.1.2 Policies

4.8. The agricultural policies of the Russian Federation operate within the framework of its membership in the Eurasian Economic Union (EAEU). Member States agreed to a (coordinated) agro-industrial policy outlining principles for a "balanced" development of agricultural and food production as well as markets, fair competition among member States, and explicitly the "protection of the interest of agricultural producers".⁹ Annex 29 to the Treaty on the Eurasian Economic Union (EAEU Treaty) sets principles for state support to agriculture and prohibits the use of measures that distort trade to a "larger extent"¹⁰, stating that EAEU member States' "commitments on state support measures that distort agricultural trade undertaken as a condition for the accession to the WTO" also become their EAEU commitments.¹¹ Disciplines regarding state support to agriculture are in line with those of the WTO Agreement on Agriculture.¹² Support policies remain implemented at the national level, and there are no financial transfers among the EAEU member States related to agricultural policy.

4.9. In the Russian Federation, the Ministry of Agriculture is responsible for setting policies affecting agriculture at the federal level. They are implemented by the federal subjects, using allocations from the federal budget supplemented with regional budgets.

4.10. In accordance with the EAEU Treaty, technical regulations that establish mandatory requirements for food products are set at the EAEU level. Mandatory safety requirements for all food products and related processes of production (manufacturing), storage, transportation, sale, and disposal are established by the technical regulation of the Customs Union (TR CU) on Food Safety.¹³ General requirements for the packaging of goods and labelling requirements for foodstuffs are set out in EAEU technical regulations TR CU 005/2011 and TR CU 022/2011, respectively. In addition,

⁹ Treaty on the Eurasian Economic Union, Article 94.

¹⁰ According to the Factual Presentation on the Treaty on the Eurasian Economic Union, they include subsidies for export to another member State and support contingent on the use of domestic agricultural products in the production of agricultural products. These are listed in Section IV of the Protocol on Agricultural Support. WTO document WT/REG358/1, 13 July 2018.

¹¹ For detailed information, see Section XXV and Annex 29 to the EAEU Treaty.

¹² The EAEU Commission is also entrusted with competencies to monitor agricultural policies, providing recommendations on effectiveness, and promoting a level playing field. See Factual Presentation on the Treaty on the Eurasian Economic Union, WTO document WT/REG358/1, 13 July 2018.

¹³ Customs Union Commission Decision No. 880 of 9 December 2011 on the Adoption of the Technical Regulation of the Customs Union on Food Safety.

packaging, marking, and labelling requirements are stipulated in all product-specific EAEU technical regulations.¹⁴ Uniform inspection and market monitoring activities carried out by EAEU-accredited national competent authorities are also in place for products on the common list (for more information, see Sections 3.3.2 and 3.3.3). Under the specific technical regulations, each EAEU member State determines the authorities responsible for oversight. In the Russian Federation, control at checkpoints is provided by the Federal Customs Service. Based on documentary checks, it can invite the responsible authority to provide assessment in case of documentary discrepancies.

4.11. According to the Federal Law 264-FZ of 29 December 2006 on Development of Agriculture (as amended), the overall objective of agricultural policies is to ensure food security and sustainable development of rural areas by developing agriculture as a competitive economic activity with efficient markets. According to the authorities, state agrarian policy is aimed at increasing the volume of agricultural production (by increasing the efficiency of agriculture) and ensuring stable socio-economic development of rural areas as basic guarantees of food security.¹⁵ To achieve this, the Government applies a combination of policies, including policies at the border (import and export duties, tariff rate quotas, and export restrictions (implemented in the context of the pandemic)), support programmes (interest rate subsidies, support to capital investments, production subsidies based on output, decoupled income support, and subsidies for insurance premiums), and interventions in domestic (grain) markets.¹⁶ As a response to the pandemic, additional support measures were put in place (Section 4.1.3.2).

4.12. Strategies such as the 2020 Strategy for Development of Agriculture and Fisheries Through 2030 or the 2019 Long-term Strategy for the Development of the Grain Complex until 2035¹⁷ provide further direction for the implementation of overall policy, and they also reflect priorities outlined under the national objectives. The Strategy for Development of Agriculture and Fisheries Through 2030 explicitly reflects seven of the national goals in the context of the agriculture and fisheries sector, and stresses the role of the State in supporting structural transformation in rural areas through eight strategy objectives around improved housing, education, technology, digitization, and increasing value-added production, investment, and exports, while ensuring food security. These strategy objectives are in turn reflected in the State Programmes implemented by the Ministry of Agriculture. Funding to activities is allocated via these State Programmes.

4.13. In January 2020, a new version of the Food Security Doctrine was also approved¹⁸, replacing the earlier version adopted in 2010 that had been repeatedly amended. The new document adjusts the methodology to assess food security, adding indicators of compliance with standards and the economic and physical availability of food to the previously used indicator of domestic production in total domestic consumption. It includes new products such as vegetables and melons, fruits and berries, and seeds, while increasing for a number of products the targets for the share of domestic production in domestic consumption.¹⁹ It also functions as a framework for additional legal acts in the area of agriculture and fisheries.

4.14. Agricultural support is provided through border policies that continue to play an important role, as well as domestic support that is primarily spelled out in the State Programme for

¹⁴ The EAEU technical regulations in force can be viewed at: <http://www.eurasiancommission.org/ru/act/texnreg/deptexreg/tr/Pages/TRVsily.aspx>.

¹⁵ In this context, food security presupposes the unconditional provision of the country's population with safe, high-quality, and affordable agricultural products in volumes that allow guaranteeing rational norms for the consumption of food products.

¹⁶ According to the notifications of the Russian Federation and discussions in the Committee on Agriculture, no price interventions were carried out in 2017 and 2018. According to the authorities, no price interventions took place in 2019, and more than 1.4 million tonnes of grain were sold in 2020.

¹⁷ The strategy sets targets for the production and export of grains, requiring an approximate budget of over RUB 4.4 trillion from public and private sources. Ministry of Agriculture, *Ministry of Agriculture Completes Development of Long-term Grain Complex Strategy*, 16 July 2019. Viewed at: <https://mcx.gov.ru/en/news/Ministry-of-Agriculture-Completes-Development-of-Long-term-Grain-Complex-Strategy/>.

¹⁸ Preparing this new version was part of the activities under the State Programme for the Development of Agriculture.

¹⁹ Ministry of Agriculture, *New Food Security Doctrine Approved*, 27 January 2020. Viewed at: <https://mcx.gov.ru/en/news/New-Food-Security-Doctrine-Approved/>.

Development of Agriculture adopted in 2012²⁰ and revised to include a second phase in 2019.²¹ The second phase (covering 2018-25 and further described below) aims to ensure food security, increase domestic production as well as exports, and increase the investment in physical assets in the sector, reflecting the new strategies mentioned above. Businesses and individuals engaged in agriculture can opt to pay a Unified Agricultural Tax of 6% on the difference between income and total costs.²²

4.1.2.1 Border policies

4.15. Average applied tariffs on agricultural goods (including *ad valorem* equivalents (AVEs)) stood at 13.4% in 2021 (a decrease from 14.6% in 2016). They ranged from duty free to 138.8%, with 37.3% of tariff lines having non-*ad valorem* tariff rates. Average tariffs for agricultural goods are higher than the average for other products, and a smaller share of tariff lines are duty free (7.7%) compared to all tariff lines (16.0%). Agricultural imports under preferential trade agreements also generally face higher tariffs than non-agricultural products. Product groups with the highest applied MFN tariffs are animals and animal products, dairy products, and sugars (Section 3.1.3).

4.16. Temporary introduction and suspension of import and export duties and tariff rate quotas are also used to stabilize domestic prices, including when domestic price interventions are used. In addition, as a response to the pandemic in 2020, the Government temporarily introduced export quotas on wheat, meslin, barley, rye, and maize.²³ In December 2020, the Russian Federation established a temporary export tariff rate quota on certain grains for most of the first half of 2021, with in-quota export duties initially set at 0% for rye, barley, and corn, and at EUR 25 per tonne for wheat and meslin.²⁴ Out-of-quota duties were set at 50% but at least EUR 100 per tonne. In early 2021, the Government adjusted export duties on wheat, barley, and corn within this export quota to stabilize domestic market prices.²⁵ Following additional changes, as from 2 June 2021 these duties were to be replaced by floating duties, calculated using a benchmark index. According to the authorities, the export duty on sunflower seeds was also significantly increased for the period from 9 January to 30 June 2021 (to 30% but at least EUR 165 per tonne), and the authorities introduced export duties on soya beans for the period February-June 2021. Both export duties have been extended at higher rates from 1 July 2021 to 31 August 2022.²⁶ In 2020, the EAEU introduced a temporary ban on the exports of some products including onions, garlic, turnips, rye, rice, buckwheat, millet, cereals, wholemeal flour, and cereal granules and other products.²⁷ According to the authorities, it was in place from 1 April to 30 June 2020 as a response to the adverse effect of the COVID-19 pandemic.

4.17. The Russian Federation applies tariff rate quotas on the import of fresh, chilled, and frozen beef and poultry, as well as (modified) whey (Table 3.4). In line with its commitments upon accession, the Russian Federation eliminated the tariff quotas on fresh, chilled, and frozen pork and pork trimming as of 1 January 2020, replacing it with an *ad valorem* duty of 25%, less than half of the over-quota tariff rate previously applied. Quota allocations to individuals or companies are based on historical import performance.²⁸ Since 2014, the Russian Federation prohibits the import of certain agricultural goods from a list of countries on national security grounds. The ban was recently

²⁰ Government Resolution No. 717 of 14 July 2012 on the State Programme for the Development of Agriculture and Regulation of the Markets of Agricultural Products, Raw Materials and Food.

²¹ Government Resolution No. 98 of 8 February 2019 on Introduction of Changes into Government Resolution No. 717 of 14 July 2012.

²² Tax Code, Chapter 26.1.

²³ These were in place from 1 April 2020 until 30 June 2020. WTO, *COVID-19 Measures Affecting Trade in Goods*. Viewed at: https://www.wto.org/english/tratop_e/covid19_e/trade_related_goods_measure_e.htm.

²⁴ The wheat export duty had previously been reduced to zero in September 2016.

²⁵ Ministry of Agriculture, "Russian Prime Minister Signs Resolution on Grain Export Duties", 28 January 2021. The resolution was also expected to refocus market participants from selling agricultural raw materials abroad to export high value-added agricultural products. Viewed at: <https://mcx.gov.ru/en/news/Russian-Prime-Minister-signs-resolution-on-grain-export-duties/>.

²⁶ Government Order No. 754 of 30 August 2013 about Approval of Rates of Exported Customs Duties on the Goods Exported from the Russian Federation Outside the Limits of the States – Participants of Agreements on the Customs Union, and about Recognition Invalid of Some Acts of the Government of the Russian Federation (last amended by Government Resolution No. 803 of 27 May 2021).

²⁷ EEC Board Decision No. 43 of 30 March 2020, as amended by EEC Board Decision No. 57 of 21 April 2020. Viewed at: <http://www.eurasiancommission.org/ru/act/trade/catr/nontariff/Documents/EP.pdf/1.11.pdf>.

²⁸ WTO document G/AG/N/RUS/31, 21 May 2021.

extended to the end of 2021. Fresh and chilled tomatoes from Turkey are also banned from importation (Section 3.1.5).

4.18. According to its notifications to the WTO Committee on Agriculture, the Russian Federation did not provide export subsidies for agricultural products during the review period.²⁹ However, a number of Members have raised questions in recent Committee on Agriculture meetings, asking for clarification on the provision of financing support for exporters and exports via the Russian Export Center, a one-stop shop for export financing and other support (for additional information, see Section 3.2.4).³⁰ The Center arranges for export credits, insurance, and guarantees to exporters and importers of Russian goods via Eximbank and EXIAR (see also Section 3.2.4).³¹ Eximbank provides export credits and guarantees, while EXIAR offers comprehensive export insurance programmes. According to the authorities, the total value of agricultural exports covered by EXIAR in 2020 was USD 993 million, and those directly supported by Eximbank were valued at USD 124.3 million. The share of agricultural products supported by Eximbank was 7% in 2020 (10% in 2019) and by EXIAR 7% (6% in 2019).

4.19. According to the authorities, no state trading arrangements or enterprises are in place regarding the importation or exportation of agricultural products.³²

4.20. Shipments related to the provision of international humanitarian assistance are excluded from the application of the export tariff quota for grain crops introduced in December 2020.³³

4.1.2.2 Domestic policies

4.21. In the State Programme for the Development of Agriculture (2018-25), specific activities are outlined under two subprogrammes being implemented between 2019 and 2025.³⁴ The first aims to support agro-industrial sectors directly through five projects that focus on increasing production of basic agricultural goods³⁵, stimulating investment, supporting technological modernization, supporting agro-industrial exports, and supporting farmers. The second subprogramme consists of seven targeted programmes and activities that aim to address the operational environment in the agro-industrial sectors, the sustainable development of rural areas, land reclamation, scientific and technical support, sanitary and phytosanitary (SPS) supervision, and "digital agriculture" (some of these were only implemented in 2019 and 2020) (Table 4.4). Some of these projects reflect federal projects designed under the national objectives, while others reflect programmes designed separately and linked to the complex set of strategic documents. The Ministry of Agriculture also implements a separate State Programme on Integrated Development of Rural Territories³⁶ that indirectly provides support to agricultural activities (see below).

4.22. Activities supported under the State Programme for the Development of Agriculture primarily: (i) provide subsidies to producers and for land reclamation efforts, including construction and modernization of irrigation and drainage systems, soil enhancement, and soil liming; (ii) provide

²⁹ WTO documents G/AG/N/RUS/15, 23 January 2017; G/AG/N/RUS/18, 29 January 2018; G/AG/N/RUS/22, 1 February 2019; G/AG/N/RUS/26, 15 January 2020; and G/AG/N/RUS/30, 12 March 2021.

³⁰ See for example WTO, Agriculture Information Management System, question IDs 95138, 93175, and 92032. Viewed at: <https://agims-gna.wto.org/public/Pages/en/Search.aspx>.

³¹ The Russian Export Center is the sole shareholder of EXIAR (which in turn is the owner of Eximbank), a development institution established by the Government to support the development of the non-resource exports.

³² Some members have raised questions in the Committee on Agriculture and the Working Party on State Trading Enterprises as to whether the United Grain Company should be considered a state trading enterprise. The Government's view is that it has not granted special privileges ultimately affecting trade, imports, and exports, and the Company undertakes trading activities on a commercial basis (see below).

³³ Government Resolution No. 2097 of 14 December 2020 on the Tariff Quota for the Export of Grain Crops Outside the Territory of the Russian Federation to States that Are Not Members of the Eurasian Economic Union, Article 2.

³⁴ An additional seven subprogrammes were implemented only in 2018. From 2019, most activities were included under the remaining subprogrammes: Development of Sectors of the Agro-Industrial Complex and Ensuring Conditions for the Development of the Agro-Industrial Complex.

³⁵ The State Programme sets higher target growth rates for domestic production compared to target growth rates for imports. See Annex 1, p. 12.

³⁶ Government Decree No. 696 of 31 May 2019 on the Approval of the State Programme of the Russian Federation "Integrated Development of Rural Areas" and on Amendments to Some Acts of the Government of the Russian Federation.

support to investment activities through subsidies for interest rate payments, including interest rate subsidies to enterprises engaged in production, processing, and sale of agricultural products that participate in "competitiveness enhancement programmes"³⁷; and (iii) provide direct support for capital investments to construct or modernize agricultural facilities (the grain strategy also foresees subsidized credit to modernize machinery), subsidies for insurance premiums, subsidies for low productivity areas, and general services support.

4.23. One of the projects implemented via the State Programme is a federal project called Export of Agro-Industrial Products, which aims to increase production of agricultural products (including high value-added products), providing commodity distribution infrastructure, removing trade barriers, and supporting the promotion of product groups abroad.³⁸

4.24. The State Programme also contains activities aimed to implement the Federal Scientific and Technical Programme for Agricultural Development (2017-25).³⁹ It supports the development and use of improved (new) seeds and breeding animals, feed (additives), veterinary medicinal preparations, agrochemicals, and pesticides; the improvement of storage, processing, and quality control of agricultural products; and improvements in relevant (vocational) training. Total funding for the project amounts to RUB 49.1 billion from the federal budget and extrabudgetary resources.⁴⁰

Table 4.4 State Programme for the Development of Agriculture, 2nd phase, 2018-25

Project	Timeframe	Federal allocations 2020 (RUB million)
Subprogramme I: Development of Sectors of the Agro-Industrial Complex	2018-25	210,165
Development of Branches of the Agro-Industrial Complex, Providing Accelerated Import Substitution of the Main Types of Agricultural Products, Raw Materials and Food	2018-25	61,816
Stimulation of Investment Activity in the Agro-Industrial Complex	2018-25	108,141
Technical Modernization of the Agro-Industrial Complex	2018-25	6,637
Federal Project: Export of Agricultural Products	2018-24	29,739
Federal Project: Creation of a Support System for Farmers and the Development of Rural Cooperation	2018-24	3,832
Subprogramme II: Ensuring Conditions for the Development of the Agro-Industrial Complex		95,576
Digital Agriculture	2018-25	299
Development of the Reclamation Complex in the Russian Federation	2018-25	14,311
Ensuring General Conditions for the Functioning of the Branches of the Agro-Industrial Complex	2018-25	29,889
Scientific and Technical Support for the Development of Branches of the Agro-Industrial Complex	2018-25	1,971
Organization of Veterinary and Phytosanitary Supervision	2018-25	13,831
Sustainable Development of Rural Areas	2014-18	33,759
Implementation of the Functions of the Apparatus of the Responsible Executor of the State Programme	2018-25	1,516

Source: Information provided by the authorities.

4.25. Grain market interventions remain in the toolkit of the Ministry of Agriculture. According to the authorities, the Government procures grains via the State Grain Intervention Fund when prices are below minimum calculated prices, and sells grains when prices are above maximum calculated prices. Such prices are set based on producer prices during the last marketing year. While the State Grain Intervention Fund did not procure grains between 2017 and 2020, it did sell more than

³⁷ Government Resolution No. 512 of 26 April 2019 on the Provision of Subsidies from the Federal Budget to Russian Credit Institutions, International Financial Organizations and the State Development Corporation VEB.RF for Reimbursement of Lost Income on Loans Issued to Agricultural Producers (Except for Agricultural Credit Consumer Cooperatives), Organizations and Individual Entrepreneurs Engaged in Production, Primary and (or) Subsequent (Industrial) Processing of Agricultural Products and Their Sale, at a Preferential Rate (as amended).

³⁸ Such support includes, *inter alia*, analytical support for the export of agricultural products, purchase of laboratory equipment, support for marketing, and systemic efforts to improve veterinary well-being and certification for meat and meat products.

³⁹ This programme is implemented jointly by the Ministry of Agriculture and the Ministry of Industry and Trade.

⁴⁰ Government Decree of 25 August 2017 No. 996 on the Approval of the Federal Scientific and Technical Programme for Agricultural Development for 2017-25.

1.4 million tonnes in 2020, according to the authorities. In practice, interventions of the State Grain Intervention Fund are carried out through an agent, the United Grain Company (UGC). Fully government-owned, UGC owns logistics infrastructure and equipment suited to the grains trade, and undertakes trading activities (including internationally) on a commercial basis, according to its website.⁴¹

4.26. Overall, agricultural support policies are administered by the regions, co-funded from federal and regional budgets according to budgetary legislation. Regions can allocate additional funding to their agricultural support activities depending on their sectoral and product priorities. In 2020, the Ministry of Agriculture started to categorize existing support programmes into two categories for administrative purposes. According to the OECD, these could be described as "compensatory" and "stimulative" support.⁴² The authorities stress that the names of these categories have not been formally finalized and that no changes to the system of support measures were introduced.

4.27. Budget allocations to the State Programme increased significantly to nearly RUB 1.2 trillion in 2018, about 40% of GDP from crop and animal production, hunting, and related service activities, and remaining at higher annual allocations of around RUB 750 billion to RUB 850 billion per year for the period 2019-25.⁴³ These increases primarily come from extrabudgetary resources. According to the authorities, extrabudgetary resources mentioned in the State Programme relate to expected private sector investments. In 2019, nearly three quarters of the actual budget execution was spent on the first subprogramme (development of the agro-industrial complex), with the remainder on the other (ensuring conditions for agro-industrial development), primarily by the Ministry of Agriculture.⁴⁴ Most targets outlined in the State Programme were over-achieved in 2019 but a few lagged behind, such as the volume of investment, actual added value generated, livestock production, and the profitability of enterprises. Total federal budget execution on agriculture and fisheries was RUB 203 billion in 2018, the latest year for which data are available.⁴⁵

4.28. According to data provided for 2019 by the authorities, product-specific support other than market price interventions was directed primarily at the milk sector, with the largest share of non-product-specific support spent on interest rate subsidies on short-term credits and investment loans and other interest rate subsidies, jointly accounting for 50.9% of total non-product-specific aggregate measure of support (AMS).⁴⁶ The second-largest area of support was for investments in production capital (USD 545 million), followed by subsidies for pedigree livestock (USD 250 million). Costs for land reclamation accounted for USD 181 million, while support for perennial plantations accounted for USD 117 million in 2019.

4.29. Since late 2019, firms have been able to receive support to offset some of the costs associated with the certification process of agricultural products in foreign markets.⁴⁷ Domestic companies are eligible to receive a partial reimbursement of actual certification costs incurred and documented. The project is implemented by the Russian Export Center, based on an agreement with the Ministry of Agriculture. According to the authorities, no subsidies were provided in 2019, and data for 2020 are not yet available. The general compatibility of this support with commitments on export subsidies

⁴¹ According to the Report of the Working Party on the Accession of the Russian Federation, the Government had initially planned to divest 100% of the United Grain Company by 2012. WTO document WT/ACC/RUS/70, 17 November 2011, para. 67.

⁴² OECD (2021), *Agricultural Policy Monitoring and Evaluation 2021*, p. 473.

⁴³ Between 2012 and 2017, they were around RUB 250 billion per year. Viewed at: <http://docs.cntd.ru/document/902361843>.

⁴⁴ Ministry of Agriculture (2020), *National Progress and Results Report in 2019 of the State Agricultural Development and Regulatory Programme for Agricultural Products, Raw Materials and Food*.

⁴⁵ Rosstat, *Execution of Federal Budget of the Russian Federation in 2016*. Viewed at: https://eng.rosstat.gov.ru/storage/substock/substock_document/2018-08/11/24-04.doc.

⁴⁶ According to the authorities, interest rate support has been shifting from support to personal households, peasant (farm) enterprises, and agricultural consumer cooperatives towards agricultural producers and companies engaged in the production and processing of agricultural goods. See WTO Agriculture Information Management System, question ID 95096. Viewed at: <https://agims-gna.wto.org/public/Pages/en/Search.aspx>.

⁴⁷ Government Decree No. 1816 of 25 December 2019 on State Support of Organizations in Order to Compensate for Part of the Costs Associated with the Certification of Agricultural Products in Foreign Markets.

by the Russian Federation has been discussed repeatedly in the Committee on Agriculture with questions raised and answers provided.⁴⁸

4.30. The Russian Government also has provided two types of domestic transport cost subsidies to various agricultural products since 2017.⁴⁹ Under the first scheme as outlined in Decree No. 1104 of 15 September 2017⁵⁰, companies registered in the Russian Federation can apply for a subsidy for the costs related to the transportation of certain types of agricultural products within the territory of the Russian Federation. This scheme is managed by the Russian Export Center as an agent of the Government, based on an agreement with the Ministry of Agriculture. The second scheme provided a subsidy for transportation costs of domestic grain shipments (established under Decree No. 1595 of 20 December 2017) to the Russian Railways in 2017 and 2018 only, according to the authorities. This subsidy was a compensation for revenue losses from the application of concessional rates on the transport of wheat, barley, and corn shipments within the territory of the Russian Federation. These subsidies accounted for USD 55 million in 2017, USD 45 million in 2018, and USD 30 million in 2019. While these subsidies are for domestic transport costs, such cargoes could potentially subsequently be exported, but no information on such amounts is available, according to the authorities. It remained unclear whether a producer could benefit from a direct transport cost subsidy for a shipment of grains that also benefited from concessional railway transport rates.

4.31. In 2020, support for the integrated development of rural territories was established as a separate State Programme, having previously been part of the State Programme for the Development of Agriculture. The newly established State Programme on Integrated Development of Rural Territories aims to develop rural areas, where around a quarter of the population lives, and addresses the repair, construction, and reconstruction of social and housing facilities, transport and engineering infrastructure, and the purchase of transport vehicles. The Ministry of Agriculture is the main implementing authority. Its budget for the period 2020-25 amounts to RUB 1.2 trillion, primarily funded from the federal budget and extrabudgetary resources with the remainder coming from regional budgets.⁵¹

4.32. In addition to agriculture-specific support, agricultural producers also benefit from COVID-related general support measures, including the prolongation of concessional short-term loan terms and an increase in the maximum amounts provided to one borrower, an expansion of eligible use under such loans, the deferral of payments on accrued interest on previously concluded concessional short-term loans (for small enterprises as borrowers), the deferral of payments on accrued interest and on repayment of the principal debt on previously concluded concessional investment loans, and the lease of equipment on concessional terms.⁵² As of end-2020, 1,392 "backbone companies" (systemic companies) have in principle access to larger economic support measures that include preferential access to credit, government guarantees for loans, deferment of tax payments, or subsidies. Such support can be granted in exchange for commitments to reduce operational costs.⁵³ Conditions for eligibility of direct support as a "backbone company" include financial soundness of firms, no outstanding debt to the Government, and ownership being more than 50% domestic. While almost 90 large agricultural companies are classified as such systemic companies, no support was granted to them as part of this initiative, according to the authorities.

4.33. In early 2020, the Russian Federation introduced a new (voluntary) programme for the certification of organic products. Products for sale can be labelled "organic" once it has been

⁴⁸ See WTO Agriculture Information Management System, for example question IDs 95037 and 96060. Viewed at: <https://agims-qna.wto.org/public/Pages/en/Search.aspx>.

⁴⁹ These subsidies have been subject to various questions in the Committee on Agriculture (see for example WTO Agriculture Information Management System, question IDs 86047, 86068, 87098, 88073, 91161, 91162, or 95068).

⁵⁰ Introduced as part of the subprogramme Development of Sectors of the Agro-Industrial Complex under the State Programme for the Development of Agriculture.

⁵¹ Government Decree No. 696 of 31 May 2019 on the Approval of the State Programme of the Russian Federation "Integrated Development of Rural Areas" and on Amendments to Some Acts of the Government of the Russian Federation (as amended on 10 July 2020).

⁵² See Government Resolution No. 582 of 24 April 2020 on the Approval of the Rules for the Granting of Subsidies from the Federal Budget to Russian Credit Institutions for Reimbursement of Lost Income on Loans Issued in 2020 to Systemic Organizations for Replenishing Working Capital.

⁵³ See Government Resolution No. 651 of 10 May 2020 on Measures to Support Strategic Organizations. For the list of backbone enterprises, see Ministry of Economic Development. Viewed at: <https://data.economy.gov.ru/>.

demonstrated that they meet certain requirements outlined in Federal Law No. 280-FZ of 3 August 2018 on Organic Products and Amendments in Certain Legislative Acts of the Russian Federation, and have been included in an official register. Otherwise, products cannot be labelled as organic. As of 1 June 2021, 64 economic entities were included in the Unified State Register of Organic Producers. No agreement on the mutual recognition of organic labels has been concluded with other jurisdictions to date.

4.1.3 OECD support estimates

4.34. According to OECD data⁵⁴, the total support estimate (TSE) for agriculture in the Russian Federation varied only modestly between 2016 and 2019, below RUB 700 billion, and declined to RUB 524 billion in 2020, while the estimated value of production increased by 17% between 2016 and 2019, and increased by an additional 11% in 2020.⁵⁵ Overall support to producers as a share of gross farm receipts declined from 12.3% in 2016 to 9.2% in 2019, and to 6.7% in 2020, as gross farm receipts increased. This compares to an average producer support estimate (PSE) of 17.6% in OECD countries and 8.5% in emerging and developing economies covered by the OECD database over the period 2017-19.⁵⁶

4.35. In particular, decreasing market price support (OECD definition) over the reporting period, partially compensated by increases in "miscellaneous payments"⁵⁷, led to an overall decline in PSE, accompanied by a shift from single commodity support to group commodity support until 2019 (support provided to produce commodities within a specific group, rather than a specific commodity).⁵⁸

4.36. Support to specific commodities continues to vary strongly across both commodities and years (Table 4.5). According to OECD estimates, the commodities with the largest support as a share of gross receipts in 2020 were meat, milk, and sugar, with support to maize also noteworthy in 2019 (in other years, market price support was negative).

Table 4.5 Total PSE and single commodity transfer values for selected commodities, 2015-20

	2015	2016	2017	2018	2019	2020
Total PSE (RUB million)	557,211	578,159	554,155	558,462	491,735	400,042
PSE as a share of gross farm receipts	12.7	12.4	11.7	11.5	9.0	6.7
I. Producer Single Commodity Transfers (PSCT)	357,981	404,013	365,329	349,274	268,411	185,922
PSCT as share of gross farm receipts	8.6	9.0	8.0	7.5	5.1	3.2
II. Group Commodity Transfers (GCT)	165,864	125,594	128,147	144,641	160,945	86,699
III. All Commodity Transfers (ACT)	24,425	29,021	30,707	27,338	25,116	31,666
IV. Other Transfers to Producers (OTP)	8,941	19,531	29,972	37,210	37,263	95,756
Producer Single Commodity Transfers						
Wheat						
SCT (RUB million)	-49,706	1,598	-36,052	-53,426	-7,991	-63,031
% of gross receipts	-9.2	0.2	-5.7	-8.7	-1.0	-6.0
Barley						
SCT (RUB million)	-25,638	-1,955	-10,606	-35,495	817	-21,163
% of gross receipts	-19.9	-1.4	-7.6	-25.7	0.4	-10.4
Maize						
SCT (RUB million)	-7,215	-17,593	-2,688	-2,189	22,812	-1,872
% of gross receipts	-7.0	-13.8	-2.9	-2.4	15.9	-1.3
Oats						
SCT (RUB million)	-8,533	-10,416	-7,034	-2,725	-9,157	-9,797
% of gross receipts	-34.2	-34.1	-19.8	-9.7	-30.1	-27.9

⁵⁴ OECD (2020), *Agricultural Support Estimates* (Edition 2020). Viewed at: <https://doi.org/10.1787/466c3b98-en>.

⁵⁵ OECD data estimate the overall support to agriculture in terms of market outcomes, by estimating the total effective transfers to producers as a result of market price interventions (including trade restrictions), subsidies, and direct payments, and taking stock of general services provided by the Government.

⁵⁶ OECD (2020), *Agricultural Policy Monitoring and Evaluation 2020*.

⁵⁷ These are transfers for which there is insufficient information to allocate them to the appropriate categories.

⁵⁸ For milk, payments based on outputs and input use also declined.

