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

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

The idea of the lagging Pivot suggests that the Russian policy of the “Pivot to the East” cannot last successfully on a long-term basis given the extensive lag between the political and economic dimensions of the Pivot, in Russia and abroad. One of the most inevitable and necessary conditions of bridging this gap can be found among the instruments of trade liberalization. Here we should shift our focus from Russian interests to the Eurasian Economic Union (EAEU) which has a privileged mandate on merchandise trade negotiations with third countries and blocs like ASEAN: Russia has not been able 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 which could be potentially eliminated by international trade negotiations and compare them with existing international activity of the Eurasian Economic Commission (EEC). The 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 (NTBs).

Key words: Pivot to Asia, political economy, geo-economics, 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). There has been a transformation of the APR's development model from "Factory Asia"<sup>3</sup> to "Asia for Asia". Intraregional trade growth, increasing investment and new value-added chains in Asia, with China as the core, remain the most persistent arguments for that<sup>4</sup>. Asia is currently the leader in regional and global trade volumes. Its intraregional trade – the strongest marker of Asian regionalization – exceeded 50% of the 2004 overall trade turnover<sup>5</sup> and continued to increase, reaching 57.3% in 2016<sup>6</sup>.

Compared to the European model, the Asian framework of integration is not characterized by a partial delegation of sovereignty to supranational bodies, but remains focused on liberalization, based on a broad network of FTAs. The Association of Southeast Asian Nations (ASEAN) and its ASEAN+ cooperation plans can serve as an example for that. In the 21<sup>st</sup> century there have been attempts to take the next step – to establish mega-regional 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 the world economy and politics has pushed all key actors to reallocate their activities and resources towards Asian markets or at least to reassess their Asian policies. In Russia this process was called the "Pivot to the East" policy; however experts disagree on when it was launched. There are two main approaches. The first one says 2012 and considers two events as the starting point: the establishment of Ministry for Development of the Russian Siberia and the Far East (Siberia was later excluded from the Ministry's competency) and preparations for the APEC summit in Vladivostok<sup>7</sup>. The second one focuses on the mostly reactive policy approach and considers the Pivot policy as a reaction to the crisis between Russia and the West that began in 2014<sup>8</sup>.

Despite the dispute about the timeline, experts mostly agree on the political and economic dimensions of the Pivot: the political results of the Pivot remain much more persuasive than in the economic dimension. However, an export-oriented framework is the cornerstone of the 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 was clearly prioritized<sup>9</sup>.

However on the economic track, Russia cannot go alone as the principal agent of Russian activity in Asia is Eurasian Economic Commission (EEC) – one of the key executive institutions

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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>

of EAEU, because as a member of EAEU Russia cannot conduct unilateral merchandise trade negotiations with non-EAEU countries. This mandate is under the supranational body EEC according to the Treaty on the EAEU<sup>10</sup>. A set of interconnections between the Pivot policy, Russia-EAEU relations and EAEU attitudes towards FTAs with Asian countries represent the main focus of our research.

The article consists of four parts. The first briefly describes the data and methods. The second assesses the trade structure between Russia and China, the Republic of Korea (Korea) and Japan. The third part shows the current state of various trade barriers to these markets and the fourth 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. The analysis of four recent North-East Asian FTAs is presented in the Annexes and shows the range of issues reviewed and how FTAs can contribute to integration via a broad set of negotiated trade issues.

## 1. Methods and Data

To analyze the trends in Russian trade with China, Korea and Japan statistical data from the Federal State Statistics Service was used. The analysis of tariff duties by country was carried out using the TradeMap database and WTO data. The evaluation of non-tariff barriers (NTBs), 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 NTB databases and indirect sources. The Integrated Trade Intelligence Portal (I-TIP) allowed an assessment of the shares of NTBs in the notified lists. Therefore, for the primary integrated assessment, the consolidated data method was used, mainly on the basis of 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, and 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 key Asian trade partners, 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>, the monitoring of the Russian Ministry of Economic Development was also useful).

