

RUSSIA

TRADE SUMMARY

U.S. goods exports in 2013 were \$11.2 billion, up 4.3 percent from the previous year. Corresponding U.S. imports from Russia were \$27.0 billion, down 8.2 percent. The U.S. goods trade deficit with Russia was \$15.8 billion in 2013, down \$2.9 billion from 2012. Russia is currently the 28th largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in Russia was \$14.1 billion in 2012 (latest data available), up from \$11.7 billion in 2011. U.S. FDI in Russia is led by the manufacturing, banking, and mining sectors.

Membership in the World Trade Organization

On August 22, 2012, Russia became the 156th Member of the World Trade Organization (WTO) and on December 14, 2012, following the termination of the application of the Jackson-Vanik Amendment to Russia, the United States and Russia consented to the application of the WTO Agreement between them. As a consequence, following nearly 20 years of negotiations, the United States and Russia are applying the terms and conditions of the WTO Agreement to each other. In June 2013, USTR issued its first annual “Report on WTO Enforcement Actions: Russia,” and in December 2013, the first annual “Report on Russia’s Implementation of the WTO Agreement” (both reports are available at <http://www.ustr.gov/Russia>).

Russia-Kazakhstan-Belarus Customs Union

On January 1, 2010, the Russia-Kazakhstan-Belarus Customs Union (the Customs Union or CU) adopted a common external tariff (CET) with the majority of the tariff rates established at the level that Russia applied at that time. On July 1, 2010, a common CU Customs Code entered into effect, and on July 1, 2011, the CU Parties abolished all customs posts on their internal borders, allowing for the free flow of most goods among the CU Parties. As a result of Russia joining the WTO, the CU adopted Russia’s WTO schedule of tariff bindings. Beginning in early 2012, the Eurasian Economic Commission (EEC) replaced the CU Commission as the supranational body charged with implementing external trade policy for CU members and with coordinating economic integration among CU Parties with the goal of establishing a Eurasian Economic Union by 2015.

As a consequence of its membership in the CU, Russia’s import tariff levels, trade in transit rules, nontariff import measures (*e.g.*, tariff-rate quotas, import licensing, and trade remedy procedures), and customs policies (*e.g.*, customs valuation, customs fees, and country of origin determinations) are based on the CU legal instruments. On these and other issues involving goods, CU Agreements and CU/EEC Decisions establish the basic principles that are implemented at the national level through domestic laws, regulations, and other measures. CU Agreements and CU/EEC Decisions also cover issues such as border enforcement of intellectual property rights, trade remedy determinations, establishment and administration of special economic and industrial zones, and the development of technical regulations and sanitary and phytosanitary measures. The Agreement on the Functioning of the Customs Union within a Multilateral Trade System establishes the priority of the WTO rules in the CU legal framework.

IMPORT POLICIES

Customs Issues, Taxes, and Tariffs

Importers continue to report that Russian customs officials in some cases inappropriately challenge declared import values. In these instances, customs officials cite reference prices that are inconsistent with the invoice valuation, and this practice results in the application of higher import values, and hence higher duty payments. Importers also complain that Russian customs officials' documentation requirements are unpredictable and inconsistent, and vary from port to port. U.S. officials have raised concerns about such practices with Russian Customs.

A long-standing customs challenge faced by importers of alcoholic products is the requirement that all customs duties, excise taxes, and value-added taxes on alcohol be paid in advance using a bank guarantee and deposit. Because the actual amount of the duties and fees may not be known when the guarantees are obtained, Russia has established fixed guarantee amounts. On occasion, these amounts exceed the final actual amounts due, especially for lower value products. In addition, industry has reported that refunds of these guarantees are sometimes delayed for as long as seven months. The advance payment requirement for duties and taxes, and the length of time the bank guarantee refund is held open, may limit trade volumes due to the amount of money that importers must dedicate to these guarantees.

Customs authorities in Russia continue to assess tariffs on the royalty amounts for the domestic use of imported audiovisual materials, such as television master tapes. U.S. industry has argued that this practice represents a form of double taxation because royalties are also subject to withholding, income, value-added (VAT), and remittance taxes. U.S. consumer goods companies have also reported that Russian customs authorities calculate customs duties based on the value of the product plus the amount of royalty payments that the Russian subsidiary must pay to the overseas parent company for the use of the parent company's trademarks. U.S. companies contend that this methodology leads to inflated valuations for tariff purposes. Of further concern is Russia's rebate of VAT on payments for the "right to use" (*i.e.*, licensing royalties) cinema products. The VAT payments on royalties paid for screening "Russian" movies (as defined in the Russian tax code) can be rebated but not VAT payments on royalties for screening foreign films. This practice increases the cost of screening U.S. films.

