

Client Alert

International Trade & Litigation Practice Group

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WTO Accession of the Russian Federation

Implications for Alcohol and Tobacco Sectors

Russia's accession to the World Trade Organization (WTO) will create opportunities to increase exports of alcohol and tobacco products to Russia. On 16 December 2011, WTO Members accepted the terms of the Russian Federation's accession. Russia will officially become a WTO Member 30 days following the ratification of its Protocol of Accession, which will take place before 15 June 2012.

As part of its WTO accession agreement, Russia has commitment to reduce and "legally bind" import tariffs on alcohol and tobacco products. Russia must also follow WTO rules on non-tariff barriers, particularly under the WTO Agreement on Technical Barriers to Trade (TBT Agreement), and on the protection of intellectual property, under the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement).

Lower and Bound Tariffs

Russia's tariffs on alcohol and tobacco products will be subject to lower tariff rates that cannot exceed specific "bound" or maximum levels. At the time of accession to the WTO, tariffs will be bound and then reduced as follows:

- Beer - 0.6€/per litre (0.018€/per litre by 2018)
- Wine - 20% (12.5% by 2016)
- Most spirits - 2€/per litre (1.4/1.5€/per litre by 2015)
- Cigarettes - 30% but not less than 3€ per 1,000 pieces (2€ per 1,000 pieces by 2015)
- Cigars - 30% but not less than 3€/per 1,000 pieces (17%, 1.7€/per 1,000 pieces by 2017)
- Most other tobacco products - 5%

Non-Tariff Barriers

Quantitative restrictions on imports, such as quotas, bans, permits, prior authorization requirements or other requirements or restrictions that cannot be justified under the WTO provisions will be removed with Russia's accession to the WTO. Importers of alcohol products will no longer need specific import licenses. However, customs declaration at designated customs

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checkpoints will still be required for alcohol and tobacco products and “activity” licenses will be required for the production, storage or distribution of alcoholic beverages. Russia committed to administer these licenses on a non-discriminatory basis.

Russia must now develop and apply all technical regulations and conformity assessment procedures in accordance with the relevant WTO agreements and in particular with the TBT Agreement. Under the TBT Agreement, Russia must follow international standards and may only apply technical regulations to the extent that they are not more trade restrictive than necessary to fulfill legitimate objectives. The Customs Union between Belarus, Kazakhstan and Russia is also developing technical regulations on tobacco products and alcoholic beverages that Russia will apply after adoption.

Price Controls and Excise Duties

After acceding to the WTO, Russia will continue to impose minimum prices on liquor products and other alcohol stronger than 28 per cent volume, including vodka, and will maintain its excise duties on alcohol and tobacco products. Russia has committed to apply minimum prices and excise duties in a non-discriminatory manner between domestically-produced and imported products. If the minimum price system and/or excise duties are applied in a discriminatory manner, other WTO Member countries can use the leverage of WTO rules to challenge these measures, including through binding WTO dispute settlement procedures.

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King & Spalding’s specialized international trade lawyers have been working on the Russian accession since 1995 and have assisted many clients in connection with accession negotiations. Our international legal team assists clients in taking advantage of trade and investment opportunities in Russia and in connection with the implementation of Russia’s WTO commitments.

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