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# **RUSSIAN POLICY OF THE PIVOT TO THE EAST: PUZZLE OF EXPORTS, FTAS AND EURASIAN INTEGRATION**

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## **RUSSIAN POLICY OF THE PIVOT TO THE EAST: PUZZLE OF EXPORTS, FTAS AND EURASIAN INTEGRATION**

An idea of lagging Pivot, so that Russian Policy of Pivot to the East Asia cannot last successfully on a long-term basis keeping an extensive lag between political and economic dimensions of the Pivot, becomes widely spread in Russia and abroad. And one of the most inevitable and necessary conditions of bridging this gap together can be found among instruments of trade liberalization with FTAs ahead. Here we should shift our focus from Russian interests to Eurasian economic Union (EAEU) that has a privileged mandate on trade negotiations with third countries and blocs like ASEAN: Russia cannot sign any FTA on its own since 2015. However, this puzzle was relatively poorly studied both in Russia and abroad and this paper attempts to fill this gap. We briefly analyze the scope of trade between Russia and key Asian markets (which still remain mostly limited to North-East Asia) to define the most sensitive export markets for Russia, then we systematize existing barriers that could be potentially eliminated by international trade negotiations and compare them with existing international activity of the Eurasian Economic Commission (EEC). Results of our study clearly demonstrate an objective demand for more intensive EAEU activity on trade liberalization in Asia with a particular focus on non-tariff barriers.

Key words: Pivot to Asia, political economy, geoeconomics, FTA, integration, non-tariff barriers, Russia, North-East Asia, EAEU

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## 0. Introduction

In the 21<sup>st</sup> century the centre of the world's economic activity has shift to the Asia-Pacific region (APR). Nowadays the world observes the transformation of the Asia-Pacific region's development model from "Factory Asia"<sup>3</sup> to "Asia for Asia": intraregional trade growth, increasing investments and new value-added chains in Asia with China as a core remain the most persistent arguments for that<sup>4</sup>. Asia is currently a leader by both regional and global trade volume. Its intraregional trade exceeded 50% of the 2004 overall trade turnover<sup>5</sup> and continued to increase, reaching 57.3% in 2016<sup>6</sup> - the strongest marker of Asian regionalization.

Compared to European model, Asian framework of integration is not characterized by a partial delegation of sovereignty to supranational bodies, but remains focused on liberalization process, based on a broad network of free trade agreements. The Association of Southeast Asian Nations (ASEAN) and its ASEAN+ cooperation plans can serve as an example. In the 21<sup>st</sup> century there are attempts to make the next step – to establish megaregional agreements such as the Regional Comprehensive Economic Partnership (RCEP) which also do not envision supranational bodies and are aimed at closer and broader cooperation in different sectors.

This «asiatization» of world economy and politics has pushed all key actors to reallocate their activities and resources towards Asian market or at least to reassess their Asian policies. In Russia this process was called Pivot to the East policy; however experts disagree on particular moment when it was launched. There are two main approaches. The first one stays on 2012 and considers two events as a starting point: establishment of Ministry for Development of the Russian Siberia and Far East (subsequently Siberia was excluded from the Ministry's competencies) and preparations for APEC summit in Vladivostok<sup>7</sup>. Second one stays on mostly reactive policy approach and considers Pivot policy as a reaction on the crisis between Russia and the West that lasts since 2014<sup>8</sup>.

Despite the dispute on the timeline, experts mostly agree on political and economic dimensions of the Pivot: political results of the Pivot policy remain much more persuasive than an economic dimension of the Asian policy of the Russian Federation. However, export-oriented framework is a cornerstone of Russian trade policy in Asia. In the Executive Order on National Goals and Strategic Objectives of the Russian Federation through to 2024 signed on May 7, 2018 the promotion of exports and the achievement of global competitiveness have been clearly prioritized<sup>9</sup>.

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<sup>3</sup> Baldwin, D. (2013). Power and International Relations. *Handbook of International Relations*, eds. Carlsnaes, Walter, Risse, Thomas, and Simmons. New York: Sage.

<sup>4</sup> Bordachev T. V., Likhacheva A. B., Zheng X. (2015) Chego hochet Azija: potreblenie, vzaimosvjazannost', kapital i kreativnost'. *Russia in Global Affairs*, vol. 13, no. 1, pp. 82–96 (in Russian)

<sup>5</sup> WTO official site (2005) *World Trade in 2004: Overview*. Retrieved from: [https://www.wto.org/english/res\\_e/Statist\\_e/its2005\\_e/its05\\_overview\\_e.htm](https://www.wto.org/english/res_e/Statist_e/its2005_e/its05_overview_e.htm)

<sup>6</sup> Asian Development Bank (ADB) (2017) *Asian Economic Integration Report 2017*. Retrieved from: <https://www.adb.org/publications/asian-economic-integration-report-2017>

<sup>7</sup> Karaganov S.A. (2017) Ot povorota na Vostok k Bol'shoj Evrazii. *Russia in Global Affairs*. Retrieved from: <http://globalaffairs.ru/pubcol/Ot-povorota-na-Vostok-k-Bolshoi-Evrazii-18739> (In Russian)

<sup>8</sup> Filippov D. (2016) What happened to Russia's 'pivot to Asia'? *East Asia Forum*, May 19, 2016. Retrieved from: <http://www.eastasiaforum.org/2016/05/19/what-happened-to-russias-pivot-to-asia/>

<sup>9</sup> Presidential Executive Office (2018) *The President signed Executive Order on National Goals and Strategic Objectives of the Russian Federation through to 2024*. Retrieved from: <http://en.kremlin.ru/acts/news/57425>

However on the economic track, Russia can't go alone as a principal agent of Russian activity in Asia is Eurasian economic commission (EEC) – one of the key executive institutions of Eurasian Economic Union, because as a member of the EAEU Russia can't conduct unilateral trade negotiations with other countries. This mandate is under the supranational body EEC according to the Treaty on the EAEU<sup>10</sup>. A set of interconnections between Pivot policy, Russia-EAEU relations and EAEU attitudes towards FTAs with Asian countries represent the main puzzle of our research.

The article consists of four parts. The first one briefly describes data and methods we have applied in this research. The second part assesses trade structure between Russia and the People Republic of China (PRC), Republic of Korea (Rep. of Korea) and Japan. The third part shows current state of various trade barriers at these markets and the fourth one compares existing trade trends with EEC activity on trade liberalization in Asia. At the end we sum up our outcomes to stimulate a policy discussion. Analysis of four recent North-East Asian FTAs is presented in Annexes and shows the range of issues reviewed and how FTAs can contribute to integration processes via broad set of negotiated trade issues.

## 1. Methods and Data

To analyze trends in Russian trade with China, Rep. of Korea and Japan statistical data from the Federal State Statistics Service was used. Country analysis of tariff duties was carried out using the TradeMap database and WTO data. The evaluation of non-tariff barriers, due to the extensive measures applied and mainly, the unfair notification of such measures by Asian regulatory agencies, required the use of both primary sources from databases of non-tariff restrictions and indirect sources. Integrated Trade Intelligence Portal (I-TIP) allowed to assess shares of NTBs in notified lists. Therefore, for the primary integrated assessment, the consolidated data method was actively used, mainly on the basis of the WTO materials<sup>11</sup>, the United Nations Conference on Trade and Development (UNCTAD), regional organizations and departments focused on researching, supporting exports, liberalizing trade, regional integration (such as the ASEAN Institute for Economic Research and East Asia or the Hong Kong Trade Development Council<sup>12</sup>). Additionally, the materials of the key trade partners of Asian countries providing information support to national producers were considered (the most valuable materials are prepared by the Office of the US Trade Representative<sup>13</sup>, monitoring of the Ministry of Economic Development of the Russian Federation was also useful).

