

# Chapter 10 RUSSIAN FEDERATION

## NATIONAL TREATMENT

### INTRODUCTION OF RECYCLING FEE ON MOTOR VEHICLES

While the Russian government reduced the import duty on automobiles on its accession to the WTO (August 2012) in September 2012, it amended the “Federal Law on production and consumption waste” and introduced a transport vehicle “recycling fee”. Then, the Russian government adopted a revised Law concerning recycling fees in October 2013 and put it into effect on January 1, 2014. Under the revised Law, (1) the fee exemption system for Russian domestic producers, (2) the fee exemption system for vehicles imported from the customs union, and (3) the local content requirements for fee exemption were abolished, and discriminatory factors in favor of domestic products were basically corrected. However, the difference between the tax rates on imported used cars and those on Russian domestic cars increased, and the situation that additional recycling fees are not imposed on Russian used cars if recycling fees were imposed on those cars when they were new cars was not corrected. In addition, in April 2018, the coefficient for calculating recycling fees was raised. The high tax rate imposed on used cars can be a de facto discrimination against countries that exclusively export used cars, raising suspicions of violations of MFN and national treatment obligations. Japan will continue to keep an eye on the implementation and operation status of the revised law and related implementation regulations, and seek from Russia operations consistent with the WTO Agreements, as needed.

For details, refer to pages 149 - 150 of the 2017 Report on Compliance by Major Trading Partners with Trade Agreements - WTO, FTA/EPA and IIA-.

## TARIFFS

### TARIFF STRUCTURE

\* This particular case was included in light of the following concerns despite it being a trade or investment policy or measure that does not expressly violate the WTO Agreements or other international rules. For definitions of tariffs, tariff rates, binding ratio, and bound tariff rates, see Chapter 5.1.

The Eurasian Economic Union Customs Code and related legislation provide for the customs system, import duties, export duties, seasonal duties, special duties (anti-dumping duties, countervailing duties, and special safeguard duties), and unified customs procedures. As for import duties, unified rates are applied

to products from Eurasian Economic Union member countries in principle. 75% of the MFN tariff rates are applied to products from developing countries. Least developed countries are exempted from duties. As for imports from Japan, the MFN tariff rates are applied.

In 2021, the simple average bound tariff rate for non-agricultural products in Russia is 7.1%, and there are some high bound tariff products, including passenger cars (maximum 20%), furniture (maximum 17.5%), clothing (maximum 17.5%), toys (maximum 15%), and rubber products (maximum 15%). Furthermore, the binding coverage on non-agricultural products is 100% and the simple average applied tariff rate for non-agricultural products in 2021 was 6.1%.

As long as the high tariff itself does not exceed the bound rate, there is no problem in terms of the WTO Agreements, but in light of the spirit of the WTO Agreements that promotes free trade and enhances economic welfare, it is desirable to reduce tariffs as much as possible.

In May 2014, Russia, Belarus and Kazakhstan agreed on the Declaration of the Eurasian Economic Integration and concluded the Treaty of the Eurasian Economic Union. Thereafter, Armenia and Kyrgyzstan joined the union in December 2014 and May 2015, respectively, resulting in five member states. The Eurasian Economic Union (EAEU) uses Russian Federation's bound tariff rates as its standard common external tariff rates. The Eurasian Economic Union Basic Tariff Law, which stipulates standard customs procedures, became effective in January 2018.

## EXPORT TAXES

### TARIFF ON LOGS

In February 2007, the Russian government announced an increase in the export tariffs on logs and a decrease in the export tariffs on wood products, and other measures as additional measures to the new Russian Forest Code, which came into effect in December 2006. These measures were implemented to develop the domestic wood processing industry in the Russian Federation and to promote investments in the wood processing industry from overseas. Following this announcement, the tariff rate for conifer logs, exported to Japan in large quantity, was raised from 6.5% to 20% in July 2007, and to 25% in April 2008, and attempts to raise it further were observed.

A large impact on the global wood market due to insufficient supply from Russia was feared from this measure, as (1) Russia was the world's largest log exporting country at that time (holding around 33% of the global log exports), (2) it may have the same effect as an export ban on logs if the final tariff rate of this measure

is applied, and (3) sufficient investment for domestic wood-processing industry may not be achieved due to the tax increase in an extremely short term. For this reason, since the introduction of these measures, countries importing Russian logs such as Japan, Sweden, etc. have been expressing their concerns to Russia through various opportunities. As a result, further increase in tax rate was not implemented, with the tax rate maintained at the higher amount of 25% (or 15 euro/m<sup>3</sup>).

Since Russia's accession to the WTO in August 2012, Russia partially changed export taxes imposed on Norway spruce, silver fir, and *pinus sylvestris*, establishing export quotas with lower tax rates applied, while at the same time increasing export tax rates outside the quotas. Specifically, within quotas, tax rates were reduced to 15% for *pinus sylvestris* and 13% for Norway spruce and silver fir; however, tax rates were increased to 80% (not to be below 55.2 euro/m<sup>3</sup>) for those exceeding the export quotas.

Meanwhile, the tariff on spruce, Sakhalin fir, and larch, which account for the majority of log exports to Japan, remained at 25%. However, in December 2017 the Russian government imposed an export quota of 4 million m<sup>3</sup> and reduced the tariff on logs not exceeding the quota to 6.5%, with the aim of encouraging the construction of new wood processing facilities and creating new employment in the wood processing industry in the Far East, while also deciding to gradually increase the tariff on logs exceeding the quota (to 40% in 2019, 60% in 2020, and to 80% in 2021). The Russian government has raised the export tax rate within the quota

to 13% since October 2019.

Exports of logs (except for certain tree species including white birch, poplar and eucalyptus, etc.) have been prohibited in principle since January 2022 (although exports through the two border points with North Korea and Finland are allowed)<sup>1</sup>. In addition, for unseasoned lumber (softwoods and certain hardwoods) with a moisture content of 22% or more, an export tax ((i) if the thickness and width are both 10cm or more, EUR 200/m<sup>3</sup> for softwoods and EUR 250-370/m<sup>3</sup> for hardwoods, i.e., oak, beech, and ash, and (ii) if the thickness or width is less than 10cm, 10% (however, at least EUR 13/m<sup>3</sup> for softwoods, EUR 15/m<sup>3</sup> for oak, and EUR 50/m<sup>3</sup> for beech and ash) was imposed for the period between January 2022 and December 2022 (and the period was thereafter extended for three years until the end of December 2025)<sup>23</sup>.

#### <Problems under International Rules>

The log export ban may violate GATT Article XI, which stipulates a general prohibition on quantitative restrictions.

#### <Recent Developments>

With regard to the general prohibition on log exports implemented in January 2022, Japan will continue to encourage improvements, as necessary, through multilateral and bilateral consultations.

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Russian Government Decree No. 1225 dated July 20, 2021

<sup>2</sup> Russian Government Decree No. 2068 dated November 27, 2021

<sup>3</sup> Russian Government Decree No. 2484 dated December 28, 2022