



TRADE POLICY REVIEW

REPORT BY

RUSSIAN FEDERATION

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by the Russian Federation is attached.

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1 INTRODUCTION

1.1. Since its first (and the last) WTO Trade Policy Review (TPR), the Russian Federation has maintained the course of economic diversification and increasing investment attractiveness of the domestic market, improving legislative regulation, supporting and developing the multilateral trading system, countering trade protectionism (inter alia in the form of unilateral trade restrictions), as well as effectively participating in regional integration processes together with further developing of the Eurasian Economic Union (EAEU).

1.2. This TPR covers the period when global recession and pandemic have changed the parameters of the world's economies functioning. Sanitary restrictions have led to a sharp slowdown in economic activity and an unprecedented disruption of some production chains. The contraction in economic activity caused profound changes in energy markets, and the development of the recession gradually affected most sectors of the economy. These changes substantially affected Russia's foreign trade, causing problems comparable to those arising from the crisis of 2009.

1.3. International trade, however, continues to have a significant impact on Russia's economic development. Despite a relatively low share of net exports (calculated as a difference between exports and imports) in the structure of GDP, this component significantly contributes to the dynamics of gross output. Open and non-discriminatory trade, favourable conditions for capital flows and technology, as well as the stability and predictability of the universal rules of international trade lie at the core of the sustainability of Russia's economic development

2 TRADE AND ECONOMIC OVERVIEW

2.1 Economic situation

2.1. Within the reporting period the economy of the Russian Federation demonstrated reasonably stable growth, retaining the 11th position in the world ranking of countries' nominal gross domestic product (GDP), as well as the 6th position in the world ranking of countries' GDP measured at purchasing power parity (PPP). Since the beginning of 2017, there has been a stable growth in final consumption, mostly due to an increase in household consumption.

2.2. Starting from 2016, the growth rates of Russia's economy began to accelerate. In 2018, economic growth amounted to 2.8%, compared to 0.2% in 2016. However, in 2019, the GDP growth has slowed down to 2% amid general decline of the world economy's key indicators, due, inter alia, to trade conflicts, as well as the trend towards de-globalization and protectionism.

2.3. In 2020, a rapid expansion of the coronavirus pandemic and the associated instability in world oil markets as well as disruptions of global supply chains significantly affected macroeconomic indicators¹. At the end of 2020, nominal GDP amounted to RUB 106,967.5 billion, decreasing by 3.0% as compared to 2019. Nevertheless, according to the International Monetary Fund (IMF), the Russian economy during the pandemic proved to be quite resilient (see Section 3 "Challenges").

2.4. According to the OECD data, the anticipated growth rate of the Russian economy will amount to 3.5% and 2.8% in 2021 and 2022 respectively.² The IMF analysts, in their turn, predict that in 2021 and 2022 the GDP of the Russian Federation will increase by 4.4% and 3.1%³ respectively. Such numbers result both from the general global trend towards an economic recovery from the COVID-19 fallout, and the implementation of a balanced social and economic policy of the Russian Federation.

2.5. Improvement of labour productivity and support of employment are among the most important priorities of the Government of the Russian Federation. Average annual growth in labour productivity from 2016 to 2019 amounted to 2%, and the average annual growth rate of the number of highly productive jobs accounted for 5.7%. Unemployment rate declined steadily during the reporting

¹ IMF (2021), World Economic Outlook, April. Viewed at: <https://www.imf.org/external/datamapper/datasets/WEO>.

² OECD (2021), Economic Outlook, 18 May. Viewed at: <https://stats.oecd.org/index.aspx?DataSetCode=EO>.

³ IMF (2021), World Economic Outlook, July. Viewed at: <https://www.imf.org/external/datamapper/datasets/WEO>.

period and amounted to 4.6% in 2019. However, due to the pandemic, the unemployment rate climbed to a record 6.4% in August 2020. As part of the Government's stabilization policy, several programmes were implemented, including those aimed at restoring the labour market, which made it possible to save more than 5.4 million jobs and reduce the unemployment rate to 5.9% by the end of 2020.

2.2 Trade in goods

2.6. Russia is an open economy; foreign trade plays an important role in the country's economic development. Russia's economy production openness (the ratio of exports of goods and services to GDP), according to the World Bank, averaged 27.4%, in 2016–2020 (while the level of 25%-30% is generally considered as an optimal and safe threshold for the sustainable growth of the national economy).

2.7. Once a downward trend under the price factor influence has been terminated and, in 2016, having reached its' lowest level for the whole of the second decade of the 21st Century (USD 285.3 billion), the goods' export indicator has begun to recover. In 2017 and 2018 it surged by 25.4% and 25.7%, respectively, up to USD 449.4 billion. In 2019, following the global dynamics, it plunged by 5.6%. The 20.6% decrease in 2020 to USD 336.6 billion was caused by the spread of COVID-19 pandemic as well as the respective measures implemented to combat it.

2.8. During 2016-2019 Russia's foreign trade turnover increased by 43%. At the same time, exports increased by 48.6%, and imports by 34.2%. The positive trend is primarily associated with the relative stabilization of prices on world energy markets. However, the rapid expansion of COVID-19 pandemic in 2020 and the growing number of restrictions imposed by countries have had a negative impact on international trade. The deceleration of the global economy and the growing number of obstacles to its normal functioning led to instability of the world oil markets, as well as disruption of global supply chains. They negatively affected Russia's economy, whose foreign trade turnover decreased by 15%. During this period, the destabilization of the situation on the world energy markets led to a drop in Russian exports by 20.6%, while imports, consisting mainly of machinery, equipment, and vehicles, as well as chemical products, fell by only 5.3%. (See Section 3 "Challenges").

2.9. Fuel and energy products have prevailed in the commodity structure of Russian exports. At the same time, the share of these goods has consistently reduced and by 2020 decreased to 49.7% (by 15.3%). The other important items of Russian exports are metals and metal products as well as chemical products. Export of agricultural and food products is gradually increasing, in 2020 it reached USD 30.5 billion, and its share rose to 9.0%. Wheat and meslin are among the top ten exported commodity items (USD 8.2 billion in 2020), and since 2018 the Russian Federation has become a global leader in the export of these products. During the period under review, exports of precious stones and metals also grew (up to 9.0%, or USD 30.4 billion) amid growing investment demand for gold and platinum.

2.10. The reporting period is also characterized by a stable growth in the share of high-tech goods in the total volume of Russian exports: in the period under review, this indicator increased from 14.5% in 2016 to 26.2% in 2020.

2.11. Until 2019, imports had been increasing. In 2020, due to the unfavourable external conditions, it decreased by 5.3% to USD 231.0 billion (compared to USD 244.1 billion in 2019). In terms of commodity imports, high respective volumes and shares belong to machinery and technical products (USD 110.3 billion, or 47.6% in 2020), more than a half of which are investment products. Imports of chemical products have been relatively stable (USD 42.4 billion, or 18.3% in 2020), primarily due to the share of medicaments (USD 7.2 billion) and immunological products (USD 2.8 billion).

2.12. In terms of the geographical structure of Russia's foreign trade, the European Union, which is Russia's largest trading partner, holds a special place. Even though the EU's share in Russia's trade turnover decreased by 6.9%, in 2016-2020, trade with the EU accounts for about 34% of Russian trade turnover. Economies of the Asia-Pacific Economic Cooperation are the second major group of trade partners in terms of the cumulative turnover volume. Their share increased by 4.1% during 2016 - 2020 and amounted to 33.8% at the end of 2020. Among the APEC economies China is key partner. Its share in trade turnover during the reporting period increased by 4.3% and

amounted to 18.3% at the end of 2020. The CIS countries comprise the third group of major partners in terms of trade turnover. Their share has increased by 0.9% since 2016, amounting to 12.9% in 2020. The respective share of Russia's Eurasian Economic Union partners in its' trade turnover has amounted to 9.1% by the end of 2020.

Table 2.1 Geographic structure of Russian exports of goods, 2016-20

(USD billion)

Country/country group name	2016	2017	2018	2019	2020
All countries	285,3	357,6	449,4	424,1	336,6
Far abroad (non-CIS countries)	247,8	309,5	394,5	370,2	288,0
<i>including the EU</i>	123,7	151,0	195,4	176,3	136,6
CIS	37,4	48,1	54,9	53,9	48,5
1. China	28,0	38,9	56,0	57,3	49,1
2. Netherlands	29,3	35,6	43,4	44,8	24,8
3. UK	6,9	8,7	9,7	13,3	23,2
4. Germany	21,3	25,7	34,2	28,0	18,6
5. Belarus	14,1	18,6	22,0	20,7	16,0
6. Turkey	13,6	18,7	21,3	21,1	15,9
7. Kazakhstan	9,4	12,4	13,0	14,3	14,0
8. Korea, Rep. of	10,0	12,3	17,8	16,4	12,5
9. United States	9,3	10,6	12,5	13,0	10,8
10. Italy	12,0	13,8	16,4	14,3	10,1

Source: Information provided by the Russian authorities.

Table 2.2 Geographic structure of imports of goods in the Russian Federation, 2016-20

(USD billion)

Country/country group name	2016	2017	2018	2019	2020
All countries	181,8	226,9	238,2	244,1	231,0
Far abroad (non-CIS countries)	162,5	202,0	211,7	216,7	206,1
<i>including the EU</i>	66,4	82,9	85,2	84,6	78,7
CIS	19,3	24,9	26,5	27,4	25,0
<i>including the EAEU</i>	13,6	17,8	18,6	19,9	18,5
1. China	38,1	48,1	52,2	54,1	54,9
2. Netherlands	19,5	24,2	25,5	25,1	23,4
3. UK	10,7	12,6	12,5	13,2	13,0
4. Germany	9,4	12,0	12,4	13,1	12,6
5. Belarus	7,8	10,1	10,6	10,9	10,2
6. Turkey	8,5	9,6	9,6	8,6	8,1
7. Kazakhstan	5,1	6,9	7,0	8,0	7,2
8. Korea, Rep. of	6,7	7,8	8,8	9,0	7,1
9. United States	2,2	3,4	4,2	5,0	5,1
10. Italy	3,6	5,0	5,3	5,7	5,0

Source: Information provided by the Russian authorities.

2.3 Trade in services

2.13. Unlike trade in goods, where Russia runs a significant surplus, Russia's international trade in services remains in the "red zone" (first of all due to the negative balance of tourist and other travel services during the pandemic).

2.14. In trade in services, in the period from 2016 to 2019, there was a stable growth of foreign trade turnover, the average annual rate of which was 3.9%. Even though the export of services increased by 22.3%, and the import of services increased by 32.2%, in the period from 2016 to 2019, the negative trade balance has remained.

2.15. At the end of 2020, the Russian foreign trade turnover of services amounted to USD 111.1 billion, having decreased by 11.3% compared to 2016 and by 30.8% compared to 2019. The main reason for the decline was a rapid spread of coronavirus infection and the subsequent massive introduction of restrictions, which has led either to a prohibition on conducting activities in certain industries, or to a complete stop of performance of several sectors of the global economy.

Particularly, restrictions on cross-border movement had a negative impact on international trade in the tourism and transport sectors, which decreased by 63% and 19%, respectively.⁴

2.16. Russian export of services is still dominated by transport services due to the country's geographic location. Up until 2018 their volume and share had been increasing (USD 22.1 billion, or 34.2%). Until 2019, there was an upward trend in exports of other business services (USD 13.0 billion, or 21.0%), primarily due to such subgroups as professional services and management consulting services; technical, commercial, and other business services. Exports of modern telecommunications, computer and information services have grown steadily (USD 5.9 billion, or 12.6% in 2020).

2.17. Russia's services' imports are dominated by travel services (mainly in the sphere of tourism) - in 2019 they have reached USD 36.2 billion, or 36.6%. Imports of the same type of services decreased most of all in 2020 (4 times to USD 9.1 billion). Until 2019, there was a growth of imports of other business services (USD 21.0 billion, or 21.3%), transportation services (USD 15.4 billion, or 15.7%), charges for the use of intellectual property (USD 6.9 billion, or 7.0%).

2.18. In services trade, the European Union, whose share in the foreign trade turnover of services in 2020 amounted to 37.9%, is Russia's key trade partner. During the reporting period, the share of Asia-Pacific Economic Cooperation economies in Russian turnover in services averaged 17.5%, while the share of CIS countries averaged 9.3%. In country detailing, Germany (6.7%), the United States (6.1%), Cyprus (5.9%), and Switzerland (6.1%) account for a significant share in Russia's services trade.

