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The review “Russian Economy. Trends and Outlooks” has been published by the Gaidar Institute since 1991. This is the 44th issue. This publication provides a detailed analysis of main trends in Russian economy, global trends in social and economic development. The paper contains 5 big sections that highlight different aspects of Russia’s economic development, which allow to monitor all angles of ongoing events over a prolonged period: the monetary and budget spheres; financial markets and institutions; the real sector; social sphere; institutional changes. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts confirming the conclusions.

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Russia in the WTO trade disputes in 2022¹

5.6.1. Sanctions against Russia and prospects of its participation in the WTO

For several years now, the WTO system, in particular the mechanism for resolving trade disputes, is facing a crisis. The main reasons are as follows: growth of protectionism, trade wars, the COVID-19 pandemic, systemic problems, primarily, freezing of the Appellate Body (AB). According to the U.S., the AB exceeds authority, sometimes making decisions outside of the WTO law, which creates rights or obligations for member states that are not provided for in the existing WTO agreements, violating time limits for consideration of appeals. Many WTO member states agree on the need for reforms.²

After the start of the SMO at the end of February 2022, a number of countries (primarily the EU and the U.S.) began to impose unprecedented trade and economic sanctions against Russia. Countries began to suspend most-favored-nation treatment (MFN) with regard to Russia, contradicting the basic WTO principle of non-discrimination, discussing its exclusion from the WTO, i.e. suspending Russia's membership rights contrary to WTO rules, which do not envisage such actions. Attempts to isolate Russia from WTO negotiation and regular activities result in the paralysis of the main WTO functions, that is, providing a platform for trade negotiations and the administration of trade agreements. Such an attempt to block the negotiation process for political reasons looks more like a pretext for hiding their inability or unwillingness to seek compromise on substantive issues through negotiations. Statements by representatives of some WTO members

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2 See more info.: URL: <https://www.iep.ru/ru/publikacii/publication/rossiyskaya-ekonomika-v-2020-godu-tendentsii-i-perspektivy-vypusk-42.html>

show a clear intention to bring the issue of territoriality into the WTO framework, which has historically avoided it.¹

In mid-March 2022, the Russian Federation circulated a message to WTO members², drawing their attention to the dangers hanging over the multilateral trading system due to aggressive and politically motivated actions of some members in restricting trade. Instead of promoting gradual normalization of international trade required for economic recovery from the COVID-19 pandemic, these members are implementing unilateral trade measures designed to undermine the economies of Russia and its neighbors. Recently, the scale of the economic war has reached a tipping point, damaging virtually every country in the world. For example, issues of food security and hunger in the least developed and developing countries, energy crises, etc. are particularly sensitive. This could have been avoided if these countries did not violate the basic rules of the WTO. The above communication says that the following anti-Russian measures clearly contradict the provisions of the General Agreement on Tariffs and Trade (GATT) 1994 and the General Agreement on Trade in Services (GATS):

- introduction of import tariffs above MFN rates;
- a ban on imports of Russian oil and refined products and intentions to limit imports of other energy resources such as natural gas and coal;
- restrictions on exports to Russia of various goods, including oil refining equipment and technology, foods and industrial consumer goods;
- blocking Russian financial institutions and transportation companies;
- a ban on the new investment in Russia, including in the Russian energy sector;
- strict exports control / complete ban on trade in certain goods and technologies critical to the economic development.

Due to large-scale trade sanctions imposed against Russia discriminating Russian companies in foreign markets, prospects of Russia's participation in the WTO, possible violations of plurilateral trade rules by WTO members, potential withdrawal of Russia from the organization are widely discussed.³ Some Russian experts and politicians suggest that Russia should voluntarily withdraw from the WTO, while others believe that this is what the countries imposing sanctions against Russia are trying to achieve.⁴

Any WTO member under Article XV ("Withdrawal") of the Marrakesh Agreement (Agreement Establishing the WTO) can withdraw from the organization. To do so, a country must give a written notice of withdrawal to the Director-General of the WTO, which will take effect six months after it is received. Such withdrawal applies not only to the WTO Establishing Agreement but also to other WTO agreements. Withdrawal from a Restricted Trade Agreement is governed by the provisions of such an Agreement. In order to exclude a country from the WTO, it is

1 URL: https://wto.ru/news/rasprostraneno-soobshchenie-rossiyskoy-federatsii-v-ramkakh-vto/?bitrix_include_areas=N

2 Ibid.

3 URL: <https://pravo.ru/story/239997/>

4 URL: <https://www.rbc.ru/rbcfreenews/6238870a9a79476f887f02ee>

necessary to hold two votes among all WTO members (164 members) and receive two-thirds of the votes in one vote and three-fourths in the other.¹

Some supporters of Russia's withdrawal from the WTO appeal to the high fees for participation in the organization. However, Russia's WTO membership fees are not that high: in 2021, Russia's fee was Euro 3.4 mn. For comparison: membership in the United Nations costs Russia about \$140 mn.²