As most of the projects and negotiation activities mentioned in this research are new, we provide brief descriptions based on open sources, and regular communication with members of the Commission within research projects conducted by National Research University–Higher School of Economics (in 2017 a series of executive seminars with Commission ministers and heads of departments, participation of HSE experts in the Research Council of the Commission, joint sessions at the HSE April Conference, Eastern Economic Forum etc.). Thus the data utilized in the analysis comprises of official documents, strategy plans, official statements of the policymakers, and business news sources.

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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/tpr\\_e/tp\\_rep\\_e.htm#bycountry](https://www.wto.org/english/tratop_e/tpr_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>

## 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 . of Korea – US\$ 12,3 billion or 3,4%, to Japan – US\$ 10,5 billion or 2,9%. Thus, more than 17% of Russian exports were shipped to these countries (in contrast to 16,5% in 2016).

“Mineral products” is the dominant category of exports to North-East Asian countries (Table 1). A substantial part of exports to Rep. of Korea is represented by agricultural products (11,9%); to Japan – metals and articles thereof (9,4%); to China – wood, pulp and paper products (10,7%). The shares of these sectors declined in comparison with the previous year, but the reason for this was the growth of energy product 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**

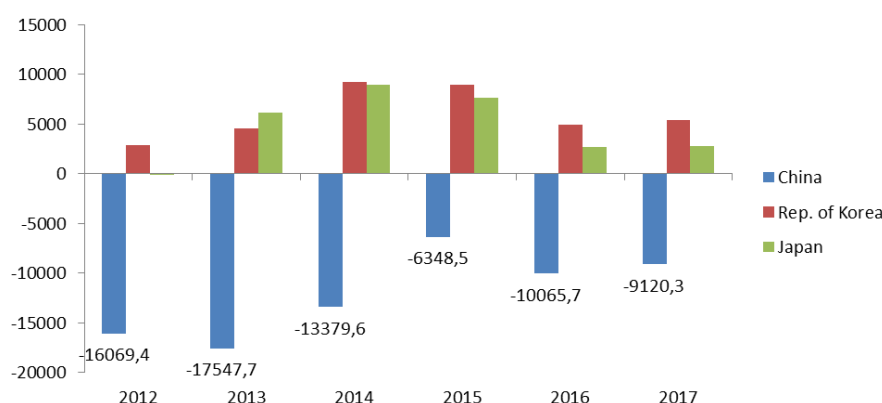
HS Code	Chapters	Export structure to Rep. of Korea	Export structure to Japan	Export structure to PRC
	Total	100%	100%	100%
01-24	Food products and agricultural raw materials (except textile)	11,9%	2,8%	4,6%
25-26	Mineral products	0,8%	0,9%	2,9%
27	Fuel and energy commodities	72,8%	74,9%	64,9%
28-40	Chemical 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%

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 Rep. 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 were from these countries.

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

Although Russia has a trade deficit with these countries, it has declined last year – by approximately US\$ 1 billion. (Figure 1).



**Figure 1. Trade balance in Russian trade with China, Rep. of Korea and Japan, 2012-2017 (mln US\$)**

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

The vast majority of imports from North-East Asian countries (Table 2) are represented by processed goods. In the case of Korean exports to Russia – Machinery and equipment (33,4%) and Vehicles (31,8%). Almost the half of Russian imports from Japan were Vehicles (49%) and approximately the quarter were Machinery and equipment (27,7%), which made up 53% of Chinese exports to Russia, other categories from China 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 the Russian Pivot and particularly in the economic background of this Pivot relates to the Russian Far East. Its development started in 2012 with the establishment of the Ministry for the Development of the Russian Siberia and Far East. Their development was recognized as a “Russian national priority for the whole 21st century” in 2013 by Putin at his address to the Federal Assembly (Siberia was subsequently excluded from the Ministry’s competency)<sup>15</sup>. In 2015, Advanced Special Economic Zones (ASEZ) and the Free Port of Vladivostok, aimed at faster development of the region and foreign direct investments, were established.

