WORLD TRADE ORGANIZATION

G/SCM/Q2/RUS/2

29 July 2013

(13-4036)

Committee on Subsidies and Countervailing Measures

Original: English

SUBSIDIES

QUESTIONS POSED BY UNITED STATES REGARDING THE NEW AND FULL NOTIFICATION OF THE RUSSIAN FEDERATION[1]

The following communication, dated 24 July 2013, is being circulated at the request of the Delegation of the United States.

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1 NOTIFIED PROGRAMS

With respect to "Civil Aircraft industry support (7)," the Russian Federation states that it has amended Resolution No. 466 of 25 June 2002, and will provide subsidies under the program exclusively for fulfilment of obligations to Russian producers on contracts concluded before 1 January 2011. It appears that the Russian Federation seems to be budgeting 630 million Rubles annually under this program for 2012, 2013 and 2014. Could the Russian Federation please explain how long the pre-2011 contracts will be in force and how long it intends to continue to provide support under this program?

2 OTHER PROGRAMS

Publicly available information indicates that the Russian Federation administered several other support programs in 2012 that may meet the requirements for notification set forth under Article 25 of the Agreement on Subsidies and Countervailing Measures (SCM Agreement). Could the Russian Federation please explain why each of the programs below should not be notified, or provide the information required under Article 25 of the SCM Agreement?

2.1 Federal Targeted Programs and State Programs

Under several Federal Targeted Programs (FTPs) and State Programs (SPs), the Russian government appears to have provided - or instructed other bodies to provide - grants, capital investments, equity infusions, goods and services other than general infrastructure, R&D support and R&D contracts to specific sectors and enterprises:

1. SP "Development of Industry and Increasing its Competitiveness for the Period until 2020;"
2. FTP "Development of Civil Aviation for 2002 to 2010 and for the period until 2015."
3. Federal Targeted Program "Development of the Electronic Component Base and Radio-electronics;"
4. FTP "Development of Civil Marine Technology;"
5. FTP "Development of the Pharmaceutical and Medical Industry of the Russian Federation for the Period until 2020 and Beyond;"
6. FTP "National Technological Base for 2007 to 2011;"
7. FTP "Increasing the Efficient Use and Development of the Resource Potential for the Commercial Fishing Industry from 2009 to 2012."

[1] G/SCM/N/253/RUS.

2.2 Government Resolution No. 265 of 30 March 2009

The full title of this program appears to be: "Rules for Granting Subsidies from the Federal Budget to Organizations in the Military-Industrial Complex from 2009-2011 for Partial Compensation of Interest Expense for Loans Received from Russian Credit Organizations for the Implementation of Innovative and Investment Projects for the Production of High-Technology Products".

2.3 Government Resolution No. 357 of 6 June 2005

It appears that Government Resolution No. 357 of 6 June 2005 "On Approving the Rules on Refunds from the Federal Budget to Russian Exporters of Industrial Products for a Portion of the Interest Charges on Loans Obtained from Russian Lending Organizations and from the State Corporation Bank for Development and Foreign Economic Affairs (Vneshekonombank)" ("Government Resolution No. 357/2005") reimburses applicants up to 66 per cent of interest expenses on certain loans related to the export of high-value added industrial products.

1. Please clarify whether Government Resolution No. 357/2005 is still in force. If Government Resolution No. 357/2005 is no longer in effect, please provide the name and cite of the successor legal measure, if applicable.

2. Please explain why Government Resolution No. 357/2005 was not notified or provide the information required under Article 25 of the SCM Agreement.

3. Please describe all the eligibility criteria by which exporters are selected to receive funds pursuant to Government Resolution No. 357/2005. What are the eligibility criteria used by Ministry of Industry and Trade (MOIT) to determine what products are "high-value added industrial products" pursuant to Article 3(c) of Government Resolution No. 357/2005?

4. Please state whether the interest subsidies provided pursuant to Government Resolution No. 357/2005 are limited to certain types of loans. In your response, describe the purpose (e.g., working capital or equipment purchases) and terms (e.g., length, interest rate) of loans which qualify for interest subsidies pursuant to Government Resolution No. 357/2005.

