



**Committee on Regional Trade Agreements
Eighty-first Session**

**FREE TRADE AGREEMENT BETWEEN THE RUSSIAN FEDERATION AND SERBIA
(GOODS)**

NOTE ON THE MEETING OF 27 JUNE 2016

Chairman: Ambassador Daniel BLOCKERT (Sweden)

1.1. The 81st Session of the Committee on Regional Trade Agreements (hereinafter 'CRTA' or the 'Committee') was convened in Airgram WTO/AIR/RTA/6/Rev.1 dated 16 June 2016.

1.2. Under Agenda Item D.I of the session, the CRTA considered the Free Trade Agreement between the Russian Federation and Serbia, goods, (hereinafter "the Agreement").

1.3. The Chairman recalled that during the CRTA meeting of 4 March 2009, Members had agreed to consider RTAs involving non-Members under the Transparency Mechanism's procedures and agreed that those RTAs notified since 14 December 2006, including future notifications, should be taken up before the others. Members had made it clear that consideration of such agreements by the Committee did not have any implication for the views or positions of any Member with respect to the consistency of the RTA with WTO rules and would be without prejudice to the rights and obligations of Members under the WTO Agreements, as clearly stated in paragraphs 1 and 5 of the Transparency Mechanism Decision. Members had also agreed that the consideration of such agreements in the CRTA would be organized under a separate agenda item.

1.4. The Agreement had entered into force on 3 June 2006 and had been notified to the WTO by the Russian Federation on 21 December 2012 under Article XXIV:7(a) of the GATT 1994 and the Understanding on the Interpretation of Article XXIV of GATT 1994 as an Agreement establishing a free trade area (document WT/REG326/N/1). The text of the Agreement was available, together with its Annexes, on the Parties' official websites.

1.5. The Factual Presentation on the goods aspects (document WT/REG326/1 dated 18 April 2016) had been prepared by the Secretariat on its own responsibility in full consultation with the Parties, in accordance with paragraph 7(b) of the Transparency Mechanism for Regional Trade Agreements (document WT/L/671). In addition, written questions and replies on the Agreement had been distributed in document WT/REG326/2, dated 16 June 2016. He proposed to organize the consideration of the Agreement by first asking the Parties and then other members to give any general comments before turning to the specifics of the Agreement.

1.6. The representative of the Russian Federation thanked the Secretariat for preparing the Factual Presentation of this Agreement and to those Members which had expressed interest in the Agreement and had asked written questions, which had been answered within the established deadlines. He also underlined the close cooperation with Belgrade during the preparation of the written answers. He hoped the meeting would be helpful for WTO Members to better understand the Agreement.

1.7. The legal basis for a free trade regime between Russia and Serbia had been established in 2000 with the conclusion of the Agreement between the Federal Government of the Federal Republic of Yugoslavia and the Government of the Russian Federation on free trade between these two countries. Although at that time neither was a WTO Member, the Agreement stipulated that the two countries were aiming at creating necessary conditions for the free circulation of goods and capital in accordance with the WTO rules.

1.8. The purposes of the Agreement included promoting and stimulating mutual trade and economic relations aimed at accelerating the economic development of both countries, improving working and living conditions, increasing employment, and achieving financial stability.

1.9. The Agreement provided for co-operation and information exchange between the Parties on a number of issues. This included consultations in the Working Group (for trade remedies) and exchange of information on matters in the case of balance of payments difficulties.

1.10. The free trade agreement between Russia and Yugoslavia had been applied in respect of Serbia, as a legal successor of Yugoslavia, on a provisional basis. He looked forward to a constructive exchange of views on all aspects of the Agreement

1.11. The representative of Serbia thanked her colleagues from the Russian delegation for the fruitful cooperation and the Secretariat for the preparation of the Factual Presentation on the Free Trade Agreement between the Russian Federation and Serbia.

1.12. Serbia had the strongest support for a rules-based multilateral trading system under the World Trade Organization, to which it was aspiring to accede very soon.