	2015	2016	2017	2018	2019	2020
Rye						
SCT (RUB million)	-102	1,226	1,765	-457	-283	1,929
% of gross receipts	-0.9	7.8	12.3	-4.3	-2.5	8.4
Sunflowers						
SCT (RUB million)	-19,789	-27,312	-23,995	-15,514	-25,411	-55,223
% of gross receipts	-9.9	-10.6	-12.5	-6.4	-9.1	-16.9
Sugar						
SCT (RUB million)	37,851	40,270	27,763	33,420	24,193	10,876
% of gross receipts	31.6	26.9	23.9	30.0	22.9	11.7
Milk						
SCT (RUB million)	155,933	204,779	188,190	244,669	69,080	93,089
% of gross receipts	24.2	29.7	24.2	33.5	8.5	10.8
Beef and veal						
SCT (RUB million)	88,884	64,203	56,257	45,860	62,893	61,086
% of gross receipts	32.5	23.0	20.6	16.5	21.3	19.3
Pig meat						
SCT (RUB million)	132,580	108,250	107,370	94,840	92,367	118,890
% of gross receipts	32.5	26.5	24.4	19.8	19.3	23.5
Poultry meat						
SCT (RUB million)	41,404	24,318	58,124	36,660	30,766	55,612
% of gross receipts	9.6	5.4	12.9	7.8	6.1	11.2
Eggs						
SCT (RUB million)	5,772	2,853	2,807	4,634	-751	4,205
% of gross receipts	3.3	1.6	1.8	2.6	-0.4	2.2
Potatoes						
SCT (RUB million)	8	8	0	0	0	0
% of gross receipts	0.0	0.0	0.0	0.0	0.0	0.0
Non-MPS commodities						
SCT (RUB million)	6,532	13,782	3,428	-1,005	9,074	-8,679
% of gross receipts	0.8	1.5	0.3	-0.1	0.8	-0.7

Source: OECD, *Agricultural Policy Monitoring and Evaluation*. Viewed at: <http://www.oecd.org/agriculture/topics/agricultural-policy-monitoring-and-evaluation/>.

4.1.4 WTO notifications

4.37. The most recent notification to the WTO on agriculture support is for calendar year 2019.⁵⁹ Recent changes reflected in the second phase of the State Programme on support for agriculture or the State Programme on Integrated Development of Rural Territories (whose activities the authorities plan to notify under Green Box measures⁶⁰) are therefore not yet covered. The total notified support to agriculture in 2019 comprises Amber Box, including *de minimis* support (63%), and Green Box support (37%).

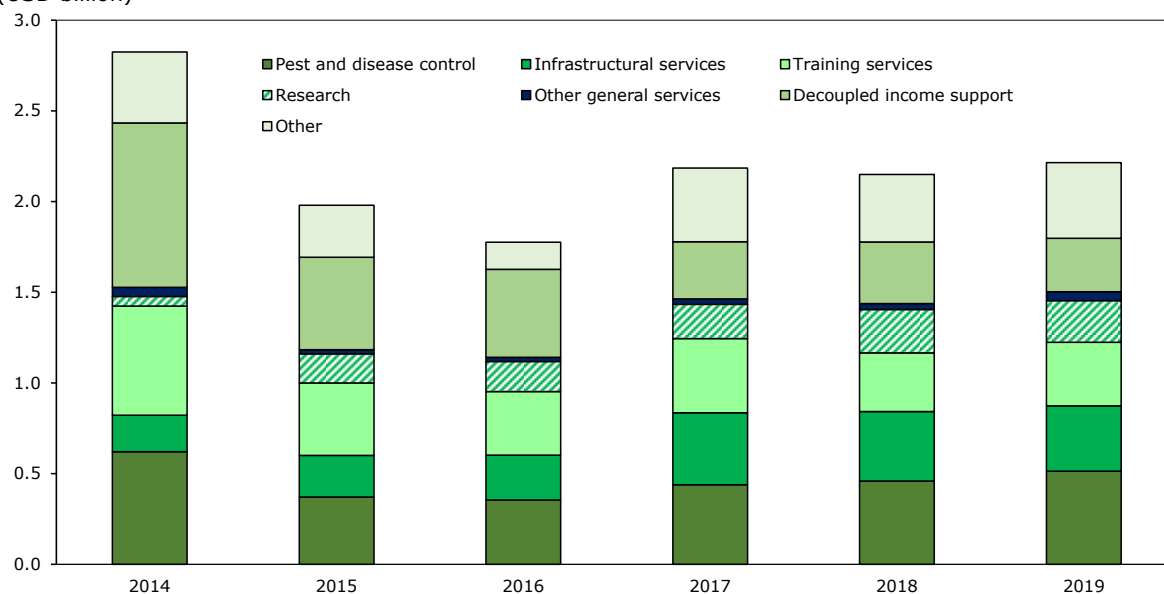
4.38. Total current AMS increased from USD 52 million in 2016 to USD 94.2 million in 2019, well below the Russian Federation's bound total AMS commitment level of USD 4.4 billion (since 2018 following its reduction in line with accession commitments). Support varied between 2016 and 2019, as Green Box support and support notified under the Amber Box (including *de minimis* support) increased (although they remain below 2014 levels). The notifications show that no market price support (WTO definition) was provided in 2017, 2018, or 2019 for wheat, barley, and rye (nor was there market price support for rye in 2016). According to the notifications, changes in Green Box support were broad based, with decoupled income support declining and other types of support (with the exception of training services) increasing (Chart 4.1). Changes in the volume of product-specific AMS were driven by increases in support to milk and other livestock products, while in relative terms, support to grains increased most strongly. Support to rape seed was notified first in 2019. Changes in non-product-specific AMS resulted primarily from increases in pedigree livestock subsidies, credit subsidies, fuel and lubricant subsidies (in 2018), reclamation and network maintenance costs, and increases in support to perennial plantations (Chart 4.2). Support for credit, milk production, and capital investments accounted for 68.6% of the total notified AMS.

⁵⁹ WTO document G/AG/N/RUS/34, 1 June 2021.

⁶⁰ WTO Agriculture Information Management System, question ID 92017. Viewed at: <https://agims-gna.wto.org/public/Pages/en/Search.aspx>.

Chart 4.1 Green Box support, 2014-19

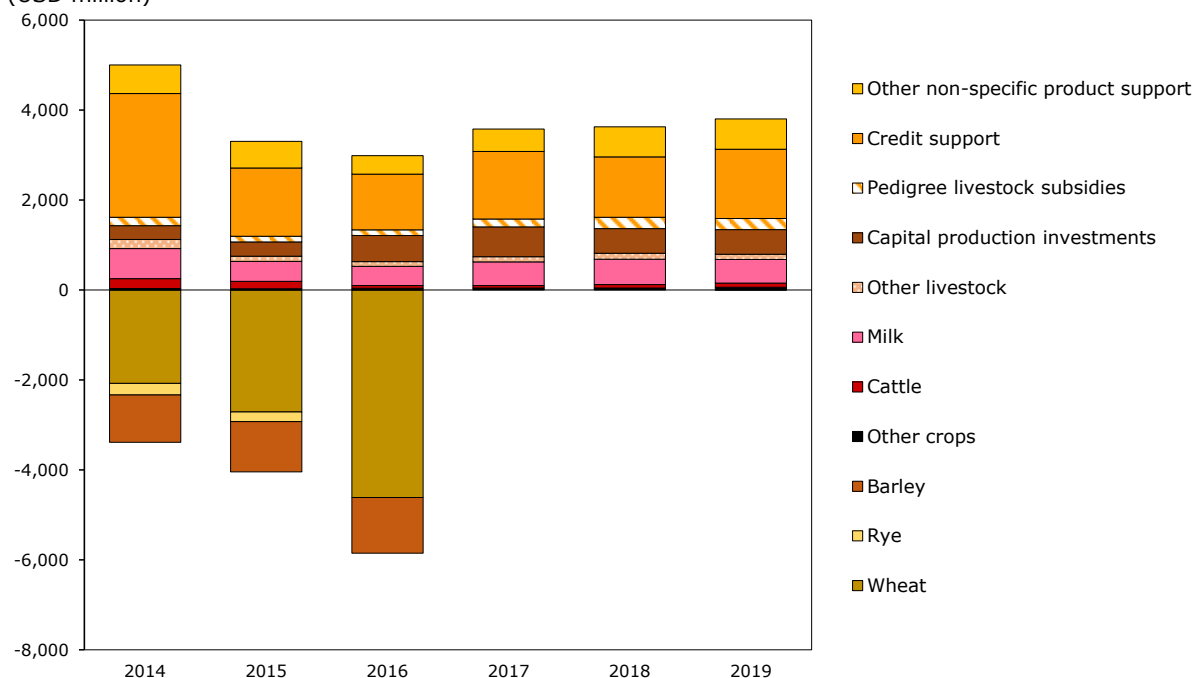
(USD billion)



Source: WTO notifications.

Chart 4.2 Amber Box support, 2014-19 (including *de minimis*)

(USD million)



Source: WTO documents G/AG/N/RUS/11, 7 February 2017; G/AG/N/RUS/13, 28 April 2016; G/AG/N/RUS/21, 22 May 2018; G/AG/N/RUS/24, 18 September 2019; G/AG/N/RUS/29, 20 July 2020; and G/AG/N/RUS/34, 1 June 2021.

4.1.5 Forestry

4.39. The Russian Federation has a large forest area of around 815 million hectares, covering roughly half of the country, accounting for 20.1% of the world's forests.⁶¹ The Russian Federation

⁶¹ FAO (2020), *The State of the World's Forests*.

remains a major producer of wood and wood products. Nevertheless, the value generated from forestry and logging is lower than its potential, according to the authorities, and represents a relatively small share of GDP in 2020 (0.2%)⁶², while employment in the sector accounts for 1.41% of total employment, compared to 1.38% in 2016. Reporting to the Ministry of Natural Resources and Ecology, the Federal Forestry Agency (Rosleshoz) is responsible for oversight of forestry issues and manages lands under the Forest Fund, an area comprising 69% of the territory of the Russian Federation and comprising both lands covered by forests and others designated as forest lands but not covered by forest. Wood processing, cellulose and paper manufacturing, and furniture-manufacturing fall under the Ministry of Industry and Trade.

4.40. Over the reporting period, the production and export of wood increased, while imports increased only slightly. The increase in export value was primarily driven by prices, as export quantities and overall production volumes increased less strongly (Tables 4.6 and 4.7).

Table 4.6 Wood production, 2016-20

	Unit	2016	2017	2018	2019	2020
Rough timber	million m ³	213.8	212.4	238.6	219.2	220.0
Timber, sawn or split longitudinally, sliced or peeled, longitudinally, sliced or peeled, more than 6 mm thick; wooden railroad or tram sleepers, untreated	million m ³	35.7	37.7	42.8	45.0	43.0
Plywood	million m ³	3.8	3.8	4.1	4.1	4.0
Chipboards and similar boards of wood or wood-based materials	million m ³	7.4	8.3	10.1	10.0	9.9
Fibreboards made of wood or other lignified materials	million m ³	554.9	599.4	665.6	691.3	642.5
Veneer for plywood	million m ³	1.2	1.5	1.8	1.8	1.6
Fuel pellets from wood processing waste	'000 tonnes	1,065.6	1,432.8	1,399.7	1,844.7	1,996.8

Source: Information provided by the authorities.

Table 4.7 Trade in selected wood products, 2016-20

HS / product description	Unit	2016	2017	2018	2019	2020
Exports of wood and wood products^a	USD million	9,511	11,281	13,394	12,244	11,811
% of total exports		3.3%	3.2%	3.0%	2.9%	3.5%
HS 44 Wood and articles of wood; wood charcoal	USD million	6,530	7,857	9,010	8,625	8,303
	'000 tonnes	39,488	42,114	43,902	43,344	43,253
HS 4407 Wood sawn or chipped lengthwise, sliced or peeled	USD million	3,200	3,943	4,504	4,509	4,309
	'000 tonnes	16,254	18,031	19,239	19,832	18,509
HS 4412 Plywood, veneered panel and similar laminated wood	USD million	946	1,103	1,353	1,141	1,158
	'000 tonnes	1,670	1,683	1,831	1,886	1,943
HS 4403 Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared	USD million	1,352	1,468	1,462	1,116	1,022
	'000 tonnes	15,938	15,714	15,609	13,075	13,171
HS 47 Pulp of wood or of other fibrous cellulosic material	USD million	1,082	1,224	1,641	1,122	1,089
	'000 tonnes	2,498	2,605	2,624	2,435	2,619

⁶² According to the Strategy for the Development of the Forest Complex of the Russian Federation until 2030, this figure is 0.74%.

HS / product description	Unit	2016	2017	2018	2019	2020
HS 4703 Chemical wood pulp, soda or sulphate	USD million	986	1,090	1,484	1,008	996
	'000 tonnes	2,119	2,090	2,103	2,038	2,290
HS 48 Paper and paperboard; articles of paper pulp, of paper or of paperboard	USD million	1,899	2,200	2,742	2,496	2,419
	'000 tonnes	3,047	3,274	3,461	3,501	4,008
Imports of wood and wood products^a	USD million	2,982	3,202	3,512	3,257	3,094
% of total imports		1.6%	1.4%	1.5%	1.3%	1.3%
HS 4411 Fibreboard of wood or other ligneous materials	USD million	195	211	221	199	202
	'000 tonnes	399	367	370	363	387
HS 4703 Chemical wood pulp, soda or sulphate	USD million	104	106	121	158	143
	'000 tonnes	140	143	144	207	228
HS 48 Paper and paperboard; articles of paper pulp, of paper or of paperboard	USD million	2,254	2,404	2,657	2,457	2,306
	'000 tonnes	1,526	1,637	..	1,664	1,524

.. Not available.

Note: Definition of wood products: HS 44, HS 47, and HS 48.

Source: WTO Secretariat calculations, based on data provided by the authorities; and UN Comtrade database.

4.41. The forestry sector is regulated by the Forest Code of the Russian Federation No. 200-FZ of 4 December 2006 (Forest Code), which has continued to undergo revisions during the review period, being amended more than 10 times since 2017. Key changes include a shift from reproduction of resources to the conservation of forests (including changes to fire protection measures as a response to large wildfires in recent years), changes in forest classification⁶³, and changes to the way the use of forests is auctioned or allocated. Changes introduced in 2020 recognize forests on abandoned agricultural land, allowing for their exploitation, which was previously not legally possible.⁶⁴ While most forests remain state-owned as in the past, these changes mean that forests on abandoned agricultural lands can be privately owned by Russian nationals. Leases and concessions for the management or use of forest land are managed at the subnational level, usually following auctions or tenders for such leases or use rights. They are usually linked to a specific use of the forest land under discussion.

4.42. In 2018, the Government approved a Strategy for the Development of the Forest Complex of the Russian Federation until 2030, which was replaced in February 2021 by a new version with the same title, reflecting four of the national objectives.⁶⁵ The Strategy aims to improve production and exports of a broad range of forestry products in the context of a sustainable management of forests and socio-economic development. It is primarily implemented via the State Programmes on Forest

⁶³ While the 2015 version of the Forest Code allowed for the designation of operational and reserve forests, the current version of the Forest Code provides for the designation as protective forests (on various grounds), operational forests, and reserve forests. The Forest Code also regulates the use of forests on land outside the forest fund.

⁶⁴ Government Decree No. 1509 of 21 September 2020 on Specifics of Use, Protection, Safeguarding, and Reproduction of Forests Located on Agricultural Lands.

⁶⁵ Government Directive No. 312-r of 11 February 2021 on the Approval of the Strategy for the Development of the Forest Complex of the Russian Federation until 2030.

Development⁶⁶, Industry Development and Increasing its Competitiveness⁶⁷, with close links to the State Programme on Complex Development of Rural Areas (see also Section 4.1.3.2).

4.43. The State Programme on Forest Development aims to better protect and maintain forests, improving forest management to ensure sustainable forest use and development of the forest sector. The State Programme was revised multiple times over the reporting period and now spans the period 2013-2024 with planned budget of RUB 180 billion allocated for the period 2016-2020. The State Programme on Industry Development and Increasing Its Competitiveness supports the development of timber industry enterprises by providing loan servicing subsidies for investments in high-tech processing industries or the formation of seasonal stocks of raw materials and fuel, and subsidies to enterprises participating in priority investment projects in the Far Eastern Federal District.⁶⁸

4.44. Support continues to be provided via a mix of general support to improving the management of forest resources, direct support to industry, and trade measures such as export and import duties. Import duties for paper products range from 0% to 14%, with an average tariff of 8.2% and only 1.4% of tariff lines duty free. Including furniture, import duties range from 0% to 21.5%, with an average tariff of 8.2% and 4.1% of tariff lines duty free. Export duties are usually applied as mixed duties with the *ad valorem* element ranging from 5% to 80%, with some specific duties ranging from EUR 30 to EUR 100 per cubic metre and estimated AVEs of some of these tariffs reaching more than 175%. Two export tariff rate quotas for coniferous wood in the rough with in-quota export duties of 13% and 15% are in place (Section 3.2.2). According to the authorities, 80% of tariff lines of wood and products thereof do not face export duties in line with commitments made during the accession process.⁶⁹ The economic effects of imposing export tariffs and quotas, aimed at increasing domestic value added by reducing input prices for downstream producers, can potentially limit the development of the forestry sector in the country imposing these.⁷⁰

4.45. Total budgetary appropriations to the State Programme on Forest Development amounted to RUB 42 billion in 2020⁷¹, and support under the subprogramme called Production of Traditional and New Materials, which includes "development of timber industry enterprises" amounted to RUB 2.5 billion at the federal level and RUB 86 million at the state level in 2017-18, with part of this going to the timber industry.⁷²

4.46. Despite efforts to improve forest management and the national automated information system for timber (transactions), which is already in place⁷³, challenges remain including with the legal control of wood and illegal logging. Estimates of the share of illegal logging in total timber harvesting vary greatly, but analysis approximates it around 20%, with rates much higher in the Far East region.⁷⁴ A UN research report estimates that illegal logging is primarily the result of misuse of permits, often complex networks of intermediary companies, and over-harvesting, with bribery also playing a role.⁷⁵ The Government aims to address these issues and over the reporting period it lowered the criminal liability threshold for illegal trafficking of forest resources to be considered a crime under Article 226.1 of the Penal Code. As of June 2021, the area of Forest Stewardship Council (FSC)-certified forests in the Russian Federation has grown to 60.7 million hectares, more than a

⁶⁶ Government Resolution No. 318 of 15 April 2014 on the Approval of the State Programme on Development of Forestry.

⁶⁷ Government Resolution No. 328 of 15 April 2014 on the Approval of the State Programme on Development of Industry and Increasing Its Competitiveness.

⁶⁸ See State Programme on Industry Development and Increasing Its Competitiveness.

⁶⁹ According to Government Resolution No. 754 of 30 August 2013 on the Approval of the Rates of Export Customs Duties for Goods Exported from the Russian Federation outside the States Parties to Agreements on the Customs Union, and on Recognizing Certain Acts of the Government of the Russian Federation as Invalid, export duties are currently applied to about 79 tariff lines (or subsets thereof).

⁷⁰ For an overview of the economic impact of export restrictions, see for example OECD (2010), *The Economic Impact of Export Restrictions on Raw Materials*; and WTO Information Note of 23 April 2020 "Export Prohibitions and Restrictions".

⁷¹ Government Resolution No. 318 of 15 April 2014 (as of June 2021).

⁷² WTO document G/SCM/N/343/RUS, 14 January 2020.

⁷³ See Forest Code, Article 50.6.

⁷⁴ Gan, J. et al. (2016), "Quantifying Illegal Logging and Related Timber Trade" in Kleinschmit, D., Mansourian, S., Wildburger, C. & A. Purret (eds), *Illegal Logging and Related Timber Trade – Dimensions, Drivers, Impacts and Responses*, A Global Scientific Rapid Response Assessment Report.

⁷⁵ UN Environment (2018), *Russian Federation – Country Overview to Aid Implementation of the EU Timber Regulation*.

quarter of forests certified globally under the FSC scheme, with more than 1,000 companies certified.⁷⁶ According to the authorities, these include the largest 10 companies.

4.47. No updated information regarding the potential development of a new economic model of intensive forest use and reproduction mentioned in the last Secretariat report was available.

4.1.6 Fisheries

4.48. While the Russian Federation is one of the world's major fish producers, the shares of the fisheries sector in GDP (0.3%) and total employment (0.2%) remain limited. In 2018, the Russian Federation was the fourth-largest producer of marine fish and the 10th-largest producer of inland fish. Aquaculture accounted for 3.8% of the total catch.⁷⁷ Production of aquatic algae has also increased over the reporting period but remains low compared to those of major producers.

4.49. The sector is regulated overall by Federal Law No. 166-FZ of 20 December 2004 on Fishing and Conservation of Aquatic Biological Resources (as amended) and Federal Law No. 148-FZ of 2 July 2013 on Aquaculture (Fish Farming) and on Amendments to Certain Legislative Acts of the Russian Federation (as amended).

4.50. Catch quotas are allocated by the Federal Agency for Fishery under a total allowable catch (TAC) system. Based on a TAC by species and fishing zone (or basin) set by the Agency, quotas are allocated to the activities of commercial fishing, coastal fishing, fishing for research and control purposes, fishing for cultural and educational purposes, fishing for aquaculture (fish farming), and recreational fishing, as well as fishing in order to ensure the traditional way of life and the implementation of traditional economic activities of the indigenous peoples of the North, Siberia, and the Far East of the Russian Federation. Companies bid in auctions to sign contracts with the authorities for the right to exploit aquatic biological resources commercially.⁷⁸ In addition, according to Federal Law 166-FZ, firms can also apply for rights to a share of the TAC under fishing-related "investment projects".⁷⁹ Contracts between economic operators and the Agency guarantee a certain percentage of the established TAC. Based on these contracts, the Agency then issues fishing permits.⁸⁰ Fishing rules are also in place by fishing basin and are revised from time to time, according to fisheries management objectives.

4.51. Over the reporting period, catch (landings) of fish and crustaceans increased overall, especially in the Pacific Ocean. In particular, the catch of diadromous fish and crustaceans increased, while the catch of cod, hake, and haddock declined, with others remaining broadly unchanged (Table 4.8). Russian fishing vessels engage in fishing activities inside and outside their exclusive economic zone in accordance with bilateral and multilateral access agreements.

Table 4.8 Fish landings in the Russian Federation, 2014-19

('000 tonnes)

	2014	2015	2016	2017	2018	2019
Total	4,429.7	4,618.2	4,947.5	5,060.4	5,323.5	5,231.4
Inward waters	393.2	423.1	446.8	433.4	440.6	438.2
Carp, barbel and other cyprinids	203.7	186.1	218.3	226.8	254.2	239.8
Salmon, trout, smelt	126.0	178.1	149.0	118.8	104.8	121.2
Marine areas	4,036.5	4,195.1	4,500.7	4,627.0	4,882.9	4,793.2
Atlantic Ocean and adjacent seas	1,263.8	1,404.9	1,410.3	1,489.0	1,386.4	1,317.8
Marine fishes	1,221.2	1,358.2	1,356.5	1,434.0	1,317.7	1,217.3
Cod, hake, haddock	684.0	678.9	706.0	712.9	621.5	601.7
Flounder, halibut, sole	25.0	29.3	27.4	28.1	29.8	31.6
Herrings, sardines, anchovies	187.3	232.6	237.6	261.3	229.3	246.1

⁷⁶ FSC, webpage for the Russian Federation. Viewed at: <https://ru.fsc.org/ru-ru>.

⁷⁷ FAO (2020), *The State of World Fisheries and Aquaculture 2020: Sustainability in Action*. Viewed at: <https://doi.org/10.4060/ca9229en>.

⁷⁸ These contracts usually have a duration of 15 years.

⁷⁹ Such investment projects can be implemented by entities registered in the Russian Federation that invest in Russian-built ships and/or processing infrastructure located in the Russian Federation (as introduced to Federal Law No. 166-FZ by Federal Law No. 349-FZ of 3 July 2016). Since 2019, a similar mechanism has been in place for the catching of crab.

⁸⁰ For additional information, see Federal Law 166-FZ, Chapter 4.

	2014	2015	2016	2017	2018	2019
Crustaceans	10.9	16.5	18.9	21.7	31.7	48.2
Diadromous fishes	23.5	19.8	23.6	22.0	26.2	38.2
Salmon, trout, smelt	19.7	12.2	14.2	14.5	21.2	33.7
Pacific Ocean	2,772.1	2,789.3	3,089.6	3,137.6	3,496.1	3,475.3
Crustaceans	61.0	63.7	71.7	87.4	93.3	88.3
Crabs, sea-spiders	32.1	30.7	35.1	43.2	47.1	43.2
King crabs, squat-lobsters	17.5	19.3	22.1	26.0	29.7	29.1
Diadromous fishes	282.4	258.2	370.7	318.3	650.4	468.2
Salmon, trout, smelt	282.4	258.2	370.7	318.3	650.4	468.2
Marine fishes	2,278.9	2,373.4	2,505.7	2,595.7	2,595.1	2,745.2
Cod, hake, haddock	1,665.1	1,781.9	1,898.8	1,919.7	1,884.7	1,970.2
Herrings, sardines, anchovies	364.1	386.2	406.7	433.5	432.2	510.4
Molluscs	129.0	72.4	112.1	109.6	128.0	133.7
Squid, cuttlefish, octopuses	111.1	53.9	87.4	83.4	102.4	98.2

Source: FAOSTAT, Fisheries and Aquaculture. Fisheries statistics and information viewed at: <http://www.fao.org/fishery/>.

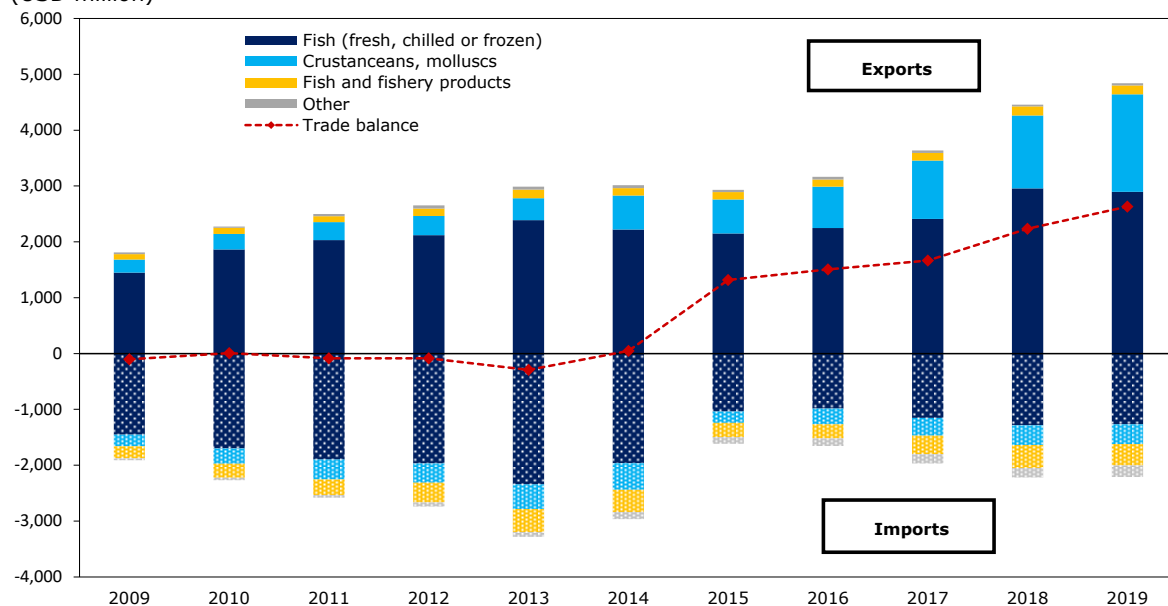
4.52. Domestically incorporated firms with foreign ownership can operate in the sector only if foreign ownership of the company has been established in line with requirements outlined in Federal Law No. 57-FZ of 29 April 2008 on the Procedure for Making Foreign Investments in Business Entities of Strategic Importance for Ensuring the National Defence and State Security (as amended). As a result of amendments to Federal Laws No. 57-FZ and No. 166-FZ, a company operating in the fisheries sector is considered foreign owned when foreigners or "or a group of persons that includes a foreign investor" own more than 25% of the company, requiring prior approval for such control of the company, similar to the rules applied to investors in certain mining activities.⁸¹

4.53. Since 2014, the Russian Federation has been a net fish exporter, as exports grew continuously while imports declined and then stagnated from 2014 when the Russian Federation imposed a ban on certain food imports from various countries, including fish as a response to economic restrictions imposed by certain Members (Chart 4.3). The recent increase in the export of crustaceans was primarily driven by increased exports of crabs.

⁸¹ These amendments were introduced by Federal Law 339-FZ of 2 July 2021 on Amendments to the Federal Law on Fisheries and the Conservation of Aquatic Biological Resources and the Federal Law on the Procedure for Making Foreign Investments in Business Entities of Strategic Importance for Ensuring the National Defence and State Security.

Chart 4.3 Fish and fishery trade, 2009-19

(USD million)



Note: Fish and fishery products: HS 03, HS 0508, HS 0511191, HS 150410, HS 150420, HS 1603-05, and HS 230120.

Source: WTO Secretariat calculations, based on UN Comtrade database.

4.54. The Strategy for Development of Agriculture and Fisheries Through 2030, approved in April 2020 and the Strategy for the Development of the Fisheries Industry until 2030, approved in November 2019, provide the overall framework for government action in the fisheries sector. Support for the fisheries sector is concentrated on supporting access to finance (subsidies for loan interests) for investment into fishing vessels, processing infrastructure, storage, and the development of aquaculture (primarily via interest payments for investment loans), as well as insurance (for aquaculture). Support to the sector is outlined in the State Programme on the Development of the Fisheries Industry⁸² (adopted in 2014), but some support is also provided under the State Programme on Development of Shipbuilding and Techniques for Offshore Field Development.⁸³ Over the period 2017-18, the State Programmes provided support of RUB 312 million and RUB 4.5 billion, respectively, complemented with support from sub-federal programmes of RUB 4.42 billion.⁸⁴ In addition, the State Programme on the Development of Agriculture also supported aquaculture development under its subprogramme Development of Breeding, Processing and Marketing of Livestock Products for the purchase of fish stocking material, feed, veterinary drugs, and the development of aquaculture infrastructure facilities until 2020 when this support ended, according to the authorities. No information regarding the structure and amount of subsidies to the fisheries sector was available yet for the period 2019-20.

4.55. Overall, the fisheries sector remains protected behind relatively high tariff barriers that are on average 7.3% with only 2.6% of tariff lines duty free. The Russian Federation also applies export tariffs for two tariff lines covering tuna fish of 5%.⁸⁵

4.56. According to the authorities, the Russian Federation aims to combat illegal, unreported, and unregulated (IUU) fishing in line with the International Plan of Action to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated Fishing. The Russian Federation is a party to the UN Fish Stocks Agreement and the Agreement on Port State Measures to Prevent, Deter and Eliminate Illegal,

⁸² Government Resolution No. 314 of 15 April 2014 on the Approval of the State Programme on Development of the Fishery Complex (as amended).

