

Russia's accession to the WTO – implications for Canada

On August 22, 2012, after 19 years of negotiations, Russia joined the World Trade Organization (WTO). This significant addition means that finally all G8 countries are now WTO members.

Unlike other major WTO economies, such as the US or the EU, which conducted extensive bilateral negotiations with Russia leading up to its accession, Canada had an existing trade framework with Russia in place. Under the Canada-Russia Foreign Investment Promotion and Protection Agreement, dating from June 27, 1991, Canada and the USSR had agreed to mutually accord each other certain WTO rights. This agreement was extended to Russia as a successor state.

Nevertheless, the trade liberalization that comes with Russia joining the WTO will provide incremental benefits to Canadian business. Russia's WTO accession is of particular interest to Canada because of the rapid growth of Canadian exports to Russia. Since 2008, Canadian exports to Russia have doubled to \$1.6 billion in 2012.¹

Two particular areas where Russia's WTO accession may give rise to possible benefits for Canadian industry are agri-food and investments.

¹ Statistics Canada, [Canadian International Merchandise Trade Database](#).

implications for Canadian agri-food

The Canadian government expects Russia's WTO accession to benefit Canadian agricultural exporters through improved and more predictable access to the Russian market.² Canada's agri-food exports to Russia have increased steadily in recent years.³ The accession will likely further help Canadian agri-food producers because Russia's WTO accession means that the average tariff *ceiling* for agriculture products dropped to 10.8%, which is 2.4% lower than the 2011 average tariff paid of 13.2%.⁴

Even before Russia's WTO accession, Russia was Canada's largest export market for certain agri-food products, such as frozen pork, frozen shrimp and prawns.⁵ In 2010, Canada's exports of pork were \$185 million and beef were \$24 million.⁶ Frozen pork in the form of swine cuts and hams accounted for 45.9% of Canada's agri-food exports to Russia in 2010. Canada's \$61 million of exported frozen shrimps and prawns made up 15.2% of agri-food exports to Russia in 2010.

During the year of Russia's accession in 2012, not only did Russia remain Canada's largest export market for frozen pork, as well as frozen shrimp and prawns, but the exports to Russia of those

² Agriculture and Agri-Food Canada, "[Minister Ritz Grows Trade Partnerships Between Russia and Canadian Livestock Industry](#)", October 14, 2011.

³ Agriculture and Agri-Food Canada, "[Agri-Food - Past, Present and Future Report – Russia](#)", May 2011.

⁴ WTO, "[Working Party seals the deal on Russia's membership negotiations](#)", November 10, 2011.

⁵ Statistics Canada, [Canadian International Merchandise Trade Database](#).

⁶ Agriculture and Agri-Food Canada, "[Minister Ritz Grows Trade Partnerships Between Russia and Canadian Livestock Industry](#)", October 14, 2011.

products had risen substantially: frozen pork had risen to \$461 million (up by 149% from 2010), and exports of frozen shrimp and prawns had risen to \$75 million (up by 23%).⁷

Examples of specific trade liberalization measures pursuant to WTO accession that will benefit Canadian producers include the elimination of tariff rate quotas (TRQs) on fresh, chilled or frozen pork by January 1, 2020.⁸ The tariff on these pork products was capped at 65% until the TRQ is eliminated, then tariff would decline to a maximum of 25%.

Russia is also committing to adopting a more transparent definition of "high quality beef", which will automatically include "Canada A", "Canada AAA" and "Canada Prime".⁹ This will benefit the Canadian cattle industry because "high quality beef" generally only attracts a 15% duty, rather than the 55% duty assessed on beef products that do not qualify.

Meat would still be subject to measures requiring declaration and entry at designated customs checkpoints, but this is to be done in a WTO compliant manner, eliminating any country specific customs procedures.

implications for investment

In 2011, Canadians had \$538 million of direct investment in Russia.¹⁰ Russia's accession is expected to expand investment

⁷ Statistics Canada, [Canadian International Merchandise Trade Database](#).

⁸ [Russian Federation Accession Protocol - Goods Schedule](#), Note 3c.

⁹ [Russian Federation Accession Protocol - Goods Schedule](#), Note 6.

¹⁰ Department of Foreign Affairs and International Trade, "[Canada's State of Trade: Trade and Investment Update 2012](#)", April 30, 2013.

protection. It may also give rise to investment opportunities through privatization of utilities and other institutional reforms.¹¹

Russia has agreed to ensure that its laws are consistent with WTO standards, including with the Agreement on Trade-Related Investments Measures (TRIMS). This commitment was largely effective at the date of accession. One notable transition period is that benefits conferred under Russia's existing automobile investment programmes will be eliminated by July 1, 2018.¹²

In terms of intellectual property protection, Russia has agreed to be fully consistent with the requirements of Agreement on Trade-Related Aspects of Intellectual Property (TRIPS) as of the date of accession, and will apply all the rules of the Berne Convention for the Protection of Literary and Artistic Works.¹³

Russia has also made a number of concessions that will encourage foreign investment in particular sectors. 100% foreign-owned companies are now allowed to participate in wholesale, retail and franchise sectors.¹⁴ The 49% limit to foreign ownership of telecommunications companies will be lifted in 2016. Foreign banks will be able to establish subsidiaries in Russia, subject to an overall 50% limit of foreign capital participation in the whole of the Russian banking system.

conclusion

Russia's WTO accession will bring lower tariffs and diminish non-tariff trade barriers. Canada's agri-food industries, most notably

¹¹ Agriculture and Agri-Food Canada, "[Agri-Food - Past, Present and Future Report – Russia](#)", May 2011.

¹² WTO, "[Working Party seals the deal on Russia's membership negotiations](#)", November 10, 2011.

¹³ *Ibid.*

¹⁴ *Ibid.*

pork producers, can benefit from reduced trade barriers. New investment opportunities and the establishment of well understood rules, with transparent legal recourse to seek redress, will likely enhance Russia's attractiveness as a destination for investment.

For more information on this topic, please contact:

Ottawa **Geoffrey C. Kubrick** 613.232.7171 ext.129 geoffrey.kubrick@mcmillan.ca

Ottawa **Jonathan P. O'Hara** 613.232.7171 ext.104 jonathan.ohara@mcmillan.ca

[a cautionary note](#)

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