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

Going deeper into ASEZs, we discover that among tracked ASEZ residents with foreign capital, 6 companies represent Japanese investments, 2 are Chinese and none are Korean. As for the Free Port of Vladivostok residents, we observe 9 companies with Chinese capital (incl. 2 from Hong Kong) and 2 each from Japan and Korea. In both cases we can state that the major share of foreign companies accounts for North-East Asian countries. It potentially opens a track for discussion on the unification of trade and investment policies of the Pivot; however regulation and international negotiations on investments remain under a national mandate while trade is covered by the Commission. This already creates some difficulties on both tracks and we could expect that parallel integration policies will devalue the positive effects on both sides.

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

#### *Tariffs and NTBs in Asia and the World*

During the GATT and WTO functioning import duties decreased dramatically to an average level of 9% in 2013<sup>17</sup>. Due to this fact, NTBs have become a more popular tool used for the protection of domestic economies: the number of active NTBs is rising every year (Figure 2), while tariff rates go down. Moreover, a large number of NTBs have not been notified, so the number of active NTBs is even higher than specified in Figure 2.

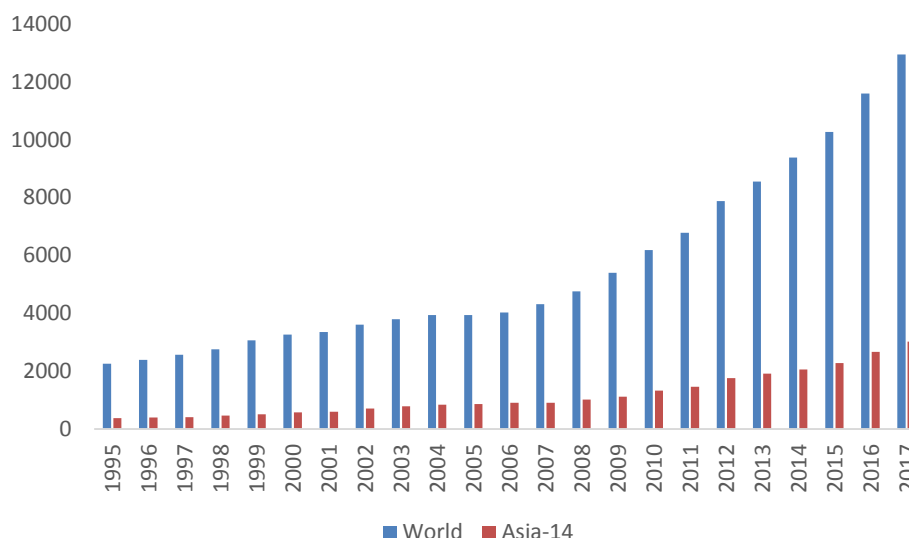
In Asia the situation looks similar. Asian countries use NTBs instead of import duties regardless of the level of development, e.g. the average tariff rate in ASEAN decreased from

<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 vsu ostal'nuu Rossiû po prirostu investicij?* Retrieved from: <https://minvr.ru/press-center/news/14590/> (In Russian)

<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)

8,9% in 2000 to 4,5% in 2015, while the number of NTBs (which includes not only notified barriers) increased from 1 634 to 5 975 in the same period<sup>18</sup>.



**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)*

The increasing use of NTBs was especially visible 2005–11 as a necessary tool for the protection of Asian economies after the global financial crisis and Chinese economic expansion in Asia-Pacific region (in form of signing huge number of FTAs and consequently the reduction or elimination of import duties)<sup>19</sup>. This process also reflected the rise of protectionism and nationalism trends in Asia (and worldwide).<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 the notified NTBs in force<sup>21</sup>. They are also used for products of plant and animal origin, chemicals and related industries, and food products.