U.S. industry has also raised concerns about copyright levies that are assessed on imported goods which can duplicate copyrighted materials and are provided to an accredited royalty collecting society for distribution to rights holders. Although Russia accredited a collecting society to undertake this collection and distribution, U.S. industry has raised concerns regarding the lack of transparency in the collection and distribution of the royalties. The legitimacy of that collecting society has also been challenged in the Russian courts, creating uncertainty as to its credibility and reliability. In addition, U.S. industry has questioned lack of the equivalence between the list of domestic products subject to copyright levies and the list of imported products subject to the levies. U.S. officials have raised concerns about these issues with Russia's Ministry of Culture. Senior Russian officials have announced that they plan to create a specialized intellectual property agency which would consolidate patent, trademark, and copyright matters, including administration of collective management organizations. The new agency is planned to start operations in mid-2014.

U.S. industry also reports that Russia does not publish all regulations, judicial decisions, and administrative rulings of general application to customs matters. In addition, U.S. exporters report that customs enforcement varies by region and port of entry, and that frequent changes in regulations are unpredictable, adding to costs and delays at the border. In its WTO accession protocol, Russia has committed to publish all trade-related measures and implement notification, public comment, and other

transparency requirements for a broad range of trade-related measures. U.S. officials have pressed Russia to meet these important WTO transparency requirements.

U.S. companies continue to face a wide array of other, often company-specific, nontariff trade barriers when exporting to Russia, such as the December 2, 2013, announcement of a decision by Russian Customs to limit the locations where it accepts TIR Carnets (the TIR Carnet is a customs transit document used to prove the existence of the international guarantee for duties and taxes for the goods shipped) to only the ports of Vyborg (Leningrad Oblast) and Murmansk, effective July 2014.

Import and Activity Licenses

Although Russia simplified its licensing regimes when it became a WTO Member, the processes to obtain an import or activity license remain burdensome and opaque.

When Russia became a WTO Member, it abolished the requirement to obtain an import license for alcohol. However, activity licenses are still required to warehouse and distribute alcohol in Russia, and industry asserts that the difficulty and expense involved in obtaining them is disruptive to trade. For example, Order #59n, originally issued by Russia's Federal Service for Alcohol Market Regulation (FSR) in 2010, governs the warehousing of alcoholic beverages. As a result of bilateral discussions, FSR has amended Order #59n offering some improvements, but many onerous and unnecessary restrictions on the warehousing of alcoholic beverages remain, such as a provision prohibiting the storage of different types of alcohol on one pallet; a provision precluding the storage of other goods with alcohol products; and a provision requiring certificates from third-party government agencies that require a great deal of time and effort to obtain. Several U.S. exporters have experienced months of delays and expended thousands of dollars seeking to bring their warehousing practices into conformity with the regulation after FSR inspections raised compliance issues. The United States will continue to work with FSR to seek modifications to Order #59n that ensure that Russia's regulation of alcoholic beverages does not impose overly burdensome and duplicative requirements on business operators. In addition, Russia (and the EEC) imposes various (and duplicative) technical requirements governing the alcoholic beverage sector (*see the 2014 Report on Technical Barriers to Trade issued by USTR*).

In its WTO accession protocol, Russia committed to reform its import licensing regime for products with cryptographic functionalities ("encryption products"). However, U.S. exporters report that Russia continues to limit the importation of encryption products through the use of import licenses or one-time "notifications." Issues have been raised regarding the process for importing consumer electronic products considered to be "mass market" products under the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies. A simple notification process is supposed to apply to these products; however, recent amendments to the CU regulations governing the definition of "mass market" products do not accurately reflect the definition of such products under the Wassenaar Arrangement or Russia's WTO protocol. Moreover, the requirements to meet the definition of "mass market" are burdensome and appear to go beyond what is required under the CU regulations. As a result, U.S. exports of encryption products, particularly common consumer electronic products, continue to be inhibited.

In addition, in 2012, Russia amended the regulations governing activity licenses for the distribution, among other activities, of encryption products. In doing so, Russia reasserted control over many consumer electronic products that had previously not required an activity license to distribute. Because an activity license to distribute encryption products is required to obtain an import license for encryption products, the 2012 amendments impose an additional indirect burden on the importation of such products.