1.13. The Free Trade Agreement between the Russian Federation and Serbia had been signed on 28 August 2000 with the aim of deepening and enhancing mutual economic and trade co-operation. It had been provisionally applied by both Parties from the day of signing. The Agreement aimed at the establishment of a free trade area in goods between the Russian Federation and the Federal Republic of Yugoslavia then and Serbia now, with almost 99% of mutual trade taking place duty free. The statistics on their trade supported the positive effect of the Agreement on trade. Serbia's exports to the Russian Federation in 2000 were valued at US\$85.7 million while in 2005 exports had risen nearly tenfold to US\$724 million and imports from US\$307 million to US\$1,748 million. The positive export trend for Serbia had continued following the downturn in 2009 due to the global economic crisis with exports reaching more than US\$1 billion in 2013 and 2014. In 2015 exports fell but had recovered in 2016. Serbia's trade balance had been negative during this period ranging from US\$500 million to US\$1 billion and as high as US\$2.9 billion due mainly to large imports of energy from the Russian Federation.

1.14. There had been two additional rounds of liberalization in trade in the form of additional protocols to the Agreement which had listed the exemptions to free trade in the Agreement. The list of products subject to exemptions had become smaller over time with a very limited number of items being on the list currently. As a result almost 99% of trade between the Parties was duty free.

1.15. Finally, she thanked the WTO secretariat for its valuable input and support in preparing the factual presentation and to Members for their interest and questions. She also thanked the Russian delegation.

1.16. The representative of the United States thanked the Parties for their hard work in preparing for the consideration of the Agreement and the Secretariat for preparing the Factual Presentation. He also thanked the Parties for their responses to questions in writing. He had an additional follow up question which would also be submitted in writing. He sought further clarification from the Russian Federation on Article 4 of the Agreement. In question 1.6 the United States had asked whether the Agreement contained any legally binding commitments to eliminate tariffs. In the response the Russian Federation had stated that the Parties had the right to launch such negotiations but that products listed in the Protocol of 22 June 2011 were not subject to negotiations for preferential treatment. The Russian Federation had not however confirmed whether or not the Agreement contained a legally binding commitment to eliminate tariffs on those products not included in the Protocol of 22 June 2011. The Russian Federation also did not respond to the questions concerning the timing of the tariff elimination commitments if any existed in the Agreement. The question therefore was whether the Russian Federation could please confirm whether or not the Agreement contained a legally binding commitment to eliminate tariffs on products not excluded from tariff liberalization under the Protocol of 22 June 2011 and describe the tariff elimination schedule for such products.

1.17. The representative of Japan thanked the Parties for their presentations and the Secretariat for preparing the Factual Presentation. Japan had two questions for the Russian Federation. The Russian Federation was a member of the EAEU and the EAEU had a common external tariff for external trade. Japan understood that trade within the EAEU was free and in principle customs duties were not imposed on internal trade. Under the Agreement between the Russian Federation and Serbia, Serbian exporters could export their products to the Russian Federation at lower rates of tariff than those in the WTO tariff schedule of the Russian Federation. Japan wished to know whether the Russian Federation permitted imports from Serbia to be exported to other EAEU members without any border measures to check whether the goods originated in Serbia. Second, what was the relevant tariff applied for such exports, duty free under the EAEU tariff or subject to the WTO tariff schedule for each EAEU member.

1.18. The representative of the Russian Federation thanked the Members for their questions which he would prefer receiving in writing in order to get an official reply. With regard to the question from the United States he noted that the Agreement was applied on a provisional basis and all the products that were not subject to exemptions were free from tariffs. Such free trade covered 99% of total trade between the Parties. With regard to the question from Japan he noted that Serbia had different trade regimes with the parties of the EAEU. Currently it had bilateral free trade agreements with the Russian Federation, Belarus and Kazakhstan but not with Armenia and the Kyrgyz Republic. Written responses to the questions raised would be provided.

1.19. The Chairman said that the consideration of the Goods Aspects of the Free Trade Agreement between the Russian Federation and Serbia had allowed the Committee to clarify a number of questions and it could conclude oral discussion of the RTA in accordance with paragraph 11 of the Transparency Mechanism. If any delegations wished to ask follow-up questions, they were invited to forward submissions in writing to the Secretariat by 4 July 2016 and the Parties were asked to submit replies in writing by no later than 18 July 2016. In accordance with paragraph 13 of the Transparency Mechanism all written submissions as well as minutes of the meeting would be circulated promptly in all WTO official languages and made available on the WTO website.

1.20. The Committee took note of the comments made.