5. Please describe the mechanism by which interest charges are reimbursed.

6. To the extent that Government Resolution No. 357/2005 appears to provide interest subsidies contingent upon export, please discuss this program in the context of Russia's obligations under Article 3 of the SCM Agreement.

2.4 Government Resolution No. 1432 of 27 December 2012

Government Resolution No. 1432 of 27 December 2012 "On Approving the Rules on Granting Subsidies to Producers of Agricultural Machinery" ("Government Resolution No. 1432/2012") appears to disburse financial support to producers equal to "15% of the price" of specific categories of agricultural equipment which have undergone certain "technological processes" on Russian Territory.

1. Please clarify whether Government Resolution No. 1432/2012 is still in force. If Government Resolution No. 1432/2012 is no longer in effect, please provide the name and cite of the successor legal measure, if applicable.

2. Please clarify why support under Government Resolution No. 1432/2012 should not be notified pursuant to Article 25 of the SCM Agreement or provide the information required under Article 25 of the SCM Agreement.

3. Please fully describe all the eligibility criteria by which producers of agricultural equipment are selected to receive funds pursuant to Government Resolution No. 1432/2012. In particular, please fully describe the various "technological processes that must take place on Russian territory" with respect to the manufacture of agricultural equipment that qualifies for support pursuant to Government Resolution No. 1432/2012.

4. Please describe the form of the financial support disbursed pursuant to Government Resolution 1432/2012. In your description, please describe the mechanism by which the support is provided (e.g. is a payment disbursed to the manufacturer before or after it sells the agricultural equipment).

5. Please clarify whether Government Resolution No. 1432/2012 requires that producers that receive funds from the government charge a lower price to the equipment purchaser.

6. To the extent that Government Resolution No. 1432/2012 provides subsidies contingent upon the use of domestic over imported goods, please discuss this program in the context of Russia obligations under Article 3 of the Subsidies Agreement.

2.5 Support to Aircraft Producers

In addition to the FTP for the Development of Civil Aviation listed above, the Russian Federation appears to have provided - or instructed other bodies to provide – additional support for aircraft producers through the following programs. Please explain why the programs below should not be notified under Article 25 of the SCM Agreement or provide the information required under Article 25 of the SCM Agreement:

1. "Subsidies to Russian leasing companies for partial compensation of interest expense for loans received from Russian credit organizations and the state corporation 'Bank for development and foreign economic affairs (Vnesheconombank)' in 2008-2012 for the purchase and subsequent transfer of aircraft to Russian airlines under leasing agreements, and also to specified companies and producers of aircraft for loans received from Russian credit organizations and the state corporation 'Bank for development and foreign economic affairs (Vnesheconombank)' in 2008-2012 for the acquisition of flight simulators for Russian aircraft" approved by Resolution of the Government of the Russian Federation No. 1073 of 22 October 2012.

2. "Rules for granting subsidies from the federal budget to Russian airlines for the partial compensation of leasing payment expenses for aircraft received by Russian airlines from leasing companies under leasing agreements for carrying out domestic region and local air transport" approved by Resolution of the Government of the Russian Federation No. 1073 of 22 October 2012.

3. Publically available information indicates that Russian state-controlled banks have provided significant loans to Russian aviation enterprises. Could the Russian Federation please describe any policies stipulating the interest rate, duration or terms for such loans, and the extent to which such loans differ from analogous loans available from the private sector?

Equity and Property Contributions

According to the Russian Ministry of Finance, the Russian Federation allocated contributions to the authorized capital and/or property to joint stock companies, including enterprises in the aviation, chemical, energy and electronics industries, and state corporations such as Russian Technologies. Could the Russian Federation please explain why such contributions should not be notified, or provide the information required under Article 25 of the SCM Agreement for said programs?

Automobile Transportation Expenses

Government Resolution No. 1070 of 20 December 2010 approves support to Russian Railways for the transport of automobiles manufactured within the Russian Federation to the Far Eastern Federal District, as well as for the transport of automobiles manufactured in the Far Eastern Federal District to other regions of the Russian Federation. Government Resolution No. 1401 of 27 December 2012 approves support to auto-producers of vehicles manufactured in the Far Eastern Federal District to other regions of the country. Could the Russian Federation please explain why this program should not be notified, or provide the information required under Article 25 of the SCM Agreement for the program?

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