Import licenses and/or activity licenses to engage in wholesale and manufacturing activities are also necessary for the importation of pharmaceuticals, explosive substances, narcotics, nuclear substances, equipment to be used at nuclear installations and corresponding services, hazardous wastes (including radioactive waste), and some food products (*e.g.*, unprocessed products of animal origin). The process for obtaining these licenses is often unpredictable, nontransparent, time-consuming and expensive. U.S. officials have raised concerns about these import licensing issues with Russian and CU officials.

Automotive and Vehicle Recycling Fees

On September 1, 2012, Russia introduced a “recycling fee” on automobiles and certain other wheeled vehicles. Under the new law, importers and manufacturers in Russia of automobiles and certain other wheeled vehicles pay a fee, determined by the age, total mass and engine size of the vehicle, intended to cover the cost of recycling the automobile at the end of its useful life. Rates range from 2,000 rubles to 5.5 million rubles (approximately \$66 to \$185,000) for new vehicles and from 3,000 rubles to 6 million rubles (approximately \$100 to \$200,000) for used vehicles. Originally, automobile manufacturers located in Belarus, Kazakhstan, and Russia were not required to pay this fee if they agreed to establish procedures designed to dispose of a vehicle at the end of its useful life. Russian officials justified the new program on environmental grounds, and promised that the fee would be temporary. The United States, as well as other WTO Members, raised concerns about the consistency of this program with Russia’s WTO obligations, and on October 10, 2013, the European Union requested the establishment of a WTO dispute settlement panel challenging the validity of this fee. On October 21, 2013, President Putin signed a law extending the recycling fee to domestic automobile manufacturers, regardless of any producer’s commitment to recycle its vehicles. However, concerns remain regarding the overall level and calculation of the fee for heavy duty commercial vehicles.

Quotas

On August 23, 2012, the EEC issued Decision No. 143 imposing import quotas on corrosion-resistant pipes and tubes imported into the Customs Union until November 2014. These quotas replace the safeguards duty on corrosion-resistant pipes imported into the Customs Union which lapsed in September 2012. Russia has not notified this measure to the WTO and the rationale for either the replacement of the original measure or the justification behind the quota is unclear.

Import Substitution Policies

Russian officials have called for more local production across a variety of sectors. For example, Pharma 2020, the government’s pharmaceutical industry development plan, calls for Russian manufacturers to account for at least 50 percent of total domestic sales (based on value) by 2020. Other healthcare industry related policies that discriminate against U.S. exporters in favor of domestic producers include a reimbursement system that allows only domestic companies to request annual adjustment of prices registered by the Ministry of Health, and a 15 percent price preference for Russian (and Belarusian) companies in federal and municipal procurement auctions. Russia has also proposed a ban on government procurement of certain medical devices manufactured outside the CU or by a company which does not have an agreement on the localization of production in Russia. Balancing Russia’s desire to develop an indigenous pharmaceutical industry with market access for non-Russian firms will remain an ongoing challenge.

In August 2011, the Ministry of Economic Development and the Ministry of Industry and Trade set the parameters for determining what constitutes domestic telecommunications equipment, and therefore what equipment could be used in specified applications and/or projects. The localization level depends on the scope of the research activities and technological operations carried out in Russia, resulting in localization

levels from 60 percent to 70 percent. Moreover, to qualify, companies manufacturing telecommunications equipment must be a Russian resident with no less than 50 percent ownership by the Russian party. Also, the manufacturer must have the legal rights to the technologies and software, possess its own production base, manufacture printing boards, and carry out final assembly of the telecommunications equipment in Russia.

Russia developed a global navigation positioning technology called GLONASS as an alternative to the U.S. GPS system. Russia's Ministry of Transport issued a rule in March 2012 requiring that GLONASS compatible satellite navigation equipment must be installed on all Russian-manufactured aircraft, with varying deadlines depending on the use, age, and size of the aircraft, but all not later than 2016. In addition, any foreign-manufactured aircraft listed in a Russian airline's Air Operator Certificate must have GLONASS or GLONASS/GPS compatible satellite navigation equipment installed by January 1, 2018 or earlier, depending on the size of the aircraft. Because U.S. aircraft are not currently configured for GLONASS, modifications to the aircraft would be necessary to meet this new rule.