⁸³ Government Resolution No. 304 of 15 April 2014 on the Approval of the State Programme on Development of Shipbuilding and Equipment for the Development of Shelf Deposits (as amended).

⁸⁴ WTO document G/SCM/N/343/RUS, 14 January 2020. The programme on shipbuilding provides broader support but explicitly includes fishing.

⁸⁵ These are 0302 35 190 0 and ex 0302 99 000 9. Tariff information is based on HS 2012 nomenclature.

Unreported and Unregulated Fishing (ratified by the Russian Federation in December 2020), but not to the Agreement to Promote Compliance with International Conservation and Management Measures by Fishing Vessels on the High Seas. According to the authorities, the Russian Federation also concluded bilateral agreements to combat IUU fishing with the Republic of Korea, China, Japan, the United States, the Democratic People's Republic of Korea, and a number of other countries, and fishing vessels registered in the Russian Federation carry an International Maritime Organization (IMO) identification number.

4.2 Mining and Energy

4.2.1 Minerals

4.57. In recent years, minerals typically have made up between 60% and 70% of total merchandise exports from the Russian Federation, which has one of the world's largest mineral resource bases. In addition to hydrocarbons⁸⁶, the country is a major producer of several non-energy producing minerals:

- **Gold.** The Russian Federation holds the world's third-largest gold reserves and is the world's third-largest gold producer. There are more than 30 gold mining companies, 5 of which account for half of the total gold production. The leading company is Polyus Gold, which is among the top five gold producers globally and makes up 25% of the Russian Federation's gold production, followed by Polymetal, Canadian-owned Kinross, UGC Group (Uzhuralzoloto), and Petrapavlosk.⁸⁷ The principal export markets for gold are the United Kingdom (with a share of more than 90% in January 2021), Kazakhstan, and Switzerland. The Russian Federation's gold exports increased several times in volume and value in 2019 and 2020.⁸⁸ In April 2020, rules on licensing of exports of gold were adopted that allowed gold mining and refinery companies along with credit institutions to obtain general licences for the export of refined gold from the Ministry of Industry and Trade (MIT).⁸⁹
- **Diamonds.** The Russian Federation has the world's largest reserves of diamonds and ranks first in terms of global production. The country's leading diamond producer, Alrosa, is controlled by the State and accounts for nearly 90% of domestic production and 28% of global production.⁹⁰ The main export destinations are Belgium, the United Arab Emirates, and India.⁹¹
- **Iron ore.** The Russian Federation has a significant raw material base of iron ores, second only to Brazil in scale. The country is among the world's five largest producers of iron ore products (concentrates, pellets, sinter, and direct reduction iron products). The leading iron ore companies are Metalloinvest (with a share in production of 42%), NMLK (Novolipisk), Severstal, Evraz, and MMK (Magnitogorsk Iron & Steel Works). Iron exports fell both in volume and value terms from 2011 to 2016, followed by a substantial increase since 2016.

⁸⁶ Energy producing minerals, notably oil and gas, account for more than 70% of the mineral extraction sector, and are discussed in Section 4.2.2.

⁸⁷ EMIS, *Russia Mining Sector 2019/2020*, pp. 18, 31, and 76-77. J. Harder, "Russia's Mining Industry on an Upswing", *AT Mineral Processing*, 2020, Vol. 3., p. 6.

⁸⁸ See, for example, SeaNews, "Russia's Gold Export Up Several Times", 22 April 2020. Viewed at: <https://seanews.ru/en/2020/04/22/russia-s-gold-export-up-several-times/>. It has been reported that in April and May 2020 export revenue from gold exceeded export revenue from gas for the first time. E. Teslova, "Russia: Income from Gold Export Exceed Gas Sales Profit", 14 July 2020. Viewed at: <https://www.aa.com.tr/en/europe/russia-income-from-gold-export-exceed-gas-sales-profit/1910322>. In the first quarter of 2021, gold exports increased by 72%.

⁸⁹ S&P Global Platts, "Russia to Liberalize Gold Exports", 21 April 2020. Viewed at: <https://www.spglobal.com/platts/en/market-insights/latest-news/metals/042120-russia-to-liberalize-gold-exports>.

⁹⁰ Alrosa, *Annual Report 2020*, p. 12.

⁹¹ EMIS, *Russia Mining Sector 2019/2020*, pp. 30, 44-47, and 79-80. J. Harder, "Russia's Mining Industry on an Upswing", *AT Mineral Processing*, 2020, Vol. 3, pp. 6-7.

The major export destinations (for the period 2016-June 2021) included Kazakhstan; Armenia; Belarus; Czech Republic; and Hong Kong, China.⁹²

- Nickel. The Russian Federation holds the world's third-largest nickel reserves and is the world's fourth-largest nickel producer. The country's leading producer is Norilsk Nickel, with a domestic market share of approximately 70% and a share of global production of nearly 14%. The company's nickel output declined in 2016-17, due to the decommissioning of one of its old plants, but the company has increased its nickel production since 2017 and is planning to continue to expand capacity to meet the growing demand for electric vehicles. The major markets (for the period 2016-June 2021) were Switzerland, Finland, China, Belarus, and the Netherlands.⁹³
- Platinum and palladium. The Russian Federation is in second place in the world in terms of reserves and production of the total amount of platinoids, supplying a quarter of world production. Norilsk Nickel accounts for 10.7% of global production of platinum and is the third-largest platinum producing company in the world. It is the world's largest producer of palladium with a global share in production of 40%. The major markets for platinum include the United States, the United Kingdom, Japan, Germany, and Belarus, and for palladium, the United States, the United Kingdom, Germany, Japan, and Switzerland.⁹⁴
- Copper. The Russian Federation ranks 10th among the world's copper producing countries. Norilsk Nickel has a share of 40% in Russian copper production. Two other copper producing companies are Ural Mining and Metallurgical Company, with a share in production of 44%, and Russian Copper Company with a share of 16%. Major export markets (for the period 2016-June 2021) were the Netherlands, China, Germany, Greece, and Switzerland.

4.58. Many of the non-energy mineral companies are privately owned, but the industry is characterized by a high degree of concentration.⁹⁵

4.2.2 Energy

4.2.2.1 General

4.59. The Russian Federation is a key player in global energy markets. It accounts for 10% of world fuel production and 5% of world fuel consumption, and exports more than half of its primary energy production of 1,470 million tonnes in oil equivalent, which makes it "the world's absolute leader in energy exports".⁹⁶ The oil and gas industries generate more than 60% of the Russian Federation's exports of goods⁹⁷ and 40% of its budget revenues⁹⁸, and it has been observed, in this regard, that the Russian Federation remains "structurally highly dependent on hydrocarbons".⁹⁹ The

⁹² Harder, "Russia's Mining Industry on an Upswing", *AT Mineral Processing*, 2020, Vol. 3, p. 4; EMIS, *Russia Mining Sector 2019/2020*, pp. 18-19, 28, 39-41, and 64-65; and information provided by the authorities.

⁹³ EMIS, *Russia Mining Sector 2019/2020*, pp. 20-29, 36-38, and 67-69; J. Harder, "Russia's Mining Industry on an Upswing", *AT Mineral Processing*, 2020, Vol. 3, p. 5; and information provided by the authorities.

⁹⁴ EMIS, *Russia Mining Sector 2019/2020*, pp. 35-37; J. Harder, "Russia's Mining Industry on an Upswing", *AT Mineral Processing*, 2020, Vol. 3, p. 5; and information provided by the authorities.

⁹⁵ The list of natural monopoly activities approved by Federal Law No. 147-FZ of 17 August 1995 on Natural Monopolies does not include non-energy minerals. Thus, there are no economic entities with the status of natural monopolies in the non-energy mining sector.

⁹⁶ The Energy Research Institute of the Russian Academy of Sciences and SKOLVOKO Energy Centre, Moscow School of Management, *Global and Russian Energy Outlook 2019*, p. 132.

⁹⁷ The share of mineral fuels in exports declined to 62.1% in 2019, compared to 70.6% in 2013. World Bank, *Russia Integrates: Deepening the Economy's Integration in the Global Economy*, p. 43.

⁹⁸ Ministry of Finance, *Annual Report on the Execution of the Federal Budget (starting from 1 January 2006)*. Viewed at: https://minfin.gov.ru/en/statistics/fedbud/?id_65=119255-annual-report-on-execution-of-the-federal-budget-starting-from-january-1-2006. While the proportion of energy in budget revenue is much lower than during the period 2011-2014 (50%), it is still much higher than during the early 2000s, when energy revenues represented less than 10% of the federal budget revenue.

⁹⁹ World Bank, *Russia Integrates: Deepening the Economy's Integration in the Global Economy*, p. 43.

Russian Federation's economy is characterized by very high energy intensity, far above the world average.¹⁰⁰

4.60. In the period since the mid-2010s, the Russian Federation has faced important changes in international energy markets, because of substantially lower oil prices and economic measures applied by other countries in a context of geopolitical tensions. Sustaining energy exports in these circumstances has been a major policy objective. Key elements in the Russian Federation's response to this new environment have been the devaluation of the ruble, which has reduced the economy's vulnerability to oil price fluctuations and resulted in substantial increases in the volumes of oil and gas exports in 2015-19, and participation, since 2016, in international coordination of limitations on oil production in the context of the OPEC+.

4.61. The COVID-19 pandemic's impact on global energy markets resulted in substantial declines in production and exports of oil and natural gas.

4.62. The geographic structure of Russian energy exports has been changing, with Asia becoming relatively more important.

4.63. The role of the State in the energy sector remains very important, notwithstanding that there also have been several initiatives aimed at enhancing the role of market forces and competition.

4.64. The review period witnessed several notable regulatory changes, for example with respect to the phase-out of export duties and related changes in other energy taxes, and important developments regarding general energy policy, including the adoption of a comprehensive energy strategy for the period until 2035 aimed at transforming the energy sector to maximize its contribution to economic development.

4.2.2.2 Oil

4.65. The Russian Federation is the world's third-largest crude oil producer, based on data for the period 2016-20.¹⁰¹ Its proven crude oil reserves stood at 14.8 billion metric tonnes or 107.8 billion barrels in 2020, accounting for 6.2% of the world's total.¹⁰² Crude oil production during the review period was slightly higher than in the period covered by the previous Review and reached a record high of 560.3 million tonnes in 2019.¹⁰³ In mb/d, production increased from an average of 10.6 in 2015 to 11.2 in 2019. The fall in global demand due to the COVID-19 pandemic and production cuts agreed by the OPEC+ countries¹⁰⁴ resulted in a very substantial decline in crude oil production in 2020 (Table 4.9). It has been reported that this was the first decline in crude oil production since 2008 and that the level of production in 2020 was the lowest since 2011.¹⁰⁵ While crude oil production is expected to recover in the short term, there is some uncertainty as to whether it will be possible to maintain the high pre-crisis level of production in the long term.¹⁰⁶ The authorities note that by 2035 production capacity of oil with gas condensate will reach 523-551 million tonnes, according to Ministry of Energy data.

¹⁰⁰ The Energy Research Institute of the Russian Academy of Sciences and SKOLVOKO Energy Centre, Moscow School of Management, *Global and Russian Energy Outlook 2019*, p. 137.

¹⁰¹ BP, *Statistical Review of World Energy 2021*, p. 18.

¹⁰² BP, *Statistical Review of World Energy 2021*, p. 16.

¹⁰³ A recent IMF report explains that because of relatively low operating costs, the stabilizing effects of the flexible exchange rate, the fiscal rule, and the progressive tax regime, crude oil production in the Russian Federation has not been very sensitive to volatility in international oil prices. IMF (2021), *Russian Federation: Staff Report for the 2020 Article IV Consultation*, IMF Country Report No. 21/36, pp. 36-37.

¹⁰⁴ The Russian Federation joined the Vienna Agreement of the Organization of the Petroleum Exporting Countries (OPEC) on the adjustment of oil production on 30 November 2016 by signing the OPEC/non-OPEC Declaration of Cooperation in December 2016. As it is stipulated in the Adjustment, from 1 August 2020, in accordance with the terms of the oil production cut agreement between the OPEC member States and the non-OPEC member States, the Russian Federation has undertaken obligations to reduce oil production in the amount of 2 million barrels per day.

¹⁰⁵ Reuters, "Russian Annual Output Falls for the First Time since 2008 on OPEC+ Deal, Pandemic", 2 January 2021. Viewed at: <https://www.reuters.com/article/oil-russia-output/russian-annual-oil-output-falls-for-the-first-time-since-2008-on-opec-deal-pandemic-idUSKBN29704E>.

¹⁰⁶ As discussed in, for example, J. Henderson, "The Future of Russian Oil Production in the Short, Medium and Long Term", *The Oxford Institute for Energy Studies*, September 2019, p. 3.

Table 4.9 Crude oil: production and exports, 2013-20

	2013	2014	2015	2016	2017	2018	2019	2020
Production (million tonnes)	523.2	526.7	533.6	547.3	546.7	555.8	560.3	512.8
Production (mb/d)	10.5	10.5	10.6	10.9	10.9	11.1	11.2	10.2
Exports (million tonnes)	236.6	223.4	244.5	254.7	252.6	260.6	267.5	238.6
Exports (billion USD)	173.7	153.9	89.6	73.7	93.3	129.2	121.4	72.3

.. Not available.

Source: Ministry of Energy, Statistics. Viewed at: <https://minenergo.gov.ru/en/activity/statistic>; Federal Customs Service, Statistics. Viewed at: <https://customs.gov.ru/statistic/eksport-rossii-vazhnejshix-tovarov>; Production in mb/d: BP, *Statistical Review of World Energy 2021*, p. 20. Viewed at: <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2021-full-report.pdf>.

4.66. As at 1 January 2021, 285 entities were licensed to use subsoil rights to produce crude oil in the Russian Federation, including 98 entities that belong to 11 vertically integrated companies and which accounted for more than 84% of crude oil production.¹⁰⁷ The major oil producing companies are Rosneft, Lukoil, Surgutneftegas, Gazprom Neft, Tatneft, Slavneft, Bashneft, Novatek, and Russneft. According to some sources, the share of crude oil production accounted for by minor oil companies increased in recent years.¹⁰⁸ Apart from Lukoil, Surgutneftegas, Russneft, and Novatek, the major integrated oil companies are controlled by the State.¹⁰⁹ According to several studies, the level of state ownership in the oil sector exceeds 50% of production and has increased since the early 2010s.¹¹⁰

4.67. Exports of crude oil increased significantly in volume terms from 2015 to 2019 and in value terms from 2015 to 2018 (Table 4.9). There was a very substantial decline in both the volume and the value of crude oil exports from 2019 to 2020. The Russian Federation was the world's second-largest crude oil exporter in 2018-19 and the third-largest crude oil exporter in 2020.¹¹¹ According to the authorities, the share of exported oil in 2019 amounted to 46.2% in the structure of Russian supplies of fuel and energy complex products.

4.68. The main destinations in 2019 for crude oil were China, the Netherlands, Germany, the Republic of Korea, Belarus, Italy, Poland, Finland, Turkey, Japan, the United States, and Slovakia.¹¹² The sharp increase in the past two decades in China's share of exports of goods from the Russian Federation is largely attributable to crude oil, which constitutes 70% of Chinese imports from the Russian Federation.¹¹³ More generally, it is expected that Russian crude oil exports to Europe will decline in the long run, while exports to the Asia Pacific Region will increase.¹¹⁴

4.69. In 2019, there were 76 specialized oil refineries processing oil and gas condensate, and the volume of primary processing of crude oil amounted to 285.1 million tonnes.¹¹⁵ Oil refining depth

¹⁰⁷ In January 2016, 299 licensed enterprises were active in the extraction of oil and gas condensate. WTO document WT/TPR/S/345/Rev.1, 6 December 2016, para. 4.83. There has been a gradual decrease since 2012 in the number of licence-based operations. Deloitte, *Overview of the Russian Oilfield Services Market – 2019*, p. 9.

¹⁰⁸ See e.g. Deloitte, *Overview of the Russian Oilfield Services Market – 2019*, p. 10.

¹⁰⁹ In October 2016, the Government sold its controlling state of 50% in Bashneft to Rosneft, and in December it sold a 19.5% stake in Rosneft to Glencore and the Qatar Investment Authority.

¹¹⁰ One study observes that "[f]ollowing the return of Bashneft to state-ownership in 2014, the share of companies with the state-majority ownership in Russian oil production reached over 50%, compared to 33% in 2012". T. Mitrova, "Russia's Energy Strategy", Atlantic Council, Eurasia Center, July 2019, p. 10. The IMF reports that the share of the State in oil and gas extraction increased between 2012 and 2016. IMF, *Russian Federation: Selected Issues*, IMF Country Report No. 18/276, pp. 8, 15.

¹¹¹ BP, *Statistical Review of World Energy 2021*, p. 32.

¹¹² Information provided by the authorities.

¹¹³ World Bank, *Russia's Economy Loses Momentum amidst Covid-19 Resurgence; Awaits Relief from Vaccine*, December 2020, pp. 15-16. The trend towards a growing share of China in Russian exports has been reinforced by the COVID-19 crisis.

¹¹⁴ The Energy Research Institute of the Russian Academy of Sciences and SKOLVOKO Energy Centre, Moscow School of Management, *Global and Russian Energy Outlook 2019*, p. 149.

¹¹⁵ Ministry of Energy, *Refining of Oil and Gas Condensate*. Viewed at: <https://minenergo.gov.ru/node/1212>.

was 83.1% in 2019.¹¹⁶ Most refining facilities are controlled by the integrated oil companies.¹¹⁷ The Russian Federation's refining capacity increased to 6.7 mb/d in 2020 from 6.5 mb/d in 2015.¹¹⁸ The volume of exports of oil products amounted to 123.3 million tonnes in 2019 and 106.8 million tonnes in 2020.¹¹⁹

4.2.2.3 Gas

4.70. The Russian Federation has the world's largest proven natural gas reserves, which stood at 37.4 trillion cubic metres in 2020, accounting for 19.9% of global gas reserves.¹²⁰ It is the world's second-largest natural gas producer, and the largest natural gas exporter.¹²¹

4.71. Production of natural gas increased substantially between 2015 and 2019 (Table 4.10). In 2020, natural gas production declined by 5.7%.

Table 4.10 Natural gas production and exports, 2013-20

(billion cubic metres)

	2013	2014	2015	2016	2017	2018	2019	2020
Production ^a	..	..	..	641	691	726	679	..
Production ^b	614.5	591.2	584.4	589.3	635.6	669.1	679.0	638.5
Exports ^b	225.2	203.2	208.8	216.7	235.2	247.3	260.1	238.1
Pipeline exports	210.7	189.6	194.2	202.0	219.7	222.4	221.0	197.7
LNG exports	14.5	13.6	14.6	14.6	15.4	24.9	39.1	40.4

.. Not available.

a Data provided by the authorities.

b Data from BP, *Statistical Review of World Energy 2021*.

Source: Information provided by the authorities; and BP, *Statistical Review of World Energy 2021*. Viewed at: <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2021-full-report.pdf>.

4.72. As at 1 January 2021, production of natural gas and associated petroleum gas was carried out by 260 extracting companies, including 76 affiliates of vertically integrated holdings, 15 subsidiaries of Gazprom, 8 entities owned by Novatek, 158 independent oil and gas companies, and 3 companies operating under production sharing agreements.¹²² State-controlled Gazprom¹²³ accounts for 71.1% and 67.9% of the Russian Federation's gas reserves and gas production, respectively, and for 16.3% and 11.7% of the world's gas reserves and gas production.¹²⁴ The vast majority of its gas production is in the Ural Federal District. Gazprom owns and operates the United

¹¹⁶ Ministry of Energy, *Refining of Oil and Gas Condensate*. Viewed at: <https://minenergo.gov.ru/node/1212>. "Oil refining depth" is the ratio of crude oil volumes processed at primary refining facilities, excluding saleable heating oil, liquid fuel used in production, and losses in drying and desalination, to total crude oil volumes processed at primary refining facilities. WTO document WT/TPR/S/345/Rev.1, 6 December 2016, p. 139.

¹¹⁷ Rosneft operates 13 oil refineries with a total capacity of 118.4 million tonnes per year and accounts for more than 35% of the volume of refining in the Russian Federation. Rosneft, *Annual Report 2019*, pp. 86-87.

¹¹⁸ BP, *Statistical Review of World Energy 2021*, p. 31.

¹¹⁹ BP, *Statistical Review of World Energy 2021*, p. 33.

¹²⁰ BP, *Statistical Review of World Energy 2021*, p. 34.

¹²¹ According to the BP data, the Russian Federation accounted for 17% of world production of natural gas in 2019 and 16.6% in 2020; its share in world exports of natural gas was 26.1% in 2019 and 25.3% in 2020. BP, *Statistical Review of World Energy 2020*, pp. 34, 42; BP, *Statistical Review of World Energy 2021*, pp. 36, 42. According to the authorities, the share of the Russian Federation in world exports of natural gas in 2019 was significantly lower (19.9%) than the figure reported by BP (26.1%). The authorities did not submit data on exports of natural gas in 2020.

¹²² Ministry of Energy, *Gas – About the Industry*. Viewed at: <https://minenergo.gov.ru/node/1215>.

¹²³ Gazprom is 38.4% state-owned, with another 11.9% owned by companies controlled by the State. Gazprom, *Annual Report 2020*, p. 31.

¹²⁴ Based on data for 2019. Gazprom, *Gazprom in Figures Factbook 2015-2019*, p. 4. Viewed at: <https://www.gazprom.com/f/posts/72/802627/gazprom-in-figures-2015-2019-en.pdf>. In 2020, Gazprom produced 454.5 billion cubic metres of natural and associated gas and 16.3 million tonnes of gas condensate. Gazprom, *Annual Report 2020*, p. 97.

Gas Supply System. Gazprom's main export markets are the Netherlands, Germany, Italy, Turkey, and France. Gazprom accounts for nearly one third of gas consumption in Europe.¹²⁵

4.73. A new direction in the development of the industry was the production of natural gas in its liquefied state (LNG). There was a substantial expansion of LNG production during the review period, mainly driven by privately owned Novatek.¹²⁶ According to Ministry of Energy data, production of LNG amounted to 29.5 million tonnes in 2019, 47.5% higher than in 2018.¹²⁷ The Government recently adopted a long-term strategy for the development of LNG production, which envisages an increase in LNG production from 28 million tonnes in 2021 to approximately 140 million tonnes in 2035.¹²⁸ This is to be achieved, *inter alia*, through the construction of several new plants.¹²⁹

4.74. Gas exports rose by more than a quarter between 2015 and 2019 (Table 4.10). The increase was particularly pronounced regarding LNG, exports of which rose from 14.6 billion cubic metres in 2015 to 40.4 billion cubic metres in 2020.¹³⁰ A sharp decline in gas exports occurred in 2020, but this masks a divergence between pipeline exports, which fell, and LNG exports, which increased.

4.75. The major destinations for Russian pipeline natural gas exports in 2020 were Germany, Italy, Belarus, Turkey, France, Kazakhstan, and the United Kingdom. There was a significant expansion of capacity to export gas to both Europe and Asia, as exemplified by the construction of the Nord Stream 2, Turk Stream, and Power of Siberia pipelines.¹³¹ As with oil, Asian countries are expected to become increasingly important as destinations for Russian gas exports.¹³²

4.2.2.4 Coal

4.76. The Russian Federation's reserves of coal of all categories amounted to 275.4 billion tonnes as of 1 January 2020.¹³³ The raw material base of coal provides the country with the fourth place in the world after the United States, Australia, and China. Coal production rose from 374.0 million tonnes in 2015, to 441.9 million tonnes in 2018, and to 442.7 million tonnes in 2019, and then declined to 402.1 million tonnes in 2020.¹³⁴

4.77. As of 1 January 2021, there were 179 enterprises active in coal mining, including 58 pit mines and 121 open-surface mines, with a total production capacity of 508 million tonnes at the beginning of 2020.¹³⁵ More than 76% of coal mining takes place in Siberia. In 2020, the largest coal companies were the Siberian Coal Energy Company, with a share in coal production of 25%, and Kuzbassrazresugol, with a share of 10%. The authorities indicate that the coal industry is represented by fully private companies operating in market conditions. Along with the continuation of the development of traditional coal mining centres, new deposits are being developed in Eastern Siberia and the Far East, as well as in the Arctic zone of the Russian Federation.

4.78. The Russian Federation is third in the ranking of the world's largest coal exporters, after Australia and Indonesia, with a share of 16% in world coal exports. The major export markets for Russian coal are the Republic of Korea, Japan, China, Turkey, the United Kingdom, the Netherlands, Germany, Ukraine, and Poland.¹³⁶ In volume terms, coal exports amounted to 156 million tonnes in 2015, 171 million tonnes in 2016, 190 million tonnes in 2017, 210 million tonnes in 2018, 221 million tonnes in 2019, and 211 million tonnes in 2020.¹³⁷ There was a sharp increase in the value of coal exports from 2016 to 2018 as a result of higher prices in international markets. Since 2014-15, the

¹²⁵ Gazprom, *Annual Report 2020*, pp. 122-123.

¹²⁶ Novatek owns a share of 50.1% in the Yamal LNG project.

¹²⁷ Ministry of Energy, *Production and Supply of Liquefied Natural Gas (LNG)*. Viewed at: <https://minenergo.gov.ru/node/4853>.

¹²⁸ Decree No. 640 of 16 March 2021.

¹²⁹ At present, most LNG production is accounted for by the Yamal and Sakhalin-2 projects.

¹³⁰ The Russian Federation was the world's fourth-largest exporter of LNG in 2020. BP, *Statistical Review of World Energy 2021*, p. 44.

¹³¹ In December 2019, Gazprom started delivering natural gas to China via the Power of Siberia pipeline.

¹³² The Energy Research Institute of the Russian Academy of Sciences and SKOLVOKO Energy Centre, Moscow School of Management, *Global and Russian Energy Outlook 2019*, pp. 153-154.

¹³³ Information provided by the authorities.

¹³⁴ Information provided by the authorities.

¹³⁵ Ministry of Energy, *Coal*. Viewed at: <https://minenergo.gov.ru/node/433>.

¹³⁶ EMIS, *Russia Mining Sector 2019/2020*, pp. 61-62.

¹³⁷ Information provided by the authorities.

Russian Federation has diversified its coal exports and increased shipments to Asia. The share of Europe in the Russian Federation's coal exports declined from 72% in 2010 to 53% in 2018 and to 41% in 2020, while the share of Asia increased from 27% in 2010 to 47% in 2018 and to 59% in 2020.¹³⁸ The Russian Federation is investing heavily in improvements to its railway and port infrastructure to boost exports of coal and other products to Asian markets. It has been reported that the Russian Federation aims to double its coal exports during the period until 2035.¹³⁹

4.2.2.5 Electricity

4.79. The Russian Federation has the world's fourth-largest electricity system, after the United States, China, and India. The total installed power generation capacity in the Russian Federation was 251,097 MW as at 1 January 2021. Production of electricity within the Unified Energy System (UES) amounted to 1090.6 billion kWh in 2019 and 1063.7 billion kWh in 2020.¹⁴⁰ Gas accounts for 46% of electricity generation, followed by coal (18%), hydro (18%), and nuclear power (17%). The role of non-hydro renewable energy in electricity production is very small.

4.80. Most of the country's generating assets are concentrated in thermal generating companies of the wholesale electricity market (PJSC Gazprom Group), the federal hydro-generating company of the wholesale market (PJSC Rushydro), territorial generating companies of the GKSUEK, TGK-16 groups, PJSC Inter RAO UES, UC RUSAL, and Rosenergoatom.

4.81. The subjects of natural monopolies in the electric power industry are PJSC FGC UES; PJSC Rosseti and its branches; other territorial grid organizations providing electricity transmission services; and SO UES JSC and other system operators that carry out dispatch control of the UES.

4.82. Consumption of electricity in the Russian Federation amounted to 1,075.2 billion kWh in 2019, including 1,059.4 billion kWh consumed through the UES¹⁴¹, and to 1,050.4 billion kWh in 2020, including 1,033.7 billion kWh consumed through the UES.¹⁴²

4.83. The Russian Federation is a net exporter of electric power. Inter RAO holds the exclusive right to import and export electric power. In 2020, it imported 1.374 billion kWh and exported 11.701 billion kWh. It exports to Azerbaijan, Belarus, China, Finland, Georgia, Kazakhstan, Lithuania, and Mongolia. The largest export destinations are Lithuania (26.9%), China (26.2%), Finland (22.5%), and Kazakhstan (10.8%). Imports are mostly from Kazakhstan.¹⁴³

4.2.2.6 Institutional framework, regulatory changes, and developments in energy strategy and policies¹⁴⁴

4.2.2.6.1 Institutional framework

4.84. According to paragraph 2 of Article 9 of the Constitution, land and other natural resources may be in private, state, municipal, and other forms of ownership. Article 1.2 of the Subsoil Law provides that the subsoil within the boundaries of the territory of the Russian Federation, including underground space and minerals, energy, and other resources contained in the subsoil, is state property. The ownership use and disposal of subsoil are under the joint jurisdiction of the Russian Federation and its constituent entities.

4.85. The Ministry of Natural Resources and Environment of the Russian Federation (MinPrirody of Russia) carries out the functions of developing state policy and legal regulation in the field of study, use, reproduction, and protection of natural resources, including subsoil. Within its competence, the Ministry also ensures the fulfilment of obligations arising from international treaties on issues related to its sphere of activity. The Ministry coordinates and controls the activities of its subordinates: the

¹³⁸ Information provided by the authorities.

¹³⁹ ResourceWorld, "Russia Eyes Big Plans for Coal Production and Exports". Viewed at: <https://resourceworld.com/russia-eyes-big-plans-for-coal-production-and-exports/>.

¹⁴⁰ Information provided by the authorities. Nearly all electricity is generated within the UES.

¹⁴¹ Ministry of Energy, *Main Characteristics of the Russian Electric Power Industry*. Viewed at: <https://minenergo.gov.ru/node/532>.

¹⁴² Information provided by the authorities.

¹⁴³ Inter RAO, *Annual Report 2020*, pp. 110-111.

¹⁴⁴ Many of the issues addressed in this subsection also pertain to non-energy minerals.