There are some positive changes in NTB regulations, concerning measures which do not influence exporter dependence on markets but slow the effectiveness of trade. For instance, the implementation of a new system of mandatory certification, which introduced new standards, labeling and the 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 significant every year.

### Chinese Trade barriers

China is a priority partner for Russia 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

<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)

<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>



spheres. The consensus on disproportional economic cooperation compared to political cooperation<sup>22</sup> is strengthening both in Moscow and Beijing and this misbalance is considered one of the key risks for sustainable cooperation in the future. Particularly, at the trade regulation level China maintains a lot of barriers for Russian products.

### **Tariff barriers**

The 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)**

<b>Category</b>	<b>Duties</b>
<b>Cereals</b>	65% for wheat, meslin and rice; 54,3% for corn
<b>Sugar and sugar confectionery</b>	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
<b>Fertilizers</b>	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
<b>Products of the milling industry; malt; starches; inulin; wheat gluten</b>	65% for wheat and meslin flour 50,18% for cereal groats, meal and pellets 32,35% for other types of cereal groats
<b>Miscellaneous edible preparations</b>	Duties for headings of this category are fluctuate from 19% to 25%

Source: *Trademap*

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

Regarding the structure of Russian exports to China, the 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 NTBs which are the most sensitive for Russian exporters to China. China has consistently pursued an industrial policy to restrict access to markets, while offering substantial government recommendations, resources and regulatory

<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/>

support to Chinese industries. As of 30 June 2018, China has 272 notified NTBs affecting Russian goods.

The reduction and elimination of NTBs is a cornerstone for increasing Russian exports and providing express-logistics by transport corridors from modern grain terminals and other necessary export tools. Key sectors affected by Chinese NTBs are agriculture, food production, pharmaceuticals, electronic and machinery.

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

Imports of Russian corn, rice and soya from the 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 a similar joint Russian-Chinese "minimum program" to get faster permission for exports from other regions.

The institutionalization of this process, with Rosselkhoz nadzor and representatives of Russian exporters (e.g. the Russian export center) on one side and Chinese regulatory bodies on the other, could facilitate access to the Chinese market for Russian producers. Here the EEC should mediate and coordinate the national efforts of members-states to withdraw NTBs with third parties – as far as intra-union phytosanitary regulation is under the Commission's mandate.

China prohibits imports of artiodactyls and products thereof, as well as milk and dairy produce due to an epidemic of foot and mouth disease in Primorskiy Krai from May 15, 2000. This was cancelled for 49 Russian regions in September 2017 by a 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 are mentioned in the announcement.

In 2008, pork imports were prohibited due to an outbreak of African Swine Fever (ASF) and in 2015, beef imports were prohibited due nodular dermatitis. Regardless of the Chinese verification of Russian territories without ASF, the prohibition has not been cancelled. China also uses excessively prohibitive rules towards pathogens and leftovers of raw meat and poultry.

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

China's Ministry of Commerce (MOFCOM) together with other Departments of the State Council formulate, change and publish a catalogue of mechanical and electronic products, whose import is restricted or prohibited. This allows them to control quotas and licenses for restricted

<sup>23</sup> Integrated Foreign Economic Information Portal (2018) *Obzor sušestvuiših 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> HKTD (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. China uses a system of automatic licensing for certain mechanical and electronic products which can be freely imported. The importer has to apply for an Automatic Import License from MOFCOM or other authorized agencies before customs formalities are finished.

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

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

China uses anti-dumping measures against Russian polymers in primary forms. The level of anti-dumping duties varies and depends on the producer. These measures are in force until April 21, 2021 with the possibility of prolongation.

In conclusion, the Chinese market is important for Russian exporters. The first priority is to abolish import bans for wheat, rice, and corn imports from Russian regions. The secondary task is to get maximum information about market regulation in China through the provisions of Agreement on trade and economic cooperation between EAEU and PRC. It would also be useful to start a regular series of information events for exporters in both countries involving Chinese experts and officials.