2.19. Until 2019, there was an upward trend in services exports to the EU (up to USD 20.8 billion, or 33.6%), China (up to USD 4.0 billion, or 6.5%), the CIS, before all at the expense of the EAEU (up to USD 5.3 billion, or 8.6%). At the same time, since 2019, the export of services to Switzerland and the United States has been decreasing. Imports of services tend to grow (up to 2019 - in absolute terms, up to 2020 - also in relative terms) from countries such as Ireland (5.9% in 2020), China (5.4%). Trade with the EAEU developed in different directions, on average in 2016–2020 the Union accounted for 4.1% of Russian imports of services.

2.4 Investments

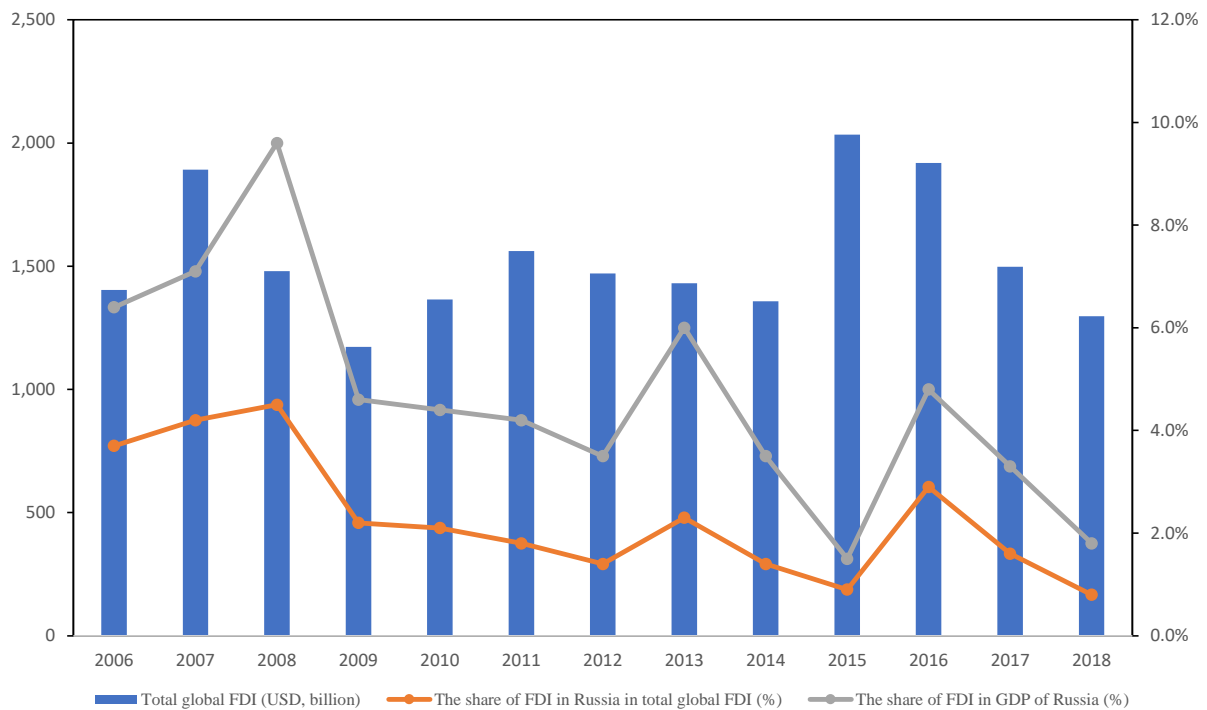
2.20. During 2016–2019, foreign direct investment flows abroad ranged from USD 22 billion to USD 37 billion per year, and in 2020 it fell to USD 5.3 billion.

2.21. The geographical structure of outward FDI is dominated by the EU countries, whose share tended to grow and reached 72.6% in 2019. As of the end of 2020 in terms of the volume of the Russian FDI stock, Cyprus has been leading by a wide margin (USD 200.4 billion, or 42.6% of the total).

⁴ World trade primed for strong but uneven recovery after COVID-19 pandemic shock. Viewed at: https://www.wto.org/english/news_e/pres21_e/pr876_e.htm.

Chart 2.1 Dynamics of the global volume of foreign direct investment and the share of Russia in the total volume of world FDI and national GDP, 2006-2018

USD billion and % of the total



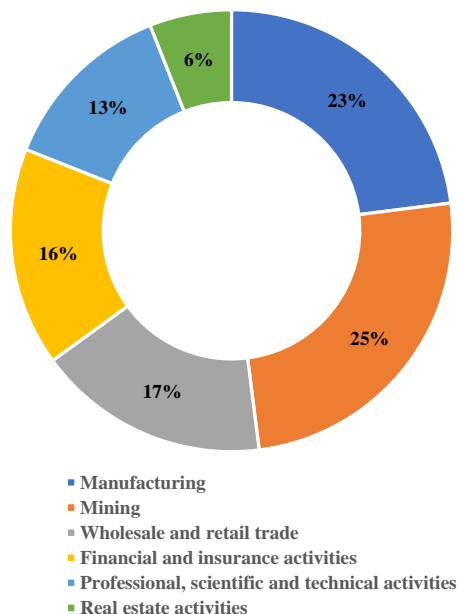
Source: Bank of Russia.

2.22. Inward FDI has come mainly from the EU, and in some years, there were high investment rates from countries and territories such as Singapore; Hong Kong, China; Jersey, etc. In terms of the volume of inward FDI stock in the Russian Federation as of the end of 2020, Cyprus has been the leader (USD 153.4 billion, or 28.6% of the total). Bermuda Islands and the Netherlands have also demonstrated significant results (USD 48.0 billion, or 8.9% and USD 46.7 billion, or 8.7%, respectively).

2.23. The largest FDI recipient industry is the mining industry, followed by the manufacturing industry (primarily metallurgy) and services (primarily wholesale and retail trade).

Chart 2.2 Accumulated direct investments in Russia by sector as of the end of 2020

USD billion



Source: Bank of Russia.

3 CHALLENGES

3.1. Since the Russia's first Trade Policy Review in the WTO, despite a number of challenges, the Russian economy has been relatively resilient, in particular due to a balanced fiscal and monetary policy. At the same time, several key global factors have exerted a restraining effect on the Russian economy. In effect, Russia's trade and investment policy has been formulated with due consideration of these factors.

COVID-19

3.2. Like other countries, Russia faced a significant slowdown in economic activity during the lockdown period. Russia's GDP declined by 7.8% in the 2nd quarter of 2020, by 3.5% in the 3rd quarter of 2020, by 1.8% in the 4th quarter compared to the same periods of 2019. The greatest decrease was in demand driven sectors of the economy. At the same time, the scale of the decline in basic sectors (with the exception of trade) was more moderate.

3.3. A considerable safety margin, which had been created earlier through a consistent and balanced macroeconomic policy, facilitated the adjustment of the economy to the external shocks. Introduction of the fiscal rule and enhancement of the public finance stability, reduction of inflation to the target of 4% and its' maintenance at this level for several years, promotion of the financial sector stability, as well as the reduction of the Russian economies' dependence on the external factors has helped to mitigate pandemic-related shock of an unprecedented scale and nature. The current account surplus of the balance of payments in 2020 compared with 2019 decreased due to a reduction in exports against the background of a recession in the global economy and a decrease in oil prices. This decline was partially offset by a decrease in imports, including imports of services due to closed borders with most countries. The foreign currency sales by the Bank of Russia under the budget rule have continued to play a balancing role in the domestic foreign exchange market. The economic recovery, which has begun in the second half of 2020, has been facilitated by the measures taken by the Government of the Russian Federation and the Bank of Russia with the aim to overcome the economic consequences of the coronavirus pandemic and to provide support both to the citizens and the businesses, together with the transition of the Bank of Russia to a soft monetary policy.

3.4. As part of the response to the COVID-19 pandemic, the Government of the Russian Federation and the Eurasian Economic Commission have implemented measures to stabilize the epidemiological

situation. These measures have included an introduction of a duty-free regime which has been in effect since March 2020 for the import of individual components and materials to produce pharmaceuticals and disinfectants, medicine and medical equipment, personal protective equipment. These goods have also been exempted from value-added tax.

3.5. To maintain an uninterrupted and stable supply level of mass-produced goods the Russian Federation adopted a series of recommendations regarding conformity assessment for applicants and product certification bodies for the period of 15 March – 31 December 2020. These recommendations have provided for the possibility of postponing the period of scheduled inspection control in relation to valid certificates of conformity for serial products, issuing new certificates based on a previously conducted conformity assessment, and remotely assessing conformity.

Rising global protectionism and discrimination

3.6. Russia continues to face a number of challenges that hinder the full realization of its potential as a participant in international trade. A high level of protectionist pressure remains, due to both bilateral issues and global problems.

3.7. Thus, Russia, being one of the leading steel producers, continues to face serious problems caused by excess global steelmaking capacity. Despite some progress made in reducing the global overcapacity during the Global Overcapacity Forum in 2016-2019, capacity growth has resumed in 2020, even shortly before the pandemic in 2020, steel demand decreased by 1.7%. According to the OECD estimates, in the long term the demand for steel will amount to about 1% annually. At the same time, the growth of restrictions on the imports of steel products has remained. According to data from the WTO report on the G20 trade measures for October 2020 - May 2021, the steel sector has still accounted for the most of the initiated anti-dumping investigations (118 out of 176 in 2019). In the recent years, the introduction of the unilateral measures by the individual WTO Members with the purpose of closing their markets from the import of these products has exacerbated the problem.

3.8. In the bilateral context, the imposition of sanction on Russia by individual economies has remained. Politicization of foreign economic and trade relations is a serious challenge. Inclusive growth of the world economy has been constrained by the replacement of the WTO norms with the other "rules", together with the unfair competition methods, protectionist measures, trade wars, and unilateral sanctions. All this has led to the fragmentation of the global economic environment, and has negatively affected the socio-economic development. Some of these measures have led to the disruption of established production and supply chains and results in the need to develop import substitution plans based on domestic supply.

3.9. The tendency of evening out the natural competitive advantage of countries, that have cheap factors of production, in particular – natural resources, persists. New forms of discrimination are emerging.

Sustainable Development Challenges

3.10. Sustainable development in the global context is understood as development that meets modern-day needs without undermining the ability of future generations to meet their own needs. In terms of the key markets, this trend assumes a long-term reduction in the global consumption of coal, oil and gas together with a promotion of demand for renewable energy, low-carbon technologies, food, and disaster-resilient finance and infrastructure. Poverty reduction, as well as the relevance of the global aim of improving the quality of education and health care contribute to the creation of new markets and transformation of the supply and demand structure in favour of factors that stimulate high-quality, but possibly slower growth in key regions.

3.11. Climate change is a global challenge that requires joint efforts at an international level. This problem is interdisciplinary in nature and affects many areas, including trade and economy. Recently, the "green economy" concept has been widely transforming into concrete action programmes that have a practical dimension from the economic point of view. Measures (including unilateral measures) affecting market conditions are being introduced under the pretext of protecting the environment. There is a growing number of examples of Article 3 of the UNFCCC violations when measures to combat climate change are being used to restrict international trade. At the same time,

the multiplication of such practices (including through the imposition of certain approaches on the other countries) entails a restructuring of the industrial production system, significant changes in traditional trade. Russia's policy is based on the presumption that climate change mitigation efforts should not restrict competition in world trade, or lead to inequality, introduction of discriminatory practices, and trade barriers.

Challenges of the Fourth Industrial Revolution

3.12. The recent shift away from the traditional modes of services supply towards the new digital solutions has been fundamentally changing the international trade landscape. New business formats and models are emerging, the importance of online platforms and ecosystems in services trade is growing. In addition to the new opportunities, a widespread technology adoption also carries potential risks both for the participants and market stability. To manage such risks non-standard methods may be required. There is a trend towards using regulation of access to technology to purposefully isolate countries from access to competitive advantages.

3.13. In addition, the most important challenge for all key technology trends, especially for digitalization, is the lag of global regulatory standards from the pace of practical implementation of technologies.