Federal Service for Hydrometeorology and Environmental Monitoring, the Federal Service for Supervision of Natural Resources, the Federal Agency for Water Resources, the Federal Agency for Forestry, and the Federal Agency for Subsoil Use.¹⁴⁵

4.86. The Ministry of Energy carries out the functions of developing and implementing state policy and legal regulation in the field of the fuel and energy complex, including the electric power industry; the oil production, oil refining, gas, coal, shale, and peat industries; trunk pipelines, oil, gas, and products of their processing; renewable energy sources; and the development of hydrocarbon deposits on the basis of production sharing agreements; and in the petrochemical industry; as well as the functions of providing public services in these areas. In addition, the Ministry of Energy carries out the functions of developing state policy and legal regulation in the field of energy saving and increasing energy efficiency on information support of measures for energy saving and increasing energy efficiency, accounting for energy resources used, and in the field of heat supply in terms of heat production in the mode of combined generation of electric and heat energy. The Ministry of Energy, within its competence, carries out the functions of creating, operating, and improving the state information system of the fuel and energy complex.¹⁴⁶

4.87. The Federal Antimonopoly Service (FAS) regulates natural monopolies and is responsible for setting tariffs for electricity, natural gas, and pipeline transportation.¹⁴⁷

4.88. The Federal Service for Environmental, Technological, and Nuclear Supervision is responsible for drafting and implementing government policy and legal regulations relating to nuclear energy. It also oversees the safety of hydro-engineering structures.¹⁴⁸

4.2.2.6.2 Regulatory changes

4.2.2.6.2.1 Subsoil Law

4.89. Most of the oil and gas extraction in the Russian Federation takes place under a tax and royalty system, the main legal basis of which is the licensing regime provided for in Federal Law No. 2395-1 of 21 February 1992 on Subsoil, as amended.¹⁴⁹

4.90. The Subsoil Law outlines the legal framework for the exploration, extraction, and exploitation of minerals and other natural resources. It provides for the procedure for considering applications for obtaining the right to use subsoil, including for geological exploration to search and evaluate hydrocarbon deposits in a subsoil plot of federal significance, inland sea waters, and the territorial sea of the Russian Federation. The procedure is established by the Government. Prior to the entry into force of amendments to the Subsoil Law made in 2019, the three main types of subsoil licences were: (i) geological (exploration) survey licences (covering prospecting and appraisal activities); (ii) production/mining licences; and (iii) combined exploration and production licences (covering both geological (exploration) surveys and production/mining activities). A geological survey licence may be granted for a maximum period of 5 years, but geological survey licences can be granted for 7 years in the Northern and Far East regions, or 10 years for offshore fields. Production/mining licences and combined licences can be issued for the projects' life span. Geological licences are awarded without a tender or auction, while production and combined licences are awarded by tender or auction.

¹⁴⁵ Information provided by the authorities.

¹⁴⁶ Information provided by the authorities.

¹⁴⁷ FAS, *What We Do*. Viewed at: <http://en.fas.gov.ru/about/what-we-do/general-information.html>.

¹⁴⁸ Rostekhnadzor, *Basic Activities of Federal Environmental, Industrial and Nuclear Supervision Service*. Viewed at: <http://en.qosnadzor.gov.ru/activity/>.

¹⁴⁹ Apart from the licensing regime under the Subsoil Law, the geological surveying, exploration, and production of natural resources can also be undertaken based on production sharing agreements concluded between the State and private investors pursuant to Federal Law No. 225-FZ of 30 December 1995 on Production Sharing Agreements. This Federal Law was amended by several legislative acts: Federal Law No. 19-FZ of 7 January 1999; Federal Law No. 75-FZ of 18 June 2001; Federal Law No. 65-FZ of 6 June 2003; Federal Law No. 58-FZ of 29 June 2004; Federal Law No. 199-FZ of 29 December 2004; Federal Law No. 309 of 30 December 2008; Federal Law No. 89-FZ of 19 May 2010; Federal Law No. 248-FZ of 19 July 2011; Federal Law No. 205-FZ of 29 June 2015; Federal Law No. 104-FZ of 5 April 2016; Federal Law No. 164-FZ of 27 June 2018; and Federal Law No. 429-FZ of 8 December 2020. There are currently three production sharing agreements, which were concluded during the 1990s.

4.91. Article 7 of the Subsoil Law was amended in December 2019 to introduce special provisions on the allocation of subsoil plots containing hard-to-recover minerals.¹⁵⁰ Another amendment, adopted in June 2020, provides that subsoil users may not only develop the main resources to which their licence pertains but also "associated minerals" located within the boundaries of their subsoil fields.¹⁵¹ In addition to these amendments to the Subsoil Law, several measures relating to subsoil licences were adopted as part of the Government's support to businesses affected by the COVID-19 pandemic.¹⁵²

4.2.2.6.2.2 Strategic Investment Law

4.92. The Strategic Investment Law¹⁵³ establishes certain restrictions on the acquisition by foreign investors, or a group of persons that includes a foreign investor, of control over enterprises carrying out activities that are strategically important for ensuring the State's defence and security, as well as on the acquisition of 25% or more of the fixed production assets of such enterprises and the performance of several other related transactions and actions. The list of activities of strategic importance for the defence and security of the State includes 47 types of activities, including exploration and/or detailed exploration and production of minerals in subsoil areas of federal significance.¹⁵⁴

4.93. The authorities indicate that subsoil plots of federal significance include not only those that meet the criteria defined by the Subsoil Law, but also other plots included in the List of Subsoil Plots of Federal Significance by the Federal Agency for Subsoil Use, officially published in the *Rossiyskaya Gazeta*. That is, a subsoil plot may not be included in the specified List, but if its reserves exceed, for example, 50 tonnes of indigenous gold, such a plot will be recognized as having federal significance. Acquisition by a foreign investor of a subsoil user company operating under a licence for the right to use a subsoil plot of federal significance is only possible on the premise of compliance with the conditions established by the Subsoil Law and after receiving preliminary approval from the Government Commission for Control over Foreign Investments in the Russian Federation. For a private foreign investor to acquire 25% of shares (stakes) in strategic companies-subsoil users, preliminary approval of the Government Commission for Control over Foreign Investments in the Russian Federation is required. For public investors (foreign states, international organizations, and organizations under their control), as well as private investors who have not previously disclosed their ownership structure, an agreement with the Government Commission is required to acquire more than 5% of shares (stakes) in a strategic subsoil user company, and acquisition of 25% or more shares (stakes) of a strategic subsoil user company is prohibited. Similar restrictions for private and public investors were recently introduced with respect to strategic companies engaged in the extraction (catch) of aquatic biological resources (Section 4.1.7).¹⁵⁵ Preparatory work for the final

¹⁵⁰ Federal Law No. 396-FZ of 2 December 2019 on Introduction of Amendments to the Law of the Russian Federation on Subsoil in Respect of Legal Regulation of Geological Study, Exploration and Production of Hard-to-Recover Natural Resources.

¹⁵¹ Federal Law No. 179-FZ of 8 June 2020 on Amendments to the Subsoil Law of the Russian Federation in Connection with Development of Extraction of Mineral Resources not Related to Crude Hydrocarbons from Subsoil Waters, Associated Waters, and Waters Used for Own Production and Technological Needs During Exploration and Extraction of Crude Hydrocarbons. This amendment entered into force in September 2020.

¹⁵² Decree No. 440 of 3 April 2020 on Extension of Permits and Other Aspects of Permitting Activities in 2020; and Decree No. 557 of 22 April 2020 on Amending Certain Acts of the Government of the Russian Federation Regarding the Establishment of Specifics of the Implementation of Control, Supervisory and Permitting Activities in 2020.

¹⁵³ Law No. 57-FZ of 29 April 2008 on the Procedure for Making Foreign Investments in Business Entities of Strategic Importance for Ensuring the National Defence and State Security, as amended and supplemented.

¹⁵⁴ Subsoil Plots of federal significance, as defined in the Subsoil Law, are: (i) subsoil plots with confirmed reserves of extractable crude oil in an amount of 70 million tonnes, natural gas of 50 billion cubic metres or more, gold of 50 tonnes or more, or copper of 500,000 tonnes or more; (ii) subsoil plots located within the internal sea waters, the territorial sea, or the continental shelf; (iii) subsoil plots with uranium, pure quartz, niobium, certain rare-earth metals, and primary deposits of diamonds and platinum group metals; and (iv) subsoil plots the exploitation of which requires the use of land areas that have a defence or security significance. An Official List of all plots that meet these criteria is regularly updated and currently contains about 180 oil and gas fields and more than 1,000 hard mineral fields. The list is available at: <https://www.rosnedra.gov.ru/category/144.html>.

¹⁵⁵ Federal Law No. 339-FZ of 2 July 2021 on Amendments to the Federal Law on Fishery and the Preservation of Biological Water Resources. Prior to these amendments, the Law restricted foreign acquisition of more than 50% of the shares in such companies.

decision of the Commission is carried out by the FAS.¹⁵⁶ As part of the preparation, the FAS asks for opinions on the planned transaction of the state body in the field of state security, as well as of the sectoral federal executive bodies. The Commission considers the opinions of the authorities, as well as the significance of the transaction for the Russian economy and the presence or absence of risks of threats to the security of the State in the event of the transaction in question.

4.94. In July 2017, the Strategic Investment Law was amended to introduce special restrictions on investments by offshore companies in activities of strategic importance, including a ban on the acquisition of control over strategic enterprises.¹⁵⁷ These restrictions were extended in 2018 to any foreign legal entity or foreign organization that does not provide information to the FAS about its beneficiaries, beneficial owners, and controlling persons, while the ban on investments by offshore companies has been lifted, provided that they submit the specified information to the FAS.¹⁵⁸

4.95. A second set of amendments made at the end of July 2017 concerned both the Strategic Investment Law and the Law on Foreign Investments. These amendments provide for more severe consequences under the Strategic Investment Law for a failure by a foreign investor to notify the FAS of certain transactions, and introduced a provision in the Law on Foreign Investments allowing the Governmental Commission for the Control on Foreign Investments to require approval of a foreign investment transition in respect of any Russian company, including companies not engaged in business activities of strategic importance.

4.96. The Strategic Investment Law was further amended in July 2020 to change the definition of control and the list of transactions subject to preliminary approval.¹⁵⁹

4.97. Amendments that became effective in March 2021 removed barriers to foreign investment in companies that are recognized as strategic only because they have a "related" (non-main) asset in the form of an object of water supply or sewerage or a licence for an activity related to the use of pathogens of infectious diseases, the book value of which is no more than 1% of the value of all assets of the company.¹⁶⁰ For public foreign investors, the ban on establishing control over such companies has been lifted, but acquisition of such companies requires the prior consent of the Government Commission. For private foreign investors, a simplified approval procedure has been introduced, in which the transaction is approved by the FAS if the Federal Security Service, the Ministry of Defence, the Ministry of Construction, the Ministry of Economic Development, and Rospotrebnadzor (Federal Service for the Oversight of Consumer Protection and Welfare) present conclusions on the absence of the need for the Government Commission to consider the transaction; otherwise, the transaction is submitted to the Commission for approval.

4.2.2.6.2.3 Export customs duties and taxation

4.98. Crude oil and petroleum products are subject to export duties under Article 3.1 of the Law on the Customs Tariff. The rates of export duty vary depending upon the price of crude oil.¹⁶¹ In

¹⁵⁶ Resolution No. 510 of 6 July 2008. According to information provided by the authorities, during the period from 2008 to 2020 inclusively, the FAS received 133 applications from foreign investors for preliminary approval of transactions in relation to strategic companies-subsoil users. The Government Commission considered 84 applications (79 were agreed, of which 8 with the imposition of obligations on the investor; and 5 were refused). Twenty-nine applications did not require consideration by the Government Commission, and the transactions (other actions) indicated in them could be made based on a letter from the FAS about the return of the application. Twenty applications were withdrawn by the applicants due to the abandonment of the intention to make transactions.

¹⁵⁷ Federal Law No. 155-FZ of 1 July 2017 on Amendments to Article 5 of the Federal Law on Privatization of State and Municipal Property and the Federal Law on the Procedure for Making Foreign Investments in Business Entities of Strategic Importance for Ensuring the National Defence and State Security.

¹⁵⁸ Federal Law No. 122-FZ of 31 May 2018. The information to be provided pursuant to this provision is defined in Decree No. 1456 of 1 December 2018.

¹⁵⁹ Federal Law No. 255-FZ of 31 July 2020 on Amendments to the Federal Law on the Procedure for Making Foreign Investments in Business Entities of Strategic Importance for Ensuring the National Defence and State Security.

¹⁶⁰ Federal Law No. 40-FZ of 9 March 2021 on Amendments to the Federal Law on the Procedure for Making Foreign Investments in Business Entities of Strategic Importance for Ensuring the National Defence and State Security.

¹⁶¹ Government Resolution No. 2197 of 21 December 2020 eliminates the possibility of establishing special formulas for calculating the rates of export customs duties in relation to crude oil with a viscosity in

accordance with bilateral intergovernmental agreements between the Russian Federation and Belarus, Armenia, and the Kyrgyz Republic, the export duty is not applied to oil and oil products exported to these countries within the indicative balances developed and agreed upon annually for the supply of oil and oil products.¹⁶²

4.99. In August 2018, amendments were adopted to the Russian Federation Tax Code and the Law on the Customs Tariff as part of the second and final phase of the oil "tax manoeuvre" initiated in 2015.¹⁶³ As explained by the Russian Federation in the previous Review, the aim of the tax manoeuvre is "to transfer the tax burden from the oil export to its extraction (due to the gradual reduction of the size of export customs duties rates on oil and oil products together with a simultaneous increase in tax rates on the mineral extraction in the extraction of oil), as well as the preservation of incentives for advanced oil refining".¹⁶⁴ The first phase of the tax manoeuvre, launched in 2015, provided for a reduction of export customs duties on oil and oil products (by 1.7 times in three years on oil and between 1.7 and 5 times on oil products depending on the type of oil products) and a simultaneous increase in the mineral extraction tax rate on oil (by 1.7 times) and gas condensate (by 6.5 times).¹⁶⁵

4.100. The amendments adopted in August 2018, and which became effective in January 2019, provided for a reduction in phases of export duties on oil, gas condensate, and petroleum products until their elimination in 2024, accompanied by an equivalent increase in the Mineral Resources Extraction Tax (MRET) for oil and gas condensate. The amendments also included provisions allowing for the application of a temporary, a protective increase in the amount of export duties on crude oil and petroleum products, and increases in the rates of excise taxes on petroleum products.¹⁶⁶ The reduction of export duties on crude oil and petroleum products was accompanied by the adoption of special tax deductions to oil refineries and a "reverse excise tax" on petroleum feedstock to compensate them for the increased cost of feedstock.¹⁶⁷ It has been observed that the measures taken to compensate refineries have made the system too complex and that, by restoring subsidies to refining and consumption, these measures have compromised the objective of creating a level playing field between domestic and export markets. However, the Russian authorities have pointed out in this connection that subsidies for refining and domestic consumption have been significantly reduced.¹⁶⁸

4.101. Related to the tax manoeuvre, a tax on the additional income from extraction of hydrocarbons (Additional Income Tax (AIT)) was also introduced in January 2019. Unlike the MRET, which is a royalty tax, based on the volume, weight, or value of hydrocarbons extracted¹⁶⁹, the AIT is based on the profits derived from the extraction of hydrocarbons.¹⁷⁰ Its main aim is to encourage promotion of fields that require a significant amount of investment. The AIT was initially applied on a pilot basis to four groups of areas¹⁷¹ but, following amendments to the Tax Code in October 2020, its scope of application was extended to cover nearly half of all oil production in the Russian Federation.

4.102. Other fiscal changes made in 2019 included an adjustment to the MRET on oil and changes in middle distillate excise taxation.

reservoir conditions of at least 10,000 millipascal seconds, as well as crude oil with special physical and chemical characteristics.

¹⁶² Gazprom Neft, *Annual Report 2018*, pp. 318-319.

¹⁶³ Federal Law No. 301-FZ of 3 August 2018 on Amendments to Part Two of the Tax Code of the Russian Federation; and Federal Law No. 305-FZ of 3 August 2018 on Amendments to Article 3.1, Russian Customs Tariff Law.

¹⁶⁴ WTO document WT/TPR/M/345/Add.1, 19 December 2016, p. 3.

¹⁶⁵ WTO document WT/TPR/M/345/Add.1, 19 December 2016, p. 3.

¹⁶⁶ Rosneft, *Annual Report 2019*, p. 147.

¹⁶⁷ Rosneft, *Annual Report 2019*, p. 145.

¹⁶⁸ IMF (2019), *Russian Federation: Staff Report for the 2019 Article IV Consultation*, IMF Country Report No. 19/260, pp. 11-12; and IMF Country Report No. 21/36, p. 12.

¹⁶⁹ For a detailed description of the formula used to determine the MRET tax liability, see e.g. Gazprom Neft, *Annual Report 2018*, pp. 314-317.

¹⁷⁰ The rate of AIT is 50% of the tax base, which is the estimated revenue reduced by actual expenses, estimated export duty, estimated transport expenses, and historical losses. Rosneft, *Annual Report 2019*, p. 146.

¹⁷¹ The transition to the AIT has entailed a substantial reduction in the amount of MRET payable in respect of these projects.

4.103. Because of the COVID-19 pandemic, the rules on export customs duties, the AIT, and the MRET in relation to the oil and gas sector were amended in October 2020 to raise more revenue for the federal budget. This involved the removal of the zero-export customs duty for high viscosity oil and the reduction of MRET benefits.¹⁷²

4.104. Exports of natural gas are subject to a customs duty of 30%; there is no customs duty on exports of LNG. In relation to liquefied hydrocarbon gases, classified by the EAEU Commodity Nomenclature for Foreign Economic Activity 2711 12 - 2711 19 000 0, (propane, butanes, ethylene, propylene, butylene, butadiene, and others) (hereinafter referred to as LPG), the rate of export customs duty is calculated depending on the average price of LPG at the border with Poland during the monitoring period (DAF Brest). For ethane, butane, and isobutane with a purity of 95% or more, classified by code 2901 10 000 1 of the EAEU Commodity Nomenclature for Foreign Economic Activity, the export customs duty rate has been set from 1 January to 31 December 2021, at the level of 80% of the duty rate on LPG, and from 1 January 2022, at the level of 90% of the duty rate for LPG. At the same time, within the framework of the "tax manoeuvre" in relation to LPG positions 2711 12 - 2711 19 000 0 and 2901 10 000 1 of the EAEU Commodity Nomenclature for Foreign Economic Activity, an annual reduction in export customs duties to 0 is provided for from 2024.

4.105. There were modest changes with respect to the regulation of the right to export gas. Gazprom continues to enjoy the sole legal right to export natural gas by pipeline, but there has been some liberalization regarding exports of LNG. Federal Law No. 117-FZ of 18 July 2006 on Exports of Gas was amended in April 2020 to extend the list of persons having the right to export LNG to include subsoil users holding subsoil licences issued after 1 January 2013.

4.106. Export duties that were applicable to certain types of coal coke and semi-coke made of coal, lignite, or peat, agglomerated or non-agglomerated, and retort coal were eliminated in 2016 by Government Decree No. 797 of 15 August 2016 (entered into force on 19 September 2016).

4.2.2.6.2.4 Regulated prices

4.107. Certain segments of the energy sector are subject to price regulation at federal and sub-federal levels (Section 3.3.4.4). They include electric energy (transmission, operational dispatch management, connection to the Unified National Electricity network, distribution, wholesale, and retail), thermal power (co-generation and retail), natural gas (pipeline transportation, wholesale, and retail), and transportation of oil and petroleum products (main pipelines). While Presidential Decree No. 221 of 28 February 1995 on Measures to Streamline the State Regulation of Prices (Tariffs), as amended, sets out certain basic principles of price regulation, more detailed rules exist with respect to the individual products and services at issue, such as Government Decree No. 1178 of 29 December 2011 on Pricing in the Field of Regulated Prices (Tariffs) in the Electric Power Industry and the Decree on Regulation of Gas Prices.

4.108. The list of regulated prices (tariffs) for electric energy (capacity) is determined by the Principles of Pricing in the Field of Regulated Prices (Tariffs) in the Electric Power Industry, approved by Government Decree No. 1178 of 29 December 2011. In the system of regulated prices (tariffs) for electric energy, the following main directions can be distinguished:

- services for the transmission of electrical energy provided by territorial grid organizations and the organization managing the unified national (all-Russian) electrical grid;
- services of infrastructure organizations (ATS JSC, SO UES JSC);
- payment for technological connection to the unified national (all-Russian) electric grid, and to the electric grids of territorial grid organizations;
- sales markups of suppliers of last resort;
- prices (tariffs) for electric energy (capacity) supplied to the population and equivalent categories of consumers; and

¹⁷² The reduction of MRET benefits also applied to certain types of hard minerals.

- in terms of electricity generation:
 - supply of electricity on the wholesale market under regulated contracts;
 - supply of electric energy by producers of electric energy (capacity) under contracts with suppliers of last resort (energy supplying organizations, energy sales organizations, and the number of buyers of electric energy (capacity) of which includes the population and (or) categories of consumers equated to them); and
 - supply of electric energy produced at generating facilities located in the territories of technologically isolated territorial electric power systems.

4.109. Measures were adopted to make energy markets more competitive. The Action Plan approved in 2018 for the promotion of competition in certain sectors of the economy (Section 3.3.4) includes several measures relating to gas supply, oil and oil products, the coal industry, and the electricity industry. It provides for: (i) a transition to market pricing of natural gas through, *inter alia*, an increase in the volume of natural gas sales at organized auctions and number of gas sellers at organized auctions; (ii) promotion of market pricing mechanisms for oil and oil products¹⁷³; (iii) elimination of tariff discrimination; and (iv) transparency and durability of tariff regulation.¹⁷⁴

4.2.2.6.2.5 Import substitution and technological development

4.110. Since 2014, the Russian Federation has been applying measures to develop domestic technologies in the energy sector.¹⁷⁵ Several legal acts were adopted in 2019 with a view to developing advanced domestic technologies in the fuel and energy complex, including four action plans: (i) for the implementation of measures to develop oil fields and increase oil production in the Russian Federation; (ii) for the development of the petrochemical complex during the period up to 2025; (iii) for compulsory purchases in the electric power industry; and (iv) for the localization of critical equipment for medium and large-scale production of LNG and the construction of LNG carriers. The Competence Centre for Technological Development of the Fuel and Energy Complex was created in 2019 to support innovation and import substitution in the fuel and energy complex. Several innovation projects in the energy sector have been undertaken as part of the National Technology Initiative.¹⁷⁶

4.2.2.6.2.6 Incentives¹⁷⁷

4.111. Pursuant to the Decree signed in March 2020 on the Basics of the State Policy of the Russian Federation in the Arctic for the Period until 2035, legislation was adopted providing for a wide range of measures to support investment in the Arctic, including reduced MRET rates.¹⁷⁸

¹⁷³ To be achieved through measures such as the development of organized trading in oil for export; the development of a futures exchange market for oil products; the development of organized small-scale wholesale trading and the formation of market price indicators for the small-scale wholesale market; and deregulation of prices for the transportation of oil products through main oil product pipelines, providing for the maintenance of volume of organized trading in petroleum products at the level of, and an increase in the volume of, export transactions.

¹⁷⁴ Ministry of Energy, *Development of Competition in the Fuel and Energy Sector*. Viewed at: <https://minenergo.gov.ru/node/12295>.

¹⁷⁵ Ministry of Energy, *Import Substitution in the Fuel and Energy Complex*. Viewed at: <https://minenergo.gov.ru/node/7693>.

¹⁷⁶ Ministry of Energy of the Russian Federation, *Innovative Development of Power Plants*. Viewed at: <https://minenergo.gov.ru/node/4844>.

¹⁷⁷ See also Section 3.3.1, Incentives.

¹⁷⁸ Federal Law No. 65-FZ of 18 March 2020 on Amendments to Part Two of the Tax Code of the Russian Federation; Federal Law No. 193-FZ of 13 July 2020 on State Support of Entrepreneurial Activity in the Arctic Zone of the Russian Federation; Federal Law No. 194-FZ of 13 July 2020 on Amendments to Certain Legislative Acts of the Russian Federation in Connection with the Adoption of the Federal Law on State Support of Entrepreneurial Activity in the Arctic Zone of the Russian Federation; and Federal Law No. 195-FZ of 13 July 2020 on Amendments to Part Two of the Tax Code of the Russian Federation in Connection with the Adoption of the Federal Law on State Support of Entrepreneurial Activity in the Arctic Zone of the Russian Federation.

4.2.2.6.3 Energy strategy and policy

4.112. There were several developments during the review period regarding the formulation of the general energy strategy of the Russian Federation and its implementation in specific policy areas.

4.113. In June 2020, the Government adopted the Energy Strategy of the Russian Federation for the Period up to 2035¹⁷⁹ (ES-2035), which replaced the Energy Strategy of the Russian Federation until 2030.¹⁸⁰ According to the authorities, the main activities contemplated by the ES-2035 aimed at achieving the goal of energy development are:

- effective provision of the needs of the socio-economic development of the Russian Federation with the corresponding volumes of production and export of products and services of the fuel and energy complex, which means effective satisfaction of domestic demand, formed, *inter alia*, within the framework of the implementation of national programmes and projects, and on the other hand is based on a balance of availability and usefulness for the consumer of energy products or services, as well as on the efficiency of production of these products and services;
- spatial and regional development of the energy sector, which means the transformation and optimization of energy infrastructure, taking into account the development of domestic and global markets for energy products and services, political and economic integration processes, and changes in international relations;
- achieving technological independence of the fuel and energy complex branches and increasing competitiveness, which means a sufficient level of provision of fuel and energy complex organizations with their own competencies and technological complexes, equipment, materials, software, and related services produced in the territory of the Russian Federation and territories under the jurisdiction of the Russian Federation for sustainable functioning and development; and
- improvement of public administration and development of international relations in the field of energy.

4.3 Services

4.3.1 Financial services

4.3.1.1 Overview

4.114. Banking dominates the financial sector in the Russian Federation. Between 2016 and 2019, the ratio of assets in the banking sector to GDP increased from 86.5% to 97.4%.¹⁸¹ Net assets of non-state pension funds and mutual investment funds stood at 8.9% of GDP at the end of 2020, and net assets of insurance companies at 3.6% of GDP. Dominated by banks with state ownership of varying degrees, the banking sector's loan portfolio increased from RUB 46 trillion at the end of 2016 to RUB 68 billion at the end of 2020 and indicators of financial inclusion improved, while competition remains limited. While the insurance sector grew rapidly over the reporting period, it remains overall small.

4.115. The Russian Financial Market Development Guidelines for 2019-2021 issued by Bank of Russia spell out that financial market development and sector growth contribute to improving the standard of living through competitive access to debt and equity financing, as well as options to hedge risks. To achieve these goals, the Bank of Russia identified four policy areas: creating an

¹⁷⁹ A detailed plan for the implementation of ES-2035 was approved in June 2021.

¹⁸⁰ The Energy Security Doctrine of 2012 was updated in 2019. The authorities observe that ES-2035 and the Energy Security Doctrine are two interrelated and complementary documents, and that while the Energy Security Doctrine is focused on ensuring the energy security, ES-2035, for its part, is focused on the future development of energy sector.

¹⁸¹ Provided by the authorities as assets minus provisions for losses divided by nominal GDP with data from the Bank of Russia and Rosstat.

environment of trust, promoting competition in the financial market, maintaining financial stability, and enabling access to financial services and capital.

4.116. According to Federal Law No. 86-FZ of 10 July 2002 on the Central Bank of the Russian Federation (as amended), the Bank of Russia regulates and supervises the banking and non-banking financial sector, including all microcredit companies, consumer credit cooperatives, and agricultural credit consumer cooperatives, and since 12 February 2021 has directly controlled the larger ones.¹⁸² In line with their treaty, EAEU member States aim to harmonize legislation affecting banking, insurance, and securities markets and to establish a single market for financial services by 2025.¹⁸³

4.117. Over the review period, the Bank of Russia introduced proportionate regulation of banks and microfinance institutions and introduced regulatory measures to improve resilience to liquidity shocks. It also continued to support the development of national payment systems and fintech innovation. In the insurance sector, the Government eliminated certain ownership-related restrictions for insurance companies with majority foreign ownership in line with its GATS commitments¹⁸⁴ and is preparing additional changes regarding the operation of branches of foreign insurance companies (Section 4.3.1.3). In 2016, the Bank of Russia established a National Reinsurance Company, with which insurers have to insure part of their ceded obligations.¹⁸⁵

4.3.1.2 Banking

4.118. The Bank of Russia continued its efforts to strengthen the financial system and ensure regulatory compliance. As a result, the number of banks and non-bank credit institutions declined from 623 at the end of 2016 to 442 in early 2020 (see Table 4.11). During 2020, the number of credit institutions fell further, to 406, according to the authorities. Among them were 12 systemically important banks that accounted for nearly 76% of the total assets of the banking sector.¹⁸⁶ From 2016 to April 2021, the Bank of Russia revoked licences from 264 credit institutions, almost half of them due to non-compliance with anti-money laundering laws, according to the authorities. Over the reporting period, 58 restructurings took place.¹⁸⁷ Between 2017 and 2021, the Bank of Russia applied insolvency prevention measures regarding nine banks. In 2018, the Bank of Russia also created a non-core asset bank (NAB) established under the auspices of NB Trust (PJSC) in a process that also included a number of asset transfers and mergers with (parts of) other banks participating in bankruptcy prevention measures. The NAB receives non-core and toxic assets in line with Bank of Russia participation plans in their interventions.

4.119. The Bank of Russia as regulator has issued two types of banking licences since June 2017.¹⁸⁸ Roughly two thirds of banks, representing more than 99% of banking assets, hold a universal licence,

¹⁸² According to the Bank of Russia, this means that 17% of microfinance organizations, 33% of the active consumer credit cooperatives, and 13% of the active agricultural consumer credit cooperatives will be under its direct supervision, while others will be under the supervision a "self-regulatory organization". Bank of Russia, "Bank of Russia Establishes Criteria for Delineation of Supervisory Authority in Microfinance Market", 1 February 2021. Viewed at: <http://www.cbr.ru/eng/press/event/?id=9534>. According to the authorities, control includes functions such as periodically conducting an inspection in addition to regular supervisory activities.

¹⁸³ WTO document WT/REG358/1, 13 July 2018.

¹⁸⁴ WTO document WT/ACC/RUS/70/Add.2, 17 November 2011.

¹⁸⁵ The company was established as a joint stock company with the Bank of Russia owning 100% of its shares.

¹⁸⁶ Bank of Russia, "List of Systemically Important Credit Institutions Approved", 29 October 2020. Viewed at: https://www.cbr.ru/eng/press/pr/?file=29102020_000000ENG_PP02112020_150646.htm.

¹⁸⁷ The introduction of a new commercial bank resolution mechanism in 2017 (Federal Law No. 84-FZ of 1 May 2017 on Amending Certain Laws of the Russian Federation) allows the Bank of Russia to finance bank resolution interventions through the Fund of Banking Sector Consolidation Asset Management Company set up by the Bank of Russia, minimizing the use of budget funds, according to the authorities, while increasing control. Bank of Russia (2018), *Annual Report 2017*.