### **Japanese Trade barriers**

Japan is one of the most attractive partners of Russia: Japanese investors are likely to invest in technological industries and they are ready to transfer technologies and 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 products do not exceed 5%. However, Japan uses prohibitive or close to it tariffs for a variety of products (see Table 4).

**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 similar; parts of such articles (62,73%) and wheat and meslin (55,79%).

### **Non-tariff barriers**

Japan's trade policy in the sector of NTBs is very complicated and multilevel: many laws regulate these NTBs, there are numerous standards, special import policies for some products and tariff quotas. As of 30 June, 2018, Japan had 364 notified NTBs affecting Russian goods.

Japan uses special requirements for the import of rice, wheat, beef, fish, and wood products. There is a large number of laws on implementing standards which affects product sales. 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 a non-transparent and overregulated import and allocation system for rice and consequently restricts access to consumers. Japan set up a tariff quota for imported rice. The Ministry of Agriculture, Forestry and Fisheries (MAFF) controls rice imports by periodic ordinary minimum access (OMA) tenders to allocate tariff quotas 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 the import price and this increases the price of wheat-based products and consequently decreases wheat consumption in Japan. MAFF changed its principles of setting the resale price in 2007 to make it more equitable according to world prices, but the mechanism is still discriminatory for Russian exporters.

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

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 the level

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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)

of tariff protection, increased the value of quotas and simplified the 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 Organization (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 restrictions on the sale or use of specific products, including health products such as medical devices, pharmaceutical products, agricultural products and chemicals.

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

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

Another type of prohibition is a sanction: imports from Crimea and Sevastopol are restricted for an indefinite term.

In conclusion, Japan does not use the same number of discriminating barriers for Russian products as China, however, Japan's partners such as the USA, Australia, Germany, Rep. of Korea pay a lot of attention to informing national producers about Japanese specific regulation via exim banks and chambers of commerce, and by financing Research Centers of Japan. Thus, Russian exporters face stiff competition with foreign producers, which are entrenched on the market, in addition to Japanese producers.

### **Korean Trade barriers**

Rep. 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. Rep. of Korea demonstrates a solid demand for agriculture which makes it especially attractive for Russian exporters.

### **Tariff barriers**

Rep. of Korea uses several extremely prohibitive import duties for agricultural products. The average tariff of 2-digit HS Code is 20,46%. The biggest import duties are listed in Table 5.

**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;	Average duty is 68,32%

edible products of animal origin, not elsewhere specified or included	
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Source: *TradeMap*

The Korean market for Russian wheat exporters is almost open: import duty is less than 2%, but there is a strong SPS measure which currently restricts imports. The launch of a grain terminal in Zarubino port could fix this situation if all the Korean requirements under the SPS-restrictions are met. Despite the extremely prohibitive import duties for corn, the amount of imports from Russia is significant (US\$ 165.6 million).

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

### **Non-tariff barriers**

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

Rep. of Korea banned the import of rice, straw and foods processing from them (except for polished rice and untilld rice certified by the Director General of The National Plant Quarantine Service), fresh fruit, unripe legumes (except for 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, and rye are forbidden due to infection, which was spread to areas of sprouting of plants, nursery transplants, fruit, vegetables and seed wreckers.

The import of the following products is also forbidden: couch-grass creeping, hybrids of rye and wheat (except for those processed with the use of methods which the Director General of The National Plant Quarantine Service has approved), apple trees, 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 due to outbreaks of major animal diseases such as highly pathogenic avian influenza and foot and mouth disease.

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

The range of NTBs 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 NTBs. 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 the elimination of NTBs, cooperation in data exchange, transparent regulation, broader connectivity issues, investments, and services.

