

ECONOMETRIC MODELS OF IMPACT OF RUSSIA'S ACCESSION TO THE WTO ON AZERBAIJAN

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Introduction

- Impact evaluation is a prerequisite for any good policy decision
- In trade policy, impact evaluation could be used to model variety of policy shocks:
 - WTO accession of the country or its trade partner
 - Conclusion of WTO trade negotiations round
 - Regional integration issues
 - Unilateral policy changes of the country or its trade partner
- Choice of methods depends upon:
 - Time of analysis (ex-ante or ex-post)
 - Question in focus (impact on what?)
 - Data availability
 - Other factors



Tasks for this seminar

- Provide overview of several key types of models
- Highlight key assumptions and data requirements
- Discuss advantages and limitations
- Provide some references / examples

! Presentation will be non-technical!

Topics that are not covered:

- Indexes / indicators
- Non-parametric methods
- Qualitative methods



Gravity models



General idea

- The basic gravity model is built as analogous to Newton's law of universal gravity in physics
- In very simple terms, imports is:
 - Positively related to GDP of the importing country
 - Positively related to GDP of the exporting country
 - Negatively related to geographical distance between exporting and importing countries
- Theoretical foundation: monopolistic competition model of trade (Helpman and Krugman, 1985)



General model formulation

- The basic gravity equation is as follows:

$$\ln m_{ijt} = c_{...} + \beta_1 \ln y_{it} + \beta_2 \ln y_{jt} + \beta_3 \ln d_{ij} + \Sigma \alpha \ln T_{...} + \varepsilon_{ijt}$$

m_{ijt} – imports of country i from country j at time t

y_{it} – GDP of country i at time t

y_{jt} – GDP of country j at time t

d_{ij} – distance between country i and country j

T – vector of other variables, e.g. trade barriers



Data requirements

- Bilateral trade flows
- GDP
- Distance
- Trade barriers (tariffs, non-tariff measures)
- Other determinates of bilateral trade (common border, language, colonial ties, membership in RTA / WTO etc.)

Discussion of the model

- The gravity-type model could be primarily used for ex-post estimates
- It measures impact on trade volume
- The implementation of the model requires knowledge of econometric techniques
- Key advantage: it can control for the effects of many variables, allowing isolation of trade-policy effects
- Limitations: Data quality and specification of the model

Examples of gravity model use

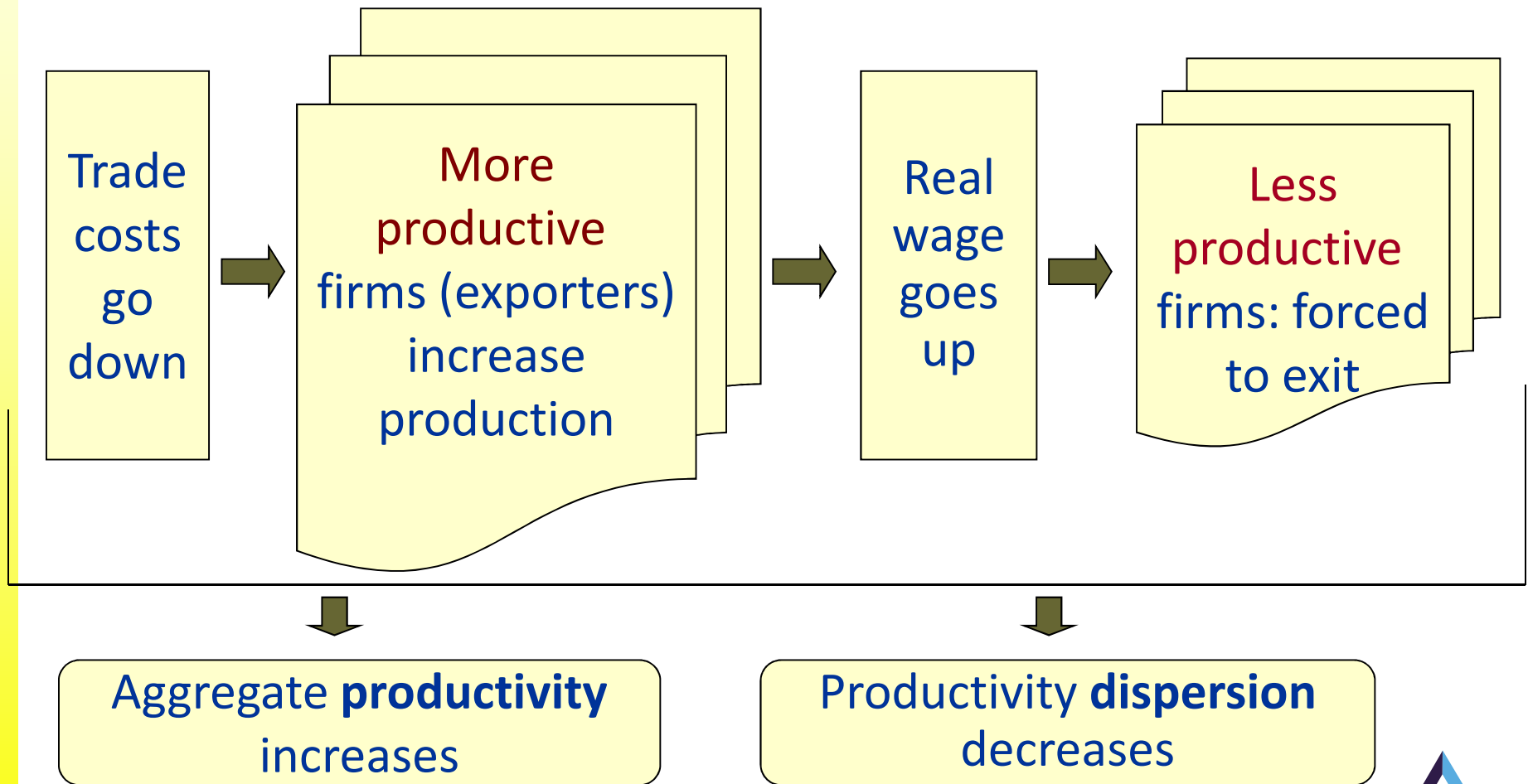
- Rose A. (2002): estimate of the effect on international trade of multilateral trade agreements: the WTO / GATT, and the GSP extended from rich countries to developing countries
(with comment by M. Tomz, J. L. Goldstein, and D. Rivers, 2005)
- Benedictis L. et al (2011): survey of gravity models in international trade