While most of the projects and negotiation activities mentioned in this research are rather new, we provide brief descriptions based on open sources, as well as regular communication with members of the Commission within research projects conducted by National Research University – Higher School of Economics (in 2017 - series of executive seminars with Commission ministers and heads of departments, participation of HSE experts in Research Council of the Commission, joint sessions at the HSE April Conference, Eastern Economic

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<sup>10</sup> Eurasian Economic Commission (2014) *Treaty on the Eurasian Economic Union*. Retrieved from: <https://goo.gl/GNkioK>

<sup>11</sup> WTO official site. *Trade policy reviews by country*. Retrieved from: [https://www.wto.org/english/tratop\\_e/tp\\_r\\_e/tp\\_rep\\_e.htm#bycountry](https://www.wto.org/english/tratop_e/tp_r_e/tp_rep_e.htm#bycountry)

<sup>12</sup> Official site of Hong Kong Trade Development Council. URL: <http://www.hktdc.com/en-buyer/>

<sup>13</sup> Executive office of the President of the United States (2016) *National Trade Estimate Report on Foreign Trade Barriers*. Retrieved from: <https://ustr.gov/sites/default/files/2016-NTE-Report-FINAL.pdf>

Forum etc.). Thus the data utilized in the analysis comprises of official documents, strategy plans, official statements of the policymakers, and business news sources.

## 2. Russian trade relations with North-East Asian countries

### *Russian trade with North-East Asia*

Total Russian exports in 2017 amounted to US\$ 357,6 billion (25% more than in 2016). Exports to China amounted to US\$ 38,9 billion or 10,9%, to Republic of Korea – US\$ 12,3 billion or 3,4%, to Japan – US\$ 10,5 billion or 2,9%. Thus, more than 17% of total Russian export were shipped to these countries (in contrast to 16,5% in 2016).

Mineral products are the dominant export category of the Russian exports to North-East Asian countries (Table 1). Besides, a substantial part of exports to Republic of Korea is represented by agricultural products (11,9%); to Japan – metals and articles (9,4%); to PRC – wood, pulp and paper products (10,7%). It is worth noticing, that shares of aforementioned sectors declined in comparison to the previous year, but the reason for this is the growth of energy products prices. For instance, average price for oil Urals increased by 26,6%<sup>14</sup>.

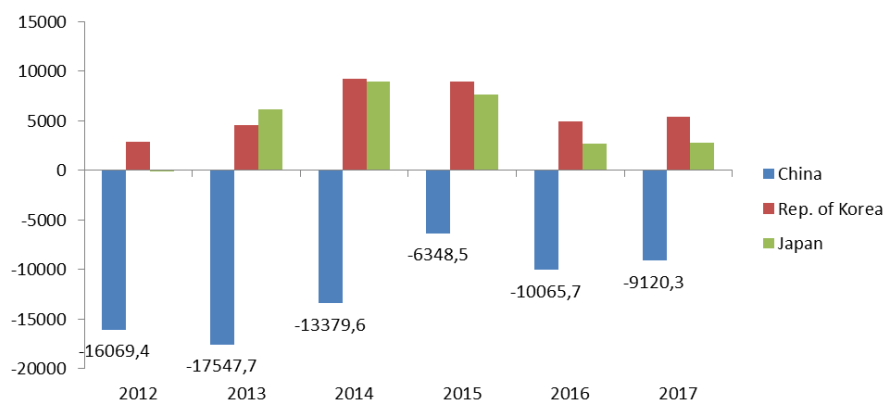
**Table 1. Structure of Russian exports to Republic of Korea, Japan and PRC, 2017**

HS Code	Chapters	Export structure to Rep. of Korea	Export structure to Japan	Export structure to PRC
	Total	100%	100%	100%
01-24	Food products and agricultural raw materials (except textile)	11,9%	2,8%	4,6%
25-26	Mineral products	0,8%	0,9%	2,9%
27	Fuel and energy commodities	72,8%	74,9%	64,9%
28-40	Chemical products, caoutchouc	2,7%	0,8%	4,4%
41-43	Leather raw materials, furs and its subproducts	0,0%	0,0%	0,0%
44-49	Wood, pulp and paper products	1,7%	4,4%	10,7%
50-67	Textile, textile goods and shoes	0,0%	0,0%	0,0%
71	Precious stones, metals and articles thereof	1,4%	4,6%	0,4%
72-83	Metals and articles thereof	6,1%	9,4%	1,6%
84-85	Machinery and equipment	0,4%	0,1%	5,6%
86-89	Vehicles	2,0%	2,1%	0,7%
90-92	Technical instruments and equipment	0,1%	0,0%	0,5%
68-70, 93-97, 99	Other	0,1%	0,0%	3,7%

<sup>14</sup> TASS Russian News Agency (2018) *Cena nefti marki Urals za 2017 god vyrosła na 26,6%* Retrieved from: <http://tass.ru/ekonomika/4861722> (In Russian)

Source: *made by authors based on Russian FCS data*

Total Russian imports in 2017 amounted to US\$ 226,9 billion. Imports from China amounted to US\$ 48 billion or 21,2%, from Republic of Korea – US\$ 6,9 billion or 3%, from Japan – US\$ 7,8 billion or 3,4%. Thus, more than a quarter of total imports was received from these countries. Although we can notice that Russia has trade deficit with these countries, it has declined last year – approximately US\$ 1 bln. (Figure 1).



**Figure 1. Trade balance in Russian trade with China, Rep. of Korea and Japan, 2012-2016 (mln US\$)**

Source: *made by authors based on Russian FCS data*

The vast majority of imports from North-East Asian countries (Table 2) is represented by processed goods. In case of Korean exports to Russia – Machinery and equipment (33,4%) and Vehicles (31,8%). Almost the half of Russian imports from Japan is amounted to Vehicles (49%) and approximately the quarter - to Machinery and equipment (27,7%), as well as about the half of Chinese exports to Russia (53%), other categories have approximately the same shares.

**Table 2. Structure of Russian imports from Republic of Korea, Japan and PRC, 2017**

HS Code	Chapters	Export structure from Rep. of Korea	Export structure from Japan	Export structure from PRC
	Total	100%	100%	100%
01-24	Food products and agricultural raw materials (except textile)	1,8%	0,3%	3,7%
25-26	Mineral products	0,0%	0,0%	0,1%
27	Fuel and energy commodities	1,1%	0,7%	0,2%
28-40	Chemical products, caoutchouc	15,1%	10,9%	9,0%
41-43	Leather raw materials, furs and its subproducts	0,1%	0,0%	1,1%
44-49	Wood, pulp and paper products	0,7%	0,2%	0,9%
50-67	Textile, textile goods and shoes	1,8%	0,9%	11,1%
71	Precious stones, metals and articles thereof	0,0%	0,0%	0,2%
72-83	Metals and articles thereof	7,9%	3,1%	7,1%
84-85	Machinery and equipment	33,4%	27,7%	53,0%
86-89	Vehicles	31,8%	49,0%	4,0%
90-92	Technical instruments and equipment	2,8%	4,4%	2,2%
68-70, 93-97, 99	Other	3,3%	2,8%	7,4%

Source: made by authors based on Russian FCS data

A special place in Russian policy of the Pivot to the East and particularly in economic background of this Pivot relates to the Russian Far East. Its development has started in 2012 by establishment of Ministry for the Development of the Russian Siberia and Far East. Their development was recognized as «Russian national priority for the whole XXI century» in 2013 by V.Putin at his address to the Federal Assembly (subsequently Siberia was excluded from the Ministry's competencies)<sup>15</sup>. In 2015 Advanced Special Economic Zones (ASEZ) and Free Port of Vladivostok aimed at faster development of the region and foreign direct investments, were established.