3.14. The current GATT and GATS rules aim to maintain a stable, non-discriminatory, and predictable environment in global trade by subjecting governments to strict rules in regulating market access and supporting companies and industries. However, they contain gaps, flaws or exceptions that negatively affect the competitive environment. For instance, the principles of providing certain types of state support are not yet regulated. This leads to the emergence of countries with inefficient and excessive production capacities which suppress the normal development of the respective segments of the global market. In addition, the strengthening of economic positions of transnational corporations (TNCs) leads to an increase in their political influence, which is manifested in the sequential "capture" by TNCs' of regulatory spheres that were previously within the competence of states and international government organizations. The degree of control of such companies over the global value chains (GVCs) and supply chains of goods, services and technologies is growing. There is a risk that in the near future the "rules of the game", including the conditions of access to GVCs and world markets, as well as technologies, will be completely dictated by TNCs.

3.15. To level the competitive landscape and ensure equal opportunities for all participants in international trade, it is necessary to strengthen its rules. Effective international cooperation and political dialogue will be required, involving both developed and developing countries. There is no other platform for developing relevant multilateral rules than the WTO. This work should be aimed at further developing the principles of competitive neutrality in a broad sense and considering the position of all WTO Members, providing fair conditions for the development of competition between all companies and in all sectors of industry, agriculture, and services that participate in international trade.

4 LIBERALIZATION AND FACILITATION OF TRADE IN GOODS

4.1 Customs and tariff policy

4.1. The main objectives of the customs and tariff policy of Russia are to stimulate the inflow of foreign direct investment into the Russian economy, and to cut direct and indirect costs of the international economic activity participants.

4.2. Since the first Russia's Trade Policy Review in the WTO, the average weighted customs import tariff rate has decreased from 5.22% in 2016 to 4.49% in 2020.

4.3. The completion of the implementation of tariff commitments in the WTO contributed to the reduction of the average weighted customs import duty rate. Since 2016, as part of the fulfilment of tariff commitments, import duties have been reduced on more than 2,700 tariff lines, including on dairy products, certain types of vegetables, sunflower oil, alcoholic beverages, fish, clothing, footwear, aluminium and aluminium products, electrical machinery and equipment, cars, furniture.

4.4. Since 1 January 2020, the tariff-rate quota for import of pork meat has been eliminated and replaced with a flat *ad valorem* rate of 25%.

4.5. At the same time, it was not only the WTO commitments that were taken into account when making decisions on the reduction of customs duties. The other factors included the necessity of creating the required conditions for the effective integration of Russia into the world economy, reduction of costs related to the importation of intermediate products and equipment that participate in the value chains on the territory of Russia, and modernization of technological production. Such decisions were taken in the food, metallurgical, pulp, chemical and other industries.

4.2 Improving customs administration

4.6. Russia joined the WTO Trade Facilitation Agreement (TFA) in March 2016.⁵ For Russia, all TFA provisions have been binding from the moment the agreement has entered into force. In March 2019, Russia has submitted to the Committee on Trade Facilitation its transparency notification in accordance with Articles 1.4, 10.4.3, 10.6.2 and 12.2.2 of the TFA.

4.7. During the reporting period, a consistent work has been carried out, taking into consideration the TFA provisions, to simplify customs procedures, reduce the time required for customs operations, eliminate unnecessary barriers in the field of customs regulation with the aim to promote favourable conduct of foreign trade activities, as well as to automate customs operations and reduce the time for the release of goods.

4.8. On 1 January 2018, the Customs Code of the Eurasian Economic Union (CC of the EAEU) came into force. It has changed the approaches to customs regulation in the EAEU and created the basis for the development of customs information technologies for the years to come. It has also established priority of the electronic customs declaration. It has made it possible to carry out customs operations automatically, without the participation of customs officials through the information systems of customs authorities. At the same time, it also provides for a possibility to submit goods' declarations and transit declarations without having to submit to the customs authority documents, which served as the basis for the completion of the respective declarations, which has allowed to shift the "main burden" of customs control from the stage "before the release of goods" to the stage "after the release of goods".

4.9. Since 2018, interaction process between interested parties and customs authorities has completely switched to electronic document management. It covers the delivery of public services, the administration of payment of customs duties and taxes, post clearance audit, appeals of decisions, actions (inaction) of customs authorities)⁶.

4.10. The Customs Code of the EAEU provides for the possibility to use the "single window" system when performing customs operations, including those related to the arrival, departure, and customs declaration of goods, as a legal consolidation of the principle of one-time submission of documents to the controlling authorities during customs operations.

4.11. With the adoption of the Customs Code of the EAEU, the timeframe for the release of goods has been reduced to 4 hours from the moment of registration of the customs declaration provided that the results of the inspection of the customs declaration did not reveal the need to request additional documents, based on which the declaration was completed, or to conduct customs control methods related to the verification of goods.

4.12. During the period under review, there was a fundamental improvement in the institution of Authorized Economic Operators. In particular, the range of special support measures has been expanded. Now the status of Authorized Economic Operators can be obtained by almost all participants in the supply chain of goods (carriers, forwarders, warehouse owners, customs representatives).

⁵ Federal Law of 2 March 2016 No. 38-FZ "On the adoption of the Protocol on Amendments to the Marrakesh Agreement Establishing the WTO."

⁶ Federal Law of 3 August 2018 No. 289-FZ "On customs regulation in the Russian Federation and on amendments to certain legislative acts of the Russian Federation".

4.13. The measures also include priority order of customs operations, storage, and customs operations with goods in the warehouses of an Authorized Economic Operator, release of goods before filing a customs declaration, remote release, participation in experiments, the absence of requirement to provide security when goods are placed under the customs procedure of customs transit, additional verification, customs examination and others. The possibility of applying special simplifications throughout the customs territory of the EAEU is provided for and has laid the foundation for the possibility of mutual recognition of Authorized Economic Operators with the third countries.

4.14. Since 2017, a subject-oriented model of the risk management system has been implemented by the customs authorities of the Russian Federation. It provides the distribution of foreign economic activity participants into the categories of low, medium, and high-risk levels, depending on the likelihood of violation by them of customs legislation together with an appropriate differentiated application of customs control measures in respect of such participants.

4.15. Measures to reduce the time required to perform customs operations and improve the conditions for doing business are also being implemented. The undertaken work has made it possible to ensure a reduction in the time required for undergoing customs clearance procedure of goods that are not identified as risky deliveries, to 1 hour 18 minutes upon their importation and up to 49 minutes upon their exportation.

5 ECONOMIC DIVERSIFICATION, PROMOTING TRADE AND INVESTMENT

5.1. The Russian Federation attaches great importance to the issues of economic diversification, which is being achieved through the implementation of a wide range of measures and policies aimed at improving the business environment and investment climate, developing international trade and economic cooperation, promoting technological modernization, and supporting micro, small and medium enterprises (MSMEs).

5.2. The share of the oil and gas sector in the country's GDP, having reached its maximum level in 2018 - 21.1%, has begun to steadily decline and by 2020 it has dropped to 15.2%.⁷ In 2020 the share of oil and gas revenues in the total federal budget revenues has amounted to 28%⁸ and has decreased by 15% compared with 2016.⁹

5.3. During the period under review, the share of oil and gas export revenues in the total volume of the Russian Federation's foreign trade revenues has demonstrated a declining tendency: in 2020, the share of oil and gas revenues in the total exports has amounted to 49.6%, which is 8.5% less than in 2016. It should be noted that the share of MSMEs in the non-primary exports has demonstrated stable growth, amounting to 17.2% in 2019.

5.4. The State Programme "Development of Foreign Economic Activity" plays an important role in the diversification of the economy and, specifically, exports.¹⁰

5.5. The national project "International Cooperation and Export" is aimed at forming competitive sectors in the manufacturing industry, agriculture, and services sector by reducing administrative procedures and barriers international trade, promoting interaction of international trade entities based on the "single window" principle, as well as facilitating the formation of a common market for goods, services, capital and labor within the EAEU, including through the elimination of barriers and restrictions, as well as the abolition of exemptions in economic cooperation.

⁷ Rosstat data

⁸ Accounts Chamber of the Russian Federation, Operational Report on the implementation of the federal budget and budgets of state extra-budgetary funds of the Russian Federation (January – December 2020). Viewed at: <https://ach.gov.ru/audit/oper-2020>.

⁹ Accounts Chamber of the Russian Federation, Analytical report on the implementation of the federal budget and budgets of state extra-budgetary funds of the Russian Federation (January – December 2018). Viewed at: <https://ach.gov.ru/promo/analytical-report-federal-budget-2018/report.html>.

⁹ State programme "Development of foreign economic activity". Viewed at: <http://government.ru/rugovclassifier/854/events/>.

¹⁰ State programme "Development of foreign economic activity". Viewed at: <http://government.ru/rugovclassifier/854/events/>.

5.6. In 2015, in order to increase the availability and transparency of procedures for obtaining state support for exporters, JSC "Russian Export Center" (part of the VEB.RF Group) (hereinafter - JSC "REC") was established. The most important areas of work of JSC "REC" include the creation of a "Single Window" service, which provides for an online access to government and business services that accompany companies' export, as well as the development of a system of voluntary certification and labelling "Made in Russia", which allows to guarantee the reliability of the manufacturer and the safety of manufactured products to the customer.

5.7. The activities of export support institutions comply with the WTO rules and regulations. The REC Group also specializes on providing information and consulting support to companies that are interested in promoting their products in the world markets. REC JSC assists companies in participating in exhibitions and fairs, promoting Russian brands abroad, searching for foreign partners, including through the organization of business fairs and business missions, supporting the placement and promotion of products of the Russian companies on the international electronic trading platforms, conducting marketing research on the conjuncture of foreign markets, and also carries out educational activities.

5.1 Sectoral policies

5.1.1 Industrial policy

5.8. The main objective of the Russian industrial policy is to form of a high-tech, competitive industry, that would contribute to the diversification of the Russian economy.

5.9. The Federal Law of 31 December 2014 No. 488-FZ "On industrial policy in the Russian Federation" remains the key legislative act that determines the major vector of Russian industrial policy.

5.10. Since 2014 in order to form a competitive sector in the civil industries of the Russian Federation that would ensure the achievement of national development goals, the state programme "Development of Industry and increasing its competitiveness" has been implemented. The main directions of the industrial policy are:

5.11. innovation policy that promotes the establishment of state guidelines and incentives for an innovative development model;

5.12. structural policy that encourages intersectoral and interregional "overflow" of capital with the aim of ensuring financial support for the modification of sectoral and territorial industrial structures in accordance with the goals of industrial policy;

5.13. investment policy that encourages investment in the development of production and production infrastructure.

5.14. According to Rosstat, the industrial production index (IPI) in Russia has been growing up until 2020. In 2018, it was 103.5 as compared to 2017, in 2019 - 103.4, and in 2020 - 97.7. The drop in IPI in 2020 was caused by the COVID-19 the pandemic. At the same time, at the end of 2020 manufacturing production has demonstrated an increase of 0.3% as compared to 2019, while the respective indicator for mining production has demonstrated a decrease, primarily due to the consumption contraction as a result of the quarantine. In January-May 2021 the IPI exceeded the corresponding indicator for the previous year by +3.2 %. At the same time, the analysis of UNIDO data has shown that in terms of the IPI, Russia's manufacturing industry has ranked 5th among 16 countries with a developed manufacturing industry.

5.15. Industrial parks, industrial technopolises and industrial clusters are being developed with the aim of promoting territorial development of Russia's industry. By the end of 2020, 258 industrial parks and 73 industrial technopolises have been created and are now successfully operating.

5.16. In 2021, the Strategy for Combating Illicit Trafficking of Industrial Products until 2025 was approved with a special focus on industries subject to special monitoring. Such industries include chemical, electronic, food and light industries, pharmaceuticals, the automotive industry, children's goods industry, agricultural engineering and folk arts and crafts. As part of the strategy, control over

the turnover of relevant goods is gradually introduced, which contributes with minimal costs to a sharp reduction in illegal, pirated production and trade.

5.17. On 2 March 2021, the reform of the standardization institutes' association was completed through the creation of the Federal State Budgetary Institution "Russian Institute of Standardization" with the aim to introduce a more advanced organizational and legal system to manage and implement state policy in the field of standardization. Moreover, on 15 November 2019, the Government of the Russian Federation has adopted a Roadmap for the development of standardization in the Russian Federation for the period up to 2021.