Total Factor Productivity (TFP) Models



General logic of the model

Marc J. Melitz (2003) model :



Methodology

Step 1. Estimate production function

Cobb-Douglas:
$$Y_{it} = A \cdot L_{it}^{\alpha} \cdot K_{it}^{\beta} \cdot M_{it}^{\gamma}$$

In logs:
$$\ln Y_{it} = \mu + \alpha \ln K_{it} + \beta \ln L_{it} + \gamma \ln M_{it} + \delta_i + \varepsilon_{it}$$

Y_{it} – output

L_{it} – labor

K_{it} – capital

M_{it} – materials

$\delta_i + \varepsilon_{it}$ – total factor productivity
index



Methodology

Step 2. Get measures of total factor productivity (TFP) and labor productivity (LP) dispersion at the industry level

Step 3. Regress productivity dispersion (TFP and LP) on openness measure

$$Y_{it} = \alpha + \beta X_{it} + \gamma Z_{it} + \delta_i + \varepsilon_{it}$$

Y_{it} – productivity dispersion

X_{it} – openness

δ_i – industry fixed effects

ε_j – error term

Z_{it} – other controls

(market concentration, entry cost, investment to capital ratio)



Data requirements

- **Firm-level data:**
 - Output
 - Capital
 - Labor
 - Measure of trade openness (tariffs, NTMs etc.)
 - Other variables (market concentration, entry cost, investment to capital ratio)



Discussion of the model

- The TFP model could be used for ex-post estimates
- It measures impact on economic / sector-level efficiency
- It faces severe data constraints (firm-level data is not easily available for most of countries)
- The implementation of the model requires knowledge of econometric techniques



Examples of TFP models use

- Pavcnik (2002): Reduction in trade barriers resulted in general increase in efficiency in exporting sectors
- Bernard et al (2006), Muendler (2004): Reduction in trade costs in an industry (tariffs plus transportation costs) led to an increase in productivity in the industry through competitive pressure.
- Fernandes (2006): Trade liberalization induced higher productivity in Colombia. The effect was found to be stronger for large plants and for less competitive sectors.



Partial equilibrium models



General logic of the model

Supply side: Export supply of a given good by a given country supplier is assumed to be related to the price in the export market. The degree of responsiveness of the supply of export to changes in the export price is given by the export supply elasticity

Demand side: Behavior of the consumer is modeled on the assumption of imperfect substitutions between different import sources (different varieties). The representative agent maximizes its welfare through a two-stage optimization process:

- Given a general price index, the level of total spending/consumption on a composite good is chosen (import demand elasticity)
- Within the composite good, the chosen level of spending is distributed among the different varieties of the good, depending on the relative price of each variety (the Armington substitution elasticity)



Data requirements

- Trade flows
- Trade policy variable (tariff or ad-valorem equivalent of non-tariff measures)
- Behavioral parameters (elasticities)



Discussion of the model

- Model is used for ex-ante estimates

Advantages:

- Limited data requirements
- Model permits an analysis at a disaggregated level and thus resolves some aggregation biases
- Model is simple and transparent

Limitations:

- Model is very sensitive to behavioural elasticities
- Model misses interactions and feedbacks between various markets of goods / factors of production



SMART model

SMART = Software for Market Analysis and Restrictions on Trade

SMART returns the following results:

- **Trade effect**, which is made of creation effect, diversion effect (exporter side) and price effect (when export supply elasticity is finite);
- **Tariff revenue change**. This result depends on both import demand and export supply elasticity values and is not straightforward.
- **Welfare change**, which measures what the economy as a whole gains by reducing the tariff (the reduction in dead-weight loss).



Other examples

- Kawecka-Wyrzykowska E. et al (2003): assessment of the EU enlargement impact on trade between CIS countries and the Central and Eastern European countries
- Tumbarello P. (2005): analysis of the appropriate sequencing between accession to the WTO and the implementation of the Eurasian Economic Community (EAEC) customs union



Computable general equilibrium models



General characteristic of the models

- Take into account interactions between economic agents / markets
- Key point: no market remains with excess demand or supply (all incomes and expenditures are balanced)
- Based on explicit assumptions in the framework consistent with microeconomic theory
- Typically include three agents: firms, consumers and government



General logic: production side

- Production in each sector requires the use of intermediate inputs of goods and services as well as primary factors such as capital and labor. Mobility of factors could vary.
- Aggregate output can either be exported to several different regions or sold on domestic markets. Producers regard sales on domestic markets or exports as imperfect alternatives.
- Sales to domestic market and imports from all trade partners together form the total aggregate of goods and services available for domestic consumption.
- Production could be conducted in perfectly and imperfectly competitive markets (see, e.g., Jensen, Rutherford and Tarr, 2007)



General logic: consumption side

- On the consumption side, the model distinguishes between public, investment and intermediate consumption as well as final household consumption.
- Households could be modeled as one representative household or several types/clusters of households (see Cockburn, Corong and Cororaton (2010) for discussion of micro-simulation approach).
- Households are utility maximizers and their preferences are captured by utility functions. Households act as factor owners.
- Consumers treat imported and domestically produced goods as imperfect substitutes (Armington (1969) assumption).



General logic: government

- The government administers market-related policies, such as taxes, subsidies, trade tariffs etc.
- The government receives income from public capital endowments and collects a variety of taxes.
- Total government revenue is used for public investments and the provision of public goods.