A number of experts' arguments for Russia's participation in the WTO and suggestions for the Russian position can be highlighted³:

- there will be more restrictions against Russia without the WTO. The terms of trade with those countries that Russia has no political contradictions will become more complicated. Most WTO members have not imposed sanctions against Russia;
- the WTO is an important tool to support Russian exports, and leaving the organization would create risks for businesses and people;
- there will be no tools to removing barriers on the platform of the WTO working bodies;
- there will be no access to the development of new rules for international trade;
- there will be no tools to settle the WTO trade disputes;
- If Russia withdraws from the WTO, it will be extremely difficult to rejoin the organization, because Russia will be presented with completely different, most likely more stringent, requirements;
- WTO principles are largely integrated into the EAEU and Russia's withdrawal from the WTO will complicate trade relations with other EAEU member countries (Belarus, Kazakhstan, Armenia and Kyrgyzstan).

At the 12th WTO Ministerial Conference, the head of the Russian delegation, Deputy Minister of Economic Development V. Ilyichev noted that unilateral politically motivated trade restrictions pose a real threat to the WTO. He believes that major challenges of the multilateral trade system at the moment are unilateralism, sophisticated forms of protectionism and fragmentation into trade blocs. Unilateral restrictive measures also have a negative effect on the economies of countries not involved in the conflict. Among the most problematic issues for Russia are the following⁴:

- unilateral unlawful sanctions since 2014;
- illegal methods of calculating dumping margins;
- appeals of disputes won (including by Russia) "to nothing";
- unilateral tariffs imposed on one or a group of WTO members.

Russia is interested in maintaining the multilateral format of negotiations and in strengthening commitments and compliance with existing obligations in accordance with WTO norms and rules. It is necessary to restore full-fledged work of the Dispute Settlement Body (DSB) and implementation of Russia's tasks in

1 URL: http://www.vavt-imef.ru/wp-content/uploads/2022/07/Monitoring_82.pdf

2 Ibid.

3 Ibid.

4 Ibid.

current disputes with its participation, as well as in other disputed trade practices. It is important to be able to attract attention and organize discussion with a wide range of participants on the development and practical application by the U.S. and the EU specific approaches to counteracting subsidies to third countries, as well as methodologies for calculating and applying internal market protective measures. Ensuring transparency also remains an important Russian initiative.

It is inevitable to improve the regime of notifications to the WTO, including the exchange of experience, providing comprehensive assistance to developing countries. Other important aspects of Russia's participation in the WTO relate to sustainable development in the WTO (involving Russia in discussions to prevent unreasonable trade barriers in this area) and electronic commerce (the need for establishing rules of regulation accounting the opportunities and risks of digital economy and trade for all member countries, both developed and developing).

Amid global economic crises and pandemics, trade presents fundamental stabilizing importance, and therefore, emergency rules are needed. WTO rules on sanctions should be revised formalizing the concept of emergencies and introducing restrictions on the use of sanctions measures.¹

In April 2022, the President of Russia instructed the government to prepare an updated strategy of Russia's actions in the WTO amid the restrictions imposed by a number of Western countries on Russian exports,² in particular, to assess the legality of sanctions against the metallurgical industry. The Ministry of Economic Development has prepared and submitted to the government a draft of the updated strategy of Russia's actions in the WTO, stating the rationale for Russia to stay in the WTO and use the whole set of instruments of the organization to protect trade interests.³

In addition to assessing the legitimacy of sanctions against the metallurgical industry, it is important to properly estimate sanctions in the energy, financial, aviation, and fertilizer sectors.

The mechanism for suspending MFNs with respect to a particular country is controversial. The Marrakesh Agreement has no provisions allowing for such measures. However, other WTO agreements, such as GATT, allow imposition of certain restrictions referring to Article XXI ("Security exceptions") when there is an emergency and a significant threat to national security.

The main problem is that defendants refer to these provisions and a question arises regarding the enforcement and interpretation of the Article provisions in relation to each specific situation.

Nevertheless, it seems reasonable, for example, to develop a complaint against the EU and the U.S. to the WTO regarding the ban on selling aircrafts, spare parts and equipment, insurance and maintenance services to Russian airlines and the violation of leasing companies' obligations. One of the arguments could be that these bans affect the safety of Russian airlines.