5.1.2 Agriculture and fisheries

5.18. The agro-industrial complex is one of the key drivers of the Russian export growth in the recent years. Since 2010, its average annual growth rate has exceeded 10%. Over the past ten years, Russia's share in the global food exports has increased more than twice. Among the factors that ensure the steady growth of Russian agri-food exports is its noticeable specialization (cereals, fish and vegetable oils in total provide almost 2/3 of Russian agro-industrial exports). This allows focusing on a gradual improvement of competitiveness.

5.19. In addition to the growth of the quantitative indicators of agricultural production work has been carried out to switch to the high value-added production with better quality products which has contributed to an increase in the marginality of the sector.

5.20. The organic production niche is being developed. In January 2020, the law on organic products came into force, which laid the legal basis for the production and circulation of these products in the Russian Federation.

5.21. The state agrarian policy of the Russian Federation is aimed at ensuring stable socio-economic development of rural areas and increasing agricultural productivity, thus ensuring guarantees for food security. The development of economic activities in the agricultural sector contributes to these objectives.

5.22. The strategic goal of the Russian agricultural policy is to provide citizens of the Russian Federation with available, safe and high-quality, agricultural products, raw materials and foodstuffs in volumes corresponding to the recommended consumption standards. Agricultural domestic support is provided under the State Programme for Agricultural Development and Regulation of Agricultural Products, Raw Materials and Food Markets.

5.23. The Russian Federation seeks to develop domestic support measures with no or minimal trade-distorting effects, including measures aimed at supporting research, training, pest, and disease control, as well as generally available public infrastructure services.

5.24. Methods for preventing the infractions of mandatory safety and quality requirements for agricultural products, raw materials and foodstuffs are constantly being improved at all stages of sectoral production and circulation in the consumer market.

5.25. The Russian Federation uses modern tools for the development of agriculture, primarily associated with the digital transformation of the sector. The Russian Federation carries out extensive work to develop digital services complex that would allow to optimize costs and increase the efficiency of production and management processes.

5.26. Russia's agricultural policy is aimed at ensuring the right balance between growth and development. Special attention is dedicated to addressing social problems related to employment, demography, raising living standards, and developing rural areas. Improving the quality of life of the rural population is ensured through the implementation of measures aimed at creating new small and medium-sized enterprises, improving housing conditions, increasing the availability of social infrastructure facilities, including road construction.

5.27. Fisheries sector plays an important role in maintaining nutrition and food security of the Russian Federation, while ensuring conservation and rational use of aquatic biological resources.

5.28. The strategic policy on the development of the fisheries sector includes extraction and processing of aquatic biological resources, transportation and storage of fish and fish products, aquaculture, artificial reproduction of the aquatic biological resources, wholesale trade in fish and fish products, comprehensive operation and repairing of fishing vessels, scientific and research activities, education and training, promotion and marketing, thereby creating a sustainable cycle of economic activity in the fisheries sector.

5.29. In its fisheries policy, the Russian Federation aims to foster robust and resilient growth, following the principles of ensuring national food security, sustainable use of marine living resources, human resources development and minimization of negative environmental impact. In addition, the Russian Federation pays special attention to the promotion of high value-added vertical chains, advancement of productivity and operational efficiency of production assets, stimulation of the development of technologies and equipment for processing, and preserving fish and fish products, promotion of zero waste, energy-saving and innovative technologies in the course of fishing, processing and transportation of aquatic biological resources.

5.2 Development of trade in services

5.30. The development of the service sector is of great importance for the economic diversification of the Russian economy.

5.31. Russia is in the top 20 countries in terms of foreign trade in services. The services sector accounts for 62% of the added value of GDP. In 2020, the key sectors of exported services were transport services (34.2%), business services (24.6%), telecommunications, computer and information services (12.6%), construction services (10.0%), travel (6.1%). The Purchasing Managers' Index (PMI) indicators have demonstrated a steady post-Covid recovery of economic activity in the services sector in Russia. In September 2020, the PMI has reached 53.7% versus 52% of the global index.

5.32. During the reporting period, there have been many significant changes in the service sector.

5.33. *Stability of the banking sector has increased.* A few recommendations and standards of the Basel Committee on Banking Supervision (BCBS) were integrated into the banking regulation. Transition to the International Financial Reporting Standard (IFRS) has been undertaken. Transition to proportional regulation depending on the type of banking license has made it possible to differentiate capital requirements, reporting forms and mandatory standards, depending on the importance of banks for the stability of the financial market, the scale and complexity of their operations. In 2017, a mechanism for the financial rehabilitation of banks, which provides for the financing of bank rehabilitation by the Bank of Russia, was introduced. The implementation of this mechanism made it possible to minimize the expenditure of state funds allocated for the implementation of measures for the financial rehabilitation of banks and to shorten the timeframes for taking measures to prevent bankruptcy.

5.34. *The level of digitalization has increased.* In 2020, the export of telecommunications, computer and information services has grown by 51% (as compared to 2016). The digitalization of financial services has been realized at an accelerated pace. To transfer financial services into a digital environment and increase their accessibility for consumers, a mechanism for remote identification of an individual client using biometric personal data was introduced. In 2018, in order to implement this mechanism, a digital platform for remote identification of citizens was created - the Unified Biometric System (UBS). Currently, credit organizations as well as other organizations supervised by the Bank of Russia that carry out operations with money or the other property, when providing services to the customers (operations or transaction), have the right to identify a client – a natural person or a representative of a client that is a legal entity empowered to act on behalf of a legal entity and is an individual without a power of attorney – without personal presence by establishing and confirming the reliability of information about them, including through the use of a Single biometric system (subject to a number of conditions). The Faster Payment System (FPS) is an infrastructural project of national significance developed by the Bank of Russia, launched in January 2019. The FPS is aimed at promoting competition, improving the quality of payment services, expanding financial accessibility and reducing the cost of payments for the population. Currently, the FPS has the ability to make transfers between the citizens' accounts, as well as

payments to the legal entities and to the citizens (C2C, C2B and B2C transfers), including through the use of QR codes.

5.35. *The legal foundation for the functioning of marketplaces and online platforms* has been developed, which provides for the online interaction of financial organizations and issuers, on the one hand, and financial services' consumers, on the other, in order to ensure the possibility of financial transactions. For instance, requirements concerning activities of the operators of such financial platforms have been developed. Issues concerning the conclusion of transactions with financial organizations using information technologies have also been settled.

5.36. *Access to the Russian market has been liberalized for branches of foreign insurers.* In accordance with the Russia's WTO commitments, amendments have been made to the Russian federal legislation, according to which, starting from August 22, 2021, commercial presence of foreign insurance organizations through the creation of branches is allowed in the territory of the Russian Federation. At the same time, the established conditions for the admission of foreign insurance organizations are comparable with the respective conditions provided for the Russian organizations.

5.37. *Tourism development.* During the Confederations Cup, as well as the World and European Football Championships, visa-free entry was provided for foreign spectators who had a Fan ID and an entrance ticket to the match. As a result of the introduction of this measure, export of travel services has increased from USD 7.8 billion in 2016 to USD 11.6 billion in 2018. With the aim to increase the number of travels in Russia up to 140 million per year by 2030, a national project "Tourism and hospitality industry" was developed.

5.38. *Recognition of diplomas of foreign organizations.* In 2021, the procedure for selecting foreign educational and scientific organizations, the diplomas of which do not need to be confirmed in Russia, has been simplified. Several bilateral agreements on the mutual recognition of educational documents were signed with several WTO Members, including Hungary, Cambodia, Cyprus, Malta, Nicaragua and the Slovak Republic. The list of international ratings of foreign universities for the automatic recognition of their diplomas in Russia has also been expanded. The requirement for foreign educational and scientific organizations to be included simultaneously in all ratings has been cancelled, and the number of positions in the ratings has been increased from 300 to 500.

5.3 Improving the investment climate

5.39. The main objective of Russia's investment policy is to increase the share of investments creating high added value, including through the inflow of foreign direct investment.

5.40. The main efforts of the Government of the Russian Federation in this area are focused on providing conditions for the expansion of production and investment activity of investors, including medium and small enterprises, by increasing the predictability of the economic environment and creating stable, non-disruptive conditions for doing business, simplifying the conditions for doing business and reducing business costs, reducing the overall level of operational risks in the economy, liberalizing corporate legislation (including through the implementation of corporate law institutions used in foreign jurisdictions), strengthening anti-offshore and harmonizing tax policies with Russia's EAEU partners, reforming control and supervisory activities, further territorial development, as well as increasing the economic potential and investment attractiveness of territories by increasing the availability and quality of infrastructure.

5.41. According to the EY Study "Investment Climate in Russia - Foreign Investors Perception", foreign investors note that regional authorities are making more efforts to improve the investment climate than a few years ago and are improving the business environment to attract investment from foreign companies. Thus, investors "see the potential of the Russian economy and are inclined to increase investment in the coming years".¹¹

5.42. To solve the relevant problems, both at the federal and regional levels, measures are being taken to improve legislation to simplify the conditions for doing business, to reduce administrative barriers, and ensure the required quality of law enforcement practice. As part of the national

¹¹ Ernst & Young, *Investment Climate in Russia: Views of Foreign Investors* (2015), p. 1.

entrepreneurial initiative to improve the investment climate, during the reviewed period a number of roadmaps have been developed: "Improving corporate governance", "Developing competition in economic sectors", "Increasing the availability of energy infrastructure", "Improving the legal regulation of the urban development and the business climate in the construction", "Improving customs administration", "Improving registration services for real estate, title deeds and related transactions".¹²

5.43. In 2018, the Government of the Russian Federation approved *an Action Plan to accelerate the capital investments growth rate of and increase their share in GDP up to 25% for the period from 2018 to 2024*. The plan provides for a set of systemic and sectoral measures. These measures are aimed, inter alia, at the integrated development of infrastructure; at the development of the competitive environment and improvement of the efficiency of companies with state participation; at the reduction of the share of government participation in competitive markets; at the improvement of the efficiency of state-owned companies; at the financial support of investment activity; to ensure a decrease in the level of equilibrium interest rates in the economy; a growth of the corporate loan portfolio and an increase in the number of profitable projects by increasing the household savings rate. A set of regulatory changes in various sectors of the economy has been also established to increase the attractiveness of investments, including in oil and gas and transport industries, in geology and subsoil use, electricity, industry, agriculture, housing construction, heating, water supply and sanitation, as well as in renovation and modernization of public utilities and energy infrastructure.

5.44. The reporting period was marked by several significant changes in investment regulation, including creation of new mechanisms.

5.45. *Business climate transformation*. Simplification of the conditions for doing business is ensured by the mechanism for managing systemic changes in the business environment "Transformation of the Business Climate" (TBC) (see the Section "Ease of Doing Business, Transparency and Public Expertise").

5.46. *Corporate law*. To simplify the procedure for state registration of legal entities and facilitate the incorporation of a limited liability company, Model Articles have been approved, based on which both newly created and existing limited liability companies can operate. Notably, the Model Articles is not required to be submitted to the registering authority.

5.47. The institution of insolvency (bankruptcy) of legal entities is being reformed to make the procedure more understandable and predictable, as well as to ensure a balance of interests of debtors, creditors and the state, to reduce the timescales for conducting bankruptcy proceedings, to speed up the bidding procedure and increase its efficiency by introducing the Dutch auction and advance disclosure of information on the property in the marketplace.

5.48. Since 2020, the procedure for establishing new joint-stock companies has been significantly simplified: registrars have the opportunity to be a single window for JSC, ensuring not only the registration and servicing all corporate procedures, but also registering share issues at the establishment and interacting with the Federal Tax Service on behalf of the company (Federal Law No. 514-FZ of 27 December 2018).

5.49. Federal Law No. 209-FZ of 19 July 2018 "On Amending the Federal Law "On Joint-Stock Companies" was adopted. It is aimed at the increase of Russia's ranking in the Doing Business rating in terms of "Protecting the Rights of Minority Investors". It also provides a legislative framework for the board of directors to oversee the risk management system. Public companies are obliged to form an audit committee of the board of directors and establish a risk management and internal control system.

5.50. On 1 October 2021, the Regulation of the Bank of Russia "On Disclosure of Information by Issuers of Equity Securities" (No. 714-P) comes into force, which optimizes the administrative burden on issuers of securities related to disclosure of information in various forms. At the same time, a number of excessive requirements are excluded, which led to duplication of disclosed information, an increase in the flow of insignificant data, in which information important for making an investment

¹² Viewed at: <http://government.ru/roadmaps/>.

decision is lost. In addition, the requirement to disclose the most important information on a consolidated basis for the issuer's group is introduced and the use of the materiality principle in information disclosure is expanded.