Data requirements

- Construction of Social Accounting Matrix (SAM), “...a square matrix in which each account is represented by a row and a column. Each cell shows the payment from the account of its column to the account of its row. Thus, the incomes of an account appear along its row and its expenditures along its column” (Lofgren et al, 2002).
- Data requirements:
 - Input-output tables in consumer and basic prices
 - National accounts
 - Household survey data
 - Trade structure data
- Policy shock data



SAM general structure

		Activities	Commodities	Factors	Households	Government	Savings-investments	Rest of the World	
		a	b	c	d	e	f	h	Total
Activities	a		Aggregate domestic supply					Exports	Sector income (Aggregate output)
Commodities	b	Intermediate demand			Private consumption	Public consumption	Investments		Aggregate demand
Factors	c	Value added						Factor income from abroad	Factor income
Households	d			Factor income of households	Transfers between households	Transfers to households from Government		Transfers to households from abroad	Households income
Government	e	Direct taxes	Indirect taxes	Factor income of government	Transfers to Government from households			Transfers to government from abroad	Government income
Savings-investments	f				Households' savings	Government savings		CA balance	Savings
Rest of the World	h		Imports			Government transfers to abroad			Foreign currency outflow
Total		Total expenditures	Expenditures on commodities	Expenditures on factors	Households expenditures	Government expenditures	Investments	Foreign currency inflow	



Discussion of CGE models

Advantages:

- The model takes into account interactions between various markets / institutional agents
- The model allows simulation of complex scenarios
- The model is used for ex-ante estimates



Discussion of CGE models

Limitations:

- Model is sensitive to the assumptions and data used
- Model doesn't provide explicit indication on how long it will take for economy to adjust to new equilibrium
- It is quite difficult to model some non-tariff measures (technical barriers, sanitary and phytosanitary measures, service sector barriers etc.)



Examples of CGE model use

- GTAP (= Global Trade Analysis Project) model
See: <https://www.gtap.agecon.purdue.edu/#2>
- Harrison G.; Rutherford T.; Tarr D. (1997): estimate of the impact of the WTO Uruguay Round
- Rutherford T., Tar, D. (2008): modeling of Russia's WTO accession

Final remarks

- Impact evaluation of trade policy changes is useful tool for policy makers:
 - Ex-ante, it helps to sharpen negotiation strategy or focus mitigation efforts.
 - Ex-post, it is necessary for determining whether trade policy change objectives were met and what adjustment are necessary.
- Econometric techniques are used for ex-post analysis, while modeling techniques are common for ex-ante estimates.
- The choice of modeling technique depends upon time of analysis, question in focus, data availability and other factors.
- In most cases, it is useful to apply several quantitative techniques – together with qualitative analysis – to get complete picture.



**Current trade relations between
Azerbaijan and Russia and
Azerbaijan's Accession to the WTO**

Trade Relations between Azerbaijan and Russia

- Free Trade Agreement (FTA) signed in 30 September 1992 between Government of Azerbaijan Republic and Government of Russian Federation
- Agreement was signed in 3 July 1997 between Government of Azerbaijan Republic and Government of Russian Federation about avoidance of double taxation with respect to taxes on income and property gains
- The protocol was signed in 29 November 2000 about changes and additions to the protocol signed in 26 November 1992 between Government of Azerbaijan Republic and Government of Russian Federation
- Agreement was signed in 29 November 2000 between the Government of Azerbaijan Republic and Government of Russian Federation about the principles of exaction of indirect taxes from mutual trade
- Agreement was signed in 25 January 2002 between Government of Azerbaijan Republic and Government of Russian Federation about the main principles and directions of economic cooperation
- Agreement was signed in 25 January 2002 between Government of Azerbaijan Republic and Government of Russian Federation about the long-term economic cooperation for the period ending in 2010
- The protocol was signed in 6 February 2004 about the lifting of withdrawals from FTA between Government of Azerbaijan Republic and Government of Russian Federation



Azerbaijan Trade Turnover by CIS countries, thousand US dollars

Countries	2007	2008	2009	2010	2011
T o t a l	11 771 747,6	54 926 021,1	20 824 469,3	27 960 821,8	36 326 867,0
Total-Commonwealth of Independent States	2 598 320,5	3 417 803,0	2 964 573,1	4 034 980,5	5 477 900,0
of which:					
Belarus	79 290,3	94 968,9	141 928,0	119 760,4	731 310,8
Kazakhstan	349 888,5	490 300,6	205 771,8	338 144,3	275 589,3
Kyrgyzstan	3 622,3	4 927,6	5 310,1	41 547,7	22 074,7
Moldova	9 909,7	6 436,2	6 656,1	6 102,1	8 119,5
Uzbekistan	23 586,2	29 893,1	18 135,1	32 634,1	72 436,8
Russian Federation	1 531 305,0	1 933 258,0	1 818 498,5	1 918 560,5	2 828 452,0
Tajikistan	52 079,3	46 102,4	8 837,1	9 437,2	15 985,6
Turkmenistan	53 893,7	72 561,2	63 649,8	214 596,4	56 835,2
Ukraine	494 745,7	739 354,8	695 786,6	1 354 197,8	1 467 096,1



Imports to Azerbaijan by CIS countries, thousand US dollars, thousand US dollars

Countries	2007	2008	2009	2010	2011
T o t a l	5 713 525,3	7 169 980,9	6 123 110,5	6 600 611,6	9 755 968,7
Total-Commonwealth of Independent States	1 902 594,8	2 289 369,2	1 827 131,9	2 051 109,3	2 553 455,5
of which:					
Belarus	76 966,0	89 764,1	136 757,5	112 549,9	64 540,1
Kazakhstan	222 294,2	200 052,1	63 617,7	293 552,9	217 307,9
Kyrgyzstan	924,1	1 342,5	751,6	1 006,5	923,4
Moldova	9 801,1	6 116,7	2 910,6	5 924,3	5 576,8
Uzbekistan	19 131,5	22 439,0	12 365,8	12 332,7	50 555,1
Russian Federation	1 004 181,0	1 350 366,9	1 072 072,2	1 145 008,7	1 641 094,8
Tajikistan	514,6	500,3	742,9	1 256,1	2 773,5
Turkmenistan	40 294,0	51 559,0	26 172,3	13 918,4	12 913,6
Ukraine	465 557,6	567 228,5	511 741,3	465 559,8	557 770,3