1 URL: http://www.vavt-imef.ru/wp-content/uploads/2022/07/Monitoring_82.pdf

2 URL: <https://www.rbc.ru/politics/20/04/2022/62601c189a79472a3b0649da>

3 URL: <https://wto.ru/news/minekonomrazvitiya-schitaet-chto-rossiya-dolzha-ostavatsya-v-vto/>

Another controversial issue is the ban on transit of sanctioned goods through Lithuania from Russia to the Kaliningrad region. In the event of a dispute against Russia over the ban on transit of sanctioned goods through Lithuania to the Kaliningrad region, the EU may also resort to this article. The DSB sided with Russia in a dispute over restrictions on transit of goods from Ukraine through Russia to third countries (Central/Eastern Asia and the Caucasus) initiated by Ukraine in 2016 (DS512). However, the difference is that Russia banned transit for international trade, while Lithuania banned it from one Russian region to another. Finally, in July 2022, the European Commission banned road transport of subsanctioned goods through its territory from Russia to Kaliningrad, but this regime did not apply to rail transport.¹

5.6.2. The WTO trade dispute settlement mechanism

August 22, 2022 marks the 10th anniversary of Russia's accession to the World Trade Organization, including the WTO trade dispute settlement mechanism. This mechanism operates under the Understanding on Rules and Procedures Governing the Settlement of Disputes (URPGSD).² Since August 2012, Russia is authorized to protect its trade interests through this instrument. The WTO dispute settlement procedure consists of five main successive stages³:

- 1) *bilateral consultations* (within 60 days of the request for consultation);
- 2) *setting up an arbitration panel (AP)* at the request of any disputing party and selection of its members to consider the point of the dispute (45 days from the date of the request to create an AP);
- 3) *arbitration panel proceedings* (6—9 months from the start of the AP) and acceptance of the panel report by the dispute resolution body and recommendations of the DSB (approximately 60 days from the date of submission of the panel report);
- 4) *consideration of a dispute by the Appellate Body (AB)* if at least one party has filed an appeal (60-90 days from the date of filing an appeal), adoption of the report of the DSB Appellate Body and informing parties of the DSB recommendations (30 days from the date of submission of the AB report);
- 5) *DSB control* over fulfillment of recommendations (not exceeding 15—18 months from the date of adoption of the DSB report by AP or AB).

5.6.3. WTO trade disputes involving Russia

By the end of 2022, Russia has been and is involved in 116 WTO disputes: in 8 cases as plaintiff, in 11 cases as defendant (*Table 13*), and in 97 cases as a third party. In 2022, Russia did not initiate any disputes. The EU initiated a dispute against Russia in the role of a defendant on the issue of export restrictions on wood products (DS608).

1 URL: <https://www.rbc.ru/politics/13/07/2022/62cecbfa9a79479d807eb34b>.

2 URL: https://www.wto.org/english/tratop_e/dispu_e/dispu_e.htm

3 URL: <https://www.iep.ru/ru/publikacii/publication/rossiyskaya-ekonomika-v-2021-godu-tendentsii-i-perspektivy-vypusk-43.html>

According to the WTO at the 2022 yearend, Russia joined one dispute in 2022 as a third party, showing the lowest indicator for all the years of Russia's participation in the WTO (for 2012—2022 on average, Russia has joined ten trade disputes a year in the role of a third party).

Russia joined the largest number of disputes in 2018, when protectionist tendencies became visible globally. Some of the disputes where Russia acts as a third party have already ended, and in a number of instances Russia has benefited (directly or indirectly) from its participation in such disputes.

Table 13

**WTO trade disputes involving Russia as a major party to the dispute
(plaintiff or defendant)**

Dispute	Essence of the claim	Current stage (as of 2022 yearend)
<i>As a plaintiff</i>		
<i>DS474</i> : EU – Methodology of cost-adjustment and certain anti-dumping measures for imports from Russia (23.12.2013) ²	Energy adjustments in anti-dumping investigations to calculate dumping margins (EU ignored information on costs and prices from Russian producers and exporters). EU conducted end-of-dumping inspections without sufficient data on continuation of dumping and injury	Approval of AP members (22.07.2014). The dispute actually turned into another dispute — see second lawsuit (DS494)
<i>DS476</i> : EU – Certain measures affecting the energy sector (30.04.2014)	The third EU Energy Package: gas production companies cannot be the owners of trunk pipelines located in the EU. Operating companies under the control of foreigners must undergo a special certification procedure.	AB activities (21.09.2018). Actually, AB activities have been frozen
<i>DS493</i> : Ukraine — Anti-dumping measures in relation to ammonium nitrate (07.05.2015)	When conducting anti-dumping investigations on ammonium nitrate, Ukraine did not take into account electricity prices in Russia provided by producers, but focused on prices from third countries (energy adjustments) when calculating the cost of production.	The defendant fulfilled DSB recommendations (repeal of measures) (21.09.2020)
<i>DS494</i> : EU – Methodology of cost-adjustment and certain anti-dumping measures for imports from Russia (07.05.2015)	In anti-dumping investigations related to welded pipes and ammonium nitrate from Russia, the EU did not take into account information on costs and prices from producers and exporters to calculate the dumping margin, but focused on prices from third countries (energy adjustments)	AB activities (28.08.2020). Actually, AB activities have been frozen
<i>DS521</i> : EU – Anti-dumping measures on cold-rolled steel from Russia (27.01.2017)	In anti-dumping investigations, information provided by Russian producers is not taken into account by the EU, but is replaced by unsubstantiated data and incorrect calculations	Suspension of AP activities (18.03.2022)