However, according to Corporation of Development of the Far East as of May 18, 2018, there were 267 residents of ASEZs and 673 residents of Free Port of Vladivostok of which 25 and 32 respectively were foreign residents<sup>16</sup>. We also consulted data of Federal Tax Service of Russia (FTS) and found out that as of August 22, 2018 among 313 and 857 residents of ASEZs and Free Port of Vladivostok. There were only 15 and 18 respectively, which were registered as subsidiaries of foreign companies. Data gaps can be caused by such factor as non-transparent origin of investments, i.e. residents created by foreign individuals, so the capital is still foreign,

<sup>15</sup> Presidential Address to the Federal Assembly <http://en.kremlin.ru/events/president/news/19825>

<sup>16</sup> Ministry for the Development of the Russian Far East (2018) +17,1%. *Kak Dal'nij Vostok operedil vsû ostal'nuû Rossiû po prirostu investicij?* Retrieved from: <https://minvr.ru/press-center/news/14590/> (In Russian)

but unclear for open FTS data. Nevertheless, both data show that share of foreign residents is dramatically small.

Going deeper into ASEZs, we could discover that among tracked ASEZs' residents with foreign capital 6 companies have represented Japanese investments, 2 – Chinese ones and none of them was from Korea. As for Free Port of Vladivostok residents we have observed 9 companies with Chinese capital (incl. 2 from Hong Kong) and 2 from Japan and Korea each. So, in both cases we can state that major share of foreign companies in mentioned preferential territories accounts for North-East Asian countries. It potentially opens a track for discussion on unification of trade and investment policies of the Pivot; however regulation and international negotiations on investments remain under Moscow national mandate while trade is covered by the Commission. It already creates some difficulties on both tracks and we could expect that «parallel» integration policies will devaluate positive effects on both sides.

### **3. Barriers for Russian exports to the North-East Asia**

#### *Tariffs and non-tariff measures in Asia and the World*

During the GATT and World Trade Organization (WTO) functioning import duties decreased dramatically to the average level of 9% in 2013<sup>17</sup>. Due to this fact, non-tariff barriers (NTBs) have become more “popular” tool used for protection of domestic economy: the number of active NTBs is rising every year (Figure 2), while tariff rates go down. Moreover, it is worth noticing that a large amount of NTB hasn't been notified, so the number of active NTBs is even higher than specified in Figure 2.

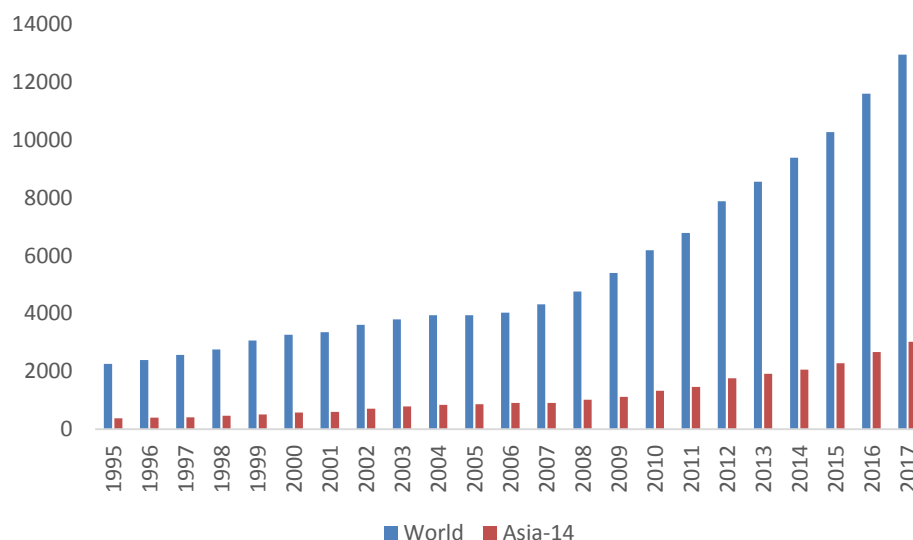
In Asia the situation looks similar. Asian countries use NTBs instead of import duties regardless the level of countries' development, e.g. average tariff rate in ASEAN decreased from 8,9% in 2000 to 4,5% in 2015, while the number of NTBs (which includes not only notified barriers) increased from 1634 to 5975 at the same period<sup>18</sup>.

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<sup>17</sup> World Trade Organization (2016) *Trade and Tariffs* Retrieved from: [https://www.wto.org/english/thewto\\_e/20y\\_e/wto\\_20\\_brochure\\_e.pdf](https://www.wto.org/english/thewto_e/20y_e/wto_20_brochure_e.pdf)

<sup>18</sup>Economic Research Institute for ASEAN and East Asia and United Nations Conference on Trade and Development (2016) Non-tariff measures in ASEAN. Retrieved from: [http://www.eria.org/publications/key\\_reports/FY2015/No.01.html](http://www.eria.org/publications/key_reports/FY2015/No.01.html)





**Figure 2 – The number of active non-tariff barriers in the world and Asia-14 since 1995 to 2017**

Source: *WTO, Integrated Trade Intelligence Portal (I-TIP)*

Acceleration of use of NTBs was especially visible in 2005-2011 as a necessary tool for Asian economies' protection after Global financial crisis and Chinese economic expansion in Asia-Pacific region (in form of signing huge number of FTAs and consequently reduction or elimination of import duties)<sup>19</sup>. This process also reflected the rise of national state policies in Asia.<sup>20</sup>

Most popular NTBs in North-East Asia are technical barriers to trade (TBT) and sanitary and phytosanitary measures (SPS) that make up to 44% of notified NTBs in force<sup>21</sup>. They are also used in regard to products of plant and animals' origin, chemicals and related industries, food products.

There are some positive changes in NTB's regulation, concerning measures which do not influence exporters' dependence on markets but slow the effectiveness of trade. For instance, implementation of the new system of mandatory certification, which introduced new standards, labelling and new China Compulsory Certification mark. The process of certification now takes 4-8 months. Another example is quotas and licensing requirements liquidation for almost all import products. Thus, we can expect that NTBs related to bureaucratic processes will be more insignificant every year.

### **Trade barriers of People's Republic of China**

PRC is a priority partner for the Russian Federation not only on the trade level (China is the biggest Russian trade partner in terms of turnover per year), but also in investment, politics and other spheres. Moreover, the consensus on disproportional economic cooperation compared to political one<sup>22</sup>, is strengthening both in Moscow and Beijing and this misbalance is considered

<sup>19</sup> World Trade Organization (2018) *China FTA profile*. Retrieved from: <https://goo.gl/YGuBjr>

<sup>20</sup> S. Karaganov (2016) *Global Challenges and Russia's Foreign Policy*. Retrieved from: <http://www.tandfonline.com/doi/full/10.1080/09700161.2016.1224063>

<sup>21</sup> World Trade Organization. *Integrated Trade Intelligence Portal*. URL: <http://i-tip.wto.org/goods/Forms/TableView.aspx>

<sup>22</sup> Valdai Discussion Club (2016) *Toward the Great Ocean 4: Turn to the East. Preliminary Results and New Objectives*. Retrieved from: <http://valdaiclub.com/files/11431/>

as one of key risks for sustainable cooperation in the future. Particularly, at the trade regulation level China keeps a lot of barriers for Russian products.

### Tariff barriers

Average level of tariffs in China is 7,1%. There are no prohibitive duties for Russian products. The highest tariffs are:

**Table 3. The highest Chinese import duties (at headings level)**

Category	Duties
Cereals	65% for wheat, meslin and rice; 54,3% for corn
Sugar and sugar confectionery	50% for Cane or beet sugar and chemically pure sucrose, in solid form; 24,7% for Other sugars, incl. chemically pure lactose, maltose, glucose and fructose, in solid form; sugar syrups not containing added flavouring or colouring matter; artificial honey, whether or not mixed with natural honey; caramel
Fertilizers	40,08% for Mineral or chemical fertilisers containing two or three of the fertilising elements nitrogen, phosphorus and potassium; other fertilisers (excluding pure animal or vegetable fertilisers or mineral or chemical nitrogenous, phosphatic or potassic fertilisers); animal, vegetable, mineral or chemical fertilisers in tablets or similar forms or in packages of a gross weight of <= 10 kg; 28,27% for nitrogenous fertilisers
Products of the milling industry; malt; starches; inulin; wheat gluten	65% for wheat and meslin flour 50,18% for cereal groats, meal and pellets 32,35% for other types of cereal groats
Miscellaneous edible preparations	Duties for headings of this category are fluctuate from 19% to 25%

Source: *Trademap*

In other categories average level of tariffs fluctuates from 0% to 22%.