5.51. *Territorial development.* Special Economic Zones (SEZs), territories of advanced socio-economic development and special administrative region are important tools for attracting investment in Russia.

5.52. SEZs are aimed at the creation of the growth points in the regions and attraction of investments in priority sectors of the economy (industry, technology, port activities, tourism). The mechanism consists in the creation of the necessary infrastructure conditions for investors, provision of the federal and regional incentives, including tax preferences. Today, there are 40 SEZs of four types with a broad geography of location (20 SEZs of industrial and production type (IPT); 7 SEZs of technical and innovative type (TIT); 11 SEZs of tourism and recreational type (TRT); 2 SEZs of port type (PSEZ).

5.53. In 2018, special administrative districts were created on Russky island (Primorsky Territory) and Oktyabrsky island (Kaliningrad region).¹³ An international company can become a resident of a special administrative region (SAR) (a company registered in Russia in the order of redomiciliation and operating on the territory of several states, including Russia). At the end of 2020, 39 companies from foreign jurisdictions were established in the SARs.

5.54. Advanced Development Area (ADA) is an economic zone with preferential tax conditions, simplified administrative procedures and other privileges, created to attract investments, to accelerate economic development, and to improve life of the population. ADAs created in single-industry towns allow to create attractive conditions for investors, contributing to the diversification of the economy of single-industry cities and increasing its sustainability. Currently, there are 86 ADAs operating in monotowns.

5.55. *Deoffshorization of the Russian economy.* As part of the "deoffshorization" of the Russian economy to increase its production and innovation potential, the harmonization of anti-offshore and tax policies with Russia's partners in the EAEU continues in order to prevent Russian businesses from using the EAEU member states as intermediaries of offshore financial networks.

5.56. *Investment Protection and Promotion Agreement (IPPA).* In 2020, to create additional mechanisms to protect the interests of the investor and the state, as well as to lay the predictable groundwork for the implementation of large investment projects, a mechanism of agreements on the protection and promotion of capital investments was launched. IPPA is an agreement between business and the state, according to which business, for its part, undertakes to make investments within the framework of the project and implement an investment project on the territory of the Russian Federation, and the state undertakes to ensure the stability of the legal regime for the implementation of such a project. These agreements envisage the possibility to provide investors with a "stabilization clause" for various types of taxes; removal of infrastructural restrictions for the implementation of projects through investors reimbursement. IPPA with the organization implementing the project (OIP) is concluded by application without holding competitive tender. In 2020, 24 IPPAs were signed under new investment projects in the chemical industry, transport, energy, mining and processing of minerals, timber processing, agriculture, healthcare, and other areas.

5.57. *The Foreign Investment Advisory Council in Russia (FIAC).* In order to attract foreign direct investments and to create favourable conditions for doing business in Russia, one of the most reputable business associations, the FIAC, has been working for 26 years. FIAC Members are implementing the major commercial projects in many sectors of the economy. In addition, every year, with the active participation of FIAC, measures are implemented to improve the legal framework and enforcement of rules governing business environment.

¹³ Federal Law No. 290-FZ of 3 August 2018 "On International Companies" and Federal Law No. 291-FZ of 3 August 2018 "On Special Administrative Regions in Kaliningrad Region and Primorsky Krai."

5.4 Innovative development

5.58. By 2020, Russia climbed to 47th place of the WIPO Global Innovation Index. The highest indicators of the index are: the development of higher education (17); trade, competition, and market size (18); information and communication technologies (29); knowledge formation (30); research and development (33); online creativity (44).

5.59. During the period from 2016 to 2020, there was a gradual change in the structure of the Russian economy in the direction of innovative development. The level of innovation of organizations increased to 9.1% in 2019,¹⁴ and the share of products of high-tech and knowledge-intensive industries in GDP increased to 23.4% in 2020.¹⁵

5.60. The industry of information and telecommunication technologies in 2020 became one of the leaders in terms of the dynamics of gross added value with the growth level of 2.8% compared to 2019. The largest contribution to gross added value was made by companies operating in the telecommunications and information technology industries. The indicator of the share of companies and organizations that carry out technological innovations, calculated in accordance with international recommendations on the statistical measurement of innovation, implemented by the OECD jointly with Eurostat (Oslo Manual), increased from 20.2% in 2016 to 21.6% in 2019.¹⁶ The most noticeable technological development (28%) has been observed in the industrial sector (compared with 24.8% in 2016).

5.61. The scientific potential of the Russian economy has been consistently developed: during the reporting period, there was a steady increase in the number of developed advanced production technologies. At the end of 2020, this indicator increased by about 30%, compared to 2016.

5.62. Work is underway to develop innovative scientific and technological centres (the so-called technological valleys) on the territory of which a special legal regime is implemented. By the end of 2020, five such centres have been created, some of them were established at the premises of the largest Russian universities.

5.63. The mechanism of so-called Experimental Legal Regimes in the field of innovation has been introduced by the Federal Law of 31 July 2020 No. 258-FZ "On experimental legal regimes in the field of digital innovation in the Russian Federation". This law launched "Regulatory Sandboxes" in the field of digital innovation. "Regulatory Sandboxes" have been successfully operating since 2020. A special legal environment for testing new products helps to reduce business costs and accelerate the development of promising ideas. "Regulatory Sandboxes" allows to minimize regulatory requirements that delay the development of innovations. Due to the special conditions of the "Regulatory Sandboxes", companies that develop new products and services, as well as government representatives, can test technologies without the risk of violating applicable legislation. Subsequently, if testing has passed successfully, the developers may enter the market with these new products and services. The sphere of "Regulatory Sandboxes" application includes, inter alia, industrial production, electronic sale of goods, works and services, construction, financial market, agriculture. Similar Experimental Legal Regimes were launched to test and implement new technologies, including artificial intelligence, medicine and telecommunications, autonomous vehicles, communications.

5.5 Digital economy

5.64. Since the first Review of Russia's Trade Policy, a large-scale work was carried out to digitize the Russian economy and develop the e-commerce, considering all modern global trends. The significance of this work has increased significantly during the COVID-19 pandemic.

5.65. The importance of the harmonious development of electronic commerce is stressed in the Strategy for the Development of the Information Society in the Russian Federation for 2017-2030, approved by the Decree of the President of the Russian Federation as of 9 May 2017 No. 203. To

¹⁴ The indicator of the innovative activity level of organizations for 2020 will be published in the public domain in September 2021.

¹⁵ According to Rosstat.

¹⁶ Indicator of the share of companies and organizations carrying out technological innovations for 2020 will be published in the public domain in September 2021.

implement the national interests of the state when creating a digital economy, the strategy provides for the use of mechanisms aimed at protecting citizens from counterfeit products, developing legislation to protect competition, implementing equal tax regime to companies, creating a payments and logistics infrastructure for e-commerce, transparency of cross-border payments, ensuring the protection of consumer rights in the information and communication network of Internet.

5.66. The National Programme "Digital Economy of the Russian Federation", approved in 2017¹⁷, formed the basis of the National Programme "Digital Economy of the Russian Federation" which was approved in December 2018. The National Programme shall be implemented by the 2024. The goals of the National Programmes are: to make the Internet accessible to everyone; to cover the largest cities of the Russian Federation with 5G communication networks; to protect the information of citizens, businesses and the Government; to increase the efficiency of the main sectors of the economy; to train personnel to work in the digital environment; to triple the share of costs spent for the development of the digital economy in GDP.

5.67. Effective operation of existing markets and industries in the digital economy is possible, only if digital platforms are well developed, technologies, institutional and infrastructural environments are created and well-functioning. Therefore, the National Programme is being implemented within the framework of 7 national projects: (1) regulatory regulation of the digital environment; (2) information infrastructure; (3) human resources for the digital economy; (4) information security; (5) digital technologies; (6) digital government; (7) artificial intelligence.

5.68. As part of the implementation of the National Programme, the following significant for the digitalization of the economy and trade legal instruments have been adopted:

- The law¹⁸ on "Regulatory Sandboxes" was adopted, establishing the mechanism for the operation of experimental legal regimes, including the procedure for their initiation, implementation, monitoring, determination of results and requirements for participants;
- Russian legislation provides for the definition of digital currency¹⁹. At the same time, payment for goods and services in digital currency is prohibited on the territory of the Russian Federation. In Russia digital currency can be bought, issued, sold, and used in other transactions;
- The ban on the Internet sale of over-the-counter pharmaceuticals has been lifted for licensed pharmacy. Such a measure became especially relevant during the spread of coronavirus infection²⁰;
- IT-companies²¹ are provided with tax reliefs, which was a timely support for these industries amid the pandemic;
- The concept of "digital rights" was introduced. It determined the status of the self-executing contracts ("smart contracts")²²;
- The Concept for the Development of Regulation of Relations in the Field of Artificial Intelligence Technology and Robotics Technology until 2024 was approved.²³

5.69. The ongoing digitalization of economic and trade activities allows Russia to be an active participant in the discussions and negotiations on the settlement of trade aspects of e-commerce, including within the framework of WTO, to promote its best practices in this area and adopt the best practices of foreign partners.

¹⁷ Order of the Government of the Russian Federation dated 28 July 2017 No. 1632-r.

¹⁸ Federal law of 31 July 2020. No. 258-FZ "On experimental legal regimes in the field of digital innovation in the Russian Federation."

¹⁹ Federal Law of 31 July 2020 No. 259-FZ "On digital financial assets, digital currency and on amendments to certain legislative acts of the Russian Federation."

²⁰ Federal Law No. 105-FZ of 3 April 2020 "On Amendments to Article 15.1 of the Federal Law "On Information, Information Technologies and Information Protection" and the Federal Law "On the Circulation of Medicines ".

²¹ Federal Law of 31 July 2020 No. 265-FZ "On Amendments to Part Two of the Tax Code of the Russian Federation".

²² Federal Law of 18 March 2019 No. 34-FZ "On Amendments to Parts One, Two and Article 1124 of Part Three of the Civil Code of the Russian Federation."

²³ Order of the Government of the Russian Federation of 19 August 2020 No. 2129-r.

6 INTELLECTUAL PROPERTY RIGHTS

6.1. Ensuring an effective protection of intellectual property rights that is adequate for the modern time is an important aspect of the Russian policy to promote innovative and technological development. During the reporting period, numerous positive steps were taken in this area, which translated into legislative changes. Certain changes were aimed at ensuring a transition to electronic document management in patent application proceedings and introducing digital technologies – for instance, 3D models are now considered equivalent to descriptions and technical drawings for the purpose of patent applications. Improvements were brought to the outsourcing processes used for patent examinations. Legislative provisions on the legal protection of industrial designs have been strengthened, in particular, through introducing temporary legal protection of industrial designs between the date on which the information about a patent application is published until the date on which the information on granting of the patent is made public.

6.2. Since 2016, there have been several improvements in anti-piracy legislation. The scope of anti-piracy laws was significantly expanded. The obligation to protect the exclusive rights of right holders was extended to a wider list of entities. A mechanism for the removal of information from online search results and for extra-judicial blocking of web-site "mirrors" was implemented. In November 2018, a Memorandum "On cooperation in the field of protection of exclusive rights in the era of evolving digital technologies" was signed. The Memorandum, inter alia, includes an obligation of search engine operators to remove links to illegally posted audio-visual works of copyright holders upon their request. The Federal Law as of 8 June 2020 No. 177-FZ "On Amendments to the Federal Law "On Information, Information Technologies and Information Protection" on restricting access to "pirated "applications came into force in October 2020.

6.3. The Customs Code of the EAEU adopted in 2018 also envisages a few provisions aimed at strengthening measures of customs protection of intellectual property rights.

6.4. As of July 2019, a copyright holder may file an online application with the Federal Custom Service of Russia for the protection of their rights (inclusion of an object of intellectual property in the customs register of intellectual property objects).

6.5. As of 2019²⁴ geographical indications are legally recognized as objects of intellectual property similar to appellations of origin, but with a simpler registration procedure.

6.6. In 2018, the Russian Federation became a party to the Geneva Act of the Hague Agreement Concerning the International Registration of Industrial Designs; The Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled, and, from 2020, the Beijing Treaty on Audio-visual Performances.

6.7. In the reporting period, Russia joined the regional system for the protection of industrial designs based on the Protocol for the Protection of Industrial Designs to the Eurasian Patent Convention of 9 September 1994. The Protocol expands the scope of activities of the Eurasian Patent Organization to include industrial designs.

