

RUSSIA'S STATEMENTS
COUNCIL FOR TRADE IN GOODS

April 3 – 4, 2023

3. MEMBERS' NON-RESPONSIVENESS TO QUESTIONS POSED BY OTHER MEMBERS – REQUEST FROM THE UNITED STATES (SEE ANNEX 1)

We are glad that the issue of unanswered questions was raised in the CTG. We share the view that transparency is of utmost importance to the organization. It is detrimental for the WTO if questions including the ones that were asked in writing remain unanswered. Specific examples of non-responsiveness involve the following. The US did not respond to Russia's written questions submitted in the Committee on agriculture in October 2022 and March 2023 regarding import duties in excess of the bound rates and restrictions on agricultural and agriculture related services. Similarly, no answers were provided to Russia's questions raised in October 2022 in the Committee on subsidies and countervailing measures on the semi-annual report of the United States as well as on recent discriminatory subsidies policies and measures of the United States. Not to mention 330 timely submitted questions that the US left unanswered during its TPR held in December 2022.

The list of developed WTO Members that do not respond to questions from WTO Members is not limited to the US.

During the SPS Committee meeting of November 2022, Japan did not respond to Russia on the issue of approval procedures for poultry products. 44 advance written questions were left unanswered by Japan during its TPR held in March 2023.

Written questions to the EU dated October 8, 2021 circulated in documents G/MA/W/172 and G/C/W/800 on Carbon Border Adjustment Mechanism also remain unanswered. Moreover, questions posed to the EU during the Committee on Market Access meeting in March and October 2022 on the same topic as well as in the Committee on TBT on the elements of Green Deal were left unaddressed.

Australia, Canada, European Union, Iceland, New Zealand, Norway, United Kingdom, United States consistently ignore awkward written questions in the Committee on agriculture regarding their unilateral measures that affect trade in agriculture.

These are some of the recent instances of members' non-responsiveness to questions posed by other members. We are of the view that in the field of transparency the US as well as other mentioned in my intervention WTO members has to lead by example by responding

to questions posed by other delegations, including Russia.

15. UNITED STATES – TRADE DISTORTING AND DISCRIMINATORY SUBSIDIES MEASURES OF THE INFLATION REDUCTION ACT OF 2022 – REQUEST FROM CHINA

The Russian Federation would like to thank the delegation of China for raising this concern.

In August 2022, the United States enacted the so-called Inflation Reduction Act (IRA). According to the estimates of the US Congress, IRA implies domestic economy support worth over 369 billion USD during the next ten years.

IRA contains various tax incentive programs for domestic manufacturers and energy suppliers. Specifically, pursuant to this Act, the 7500 USD tax credit for an electric vehicle is stipulated by the following conditions:

- electric vehicle has to be assembled in North America;
- components for a vehicle battery shall originate in the United States, Canada, or Mexico;
- and so-called «critical» raw materials used for manufacturing of a vehicle battery shall originate in North America and the territory of US FTA partners.

Besides, IRA provides additional support for the use of renewable energy facilities with the use of US-made iron and steel.

Obviously, these measures discriminate a wide range of products originating from non-eligible WTO Members and undermine global trade in goods over the entire supply chain. The law aims to exclude products from certain WTO members from participation in supply chains, provoke international trade fragmentation as well as destabilize trade and investment flows.

What makes the law even worse is that in order to administratively choose whom to trade with US Administration aims to conclude bilateral arrangements in a form of special raw materials pacts with a number of WTO Members that would provide to such members status of FTA partner and make products from such members eligible for US tax credits.

IRA is yet another US initiative explicitly violating WTO rules, in particular, Most Favoured Nation Treatment and National Treatment, provisions of the Agreement of Trade-Related Investment Measures and the Agreement on Subsidies and Countervailing Measures. Members taking such steps merely neglect fundamental principles of the WTO despite the words in favour of preserving the multilateral system.

19. EUROPEAN UNION – CARBON BORDER ADJUSTMENT MECHANISM - REQUEST FROM CHINA; INDONESIA; AND THE RUSSIAN FEDERATION

The Russian Federation reiterates its statements on this issue, made during the previous meetings of the CMA, CTG and CTE.

In December 2022, the Parliament and the Council of the EU reached a final agreement on the text of the regulation on the CBAM. The legal act will cover a wide range of products, such as cement, chemicals and mineral fertilizers, iron, steel and products thereof, aluminum and even hydrogen. It seems that this legislative initiative pursues strictly economic goals contrarily to declarations of tackling climate change issues.

Apart from the obvious violations of the WTO rules CBAM will have a negative impact on the global trade and has nothing to do with achieving any environmental goals.

In this context we would like to make the following points.