Thus, regarding structure of Russian exports to PRC, Chinese trade policy of import duties for Russian products does not influence dramatically on the competitiveness in the market.

### Non-tariff barriers

However we found a large set of Non-tariff barriers are the most sensitive for Russian exporters in China. China has consistently pursued an industrial policy aimed at restricting access to importers' markets, while offering substantial government recommendations, resources and regulatory support to Chinese industries. As of 30 June 2018, China has 272 notified non-tariff measures affecting Russian goods.

Reduction and elimination of NTB is a cornerstone point for maintaining Russian exporters as well as providing express-logistics by transport corridors with modern grain

terminals and other necessary export tools (e.g. warehouses). Key sectors affected by Chinese NTBs are agriculture, food production, pharmaceuticals, electronic and mechanic commodities.

There are a few discriminative NTBs for Russian products that primarily must be eliminated. For example, wheat is considered as one of the most promising product for Russian exports to China, but it is prohibited for more than 20 years except spring wheat grain from Altai Krasnoyarsk, Novosibirsk, Omsk, Chelyabinsk and Amur Regions.<sup>23</sup>

Imports of Russian corn, rice and soya from Far Eastern and Siberian Federal Districts: Khabarovskiy, Primorskiy and Zabaykalskiy Krai, Amurskaya Oblast' and Jewish Autonomic Oblast' autonomic regions are permitted with the same requirements. It might be efficient to set up similar "minimum program" to get permission for exports from the rest of regions. China requires realization of similar to "wheat case" points, so there must be another "minimum program" to cancel this embargo.

Institutionalization of this process, with Rosselkhoznadzor and representative of Russian exporters (e.g. Russian export center) on one side and Chinese regulatory bodies – on the other one, could heavily facilitate an access of the Chinese market to Russian producers. And here EEC should play an important role of mediator and coordinator of national efforts of members-states to withdraw non-tariff barriers with third parties – as far as intra-union phytosanitary regulation is under Commission's mandate.

China prohibits imports of artiodactyls and products thereof, milk and dairy produce due to epidemic of foot and mouth disease in Primorskiy Krai since May 15<sup>th</sup> 2000. This taboo was cancelled for 49 Russian constituent entities in September 2017 by Joint Announcement of AQSIQ and MOA<sup>24</sup>. Nevertheless, among these regions there are only 5 Siberian (of 10) and 4 Far East regions (of 11), moreover, none of the constituent entities bordering China mentioned in that announcement.

In 2008 pork imports were prohibited due to outbreak of African Swine Fever (ASF) and in 2015 beef imports due nodular dermatitis of cattle. Regardless Chinese verification of existence of territories without ASF in Russia the prohibition wasn't cancelled yet. Also China uses excessively prohibitive rules towards pathogens and leftovers of raw meat and poultry.

China cancelled quotas and license-requirements for majority of imported products since 2005, but there is a shortlist of imported products which have to be licensed: 139 10-digit tariff code including ozone-depleting substances, mechanical and electronic products are in this shortlist in 2017<sup>25</sup>.

China's Ministry of Commerce (MOFCOM) together with other Departments of the State Council formulate, change and publish catalogue of mechanical and electronic products, which import is restricted or prohibited. It allows them to control quotas and licenses on the restricted products. China uses the system of automatic licensing for certain mechanical and electronic

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<sup>23</sup> Integrated Foreign Economic Information Portal (2018) *Obzor sušestvujuših ograničenij v dostupe rossijskih tovarov na zarubežnye rynki* Retrieved from: [http://www.ved.gov.ru/rus\\_export/torg\\_exp/](http://www.ved.gov.ru/rus_export/torg_exp/) (In Russian)

<sup>24</sup> General Administration of Quality Supervision, Inspection and Quarantine of PRC (2017) *Joint Announcement of AQSIQ and MOA on Lifting FMD related Ban on Some Areas of Russia (Announcement No. 69 of 2017)* Retrieved from: [http://www.aqsiq.gov.cn/xxgk\\_13386/jlgg\\_12538/zjgg/2017/201709/t20170918\\_497956.htm](http://www.aqsiq.gov.cn/xxgk_13386/jlgg_12538/zjgg/2017/201709/t20170918_497956.htm) (In Chinese)

<sup>25</sup> HKTDC (2017) *Trade Regulations of China* Retrieved from: <http://hong-kong-economy-research.hktdc.com/business-news/article/Small-Business-Resources/Trade-Regulations-of-China/sbr/en/1/1X000000/1X006MY8.htm>

products which can be free imported. Importer has to apply for an Automatic Import License to MOFCOM or other authorized agencies before finish of customs formalities.

To export to China of medicine, food and agricultural products, mechanic and electronic goods exporters have to get Security License and meet other regulatory requirements.

Thus, there must be a constant communication between MOFCOM and Russian exporters for timely products licensing.

China uses anti-dumping measures against Russian polymers in primary forms. The level of anti-dumping duties fluctuates and depends on the producer. These measures are in force until 21.04.2021 with ability of prolongation.

Conclusion: Chinese market is dramatically important for Russian exporters. The first priority is to abolish embargo for wheat, rice, corn and other corns' imports from Russian regions. The secondary task is to get maximum information about market regulation in China by EEC-PRC negotiations for non-preferential agreement. Also it will be useful to start a regular series of information events for exporters in both countries: PRC and RF involving Chinese experts and officials.

### **Trade barriers of Japan**

Japan is one of the most attractive partners of Russia: Japanese investors are likely to invest in technological industries, ready to transfer technologies and due to that gradually balance the Chinese influence in the region. As many experts expect more acute Japan-China competition in the future<sup>26</sup>, Russia will have more opportunities to attract Japanese investments and consumers.

### **Tariff barriers**

The vast majority of average import duties for Russian product does not exceed 5%. However, Japan uses prohibitive or close to it tariffs for such headings as:

**Table 4. The biggest Japanese import duties (at headings level)**

<b>Heading</b>	<b>Duty (%)</b>
Buttermilk, curdled milk and cream, yogurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or flavoured or containing added sugar or other sweetening matter, fruits, nuts or cocoa	163,94
Milk and cream, not concentrated nor containing added sugar or other sweetening matter	121,59
Rice	121,07
Butter, incl. dehydrated butter and ghee, and other fats and oils derived from milk; dairy spreads	109,64
Starches; inulin	109,24

Source: *Trademap*

<sup>26</sup> Men Honghua (2010) East Asian Order Formation and Sino-Japanese Relations. *Indiana Journal of Global Legal Studies*, Vol. 17, No. 1 (Winter 2010), pp. 47-82

Japan also uses high import duties for products of such categories as milk and cream, concentrated or containing added sugar or other sweetening matter (79,3%), cereal flours (excluding wheat or meslin) (62,03%), footwear, gaiters and the like; parts of such articles (62,73%) and wheat and meslin (55,79%).

### **Non-tariff barriers**

Japan's trade policy in sector of NTBs is very complicated and multilevel: a lot of laws, which are regulating these NTBs, numerous standards, special import policies for some products and tariff quotas. As of 30 June 2018, Japan has 364 notified non-tariff measures affecting Russian goods.

Japan uses special requirements for imports of rice, wheat, beef, fish, wood preparations. There is a huge number of laws which affects product's selling by implementing of standards. The main laws are:

- 1) Electrical Appliance and Material Safety Law;
- 2) Consumer Product Safety Law;
- 3) Gas Utility Industry Law;
- 4) Food Sanitation Law;
- 5) Pharmaceutical Affairs Law;
- 6) Road Vehicles Law;
- 7) Building Standard Law.

Japan Industrial Standards Committee (JISC) plays a central role in standardization in Japan.