6.8. Russia became a member of the regional system for the protection of means of individualization based on the Treaty on Trademarks, Service Marks, and Appellations of Origin of the Eurasian Economic Union. The Treaty makes it possible to obtain legal protection of trademarks and appellations of origin in the territory of all EAEU member states on the basis of a single application filed with one of the national patent offices.

7 DEVELOPMENT OF COMPETITION

7.1. In recent years, increasing attention has been devoted to promoting competition as an important tool that enables economic growth. The task of actively supporting the promotion of competition in the Russian Federation is defined as a priority area of policy at all levels of the Russian

²⁴ Federal Law of 26 July 2019 No. 230 FZ "On Amendments to Part 4 of the Civil Code of the Russian Federation".

government by Decree of the President of the Russian Federation of 21 December 2017 No. 618 "On the Main Directions of State Policy for the Promotion of Competition".

7.2. The Decree further defines the core principles of state policy for the promotion of competition: ensuring equal conditions and freedom of economic activity in the territory of the Russian Federation; the inadmissibility of restraining economically justified transition of natural monopoly spheres from the state of natural monopoly to competitive markets; state regulation of prices (tariffs), based on the recovery of costs by organizations carrying out regulated activities, ensuring the reduction of costs and increased efficiency, in the long term interests of the consumer; inadmissibility of state regulation of prices (tariffs) or their maximum level in competitive product markets, with the exception of cases provided by the legislation of the Russian Federation; development of organized (exchange) trade; information transparency of the activities of infrastructure monopolies.

7.3. A National Plan for the Promotion of Competition in the Russian Federation for 2018-2020 (hereinafter - the National Plan), designed to ensure the implementation of the core principles of state policy in this area was approved by Decree No. 618. This plan provided the basis for important legislative initiatives. Currently, work is being finalized on a national plan for the development of competition for 2021-2025, which will include the following main directions:

- Ensuring an efficient and transparent management of state and municipal property;
- Development of small and medium-sized businesses;
- Digitalization of antimonopoly and tariff regulation;
- Deregulation of natural monopolies;
- Unification and systematization of state and municipal preferences for business entities;
- Development of organized (exchange) trade.

8 EASE OF DOING BUSINESS, TRANSPARENCY AND PUBLIC EXPERTISE

8.1. According to the World Bank's composite rating "Ease of Doing Business" in 2020 Russia is ranked 28th among 190 economies in terms of ease of doing business. Russia improved its rating position in comparison with this indicator in 2016.

Table 8.1 Positions of Russia in the *Doing Business* rating, 2012-20

DB 2012	DB 2013	DB 2014	DB 2015	DB 2016	DB 2017	DB 2018	DB 2019	DB 2020
Overall ranking position								
120	112	92	63	51	40	35	31	28

Source: World Bank.

8.2. One of the main priorities of Russian trade and investment policy is to ensure transparent and predictable business environment in Russian market and seek the same reciprocity in the foreign markets.

8.3. An Actual Impact Assessment (AIA) procedure for regulatory legal acts has been in place since 2016. This procedure implies a revision of regulatory acts with limited efficiency vis-à-vis the stated regulatory goals with a view to improving the currently applicable regulations and eliminating unreasonable duties, prohibitions and restrictions applied to business and other economic activities.

8.4. Regulatory Impact Assessment (RIA) is one of the main regulatory policy tools aimed at preventing the introduction of illegal, unreasonable, unenforceable, excessive, irrelevant, conflicting and duplicative requirements, which could translate to potential costs for businesses, including small and medium-sized enterprises. Public consultations with stakeholders, which are an important element of the RIA procedure, allow to identify stakeholders' positions, ensure transparency of the process through which all interests of affected groups are considered, and to ensure that all interests are taken into account. The RIA mechanism is constantly being improved. As such, in 2020, the scope of RIA was expanded.²⁵ Clarifications to the principles, conditions, and competences to introduce mandatory requirements were introduced. In addition, the procedure for drafting legal acts that contain mandatory requirements, and the basis for assessment of their implementation,

²⁵ Federal Law of 1 November 2020 "On mandatory requirements in the Russian Federation" No. 247-FZ.

were clarified. The RIA mechanism is also being improved in the context of ensuring that interests of Russia's regions are fully taken into account.

8.5. A closed regulatory cycle mechanism has been created to ensure the participation of stakeholders in establishing and assessing the application of mandatory requirements. Legislative acts containing mandatory requirements may come into force twice a year – 1 March and 1 September. The term of validity of secondary legislative acts which establish mandatory requirements has been limited (no more than 6 years). A public online portal containing a registry of mandatory requirements was created.

8.6. 2019 saw the introduction of a "regulatory guillotine" mechanism. The mechanism is aimed at a revision and abolition of legislative acts that negatively affect the business climate and regulatory environment. This would ensure a new system of clear and conspicuous requirements for business entities, bring about a significant reduction in the administrative burden on businesses on the one hand, and an increase in the level of consumer safety on the other hand. Since the mechanism was introduced, more than 12.3 thousand legislative acts, which contained mandatory requirements, were replaced 447 legislative acts with updated requirements. All the replacement acts were discussed with stakeholders; they also have gone through legal review as well as the RIA procedure.

8.7. The implementation of the mechanism "Transformation of the Business Climate" (TBC) is being undertaken in order to provide immediate response by the authorities to requests from the business to reduce administrative barriers in business activities. This mechanism is aimed at deregulating business, including eliminating redundant, outdated, and conflicting requirements provided by the legislative acts. A key feature of TBC is the most active involvement of the business community in shaping the reforms agenda. Business is involved in all its stages - from identifying challenges of doing business in various industries, finding ways to address them, to an assessment of the quality of the work of authorities. In 2020, the TBC mechanism was modified, an updated regulatory framework was approved. As part of the implementation of the TBC mechanism the following legal acts were adopted: one Decree of the President of the Russian Federation, 21 federal laws, 28 legislative acts of the Government of the Russian Federation, 56 departmental acts and three decisions of the Eurasian Economic Commission.

8.8. Since the first TPR, the Government of the Russian Federation has adopted many documents, which were aimed at reducing excessive administrative pressure on business and increasing the efficiency of state regulation. The reform of government control and supervision, conducted since December 2016, has led to the development of mechanisms for systematic assessment of mandatory requirements and analysing their efficiency, with a view to further optimization. These mechanisms are being successfully implemented.

9 INCLUSIVE ECONOMY

9.1. Russia actively promotes and applies inclusive approach to ensure that all participants in foreign economic activity receive their fair share of benefits brought about by globalization. Inclusive policies complement Russia's efforts to diversify trade, enabling broader economic growth and maintaining confidence in an open, rules-based trading system.

9.1 Micro, small, and medium-sized enterprises

9.2. Micro, small and medium-sized enterprises (MSMEs) play an important role in the economy of the Russian Federation. By the end of 2020, there were over 5.7 million MSMEs²⁶. They accounted for 20.8% of the country's GDP, 17.2% of non-resource exports, as well as 32.5% of the total employed population or 22.8 million people. About 27% of MSME are managed by female entrepreneurs.

9.3. Under the Federal Law of 24 July 2007 No. 209-FZ "On the Development of Small and Medium-Sized Enterprises", MSMEs are defined as companies that meet the following conditions: (1) the share of foreign or large companies in the authorized capital does not exceed 49% whereas state's share does not exceed 25%; (2) the average number of employees of an enterprise does not exceed: 15 people for micro-, 100 people for small, 250 people for medium-sized enterprises; (3) yearly

²⁶ Viewed at: <https://ofd.nalog.ru>.

revenue of the organization does not exceed: RUB 120 million for micro-, RUB 800 million for small, RUB 2 billion for medium-sized enterprises. A company is no longer considered an MSME only if the maximum values for revenue or number of employees exceed the established thresholds for three consecutive calendar years. At the same time, if the company does not meet the conditions on the employees or revenue, it ceases to be considered an MSME on the next month after the date is included into the Unified Register of MSMEs.

9.4. The regulatory environment is being constantly improved, taking into account the interests of MSMEs, including the reduction of the administrative and regulatory burden on them. All regulatory legal acts undergo an examination as to their potential impact on the MSMEs.

9.5. In Russia, the MSMEs are given the practical opportunity to contribute to the process of developing norms, including through providing comments on new or revised legislation and regulations. A working group has been created under the presidium of the Government Commission for the Development of Small and Medium-Sized Enterprises. The membership of the group is extended to various public groups and organizations active in the MSME context, including the Chamber of Commerce and Industry of the Russian Federation, the all-Russian public organizations "Opora Russia" and "Business Russia". Within the group, society organizations monitor on an ongoing basis the views of the business community and make proposals for adjusting regulatory framework in accordance with the position expressed by the majority of the surveyed MSMEs.

9.6. As part of the business environment simplification efforts, MSMEs make active use of the "Transformation of the business climate" mechanism.

9.7. In accordance with the national project "Small and Medium-sized Entrepreneurship and Support for Individual Entrepreneurship Initiative", a "Digital MSME Platform" is being developed in order to support MSMEs in complying with new regulatory and legislative requirements. The platform consolidates information on all support measures for MSMEs and allows them to identify applicable programmes and receive such support remotely.

9.2 Promoting women's entrepreneurship

9.8. The Russian Federation is committed to the principle of gender equality, which is facilitated by various policy instruments, including trade policy.

9.9. Russia supported the adoption of the WTO Joint Declaration on Trade and Women's Economic Empowerment signed at the Eleventh WTO Ministerial Conference in Buenos Aires, Argentina, in 2017. Since 2021 Russia has been a member of the WTO Informal Working Group on Trade and Gender.

9.10. Significant progress in promoting women empowerment has been achieved through the implementation of the 2017-2022 National Strategy for Action for Women.²⁷

9.11. Over the past 5 years, a number of measures have been taken in this area. The number of professions in which female labour is prohibited has been reduced by 4 times. Support for women-led MSMEs and women's entrepreneurship was strengthened. Increased competitiveness of women in the labour market was ensured through the organization of vocational training for women on parental leave. A gradual increase in wages was introduced in the public sectors of the economy, in which women are predominantly employed (for example, in education, science, health care, culture and social protection). Measures were introduced to create favourable conditions for combining work with family responsibilities such as the bringing up of children, including those with disabilities and children with health limitations. Regulations applicable to remote (distance) work were improved.

9.12. Multilateral international projects and initiatives aimed at promoting women's contribution to international trade complement the relevant domestic policies. Among the largest initiatives are the APEC BEST AWARD (Business Efficiency and Success Target) contest, which has been held annually by Russia in the framework of APEC since 2016, and the BRICS Women Business Alliance, created in 2020.

²⁷ Order No. 410-r of 8 March 2017 of the Government of the Russian Federation.

9.3 Remote territories

9.13. Russia attaches great importance to the development of regions, rural and remote areas. In 2019, the Spatial Development Strategy of the Russian Federation until 2025 was approved.²⁸ The goal of the Strategy is to ensure sustainable and balanced development of the constituent entities of the Russian Federation, aiming to reduce the interregional differentials in the quality of living, accelerate economic growth and technological development. For these purposes, territories with special conditions for conducting business are being developed and incentives aimed at the balanced development of regions are implemented.

9.14. Digital technologies contribute to the accelerated development of remote areas. Russia ranks 36th in the UN E-government Development Index (2020). Russia's relatively high rankings in this and other indices for the e-government development are due to the successful operation of the Unified System of Identification and Authentication (USIA). Quick access to a wide range of digital services (obtaining permits, registering organizations, etc.) is an advantage from the point of view of foreign investors who decide to start or expand a business in Russia. These advances greatly simplify doing business for economic operators, including those active in the Russian regions. The best Russian practices and technological solutions in this area are actively promoted at the international level, including the SCO and APEC.

10 SUSTAINABLE DEVELOPMENT

10.1 Agenda 2030

10.1. Full-scale work is underway to implement the 2030 Agenda for Sustainable Development (hereinafter - the 2030 Agenda). All the SDGs are reflected in the main strategic and programme documents adopted in Russia. In 2020, at the UN High Level Political Forum on Sustainable Development, Russia presented the Voluntary National Review of Russia's achievement of the SDGs. In 2020, the Expert Council on Sustainable Development was created, consisting of representatives of both the public and private sectors. The council discusses social and environmental aspects of doing business, as well as the contribution of the private sector to the achievement of the UN SDGs.