1 URL: <https://www.iep.ru/ru/publikacii/publication/rossiyskaya-ekonomika-v-2021-godu-tendentsii-i-perspektivy-vypusk-43.html>

2 The date of request for consultation is indicated in the brackets.

Dispute	Essence of the claim	Current stage (as of 2022 yearend)
<i>DS525</i> : Ukraine – Measures restricting trade of goods and services and the transit (19.05.2017)	Comprehensive lawsuit over Ukrainian measures restricting trade in goods and services from Russia	Consultations (19.05.2017)
<i>DS554</i> : U.S. – Special protective measures for steel and aluminium products (29.06.2018)	Russia believes that the U.S. imposed protective measures on steel and aluminum products in spring 2018 in violation of GATT 1994 and the Agreement on Special Safeguards, i.e. granted certain countries privileges and exemptions that did not apply to other countries, imposed import restrictions beyond duties, taxes or other charges through quotas, failed to justify the imposition of emergency measures, failed to send a prompt written notice, failed to allow consultations.	AP activities (25.01.2019). AP report is expected no sooner than in Q4 2022
<i>DS586</i> : Russia — Anti-dumping measures against Russian hot-rolled flat products of carbon steel (U.S. 05.07.2019)	Russia believes that the U.S. failed to correctly calculate the fair cost and dumping margin for all known exporters and producers and the costs of producing the goods in question; failed to properly demonstrate the need for further application of measures, did not terminate, but expanded measures; refused to rely on information from Russian exporters.	Consultations (05.07.2019)
<i>As a defendant</i>		
<i>DS462</i> : Russia — Recycling fee on transport vehicles (EC, 09.07.2013)	Additional payments (recycling fee) on imported vehicles, while domestic vehicles exempt from paying under certain conditions. When calculating the fee, there is too much difference in the amount of the fee for new and used cars.	Approval of AP members (25.11.2013). Dispute is inactive
<i>DS463</i> : Russia — recycling fee on transport vehicles (Japan, 24.07.2013)	Additional payments (recycling fee) on imported vehicles, while domestic vehicles exempt from paying under certain conditions.	Consultations (24.07.2013). Dispute is inactive
<i>DS475</i> : Russia – Measures affecting imports of live pigs, pork and other pork products (EU, 08.04.2014)	Ban on imports of live pigs, pork and pork products from the EU is a disproportionate measure, since there have been several minor cases of ASF infection of wild boars near the borders with Belarus-Russia, which were promptly localized. The EU disputes how Russia is regionalizing its territory.	Dispute suspended. (28.01.2020). The AP suspended activities after inspecting fulfillment of DSB recommendations at the request of the EU; its powers have expired 28.01.2021
<i>DS479</i> : Russia – anti-dumping duties on light commercial vehicles from Germany and Italy (EU, 21.05.2014)	The procedure of anti-dumping investigations conducted by Russia and determination of dumping margins on light commercial vehicles contradicts the WTO rules in establishing the fact of dumping and injury, evidence, determination of the branch, public notice and explanation of decisions	Defendant fulfilled the DSB recommendations (repeal of measures) (20.06.2018)
<i>DS485</i> : Russia – calculation of import duties on certain agricultural and industrial goods (EU, 31.10.2014)	Russia applies a duty of 15% or 10% for paper and cardboard exceeding the bound level of 5%. For a number of other goods, when the customs value is below a certain level, duties are levied above the bound level	Defendant fulfilled the DSB recommendations (08.06.2017). AP rejected accusations of systemic violations of Russia's WTO commitments on import tariffs.