EXPORT POLICIES

Although Russia has eliminated export duties on a few products, it maintains export duties on 240 types of products for both revenue and policy purposes. For example, a variety of products are subject to export tariffs, such as certain fish products, oilseeds, fertilizers, and wood products. Russia has indicated that it intends to eliminate gradually most of these duties, except for products deemed as strategic, such as hydrocarbons and certain scrap metals. Russia has also committed, as part of its WTO accession protocol, to eliminate export duties on nickel, copper, aluminum, and steel scrap within five years of joining the WTO. Although Russia also committed to decrease export duties on timber to levels between 5 percent and 15 percent, domestic industry pressure continues to delay implementation.

Historically, Russia has established high export duties on crude oil to encourage domestic refining. However, recent reductions in export duties on crude oil in conjunction with an increase in the mineral extraction taxes on upstream producers will make domestic crude more expensive for domestic refiners. At the same time, Russia continues to implement a variety of *ad hoc* tax breaks designed to encourage the development of resources that are difficult to extract. Separately, the government maintains a 90 percent export duty on gasoline as well as a 30 percent export tax on natural gas.

In 2012, Russia briefly closed some ports in the Russian Far East (RFE) to exports of ferrous scrap, and published a notice of intent to close other ports, including St. Petersburg, the largest Russian port for scrap exports. Because ferrous scrap is globally traded and Russia is a significant scrap producer-exporter, Russia's actions contributed to a reduction in global ferrous scrap supplies, creating upward pressure on global scrap prices outside of Russia. The measure (Decree No. 1148) was eventually reversed by the Russian courts, and currently there are no port closures in effect for ferrous scrap. Nevertheless, the uncertainty of the availability of Russian ferrous scrap continues to cause concern among U.S. stakeholders of possible market disruptions. Moreover, industry claims that Russia has placed higher rail freight tariffs on certain raw materials intended for export, contrary to its commitment to eliminate discrepancies in its railway tariffs by July 1, 2013. In addition, it has not published any changes to tariff rates or notified the WTO of elimination of differential tariffs.

Russia has burdensome procedures for obtaining export certificates for some items, including samples collected during research expeditions and raw data. Additionally, Russia has strict licenses to control the export of precious stones and metals.

SUBSIDIES AND OTHER BARRIERS

Gazprom, a Russian state-owned company that currently has a monopoly on exports of pipeline natural gas produced in Russia, charges higher prices on exports of natural gas than it charges to most, if not all, domestic customers. U.S. stakeholders have concerns that Russia's natural gas pricing policies effectively operate as a subsidy to domestic industrial users in energy-intensive industries such as the steel industry and the fertilizer industry (which uses natural gas as an input).

GOVERNMENT PROCUREMENT

Although not yet a signatory to the WTO Agreement on Government Procurement (GPA), Russia became an observer to the GPA in May 2013 and committed to initiate negotiations for accession to the GPA by 2016. When it joined the WTO, Russia committed that its government agencies would award contracts in a transparent manner according to published laws, regulations, and guidelines.

As discussed above, Russia has adopted local content requirements in various areas of government procurement. It has argued that because these policies relate to government procurement they are not subject to the national treatment obligations of the General Agreement on Tariffs and Trade (GATT) and General Agreement on Trade in Services (GATS). Given the breadth of the government's role in the economy and hence the scope of government procurement in Russia, including in areas such as health care, such measures impede trade because U.S. exports are excluded from a broad section of the Russian economy.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

Russia remained on the Priority Watch List in the 2013 Special 301 Report. A key concern cited in the report was inadequate enforcement against online piracy. In December 2012, under the auspices of the United States of America-Russian Federation Intellectual Property Working Group, the United States and Russia negotiated the United States-Russian Federation IPR Action Plan. That Plan sets forth concrete proposals to address weaknesses in Russia's IPR regime that create obstacles to U.S. exports and investment.

When Russia became a Member of the WTO on August 22, 2012, it undertook commitments under the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS). While overall IPR legislation has been strengthened and physical counterfeiting appears to be on the decline, copyright violations for films, videos, sound recordings and computer software remain a significant problem, particularly online. In June 2013, Russia approved its first law specifically dedicated to decreasing online piracy of television and film, and legislative measures are currently being drafted to amend the law. The United States will monitor closely evolving laws and practices related to online piracy. Russia's record of enforcement of copyright laws is inconsistent and often unclear. In 2013, the Russian police continued to take actions against copyright infringers, including against street vendor piracy and companies involved in the installation and use of pirated software. However, the overall number of raids, seizures, and criminal cases launched was down from the number of cases undertaken only a few years ago.