¹⁸⁸ Federal Law No. 92-FZ of 1 May 2017 on Amending the Federal Law on Banks and Banking Activities established two types of licences (universal and basic) and defined new minimum capital requirements that differ for both types of banks. Basic licences come with simpler regulation but also contain some restrictions such as limitations on international operations and stricter limits on risk exposure per borrower. Bank of Russia (2018), *Annual Report 2017*. See also amendments to Federal Law No. 86-FZ of 10 July 2002 on the Central Bank of the Russian Federation (Bank of Russia).

with smaller banks (with equity ranging from RUB 300 million to RUB 1 billion) holding basic licences.¹⁸⁹ Non-bank credit institutions accounted for 5.2% of assets in early 2021.¹⁹⁰

Table 4.11 Banking sector, 2016-20^a

	2016	2017	2018	2019	2020
Structure					
Number of licensed banks	575	517	440	402	366
Number of non-bank credit institutions	48	44	44	40	40
Share of system assets of:					
3 largest banks	48.7	48.9	54.1	53.7	54.6
5 largest banks	55.3	56.0	61.6	61.4	62.6
Total assets (% of GDP)	86.5	84.9	84.9	81.3	97.4
Total asset growth rate	3	7.9	6.2	5.9	12.5
Total gross loans (% of GDP)	65	63.3	53.7	54.2	63.4
Credit to private sector (% of GDP)	51.1	50.1	50.9	51.9	60.8
Total deposits, excluding interbank (% of GDP)	56.7	55.3	54.4	53.6	62.8
Capital adequacy (FSI)					
Regulatory capital to risk-weighted assets	13.1	12	12.2	12.3	12.5
Tier 1 capital to risk-weighted assets	9.2	8.5	8.9	9.3	9.7
Asset quality					
Ratio of client funds to total loans	110	110.5	106.7	103.4	103.2
NPLs to total loans	11	11.4	10.8	9.6	9
Net NPLs to total capital	15.8	16	15.5	12	10.9
Loss loan provisions to total loans	9.9	10.2	9.5	9	9.1
Profitability					
Profits (% change)	509	23	85	72	6
Return on assets	0.9	0.7	1.2	2	1.7
Return on equity	9	6.4	11.5	19.5	15.7
Non-interest expenses to gross income ^b	45.3	41.5	45.6	44.6	51.8
Average lending spread (basis points) (FSI)	304.2	278.5	259.4	259.4	259.4
Interest income to gross income	65.3	62.4	59.4	53	44.8

a Data are as of 1 January of the following year (e.g. data for 2016 are as of 1 January 2017).

b The category "non-interest expenses" represents the total expenses (not including the cost of making reserves for possible losses) minus interest expenses and expenses related to foreign exchange transactions.

Source: IMF, Financial Soundness Indicators (FSI); and information provided by the authorities and the Bank of Russia.

4.120. Overall, concentration within the banking sector remains high, with the five largest credit institutions accounting for 62.2% of total assets. The banking sector is dominated by large state-owned banks, accounting for more than two thirds of the banking sector by assets.¹⁹¹ Four of the five largest credit institutions were state-owned in 2020, and the largest, Sberbank, accounted for about 35% of system loans and 45% of retail deposits in August 2020.¹⁹² As part of measures to prevent insolvency, the Bank of Russia acquired shares in a number of relatively large banks whose assets account for less than 3% of banking sector assets as of May 2021, according to the authorities. The objective of the Bank of Russia is to sell shares of the rehabilitated banks to new owners following such interventions. In April 2020, the Bank of Russia sold its majority stake in Sberbank to the Ministry of Finance in a RUB 2.1 trillion (USD 28.5 billion) deal funded from the National Wealth Fund.¹⁹³

4.121. According to the IMF and the Bank of Russia, competition in the main product markets of the financial sector remains insufficient, and although spreads between lending and deposit rates have fallen significantly over the past years, they remain elevated (see Tables 4.11 and Table 4.12), as does the net interest margin. Overall, the Russian banking sector can be best characterized as

¹⁸⁹ Bank of Russia, *Banking Sector*. Viewed at: https://www.cbr.ru/eng/banking_sector/.

¹⁹⁰ Data provided by the authorities.

¹⁹¹ IMF (2018), *Russian Federation: Selected Issues*, IMF Country Report No. 18/276.

¹⁹² Fitch Ratings, "Fitch Affirms 4 Russian State-Owned Banks", 3 November 2020. Viewed at: <https://www.fitchratings.com/research/banks/fitch-affirms-4-russian-state-owned-banks-03-11-2020>.

¹⁹³ Reuters, "Russian Finance Ministry Buys 50% of Sberbank from Central Bank", 10 April 2020.

operating under monopolistic competition, according to the IMF¹⁹⁴, as the banking sector remains dominated by the largest two state-owned banks¹⁹⁵, while the authorities consider the sector as oligopoly with a competitive environment. According to the IMF's analysis, the degree of competition in the banking sector is similar to that in India and Brazil, while the degree of competition of Russian private banks tended to be greater than that for Russian state-owned banks, although the difference was not statistically significant. According to the Bank of Russia, competition in the important segments of transfer and payments remained most monopolized, while competition was stronger in the segments of insurance and investment services.¹⁹⁶

Table 4.12 Cross-country comparison of banking-related indicators

	Share of top 3 banks (2017)	Share of top 5 banks (2017)	Net interest margin (2017)	Interest rate spread (2019)	Return on assets (2019)	Return on equity (2019)
Brazil	56.6	83.4	6.3	32	1.98	17.99
China	37.2	52.5	2.3	2.9	0.87	10.96
India	37.3	47	3.0	..	0.22	2.75
Russian Federation	60.6	67.8	6.1	3.3	2.35	19.54
South Africa	76.7	98.5	3.7	3.1	1.47	17.64
United Kingdom	49.1	67.1	2.6	2.7	0.50 ^a	7.46 ^a

.. Not available.

a Year 2018.

Source: World Bank, Global Financial Development Database, October 2019; IMF, Financial Soundness Indicators; and World Bank, World Development Indicators.

4.122. Profitability as measured by the return on assets or capital is higher than in other BRICS countries (see Table 4.12) with, on average, return on assets (capital) at 1.7% (15.7%) at the end of 2020. However, this average masks significant variance across banks, with larger banks having higher returns on assets compared to smaller ones, and around a quarter of banks having losses during the first half of 2021.¹⁹⁷ The Bank of Russia estimates that, in September 2020 during the pandemic, around 5% of the assets of the banking sector were with unprofitable banks.¹⁹⁸ Using a broader set of measures, the IMF in its 2018 assessment found that the "efficiency"¹⁹⁹ of private banks was higher than that of state-owned banks, with Sberbank standing out positively.

4.123. Access to banking services has improved over the past years, with 76% of the population older than 15 years having an account in 2017²⁰⁰, the number of accounts per capita increasing to 1.8 at the beginning of 2020, and the number of investment accounts also increasing nearly tenfold between 2017 and 2020.²⁰¹ Online banking is becoming increasingly widespread, and 86.5% of accounts had remote access in 2020²⁰² while the number of physical branches per 100,000 adults continued to decline from 30.1 in 2016 to 25.6 in 2019.²⁰³ While the Russian Federation had a generally dense network infrastructure for financial services, geographic and demographic characteristics affect the provision of financial services to certain population groups, according to the authorities. As part of the implementation of the Strategy for Increasing Financial Inclusion for

¹⁹⁴ IMF Country Report No. 18/276. Data coverage until 2016 only. The analysis does not only consider actual concentration but also assesses the contestability of financial services.

¹⁹⁵ At the end of 2017, Sberbank and Total VTB Group accounted for more than 50% of system deposits and system loans. IMF Country Report No. 18/276. This situation has not changed fundamentally as the authorities confirmed in this review that as of 1 January 2021, the same banks (the two largest banks) accounted for about 50% of system loans and system deposits.

¹⁹⁶ Bank of Russia (2020), *Annual Report 2019*.

¹⁹⁷ The share of banks making losses stood at 17% in 2019 before increasing during the pandemic and standing at around a quarter in the first half of 2021. Bank of Russia, "Financial Performance of Credit Institutions" Statistics. Viewed at: https://www.cbr.ru/eng/banking_sector/statistics/.

¹⁹⁸ Speech by Elvira Nabiullina, Governor of the Bank of Russia. Viewed at: <https://www.bis.org/review/r201001f.htm>.

¹⁹⁹ IMF Country Report No. 18/276: "Efficiency" relates to the transformation of various inputs such as deposits and expenses into outputs such as loans and profits.

²⁰⁰ World Bank, Global Findex Database 2017.

²⁰¹ Data provided by the authorities.

²⁰² Bank of Russia (2020), *Annual Report 2019*.

²⁰³ World Bank, "Commercial Bank Branches (per 100,000 Adults)". Viewed at: <https://data.worldbank.org/indicator/FB.CBK.BRCH.P5>.

the period 2018-20 (and 2021), priorities are to provide equal access for residents in remote and sparsely populated areas, SMEs, people with disabilities, the elderly, and other less mobile citizens. The Bank of Russia also prepared a Roadmap for the Development of Funding for Small and Medium-sized Enterprises (SMEs) in 2021-2022 that focuses primarily on developing new areas of financing. It includes broadening access to financing for SMEs through crowd-investing platforms, bond issuance, increasing the use of factoring, or faster payment systems.

4.124. Over the reporting period, the structure of bank lending changed only marginally, with lending to manufacturing, construction, and wholesale/retail declining and most notably lending to individuals increasing (see Table 4.13). As of 1 January 2021, the share of mortgage loans accounted for 47% of household loans²⁰⁴, supported by a new government programme of subsidized mortgage loans for new homes introduced in April 2020 and extended into 2021.²⁰⁵ In 2020, the share of government bonds in bank assets increased to around 6% but remained low compared with that of other emerging economies.²⁰⁶

Table 4.13 Credit to private sector, by economic activity, 2016-20 (in %)

	2016	2017	2018	2019	2020
Agriculture, hunting and forestry	4.2	4.2	4.3	4.0	4.1
Mining	5.7	6.1	6.3	3.2	3.8
Manufacturing	15.6	15.8	14.7	16.3	16.6
Production and distribution of energy, gas and water	3.1	3.1	2.8	2.5	2.6
Construction	4.6	3.8	3.4	2.6	2.6
Wholesale and retail trade, repair of vehicles motorcycles, household goods and personal items	10.4	9.1	9.1	8.0	6.4
Transport and communication	4.1	4.2	4.8	4.4	3.8
Other economic activities	13.9	12.3	12.1	13.2	13.6
Individuals	27.6	29.3	31.6	34.7	34.9
Of which: mortgage loans	11.5	12.5	13.6	15.1	16.3

Source: Information provided by the authorities.

4.125. These market outcomes are partially due to restrictions to trade in commercial banking services that further increased between 2016 and 2020, according to the OECD's Services Trade Restrictiveness Index, and that are among the most severe among the countries covered in the Index.²⁰⁷ Banks are predominantly domestically owned, and the share of capital held by foreigners declined over the reporting period. From 2016 to early 2021, the number of credit institutions with non-resident participation declined from 199 to 124²⁰⁸, while total investment by foreigners in the capital of credit institutions remained broadly unchanged at RUB 400 billion but fell in terms of its share (from 13.4 to 10.9%, continuing the trend outlined in the last Secretariat report) (Chart 4.4). In line with the Russian Federation's GATS commitments, foreign capital participation in the banking system remains limited to 50%, controlled through prior authorizations by the Bank of Russia for new establishments, capital increases, or acquisition of shares. Non-residents are allowed to hold only 25% of votes of securities registrar companies. Foreign banks are required to establish locally incorporated subsidiaries or corporations and cannot establish branches in the Russian Federation. Representative offices cannot undertake banking operations. The Bank of Russia also maintains

²⁰⁴ Bank of Russia, "Housing (Mortgage) Loan Market" and "Financial Performance of Credit Institutions" Statistics. Viewed at: https://www.cbr.ru/eng/banking_sector/statistics/.

²⁰⁵ The preferential mortgage programme at 6.5% was launched in April 2020 and extended until 1 July 2021. According to the authorities, it aims to stimulate short-term demand in the primary market in response to the pandemic, by subsidizing the difference between the key rate of the Bank of Russia increased by 3 percentage points, and the credit rate of the loan agreement, which should not exceed 6.5%.

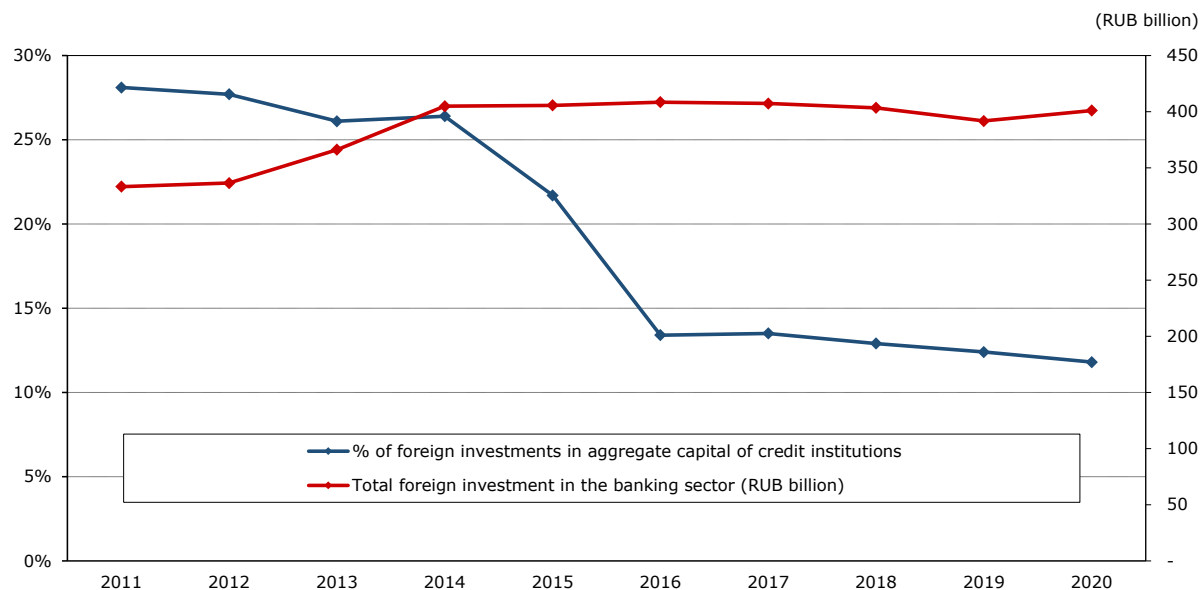
²⁰⁶ *Reuters*, "Russian State Banks' Snapping of Govt Debt Does Not Hurt Lending Activity – IMF", 9 December 2020.

²⁰⁷ Since 2016, new restrictions on cross-border money transfers from the Russian Federation to countries barring the use of the Russian national payment system (see text), and measures resulting in foreign suppliers being treated differently in terms of taxes and access to subsidies, drive increases in restrictiveness as measured by the STRI. They have compounded earlier increases in restrictiveness since 2014. OECD (2020), *STRI Country Note: Russian Federation*. Viewed at: <http://www.oecd.org/trade/topics/services-trade/documents/oecd-stri-country-note-rus.pdf>; and STRI database. Viewed at: <https://qdd.oecd.org/subject.aspx?Subject=063bee63-475f-427c-8b50-c19bffa7392d>.

²⁰⁸ Data provided by the authorities.

business reputation requirements for managers, some officials, and major shareholders of banks, and these were expanded in 2018.²⁰⁹

Chart 4.4 Foreign capital participation in Russian banking system, 2011-20



Source: Information provided by the authorities.

4.126. Generally, the use of technology in financial services is high, with the adoption rate of fintech among the highest in the world²¹⁰ and many domestic firms innovating and operating. As a result, access to financial services remained strong overall during the pandemic, as contact restrictions were being put in place.²¹¹ The Guidelines for Financial Technology Development for 2018-2020 issued by the Bank of Russia build on and contribute to the implementation of the goals outlined by the Digital Economy of the Russian Federation national programme, building also on a large set of other strategic documents, including the Financial Market Development Guidelines for 2016-2018 (later updated to 2019-2021) (Section 1.1.1.1). They aim to reduce risks and costs in the financial sector, ensuring security and stability in financial technologies, and increasing the competitiveness of Russian technologies by creating a fintech-friendly environment.²¹² Major banks have been collaborating with fintech start-ups and in April 2018 the Bank of Russia launched a regulatory sandbox. In June 2018, the Bank of Russia launched the Unified Biometric System, developed in partnership with major banks, allowing for online identity confirmation.²¹³

4.127. The Bank of Russia sets requirements for the operation of payment systems in line with Federal Law No. 161-FZ.²¹⁴ Since 2018, foreign payment systems have been required to use the Russian payment infrastructure for domestic money transfers.²¹⁵ The Law also requires credit institutions to provide only national payment instruments or payment cards when executing certain transfers from government budget to individuals. The Bank of Russia continued to support the

²⁰⁹ Bank of Russia, *Business Reputation*. Viewed at: https://www.cbr.ru/eng/business_reputation/.
Federal Law No. 395-1 of 2 December 1990 on Banks and Banking Activities as amended by Federal Law No. 281-FZ of 29 July 2017 on Amendments to Certain Legislative Acts of the Russian Federation in Terms of Improving the Mandatory Requirements for Founders (Participants), Governing Bodies and Officials of Financial Organizations.

²¹⁰ Ernst and Young (2019), *Global Fintech Adoption Index*.

²¹¹ Speech by Elvira Nabiullina, Governor of the Bank of Russia. Viewed at: <https://www.bis.org/review/r201001f.htm>.

²¹² Bank of Russia, *Financial Technology Development*. Viewed at: <https://www.cbr.ru/eng/fintech/>.

²¹³ Viewed at: <https://www.rtlabs.ru/en/about/news/v-rossii-zapushchena-edinaya-biometricheskaya-sistema/>.

²¹⁴ Federal Law No. 161-FZ of 27 June 2011 on the National Payment System.

²¹⁵ Bank of Russia (2020), *Annual Report 2019*; and OECD (2020), *STRI Country Note: Russian Federation*. Viewed at: <http://www.oecd.org/trade/topics/services-trade/documents/oecd-stri-country-note-rus.pdf>.

development of payment systems over the reporting period and fully launched the national Mir payment system. Mir cards accounted for 24% of domestic transactions in 2020 and 30.6% of all card issuances, with the cards accepted internationally in 13 countries including all EAEU countries.²¹⁶ In 2019, the Bank of Russia launched the Faster Payments System, allowing instant funds transfers between bank accounts using mobile phone numbers, and 210 banks had joined the system by 2021.²¹⁷

4.3.1.2.1 Stability of the banking sector

4.128. According to the latest analysis by the IMF, the banking sector remains financially sound, with capital adequacy ratios adequate at 12.7% during the third quarter of 2020 and NPL conservatively provisioned.²¹⁸ At the beginning of 2019, foreign and private banks had higher capital adequacy than state-owned banks, with banks currently under rehabilitation negatively affecting the averages. At the end of 2020, 12 banks did not meet capital adequacy ratios, according to the authorities.²¹⁹ While NPLs remained at elevated levels over the reporting period and prior to the pandemic, the share of NPLs in corporate loans (both large companies and SMEs) decreased during 2020, possibly as a result of loan restructuring, while it increased for retail loans.²²⁰ In 2016, the Bank for International Settlements (BIS) found the domestic implementation of the risk-based capital framework and the Basel Liquidity Coverage Ratio (LCR) standards to be compliant with the minimum Basel III standards.²²¹

4.129. To ensure resilience to liquidity shocks, systemically important credit institutions (D-SIBs) are also subject to requirements on their liquidity coverage ratio (exceeding 100% since January 2019).²²² At the end of 2019, the short-term liquidity ratio of D-SIBs ranged from 100% to 206%, and from 110% to 158% at the end of 2020, according to the authorities. To allow for access by D-SIBs to highly liquid assets that meet the Basel III definition, the Bank of Russia in 2015 introduced "irrevocable credit lines" for these banks at interest rates 175 bp above the key rate in case they would be used.²²³ To curtail their use and reduce banks' reliance on them, fees for the use of such lines were increased in May 2019 and in early 2020, maximum limits were set for banks having the right to establish such lines, and schedules for reducing these limits were established.²²⁴ As a response to the pandemic, the Bank of Russia introduced a number of temporary relief measures including reduced fees for the lines' use²²⁵, the maximum limit under the facility was increased from RUB 1.5 trillion to RUB 5 trillion in April 2020, and Sberbank opened a credit line for RUB 500 billion shortly thereafter.²²⁶ According to the authorities, a return to the normal environment of compliance with short-term liquidity ratios is being considered.

4.130. To increase the Bank of Russia's ability to influence lending behaviour of banks in riskier assets, Federal Law No. 86-FZ of 10 July 2002 on the Central Bank of the Russian Federation (Bank

²¹⁶ Bank of Russia (2021), *Annual Report 2020*.

²¹⁷ Bank of Russia, *Faster Payments System*. Viewed at: <https://www.cbr.ru/eng/PSystem/sfp/>.

²¹⁸ IMF, "Russian Federation: Staff Concluding Statement of the 2020 Article IV Mission", 24 November 2020. Viewed at: <https://www.imf.org/en/News/Articles/2020/11/23/mcs112420-russia-staff-concluding-statement-of-the-2020-article-iv-mission>.

²¹⁹ Taking into account credit institutions with negative capital, where bankruptcy prevention measures with the participation of the Bank of Russia or the Deposit Insurance Agency are being taken.

²²⁰ As of April 2021, the share of non-performing loans (overdue for more than 90 days) increased to 8.9% (as of 1 April 2021), up from 7.5% at the beginning of 2020, while it remained at around 1% for the mortgage portfolio.

²²¹ Basel Committee on Banking Supervision (2016), *Assessment of Basel III Risk-Based Capital Regulations – Russia*. Viewed at: <https://www.bis.org/bcbs/publ/d357.pdf>; and *Assessment of Basel III LCR Regulations – Russia*. Viewed at: <https://www.bis.org/bcbs/publ/d358.pdf>.

²²² Bank of Russia (2020), *Annual Report 2019*.

²²³ Bank of Russia Order No. OD-3381 of 30 November 2015 on Issuing Bank of Russia Loans under Agreements on Opening an Irrevocable Credit Line.

²²⁴ Bank of Russia Order No. OD-854 of 16 April 2019 on Amending Bank of Russia Order No. OD-3439, dated 3 December 2015.

²²⁵ Bank of Russia, "Bank of Russia Approves Measures to Support People, Economy and Financial Sector During Coronavirus", 20 March 2020. Viewed at: http://www.cbr.ru/eng/press/pr/?file=23032020_170800eng2020-03-23T17_07_10.htm.

²²⁶ S&P Global Market Intelligence, "Sberbank Gets Credit Line of up to 500B Rubles from Central Bank – Vedomosti", 14 April 2020. Viewed at: <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/sberbank-gets-credit-line-of-up-to-500b-rubles-from-central-bank-8211-vedomosti-58021333>.

of Russia) was amended effective 7 March 2018²²⁷, allowing its Board of Directors to set add-ons to risk weights to calculate capital adequacy of credit institutions.²²⁸ The Bank of Russia also issued an Ordinance²²⁹ linking the issuance of new credit to households and related risk weights to newly introduced "debt loan indicators", and increased add-ons to risk weights for unsecured consumer loans, which had been growing rapidly.²³⁰ The Bank of Russia also increased risk weights for mortgages supported by low down payments (of 10%-20%) in January 2018 and again in 2019 in an effort to reduce the share of such loans in total mortgage loans.

4.131. A mandatory deposit insurance scheme, funded largely from insurance premiums, covers deposits of up to RUB 1.4 million per customer per insured event as outlined in Federal Law No. 177-FZ of 23 December 2003 on Insurance of Natural Persons' Deposits in Banks of the Russian Federation. It covers deposits of natural persons, individual entrepreneurs, small enterprises registered in the unified register of small and medium-sized businesses, and certain non-profit institutions.²³¹ Participation is mandatory for banks licensed to attract deposits from and maintain accounts of individuals. As of 1 June 2021, only 7.8% of all operating banks had not joined the system, as they were not licensed to attract deposits from and maintain accounts of individuals.

4.132. Accommodative monetary conditions (the reference rate was set to 4.25% on 27 July 2020, a historic low, before being again raised three times to 6.5% between March and July 2021) and regulatory forbearance to cushion the impact of the pandemic, however, could well mask the true situation of the banking sector. With regulatory forbearance measures relating to asset valuation, risk categorization, and the suspension of macroprudential risk-weight add-ons for the calculation of capital ratios, the authorities consider that the banking sector has overcome the difficulties of 2020. By April 2021, banks had restructured loans valued at more than RUB 7.4 trillion (or 12% of the total portfolio), according to the authorities. As a result, it remains unclear whether loan provisioning, which increased only modestly in 2020, fully reflects the actual underlying credit risks at individual banks. According to the authorities, banks expect that 2%-3% of the restructured loans could ultimately become non-performing.

4.3.1.3 Insurance

4.133. The Bank of Russia regulates, controls, and supervises the insurance sector, including mutual insurance companies and insurance brokers. While the insurance sector grew rapidly over the reporting period, the insurance market in the Russian Federation remains small overall, with the penetration rate of insurance service at 1.4 in 2020, compared to an OECD average of 9. The penetration rate of life insurance is especially relatively low.²³² The ratio of assets to GDP stood at 3.5% at the end of 2020. There are no state-owned insurance companies with the exception of Rosgosstrakh following its bail-out in 2017.

4.134. Over the reporting period, the number of insurers in the market fell from 334 at the beginning of 2016 to 160 at the end of 2020, while gross written premiums increased from around RUB 1.2 trillion in 2016 to nearly RUB 1.5 trillion in 2020. While the share of life insurance in total written premiums increased from 18.3% in 2016 to 30.5% in 2018, the share declined to 27.9% in 2020, although it remained the largest segment. Mandatory insurance of civil liability of owners of cars (MICLC) remains an important sector.²³³ A national reinsurance company was established in 2016 as a reaction to economic restrictions imposed by certain Members affecting access to international reinsurers, and insurance companies must reinsure 10% of their ceded obligations

²²⁷ By means of Federal Law No. 53-FZ of 7 March 2018 on Amending Certain Laws of the Russian Federation.

²²⁸ Such changes had previously required amending regulatory acts. Bank of Russia (2019), *Annual Report 2018*.

²²⁹ Bank of Russia Ordinance No. 4892-U of 31 August 2018 on Types and Characteristics of Assets for Which Risk-based Capital Buffers Are Set and on the Methodology for Applying These Buffers to the Said Types of Assets for Credit Institutions to Calculate Their Capital Adequacy Ratios. Bank of Russia (2019), *Annual Report 2018*.

²³⁰ Growth of unsecured consumer lending slowed in the first half of 2020 before the Bank of Russia reduced add-ons to risk weights for some new unsecured consumer loans. Bank of Russia, "Bank of Russia's Decision on Regulatory Easing and Macroprudential Measures", 10 August 2020.

²³¹ Deposit Insurance Agency (2020), *Annual Report 2019*.

²³² OECD Stat. Viewed at: <https://stats.oecd.org/Index.aspx?DataSetCode=INSIND>. Penetration rate is measured as gross written premiums divided by GDP.

²³³ Only members of the Russian Motor Insurers Union could provide this insurance.

(with some exceptions) with the national reinsurance company.²³⁴ It is fully owned by the Bank of Russia.

4.135. In 2020, 75% of premiums were concluded via intermediaries. By the end of 2020, 59 licensed insurance brokers were operating. Insurance agents do not require a licence.

4.136. Concentration in the insurance market increased over the reporting period. The market share of the top 10 insurers increased from 74% to 82%, and the majority of market participants expect further mergers and acquisitions to take place.²³⁵ In 2017, Otkritie Group merged with Rosgosstrakh, the largest insurance company at the time of the last Review. In 2018, SOGAZ acquired 100% of VTB Insurance and, as of 2019, was the largest insurance company (with 23.2% market share). To allow for the Bank of Russia to participate in bankruptcy prevention measures for insurance companies, Federal Law No. 86-FZ of 10 July 2002 on the Central Bank of the Russian Federation was amended in 2018.²³⁶ It allowed for the establishment of a Fund of Insurance Sector Consolidation, allowing the Bank of Russia to provide subordinated loans to, and acquire insurance companies for, bankruptcy prevention measures.

4.137. On average, insurance companies are profitable, but there are stark differences in profitability. At the end of 2020, returns on assets and equity of the 20 largest insurers stood at 6.8% and 28.7%, respectively, significantly higher than those of the remaining insurance companies. According to the authorities, profits in 2020 remained unchanged from 2019, as lower returns on insurance activities (driven by the life segment) were offset by higher investment results.²³⁷

4.138. According to the OECD's Services Trade Restrictiveness Index, the insurance services sector in the Russian Federation is among those with the highest restrictions relative to other sectors across all countries covered in the STRI, and restrictions increased between 2016 and 2020.²³⁸ Over the reporting period, the number of existing insurance organizations with the participation of non-residents fell from 37 to 29, with share of foreign participation in their aggregate charter capital declining significantly from 20.9% (January 2016) to 10.9% (January 2021), primarily due to capital increases related to increases in minimum capital requirements (see paragraph 4.142) as overall investment declined only slightly. With regard to insurance intermediation and auxiliary services, the Russian Federation committed to open access in its GATS commitments, except for intermediation on behalf of foreign companies and limiting commercial presence to juridical persons of the Russian Federation.

4.139. In 2017, as spelled out in the GATS schedule of commitments, the Bank of Russia, in the areas of personal insurance and MICLC, lifted restrictions for insurance companies that are either subsidiaries of foreign insurance companies or have a share of foreign investors in their charter capital of more than 51%.²³⁹ Restrictions remain in place regarding the provision of insurance for state procurements and all reinsurance and retrocession for (re)insurers with more than 49% foreign capital. Similar restrictions for reinsurance companies have been eliminated. The Russian Federation also requires the foreign parent companies of subsidiaries to have operated for at least five years as an insurance company in compliance of regulations in the country of origin.²⁴⁰

²³⁴ Federal Law No. 363-FZ of 3 July 2016 on amending the Law of the Russian Federation on Insurance Business in the Russian Federation. Viewed at: https://en.rnrc.ru/upload/doc-en/law/fz-363_on_amending_the_law_en.pdf.

²³⁵ KPMG (2017), *Insurance Market Survey 2017*. Viewed at: <https://assets.kpmg/content/dam/kpmg/ru/pdf/2017/07/ru-en-russian-insurance-market-survey-2017.pdf>; and KPMG (2020) *Insurance Market Survey 2020*. Viewed at: <https://assets.kpmg/content/dam/kpmg/ru/pdf/2020/08/ru-en-insurance-survey-2020.pdf>.

²³⁶ Amendments were introduced through Federal Law No. 87-FZ of 23 April 2018 on Amending Certain Laws of the Russian Federation.

²³⁷ Bank of Russia (2021), *Financial Stability Review Q4 2020-Q1 2021*, p. 46.

²³⁸ OECD (2020), *STRI Country Note: Russian Federation*. Viewed at: <http://www.oecd.org/trade/topics/services-trade/documents/oecd-stri-country-note-rus.pdf>. According to the STRI database, additional restrictions relate to the mandatory cession of reinsurance business to the National Reinsurance Company (see text), data localization requirements, and the newly introduced opportunities to access certain state guarantees for investment projects when locally incorporated (regardless of nationality of investors).