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Dispute	Essence of the claim	Current stage (as of 2022 yearend)
<i>DS499</i> : Russia – measures restricting imports of railroad equipment and its parts (Ukraine, 21.10.2015)	Russia suspends certificates of conformity confirmation issued to manufacturers of track parts and rolling stock until introduction of new technical regulations and rejects applications for new certificates	Defendant fulfilled the DSB recommendations (05.03.2020) Ukraine requested clarification from Russia regarding requirements that Ukrainian suppliers must meet in order to obtain a certificate of conformity (23.03.2020)
<i>DS512</i> : Russia – measures restricting transit (Ukraine, 14.09.2016)	International transit road and rail transportation of goods from the territory of Ukraine to Kazakhstan or Kyrgyzstan through the Russian Federation should be organized only through Belarus under certain conditions. Ban on transit of goods for which tariff rates are not zeroed and those under embargo	Reports accepted and no further actions required (26.04.2019)
<i>DS532</i> : Russia – measures restricting imports and transit of some Ukrainian goods (Ukraine, 13.10.2017)	Russia introduced measures to restrict imports and transit through Russia to third countries of juices, beer, confectionery and wallpaper of Ukrainian origin. Exports of such Ukrainian products to Russia decreased significantly, for some positions down to zero	Consultations (13.10.2017)
<i>DS566</i> : Russia – rise in import tariffs on a number of U.S. manufactured goods (CIIIA, 27.08.2017)	Since August 2018, Russia raised import duties on certain types of vehicles for cargo transportation, road construction equipment, oil and gas equipment, tools for metal processing and rock drilling and fiber optics (25%, 30% and 40% depending on the product). The U.S. believe that these measures violate GATT 1994, because Russia does not impose such duties on similar goods from other countries, members of the WTO, and gives the U.S. less favorable treatment	AP activities (25.01.2019). AP report is expected no sooner than in H2 2022
<i>DS604</i> : Russia – some measures with regard to domestic and foreign goods and services (EU, 22.02.2021)	The EU disputes measures of Russia's import-substitution policy applied to nongovernmental procurement of state-owned enterprises with reference to the provisions of GATT, GATS, the Protocol on Russia's Accession to the WTO and the Report of the Working Group on Russia's Accession to the WTO: — pricing preferences; — preliminary permits; — minimal quotas	AP activities suspended (08.03.2022)
<i>DS608</i> : Russia – measures with regard to exports of wood products (EU, 20.01.2022)	In the WTO, Russia committed to apply export duties at rates no higher than 13% or 15% for certain volumes of exports, however, Russia applies export duties at a higher rate of 80%. Russia reduced the number of border crossings aimed for exports of a number of wood products to the EU from more than 30 to 1. The EU believes that Russia is in violation of GATT 1994 and the Protocol on Accession. The EU added to its request the imposition of export restrictions or bans on certain timber products by the Eurasian Economic Union	Consultations (20.01.2022)

Source: own calculations based on the WTO official website: URL: https://www.wto.org/english/tratop_e/dispu_e/dispu_by_country_e.htm

Changes in 2022 on WTO trade disputes involving Russia as a plaintiff

DS521: EU – Anti-dumping measures on cold-rolled steel from Russia (Russia)

On January 27, 2017, Russia asked the WTO to consult with the EU on anti-dumping measures against Russian cold-rolled steel.¹ Exports of disputed goods from Russia to the EU in 2016 dropped by 84% compared to 2015; the share of Russian exports in total exports of these goods dropped from 46% in 2015 to 10% in 2016.² Anti-dumping duties are as follows: for Severstal — 34%, for OAO MMC — 18.7%, for PJSC NLMK group and others — 36.1%. The dispute is an example of Russia’s challenging the practice of “energy adjustments” used in anti-dumping investigations, when information from Russian producers is replaced by data from third countries even if the EU recognized Russia’s status as a market economy. On March 13, 2019, Russia asked the DSB to set up an AP, and it was set up on April 26, 2019. Some countries that joined as third countries, support the plaintiff’s position, while others (Ukraine was involved in a similar dispute with Russia, won by Russia in late September 2019 (DS493)) and it supported the defendant’s position.³

On March 28, 2022 the DSB granted the request of the Russian Federation of March 18, 2022 to suspend the work of AP in accordance with Article 12.12 (“Panel Procedures”) of the URPGSD for an indefinite period (the EU did not object). If the work of the AP has been suspended for more than 12 months, the authority to establish the AP expires, and the parties have time until March 28, 2023 to resume the work of AP.

Changes in 2022 on WTO trade disputes involving Russia as a defendant

*DS604: Russia – Certain measures related to domestic and foreign goods and services (EU)*⁴

On July 22, 2021, the EU asked the WTO to consult with Russia on measures that lead to discrimination by Russian state-owned companies against foreign suppliers.⁵ The EU challenges Russia’s measures, which relate to nongovernmental procurement by a wide range of government-related entities that are not government agencies (including state-owned enterprises and state trading businesses):

- price preferences for domestic goods and services in the procurement of a wide range of entities associated with the state, including state-owned enterprises;
- obtaining non-automatic prior approval from the Russian state commission on import substitution by Russian companies wishing to buy specific mechanical engineering products;

1 URL: https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds521_e.htm

2 Database UN COMTRADE. URL: <http://comtrade.un.org/>

3 URL: <https://www.iep.ru/files/text/trends/2019/04.pdf>

4 URL: https://www.vavt-imef.ru/wp-content/uploads/2021/10/Monitoring_74.pdf

5 URL: https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds604_e.htm

- minimum quotas for domestic products in the procurement of state-owned enterprises, including trade and other enterprises related to the state.

Since 2015, Russia has been gradually expanding its import substitution policy, which, among other things, is aimed at reducing the share of foreign goods and services in procurements by state organizations and in investment projects with state support. In Russia in 2019, the value of published tenders by state-owned enterprises amounted to Rb23.5 trillion (about Euro290 bn), which is equivalent to about 21% of Russia's GDP.¹ The main legal acts regulating import substitution in the field of procurement are the Federal Law of 18.07.2011 No. 223-FZ "On procurement of goods, works and services by individual legal entities" and the Federal Law of 31.12.2014 No. 488-FZ "On Industrial Policy of the Russian Federation." Russia is not a member of the WTO Agreement on Government Procurement (GPA), but has been an observer since 2013 and is negotiating accession to the agreement. The GPA does not apply to the procurement of goods and services for the purpose of commercial sale/resale and for use in the production of goods and services for the same purpose.