Japan uses non-transparent and overregulated import and allocation system for rice and consequently restricts access to consumers. Japan set up tariff quota for imported rice. Ministry of Agriculture, Forestry and Fisheries (MAFF) controls rice imports by periodic ordinary minimum access (OMA) tenders to allocate TQ and by buy-sell tenders.

Wheat imports must go through the Grain Trade and Operations Division of MAFF's Crop Production Department. Only this Department can sell wheat to Japanese millers. The price for millers is much higher than import price and this leads to increasing of wheat-based products prices and consequently decreased wheat consumption in Japan. MAFF changed its principles of building resale price in 2007 to make it more equitable according to world prices, but the mechanism is still discriminating for exporters.

Japan WTO obligations allow it to use special agricultural safeguard on 121 tariff lines<sup>27</sup> (SSG) for protection of national producers in case of extreme imports growth. SSG is used when imports growth is bigger more than 17% from the level of the previous fiscal year on a cumulative quarterly basis. In this case import duty rises from 38,5% to 50% to the end of fiscal year. Thus, monitoring of imports volume will be useful for Russian beef exporters.

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<sup>27</sup> World Trade Organization (2017) *Trade Policy Review: Japan* Retrieved from: [https://www.wto.org/english/tratop\\_e/tpr\\_e/tp451\\_e.htm](https://www.wto.org/english/tratop_e/tpr_e/tp451_e.htm)

Japan also uses quotas for imports of Alaska pollock, cod, Pacific whiting, mackerel, sardines, squid, Pacific herring, pollock roe, cod roe and surimi. Japan have decreased level of tariff protection, increased value of quotas and simplified bureaucratic processes for foreign exporters, but they are still restricting trade.

Japanese laws requiring product certification and marking are numerous and they are listed in the handbook made by Japan External Trade Organisation (JETRO) “on regulating the import of industrial goods”.

Imported goods are subject to testing and may not be sold without the certification of conformity to established standards which are divided into two categories: technical regulations (or mandatory standards) and optional voluntary standards.

Japan uses the restrictions on the sale or use of specific products, including health products such as medical devices, pharmaceutical products, agricultural products and chemicals.

Usage of certain chemicals and other additives in foods and cosmetics strictly regulated and adheres to the "positive list".

Since July 27<sup>th</sup> 2005 Japan has prohibited imports of live animals and products thereof intended for use as a pedigree material from certain countries, including Russia. Also in 2007 embargo of venison, pork, beef and lamb was imposed.

Another type of the Japan’s prohibitions is sanction one: import from Crimea and Sevastopol are restricted for indefinite term.

Conclusion. Japan doesn’t use the same number of discriminating barriers for Russian products as China. But we have to notice that Japan’s partners such as the USA, Australia, Germany, the Republic of Korea etc. keep a lot of attention on informing national producers about Japanese specific regulation via exim banks and chambers of commerce, and by financing Research Centers of Japan. Thus, Russian exporters will face hard competition with foreign producers, which are entrenched on the marker apart from Japanese producers.

### **Trade barriers of Republic of Korea**

Republic of Korea is one of the main Russian partners in Asia-Pacific and regularly claims that is ready to expand trade and investment cooperation with Russia. Korea stably demonstrates a solid demand for agriculture that makes it especially attractive for Russian exporters.

#### **Tariff barriers**

Rep. of Korea uses several extremely prohibitive import duties for agricultural products. Average tariff of 2-digit HS Code is 20,46%. The biggest import duties are:

**Table 5. The biggest Korean import duties (at category level)**

Category	Duty (%)
Cereals	>275%, except for wheat and meslin
Products of the milling industry	>250%, except for wheat or meslin flour, wheat gluten and flour, meal and powder of leguminous vegetables
Edible vegetables and certain roots and tubers	Average duty is 96,39%
Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included	Average duty is 68,32%

Source: *TradeMap*

Korean market for Russian wheat exporters is almost open: import duty is nearly 2%, but there is a strong SPS measure which restricts import now. Launch of grain terminal in Zarubino port can fix the situation soon if all Korean requirements under SPS-restrictions will be met. Although, despite extremely prohibitive import duties for corn, the amount of imports from Russia is quite big (US\$ 165.6 mln).

Prohibitive import duties for agricultural products represent an integral part of Korean trade policy, i.e. they are applied to all imports from third countries. Products such as dairy goods, cereal, coffee, tea, fruits and vegetables remain in sensitive lists for Republic of Korea even in FTAs. That's why even preferential agreements, e.g. FTA, will not lead to tariff reduction for these products.

#### **Non-tariff barriers**

As of 30 June 2018, Korea has 362 notified non-tariff measures affecting Russian goods. SPS-measures and TBT are the most used by Rep. of Korea. SPS-measures and TBT are the most used by Rep. of Korea. Key industries, which are affected by NTB's, are agriculture, chemicals and related industries.

Republic of Korea banned the imports of rice, straw and foods of their processing (except for the polished rice and untilled rice certain the Director General of The National Plant Quarantine Service), fresh fruit, green goods, unripe bobs of leguminous plants (except for a coconut, pineapple and unripe bananas), walnuts and their kernels, potato and tomato seeds, stems and leaves, and also foods of such plants as a barley, wheat, rye is forbidden due to the infection, which was spread to areas of sprouting of plants, nursery transplants, fruit, vegetables and seed wreckers.

The import is also forbidden for the following products: couch-grass creeping, hybrids of rye and wheat (except for those, that is processed with the use of methods about which the Director General of The National Plant Quarantine Service is advised), apple-tree plants, plum and rubus for landing, including seedlings, stems and shoots (except seeds), fresh fruit (except for the plants of plum), fresh stems and leaves of Solanaceae and Ipomoea plants and their roots.

A few types of meat from Russia are also forbidden for imports due to the spread in Russia of outbreaks of major animal diseases such as highly pathogenic avian influenza and foot and mouth disease.

Import can be allowed after a statement by the country-exporter about the absence of infection of the certain plants in a region was made based on confirmation by phytosanitary analyses and approvals of Korean authorities.

Ultimately, range of NTB in North-East Asia is quite wide. FTA is one of the mechanisms which seems to be effective for countries to eliminate or minimize negative effects in bilateral trade such as non-tariff barriers. In the annexes we analyze four recent FTAs of North-East Asian countries to demonstrate a broad range of issues that can be covered within modern FTAs – not only tariff reduction but also a sharp elimination of non-tariff barriers, cooperation in information exchange, transparent regulation, broader connectivity issues, investments, services, data exchange etc.

#### **4. Trade liberalization and activity of the EAEU**

A possibility of signing new FTAs with North-East Asian countries remains pretty moderate regarding ongoing EEC open negotiation tracks. In the mid of 2018 the EAEU has the following open country tracks:

- The signed Agreement on trade and economic cooperation with China. This agreement is perceived as a first step of EAEU-“Belt and Road” conjunction framework;
- Negotiations on the FTA with India;
- Negotiations on the FTA with Singapore;
- Working consultations with the Republic of Korea on the FTA;
- The signed Interim Agreement with Iran enabling establishment of free trade area. This agreement should be negotiated up to the Permanent one within 3 years after Interim agreement will be enforced;
- Outside Asia, negotiations are underway with Israel on the FTA and on the unification of the trade regime and the FTA with Serbia.

The formats of these negotiations differ, but all of them to some extent cover economic dimension of the Russian policy of the Pivot to Asia.