²³⁹ As per amended Article 6 of Law No. 4015-1 of 27 November 1992 on the Organisation of the Insurance Business in the Russian Federation.

²⁴⁰ Law No. 4015-1 on the Organisation of the Insurance Business in the Russian Federation, Article 6.

4.140. In case the ratio of total foreign participation in the total charter capital of insurers/reinsurers that are juridical persons of the Russian Federation exceeds 50%, no new licences are issued to insurance companies that are subsidiaries of foreign companies or have more than 49% foreign ownership. Prior permission is required for a company to increase its charter capital at the expense of foreign investors, or to sell its shares to foreign investors. Russian shareholders must also obtain prior permission from the insurance supervisory authority to sell their shares of an insurance company to foreign investors. Likewise, the Bank of Russia significantly expanded qualification and reputation requirements for managers and other officials, as well as reputation and financial requirements for certain other persons controlling (part of) an insurance organization in 2017, including insurance agents and brokers.²⁴¹ Similarly, prior consent by the Bank of Russia continues to be required for *any* acquisition, or control, of more than 10% of shares in a Russian insurance organization, or transactions that exceed certain ownership thresholds in joint stock companies or limited liability companies, following the adoption of Federal Law No. 281-FZ of 29 July 2017 on Amendments to Certain Legislative Acts of the Russian Federation in Terms of Improving the Mandatory Requirements for Founders (Participants), Governing Bodies and Officials of Financial Organizations.²⁴²

4.141. The Bank of Russia issues licences to insurance companies for various voluntary and mandatory activities, as well as to reinsurance organizations, mutual insurance companies, and (re)insurance brokers.²⁴³ In its accession, the Russian Federation committed to removing restrictions to the establishment of direct branches of foreign (re)insurers in the fields of life insurance, non-life insurance (excluding insurance of state procurement and mandatory insurance other than MICLC), and reinsurance (except reinsurance of risks related to insurance of state procurement and mandatory insurance other than MICLC) by August 2021, subject to licensing, financial soundness, and guarantee deposit requirements. A draft law has been prepared that would require foreign insurers to be accredited and supervised by the Bank of Russia, allowing the provision of voluntary insurances and compulsory third-party liability motor vehicle insurance. If approved, the draft law could enter into force later in 2021.

4.142. Solvency ratios for insurance companies (both life and non-life) remain significantly above the regulatory solvency margin as of the end of 2020.²⁴⁴ To further improve solvency in the insurance sector, the authorities undertook measures over the reporting period and issued various regulatory acts.²⁴⁵ In 2018, they increased the minimum capital requirements for insurance organizations, with existing companies benefitting from a transition period to January 2023.²⁴⁶ Bank of Russia Regulation No. 710-P of 10 January 2020 establishes new approaches to determine financial stability and solvency of insurers. They take into account the risk of changes in the value of assets when determining capital adequacy and will be phased in over the period 2021-25.²⁴⁷

4.143. To strengthen consumer protection, the Bank of Russia plans to mandate insurance companies to provide simple and transparent information on the conditions of insurance contracts

²⁴¹ Articles 8 and 32-1 of Law No. 4015-1 on the Organization of the Insurance Business in the Russian Federation spell these out.

²⁴² Such thresholds for joint stock companies are 10%, 25%, 50%, and 75% of the shares, and 10%, 1/3, 50%, and 2/3 of the participatory interests for limited liability companies.

²⁴³ Law No. 4015-1 of 27 November 1992 on the Organisation of the Insurance Business in the Russian Federation, Article 32.

²⁴⁴ Bank of Russia (2021), *Financial Stability Review Q4 2020-Q1 2021*.

²⁴⁵ Bank of Russia (2019), *Annual Report 2018*. The Bank of Russia also undertook measures to ensure financial stability of microfinance organizations.

²⁴⁶ Federal Law No. 251-FZ of 29 July 2018 on Amendments to the Law of the Russian Federation on the Organization of Insurance Business in the Russian Federation introduced new minimum levels that are set at RUB 300 million for personal and property insurance; RUB 450 million for life insurance; and RUB 600 million for reinsurance, with Federal Law No. 442-FZ of 22 December 2020 on Amendments to Certain Legislative Acts of the Russian Federation Regarding the Introduction of Interim Measures Aimed at Preserving the Property of the Subject of Insurance Business in Order to Fulfill Its Obligations extending the transition period by a year to 2023. According to the authorities, the charter capital of 16 insurance organizations is subject to an increase by 1 January 2022.

²⁴⁷ Central Bank Regulation No. 710-P of 10 January 2020 on Certain Requirements for Financial Sustainability and Solvency of Insurers. According to the authorities, Bank of Russia's Directive No. 5745-U of 2 March 2021 on Amendments to the Regulation of the Bank of Russia No. 558-P dated 16 November 2016 on the Rules for Forming Insurance Reserves for Insurance Other than Life Insurance provides additional opportunities to meet these capital requirements and reduce the stabilization reserve for voluntary types of insurance.

prior to signing insurance contracts. A gradual expansion of the requirements for disclosure of information is also planned.²⁴⁸

4.144. As with other financial services, the Government supports the development of technology in the insurance sector, while the private sector supports the development of InsurTech via "accelerators" (incubators). According to the authorities, as of April 2020, insurance agents and brokers can also provide services via the Internet and mobile apps, but actual contracts still have to be signed between the insured and the insurer (as was possible before), which is also possible remotely. They can also provide online services for some voluntary insurances, as well as MICLC.²⁴⁹ According to market observers, firms are increasingly adopting new technologies, such as cloud technology, online platforms for full client interaction, chatbots, and machine learning. Depending on the type of insurance, between 13% and 59% of sales were concluded via an online platform in 2020, as were between 7% and 30% of claims.²⁵⁰

4.3.1.4 Capital markets

4.145. The Moscow Exchange (MOEX) and the St. Petersburg Exchange are the two significant exchanges in the Russian Federation in terms of the volume of transactions. The MOEX organizes trading in securities, including foreign securities, derivative financial instruments, and currencies, while the St. Petersburg Exchange organizes trading in foreign securities and since 2020 in Russian securities. Both exchanges are publicly listed as joint stock companies, with the Bank of Russia holding 11.8% in the charter capital of the MOEX and 8.9% in the charter capital of the St. Petersburg Exchange. Both exchanges collaborate on the development of derivatives. Overall, the market capitalization of Russian firms admitted to organized trading on the MOEX amounted to RUB 56.4 trillion (52.7% of GDP for 2020 at current prices) at the beginning of April 2021.

4.146. Overall, financial markets developed further over the reporting period, as the number of people trading on exchanges increased. Each resident can open one individual investment account, eligible to receive certain tax incentives on returns for investments with maturities of at least three years. Over the reporting period, the number of such accounts increased from 195,000 at the end of 2016 to 3.5 million at the end of 2020. Overall, the number of clients of brokers increased more than seven-fold to nearly 10 million at the end of 2020, with strong increases observed in 2020. Most of these new clients are with credit institutions, which account for 85% of accounts. In parallel, the ratio of assets in brokerage services to GDP increased from 10.4% at the end of 2019 to 13.4% at the end of 2020. These increases took place while the number of professional participants in the securities market declined significantly, as did the number of companies with a brokerage licence, indicating consolidation in the market. A similar trend also occurred the market of pension funds and the market of mutual investment funds. While the number of pension funds declined from 74 at the end of 2016 to 43 at the end of 2020, the volume of their investments increased from 3.8% to 4.2% of GDP. Likewise, assets in mutual funds also increased significantly over the same period, from 3% to 4.7% of GDP.

4.147. Debt and stock markets are regulated by the Bank of Russia in accordance with Federal Law No. 39-FZ of 22 April 1996 on the Securities Market and regulations of the Bank of Russia. In order to operate in the financial market as a non-state pension fund or a professional participant in the securities market, a juridical person established in the Russian Federation must obtain a licence from the Bank of Russia, a licence to carry out activities in pension provision and pension insurance, or licences to carry out brokerage, dealer, depository activities, forex dealer activities, securities management activities, or activities to maintain a register of securities owners.²⁵¹ The National Settlement Depository (part of the Moscow Exchange Group) acts as central securities depository, ensuring the accounting of rights on the foreign securities held by Russian investors abroad. All EAEU member States agreed to harmonize regulations for capital markets by 2025 and to establish a joint regulatory supranational body. The powers of the supranational body are defined in the Concept of the Formation of the Common Financial Market of the EAEU (approved by Decision of the Supreme

²⁴⁸ Bank of Russia, "Bank of Russia to Establish Requirements for Disclosing Information on Insurance Products", 1 February 2021. Viewed at: <http://www.cbr.ru/eng/press/event/?id=9528>.

²⁴⁹ Federal Law No. 149-FZ of 24 April 2020 on Amending Federal Law No. 4015-1 of 27 November 1992 on the Organisation of the Insurance Business in the Russian Federation.

²⁵⁰ KPMG (2020), *Russian Insurance Market Survey*.

²⁵¹ Listing of companies on the stock exchange is done according to the Law on Joint Stock Companies and provisions under Federal Law No. 395-1 of 2 December 1990 on Banks and Banking Activities.

Eurasian Economic Union No. 20 of 1 October 2019). Specific powers and functions of the supranational body will be established in a separate international treaty of the Union.

4.148. Changes to the Law on the Securities Market made over the reporting period introduced additional disclosure and information requirements for (issuing) securities, including in the foreign language used in the financial market, and regulation of investment advice to protect investors. Procedures for issuing securities were modernized, according to the authorities, and new types of bonds (including perpetual and structured bonds) were introduced to develop the financial market further.²⁵² Regulations for convertible securities and syndicated loans were updated.²⁵³ The Government broadened regulations regarding insider trading and market manipulation through Federal Law No. 310-FZ of 3 August 2018 on Amendments to the Federal Law on Countering the Unlawful Use of Insider Information and Market Manipulation and on Amending Certain Legislative Acts of the Russian Federation, amending Federal Law of No. 224-FZ of 27 July 2010 on Countering the Unlawful Use of Insider Information and Market Manipulation and on Amending Certain Legislative Acts of the Russian Federation. These changes took effect in May 2019. In 2020, the authorities introduced a procedure for testing unqualified investors before they can invest in complex financial instruments.²⁵⁴ While initially planned to take effect from April 2022, the date was moved forward to October 2021 due to the significant increase in the number of such investors.

4.3.2 Telecommunications and postal services

4.3.2.1 Overview

4.149. The Russian Federation's telecommunications market is competitive and characterized by high rates of mobile penetration, relatively low market concentration, and, according to the International Telecommunication Union (ITU), affordable prices for standardized mobile and data baskets (Table 4.14). Access to fixed broadband is also very competitive, with the Russian Federation ranked 8th in the ITU's 2020 information and communication technology (ICT) price trends (Table 4.15).

Table 4.14 Pricing data for mobile telephony, 2020

Type of basket	Rank	As % of gross national income per capita	USD	Purchasing power parity (USD)	Monthly voice call allowance (in minutes)	Monthly SMS allowance	Monthly data allowance (in GB)	Tax rate included
High consumption mobile data and voice basket	19	0.69	5.76	15.59	200	200	5.0	20.0
Low consumption mobile data and voice basket	34	0.69	5.76	15.59	200	200	5.1	20.0
Mobile voice basket	16	0.32	2.62	7.10	n.a.	n.a.	n.a.	20.0
Mobile data basket	62	0.91	7.54	20.42	n.a.	n.a.	10.0	20.0

n.a. Not applicable.

Source: ITU (2021), *Measuring Digital Development: ICT Price Trends 2020*.

²⁵² The law was amended more than 20 times between July 2016 and March 2021.

²⁵³ Federal Law No. 39-FZ of 22 April 1996 on the Securities Market, as of 4 July 2016, and 1 January 2021.

²⁵⁴ Federal Law No. 306-FZ of 31 July 2020 on Amendments to the Federal Law on the Securities Market and Certain Legislative Acts of the Russian Federation.

Table 4.15 Pricing data for fixed broadband, 2020

Rank	as % of gross national income per capita	USD	Purchasing power parity (USD)	Speed, in Mbit/s	Cap per month, in GB	Tax rate included (%)
8	0.64	5.35	14.48	100	Unlimited	20

Source: ITU (2021), *Measuring Digital Development: ICT Price Trends 2020*.

4.150. Four companies are mobile network operators: VimpelCom, MTS, MegaFon, and Tele2.²⁵⁵ In addition, more than 20 mobile virtual network operators (MVNO) are active in the market, with the facilities-based mobile operators being the largest providers and accounting for more than 90% of total mobile subscribers.

4.151. Over the review period, overall sector revenue increased from RUB 1.53 trillion in 2016 to RUB 1.71 trillion in 2020, although it declined slightly between 2019 and 2020 when the number of fixed-line and mobile subscribers fell as the number of broadband subscribers increased. Overall, penetration rates for mobile and fixed telephone lines stood at 163 and 17.9 per 100 inhabitants in 2020, respectively (see Table 4.16). According to the Government, 85% of the population had access to the Internet in 2020.

4.152. According to the Ministry of Digital Development, Communications and Mass Media, access to phone services as measured by penetration rates for mobile telephony and broadband Internet continues to vary across the federal subjects of the Russian Federation and especially connectivity in the cities of Moscow and St. Petersburg considerably higher.²⁵⁶ To guarantee equal access to universal services to all citizens and bridge the digital divide between Russian regions, regulations regarding the supply of universal services are in place, with all operators contributing 1.2% of the revenue received from the provided communication services to the Universal Access Fund.²⁵⁷ In 2014, Rostelecom was designated as a single supplier of universal services under a 10-year contract. According to the authorities, the initiative will be implemented until 2030.

Table 4.16 Telecommunications indicators, 2016-20

	2016	2017	2018	2019	2020
Subscriptions (including pre-paid) per 100 inhabitants					
Fixed-line telephony	23.3	22.2	20.8	19.1	17.9
Mobile telephony (active subscribers)	156	155	156	163	163
Broadband fixed Internet	18.6	21.0	21.7	22.2	23.0
Number of active providers					
Fixed telephone	1,055	1,211	1,208	1,229	1,168
Mobile and Internet	38	35	32	41	45
Fixed Internet	1,230	1,577	1,745	2,024	2,009
Market share of top provider (%)					
Fixed telephone	..	..	..	..	..
Mobile and Internet	..	..	..	..	..
Fixed Internet	..	..	..	..	..
Market share of top three providers (%)					
Fixed telephone	77	74	76	76	77
Mobile and Internet	87	84	82	81	78
Fixed Internet	68	67	64	57	56

.. Not available.

Source: Information provided by the Ministry of Digital Development, Communications, and Mass Media.

²⁵⁵ Rostelecom has fully owned Tele2 since March 2020. According to Fitch Ratings, the Government holds an indirect majority ownership in Rostelecom. Fitch Ratings, *Fitch Affirms Rostelecomm PJSC at "BBB-"; Outlook Stable*, 13 November 2020.

²⁵⁶ Ministry of Digital Development, Communications and Mass Media, *Industry Statistics*, 29 June 2021. Viewed at: <https://digital.gov.ru/ru/pages/statistika-otrasli/#section-602>.

²⁵⁷ Ministry of Digital Development, Communications, and Mass Media. Viewed at: <https://digital.gov.ru/ru/activity/directions/193/>.

4.3.2.2 Regulatory framework and changes

4.153. Federal Law No. 126-FZ of 7 July 2003 on Communications (last amended 30 April 2021) continues to set the general legal framework for the provision of communication services, and there have been no major changes to the framework while some important revisions were introduced. Amendments to Federal Law No. 126-FZ and to Federal Law No. 149-FZ of 27 July 2006 on Information, Information Technologies and Information Security in 2019 aimed to increase the resilience and security of the Internet and to enhance the security of user information, according to the authorities.²⁵⁸ The Russian Federation also adopted Federal Law No. 187-FZ of 26 July 2017 on the Security of the Critical Information Infrastructure of the Russian Federation, which aims to ensure the security of the critical information infrastructure and its protection against computer attacks.

4.154. The telecommunications sector is regulated by the Ministry of Digital Development, Communications, and Mass Media with the Federal Service for Supervision of Communications, Information Technology, and Mass Media (Roskomnadzor) in charge of licensing, personal data protection, and the regulation of information dissemination, including through the Internet. Radio spectrum is auctioned by the State Commission on Radio Spectrum, an interdepartmental coordinating body operating under the Ministry of Digital Development, Communications and Mass Media. Roskomnadzor issues and controls licences covering 20 types of specific telecommunications and postal services, each with limited geographical validity, and monitors compliance with the mandatory certification of certain telecommunications facilities.²⁵⁹

4.155. There are no restrictions on foreign ownership, but licensees must be incorporated in the Russian Federation. According to Article 31 of Federal Law No. 126-FZ, licences are allocated using a competitive auction where authorities find that the available radio spectrum or other factors limit the number of operators in a certain location. In other cases, applications for licences can be made without an auction.²⁶⁰ Over the reporting period, the total number of telecommunications licences issued declined significantly (Table 4.17).

4.156. The Ministry of Digital Development, Communications, and Mass Media also assesses the quality of telecommunications services based on a methodology approved in 2014. Initial reports were used to identify weaknesses in the telecom network, and potential locations for additional radio towers and information based on test results is periodically published.²⁶¹

Table 4.17 Number of telecommunications licences, 2015-20

Licences	2015	2016	2017	2018	2019	2020
Fixed-line	16,382	15,758	15,250	14,756	14,077	14,076
Mobile	664	744	709	687	680	705
Internet	19,592	18,956	17,959	17,045	16,229	16,127

Source: Information provided by the authorities.

4.157. Key pro-competitive elements for the telecommunications sector are in place. Number portability has been available to customers wanting to change their mobile operator since December 2013, with a nationwide number catalogue funded from the Universal Access Fund (see above). Requirements for offering access to (and interconnection with) telecommunications

²⁵⁸ Federal Law No. 90-FZ of 1 May 2019 on Amendments to the Federal Law on Communications and the Federal Law on Information, Information Technologies and Protection of Information.

²⁵⁹ In early 2021, Government Decree No. 2385 of 30 December 2020 on Licensing Activities in the Provision of Communication Services and Invalidation of Some Acts of the Government replaced Government Decree No. 87 of 18 February 2005 on Approval of the List of Names of Communication Services Included in the License, and Lists of License Conditions, effectively introducing a few changes in regulated activities. Government Resolution No. 532 of 25 June 2009 on Approval of the List of Communications Equipment Subject to Mandatory Certification outlines communication facilities subject to certification.

²⁶⁰ Federal Law No. 478-FZ of 27 December 2019 on Amendments to Certain Legislative Acts of the Russian Federation Regarding the Introduction of a Registry Model for the Provision of State Services for Licensing Certain Types of Activities introduced the option to submit licence applications electronically via a system that introduced an electronic register of licences.

²⁶¹ Ministry of Digital Development, Communications, and Mass Media. Viewed at: <https://digital.gov.ru/ru/activity/directions/504/>. Information based on tests is accessible at <http://xn--80aeakmg19azaci1dvg.xn--p1ai/>.

infrastructure on a contractual basis apply to all infrastructure owners, with major suppliers of public telecommunications services being required to grant non-discriminatory access.²⁶² According to Government Resolution No. 627 of 19 October 2005 on State Regulation of Prices for Connection Services and Traffic Transmission Services Provided by Operators Occupying an Important Position in the Public Communication Network (last amended 17 April 2021), prices for some connection and traffic transmission services provided by important operators are also subject to regulation. Regulations for the sharing of telecom infrastructure and radio spectrum are also in place.²⁶³

4.158. Following amendments to Federal Law No. 126-FZ and amendments to the rules for the provision of telephone services, national roaming charges (within-network roaming charges for subscribers travelling within the Russian Federation) were eliminated from 1 June 2019.²⁶⁴ According to the authorities, the EAEU aims to establish a Unified Pricing Approach for traffic transmission services and fair tariffs for mobile services in international roaming across the EAEU.²⁶⁵ Prices of certain telecom services are also regulated according to Government Resolution No. 637 of 24 October 2005 on State Regulation of Tariffs on Public Telecommunications Services and Public Postal Services. Two revisions in 2018 and 2020 adjusted the methods for establishing regulated tariffs based on economically justified costs or a formula-based method, thus encouraging efficiency improvements of telecom operators.

4.3.2.3 Policy developments

4.159. Overall, digital transformation (and the role of competitive telecommunications services in this process) plays an important role in government policy-making. The National Programme on Digital Economy of the Russian Federation (approved in 2018) outlines objectives and benchmarks for the digital transformation of the national economy and includes seven federal projects with an overall budget of RUB 938 trillion between 2019 and 2024.²⁶⁶ As elsewhere, the pandemic has increased the demand for and accelerated the speed of digitalization and affected the role of the National Programme. According to the authorities, particular focus is on support for the development of digital technologies, digital transformation of companies, public administration, and online education.

4.160. The State Programme on Information Society was originally approved in 2014.²⁶⁷ In light of the National Programme, the State Programme was extended in March 2020.²⁶⁸ The State Programme explicitly creates links with six of the federal projects under the National Programme²⁶⁹ and allocates significant annual budgets until 2024 to its four subprogrammes.²⁷⁰

²⁶² The register of incumbent operators occupying a significant position in the public communications network is published on Roskomnadzor's website. Viewed at: https://eng.rkn.gov.ru/open_data/.

²⁶³ Ministry of Digital Development, Communications, and Mass Media. Viewed at: <https://digital.gov.ru/ru/activity/directions/504/>.

²⁶⁴ See Federal Law No. 527-FZ of 27 December 2018 on Amendments to Articles 46 and 54 of the Federal Law on Communications; and Government Resolution No. 665 of 27 May 2019 on Amendments to the Rules for the Provision of Telephone Services.

²⁶⁵ Ministry of Digital Development, Communications, and Mass Media. Viewed at: <https://digital.gov.ru/ru/activity/directions/978/>.

²⁶⁶ The National Programme was approved by the minutes of the meeting of the Presidium of the Council under the President of the Russian Federation for Strategic Development and National Projects No. 7 of 4 June 2019. It aims to: (i) increase overall spending for the development of the digital economy; (ii) create a sustainable and secure information and telecommunications infrastructure that is accessible; and (iii) significantly increase the share of domestic software purchased or leased by state bodies, as well as local governments and organizations.

²⁶⁷ Government Decree No. 313 of 15 April 2014 on Approval of the State Programme on the Russian Federation Information Society (2011-20). The State Programme was later renamed to "Information Society".

²⁶⁸ The new version of the State Programme on Information Society was approved on 31 March 2020 (Government Decree No. 386-20 on Amendments to the State Programme on Information Society).

²⁶⁹ These federal projects are Information Infrastructure, Information Security, Human Resources for the Digital Economy, Artificial Intelligence, Digital Technologies, and Digital Public Administration.

²⁷⁰ The State Programme was amended 25 times between 2016 and June 2021, most recently on 31 March 2021. According to the State Programme document at the time of writing, the four subprogrammes were: (i) Information and Telecommunications Infrastructure of the Information Society and Services Rendered on Its Basis, with the objective of "creation of a global competitive infrastructure for data transmission, including on the basis of domestic developments, provision of high-quality and affordable communication services and access to the information and telecommunications network 'Internet'"; (ii) Information

4.161. In 2018, the Government adopted the Action Plan (Road Map) to Promote Competition in the Russian Economy and Transform Certain Areas of Natural Monopolies into a Competitive Market Mode for 2018-20, which also aims to increase competition in the provision of telecom services.²⁷¹ It aims to ensure technological neutrality for the development of innovative telecommunications infrastructure, 80% of cities with more than 20,000 inhabitants will be served by at least three telecom operators, and the elimination of roaming charges within the Russian Federation. Products such as computers require the pre-installation of Russian software, including browsers and search engines, but do not prevent the pre-installation of other foreign software.²⁷²

4.162. As part of its accession to the WTO, the Russian Federation committed to the telecom reference paper. It also committed to no limitations on national treatment for cross-border supply, consumption abroad, or commercial presence for the provision of telecom services, other than a domestic incorporation requirement. The Russian Federation retained horizontal limitations on the movement of people and national treatment for the granting of subsidies.

4.3.2.4 Developments in 5G

4.163. Government support of the development of 5G technology is outlined in a roadmap to implement 5G by 2024, which was developed by the state-owned companies Rostelecom and Rostec.²⁷³ The Government plans to provide 28.9 billion RUB of support until 2024 under the three areas of the Action Plan: (i) develop production of high-tech telecommunications products for 5G/IMT-2020, including serial production; (ii) develop 5G/IMT-2020 communication network infrastructure and radio frequency support; and (iii) develop a market for services and services provided using 5G/IMT-2020 technologies. The roadmap also targets a minimum percentage of the share of domestic equipment in the infrastructure of commercial communication networks of 70% by 2030 (indicator 7.4 of the roadmap).

4.164. The four facilities-based mobile network operators (see above) agreed in 2019 to jointly deploy 5G networks to reduce cost and optimize frequency usage. In December 2020, the Federal Antimonopoly Service (FAS) approved the proposal that had raised questions regarding potential anti-competitive effects on non-participating competitors, requiring the operators to agree with the FAS on the terms of infrastructure and frequency-sharing, and the conditions for providing infrastructure for MVNOs.²⁷⁴

4.3.2.5 Other policy changes affecting telecommunications and postal services

4.165. Amendments to the Federal Law No. 126-FZ in 2016 (in the context of new anti-terrorism measures introduced) require communications service providers and Internet-based data distributors to store information regarding message transmission (including actual content of voice data, written texts, images, sounds, videos, or other messages) for between six months and three years, and to share information (including decryption methods) with the authorities when requested without a court order. Amendments to Federal Law No. 149-FZ undertaken over the reporting period also require the owners of electronic messenger services to register, locally maintain

Environment, with the objective of "development of the information environment and ensuring equal access of the population to the media environment"; (iii) Security in the Information Society, with the objective of "prevention of threats arising in the information society"; and (iv) Information State, with the objective of "ensuring the execution of the powers of state authorities and local self-government bodies, carried out in electronic form, including the provision of state, municipal and socially significant services to citizens and organizations (implementation of functions), as well as increasing the efficiency of public administration, interaction of state (municipal) authorities, citizens and businesses through the use of information and telecommunications technologies".

²⁷¹ Government Directive No. 1697-r of 16 August 2018. Viewed at: <https://docs.cntd.ru/document/550968940?marker=6560IO>. It builds on the Executive Order of the President of the Russian Federation No. 618 of 21 December 2018, which can be viewed at: <http://en.fas.gov.ru/documents/documentdetails.html?id=15342>.

²⁷² This issue has been raised multiple times since the October 2020 meeting of the Committee on Trade in Services.

²⁷³ Total funding to the Roadmap for the Development of the High-Tech Area: "Mobile Communication Networks of the Fifth Generation" for the Period up to 2024 is estimated at RUB 208 billion, primarily from non-budgetary resources. Viewed at: <https://legalacts.ru/doc/pasport-dorozhnoi-karty-razvitiya-vysokotekhnologichnoi-oblasti-mobilnye-seti-svjazi/>.

²⁷⁴ FAS, FAS Russia Agreed the Application of Communications Operators on Creation 5G Joint Venture, 24 December 2020. Viewed at: <http://en.fas.gov.ru/press-center/news/detail.html?id=55122>.

information on, and identify users via mobile phone numbers. Following 2017 amendments to Federal Law No. 149-FZ, virtual private network (VPN) operators are also required to prevent Russian users from accessing information that has been blocked by Russian authorities (Roskomnadzor) due to inconsistency with existing legislation.

4.166. Since September 2015, personal data collected on Russian citizens has to be stored in the Russian Federation according to Federal Law No. 152-FZ on Personal Data.²⁷⁵ Some processing, such as updating of records, also must take place in the Russian Federation. According to the authorities, it is permissible to keep information on parallel servers abroad if these servers are on a list of countries with adequate protection of personal data²⁷⁶ or following explicit approval of Roskomnadzor, the regulator. However, the primary entry has to be stored on servers in the territory of the Russian Federation. These regulations are being monitored and enforced by Roskomnadzor, and penalties were increased in 2017.

4.167. With the aim of increasing the efficiency of supply of postal services, Russian Post, the federal state unitary enterprise, was reorganized into a non-public joint-stock company of which the Government retains 100% ownership from 1 October 2018.²⁷⁷ The Government complemented these changes with Government Resolution No. 1429 of 15 September 2020 on Approval of the Rules for the Territorial Distribution of Post Offices of the JSC Russian Post. In November, the Ministry of Digital Development, Communications, and Mass Media amended the rules for the provision of postal services, with the objective of promoting the use of modern technologies in the supply of postal services, including in the areas of electronic payments, non-personal delivery of goods to packing stations, and confirmation of safe delivery.²⁷⁸

4.3.3 Transport

4.168. In 2020, the share of transport in total GDP was 6.5% and 34.0% of total services exports.²⁷⁹ The transportation network covers the Russian Federation's territory unevenly. The European part is dense and has a relatively modern infrastructure, while the remote Siberian or Far East regions often lack regular connections and the infrastructure is not as developed. Because weather conditions make paved roads hard to maintain in extreme temperatures and rivers are oriented along the north-south axis, railroads have long been responsible for the most reliable traffic of goods and passengers. Since 2010, the Russian Federation's infrastructure has been integrating with international transport corridors. Several projects are being implemented under the framework of the Europe-Western China transit route²⁸⁰ and the Euro-Asian Transport Links (EATL)²⁸¹, as well as in the context of the Eurasian Economic Union (EAEU) and the Belt and Road Initiative.

4.169. The Russian Federation has 87,600 km of railway line, of which 44,000 km are electrified. There are over 1.5 million km of public roads, 101,600 km of inland waterways, about 7,500 km of

²⁷⁵ These amendments were introduced by Federal Law No. 242 of 21 July 2014 on Amendments to Certain Legislative Acts of the Russian Federation in Terms of Clarifying the Procedure for Processing Personal Data in Information and Telecommunications Networks.

²⁷⁶ As defined by Roskomnadzor. Countries include those party to the Council of Europe Convention 108, and some additional countries.

²⁷⁷ Federal Law No. 171-FZ of 29 June 2018 on the Peculiarities of the Reorganization of the Federal State Unitary Enterprise Russian Post, the Fundamentals of the Activities of the Joint-Stock Company Russian Post, and on Amendments to Certain Legislative Acts of the Russian Federation.

²⁷⁸ Ministry of Digital Development, Communications, and Mass Media Order No. 602 of 19 November 2020 on Amendments to the Rules for the Provision of Postal Services, Approved by Order of the Ministry of Communications and Mass Media No. 234 of 31 July 2014. Viewed at: <https://digital.gov.ru/ru/documents/7398/#tdownloadblock>.

²⁷⁹ Data provided by the authorities.

²⁸⁰ Wade Shepard, "Silk Road Breakthrough: Russia to Begin Construction on the China-Western Europe Transport Corridor", *Forbes*, 23 July 2019. Viewed at: <https://www.forbes.com/sites/wadeshepard/2019/07/23/silk-road-breakthrough-russia-to-begin-construction-on-the-china-western-europe-transport-corridor/>.