10.2. The implementation of the SDGs in the Russian Federation strictly adheres to the principle of balancing all three economic, social and environmental components of sustainable development. Russia strongly believes that the implementation of one SDG should not impede the realization of other SDGs.

10.3. Russia is convinced that trade policy, can also contribute to the implementation of the SDGs and, in confirmation of this, advocates for the early completion of negotiations on fisheries subsidies on conditions acceptable to all WTO Members.

10.2 Trade and environmental protection

10.4. Russia is committed to the multilateral approach in solving the problem of global warming and strongly supports international efforts in this direction; Russia is also developing its own climate legislation in full compliance with international environmental agreements and WTO rules.

10.5. The stance that the UNFCCC is the main platform for the development of new universal climate regulations lies at the core of the Russian Federation's policy. At the same time, trade policy and the WTO can and should contribute to these efforts, with the obligatory compliance to agreements under the UNFCCC including the Paris Agreement. Russia is convinced that the measures taken by the WTO Members, including unilateral ones, should not restrict trade, impede economic recovery after the pandemic and destabilize global markets.

10.6. Russia supports efforts to reduce global greenhouse gas emissions. At the same time, in accordance with the fundamental principles of the UNFCCC and the Paris Agreement, each country has the right to independently choose the optimal model for the "green" transformation of the economy and production processes, as well as the pace, mechanisms and tools for achieving the climate goals. Russia advocates for the use of a wide range of measures to reduce emissions and

²⁸ Order No. 207-r of 13 February 2019 of the Government of the Russian Federation.

reduce anthropogenic impact on the climate, such as increasing energy efficiency and energy saving measures, improvement of production processes, developing energy with low greenhouse gas emissions including renewable energy sources, increasing the efficiency of using ecosystems (including increasing their absorptive capacity), introducing new clean technologies, as well as the introduction of technologies for carbon capture, storage and removal from the atmosphere.

10.7. To this end, in August 2021, hydrogen energy development strategy was adopted. According to this strategy, the export potential of the Russian hydrogen is estimated to be 15-15.5 million tons by 2050. In August 2021, framework for the development of electric transport was also adopted. According to this framework, by 2030 Russia would be producing 217 thousand electric vehicles per year. The development of the appropriate charging and the other relevant infrastructure is also envisaged.

10.8. Formation of carbon regulation is considered to be an important area of work within the framework of achieving low-carbon development. In this regard, the Federal Law of 2 July 2021 No. 296-FZ "On limiting greenhouse gas emissions" was adopted. This regulatory act has introduced a requirement for the economic entities to provide mandatory reporting in the case of the annual gross emissions exceeding 150 thousand tons of CO₂ e.q., up until 2025, and 50 thousand tons of CO₂ e.q., starting from 2025. In addition, a basis for the implementation of voluntary climate projects and the respective circulation of carbon credits issued based on the results of such projects, is also being created.

10.9. A draft federal law "On the establishment of the experimental special regulation on emissions and absorption in certain Subjects of the Russian Federation" is currently awaiting approval from the Government of the Russian Federation. The Sakhalin Region will be the first region to conduct this experiment. The experiment provides for the greenhouse gas emission quotas at the enterprise level. The goal is to achieve carbon neutrality in the region by the end of 2025.

10.10. The formation of carbon regulation is considered to be an important area of work for achieving low-carbon development. Therefore, the Federal Law of 2 July 2021 No. 296-FZ "On limiting greenhouse gas emissions" was adopted. This regulatory act introduces requirements for economic entities to provide mandatory reporting in the case of annual gross emissions exceeding 150 thousand tons of CO₂ e.g., until 2025 and 50 thousand tons of CO₂ e.g., from 2025. A base for the implementation of voluntary climate projects and the circulation of carbon credits issued based on their results is also being created.

10.11. The first region to conduct the experiment will be the Sakhalin Region. The experiment provides for quotas of greenhouse gas emissions at the enterprise level. The goal is to achieve carbon neutrality in the region by the end of 2025.

10.3 Trade and development

10.12. Russia remains engaged in the WTO discussions on trade and development and pays special attention to promoting inclusive growth and development. Russia believes that an effective WTO that meets modern realities can contribute to the economic prosperity for all WTO Members, particularly for developing and least developed countries, by enhancing predictability in the multilateral trading system through the strengthening of international rules.

10.13. Russia supports international development, including through trade in a variety of ways, including by various assistance programmes and projects within the framework of a number of international organizations. Numerous projects are being implemented, including through the Russia-UNDP Trust Fund for Development, UNECE, ESCAP.

10.14. The EAEU grants tariff preferences for goods originating from developing countries and LDCs in order to facilitate their economic development.²⁹

10.15. Russia also supports the efforts of the countries acceding the WTO, especially the LDCs, Russia considers the WTO membership as an important factor contributing to an effective integration

²⁹ The list of countries is provided for by the Decision of the EEC Council dated 27 May 2020 No. 50 "On Amendments to the Decision of the Customs Union Commission dated 27 November 2009 No. 130.

of a country into the international trading system. In 2019, the 8th "China's Round Table" on WTO accessions was held in Moscow. The event's agenda was focused on the WTO reform.

10.16. Another area of assistance to international development is the implementation of agreements on the use of foreign debts to the Russian Federation for the purpose of financing development projects.

10.17. Russia interacts closely with the structures of the World Bank on the issues of international development assistance. Since 2016, more than USD 174.5 million has been transferred to the International Development Association (IDA). Over the entire period of membership in the World Bank Group, Russia has contributed about USD 272.65 million to 26 trust funds managed by the World Bank.

11 RUSSIA IN THE WTO

11.1 Supporting multilateral trading system

11.1. Russia is committed to an open, non-discriminatory, and transparent multilateral trading system with the WTO at its core. Russia joined numerous statements and declarations, including at the ministerial level, which reflect this commitment. Russia regards the WTO as a unique forum that has no alternatives which serves as the platform for the development of multilateral international rules, common for all participants in the world trade.

11.2. At the same time, current lack of WTO's capacity to respond effectively and promptly to modern-day challenges, as well as a number of systemic and operational gaps in the work of the organization restrain the evolution of the multilateral trading system. The 12th WTO Ministerial Conference (MC-12) will be key to the recovery of the WTO, both in terms of a high potential for tangible deliverables, including the development of new rules, as well as in outlining areas of further work under the WTO reform process. To facilitate the success at MC-12, the Russian Federation has circulated a communication with proposals on the MC-12 outcome package³⁰.

11.2 WTO reform

11.3. Russia stands for a reform aimed at preserving the WTO's authoritative role as an efficient universal platform for maintaining existing and developing new international trade rules, as well as ensuring Members' fulfilment of their multilateral commitments. The reform should focus on improvements of the negotiating, monitoring and dispute settlement functions of the Organisation. In addition, the reform should bring about certain institutional improvements (for example, work of the regular WTO bodies should be optimized). The Russian Federation is actively engaged with other Members on issues related to WTO reform. Russia supports the establishment of a Working Group on WTO Reform, which could act as a key platform for discussing the issues relevant for WTO reform in an open, transparent, and inclusive manner. The Working Group should aim to achieve multilateral outcomes, including by drawing up a "2030 Vision for the WTO" by the next Ministerial Conference.

11.4. An issue of great priority for Russia is the restoration of a fully-operational dispute settlement system, in particular, through the re-instatement of the Appellate Body. Russia stands open and ready for substantive discussions with all WTO Members with a view to improving the dispute settlement system, including by addressing Members' existing concerns about certain adjudicative approaches and specific rulings, while preserving the essential features of a two-stage adjudication process, and the principle of "negative" consensus. In Russia's view, such discussions should take due account of the outcomes of negotiations on the improvement of dispute settlement procedures conducted within the special sessions of the DSB.

11.5. One of the priorities of the Russian Federation is to ensure a transparent and predictable environment for economic operators. In this regard, Russia supports efforts to improve the WTO's role in monitoring the fulfilment of commitments by Members, including through strengthening notification disciplines. Russia is also promoting an initiative aimed at improving WTO rules in terms of provision of information on changes in applied tariff rates – this initiative can contribute to increasing transparency and predictability in respect of changes introduced to current customs and

³⁰ WTO document, JOB/GC/261, 22 June 2021.

tariff regimes³¹. Its purpose is to provide early access to reliable and promptly published information on changes in the rates of tariffs applied by WTO Members.

11.3 WTO negotiations

11.6. In Russia's view, the WTO legal framework should be adapted to the modern-day challenges and realities in international trade.

11.7. Russia participates in negotiations on fisheries subsidies disciplines on the basis of the mandate contained in SDG 14.6. Russia is committed to an early conclusion of these negotiations, with a view to prohibiting harmful fisheries subsidies while ensuring sustainable economic development of WTO Members' fisheries sectors.

11.8. Russia considers it important to advance negotiations on agricultural issues. Russia has circulated a number of initiatives in this regard. Within the framework of negotiations on market access in agriculture, Russia supports the initiative aimed at increasing the transparency of application of tariff quotas. It aims to improve exporters' awareness about export opportunities in sectors where tariff quotas are applied throughout the entire period of their validity. Russia also supports negotiation initiatives related to the elimination of special safeguard measures in agriculture.

11.9. Russia actively participates in the negotiations within the framework of the Joint Statements Initiatives launched at the 11th WTO Ministerial Conference. At the same time, Russia supports a "flexible multilateralism" approach, which implies that plurilateral arrangements applied on a MFN basis can be conducive to the development of multilateral rules, thereby serving as an efficient tool for improving the legal framework of the WTO.

11.10. At MC-11, Russia was one of the proponents for launching WTO negotiations on e-commerce. In 2019, Russia became one of the signatories to the Davos Joint Ministerial Statement on E-commerce and the Osaka Declaration on Digital Economy. Russia stands for the establishment of a system of multilateral rules in this important area, with special attention being devoted to developing rules aimed at protecting consumer rights and personal data, ensuring non-discriminatory conditions for the participation of Russian economic operators, in particular MSMEs, in e-commerce, simplifying customs and trade procedures, improving access to open government data, as well as ensuring information security on the Internet. The Russian Federation favours the expansion of the number of participants in these WTO negotiations.

11.11. The Russian Federation takes an active part in negotiations on disciplines on domestic regulation in services. Russia believes that the adoption of disciplines in this area will help service providers make full use of their market access rights as guaranteed by respective specific commitments of WTO Members. New disciplines could help ensure a transparent operating environment for companies, improve the business and investment climate, and refine the quality of national regulatory systems applied to various service sectors.

11.12. Russia fully supports the progress in Structured Discussions on Investment Facilitation for Development. Russia was one of the Members who led the launch of this negotiation track and circulated a number of proposals shaping future potential rules.³² Russia believes that agreeing on rules in this area will facilitate the establishment of a stable, transparent and predictable environment for investment activities in the WTO Member economies for both foreign and national investors.

11.13. The Russian Federation was one of the signatories of the MC-11 Joint Ministerial Statement on MSMEs. Russia takes an active part in the work of the Informal Group on MSMEs and considers it important to advance further WTO work with a view to minimizing barriers that hinder a successful integration of MSMEs into international trade. Russia pays special attention to issues of transparency and ensuring that the interests of MSMEs are taken into account in the rule-making process. Thus, Russia authored one of the six recommendations approved in December 2020, which aimed at

³¹ WTO documents JOB/AG/154, RD/AG/70, RD/AG/ 72, JOB/MA/138 and JOB/AG/154, 20 March 2019, RD/AG/70, 27 May 2019; RD/MA/45, 3 June 2019; RD/MA/49, 3 June 2019; JOB/AG/186; JOB/MA/145, 5 June 2020.

³² WTO document, JOB/GC/120, 31 March 2017.

promoting MSMEs' inclusion in developing regulations, including through MSME-focused impact assessment and providing those enterprises with more opportunities to comment and consult on prospective measures.

11.14. Russia supported the Buenos Aires Joint Declaration on Trade and Women's Economic Empowerment in 2017, and is one of the participants of the WTO Informal Working Group on Gender.

12 REGIONAL AND BILATERAL INTERACTION

12.1 Eurasian Economic Union

12.1. Eurasian economic integration is actively developing. Many important steps were made since the time the Customs Union was formed: the EAEU Treaty codified and furthered CU disciplines, an EAEU Common Customs Tariff (CCT) came into effect; institutions such as the Eurasian Economic Commission, the Court of the EAEU, the Eurasian Development Bank, and the Eurasian Fund for Stabilization and Development reached full operational capacity. The EAEU is actively engaged in working on a Union-wide digital agenda.