Azerbaijani exports to CIS countries

Countries	2007	2008	2009	2010	2011
T o t a l	6 058 222,3	47 756 040,2	14 701 358,8	21 360 210,2	26 570 898,3
Total-Commonwealth of Independent States	1 102 476,2	1 128 433,8	1 137 441,2	1 983 871,2	2 924 444,4
of which:					
Belarus	2 324,3	5 204,8	5 170,5	7 210,5	666 770,7
Kazakhstan	127 594,3	290 248,5	142 154,1	44 591,4	58 281,5
Kyrgyzstan	2 698,2	3 585,1	4 558,5	40 541,2	21 151,3
Moldova	108,6	319,5	3 745,5	177,8	2 542,7
Uzbekistan	4 454,7	7 454,1	5 769,3	20 301,4	21 881,7
Russian Federation	527 124,0	582 891,1	746 426,3	773 551,8	1 187 357,1
Tajikistan	51 564,7	45 602,1	8 094,2	8 181,1	13 212,1
Turkmenistan	13 599,7	21 002,2	37 477,5	200 678,0	43 921,6
Ukraine	29 188,1	172 126,3	184 045,3	888 638,0	909 325,7



The list of goods subject to tariff exemptions from trade 39 and imported into the custom territory of Russian Federation from Azerbaijan Republic

HS Code CIS	Name of the goods	The dates of lifting of withdrawals
170199100	White Sugar	1 January 2005
2207	Undenatured ethyl alcohol of an alcoholic is not less than 80% vol; Ethyl alcohol and other spirits, denatured, of any strength	1 January 2012
220890910 220890990	Undenatured ethyl alcohol of an alcoholic than 80% vol., in containers holding 2 liters. or less and more than 2 liters.	1 January 2012
2402	cigars, cigars with cut ends, cigarillos (thin cigars) and cigarettes from tobacco or from tobacco substitutes.	1 January 2012



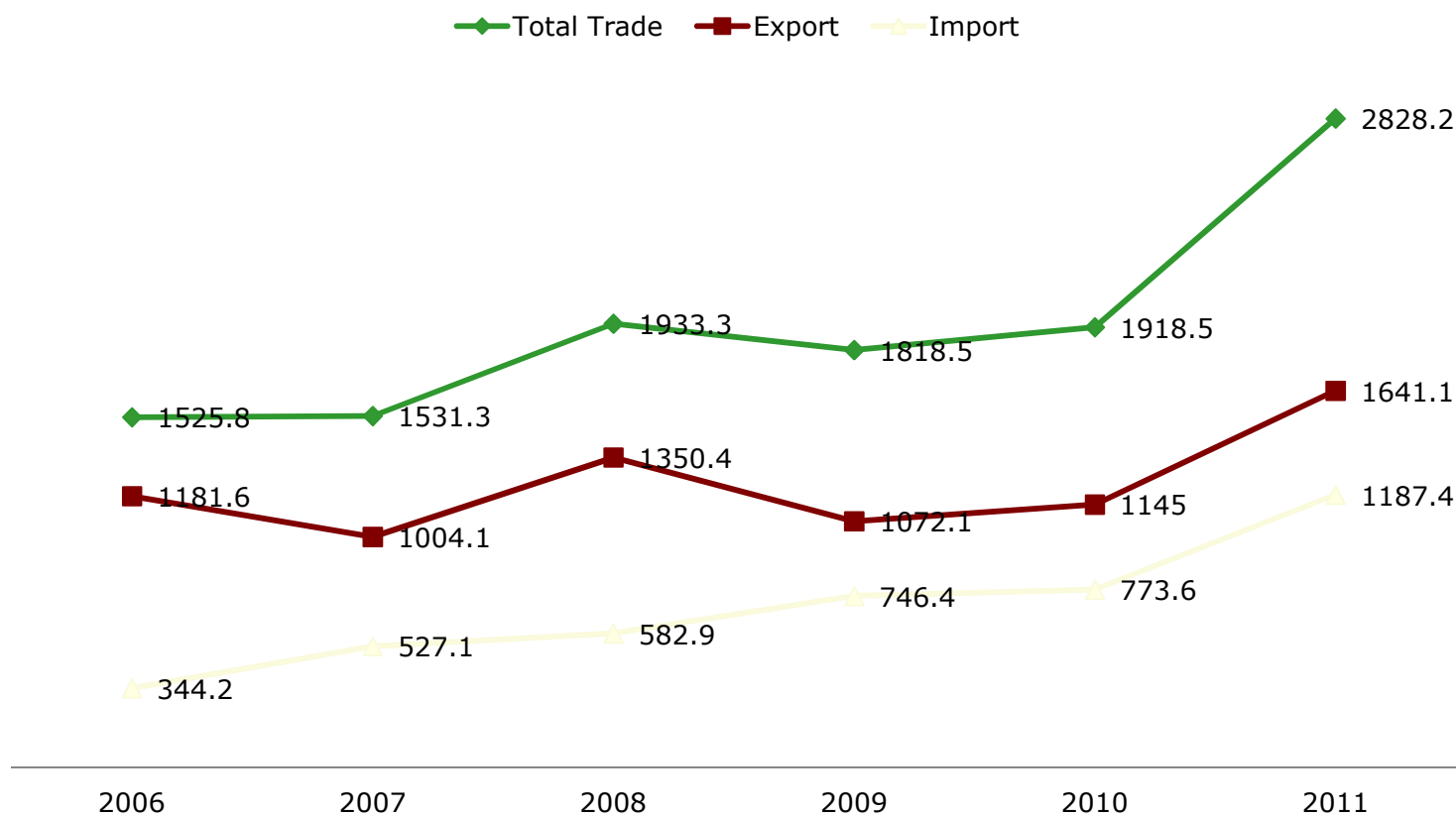
The list of goods subject to tariff exemptions from trade **40** and imported into the custom territory of Azerbaijan Republic from Russian Federation