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

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

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

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

An agreement on trade and economic cooperation between EAEU and China was signed in May 2018. This agreement can be defined as non-preferential and is aimed at strengthening cooperation and the facilitation of further negotiations within a conjunction framework<sup>28</sup>. However, the chances for FTA negotiations with China in short-term period remain pretty low due to the “paranoia” about “a flood of Chinese products and damage to EAEU economies” widespread even in the Russian expert community. Nevertheless, in June 2018 Russia and China signed a feasibility study for a broad Eurasian economic partnership<sup>29</sup>, which will not cover trade in goods (because of the EEC mandate) as opposed to other issues such as trade in services, investment facilitation, and e-commerce.<sup>30</sup> This agreement could be medium- or even long-term. However, there has been no public signal about the transformation of the agreement on trade and economic cooperation between EAEU and China into an FTA in the nearest future, and future unification of a special non-trade regime with other EAEU members will take much more work, as is happening now with the much less important partner, Serbia (where unilateral Russian trade responsibilities go through transformation to the EAEU FTA level).

There is a feasibility study for the FTA with Rep. of Korea and the Head of the Belarusian Chamber of Commerce and Industry says that agreement could be signed in 2019. The absence of similar statements by representatives of other EAEU members, however, calls this into question.

In 2016, President Putin mentioned plans to start expert discussion about the expediency of an EAEU-Japan FTA<sup>31</sup>, but this was the only official mention of that topic. There is a high

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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)

<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)

probability that the FTA issue will be closely related to a peace agreement that Russia and Japan have not been able to conclude since 1945.

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

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

## 5. Discussion

Nowadays FTAs quickly evolve from tariff regulation to various aspects of international trade and international relations<sup>32</sup>. This is also proved by the signing of mega-regional trade agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11)<sup>33</sup>, the provisional application of Canada-EU Comprehensive Economic and Trade Agreement (CETA), negotiations on Regional Comprehensive Economic Partnership (RCEP). Currently, Russia and the EAEU do not participate in these processes at any level. Moreover, creation of an EAEU FTA network started in 2015. In North-East Asia, the EAEU has only the non-preferential agreement on trade and economic cooperation with the China (which has not come into force yet), there has been no progress in negotiations with Korea and an FTA with Japan is not on the EAEU agenda. Thus, Russia should not stop its pursuit of integration with Asia, and not only for FTAs.

Russian exports do not depend on tariff barriers, but remain affected by NTBs. This phenomenon will increase with the diversification of Russian exports.

In the case of Russian integration with 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 effects. 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 EEC negotiations; to carry out cycles of explanatory actions for exporters – both in the Russian

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<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>



Federation with the invitation of Chinese experts and officials, and in China itself – with the organizational support of the Ministry of Economic Development and the 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 mitigating them for Russian export enterprises inviting Japanese investors to joint export-oriented projects in Russia.

The situation with NTBs 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 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, which is proved by the numerous sanitary rules, bureaucratic activities and detailed health certificates. Advocacy of the interests of Russian agricultural exporters is one of the most important points of trade relations between countries. Beyond that, it has a direct influence on regional food (and water) security which plays an increasingly important role in Asia.

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

The analysis of modern negotiation activities of the EEC with Asian partners proves that the EEC in its external integration initiatives is still catching up within its international initiatives, limiting its activity either to mostly political documents (such as with China) or focusing on bilateral FTAs (EAEU + partner country), limited by trade agendas. However, several studies of free trade zones in East Asia shows that since 1990 the range of aspects involved in FTAs had expanded considerably: for example, the problems of regulation of electronic commerce, intellectual property, and labor<sup>34,35</sup>. This means that if Russia remains interested in the successful promotion of Pivot policy, an intensification of dialogue between Russia-EEC-Asian partners is necessary.

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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).

**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

<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

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>

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.

<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>

### 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.

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.

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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)

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

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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 (JAPEA) 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>



**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 accessoried 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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