Russia also has not adequately prevented illegal optical media sales and illegal camcording. Although legitimate DVD sales are on the rise, partly due to increased law enforcement action against makers of pirated DVDs, a 2008 ban on camcording in movie theaters, and a growing preference for high-quality products, Russia's optical disc production capacity in 2012 continued to exceed domestic demand, highlighting concerns that optical disc piracy is oriented toward exports. According to industry, Russia remains one of the world's largest producers and distributors of illegal optical media and one of the largest sources of illegally-camcorded movies.

U.S. and multinational companies continue to report counterfeiting of trademarked goods, especially of consumer goods, distilled spirits, agricultural chemicals and biotechnology, and pharmaceuticals.

SERVICES BARRIERS

Russia's services market is largely open to U.S. services suppliers, including in areas such as financial services, education, legal services, and distribution.

However, specific problems remain in particular areas. Russia continues to prohibit foreign banks from establishing branches in Russia. In addition, the ability to provide services to public utilities and certain energy-related services remains limited. Although Russia raised the limit on foreign capital in the insurance sector from 25 percent to 50 percent, a lack of transparency regarding the issuance of licenses, as well as the absence of clear appeal procedures hinders foreign investment in the market. Industry reports that the process for an individual or a company to obtain a license to provide a service remains difficult, and limitations on the form of commercial establishment adversely affect some sectors. For example, Russia has not yet amended its legislation to reflect its WTO commitment to remove the limitation on sales of biologically active substances in pharmacies and specialized stores only.

INVESTMENT BARRIERS

Russia has made improving its investment climate a priority, but U.S. and other foreign investors continue to cite issues, such as corruption, which act as a barrier to investment. Russia's foreign investment regulations and notification requirements can be confusing and contradictory, which also has an adverse effect on foreign investment. In addition, notwithstanding an Anti-Corruption Council created in 2008 and significant anticorruption legislation passed in 2011, various internationally-recognized measures of corruption suggest there has been little progress to date. Further obstacles to investment in Russia include inadequate dispute resolution mechanisms, weak protection of minority shareholder rights, the absence of requirements for all companies and banks to adhere to accounting standards consistent with international norms, and problems with enforcement of the rule of law.

The 1999 Investment Law permits discrimination against foreign investors in a number of areas, including, where necessary, "the protection of the constitution, public morals and health, and the rights and lawful interest of other persons, and the defense of the state." These broadly defined exceptions give Russia considerable discretion in prohibiting or inhibiting foreign investment in a potentially discriminatory fashion. The Investment Law included a "grandfather clause" that stipulates that existing (as of 1999) "priority" investment projects with foreign participation of over 25 percent will be protected from certain changes in the tax regime or new limitations on foreign investment. The law defines "priority" projects as those with a foreign charter capital of more than \$4.1 million and with a total investment of more than \$41 million. However, the lack of corresponding tax and customs regulations means that any protection afforded by this clause is, at most, very limited.

Article 19 of the Mass Media Law (last amended on November 10, 2011) limits investment in Russia's broadcast sector by foreign entities, Russian entities that are more than 50 percent foreign-owned, and Russian citizens holding dual citizenship. The Law also prevents foreigners, stateless citizens, and Russian legal entities that are more than 50 percent foreign owned from establishing television companies and owning shares in television broadcasting companies that broadcast to more than half of Russia's regions or have a potential audience of over half the nation's population. U.S. industry has also raised concerns over restrictions in the mining and mineral extraction sectors that discriminate against foreign companies, including limits on direct investments, licensing restrictions, and lack of a "stability clause" protecting investors from subsequent changes in legislation.

Russia enacted the Strategic Sectors Law (SSL) in May 2008. The SSL establishes a list of 42 “strategic” sectors in which purchases of “controlling interests” by foreign investors must be preapproved by Russia’s Commission on Control of Foreign Investment. In 2012, amendments to the SSL removed two activities from the list: banks’ activities in cryptography and radiation sources usage. It also reduced the number of circumstances in which companies need to seek pre-merger approval. However, in November 2013, Russian officials proposed a ban on foreign ownership of any property or tracts of land in Russia without prior approval of the Federal Migration Service. While this law appears intended to address illegal immigration, U.S. businesses have argued the law could inhibit legitimate investment if enacted. The Ministry of Economic Development, in cooperation with the Federal Security Service, is currently working on a draft of the law which is still before the Duma.