HS Code CIS	Name of the goods	The dates of lifting of withdrawals
2203	Malt beer	1 January 2005
2207	Undenatured ethyl alcohol, with alcohol concentration of at least 80% vol.; Ethyl alcohol and other spirits, denatured, of any strength.	1 January 2012
220890910 220890990	Undenatured ethyl alcohol of an alcoholic than 80% vol., In containers holding 2 liters. or less and more than 2 liters.	1 January 2012
2402	Cigars, with cut ends, cigarillos (thin cigars) and cigarettes from tobacco or from tobacco substitutes	1 January 2012

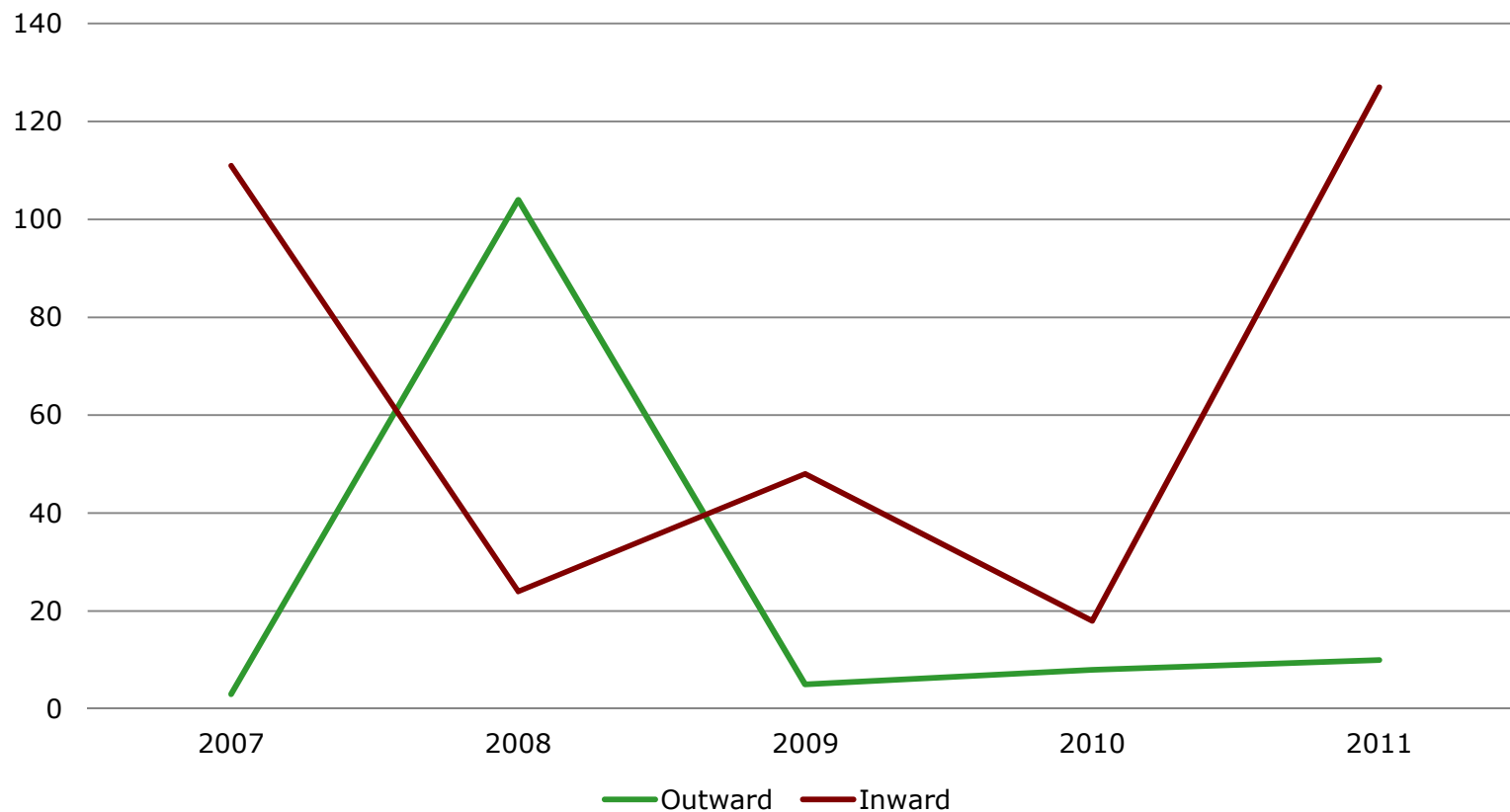


The trade relationship between Azerbaijan and Russia from 2006 to 2011 (reporting country is Azerbaijan Republic)