The Ministry of economic development² and the experts, including RANEPА, note the legality of disputed Russian measures and the fact that Russia can invoke the need to ensure national security in terms of vital industries, while the consequences of the dispute bear reputational risks.³ If the decision is not in favor of Russia, additional retaliatory measures are possible.

The policy of the EU and some other countries, including the U.S., is largely aimed at reducing the role of the state in the economy of individual countries, primarily Russia and China. The issues of market economies, including anti-dumping investigations; pricing in various domestic markets, for example, for commodities in Russia can be highlighted; the provision of subsidies, strictly regulated by the WTO, etc. In November 2022, the U.S. recognized Russia's economy as a non-market economy due to the increased role of the state. The U.S. will not consider Russia anymore as a market economy in its investigations on the introduction of protective measures (anti-dumping and compensatory).⁴ As of the end of 2022, 8 anti-dumping and 5 compensatory measures against Russian companies of metallurgical and chemical industries, as well as 3 special protective measures (in respect of steel, aluminum and photovoltaic elements) have been imposed by the U.S. Protective duties imposed by the U.S. against Russian exporters are often restrictive, reaching sometimes 800.0%. According to RANEPА estimates of effective U.S. anti-dumping duties on Russian products in 2014—2020, the application of protective measures, primarily anti-dumping measures, reduced Russian exports to the U.S. by an average of 14.4% in the commodity group. The U.S. recognition of Russia as a non-market economy allows the U.S. to use data on

1 URL: <https://wto.ru/news/es-initsiiroval-spor-v-vto-iz-za-diskriminatsii-goskompaniyami-rf-inostrannykh-postavshchikov/>

2 URL: <https://wto.ru/news/v-mer-zayavili-o-gotovnosti-rossii-provesti-konsultatsii-s-es-posporu-o-goszakupkakh>

3 URL: <https://rg.ru/2021/07/20/chem-groziat-rossii-pretenzii-evrosoiuza.html>

4 URL: <https://iz.ru/1423862/2022-11-11/ministerstvo-torgovli-ssha-priznalo-ekonomiku-rossii-nerynochnoi>.

costs from third countries instead of considering the actual costs of producers in the domestic Russian market.¹

On November 17, 2021, the EU submitted a request to the DSB to set up the AP and it was set up on December 20. On February 22, 2022, AP started working, however, on March 8, 2022, it interrupted their activities on the EU request in accordance with Article 12.12 (“Panel Procedures”) of the URPGSD for an indefinite period, and the parties have time until March 8, 2023 to resume this dispute.

DS608: Russia – Measures with regard to exports of wood products (EU)

On January 20, 2022, the EU submitted a request to the WTO for consultations with Russia on export restrictions related to wood products (DS608).² In the WTO, Russia undertook to apply export duties at rates no higher than 13% or 15% for certain export volumes of some unprocessed timber products (tariff quotas), as well as for planned export volumes to the EU. By abolishing these tariff quotas, Russia began to apply export duties at a higher rate of 80%, which, according to the EU, violates its obligations under WTO law. Moreover, Russia has reduced the number of border crossings for certain wood products to be exported to the EU from more than 30 to 1 (Luttia, Finland). The EU added to the request the introduction of export restrictions or bans on certain timber by the Eurasian Economic Union.³

On September 30, 2020, the President of the Russian Federation instructed the government to completely prohibit the export of unprocessed or roughly processed coniferous and valuable hardwoods from January 1, 2022 and to prepare a legislative base to prevent the uncontrolled export of unprocessed wood.⁴ Russia terminated application of the tariff quotas on some timber materials from January 1, 2022: the RF Government Decree No. 39677 repealed the Government Decree No. 779 from January 1, 2022. A significant part of the tariff quotas was previously to be allocated for exports to the EU. After termination of these tariff quotas, the export duties applied by the Russian Federation to the products in question constitute “80% of the customs value, but not less than Euro55.2 per 1 cubic meter” in accordance with the non-quota tariff rates.

The EU believes that termination of tariff quotas on exports of certain timber products seems incompatible with Russia’s obligations, in particular with Article II:1(a) (“Schedules of Concessions”) of GATT 1994, as Russia gives the EU less favorable treatment with respect to trade in certain timber products compared to Russia’s obligations; with clause 2 of the Protocol on Russia’s Accession to the WTO linked to par. 638 and 1450 of the Report of the Working Group on Russia’s Accession to the WTO, as Russia does not exempt certain timber products under tariff position 4403 from export duties in excess of those related to Russia’s accession to the WTO, Russia does not comply with its tariff concessions

1 URL: http://www.vavt-imef.ru/wp-content/uploads/2023/02/Monitoring_88.pdf

2 URL: https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds608_e.htm

3 URL: https://ec.europa.eu/commission/presscorner/detail/en/IP_22_410

4 URL: <https://tass.com/economy/1206747>

and obligations and does not apply export duties in accordance with the WTO agreements.