Privatization

Russia is slowly pursuing steps to privatize state assets, both to increase market forces in the economy and to raise revenue for the federal budget. However, the government maintains a list of 196 companies that are either wholly or partially owned by the Russian state and that cannot be privatized due to their national significance. The government’s privatization plans with respect to other companies is proceeding slowly. An expanded privatization plan through 2017 was approved in August 2011, but has been revised repeatedly to significantly scale back the scope of these privatizations. Notwithstanding these planned privatizations, the government intends to retain controlling stakes in major Russian companies such as Rosneft, Transneft, the Federal Grid Company, Russia Railways, and banking giants Sberbank and VTB. Moreover, in some of the companies to be fully privatized, the state will keep what is referred to as a “golden share,” a nominal holding that allows the state to retain certain veto powers.

While private enterprises are technically allowed to compete with state corporations on the same terms and conditions, in practice, the market is skewed in favor of state corporations. State corporation holding structures and management arrangements (*e.g.*, representatives of state interests as board members) make it difficult for private enterprises to compete. Furthermore, specific legal constructions can result in preferential treatment of state corporations. For example, state corporations have no unified legal framework, being established and operated under different legislation than that which applies to other corporations. Such a case-by-case approach leaves much scope for discretion and lobbying by company insiders at the expense of private enterprises.

Taxes

Russian and U.S. leasing companies have reported that VAT assessed on inputs for exported final products is often not refunded, and that they often must resort to court action to obtain their reimbursements. Leasing companies have reported that VAT refunds on exports are the source of significant fraud, and actions to prevent fraud makes it even more difficult for legitimate exporters to obtain refunds. In addition, the companies have reported that, in some cases, local tax inspectorates have initiated audits and attempted to seize their bank accounts, thus forcing exporters to seek very expensive and time-consuming court enforcement.

U.S. companies have also raised concerns about Russian tax authorities’ scrutiny of payments that cross Russia’s border, but remain, for tax purposes, in the legal structure of the same Russian company. This tax issue has arisen chiefly in two contexts: (1) when a multinational company transfers an employee temporarily to the company’s Russian office from another office outside Russia; and (2) in intra-company payments for the use of intellectual property. Under internationally accepted accounting standards, these normal business practices are handled as an intra-firm payment from one office to the other, or to the headquarters in the case of royalty payments. However, Russian tax inspectors have in the past disputed such expenses as “economically unjustified” and, consequently, not permissible under the Russian Tax

Code. In consultation with foreign firms, Russia developed and adopted a new law on transfer pricing that took effect on January 1, 2012. Transfer pricing on domestic transactions will be phased in over three years. For 2013, domestic transactions were subject to transfer pricing regulations if the aggregate annual income from the parties exceeds 3 billion rubles (approximately \$90 million) in 2012, decreasing to 2 billion rubles (approximately \$60 million) in 2013 and decreasing once more to 1 billion rubles for 2014 (approximately \$30 million) and thereafter. There have not been major complaints regarding implementation of this system but experts state that a more accurate picture of the impact of these changes will not be seen until the entirety of the regulations are phased in by the end of 2014.

Automotive Sector

Russia has maintained an investment incentive regime in the automotive sector since 2005 with domestic content requirements and production targets. In 2011, Russia added a second program that imposes conditions that are more stringent and requires much higher domestic production volumes (300,000/350,000 units for each manufacturer as compared with 25,000 units under the original program).

As part of its WTO accession protocol, Russia agreed to limit the domestic content requirement for automobile producers in Russia, which previously required that a certain amount of labor and components be domestically sourced. Russia has also agreed to end the problematic elements of both programs by July 1, 2018 and to begin consultations in July 2016 with the United States and other WTO Members on WTO-consistent measures it may take in this sector.

ELECTRONIC COMMERCE

In response to an announcement by President Putin on December 12, 2013 in support of “streamlining e-commerce,” the Russian Ministry of Finance, with support from the Ministry of Economic Development, Russian Post, Federal Customs Service, and the Presidential administration, announced a proposal to limit duty-free online purchases from non-Customs Union online stores from the current €1,000 per month (approximately \$1,375) to €150 per month (approximately \$206) as well as to limit the number of duty-free packages to one per month (compared to no restrictions under current practice). Russian Customs also proposed imposing a 10 percent fee on parcels being imported into Russia as a result of e-commerce.

