

# Position Paper



**FTA**  
Foreign Trade Association

Committed to free trade

## **FTA Position on EU-Russia Trade Relations**

December 2010

## Introduction

The EU and Russia have a strong and interdependent trade relationship. The EU is Russia's main trading partner and investor and Russia is the second largest export destination. The European commerce is increasingly present in Russia, despite problems with custom procedures, cumbersome bureaucracy and trade barriers.

In this paper, the FTA highlights some of the most important challenges faced by the European commerce and presents some recommendations for improving the EU - Russia trade relations.

## Market access

European commerce operating in Russia faces a number of unjustified restrictions resulting in discriminatory measures against foreign operators. The key market access barriers for the European Commerce include custom valuation, custom clearance procedures, certification and technical standards.

The custom code classification is not applied in a consistent manner by the Russian customs authorities, nor is a clear explanation of the nomenclature used by the custom authorities available to the importers. Reference prices determined for tax purposes can vary depending on the origin of the product and are often increased without prior notice. Consignments of products that are found to be below the reference price are often blocked at the border for inspection.

Certain products - such as jewels and similar items - can only be custom cleared in specialized road-freight custom terminal via accredited customs brokers, and are subject to a special inspection process. Custom clearance of valuable goods is prioritized, while other consignments are delayed.

GOST Certificates, Hygienic Licenses or Declarations of Conformity (DOC) have to be submitted for importing and/or distributing most of the consumer goods. The procedure for obtaining these certificates is increasingly long and cumbersome. Samples of products are submitted for destructive analyses which is a matter of concern for expensive products.

In order to obtain import and retail licenses, foreign operators have to submit confidential data including information on subcontractors' manufacturing plants. The related regulations are unclear and change without notice, creating uncertainties on the validity of the licenses.

Additional certifications are requested for specific products: straw, esparto, natural decorative items such as dried flowers or leaves, basket ware, wickerwork or non-treated wood goods require a phytosanitary certificate to be obtained locally at the import customs point; products such as carpets, curtains or certain lighting elements require a Fire Certificate or Anti-Fire Declaration; aerosol products require Ozone certificates.

Exporting meat to Russia has proven to be particularly challenging for European retailers present on the Russian market, due to discriminatory granting of licenses and quotas that privileges Russian business

There is no predictable and transparent information on the different certificates required for importing consumer products. Only a few customs terminals can provide the phytosanitary certification, and this represents a considerable constraint for inbound customs clearance.

During the economic crisis, the Russian Federation has adopted a number of trade restrictive measures, affecting more than 400 tariff lines. The recent establishment of a custom union between Russia, Kazakhstan and Belarus had important implications on the EU-Russia relations, as this resulted in consolidating temporary anti - crisis measures introduced by Russia as part of its anti-crisis plan.

#### **Russia accession to WTO**

Russia is the largest economy in the world that is still outside the WTO. The FTA welcomes the recent announcement that the Russian Federation and the European Commission have concluded the bilateral talks on key outstanding elements in the accession of the Russian Federation to WTO and that a common understanding has been reached on important aspects such as Russia's export duty regime and railway fees. The accession of Russia to WTO would lead to stability and predictability, lower trade barriers, increased competition and foreign investment as well as to simplified and streamlined customs procedures.

Critical issues in the accession process include differences on tariff barriers, higher duties caused by the Custom Union of Russia, Kazakhstan and Belarus, technical regulation, agricultural subsidies and intellectual property.

Basic principles of intellectual property rights such as the principle of EU - wide "exhaustion of trademarks" should be adopted in the framework of the Custom Union established by Russia, Kazakhstan and Belarus .

The FTA encourages the European Commission to focus the attention on custom practices, non-tariff barriers, and intellectual property, as these showed to be the main challenges for the European commerce. In this context it must be emphasised, that Russia's Accession to the WTO is crucial for the increase of the bilateral relations right up to a successful conclusion of a bilateral Free Trade Agreement.

### **EU - Russia bilateral relations**

EU and Russia are currently negotiating a new agreement to provide a framework for future relationship, replacing the Partnership and Cooperation Agreement (PCA). The FTA welcomes the negotiations for a new bilateral agreement, and Russia's readiness to discuss trade and investments.

The FTA believes that the trade negotiations should be dealt with separately from wider political concerns affecting EU - Russia relations. The new agreement should include detailed provisions about international trade, and it should include principles and objectives for a future Free Trade Agreement between the EU and Russia. The conclusion of a Free Trade Agreement should happen in a medium-term in order to generate the advantages of a duty free circulation of goods at an early stage.

Consequently all non-tariff trade barriers should be dismantled: burdensome technical regulations, non-transparent application requirements, overlapping and excessive certification, conformity assessment and authorisation procedures that are largely incompatible with international standards.

The bilateral agreement should also include a strong dispute settlement provision based on the WTO Dispute Settlement Understanding: this model has proven to be an efficient way to solve trade disputes and including a strong dispute settlement provision in the PCA would secure the implementation of these commitments.

#### **Summary and recommendations:**

- ✓ The FTA calls upon the EU to tackle market access barriers including: lengthy and cumbersome custom clearance procedures; non-transparent custom valuations; burdensome technical regulations and authorisations;
- ✓ Russia accession to WTO is a priority and a precondition for the conclusion of a Free Trade Agreement between the EU and Russia as medium-term goal;
- ✓ As a preliminary stage the next EU Russia bilateral agreement should include measures improving market access conditions and ensuring a level playing field for European retailers and traders in Russia.

The FTA is the association for European commerce providing expertise in international trade issues. It is committed to achieving its goal of a true free trade environment. For 30 years, the FTA has supported its members, consisting of national trade associations and companies from all over Europe, through information and lobbying in the European and international arena.

**FTA**

Foreign Trade Association

Foreign Trade Association a.i.s.b.l

Av. de Cortenbergh, 172

1000 Brussels

Belgium

Tel: + 32 2 762 05 51

Fax: + 32 2 741 75 06

[info@fta-eu.org](mailto:info@fta-eu.org)[www.fta-eu.org](http://www.fta-eu.org)