

Chapter 11

RUSSIAN FEDERATION

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.

<OUTLINE OF THE MEASURES>

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 2022, the simple average bound tariff rate for non-agricultural products in Russia is 7.1%, and there are some high bound tariff products, including fishing products (maximum 121%), luxury grocery items (alcohol, tobacco, etc.) (maximum 106%), passenger cars (maximum 20%), clothing (maximum 23%), and electric equipment (maximum 17%). Furthermore, the binding coverage on non-agricultural products is 100% and the simple average applied tariff rate for non-agricultural products in 2022 was 6.1%.

<CONCERNS>

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.

<RECENT DEVELOPMENTS>

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.

IMPORT AND EXPORT RESTRICTIONS AND EXPORT TAXES

(1) EXPORT TAX AND EXPORT RESTRICTIONS ON LOGS

<OUTLINE OF THE MEASURES>

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/m³).

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/m³) 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 m³ 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)¹. 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/m³ for softwoods and EUR 250-370/m³ 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/m³ for softwoods, EUR 15/m³ for oak, and EUR 50/m³ 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)²³.

<PROBLEMS UNDER INTERNATIONAL RULES>

The log export ban may violate Article XI of GATT, 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.

(2) RESTRICTIONS ON IMPORTS OF JAPANESE AQUATIC PRODUCTS

The Russian government announced in October 2023 that it would suspend all imports of Japanese aquatic products in order to address food safety concerns triggered by the discharge of the ALPS treated water into the sea from TEPCO's Fukushima Daiichi Nuclear Power

Station(FDNPS) in Japan, which was carried out in August 2023. In the same month, the Russian government also made a WTO notification in accordance with the Annex B 6 of the SPS Agreement (notification after implementation of measures in case of emergency).

The discharge of the ALPS treated water into the sea from FDNPS is consistent with relevant international safety standards. However, Russia only states its unilateral concerns, such as the lack of transparency regarding the accumulation of various radionuclides in aquatic products and does not provide any scientific evidence for the specific risk to the safety of Japanese aquatic products by the discharge of ALPS treated water. In addition, it is not clear whether an objective risk assessment was properly conducted. Therefore, there is a concern that the alleged suspension of imports may be unjustified and not based on "scientific principles" stipulated in the SPS Agreement.

In response to Russia's WTO notification, in November 2023, Japan submitted its counterargument in writing to the WTO, which was circulated to all WTO member countries. Japan also made a request for discussion in accordance with Annex B 6 (c) of the SPS Agreement. In addition, at the meetings of WTO SPS Committee (November 2023, March 2024), WTO Council for Trade in Goods (November 2023), and WTO Committee on Market Access (October 2023, March 2024), Japan urged Russia to immediately repeal its measures on the grounds that there were concerns under the WTO Agreements.

Japan will continue to sincerely explain its efforts related to the discharge of the ALPS treated water into the sea and the results of monitoring, etc., in a transparent manner and strongly call for the immediate lifting of import restrictions on Japanese food products.

Russian Government Decree No. 1225 dated July 20, 2021

² Russian Government Decree No. 2068 dated November 27, 2021

³ Russian Government Decree No. 2484 dated December 28, 2022