²⁸¹ The EATL project started in 2002 as a joint undertaking between the UN Economic Commission for Europe (UNECE) and the UN Economic and Social Commission for Asia and the Pacific (UNESCAP). It has identified main Euro-Asian road and rail routes for priority development and cooperation. The EATL aims to facilitate and remove physical and administrative bottlenecks when crossing borders in overland transport between Europe and Asia. UNECE, *About Us*. Viewed at: <https://unece.org/about-us-31>.

tram and trolleybus lines, 602 km of underground lines, 24 million tonnes of cargo handling capacity at seaports, and 241 airfields.²⁸² Some key transport indicators are shown in Table 4.18.

Table 4.18 Freight and passenger transport volumes, by type of transport, 2017-20

	2017	2018	2019	2020
Passengers (million)				
Total	18,439	18,113	17,826	..
Automobile (bus)	11,185	10,912	10,637	7,399
Underground	3,298	3,381	3,451	3,066
Trolleybus	1,376	1,263	1,148	750
Tram	1,327	1,259	1,240	901
Railway	1,121	1,160	1,201	..
Air	108	118	131	..
Inland waterway	13	12	11	8
Cargo transportation (million tonnes)				
Total	8,073	8,265	8,421	..
Automobile	5,404	5,544	5,735	..
Railway transport	1,384	1,411	1,399	..
Inland waterway	119	116	108	108
Marine	26	23	19	24
Air	1.3	1.3	1.3	1.3

.. Not available.

Source: Data provided by the authorities.

4.170. The Ministry of Transport (MT) is responsible for all transport activities in the Russian Federation. It carries out state policy, normative, and legal regulatory functions in the fields of: (i) civil aviation, airspace management, and air navigation services of the users of the Russian Federation's airspace, aerospace search and rescue, and state registration of rights to aircraft; (ii) maritime transport (including maritime ports), inland waterways, and operation and security of the shipping hydraulic structures; (iii) rail transport; (iv) road transport: automobile (including transport controls at crossing points on the state borders of the Russian Federation), road management, and road traffic administration; and (v) electricity: urban electricity (including the underground) and industrial transport.²⁸³

4.171. The Federal Service for Supervision of Transport (Rostransnadzor), under the MT, has several agencies or structural divisions according to the type of transport. In general, these agencies are responsible for coordination between the territorial state supervision bodies on the implementation of their special licensing, control, and supervisory functions, as well as for control over the implementation of legislative and other regulatory legal acts to ensure safe, efficient, and sustainable functioning of transport. Each division is responsible for specific areas according to the type of transport: Goszheldornadzor (rail), Gosavtodornadzor (automobile), Gosmorrechnadzor (sea and river), and Gosavianadzor (air and airspace).

4.172. In 2019, as part of the improvement of control and supervisory activities, the Federal Service for Supervision of Transport carried out a set of activities to transition to a risk-based model of supervisory activities. According to the authorities, this has increased the effectiveness and efficiency of supervisory activities and reduced the administrative burden. In collaboration with some regional groupings (e.g. the EAEU, the Shanghai Cooperation Organization, and the Economic and Social Commission for Asia and the Pacific), modern digital technologies are being implemented, including intelligent transport systems, digital logistics, electronic information exchange, and document management systems.²⁸⁴

4.173. Transport Strategy 2030, adopted in 2008 and revised in 2018, remains the main policy document for the sector. Among its most important goals are the creation of a competitive transport and logistic services market, and improved integration of the Russian Federation into the global transport system. Transportation modernization and improvement goals are also set out in other

²⁸² Data provided by the authorities.

²⁸³ Ministry of Transport. Viewed at: <http://government.ru/en/department/68/events/>.

²⁸⁴ Ministry of Transport. Viewed at: <http://government.ru/en/department/68/events/>.

strategic documents, notably in Presidential Decree No. 204 of 7 May 2018 on National Objectives and Strategic Tasks of the Russian Federation's Development in the Period up to 2024 (Section 2.2). According to the MT, implementation of the Safe and Quality Roads objective set out in that Decree will require RUB 2,618 billion, and the Development of the Transport Infrastructure objective is expected to require around RUB 6,348 billion. These amounts will come from federal and regional budgets, as well as extra-budgetary sources.²⁸⁵ Transport Strategy 2035 is under development.

4.174. In 2017, the average transportation distance for one tonne of cargo per mode of transport amounted to 1,977 km for rail, 46 km for road, and 567 km for inland water transportation. A key task for the Government is the creation of synergies between modes of transport through the implementation of strategic policies such as Presidential Decree No. 204.²⁸⁶

4.175. Transport plays an important role in the Government's import substitution policy (paragraph 4.30). Some types of goods previously imported from neighbouring countries, over short distances, are now being transported from remote Russian regions where they are produced. The transport industry itself is also subject to changes related to import substitution; the Russian Federation aims to increase its own production of components for several types of locomotives, airplanes, and road equipment and is implementing relevant policies and financing schemes for this purpose (Section 3.1.7).

4.176. The Treaty on the Eurasian Economic Union (EAEU Treaty) aims to create a common EAEU transport area by 2025.²⁸⁷ To this end, two action plans were adopted in 2017, which cover the period 2018-20 and the implementation of which will create a basis for the removal of all existing restrictions.²⁸⁸ The relevant action plans for the implementation period 2021-23 are currently being developed.

4.177. Under the GATS, the Russian Federation undertook various commitments on transport services.²⁸⁹

4.3.3.1 Rail transport

4.178. The railway system remains the key mode of transportation, and it is among the top three in the world in terms of use for freight purposes and in terms of length. In 2020, the share of rail transport in the total volume of cargo turnover was 47.2% (87.0% excluding pipeline), while the share of rail transport in the total volume of cargo loading was 15.9% (18.4% excluding pipeline). The railway system is divided into 17 regional railways, from the October Railway serving the St. Petersburg region to the Far Eastern Railway serving Vladivostok, with the free-standing Kaliningrad and Sakhalin Railways on either end. Coal, coke, and ferrous metals make up most of the freight rail volumes. Railroads are often key to getting supplies shipped to remote parts of the country, as many people do not have access to other reliable means of transportation.²⁹⁰

4.179. Rail transport policy is being implemented under two main documents: Government Decree No. 384 of 18 May 2001 on a Programme for Structural Reform of Railway Transport; and Government Order No. 877 of 17 June 2008 on the Strategy for Railway Development in the Russian Federation to 2030. The former focuses on restructuring the railways from a government-owned monopoly to the private competitive sector, while the latter is an ambitious plan for equipment modernization and network expansion.²⁹¹

4.180. Federal Law No. 147-FZ of 17 August 1995 on Natural Monopolies (as amended) enumerates railway transportation among natural monopolies. The activities and goals of the state-owned Russian Railways (RZD) are set up in the Strategy for Railway Development in the Russian Federation to 2030. The RZD has a monopoly in the provision of rail infrastructure and is by

²⁸⁵ Ministry of Transport. Viewed at: <http://government.ru/en/department/68/events/>.

²⁸⁶ Ministry of Transport. Viewed at: <http://government.ru/en/department/68/events/>.

²⁸⁷ EAEU Treaty, Section XXI and Annex 24, Protocol on the Coordinated Transport Policy of the Member States.

²⁸⁸ WTO document WT/REG358/1, 13 July 2018, paras 4.120-4.123.

²⁸⁹ WTO document WT/TPR/S/345/Rev.1, 6 December 2016.

²⁹⁰ Ministry of Transport. Viewed at: <http://government.ru/en/department/68/events/>.

²⁹¹ Some of the key goals set by the 2030 strategy are increasing the railway density by 24% and the average route speed of long-distance passenger trains almost by 20% to 72 km/hour on the basic directions.

far the major player in the provision of locomotive traction services.²⁹² Nonetheless, the regulatory framework gives third-party operators (not carriers) the legal right to access such infrastructure on a non-discriminatory basis.²⁹³ The total share of the Union of Railway Transport Operators member companies is 71.2% of the fleet of freight railway cars (856,500 cars) registered in the Russian Federation, while the share of freight cars by type is gondola cars at 48.0%, tank cars at 21.0%, platforms at 12.0%, hoppers at 9.0%, and covered cars at 5.0%. According to the authorities, because of the relatively low wear and tear of the rolling stock fleet due to the large number of car purchases in previous years²⁹⁴, the need for its renewal is limited.

4.181. A key problem facing rail transport is ageing track and equipment. On 26 March 2020, a new plan was outlined to upgrade and expand the domestic railroad network over 15 years. It aims to ensure that regions are better integrated with both one another and with the international rail networks connecting East and West (between China and Europe) and North and South (the Republic of Iran, the Middle East, and South Asia). That requires both upgrading the roadbeds and constructing new rail lines to cut the length of time to move freight and thus make Russian routes more attractive to foreign business.²⁹⁵ According to the authorities, the plan is not yet approved.

4.182. Railway services tariffs are regulated by the Government, and the RZD's main tariffs for the domestic movement of freight (infrastructure, locomotive traction, and wagons) fall under the 2003 Price List No. 10-01 (excluding transit). The Price List distinguishes three broad classes of commodities and determines individual tariffs in each group, considering the haulage distance, shipment size, and related charges. The tariffs are uniform and mandatory for all users of the RZD's services. The FAS approves amendments to railway transport tariffs. The rates in the Price List are based on the average network costs on the federal railways.²⁹⁶ Tariff conditions for transit freight transportation on the RZD are established by the Organization for Cooperation of Railways (OSJD or OSShD).²⁹⁷ Information is available on the RZD's official website.²⁹⁸

4.183. The RZD receives subsidies and grants from the federal and regional governments for, *inter alia*, compensation of the effects of tariff regulation, capital repairs, and acquisition of assets. In 2017, state support for the RZD from the budgets of various levels amounted to RUB 98.4 billion, including RUB 96 billion from the federal budget. Direct support amounted to RUB 37.8 billion. In 2017, the amount of monetary contributions to the RZD's authorized capital was RUB 60.6 billion, while the RZD received state support from regional budgets and extra-budgetary funds of RUB 2.4 billion.²⁹⁹

4.184. The EAEU Treaty stipulates the following objectives in the field of rail transport³⁰⁰: (i) establishing a common market; (ii) ensuring that consumers of member States have access to rail transport services in the territory of each member State on terms no less favourable than for consumers of that member State; (iii) maintaining the balance between the economic interests of consumers of rail services and the interests of rail transport organizations of the member States; (iv) enabling access of rail transport organizations of one member State to the domestic market of

²⁹² On 18 September 2003, the RZD was established by Government Decree No. 585. The RZD started operation on 1 October 2003. It was created as the first stage of the railway sector reform in accordance with Government Resolution No. 384 of 18 May 2001. RZD, *The Company*. Viewed at: <https://eng.rzd.ru/en/9498>.

²⁹³ Federal Law No. 17-FZ of 10 January 2003 on Railway Transport and Federal Law No. 18-FZ of 10 January 2003 on Charter of Railway Transport (as amended).

²⁹⁴ Data provided by the authorities.

²⁹⁵ Paul Goble, "Domestic and Foreign Challenges Prompt Moscow to Announce Unrealistically Ambitious Railway Plan", *Eurasia Daily Monitor*, 16 April 2020. Viewed at: <https://jamestown.org/program/domestic-and-foreign-challenges-prompt-moscow-to-announce-unrealistically-ambitious-railway-plan/>.

²⁹⁶ Federal Customs Service (FCS) Order No. 396-t/1 of 18 December 2012 on Amendments and Additions to the Provision of the FCS.

²⁹⁷ The Organization for Cooperation of Railways coordinates rail transport between Europe and Asia. It has helped develop cooperation between railway companies and with other international organizations – for example, a working group on container trains between China and Europe. The group is represented by seven countries – Belarus, China, Germany, Kazakhstan, Mongolia, Poland, and the Russian Federation. The interaction provides for the creation of optimal conditions for the development of a Euro-Asian transportation network, including forming a modern digital environment, increasing traffic speed, and making joint commitments to improve technological, tariff, and legal conditions.

²⁹⁸ RZD. Viewed at: <https://eng.rzd.ru/>.

²⁹⁹ Data provided by the authorities.

³⁰⁰ EAEU Treaty, Annex 24, para. 18.

rail transport services of another member State; and (v) enabling access of carriers to infrastructure services of member States.³⁰¹

4.3.3.2 Road transport

4.185. There are some 1.6 million km of roads in the Russian Federation, most of which are paved, while the total length of the high-speed road sections and highways is 6,654 km. Given the Russian Federation's vast area, this is a relatively small figure and the lack of high-speed roads coupled with poor-quality routes represents an important drain on the economy.³⁰² Road construction is financed from the federal budget, the budgets of the constituent entities of the Russian Federation, and funds from extra-budgetary sources, while the construction of toll roads is carried out through public-private partnerships.

4.186. In 2019, a new federal programme was outlined for the development of a high-speed road network. The state-owned company Russian Highways, commonly referred to as Avtodor, is directly responsible for the implementation of the programme that will run until 2030. According to the authorities, however, this programme is not yet approved.

4.187. Road transport policy is implemented under various documents. Federal Law No. 259-FZ of 8 November 2007 on Charter of Road Transport and Urban Land Electric Transport and Government Decree No. 272 of 15 April 2011 on Approval of the Rules for the Road Freight Transport regulate road transport. Federal Law No. 362-FZ of 11 November 2014 on Amendments to the Law on State Monitoring of International Road Transport and Liability for Violation of the Order of Execution and the Code on Administrative Offences of the Russian Federation in Connection with the Improvement of the Public Monitoring of Implementation of International Road Transport provides for increased efficiency in monitoring international road transportation. Federal Law No. 220-FZ of 13 July 2015 on Organizing Regular Carriage of Passengers and Luggage by Road and Urban Ground Electric Transport in the Russian Federation and on Amendments to Some Legislative Acts of the Russian Federation regulates, *inter alia*, the organization of regular carriage of passengers and luggage by road and urban ground electric transport, and also regulates the establishment, change, and cancellation of regular transport routes.³⁰³

4.188. Transport companies autonomously set the rates they charge for road transport.³⁰⁴ Government Decree No. 1616 of 7 October 2020 on the Regulation on Licensing the Transportation of Passengers and Other Persons by Buses establishes licensing requirements for the transportation of passengers and other persons by buses, including in international traffic, based on the requirements for the safety of passenger transportation. Government Decree No. 1588 of 1 October 2020 establishes the conditions for the admission of a Russian carrier to international road transport. According to Russian legislation, legal entities, individuals, and vehicles registered in the Russian Federation have the right to carry out internal transportation of goods by road on the territory of the Russian Federation.

4.189. Annex 24 to the EAEU Treaty requires that international carriage of goods by road performed by carriers registered in the territory of a member State be carried out on a permit-free basis: (i) between the member State of registration of such carriers and another member State; (ii) in transit through the territory of other member States; and (iii) between other member States. The programme provided for in Annex 24 to the EAEU Treaty envisages the gradual liberalization of cabotage in four stages from 2016-25.³⁰⁵

³⁰¹ Regarding this last item, the EAEU Treaty sets forth a procedure for regulating access to rail transport services, including the tariff policy framework.

³⁰² Around one third of the Russian Federation's roads are carrying higher traffic volumes than they were designed for. World Highways, *Russia New Programme for Developing High-speed Roads*, 14 January 2019. Viewed at: <https://www.worldhighways.com/feature/russia-new-programme-developing-high-speed-roads>.

³⁰³ Ministry of Transport. Viewed at: <http://government.ru/en/department/68/events/>.

³⁰⁴ The road freight transport rate for one tonne/km depends on several factors, including region, distance, load, type of carrier, truck brand (Russian or foreign), special requirements (cooling, security), size of the service provider, type of contract (short- or long-term), and insurance. Ministry of Transport. Viewed at: <http://government.ru/en/department/68/events/>.

³⁰⁵ See WTO document WT/REG358/1, 13 July 2018, Table 4.4 for a description of the different stages of this programme.

4.3.3.3 Maritime transport

4.190. The Federal Agency for Maritime and River Transport (Rosmorrechflot), under the MT, is entrusted to manage state property, maintain transport security-related tasks, and provide services in the field of maritime and inland waterway transport.³⁰⁶

4.191. Port management remains based on Federal Law No. 261-FZ of 8 November 2007 on Sea Ports in the Russian Federation and the Merchant Marine Code, according to which port management is carried out by the Seaport Administration. The Seaport Administration, under the Federal Agency of Sea and River Transport, provides organizational, logistical, and financial support to the execution of the seaport captains' functions, and services for seaport users. The administration founders' functions and authorities are carried out by the Federal Agency of Sea and River Transport.

4.192. Federal Law No. 147-FZ of 17 August 1995 on Natural Monopolies (as amended) enumerates ports and services related to the use of infrastructure of internal waterways among natural monopolies. Prices on the list of services of natural monopolies in seaports and river ports, and of the use of infrastructure of internal waterways, are regulated by the State, in accordance with Government Resolution No. 293 of 23 April 2008 on State Regulation of Prices (Rates, Charges) on Services of Subjects of Natural Monopolies in Transport Terminals, Ports, the Airports and Services in Use of Infrastructure of Inland Waterways (as amended on 27 December 2019).

4.193. According to the authorities, Government Decree No. 778 of 10 August 2016 on Amendments to Government Decree No. 193 of 6 March 2012 simplified licensing requirements and conditions for passenger transportation, transportation of dangerous goods, towing, and freight operations for dangerous goods on sea and internal water transport.

4.3.3.4 Air transport

4.194. The Federal Air Transport Agency (Rosaviatsiya), under the MT, oversees air transport. It is responsible for: (i) the rendering of governmental services and managing governmental property in the sphere of air transport (civil aviation); (ii) control of Russian airspace; (iii) air navigation services within Russian airspace; (iv) aeronautical search and rescue; (v) air transport security; and (vi) government certification of aircraft ownership rights and related transactions.³⁰⁷

4.195. The main law governing air transport is the Air Code, Federal Law No. 60-FZ of 19 March 1997 (as amended on 27 December 2019). Federal Law No. 88-FZ of 1 April 2020 on Amendments to Articles 83 and 84 of the Air Code was adopted to optimize the costs of ensuring the protection of airports and their infrastructure facilities. It also provides transport security units with the right to carry out the protection of airports in the manner established by the Government.³⁰⁸

4.196. According to Federal Law No. 270-FZ of 2 August 2019 on Amendments to the Law on Transport Security and to Certain Legislative Acts of the Russian Federation, categorization procedures, vulnerability assessment, development of transport security plans, and air transport vehicles are excluded from the provisions of the legislation on transport security.³⁰⁹

4.197. During the review period, new requirements for guaranteeing transport security were issued³¹⁰, which allow applying a differentiated approach to ensuring security of transport infrastructure facilities based on their functional purpose and operational characteristics. In addition,

³⁰⁶ Federal Agency for Maritime and River Transport, *About Rosmorrechflot*. Viewed at: <http://eng.morflot.ru/>.

³⁰⁷ Russian Aviation, *Federal Air Transport Agency (Rosaviatsiya)*. Viewed at: <http://www.ruaviation.com/dir/info/6/?h>.

³⁰⁸ Russian Aviation, *Federal Air Transport Agency (Rosaviatsiya)*. Viewed at: <http://www.ruaviation.com/dir/info/6/?h>.

³⁰⁹ Russian Aviation, *Federal Air Transport Agency (Rosaviatsiya)*. Viewed at: <http://www.ruaviation.com/dir/info/6/?h>.

³¹⁰ Government Decree No. 1603 of 5 October 2020 on Approval of Requirements for Ensuring Transport Security Including Requirements for Anti-terrorist Protection of Facilities (Territories) Taking into Account the Security Levels for Objects of the Transport Infrastructure of Air Transport that Are Not Subject to Categorization; Government Decree No. 1605 of 5 October 2020 on Approval of Requirements for Ensuring Transport Security Including Requirements for Anti-terrorist Protection of Facilities (Territories) Taking into Account Security Levels for Various Categories of Objects of Air Transport Infrastructure.

the following legislation changes have been adopted with respect to air transport services: the procedure for providing services to passengers with disabilities at airports and in aircraft³¹¹; approval of the form of an electronic consignment note in civil aviation³¹²; rules for conducting pre-flight and post-flight inspections in terms of regulating the transportation of donor material³¹³; general rules for air carriage of passengers, baggage, and cargo; and requirements for serving passengers, consignors, and consignees in terms of baggage transportation.³¹⁴

4.198. In 2017, the Russian Federation joined the Convention for the Unification of Certain Rules for International Carriage by Air, aimed at integrating the national transport system into the international transport and logistics system.³¹⁵

4.199. During the review period, the Russian Federation signed air services agreements with Cambodia (2015), Morocco (2016), and the Lao People's Democratic Republic (2017). The Russian Federation has over 200 bilateral and regional air services agreements in force. In general, the agreements cover almost identical commitments between parties regarding: (i) the establishment of the rights of air carriers to use contractual lines; (ii) the establishment of non-discriminatory conditions for the usage of contractual lines with transparent tariffs; (iii) the recognition of certificates; (iv) the transparency of legislation affecting air carriers; (v) simplified customs control and the absence of customs duties for transit goods; (vi) dispute settlement between parties; and (vii) compliance with international agreements. These agreements are also comparable with respect to the freedoms covered.

4.200. Aeroflot Group is the Russian Federation's largest airline group and ranks among the top 20 globally by passenger numbers. In 2019, the Group had a 41.3% market share in the Russian Federation and carried more than 60.7 million passengers, 37.2 million of whom flew with Aeroflot-Russian Airlines, the Group's flagship carrier.³¹⁶ The Russian Federation owns a 51.17% stake in PJSC Aeroflot through the Federal Agency for State Property Management. The Group's free float is 40.9%, which is held by institutional and retail investors.³¹⁷

4.201. The EAEU Treaty provides for coordination by member States to ensure a common approach to the application of International Civil Aviation Organization (ICAO) standards and recommended practices. It also lays down certain principles for the gradual establishment of a common market of air transport services, including harmonization of legislation, fair and honest competition, non-discriminatory access of aviation companies of the member States to the aviation infrastructure, and expansion of air services between the member States.³¹⁸

³¹¹ Federal Law No. 52-FZ of 3 April 2017 on the Accession of the Russian Federation to the Convention for the Unification of Certain Rules for International Carriage by Air.

³¹² Ministry of Transport Order No. 300 of 10 August 2018 on Approval of the Form of an Electronic Consignment Note in Civil Aviation.

³¹³ Ministry of Transport Order No. 120 of 30 March 2018 on Amendments to the Rules for Conducting Pre-Flight and Post-Flight Inspections Approved by Ministry of Transport Order No. 104 of 25 July 2007.

³¹⁴ Ministry of Transport Order No. 409 on Amendments to the Federal Aviation Regulations on General Rules for Air Carriage of Passengers, Baggage, Cargo and Requirements for Serving Passengers, Consignors, Consignees in Terms of Baggage Transportation. Approved by Ministry of Transport Order No. 82 of 5 October 2017.

³¹⁵ Russian Aviation, *Federal Air Transport Agency (Rosaviatsiya)*.

³¹⁶ Aeroflot Group includes Aeroflot-Russian Airlines, Rossiya (a mid-market carrier), Aurora (a regional carrier in the Russian Far East), and Pobeda (a low-cost carrier). Aeroflot-Russian Airlines operates one of the youngest fleets of any global carrier, operating more than 100 aircraft, with an average aircraft age of 5 years (7 years for all Aeroflot Group carriers). As of the end of 2019, the Group fleet comprised 359 planes, 245 of which are operated by Aeroflot-Russian Airlines. In 2019, the Group served more than 340 regular destinations in 57 countries. Aeroflot-Russian Airlines is member of the SkyTeam Alliance. Aeroflot, *About Aeroflot*. Viewed at: <https://ir.aeroflot.com/en/company-overview/about-aeroflot/>.

³¹⁷ Aeroflot's shares are traded on the Moscow Exchange and internationally as Global Depositary Receipts in Frankfurt. Aeroflot-Russian Airlines, *About Aeroflot*. Viewed at: <https://ir.aeroflot.com/en/company-overview/about-aeroflot/>.

³¹⁸ EAEU Treaty, Annex 24, paras. 10-14; and WTO document WT/REG358/1, 13 July 2018, para. 4.125.

5 APPENDIX TABLES

Table A1.1 Merchandise exports by HS section and major chapter subheading, 2016-20

HS section/chapter/subheading	2016	2017	2018	2019	2020
Total exports (USD billion)	285.3	357.7	449.5	424.1	336.6
	(% of total)				
01 Live animals and products	1.2	1.2	1.1	1.3	1.8
HS 03 Fish and crustaceans, molluscs and other aquatic invertebrates	1.1	1.0	1.0	1.1	1.4
02 Vegetable products	2.5	2.6	2.7	2.4	3.9
HS 10 Cereals	2.0	2.1	2.3	1.9	3.0
HS 1001 Wheat and meslin	1.5	1.6	1.9	1.5	2.4
HS 1003 Barley	0.1	0.2	0.2	0.2	0.3
03 Fats and oils	0.8	0.8	0.6	0.8	1.3
04 Prepared food, beverages and tobacco	1.5	1.3	1.1	1.3	1.9
05 Mineral products	59.3	60.4	64.9	63.4	51.4
HS 27 Mineral fuels	58.2	59.3	63.9	62.1	49.8
HS 2709 Petroleum oil, crude.	25.8	26.1	28.7	28.8	21.6
HS 2710 Petroleum oils and oils obtained from bituminous minerals, other than crude	16.2	16.3	17.4	15.8	13.5
HS 2711 Petroleum gases and other gaseous hydrocarbons	12.4	12.1	12.6	12.1	10.0
HS 2701 Coal; briquettes, ovoids and similar solid fuels manufactured from coal	3.1	3.8	3.8	3.8	3.7
06 Chemicals and products thereof	4.9	4.6	4.3	4.6	4.8
HS 31 Fertilizers	2.3	2.0	1.8	2.0	2.1
07 Plastics and rubber	1.7	1.7	1.4	1.4	1.9
08 Raw hides and skins; leather, furskins and articles thereof	0.1	0.1	0.1	0.0	0.0
09 Wood, cork, straw	2.3	2.2	2.0	2.0	2.5
HS 44 Wood and articles of wood; wood charcoal	2.3	2.2	2.0	2.0	2.5
10 Pulp of wood; paper and paperboard	1.1	1.1	1.1	1.0	1.2
11 Textiles and textile articles	0.2	0.3	0.2	0.3	0.4
12 Footwear, headgear, etc.	0.1	0.1	0.1	0.1	0.1
13 Articles of stone, plaster, cement	0.4	0.4	0.4	0.4	0.5
14 Precious stones and metals, pearls	3.1	3.1	2.2	3.6	9.0
15 Base metals and articles thereof	10.1	10.4	9.7	8.9	10.4
HS 72 Iron and steel	4.9	5.3	5.2	4.3	4.8
16 Machinery, electrical equipment	3.8	3.6	3.1	3.5	3.8
HS 84 Machinery and mechanical appliances; parts thereof	2.4	2.4	2.0	2.1	2.5
17 Transport equipment	2.0	2.0	1.5	1.7	2.5
18 Precision instruments	0.5	0.5	0.4	0.4	0.5
19 Arms and ammunition	0.0	0.0	0.0	0.0	0.1
20 Miscellaneous manufactured articles	0.3	0.3	0.2	0.3	0.4
21 Works of art, collectors' pieces and antiques	0.0	0.0	0.0	0.0	0.0
Other	4.1	3.5	2.7	2.7	2.0

Source: WTO Secretariat calculations, based on data provided by the authorities.

Table A1.2 Merchandise exports by destination, 2016-20

	2016	2017	2018	2019	2020
Total exports (USD billion)	285.3	357.7	449.5	424.1	336.6
	(% of total)				
Americas	5.3	4.9	4.8	4.8	4.7
United States	3.3	3.0	2.8	3.1	3.3
Other America	2.0	1.9	2.0	1.7	1.5
Europe	54.6	53.9	54.1	53.2	49.0
EU-27	43.4	42.2	43.5	41.6	33.8
Netherlands	10.3	10.0	9.7	10.6	7.4
Germany	7.5	7.2	7.6	6.6	5.5
Italy	4.2	3.9	3.6	3.4	3.0
Poland	3.2	3.3	3.7	3.0	2.8
Finland	2.3	2.4	2.5	2.4	2.1
Belgium	2.0	1.9	2.0	1.6	1.7
France	1.7	1.6	1.7	1.5	1.4
EFTA	1.3	1.3	1.3	1.5	1.2
Other Europe	9.9	10.4	9.4	10.1	14.0
United Kingdom	2.4	2.4	2.2	3.1	6.9
Turkey	4.8	5.2	4.7	5.0	4.7
Ukraine	2.2	2.2	2.1	1.6	1.9
CIS^a	11.1	11.4	10.3	11.4	12.8
Belarus	4.9	5.2	4.9	4.9	4.7
Kazakhstan	3.3	3.5	2.9	3.4	4.2
Uzbekistan	0.7	0.7	0.7	0.9	1.4
Africa	4.0	4.1	3.9	3.3	3.5
Middle East	2.6	2.5	2.0	2.0	2.7
Asia	22.4	23.1	24.9	25.2	27.1
China	9.8	10.9	12.5	13.5	14.6
Japan	3.3	2.9	2.8	2.7	2.7
Other Asia	9.3	9.3	9.7	9.0	9.8
Korea, Republic of	3.5	3.4	4.0	3.9	3.7
India	1.9	1.8	1.7	1.7	1.7
Other	0.1	0.1	0.1	0.1	0.1
<i>Memorandum:</i>					
EU-28	45.8	44.6	45.6	44.7	40.7

a Commonwealth of Independent States, including certain associate and former member States.

Source: WTO Secretariat calculations, based on trade statistics provided by the authorities.