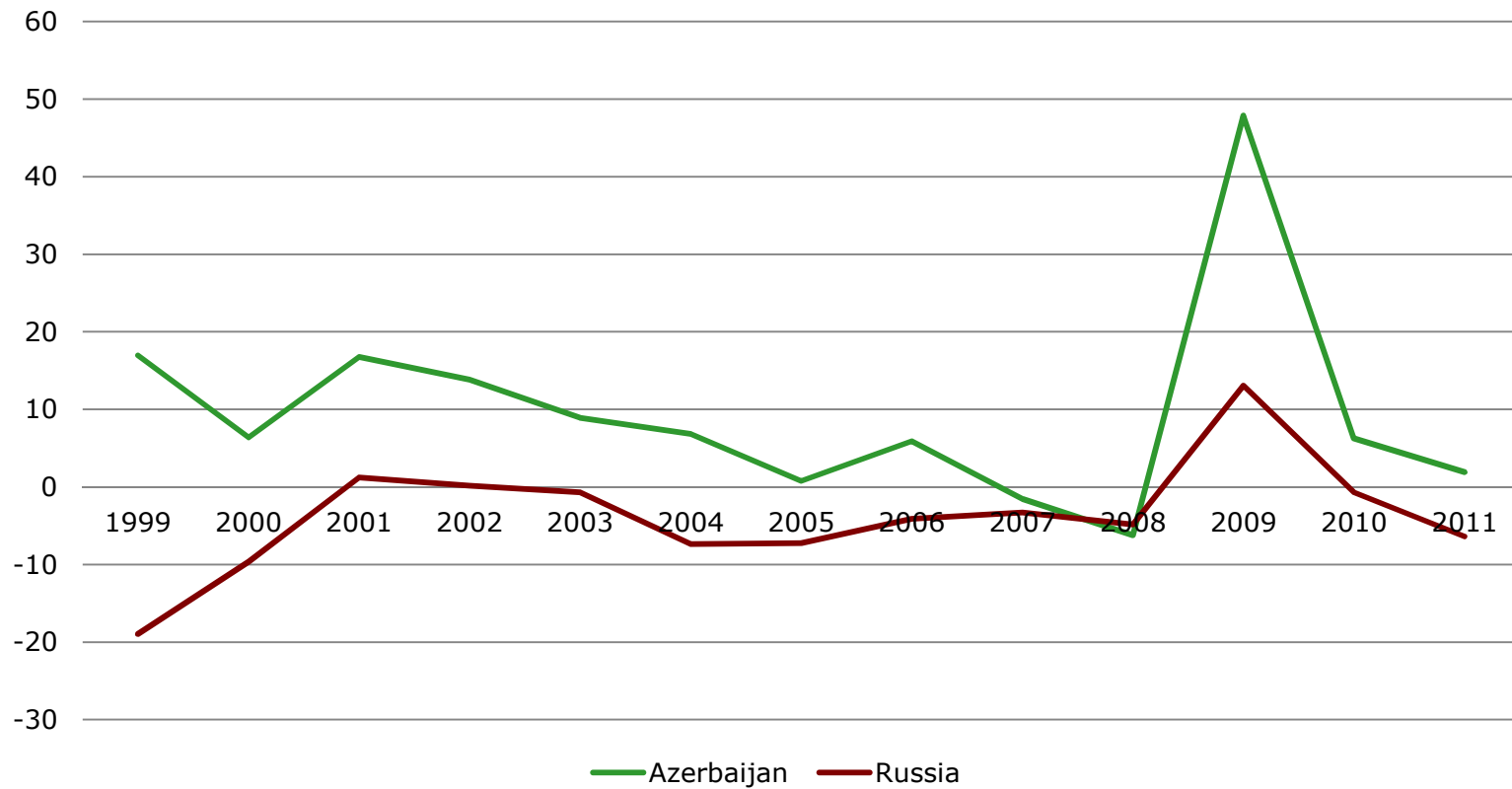
41



Foreign Direct Investment flows between Azerbaijan and Russia (reporting country is Russia) (in million USD) 42