First, the European Union has stated on various occasions that the CBAM aims at reduction of the so-called carbon leakages. No international organization, neither the WTO nor those under the auspices of the United Nations, has confirmed the link between the leakages and globally determined climate goals. In fact, the whole concept of prevention of the so-called carbon leakage is an intention to localize capacities in the EU territory, especially, the ones that are European but have been moved outside the Union. Thus, the legislative act of the EU merely pursues the economic purposes rather than declared tackling climate change.

Second, the scope of products is questionable. For instance, there is no doubt that the inclusion of hydrogen into the regulation aims to secure foreign investments of the EU's companies in renewable hydrogen, decreasing the competitiveness of other kinds of such energy sources, in particular derived from natural gas, methane and so on. Along with that, we can see that iron ores, which are primary raw materials for the manufacturing of steel products, have been added. Obviously, it's been done in order to protect domestic production of recycled steel products. Thus, the provisions of the CBAM aim at the discrimination of not only goods, but the production methods, as well.

Third, the CBAM is supposed to mirror the EU ETS for importers of the covered products. However, the EU ETS implies financial contribution measures. The EU State Aid Guidelines provide compensations for the reduction of indirect GHG emissions. In other words, national authorities provide financial support to companies if they consume alternative energy resources produced within the EU. Bearing this in mind, a fair question

arises “Does the EU plan to reimburse the costs connected with the reduction of carbon footprint of imported products as in the case of domestic manufacturers”?

Finally, there is lack of understanding of how to ensure uninterrupted implementation of this mechanism after it enters into force. It is no secret that currently there are no globally harmonized standards for MRV, calculation of GHG emissions and carbon footprint, etc. This topic has become one of the most discussed here, at the WTO. The Secretariat prepared an outstanding survey last December and held a forum dedicated to this situation this March where all the participants admitted that there are no common standards in this field while the regulation, albeit in a limited form, enters into force in October 2023. Taking this into account, CBAM will surely create unnecessary obstacles for international trade increasing administrative and transaction costs.

Summing up, we would like to note that there is no coherence between any global agreement on tackling climate change, the WTO rules and this particular regulation. Unfortunately, the European Union chooses to ignore this fact, which will cause greater problems than the ones already faced by the Global Community.

20. EUROPEAN UNION – DEFORESTATION FREE COMMODITIES – REQUEST FROM INDONESIA AND THE RUSSIAN FEDERATION

The Russian Federation reiterates its position regarding this issue, which was stated during the previous meetings of the CTE, CMA and CTG.

The main institutions of the European Union reached an agreement on the regulation on deforestation-free commodities last December.

In this regard, we would like to make several points.

First, as previously stated, the regulation is a trivial quantitative restriction measure discriminating products by their origin and is incompatible with Art. XI and Art. I of GATT. Despite the fact that this particular legal act establishes the concept of the mechanism to be imposed, there are no doubts it will have a severe impact on trade in a wide range of agricultural products and products derived against the background of the current food security crisis.

Second, there is a lack of clarity regarding the implementation of the measure, namely, how the EU is going to classify countries of origin depending on the situation with deforestation, how and on what basis it is going to determine whether human rights are

violated or not, what specific requirements are supposed to apply to due diligence expertise and so on. There are many questions to this regulation and to how it is supposed to work.

Third, the number of unilateral measures taken by the EU under the environmental pretext is growing. Such measures ignore WTO rules and discussions at the United Nations, making all potential international arrangements in the field of combating common challenges, as well as the work itself at the global level pointless.

To conclude, the Russian Federation urges the European Union to fully respect the WTO rules and international climate agreements when developing and implementing its trade policy tools.

21. EUROPEAN UNION – THE EUROPEAN GREEN DEAL – REQUEST FROM THE RUSSIAN FEDERATION

The Russian Federation expresses deep concerns in respect of the Green Deal and its implementing legislation.

We reiterate the statements on this topic made during the previous meetings of the WTO Working Bodies.

This time we would like to draw attention to the new initiatives recently issued under the umbrella of this strategy.

In 2022 the European Commission published a proposal for a Directive on corporate sustainability due diligence. This draft regulation covers two groups of companies in the EU. The first group consists of around 9400 companies with more than 500 employees and more than EUR 150 million net turnover worldwide. Given the description of this group, all industries are included in the scope. The second group consists of economic operators with more than 250 employees and more than EUR 40 million net turnover that are involved in manufacturing of raw materials, agricultural, fish products, etc.

The companies will be obliged to do due diligence expertise on compliance of their suppliers with the international agreements on climate change and human rights. In other words, the European enterprises are to determine whether their trade partners' business practices are consistent with the international law.

The measure does not set specific requirements for products to be supplied to the EU market like other elements of the Green Deal, but there is no doubt that such legislation will force companies to review their supply chains. This situation is harmful to the international trade and will affect interests of many Members.