Reducing the number of border crossings for the export of some timber seems to the EU to be incompatible with Russia’s WTO commitments, in particular, with:

- Article XI:1 (“General Elimination of Quantitative Restrictions”) GATT 1994, as Russia has imposed and maintains the restrictions, other than duties, taxes or other charges, on the export of certain wood products intended for the EU and other WTO countries;
- Article XIII:1 (“Non-discriminatory Administration of Quantitative Restrictions”) GATT 1994, as Russia applies export restrictions on certain wood products intended for the EU and other WTO countries, while similarly Russia does not restrict exports of similar goods to all third countries;
- Article I:1 (“General Most-Favored-Nation Treatment”) GATT 1994, as Russia does not grant any preference, benefit, privilege or immunity in relation to rules and formalities associated with exports, granted by Russia immediately and implicitly to goods destined for another country to similar goods destined for the EU and other countries;
- Clause 2 of the Protocol on Russia’s Accession to the WTO linked to par. 668 and 1450 of the Working Group Report on Russia’s Accession to the WTO, as Russia applies quantitative export restrictions or export sales restrictions to certain timber or measures which equivalent effect cannot be justified by the provisions of WTO agreements.

As of the yearend 2022, the dispute is in the consultation phase.

Trade disputes involving Russia as a third party

On average over the past 10 years of its membership in the WTO Russia has joined approximately 10 disputes per year. Most often Russia joins the disputes on measures affecting agricultural and food products, metallurgy, automobile and aircraft industry, chemical industry, timber and wood products, renewable energy sources (RES). As for the agreements covering disputes to which Russia joined as a third party (one dispute usually covers several agreements), *Table 14* and *Fig. 2* present the corresponding distribution of topics as of the end of 2022. Most of the disputes are related to GATT, as well as to the Agreements on Antidumping and Subsidies and Countervailing Measures. Besides, Russia is also interested in violations of the Agreement on Special Protective Measures and the Agreement Establishing the WTO.

Table 14

WTO disputes involving Russia as a third party*

Theme	Disputes
1. Import bans or restrictions (for environmental or other reasons), including rules of origin	<i>DS400, DS401, DS469, DS484, DS495, DS524, DS531, DS537, DS576, DS589, DS597, DS600</i>

Theme	Disputes
2. Protective investigations and measures (anti-dumping, countervailing and special protective measures)	<i>DS414, DS437, DS449, DS454, DS460; DS468, DS471, DS473, DS480, DS488, DS490, DS496, DS513, DS516, DS518, DS523, DS529, DS533, DS534, DS536, DS538, DS539, DS544, DS545, DS546, DS547, DS548, DS550, DS551, DS552, DS553, DS556, DS562, DS564, DS573, DS577, DS578, DS591, DS595, DS598, DS601; DS602; DS603; DS605</i>
3. Export restrictions	<i>DS431, DS432, DS433, DS508, DS509, DS541, DS590, DS592</i>
4. Intellectual property rights	<i>DS441, DS458, DS467, DS526, DS542, DS567</i>
5. Subsidies (including tax and other privileges) and localization requirements	<i>DS456, DS472, DS487, DS497, DS489, DS502, DS510, DS511, DS522, DS579, DS580, DS581, DS583, DS593, DS592</i>
6. Tariffs and tariff quotas	<i>DS492, DS517, DS557, DS558, DS559, DS560, DS543, DS561, DS566, DS582, DS584, DS585, DS588</i>
7. Trade and economic sanctions	<i>DS526</i>

* Updated table. Ref.: URL: <https://www.iep.ru/ru/publikacii/publication/rossiyskaya-ekonomika-v-2021-godu-tendentsii-i-perspektivy-vypusk-43.html>

Source: based on: *M.A.Baeva*. Trade disputes within WTO involving Russia and a mechanism for their settlement // *Russian Foreign Trade Bulletin* 2015. No. 3. p. 75–90