Table A1.3 Merchandise imports by HS section and major chapter subheadings, 2016-20

HS Sections/chapters/subheadings	2016	2017	2018	2019	2020
Total imports (USD billion)	181.8	227.0	238.3	244.1	231.1
	(% of total)				
01 Live animals and products	3.3	3.2	2.8	2.9	2.7
HS 04 Dairy produce	1.2	1.2	1.0	1.2	1.3
02 Vegetable products	5.1	4.8	4.8	4.5	5.0
HS 08 Edible fruit and nuts	2.1	2.1	2.1	2.1	2.4
03 Fats and oils	0.6	0.5	0.6	0.5	0.6
04 Prepared food, beverages and tobacco	4.7	4.2	4.4	4.3	4.5
HS 22 Beverages, spirits and vinegar	1.0	1.1	1.1	1.2	1.2
05 Mineral products	1.8	2.0	2.1	2.1	1.9
06 Chemicals and products thereof	12.8	12.3	12.5	13.9	12.7
HS 30 Pharmaceutical products	4.9	4.8	4.4	5.8	4.7
HS 29 Organic chemicals	1.5	1.5	1.7	1.8	2.0
07 Plastics and rubber	5.7	5.5	5.7	5.7	5.6
HS 39 Plastics and articles thereof	4.1	3.9	4.1	4.0	4.0
08 Raw hides and skins; leather, furskins and articles thereof	0.4	0.5	0.5	0.5	0.4
09 Wood, cork, straw	0.4	0.3	0.3	0.3	0.3
10 Pulp of wood; paper and paperboard	1.5	1.3	1.3	1.2	1.2
11 Textiles and textile articles	4.7	4.5	4.7	4.7	5.0
12 Footwear, headgear, etc.	1.4	1.5	1.5	1.5	1.3
13 Articles of stone, plaster, cement	1.2	1.1	1.2	1.1	1.2
14 Precious stones and metals, pearls	0.2	0.3	0.3	0.4	0.3
15 Base metals and articles thereof	6.3	6.9	7.2	7.3	6.9
HS 73 Articles of iron or steel	2.3	2.3	2.4	2.7	2.4
HS 72 Iron and steel	1.7	2.1	2.2	2.1	1.6
16 Machinery, electrical equipment	31.3	31.7	30.9	29.9	31.7
HS 84 Machinery and mechanical appliances; parts thereof	19.5	20.0	18.3	17.7	18.7
HS 8471 Automatic data processing machines and units thereof	2.1	2.2	2.5	2.3	2.7
HS 8419 Machinery, plant or laboratory equipment	3.4	3.1	1.1	0.9	1.2
HS 85 Electrical machinery and equipment and parts thereof	11.8	11.8	12.6	12.2	13.1
HS 8517 Telephone sets	3.7	3.7	4.0	3.7	4.1
17 Transport equipment	13.0	14.0	13.5	13.1	12.4
HS 87 Vehicles	8.7	9.5	10.0	9.8	8.0
HS 88 Aircraft, spacecraft, and parts thereof	2.8	2.9	2.6	2.1	3.2
18 Precision instruments	3.0	2.9	3.0	3.2	3.7
HS 90 Medical or surgical instruments and apparatus	2.8	2.7	2.8	3.0	3.5
HS 9018 Instruments and appliances used in medical, surgical, dental or veterinary sciences	0.9	0.8	0.8	0.9	1.0
19 Arms and ammunition	0.0	0.0	0.0	0.0	0.0
20 Miscellaneous manufactured articles	2.5	2.5	2.6	2.6	2.5
21 Works of art, collectors' pieces and antiques	0.0	0.0	0.0	0.0	0.0
Other	0.1	0.0	0.1	0.1	0.0

Source: WTO Secretariat calculations, based on data provided by the authorities.

Table A1.4 Merchandise imports by origin, 2016-20

	2016	2017	2018	2019	2020
Total imports (USD billion)	181.8	227.0	238.3	244.1	231.1
	(% of total)				
Americas	10.2	9.7	9.1	9.1	9.2
United States	6.0	5.6	5.3	5.5	5.7
Other America	4.2	4.1	3.8	3.6	3.5
Europe	43.9	43.8	43.5	42.4	41.3
EU-27	36.4	36.3	35.7	34.6	33.9
Germany	10.7	10.7	10.7	10.3	10.1
Italy	4.3	4.5	4.4	4.5	4.4
France	4.7	4.2	4.0	3.5	3.5
Poland	2.2	2.2	2.2	2.1	2.1
Netherlands	1.7	1.7	1.6	1.6	1.6
Czech Republic	1.5	1.5	1.6	1.5	1.6
Spain	1.4	1.4	1.4	1.4	1.3
EFTA	1.5	1.3	1.3	1.4	1.4
Other Europe	6.0	6.2	6.5	6.4	6.0
Turkey	1.2	1.5	1.8	2.0	2.2
Ukraine	2.1	2.2	2.3	2.0	1.6
United Kingdom	1.9	1.8	1.7	1.7	1.5
CIS^a	8.6	9.0	9.0	9.4	9.4
Belarus	5.2	5.3	5.2	5.4	5.4
Kazakhstan	2.0	2.2	2.2	2.3	2.2
Africa	1.3	1.2	1.2	1.2	1.1
Middle East	0.8	0.7	0.8	0.8	1.0
Asia	35.2	35.6	36.3	37.1	37.9
China	21.0	21.2	21.9	22.2	23.8
Japan	3.7	3.4	3.7	3.7	3.1
Other Asia	10.6	11.1	10.7	11.2	11.0
Korea, Republic of	2.8	3.1	2.9	3.3	3.1
Viet Nam	1.4	1.5	1.5	1.5	1.8
India	1.3	1.3	1.4	1.6	1.5
Other	0.0	0.0	0.0	0.0	0.0
<i>Memorandum:</i>					
EU-28	38.3	38.1	37.4	36.3	35.4

a Commonwealth of Independent States, including certain associate and former member States.

Source: WTO Secretariat calculations, based on trade statistics provided by the authorities.

Table A1.5 Trade in services by sector, 2016-20

(USD million)

	Exports					Imports					Trade balance				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
Total	50,644	57,541	64,646	61,910	47,036	74,602	88,864	94,728	98,655	64,081	-23,959	-31,323	-30,082	-36,745	-17,045
Manufacturing services on physical inputs owned by others	1,610	1,529	1,637	1,170	336	137	157	146	163	177	1,473	1,372	1,490	1,007	159
Maintenance and repair services	1,543	1,800	1,599	1,900	1,666	1,559	1,780	2,008	1,949	1,735	-16	20	-409	-49	-69
Transport	17,144	19,814	22,104	20,605	16,075	11,838	14,492	15,298	15,442	11,411	5,306	5,322	6,806	5,163	4,664
Passenger services	5,035	5,993	7,144	6,274	2,107	3,702	4,526	4,520	4,459	1,660	1,333	1,467	2,624	1,815	447
Freight services	5,889	7,090	7,729	7,002	8,208	5,574	6,786	7,369	7,681	6,943	314	304	360	-678	1,265
Other transport services	6,220	6,731	7,231	7,329	5,759	2,562	3,180	3,409	3,303	2,808	3,658	3,551	3,821	4,026	2,952
Sea transport	4,683	4,912	5,108	5,069	4,795	3,103	3,780	4,018	3,990	3,672	1,580	1,133	1,089	1,079	1,123
Air transport	8,446	10,099	12,011	10,316	5,865	6,899	8,553	8,880	9,042	5,526	1,547	1,546	3,130	1,273	338
Other transport, of which:	3,719	4,371	4,519	4,602	4,875	1,816	2,131	2,352	2,371	2,150	1,903	2,240	2,167	2,232	2,725
Rail transport	971	955	864	1,239	1,597	837	945	1,000	1,146	900	134	11	-136	94	697
Road transport	783	988	1,160	914	1,127	568	770	929	961	1,027	215	218	231	-48	100
Pipeline transport	1,664	1,992	2,087	2,152	1,938	270	213	202	101	75	1,394	1,779	1,884	2,051	1,863
Postal and courier services	296	431	467	619	540	19	28	48	40	62	276	403	420	579	478
Travel	7,787	8,945	11,591	10,961	2,854	23,952	31,058	34,271	36,152	9,140	-16,165	-22,113	-22,679	-25,191	-6,286
Construction	3,593	4,812	5,443	4,786	4,698	3,764	4,386	4,851	5,524	7,482	-171	425	593	-738	-2,784
Insurance and pension services	384	330	512	373	421	969	1,205	1,005	1,069	1,016	-585	-876	-493	-696	-595
Financial services	1,170	1,087	1,327	1,101	1,166	2,037	2,243	1,834	2,341	2,441	-867	-1,156	-506	-1,240	-1,275
Charges for the use of intellectual property	548	733	876	1,014	1,164	4,997	5,980	6,288	6,866	6,809	-4,450	-5,247	-5,412	-5,852	-5,645
Telecommunications, computer and information services	3,904	4,653	5,260	5,489	5,936	5,469	5,383	5,488	5,244	5,982	-1,565	-731	-228	246	-46
Telecommunications services	1,147	1,111	1,072	853	723	1,947	1,539	1,486	1,162	968	-800	-428	-414	-309	-246
Computer services	2,664	3,417	4,061	4,488	5,094	3,063	3,398	3,521	3,590	4,503	-399	19	540	899	591
Information services	93	125	128	148	120	459	446	481	492	511	-366	-322	-353	-344	-391
Other business services	11,716	12,467	12,689	12,994	11,548	17,348	19,322	20,398	21,012	15,431	-5,632	-6,855	-7,709	-8,018	-3,883
Research and development services	395	430	419	439	437	164	129	173	156	123	230	301	246	282	314
Professional and management consulting services, of which:	5,229	5,625	6,025	6,056	5,621	4,707	5,412	5,752	5,998	5,783	522	213	273	59	-163
Business and management consulting and public relations services	1,573	1,499	1,434	1,563	1,394	2,098	2,333	2,202	2,024	1,762	-525	-834	-768	-461	-368
Advertising, market research, and public opinion polling	2,876	3,296	3,705	3,614	3,340	1,778	2,279	2,655	3,098	3,082	1,098	1,017	1,051	516	258
Technical, trade-related, and other business services	6,092	6,412	6,245	6,499	5,490	12,476	13,781	14,473	14,858	9,524	-6,384	-7,369	-8,229	-8,359	-4,034

	Exports					Imports					Trade balance				
Operating leasing services	849	831	858	847	761	3,839	4,065	4,580	4,809	2,681	-2,990	-3,234	-3,722	-3,962	-1,920
Architectural, engineering, and other technical services	3,101	3,194	2,675	3,076	2,595	4,712	5,900	5,730	5,917	3,231	-1,611	-2,705	-3,055	-2,841	-636
Waste treatment and depollution, agricultural and mining services	612	671	737	699	601	2,345	2,162	2,457	2,318	2,152	-1,734	-1,491	-1,720	-1,618	-1,552
Other business services	1,530	1,716	1,975	1,877	1,533	1,580	1,654	1,706	1,813	1,460	-50	62	269	63	73
Personal, cultural, and recreational services	421	490	585	524	426	1,025	1,433	1,826	1,561	1,257	-603	-942	-1,241	-1,037	-831
Government goods and services, not included elsewhere	825	883	1,023	993	746	1,508	1,424	1,316	1,331	1,200	-683	-542	-294	-338	-454

Source: Bank of Russia, *External Sector Statistics*. Viewed at: https://www.cbr.ru/eng/statistics/macro_itm/svs/.

Table A2.1 Notifications by the Russian Federation, June 2016-August 2021

Agreement	Requirement/content	Document symbol and date of notifications
Agreement on Agriculture		
Articles 10 and 18.2	Table ES:1 – Export subsidies	G/AG/N/RUS/10, 1 February 2016; G/AG/N/RUS/15, 23 January 2017; G/AG/N/RUS/18, 29 January 2018; G/AG/N/RUS/22, 1 February 2019
Article 16.2	NF:1 – LDCs and net food importing countries	G/AG/N/RUS/14, 22 June 2016; G/AG/N/RUS/17, 18 May 2017; G/AG/N/RUS/20, 18 April 2018; G/AG/N/RUS/25, 5 November 2019; G/AG/N/RUS/28, 12 May 2020; G/AG/N/RUS/33, 31 May 2021
Article 18.2	Table DS:1 – Domestic support and appropriate supporting tables	G/AG/N/RUS/5/Rev.1, 29 January 2016; G/AG/N/RUS/13, 28 April 2016; G/AG/N/RUS/11, 7 February 2017; G/AG/N/RUS/21, 22 May 2018; G/AG/N/RUS/24, 18 September 2019; G/AG/N/RUS/29, 20 July 2020; G/AG/N/RUS/34, 1 June 2021
Article 18.2	Table MA:1 – Administration of tariff quotas	G/AG/N/RUS/2/Rev.1, 1 September 2016; G/AG/N/RUS/31, 21 May 2021
Article 18.2	Table DS:1 – Domestic support and appropriate supporting tables	G/AG/N/RUS/12, 26 April 2016; G/AG/N/RUS/16, 15 March 2017; G/AG/N/RUS/19, 14 March 2018; G/AG/N/RUS/23, 12 March 2019; G/AG/N/RUS/27, 3 April 2020; G/AG/N/RUS/32, 21 May 2021
Agreement on Implementation of Article VI of the GATT 1994 (Anti-Dumping)		
Article 16.4	<i>Ad hoc</i> anti-dumping actions	G/ADP/N/281, 21 January 2016-G/ADP/N/355, 11 May 2021
Article 16.4	Semi-annual reports of anti-dumping actions (taken within the preceding six months)	G/ADP/N/280/RUS, 16 March 2016-G/ADP/N/350/RUS, 19 April 2021
Article 18.5	Laws and regulations relevant to the Agreement	G/ADP/N/1/RUS/2, G/SCM/N/1/RUS/2, G/SG/N/1/RUS/2, 20 May 2016
Agreement on Implementation of Article VII of the GATT 1994 (Customs Valuation)		
Article 22	Legislation regarding customs valuation	G/VAL/N/1/RUS/4, 23 May 2019; G/VAL/N/1/RUS/5, 16 October 2019
Decision A.4	Valuation of carrier bearing software for data processing equipment	G/VAL/N/3/RUS/1/Rev.1, 5 May 2021
Checklist of issues		G/VAL/N/2/RUS/2, 23 May 2019
General Agreement on Trade in Services		
Article III:3	Changes in regulation affecting trade in scheduled sectors	S/C/N/1000-S/C/N/1002, 24 March 2020; S/C/N/1048, S/C/N/1049, 26 February 2021; S/C/N/1063, 21 July 2021; S/ENQ/78/Rev.19, 29 August 2019; S/ENQ/78/Rev.21, 12 February 2021
Article V:7(a)	Economic integration agreements and their enlargement or modification	S/C/N/889, WT/REG385/N/1, 5 May 2017
Article VII:4	Existing or new Article VII:1 recognition measure	S/C/N/992-S/C/N/999, 24 March 2020; S/C/N/1047, 26 February 2021
Agreement on Import Licensing Procedures		
Articles 1.4(a) and 8.2(b)	Rules and measures on import licensing and import quotas	G/LIC/N/1/RUS/12-G/LIC/N/1/RUS/16, 4 October 2016; G/LIC/N/1/RUS/12-G/LIC/N/1/RUS/16, 4 October 2016
Articles 5.1-5.4	Notification of licensing procedures or changes	G/LIC/N/2/RUS/3, G/LIC/N/2/RUS/4, 9 August 2019
Article 7.3	Replies to questionnaire on import licensing procedures	G/LIC/N/3/RUS/3-G/LIC/N/3/RUS/5, 9 October 2019
Agreement on Rules of Origin		
Paragraph 4 of Annex II	Preferential rules of origin	G/RO/N/179, G/RO/LDC/N/RUS/2, 21 January 2019; G/RO/N/194, 18 February 2020
Agreement on Safeguards		
Article 12.1(a)	Decision to initiate an investigation	G/SG/N/6/RUS/5, 20 September 2018-G/SG/N/6/RUS/7, 21 March 2019
Article 12.1(b)	Finding of serious injury or threat thereof caused by increased imports	G/SG/N/8/RUS/4, G/SG/N/10/RUS/4, 24 June 2019
Article 12.1(c)	Decision to apply or extend a safeguard measure	G/SG/N/8/RUS/4, G/SG/N/10/RUS/4, 24 June 2019

Agreement	Requirement/content	Document symbol and date of notifications
Article 12.5 and 8.2	Notification of proposed suspension of concessions and other obligations referred to in Article 8.2	G/L/1241, G/SG/N/12/RUS/2, 22 May 2018; G/L/1304, G/SG/N/12/RUS/3, 2 April 2019
Article 12.6 (1)	Notifications of laws and regulations under 18.5, 32.6, and 12.6 of the Agreements	G/ADP/N/1/RUS/2, G/SCM/N/1/RUS/2, G/SG/N/1/RUS/2, 20 May 2016
Termination	Notification of termination	G/SG/N/9/RUS/1, 6 May 2019; G/SG/N/9/RUS/2, 17 January 2020
Agreement on the Application of Sanitary and Phytosanitary Measures		
Article 7, Annex B	Changes in SPS measures and information on measures applied, including emergency measures	G/SPS/N/RUS/23-G/SPS/N/RUS/234, 26 July 2021
Agreement on Subsidies and Countervailing Measures		
Article 25	New and full notification	G/SCM/N/284/RUS, 11 May 2016; G/SCM/N/315/RUS, 27 August 2018; G/SCM/N/343/RUS, 14 January 2020
Article 25.11	<i>Ad hoc</i> subsidies and countervailing actions	G/SCM/N/312, 13 December 2016
Article 25.11	Semi-annual report on subsidies and countervailing duty actions	G/SCM/N/298/RUS, 18 April 2016; G/SCM/N/371, 15 December 2020
Article 32.6	Notification of laws and regulations	G/ADP/N/1/RUS/2, G/SCM/N/1/RUS/2, G/SG/N/1/RUS/2, 20 May 2016
Agreement on Technical Barriers to Trade (TBT)		
Article 2.10	Pharmaceutical products	G/TBT/N/RUS/50-G/TBT/N/RUS/65, 20 May 2016
Articles 2.10 and 5.7	Coolants	G/TBT/N/RUS/81, 3 February 2017
Article 2.9	Medicinal products	G/TBT/N/RUS/47-G/TBT/N/RUS/120, 30 July 2021
Articles 2.9 and 5.6	Light rail transport	G/TBT/N/RUS/66-G/TBT/N/RUS/88, 28 May 2018
Article 5.7	Medical devices, hydraulic cement and cement	G/TBT/N/RUS/48-G/TBT/N/RUS/64, 18 May 2016
Agreement on Trade-Related Aspects of Intellectual Property Rights		
Article 63.2	Laws and regulations	IP/N/1/RUS/4, IP/N/1/RUS/G/1, 15 October 2019
Agreement on Trade Facilitation		
Articles 1.4, 10.4.3, 10.6.2 and 12.2.2	Notification of Category commitments	G/TFA/N/RUS/1, 1 March 2019
Enabling Clause		
	Notification of preferential trade agreements	WT/COMTD/PTA1/N/1, 16 July 2019

Source: WTO Secretariat. Notifications submitted between 1 June 2016 and 4 August 2021.

Table A3.1 Summary analysis of MFN tariff, 2021

	Number of lines	Simple average (%)	Tariff range (%)	SD ^a	Share of duty-free lines (%)	Share of non-ad valorem tariffs (%)
Total	12,286	7.9	0-284.6	9.4	16.0	14.0
HS 01-24	3,140	12.7	0-284.6	16.1	5.5	33.0
HS 25-97	9,146	6.2	0-45.4	4.6	19.6	7.5
By WTO category						
WTO agricultural products	2,685	13.4	0-138.8	16.4	7.7	37.3
Animals and products thereof	538	29.7	0-138.8	28.1	10.4	65.4
Dairy products	161	15.8	5-40	4.1	0.0	56.5
Fruit, vegetables, and plants	569	8.5	0-20.4	3.5	4.4	15.3
Coffee, tea, and cocoa and cocoa preparations	74	6.8	0-13	3.8	14.9	50.0
Cereals and preparations	245	9.7	0-30	3.6	2.9	33.1
Oils seeds, fats, oil and their products	200	7.6	0-36	5.7	15.5	14.0
Sugars and confectionery	130	15.0	1.9-104.5	18.2	0.0	83.1
Beverages, spirits and tobacco	458	11.2	0-115.1	9.1	5.7	43.9
Cotton	6	0.0	0.0	0.0	100.0	0.0
Other agricultural products, n.e.s.	304	4.6	0-11.8	2.5	14.8	5.3
WTO non-agricultural products	9,601	6.3	0-284.6	5.4	18.3	7.5
Fish and fishery products	605	7.3	0-284.6	12.0	2.6	6.3
Minerals and metals	1,770	7.3	0-20	4.3	8.8	0.7
Chemicals and photographic supplies	1,469	4.6	0-10	1.8	10.8	0.5
Wood, pulp, paper and furniture	632	8.2	0-21.5	3.3	4.1	7.6
Textiles	887	7.7	0-24.2	3.4	1.2	13.1
Clothing	361	9.3	0.4-45.4	5.9	0.0	82.5
Leather, rubber, footwear and travel goods	339	4.8	0-22.9	4.3	25.4	20.4
Non-electric machinery	1,285	2.9	0-15	4.0	59.1	0.0
Electric machinery	613	4.6	0-19.7	4.6	42.6	1.6
Transport equipment	788	9.7	0-20	6.1	12.1	15.0
Non-agricultural products, n.e.s.	774	6.9	0-20	5.0	24.0	0.1
Petroleum	78	4.6	0-5	1.3	7.7	0.0
By ISIC sector^b						
ISIC 1 - Agriculture, hunting and fishing	783	6.0	0-30	3.7	13.3	7.3
ISIC 2 - Mining and quarrying	130	4.4	0-15	2.8	20.0	0.0
ISIC 3 - Manufacturing	11,372	8.0	0-284.6	9.7	16.2	14.6
By stage of processing						
First stage of processing	1,445	6.0	0-30	3.6	11.6	7.3
Semi-processed products	3,323	6.1	0-104.5	4.0	8.6	3.5
Fully processed products	7,518	9.0	0-284.6	11.5	20.2	19.9

a Standard deviation.

b International Standard Industrial Classification (Rev.2). Electricity, gas, and water are excluded (1 tariff line).

Note: Calculations are based on the UCT at the 10-digit level, excluding in-quota rates. In cases of AVE unavailability, the *ad valorem* component of compound and mixed rates is used.

Source: WTO Secretariat calculations, based on data provided by the authorities and UN International Trade Centre Trade Map database.

Table A3.2 Supplies subject to 10% VAT, 2021

	Description
1.	Foodstuffs: <ul style="list-style-type: none"> – livestock and poultry; – meat and meat products, except certain gourmet products; – milk and dairy products (including dairy ice cream); – eggs and egg products; – vegetable oil; – margarine; special-purpose fats (including cooking, confectionery, bakery fat, and dairy fat and cocoa butter substitutes); – sugar, including raw sugar; – salt; – grain, feed mix, grain waste; – oilseeds and products thereof; – bread and bakery products; – cereals; – flour; – pasta; – live fish, except certain valuable species; – seafood and fish products, except certain gourmet types; – baby and diabetic foodstuffs; and – vegetables (including potatoes).
2.	Children's goods: <ul style="list-style-type: none"> – knitwear articles for newborn babies and children of nursery, pre-school, junior and senior school age groups; – garments, except articles made of natural leather and fur (unless made of sheep or rabbit skin) for newborn babies and children of nursery, pre-school, junior and senior school age groups; – footwear, except sports footwear; – children's beds and mattresses; – prams; – school exercise books; – toys; – plasticine; – pencil cases; – counting sticks; – school abacuses; – school diaries; – drawing books; – sketchbooks; – folders for exercise books; – covers for textbooks, diaries, exercise books; – cards containing figures and letters; and – diapers.
3.	Periodical printed publications, except periodical printed publications of an advertising or erotic nature
4.	Books related to education, science and culture, except books of an advertising or erotic nature
5.	Medicines, including pharmaceutical substances, medicinal products intended for clinical trials of drugs and medicines prepared by pharmacy organizations
6.	Medical devices, unless VAT-exempt
7.	Breeding eggs and breeding cattle (pigs, sheep, goats, horses), including the semen and embryos thereof

Source: Government Resolutions No. 41 of 23 January 2003, No. 688 of 15 September 2004, and No. 908 of 31 December 2004.

Table A3.3 Supplies subject to 0% VAT, 2021

	Description
1.	Goods declared for export or under the free zone regime
2.	International transportation services, including those related to pipeline transport of hydrocarbons and electricity transmission
3.	Precious metals supplied by taxpayers engaged in their extraction from scrap and waste, the State Precious Metals and Precious Stones Fund of the Russian Federation, the Precious Metals and Precious Stones Funds of subjects of the Russian Federation, the Central Bank of the Russian Federation, and banks
4.	Fuel and lubricants necessary for the normal operation of aircraft and maritime vessels
5	Goods (works and services) for use by diplomatic missions and international organizations operating in the territory of the Russian Federation
6.	Goods (works, services, and property rights) obtained by foreign partners of the International Olympic Committee in preparation for the 2014 Sochi Winter Olympics and Paralympics and of the Federation Internationale de Football Association (FIFA) in preparation of the 2018 World Cup tournament in the Russian Federation

Source: Tax Code, Article 164.

Table A3.4 Supplies exempt from VAT, 2021

	Description
1.	Essential and vital medical equipment
2.	Prosthetic and orthopaedic items, raw materials and articles for their manufacture and semi-finished products for such items
3.	Equipment (including motor vehicles) and materials used exclusively for disability prevention or the rehabilitation of persons with disabilities
4.	Spectacles (except sunglasses), lenses and spectacle frames (except sunglasses frames)
5.	Materials for manufacturing immuno-biological medicines for the diagnosis, prevention and/or treatment of infectious diseases (according to the list approved by the Government)
6.	Unregistered medicines intended for medical care for health of individual patients, and hematopoietic stem cell and bone marrow for unrelated transplantation
7.	Foodstuffs directly produced by and sold in canteens of educational and pre-school establishments, and medical organizations; and foodstuffs produced by public catering organizations and sold directly to such canteens or establishments
8.	Postage stamps (except collectable stamps), stamped postcards and envelopes, and lottery tickets for authorized lotteries
9.	Coins made of precious metals (except collectable coins) constituting the currency of the Russian Federation or of foreign states
10.	Goods placed under the customs regime of duty-free shops
11.	Goods (works, services), except excisable goods and excisable minerals, sold (performed, rendered) as part of the granting of free aid (assistance) to the Russian Federation under the Federal Law on Free Aid (Assistance) to the Russian Federation and the Introduction of Amendments and Addenda to Certain Legislative Acts of the Russian Federation on Taxes and on Provision of Preferential Payment Terms in Respect of Payments to State Non-Budgetary Funds in Connection with Free Aid (Assistance) to the Russian Federation
12.	Cultural property acquired by state or municipal institutions, cultural valuable objects received as a gift of state and municipal cultural institutions, state and municipal archives and cultural valuable objects received as a gift of institutions in accordance with the legislation of the Russian Federation on valuable objects of cultural and national heritage of the peoples of the Russian Federation
13.	The sale of entrance tickets and subscriptions for theatrical, spectator, cultural and entertainment events, amusements in zoos and culture and relaxation parks, and excursion tickets and passes, the form of which has been approved in the established procedure as blank forms for which strict records are kept
14.	The sale of programmes at performances and concerts, catalogues and booklets
15.	The sale (transfer for personal need) of religious articles and religious literature (in accordance with the list approved by the Government of the Russian Federation as advised by religious organizations (associations), produced and sold by religious organizations (associations), organizations owned by religious organizations (associations), and companies whose charter (reserve) capital consists entirely of contributions from religious organizations (associations), as part of religious activities, except excisable goods and minerals, and the organization and holding by such organizations of religious rites, ceremonies, prayer meetings or other cult activities
16.	All kinds of publications received by state and municipal libraries and museums of international book exchange, as well as works of cinematography, imported by specialized state organizations under international non-profit exchanges
17.	The sale (including the transfer, performance, rendering for personal needs) of goods (except excisable goods, minerals and mineral deposits, and other goods under the list to be approved by the Government as advised by Russian public organizations of persons with disabilities), works, or services (except brokers' and other intermediary services) produced and sold: <ul style="list-style-type: none"> - by public organizations of persons with disabilities (including those created as unions of public organizations of persons with disabilities), in which persons with disabilities and their lawful representatives constitute no less than 80% of the membership; - organizations whose charter capital consists entirely of contributions by the aforementioned public organizations of persons with disabilities, if the number of persons with disabilities on the payroll constitutes no less than 50%, and their share in the salary fund no less than 25%; - institutions (whose property belongs exclusively to the aforementioned public organizations of persons with disabilities) created for educational, cultural, therapeutic, physical exercise and sport, scientific, informational and other social purposes, and to render legal and other assistance to persons with disabilities, or children with disabilities and their parents; and - health treatment workshops in anti-tuberculosis, psychiatric, psycho-neurological institutions, public social protection or social rehabilitation establishments.
18.	The sale of articles of folk craft of recognized artistic value (except excisable goods), samples of which have been registered in the procedure established by the Government

	Description
19.	The sale of ore, concentrates and other industrial products containing precious metals, scrap and waste from precious metals for the manufacture of precious metals and refining; the sale of precious metals and gems by taxpayers (except those described in Article 164.1.6 of the Tax Code) to the State Fund of Precious Metals and Gems of the Russian Federation, of gems as raw materials (except uncut diamonds) for treatment to enterprises, regardless of their forms of ownership, for subsequent sale for export; the sale of gems as raw materials and cut gems to specialized foreign economic organizations, the State Fund of Precious Metals and Gems, the Central Bank of the Russian Federation (Bank of Russia) and banks; the sale of precious metals from the State Fund of Precious Metals and Gems of the Russian Federation to specialized foreign economic organizations, the Bank of Russia and banks, and of precious metals in ingots by the Bank of Russia and banks, provided that such ingots remain in one of the certified vaults (the State Vault of Valuables, the Vault of the Bank of Russia or bank vaults)
20.	The sale of uncut diamonds to refining enterprises of all forms of ownership
21.	The internal sale (transfer, performance, and rendering for internal needs) by penitentiary system organizations and institutions of goods produced (works performed, services rendered) by such organizations and institutions
22.	The charitable transfer of goods (performance of works, rendering of services), free of charge under the Federal Law on Charitable Activity and Charity Organizations, except excisable goods
23.	The sale of entrance tickets, the form of which has been approved as blank forms for which strict records are kept, by physical exercise and sport organizations for sport and spectator events held by such organizations; the rendering of services for the leasing of sports facilities for holding such events
24.	The sale of home-grown produce of organizations engaged in producing agricultural products, the share of income from the sale of which in the total amount of revenue constitutes no less than 70%, as in-kind compensation, in-kind issuances for remuneration of labour, and for catering for employees engaged in the agricultural work
25.	Goods produced in the economic activity of Russian organizations on land, being the territory of a foreign state with the right to land use of the Russian Federation on the basis of an international treaty
26.	Goods, except excisable items, transferred in the framework of international cooperation of the Russian Federation in the field of exploration and use of outer space, as well as in the framework of agreements on spacecraft launch services, as per the list approved by the Government
27.	Ferrous and non-ferrous scrap and waste (implemented by Federal Law No. 85-FZ of 17 May 2007)
28.	Technological equipment (including accessories and spare parts), analogues of which are not produced in the Russian Federation, according to the list approved by the Government
29.	Goods intended for official use of foreign diplomatic and similar representations, and personal use of diplomatic and administrative and technical staff of these representations, including the members of their families residing with them
30.	Russian currency and foreign currency banknotes, which are legal tender currencies (other than for collectors), as well as securities (stocks, bonds, certificates, bills)
31.	Deep sea fishing products caught and/or processed by fishing enterprises of the Russian Federation
32.	Vessels to be registered in the Russian International Ship Register
33.	Consumables for research, not manufactured in the Russian Federation, according to the list in order to be approved by the Government of the Russian Federation
34.	Aircraft carrier ships and platforms
35.	The provision of insurance, co-insurance and reinsurance services for export credits and investments against entrepreneurial and/or political risks

Source: Tax Code, Articles 149-150.