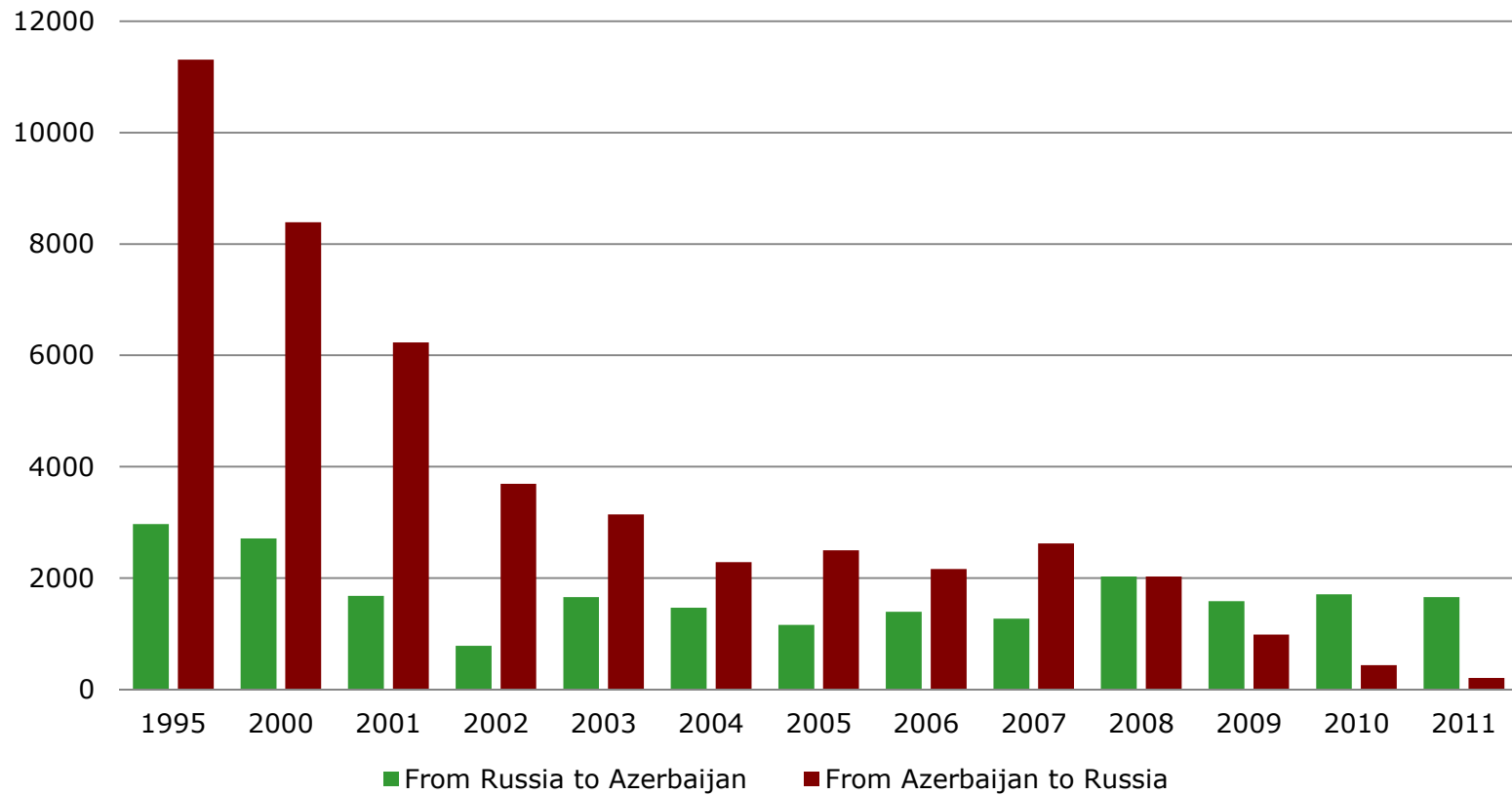


Real interest rates (%) in Azerbaijan and Russia (1999-2011)



Number of people come and leave once and for all

44



Migration between Azerbaijan Republic and Russian Federation and calculated indices 1 and 2 (reporting country is Azerbaijan)

45

Year	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
In	2968	2710	1677	782	1656	1466	1158	1394	1269	2024	1580	1706	1655
Out	11312	8393	6230	3691	3140	2285	2495	2160	2620	2028	983	430	204
Index 1	0.41568	0.488156	0.424181	0.349653	0.690575	0.781658	0.633999	0.784468	0.65261	0.999013	0.76707	0.402622	0.219473
Index 2	0.207843	0.244078	0.212091	0.174827	0.345288	0.390829	0.317	0.392234	0.326305	0.499506	0.616465	0.798689	0.890264



Azerbaijan and WTO

- The Government of Azerbaijan (GoA) officially applied to the WTO Secretariat to become a WTO member in 1997;
- 4 bilateral agreements signed
- 2 bilateral agreements drafted



Main aims of WTO Accession from the Official Perspective

- Accelerating the process of integration into the world economy;
- Benefiting from mutual concessions provided by WTO members;
- Conducting trade operations with most countries under WTO rules;
- Achieving increased support for economic reforms in the country from international institutions and world countries;
- Attracting large-scale foreign investments once WTO rules have been applied;
- Accessing opportunities for achieving fair resolution of trade disputes through WTO.
-



Azerbaijan has been mainly focusing on the items below during negotiations

- Trade in commodities
- Trade in services
- Intellectual properties
- Exemption from liabilities



Current Problems

- Status of Country; developed or developing
- Subsidies to agriculture
- Bonded and unbonded tariff rates



Impact of Russia's WTO Accession on Azerbaijan



Structure of presentation

- Motivation
- Overview of Russia's WTO Commitments:
 - Tariffs
 - Non-tariff measures
 - Subsidies and other preferences
 - Trade in services
 - Trade by State-Owned Enterprises
 - Transparency
- Potential Impacts on Azerbaijan
- Some Lessons for Azerbaijan Accession

Motivation for the study

- The WTO regulates more than 95% of world trade
- It provides its member countries with wide range of services including transparent and fairly predictable trade policy environment, trade dispute handling, facilitation of trade negotiations, technical assistance and training
- Most of former Soviet Union countries have already become the members of the WTO and/or governed by WTO rules in their trade policy
- For Azerbaijan, Russia's WTO accession means changes in trade regime of one of largest partners and interesting experience/lessons to learn for its own WTO accession talks



Import tariff commitments

	Before-accession applied MFN rate, % ave	Final legally binding MFN rate, % ave
All products	10.0	7.8
<i>including</i>		
Agricultural products	13.2	10.8
<i>Dairy products</i>	19.8	14.9
<i>Cereals</i>	15.1	10.0
<i>Oilseeds, fats and oils</i>	9.0	7.1
Manufactured products	9.5	7.3
<i>Chemicals</i>	6.5	5.2
<i>Automobiles</i>	15.5	12.0
<i>Electrical machinery</i>	8.4	6.2
<i>ITA products</i>	5.4	0.0



In-quota and out-of-quota final bound import tariff rates in Russia, %

	In-quota rate	Out-of-quota rate	Comment
Beef	15	55	No termination date
Pork	0	65	Replaced by flat rate of 25% as of January 1, 2020
Poultry	10 / 25 / 75 depending on tariff line	80	No termination date
Whey	10	15	



Export duties

- Russia committed to set a ceiling on rates of export duties for over 700 tariff lines, including certain products in the sectors of fish and crustaceans, mineral fuels and oils, raw hides and skins, wood, pulp and paper and base metals.
- It committed not to increase export duties or to reduce or to eliminate, and not to reintroduce or increase them beyond the levels indicated in this schedule
- In vast majority of cases (about 84% of tariff lines), export duty rates will be reduced at zero level after transition periods that last up to four years. Usage of other export duties was not bound by any specific dates.



Technical barriers to trade

- Russia committed that all legislation related to technical regulations, standards and conformity assessment procedures would comply with all obligations of the WTO TBT Agreement.
- The country will ensure that all technical regulations, standards, and conformity assessment procedures would respect the principles of transparency, non-discrimination and national treatment from the date of accession.
- Relevant international standards and other documents will be used as a basis for the development of technical regulations unless they are an ineffective or inappropriate means for achieving the pursued objectives, in particular, due to climatic and geographical factors or technological and other particularities.



Technical barriers to trade

- Mandatory requirements for telecommunication equipment used in or connected to public networks would be limited to those requirements of technical regulations by the end of 2015.
- Foreign manufacturers not located within the territory of the CU would be able to demonstrate the conformity of the products imported into the territory of the CU through use of declarations of conformity using the CU common form.
- From the date of accession all standards containing mandatory requirements would be applied in compliance with the WTO TBT Agreement, and standards inconsistent with the provisions of the WTO TBT Agreement would be modified.