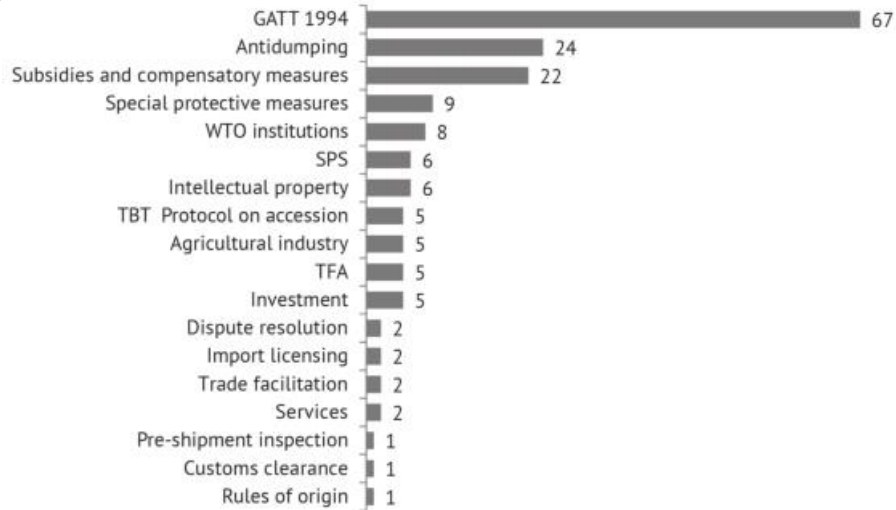


Fig. 2. Themes of the WTO Dispute Agreements involving Russia as a third party, as of the end of 2022

Source: own calculations based on the WTO official website: URL: https://www.wto.org/english/tratop_e/dispu_e/dispu_by_country_e.htm

In 2022, Russia joined only one dispute as a third party – DS603.

DS603: Australia – antidumping and countervailing duties for certain goods from China (China)

In 2021, China submitted a request to the WTO for consultations with Australia on anti-dumping and countervailing measures against imports of certain goods of Chinese origin, particularly wind towers, deep-drawn stainless steel sinks and railway wheels (DS603). According to China, these measures violate:

- Article 2 (“Determination of Dumping”) and Article 9.3 (“Imposition and collection of Anti-Dumping Duties”) of the Anti-Dumping Agreement, because Australia did not calculate costs based on the records kept by exporters or producers involved in the dispute; incorrectly determined the cost of production; did not use the cost of production in the country of origin in constructing fair value; in calculating fair value included costs not related to the production and sale of the product in question; did not make a fair comparison between the export price and the normal cost and did not make proper adjustments for differences affecting price comparability; did not properly determine the profit amounts; the amount of anti-dumping duty charged by Australia exceeds the dumping margin set forth in this Article;
- Article VI:1 and VI:2 (“Anti-Dumping and Countervailing duties”) GATT 1994, because Australian anti-dumping and countervailing measures negate or impair, directly or indirectly, the benefits accruing to China;
- Article. 1.1(a), 1.1(b) (“Definition of a Subsidy”), Article 2.1(c) (“Specificity”), Articles 11.1, 11.2, 11.3 (“Initiation and Subsequent Investigation”) and Article 14(d) (“Calculation of the Amount of a Subsidy in Terms of the Benefit to the Recipient”) of the Agreement on Subsidies and Countervailing Measures, because Australia incorrectly determined or did not have a sufficient basis for determining financial assistance; improperly stated that the purported provision of goods for less than adequate consideration provided a benefit to the recipient, and improperly calculated the amount of any benefit, allegedly citing, inter alia, its erroneous conclusions that prevailing market conditions in China were “distorted,” as a basis for rejecting actual transaction prices in China as a benchmark; did not make a proper determination based on positive evidence that the alleged provision of imported goods for less than adequate consideration was specific to an enterprise, industry, or group of enterprises/industries; Australia initiated a compensatory investigation into the alleged provision of resources for less than adequate remuneration in the absence of sufficient evidence in the application to determine financial co-operation and in the absence of sufficient consideration of the application; Australia initiated a countervailing investigation into the alleged provision of resources for less than adequate remuneration in the absence of sufficient evidence in the application to support the claim that any such subsidy would be

specific under Article 2.1(c) of Agreement on Subsidies and Countervailing Measures and in the absence of sufficient consideration of the application.

Consultation between China and Australia held in 2021 did not resolve the dispute, and in January 2022 China submitted a request for establishing the AP and it was established on February 28, 2022, and members approved on September 5, 2022. Russia and a number of other countries joined the dispute as third countries. On April 28, 2022, Australia and China informed the DSB that they have agreed upon arbitration procedures in accordance with Article 25 (“Arbitration”) of the URPGSD in this dispute. These procedures were introduced by Australia and China aimed to implement the Multiparty Interim Appeal Arbitration Arrangement (MPIA) in accordance with Article 25 of the URPGSD aimed to establish the basis for decision to be made by the Arbiter on appeals against any final report of the AP, submitted on this particular dispute, if the AP fails to hear the appeal in accordance with Article 16.4 (“Adoption of Panel Reports”) and Article 17 (“Appellate Review”) by the URPGSD.

Russia’s interest is primarily due to its participation in disputes over anti-dumping and countervailing measures and investigations and application of subsidies, since the issues of non-market economy are becoming increasingly relevant not only for China, but also for Russia (disputes over “energy adjustments” with the EU, revocation of the market status of the Russian economy by the U.S.).

