
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 Federations' 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.