Sanitary and phyto-sanitary measures

- Russia committed that all SPS measures would be developed and applied in accordance with the WTO Agreements.
- Russia will actively participate in the activities of the World Animal Health Organisation (OIE), the International Plant Protection Convention (IPPC), and the Codex Alimentarius.
- From the date of accession, SPS measures of other Members, even when they were different from measures of Russia/CU, would be accepted as equivalent, if the exporting country objectively demonstrated that its measures achieved the appropriate level of SPS protection applied in the Russian Federation.



Sanitary and phyto-sanitary measures

- Veterinary import permits: From the date of accession the import permit regime applicable to goods subject to veterinary and quarantine control would be developed and applied in compliance with the WTO Agreement, and that any information requirements, requirements for control, inspection and approval of individual specimens of a product would be limited to what is reasonable and necessary.
- Transit: goods transiting through the territory of the CU under customs seal would not be subject to CU veterinary requirements
- Suspension of imports: Russia has committed that, except in case of serious risks of animal or human health, Rosselkhoznadzor, the Federal Service for Veterinary and Phyto-sanitary Surveillance, would not suspend imports from establishments based on the results of on-site inspection before it had given the exporting country the opportunity to propose corrective measures



Industrial subsidies

- Russian has committed to eliminate or modify all its industrial subsidies programmes so that any subsidy provided would not be contingent upon exportation or upon the use of domestic over imported goods.
- Any subsidy programmes in place or established after accession within the territory of the Russian Federation would be administered in conformity with the WTO Agreement on Subsidies and Countervailing Measures.
- Russia would not invoke any special and differential treatment that developing country members are eligible to. in accord to Articles 27 of the WTO Agreement on Subsidies and Countervailing Measures.



Special economic zones

- Russia committed that its special economic zones would be established, maintained and administered in conformity with the provisions of the WTO Agreement, and that the provisions of the WTO Agreement would be applied in all of the special economic zones of the Russian Federation, with temporary exemptions for goods of certain juridical persons and individual entrepreneurs of the Kaliningrad and Magadan special economic zones.
- Transition period would end on 31 March 2016 for Kaliningrad and on 31 December 2014 for Magadan special economic zones.



Agricultural subsidies

Total AMS commitments: annual and final bound commitment levels, USD billion

2012	2013	2014	2015	2016	2017	2018
9.0	9.0	8.1	7.2	6.3	5.4	4.4

- Russia would ensure that from the date of accession to the WTO to 31 December 2017 the annual agricultural support going to specific products would not exceed 30% of the agriculture support that is not for specific products. This measure is aimed to avoid excessive concentration of support on individual products.
- Russia confirmed status quo that it would not apply export subsidies.



Trade in services

- The Russian Federation has made specific commitments on 11 services sectors and on 116 sub-sectors (out of 155 sectors envisaged by the WTO classification).
- According to the Ministry of Economic Development of the Russian Federation, in majority of cases, these commitments have not altered existing regulatory framework, except for insurance sector.
 - Foreign insurance companies would be allowed to establish branches nine years after Russia accedes.



Trade in services: horizontal commitments

- Foreign ownership is prohibited for agricultural land and border territories and may be limited for other types of land;
- Commercial presence through the participation in privatisation may be limited;
- Services considered as public utilities as of the date of accession may be subject to public monopolies or to exclusive rights granted to private operators;
- Juridical persons of the Russian Federation have the priority right to take part in the conduct of operations of the Production sharing agreements for the exploration, development and production of mineral raw materials;
- Not less than 80% of all employed personnel engaged in realization of a production sharing agreement should be citizens of the Russian Federation;
- Russia left horizontal commitments regarding “presence of natural persons” unbound expect for intra-corporate transfers and business visitors.



Trade by State-Owned Enterprises

- State-owned and State-controlled enterprises operated in the commercial sphere would make purchases, which were not intended for governmental use, and sales in international trade in a manner consistent with the WTO Agreement.
- Upon accession, producers/distributors of natural gas in the Russian Federation would operate, within the relevant regulatory framework, on the basis of normal commercial considerations, based on recovery of costs and profit (in respect of their supplies to industrial users).
- The Government would continue to regulate price supplies to households and other non-commercial users, based on considerations of domestic social policy.



Transparency

- From the date of accession, all legislation affecting trade in goods, services, or IPRs, whether adopted or issued in Russia / CU, would be published promptly in a manner that fulfils applicable requirements of the WTO Agreement.
- From the date of accession, an enquiry point would be established.
- Except for special cases, Russia would publish all legislation affecting trade in goods, services, or IPRs, prior to their adoption and would provide a reasonable period of time, normally not less than 30 days, to comment to the responsible authorities before the relevant measure was finalized or submitted to the competent CU bodies.



Potential Impacts on Azerbaijan

- Change in Russia's export duties: limited positive impact on imports from Russia to Azerbaijan due to gradual elimination of selected export duty rates in Russia;
- Change in Russia's import duties: very limited (likely, zero) impact on exports from Azerbaijan to Russia as most of trade is under free trade, and withdrawals have been already lifted;
- TBT commitments: positive long-term impact of convergence to same international rules;
- SPS commitments: positive long-term impact of convergence to same international rules and more predictable and transparent environment;
- Trade in service: positive long-term impact as the market access improved (if Azerbaijan could use this opportunity)
- Other impacts: *to be discussed*



Some Lessons for Azerbaijan Accession

- Status: Russia joined the WTO as developed country.
- AMS in agriculture: Russia managed to secure the initial AMS at higher level than currently applied
- Import tariffs:
 - Import tariff rates are bound
 - Transition periods for up to 8 years
 - Mixed rates could be sued as final bound rates
 - Tariff quotas with no termination dates could be used
- Trade by State-Owned Enterprises: These enterprises are committed to operate on the basis of normal commercial considerations, based on recovery of costs and profit
- Trade in services: Horizontal commitments could be used for important reservations (ownership of land, participation in production sharing agreements etc.)



Thank you!

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