12.2. Active work is being carried out aimed at the formation of EAEU common markets in various economic sectors. A single market for most goods is currently in place. During the reporting period, work in this regard focused on completing the common markets for medicines and medical devices, as well as common energy markets (in electricity, natural gas, oil and oil products). A common labour market and a common financial market are in the process of formation. High on the list of priorities in services are the transport and financial services markets. The creation of a single financial regulatory authority is envisaged for 2025.

12.3. EAEU Heads of State approved the Strategic Directions for Developing Eurasian Economic Integration until 2025 at the meeting of the Supreme Eurasian Economic Council held in December 2020. The document is by and large a roadmap that defines around 330 measures and mechanisms aimed to take integration forward, strengthen the position of Member States in the global economy and ensure steady economic growth. The document lays down measures to be taken to achieve the completion of the common markets for goods, services, capital, and labour, ensure the improvement of the regulatory framework for cooperation, development of the Union's institutions, provide for digital traceability of the movement of goods, strengthen the Union's global position. A significant number of provisions are aimed at improving customs regulation and administration, forming a common digital space within the EAEU, developing common approaches to protecting consumer rights, improving the quality and safety of goods that enter the Eurasian market.

12.4. During the reporting period, the EAEU regulatory framework for foreign economic activity has improved. As such, on January 1, 2018, the Customs Code of the Eurasian Economic Union (Customs Code of the EAEU) came into force. In March 2019, The EEC Council approved a draft Agreement on the Procedure and Conditions for the Elimination of Technical Barriers in Mutual Trade with Third Countries in order to approximate regulatory convergence with third countries and to provide a mechanism for mutual recognition of the results of conformity assessment procedures³³.

12.5. The geography of the Union is expanding. The EAEU has granted observer status to Moldova in 2018, and to Uzbekistan and Cuba in 2020.

12.6. In 2018, a factual presentation of the Treaty on the EAEU was made at the meeting of the WTO Committee on Regional Trade Agreements. Based on the results of this review, it was recognized by default that the EAEU was created in accordance with applicable WTO rules, namely the provisions of Article XXIV of the General Agreement on Tariffs and Trade of 1994.

³³ The agreement applies only to goods in respect of which the technical regulations of the EAEU apply. After the agreement enters into force, mutual recognition at EAEU level will become possible. The agreement will enter into force upon completion of domestic procedures by all EAEU member states. Russia completed the relevant procedures in August 2019.

12.2 Free trade agreements

12.7. On 5 October 2016, the Free Trade Agreement between the Eurasian Economic Union and its Member States, of the one part, and the Socialist Republic of Viet Nam, of the other part, entered into force. The FTA covers the liberalization of trade in goods for about 88% of mutual trade between Russia and Viet Nam.

12.8. On 27 October 2019, the Interim Agreement Leading to the Formation of a Free Trade Zone between the Eurasian Economic Union and its Member States, of the one part, and the Islamic Republic of Iran, of the other part, entered into force. The agreement provides for trade liberalization in relation to a limited range of goods: 502 HS codes from the EAEU side and 360 HS codes from Iran's side (4% and 5% of the commodity nomenclature, respectively). In accordance with the provisions of the interim agreement, the parties shall, no later than one year from the date of its entry into force, begin negotiations with a view to concluding a free trade agreement, under which duties and other restrictive trade regulation measures shall be eliminated with respect to substantially all the trade between the Parties. Relevant negotiations are currently underway.

12.9. On 10 July 2021, the Free Trade Agreement between the Eurasian Economic Union and its Member States, of the one part, and the Republic of Serbia, of the other part, entered into force. The purpose of the FTA is to unify the trade regime of the EAEU Member States with Serbia. Before its conclusion, Russia, Kazakhstan, and Belarus had bilateral free trade agreements with Serbia, but the coverage of these agreements differed. Armenia and the Kyrgyz Republic did not have free trade agreements with Serbia. The new Agreement establishes a single free trade regime with Serbia for the entire Eurasian Economic Union.

12.10. The FTA between the Eurasian Economic Union and its Member States with the Republic of Singapore was signed, but has not yet entered into force. Domestic procedures necessary for its entry into force are currently underway.

12.11. The Russian Federation within the EAEU is conducting negotiations on FTA with the Arab Republic of Egypt and negotiations on FTA with the State of Israel. Feasibilities Studies Groups have been launched with Mongolia and with Indonesia.

12.3 Investment agreements

12.12. The Russian Federation is seeking to attract foreign investment into the economy, to create conditions for the growth of national and foreign investment. In 2016 such a bilateral agreement on the encouragement and mutual protection of investment was signed with Morocco, in 2017 a similar agreement with Palestine entered into force.

12.13. Up to the present time Russia has signed 82 investment agreements, 65 of which entered into force.

12.14. Since 2016, investment treaty negotiations conducted by Russia have been guided by common approaches to adopted in the Order of the Government of the Russian Federation of 30 September 2016 No. 992. These common approaches (in contrast to the previously existing standard model) allow to adapt investment negotiations to the needs of economic operators in particular markets.

12.4 International economic cooperation in other fora

12.15. Outside the WTO, Russia consistently voices its support for the rules-based multilateral trading system with the WTO rules at its core, through various multilateral fora. Against the background of growing of protectionism, including in the form of unilateral trade restrictions, Russia welcomes the statements consolidating the political will to curb this trend, namely within the G20, APEC, BRICS, the SCO and other relevant fora.

12.4.1 The Group of Twenty (G20)

12.16. Russia fully supports the G20's work to strengthen the transparent, open, and non-discriminatory global trading system, as well as to combat protectionism, including in the form of

unilateral trade restrictions. Russia is an active participant of the G20 Working Group on Trade and Investment, aimed at strengthening consensus on relevant issues of particular importance for the global trade agenda, including the WTO reform.

12.4.2 APEC

12.17. Russia is committed to APEC's mission of building a free and open trade and investment environment in the Asia-Pacific region. Russia has contributed to reaching APEC's Bogor Goals, including through reducing tariff rates, simplifying trade and customs procedures, and modernizing legislation on competition and intellectual property rights. Russia also took active part in updating these goals through the development of the Putrajaya Development Guidelines until 2040, approved by APEC Leaders in 2020.

12.18. During Russia's 2012 APEC presidency, more than 60 Russian proposal aimed at trade and investment liberalization, support for innovative growth, and strengthening food and energy security were approved. In recent years, Russia's agenda in APEC has expanded to include the tasks of improving transparency, increasing the sustainability and efficiency of global value chains, supporting MSMEs, developing the digital economy, as well as eliminating socio-economic imbalances, including uneven development of remote and rural areas. Russia also promotes its own initiatives in APEC, including those aimed at enhancing trade policy transparency, in particular, tariff policy, seeking to increase the predictability and transparency of the trading environment for economic operators.

12.19. Russia attaches great importance to APEC's contribution to supporting and developing the multilateral trading system, including by facilitating discussions on items in the WTO negotiating agenda. Russia welcomes APEC's efforts to strengthen dialogue and sharing of experience and best practices in areas that correlate with WTO negotiations, primarily, on e-commerce, investment facilitation, and domestic regulation in services. In 2020, Russia held an APEC workshop on issues of protection of intellectual property rights in digital content trade. The results of this workshop may contribute to WTO's further work on e-commerce.

12.4.3 BRICS

12.20. Since 2006, Russia has been a member of the BRICS, which serves as a forum to discuss various issues, including those relating to of the trade and economic policy. Among the core tasks of the BRICS trade and economic agenda are the support of the multilateral trading system, curbing the growth of protectionism, and strengthening consensus on the WTO negotiating agenda.

12.21. In 2020, the year of Russia's BRICS presidency, arrangements were reached that have the potential to contribute to the strengthening and development of the rules-based multilateral trading system with the WTO at its core. A Joint Statement on Supporting the Multilateral Trading System and WTO Reform was adopted, reflecting the common views of the BRICS Members on such important issues as curbing protectionism and unilateral trade restrictions, including sanctions; counteraction to the erosion of the role of the WTO as the foundation of MTS; support for the election of a new WTO Director General; as well as key areas of WTO reform, including restoring the smooth operation of the WTO Appellate Body. BRICS Guidelines for promoting Effective Participation of MSMEs in International Trade, as well as the BRICS Understanding on Investment Facilitation were adopted. At the XII BRICS Leaders' Summit (November 2020), the BRICS Economic Partnership Strategy until 2025 was approved. It sets out the key areas of interaction within the BRICS for the next five years in trade, investment and finance, digital economy, and sustainable development. The strategy attaches due attention to WTO issues.

12.4.4 Miscellaneous

12.22. Russia also takes an active part in discussing issues of the trade policy agenda at the **Shanghai Cooperation Organization (SCO)**, having held chairmanship in 2019-2020. The key policy documents on the SCO economic policy track are the 2019 Programme of Multilateral Trade and Economic Cooperation of the SCO Member States until 2035 and the Action Plan for 2021-2025 for the Programme's implementation. These documents, among others, reflect co-ordinated approaches to important issues on the global trade policy agenda, including the support for the

multilateral trading system, strengthening the WTO and combatting protectionism. In 2020, the Ministerial Declaration on Supporting the Multilateral Trading System was adopted.

12.23. Cooperation with ASEAN has progressed significantly. In 2018, the Leaders of ASEAN and Russia officially announced the **ASEAN-Russia Strategic Partnership**. In 2017, the ASEAN-Russia Trade and Investment Cooperation Roadmap and the Work Programme for its implementation were adopted. In 2018, cooperation was launched between the EAEU and ASEAN. The EAEU-ASEAN Cooperation Programme for 2020-2025 was adopted in August 2020 with a purpose to intensify interaction, improve business climate, create mechanisms for direct dialogue between the EAEU and the ASEAN business associations, as well as enhance coordination on other relevant international platforms. Russia is also actively involved in the **East Asia Summits (EAS)**.

12.24. Russia advocates strengthening the work of the **UNCTAD** on the entire range of international trade agenda, including on urgent challenges of growing protectionism in the form of tariff and non-tariff barriers, escalation of trade conflicts, politicization of international trade. Such issues on the UNCTAD agenda as trade for development, investment, competition and consumer protection, e-commerce and the digital economy are also of high importance for the Russian Federation. In 2019, at the suggestion of the Russian Federation, a Regional Group of the EAEU Member States ("EAEU Group") was created. In October 2020 Russian initiative on the establishment of international cooperation between national competition authorities was adopted by UNCTAD Members.

12.25. In 2014, the negotiation process on Russia's accession to the **OECD**, which began in 2007, was blocked. At the same time, Russia continues to participate in the organization's work. Efforts are underway to harmonize Russian legislation with OECD standards, including the adoption in December 2020 of two new legal acts on regulatory policy. Russia is actively working on introducing standards for responsible business conduct (RBC) into the business practice of companies.

12.26. As part of the work to ensure a full consideration of interests of the Russian agro-industrial complex, Russia also actively participates in the activities of such international commodity organizations as the International Coffee Organization (ICO), the International Cocoa Organization (ICCO), the International Sugar Organization (ISO), the International Grains Council (IGC), International Organization of Viticulture and Winemaking (IOVW), General Fund of Commodities (GFC) and International Cotton Advisory Committee (ICAC). Within the IGC, the Food Assistance Committee (FAC) is operating separately.

13 FURTHER STEPS

13.1. One of the key global tasks now is to prevent the deepening of the crisis situation in international trade that could be brought about by further unjustified restrictions, barriers, and unilateral actions. Ensuring that task is completed is inconceivable without a WTO that functions smoothly and efficiently. Russia will continue working with WTO Members to improve the effectiveness of the negotiation, monitoring and dispute settlement functions, including by taking an active part in the WTO reform process. Russia will closely cooperate with WTO Members and make every possible effort on its part to ensure the success of MC-12.

13.2. Russia will continue to support the multilateral trading system based on WTO rules and - together with other WTO Members - to curb the growth of protectionism globally.

13.3. In a broader context, Russia will continue its efforts to enhance favourable conditions for Russian economic operators in foreign markets as well as for foreign partners in the Russian market. An efficient WTO fit for the modern time is vital for the success of these efforts. Work will continue to improve the investment climate, increase the transparency and predictability of the business environment in Russia, and reduce the costs incurred by economic operators, including MSMEs.