Agreement on trade and economic cooperation between EAEU and PRC was signed on May 2018. This agreement can be defined as non-preferential and is aimed at strengthening cooperation and facilitation of further negotiations within a conjunction framework<sup>28</sup>. However chances for FTA negotiations with China in short-term period remain pretty low due to the “paranoia” about “flood of Chinese products and damage to EAEU economy” widely spread even in Russian expert community. Nevertheless, in June 2018 Russia and PRC signed feasibility study for a broad Eurasian economic partnership<sup>29</sup>, which will not cover trade in goods (because it is EEC mandate) as opposed to other issues such as trade in services, investment facilitation e-commerce etc.<sup>30</sup> This agreement could be of a mid-term or even long-

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<sup>28</sup> Presidential Executive Office (2015) *Sovmestnoe zayavlenie Rossijskoj Federacii i Kitajskoj Narodnoj Respubliki o sotrudnichestve po soprjazheniju stroitel'stva Evrazijskogo jekonomicheskogo sojuza i Jekonomicheskogo pojasa Shelkovogo puti*. Available at: <http://www.kremlin.ru/supplement/4971> (in Russian)

<sup>29</sup> Sputnik International (2018) *We Agreed on Fostering Greater Economic Partnership with China – Putin* Retrieved From: <https://sputniknews.com/world/201806101065279324-russia-china-putin-speech/>

<sup>30</sup> Ministry of Economic Development of the Russian Federation (2018) *Rossia i Kitaj zaveršili sovmestnoe tehniko-ekonomičeskoe obosnovanie Soglašenija o Evrazijskom ekonomičeskom partnerstve* Retrieved from: <http://economy.gov.ru/minec/about/structure/deptorg/201808062> (In Russian)



term character. However there is no any public signal of transformation of this agreement in FTA in the nearest future and future unification of special non-trade regime with other EAEU members will take lots of extra efforts as it happens now with much less important partner in trade agreement with Serbia (when unilateral Russian trade responsibilities go through transformation to EAEU FTA level).

As for Korea the feasibility study of the FTA is only being elaborated. Nevertheless, there is an opinion, expressed by Head of Belarusian Chamber of Commerce and Industry, that agreement can be signed in 2019. But the absence of similar statements by representatives of other EAEU members calls into question the believability of that.

As for Japan, in 2016 Russian President V. Putin mentioned some plans on the start expert discussion about expediency of EAEU-Japan FTA<sup>31</sup>, but this was the only official mention of that topic so far. And there is a high probability that FTA issue will be closely related to a Peace agreement that Russia and Japan can't conclude since 1945.

It seems that the EAEU just doesn't have enough experience due to its short integration record to defend interests of EAEU Members at negotiations with major economies such as China, Japan or Rep. of Korea. We can observe that EAEU made lots of efforts to gain these skills through negotiations with less important trade partners like Vietnam, Singapore, Iran, and Israel. Probably Indian negotiations will be a first stress-test with large economy: existing plans of successful negotiations of the EEC remain pretty moderate in terms of scale of partner-country. FTA with Vietnam has been functioning since the October 2016; FTA with Singapore is expected to be signed in 2019, Interim Agreement with Iran enabling formation of FTA can enter into force in 2019; as well as negotiations with several other countries like Serbia are underway).

Thus, we can expect a gradual shift in EEC competences of FTA negotiations and related shift to discussions on FTAs with major North-East Asian economies. However, a further analysis clearly proves that the focus of these negotiations has to lay far further than tariff reduction or elimination and cover a wide range of non-tariff barriers that remain more important than tariff barriers for most of promising Russian exported goods.

## 5. Discussion

Nowadays FTAs quickly evolve from tariff regulation to various aspects of international trade and international relations<sup>32</sup>. It also proved by signing of mega-regional trade agreements such as Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11)<sup>33</sup>, provisional application of Canada-EU Comprehensive Economic and Trade Agreement (CETA), negotiations on Regional Comprehensive Economic Partnership (RCEP) etc. To the moment Russia and EAEU don't participate in these processes at any level. Moreover, creation of EAEU FTA network has started just in 2015. In North-East Asia EAEU has only non-preferential agreement on trade and economic cooperation with the PRC, there is no progress in negotiations

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<sup>31</sup> Presidential Executive Office (2016) *Rossijsko-japonskij forum delovyh krugov*. Retrieved from: <http://www.kremlin.ru/events/president/news/53477> (accessed 15 September 2017) (in Russian)

<sup>32</sup> Greg Mastel (2004) The Rise of the Free Trade Agreement *Challenge*, Vol. 47, No. 4, pp. 41-61

<sup>33</sup> Australian Government. Department of Foreign Affairs and Trade (2018) About the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11) Retrieved from: <https://dfat.gov.au/trade/agreements/not-yet-in-force/tpp-11/Pages/trans-pacific-partnership-agreement-tpp.aspx>

with Korea and FTA with Japan is not on the agenda of the Union. Thus, Russia should not stop its pursue to integrate with Asia, but not only in FTA direction.

Russian exports don't really depend on tariff barriers, but remain extremely affected by non-tariff measures. This phenomenon will constantly enhance during diversification of Russian exports.

In case of Russian interest of integration to North-East Asia we need to consider that FTAs can cancel extremely discriminative barriers, such as embargos for cereals or meat imports and this will lead to obvious positive effect. However, some of these measures can be successfully eliminated without FTAs.

Due to the special importance of the Chinese market, it seems essential to cancel the ban on wheat supplies, to obtain maximum information on market regulation through the EEC negotiations; carrying out of cycles of explanatory actions for exporters - both in the Russian Federation with the invitation of Chinese experts and officials, and in China itself - with the organizational support of the Ministry of Economic Development and Russian Export Centre.

In Japan, Russian exporters face many special requirements (for rice, wheat timber products etc.). In spite of the multilateral process of harmonizing these measures, it seems advisable to address the issue of mitigating them for Russian export enterprises inviting Japanese investors to joint export-oriented projects in Russia.

The situation with non-tariff measures in Korea potentially carries significant risks for Russian export-oriented agriculture and chemical industries. It is extremely important to establish a communication channel with Seoul to ensure the export of key crops following the fulfillment of Korean requirements (this is especially important when launching a grain terminal in the Port of Zarubino after 2020).

An analysis of non-tariff aspects of FTAs is of extreme importance both for EEC and for bilateral tracks. Russia tries to push North-East Asian countries eliminate existing prohibitions. However, such questions have to be addressed not only at intergovernmental level. Russian agricultural and food products are the main sectors affected by NTBs, what is proved by numerous sanitary rules, bureaucratic activities and detailed health certificates. Advocacy of Russian agricultural exporters' interests is one of the most important points of trade relations between the countries. Beyond that, it has direct influence on regional food (and water) security that plays an increasingly important role in Asia.

We can conclude that in Russian relations with North-East Asian countries political convergence moves significantly faster than economic integration also due to a large amount of barriers in these countries and also a low progress in FTA negotiations at the EAEU level. Thus, we suggest that it is expedient to use bilateral tracks to eliminate excessive barriers while FTA with major economies remains quite problematic tool for EAEU at present. Otherwise, discriminative NTB will undermine the possibilities of Russian exports and, accordingly, weaken the political achievements of the «Turn (Pivot) to the East». At the same time an intense internationalization of the EAEU activity becomes a clear priority for the Union.

The analysis of modern negotiation activity of the EEC with Asian partners proves that the EEC at its external integration initiatives still follows the «catching up» mode of cooperation within its international initiatives, limiting its activity either to mostly political documents (like

with China) or focusing on bilateral FTAs («EAEU + partner country»), limited by trade agenda. However, several studies of free trade zones in East Asia shows that since 1990 the range of aspects involved in the FTAs had expanded considerably: for example, the problems of regulation of electronic commerce, intellectual property, labor, etc.<sup>3435</sup>. It means that if Russia remains interested in successful promotion of Pivot policy, an intensification of Russia-EEC-Asian partners dialogue represents a necessary condition for this success.

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<sup>34</sup> Yastreba, T. (2016). Actual Trends of Regional Trade Agreements Creation. Retrieved from: <http://elib.bsu.by/handle/123456789/166198>

<sup>35</sup> Christopher M. Dent (2005) Bilateral Free Trade Agreements: Boon or Bane for Regionalism in East Asia and The Asia-Pacific? *European Journal of East Asian Studies*, Vol. 4, No. 2, pp.287-314.