Another measure I would like to highlight is the new proposal on packaging and packaging waste, which is nothing more but another attempt of the European Commission to adapt currently applied private standards of the enterprises that are major consumers of plastic packaging.

During the meeting of the TBT Committee and the CTE, the Russian delegation listed the potential deviations of the regulation from the international rules. In brief, the measure is inconsistent with the WTO TBT Agreement due to the fact that the provisions of the European draft legal document set the requirements which are not compliant with the international standards and will definitely create unnecessary obstacles for international trade.

The Russian delegation would like to urge the EU one more time to respect the WTO rules and international agreements in the field of environmental protection.

31. AUSTRALIA, CANADA, EUROPEAN UNION, JAPAN, NEW ZEALAND, SWITZERLAND, UNITED KINGDOM, AND THE UNITED STATES - UNILATERAL TRADE RESTRICTIVE MEASURES AGAINST RUSSIA - REQUEST FROM THE RUSSIAN FEDERATION

The Russian Federation reiterates its statements made on the unilateral trade restrictive measures during the previous CTG meetings. The number of anti-Russian measures imposed by Australia, Canada, European Union, Japan, New Zealand, Switzerland, United Kingdom, and the United States continues to grow rapidly. Today this number is approaching 3,000.

Since the beginning of the year, this long list of measures has been supplemented by new export bans on certain industrial and medical goods, additional import bans on mineral products from Russia, a number of new restrictive measures targeted major Russian banks, research institutes and commercial companies.

These measures not only WTO-inconsistent, but also exacerbate global economic, energy, and food crises, and cause irreparable harm to the global economy.

Despite this, we have witnessed a number of attempts to accuse Russia of triggering the global food crisis. Such attempts are not based on objective assessment of the background data.

The growth in prices for inputs of agricultural products is the consequence of some countries' decision to reject Russian hydrocarbons, fertilizers, to impose restrictions on

transportation, finance and insurance. Russia is both a major producer and exporter of wheat and fertilizers. For instance, Russian fertilizers ensure the production of 117 million tons of wheat, or 440 million tons of corn, which is enough to feed about 500 million people. The measures against Russia lead to increase in costs of logistics and food prices, decreasing the availability of such goods for those in need (namely emerging market economies, developing and least developed countries who are net importers of such goods from our country).

Despite claims of no restrictions, Russian exporters face:

- increased import tariffs,
- blocking of payments,
- bans on seaport entry,
- restrictions for freight and road transport as well as insurance and legal services,
- inability to purchase and deliver spare parts for necessary agricultural equipment,
- restrictive measures against related companies and individuals that include freezing of assets and prohibition to deal with such persons.

Introduced measures result in increased transaction costs and de facto quantitative restrictions on Russian supplies of food and fertilizers leading to global food shortages and price hikes. Thus, all the attempts to shift the blame for all of the abovementioned problems on Russia look ridiculous.

We also note that the targeted sectors of sanctions align suspiciously with traditional protectionist policies against Russia. These measures serve typical market interests and alter global competition. Sanctions restrict trade relations, allowing others to pursue their economic interests. This approach fragments the multilateral trading system and undermines the WTO's foundations of resisting protectionist pressures. Trade is only open for members of specific 'like-minded clubs,' leading to discrimination and distorted competition.

The WTO's value lies in negotiating trade agreements, settling disputes, and addressing trade problems. The anti-Russian measures continue to undermine the MTS. The blatant disregard of the basic principles and rules of the WTO diminishes its role as a cornerstone of the MTS. Unilateral imposition of politically biased trading measures clearly states the new norm that no Member is safe from same unlawful treatment.

In this context, the Russian Federation calls on to restore smooth functioning of the WTO and urges WTO members in question to immediately lift unilateral trade restrictive

measures, including those with extraterritorial implications, and stop their coercive actions aimed at forcing other WTO members to follow their suit.

48. EUROPEAN UNION – REGULATION (EU) 2017/2321 AND REGULATION (EU) 2018/825 – REQUEST FROM THE RUSSIAN FEDERATION

The Russian Federation reiterates its concerns regarding the amendments to the EU basic regulation on protection against dumped imports introduced by Regulation (EU) 2017/2321 and Regulation (EU) 2018/825.

At the previous CTG meetings, we pointed out the discriminatory nature of the amendments, which can be illustrated, by the following.

First, the European Commission may punish the exporters twice for the same situation labelled by the amendments as “significant distortions” and “raw material distortions”.

Second, the European Commission has issued only two “reports” on so-called “significant distortions” in two particular exporting countries. It clearly shows the discriminatory nature of the EU’s approach regarding the application of antidumping measures.

Without going further into detail, we would like once again to reiterate our systemic concern about the WTO-inconsistency of the amendments. We urge the EU to abstain from their application and not to violate its WTO obligations.