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## 6. Annexes

### Annex 1. Analysis of the last Chinese and Japanese FTAs (2 examples for country)

In this part we analyze 4 FTAs: PRC – Rep. of Korea, China-Australia, Japan-Australia (came into force in 2015) and Japan-India (came into force in 2011). The analysis shows next main points:

- The increasing exchange of information in different spheres is one of the most main provisions in agreements;
- Parties approve that all used NTBs mustn't create unreasonable obstacles to bilateral trade;
- In sphere of NTBs countries the main attention is focused on SPS-measures and TBT by creating of committees;
- China protects priority for Russian exports markets: cereals, woodworking and pulp and paper, - by inclusion them in "sensitive" lists of tariff reduction;
- Korea includes a lot of headings from meat and cereals in sensitive list, which are very attractive for Russian exporters.

#### FTA China – Rep. of Korea

This agreement came in force on December 20<sup>th</sup> 2015. By this agreement China and Korea will eliminate 91% and 92% import duties respectively to 2035<sup>36</sup>. Experts assessed that this agreement will lead to GDP growth in Korea and China for 3% and 1% in ten years respectively<sup>37</sup>. In percentage Rep. of Korea seems to be beneficiary of this agreement.

Our analysis shows that the majority of 6-digit HS Codes, which are included by PRC to sensitive list, are subheadings of the categories specified in Annex 2. This means that in case of FTA between EAEU and PRC there is small likelihood of full-blown tariff reduction for Russian priority exports: wheat, wood, paper, black metals etc.

In turn of Korean sensitive list (Annex 3) in this FTA we can conclude, that such promising for Russian exports categories as cereals and meat will still encounter with import duties even after signing of FTA.

In Korean obligations there is a category of products which must be decreased from extremely prohibitive to 130% in 10 years (PR-130). It contains only 15 subheadings, but this fact shows the possibility of simplification tariff burden for some priority Russian goods. This FTA also permits Korea to use practice of tariff quotas for a number of subheadings of the following categories (Table 6).

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<sup>36</sup> WTO official site. *FTA Agreement PRC-Rep. of Korea*. Retrieved from: <https://goo.gl/Acc4Ws>

<sup>37</sup> Choi Nakgyoon (2012) Impacts and Main Issues of the Korea-China FTA. *Korea's Economy* Vol. 28, pp. 29-35

**Table 6. The list of Korean HS Codes (2-digit level) which include headings to which can be applied tariff quotas by FTA PRC-Rep. of Korea**

HS Code	Name
03	Fish and crustaceans, molluscs and other aquatic invertebrates
07	Edible vegetables and certain roots and tubers
11	Products of the milling industry; malt; starches; inulin wheat gluten
12	Oil seeds and oleaginous fruits; miscellaneous grains; seeds and fruit; industrial or medicinal plants
16	Preparations of meat, of fish or of crustaceans, mollusks or other aquatic invertebrates
23	Residues and waste from the food industries; prepared animal fodder

Source: *made by authors based on FTA's text and annexes*

Parties of agreement established the Committee on Trade in Goods, which must hold meetings at least once a year to discuss issues about trade in goods between the countries.

#### Non-tariff barriers

In terms of FTA, Parties established Working Group under the auspices of the Committee on Trade in Goods. The goal of Working Group is to hold consultations about existing NTBs between the Parties. Parties also will do their best to enforce information exchange in sphere of NTBs, especially SPS and TBT.

Import and export restrictions mustn't be used unless they are provided by Article XI GATT-1994. If one Party wants to use export restrictions on energy and mineral resources, it has to inform the other Party by written notice with reasons and expected duration of the restrictions.

Soon after FTA came into force Parties obligated to inform each other about all existing import licensing procedures. If new import licensing procedures are expected, Parties must to publish all necessary information on the official web-site at least 30 days before procedure takes effect. According to Article 2.10 Parties are obligated to publish and update list of customs fees and charges.

It is difficult to assess the consequences of this FTA because only two full years last since FTA came into force. In 2016 bilateral trade between PRC and Korea plummet for about 5%. Although, experts notice that the decrease of trade in products which had been already affected by FTA points (zeroing and cut of duties) was weaker than in average<sup>38</sup>. And in 2017 Korean exports to China increased by 14,2% and imports - +12,5%<sup>39</sup> and such figures are impress. Thus, we can assume that FTA started to cause positive effects.

#### **FTA China – Australia**

This agreement came into force on December 20<sup>th</sup> 2015. By this agreement Australia and PRC will decline 100% and 96% of existing import duties respectively by December 21<sup>st</sup> 2030.<sup>40</sup>

<sup>38</sup>The Hankyoreh (2016) *One year later, no clear winner in S. Korea-China free trade agreement*. Retrieved from: [http://english.hani.co.kr/arti/english\\_edition/e\\_business/775431.html](http://english.hani.co.kr/arti/english_edition/e_business/775431.html)

<sup>39</sup> The Korea Herald (2018) *Korea faces key trade talks with G-2 economies* Retrieved from: <http://www.koreaherald.com/view.php?ud=20180110000582>

<sup>40</sup> WTO official site. *FTA Agreement PRC-Australia* Retrieved from: <https://goo.gl/8BdQvZ>



The majority of Chinese import duties which are not changed belongs to the categories in Annex 2. It reaffirms the fact that China protects its cereals, wood, paper and pulp industries. China uses tariff quotas for headings of 51 HS Code “Wool, fine or coarse animal hair; horsehair yarn and woven fabric” and is permitted to use safeguards for meat and dairy products.

Parties established Committee on Trade in Goods, which has to hold meetings at least once a year to discuss issues about bilateral trade in goods.

#### Non-tariff barriers

Soon after the agreement came into force Parties obliged to inform each other about all import licensing procedures and in case of enforcing new procedures Party must inform another Party at least 60 days before it will come in force. If Party sent questions about import licensing procedures, another Party has to answer in 30 days. Parties are obligated not to use export subsidies to productions which products will export to the Party of this agreement.

According to Article 2.9 of the agreement Parties must publish and renew all information about customs fees and charges. The agreement also bans any consular fees related to imports. Parties undertake to enhance information exchange related to SPS and TBT.

Consequences of the FTA are as follows: Australian exports of raw zink, fresh cherries and drugs for therapeutic use significantly grew in first 3 quarters of 2016; Chinese exports grew by 8% in 2015-2016 fiscal year. Although businesses notice that FTA stimulates them to focus on the countries due to opening new possibilities for dealing<sup>41</sup>. Overall, Australia's goods and services exports to China rose 25% in 2016-17 to a record \$110 billion<sup>42</sup>.

#### **FTA Japan-India**

This agreement came into force on August 1<sup>st</sup> 2011. To the end of 2026 Japan and India will eliminate 97% and 90% of existing import duties. Such “malleable” position of Japan can be explained by the role of Japan’s capital in bilateral trade – often, it is Japanese big business that is behind the supply of Indian goods in the form of investors or creditors

Japan uses the practice of sensitive list. In this FTA there are a lot of subheadings of the following categories (Annex 4). This means that in case of negotiations between EAEU and Japan for FTA such attractive exports goods as meat, dairy products, wheat, rice etc. can stay with existing tariff protection.

In this FTA quiet short list of categories for tariff reduction is used: 5 categories of full reduction in different periods of time after the agreement come in force, 2 – partial reduction and 1 – the absence of changes.

#### Non-tariff barriers

Parties confirm their will to enhance information exchange in spheres of SPS and TBT. Also process of mutual recognition of technical certificates seems as a tool of trade enhancing.

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<sup>41</sup>Minister for Trade, Tourism and Investment (2016) *One year on, China-Australia FTA delivers for Australia*. Retrieved from: [http://trademinister.gov.au/releases/Pages/2016/sc\\_mr\\_161219a.aspx](http://trademinister.gov.au/releases/Pages/2016/sc_mr_161219a.aspx)

<sup>42</sup> Minister for Trade, Tourism and Investment of Australia (2017) *China-Australia Free Trade Agreement (ChAFTA) continues to deliver benefits for Australia* Retrieved from: [https://trademinister.gov.au/releases/Pages/2017/sc\\_mr\\_171220a.aspx](https://trademinister.gov.au/releases/Pages/2017/sc_mr_171220a.aspx)

Parties can't use import and export restrictions if it is not provided in their WTO-agreement. If Party wants to implement such restrictions it must provide to another Party a written notion with reasons, date of entry into force and expected durability.

Parties also can't use export subsidies for production of goods which will be exported to another Party under this agreement. If tariff reduction causes sharp imports increase of some products Parties are permitted to use safeguards.

This FTA has positive repercussions on bilateral trade: to the end of 2015 Japanese and Indian exports grew for 11% and 8,5% respectively<sup>43</sup>.

### **FTA Japan-Australia**

This agreement came into force in January 15<sup>th</sup> 2015. By the end of 2034 Australia will cancel all import duties, while Japan will eliminate 97%<sup>44</sup>. Experts assessed Australia as an undoubted beneficiary of this agreement while some estimates told that Japan will have negative consequences in case of signing the agreement. Though, agreement was signed.

Most of tariff lines which Japan included to the sensitive list belong to the following categories (Annex 4) and it reaffirms that Japan protects its market of cereals, fish and dairy products.

Parties established Committee on Trade in Goods, which will hold meetings for discussing different trade issues.

#### Non-tariff barriers

Parties confirm their will to enhance information exchange in sphere of SPS and TBT. Parties can't use import and export restrictions if it is not provided in their WTO-agreement. If Party wants to implement such restrictions it must provide another Party with written explaining with reasons and expected durability.

Soon after the agreement came in force Parties have to inform each other about all import licensing procedures and in case of enforcing new procedures the Party must publish accurate information at least 21 days before it will come in force.

Parties also can't use export subsidies for production of goods which will be exported to another Party under this agreement. If tariff reduction causes sharp imports increase in some products Parties are permitted to use safeguards.

As for consequences of this FTA: in 2017 Australia's goods exports to Japan raised by 24% over 2016 and valued at \$45 bln<sup>45</sup>, while Japanese exports to Australia decreased by 1,5%<sup>46</sup>. But one of the main results of this FTA for Japan is getting additional advantage in competition on Australian vehicles market.

Conclusion: Free Trade Agreements between developed countries allow not only to increase bilateral trade in goods by preferences but also to enhance cooperation between

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<sup>43</sup> International Trade Centre. *Trade statistics for international business development*. Retrieved from: <http://www.trademap.org/Index.aspx>

<sup>44</sup> WTO official site. *FTA Agreement Japan-Australia*. Retrieved from: <https://goo.gl/A1GXSN>

<sup>45</sup> Minister for Trade, Tourism and Investment of Australia (2017) The fifth round of tariff cuts under the Japan-Australia Economic Partnership Agreement (JAPEPA) have come into effect Retrieved from: [https://trademinister.gov.au/releases/Pages/2018/sc\\_mr\\_180402.aspx](https://trademinister.gov.au/releases/Pages/2018/sc_mr_180402.aspx)

<sup>46</sup> Statistics Bureau, Ministry of Internal Affairs and Communications of Japan (2017) Chapter 6 Foreign Trade, Balance of Payments and International Cooperation Retrieved from: <http://www.stat.go.jp/english/data/nenkan/65nenkan/1431-06.html>

countries in such important sphere as NTBs, especially SPS-measures and TBT. Cumulative facts of analysis are in Annexes 1-4.

**Annex 2.** The list of “the most sensitive” Chinese HS Codes (2-digit level) in FTA PRC-Rep. of Korea and FTA PRC-Australia

<b>HS</b>	<b>Name</b>	<b>FTA PRC- Rep. Of Korea</b>	<b>FTA PRC - Australia</b>
<b>10</b>	Cereals	+	+
<b>11</b>	Products of the milling industry; malt; starches; inulin wheat gluten	+	+
<b>15</b>	Animals or vegetables fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	+	+
<b>17</b>	Sugar and sugar confectionery	+	
<b>24</b>	Tobacco and manufactures; tobacco substitutes		+
<b>29</b>	Organic chemicals	+	
<b>31</b>	Fertilizers		
<b>33</b>	Essential oils and resinoids; perfumery cosmetic or toilet preparations	+	
<b>44</b>	Wood and articles of wood; wood charcoal	+	+
<b>48</b>	Paper and paperboard; article of paper pulp, of paper or paperboard	+	+
<b>49</b>	Printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans		+
<b>71</b>	Natural or cultured pearls; precious or semi-precious stones, precious metals, metals clad with precious metal and articles thereof; imitation jewellery; coins	+	
<b>72</b>	Iron and steel	+	
<b>73</b>	Articles of iron or steel	+	
<b>84</b>	Nuclear reactors, boilers, machinery and mechanical appliances and parts thereof	+	
<b>87</b>	Vehicles other than railway or tramway rolling stock and parts and accessories thereof	+	
<b>90</b>	Optical photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessorial thereof	+	

Source: *made by authors based on FTA's texts and annexes*

**Annex 3.** The list of “the most sensitive” Korean HS Codes (2-digit level) in FTA PRC-Rep. of Korea

HS	Name
02	Meat and edible meat offal
04	Dairy produce; birds’ eggs; natural honey; edible products of animal origin, not elsewhere specified or included
06	Live trees and other plants; bulb, roots and the like; cut flowers and ornamental foliage
07	Edible vegetables and certain roots and tubers
08	Edible fruit and nuts; peel of citrus fruit or melons
10	Cereals
11	Products of the milling industry; malt; starches; inulin wheat gluten
12	Oil seeds and oleaginous fruits; miscellaneous grains; seeds and fruit; industrial or medicinal plants
17	Sugar and sugar confectionery
20	Preparations of vegetables, fruit, nuts or other parts of plants
69	Ceramic products

Source: *made by authors based on FTA’s text and annexes*

**Annex 3.** The list of “the most sensitive” Japanese HS Codes (2-digit level) in FTA Japan-India and Japan-Australia

HS	Name	FTA Japan-India	FTA Japan-Australia
02	Meat and edible meat offal	+	
03	Fish and crustaceans, molluscs and other aquatic invertebrates	+	+
04	Dairy produce; birds’ eggs; natural honey; edible products of animal origin, not elsewhere specified or included	+	+
10	Cereals	+	+
11	Products of the milling industry; malt; starches; inulin wheat gluten	+	+
15	Animals or vegetables fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	+	
16	Preparations of meat, of fish or of crustaceans, mollusks or other aquatic invertebrates	+	
17	Sugar and sugar confectionery	+	+
19	Preparations of cereals, flour, starch or milk, pastrycooks	+	+
64	Footwear, gaiters and the like; parts of such articles	+	+

Source: *made by authors based on FTA’s text and annexes*

**Annex 4.** Review of the provisions of FTA agreements between the countries surveyed

<b>Points</b>	<b>PRC – Rep. of Korea</b>	<b>PRC - Australia</b>	<b>Japan- India</b>	<b>Japan Australia</b>
Date of entry into force	20.12.15	20.12.15	1.08.2011	15.01.15
Share of declined tariffs	PRC – 91%  Rep. of Korea – 92%	PRC – 96%  Australia – 100%	Japan – 97%  India – 90%	Japan – 97%  Australia – 100%
Prohibition of imports restrictions	+		+	
Prohibition of exports restrictions	+		+	+
Import licensing	+	+		+
Information publishing of customs duties	+	+		+
Prohibition of exports subsidies		+	+	+
Establishment Committee on Trade in Goods	+	+		+
Establishment of additional Committee on NTBs	+			
Implementing of tariff quotas	+	+		+
Possibility to use safeguards	+	+	+	+
Enhancing of information exchange	+	+		+
Recognition of foreign technical certificates	+	+	+	
The possibility of commenting on new SPS and TBT	+	+		
Establishment of Committee on SPS and TBT	+	+	+	+
The presence of “a reasonable period of time” between the publication of information and the entry into force of NTM	+			

Source: *made by authors based on FTA's texts*

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