

ACCESSION OF THE RUSSIAN FEDERATION

Régime of Regulation of Trade in Services

Supplement to the Memorandum
on the Foreign Trade Regime of the Russian Federation (L/7410)

A. General description of the market

The economic development of the Russian Federation in the recent years is marked by the growing impact of the services sector of the economy, which presently accounts for 53.5 per cent of GDP, of which trade and catering account for 12.6 per cent, transportation 10.5 per cent, finances, credit and insurance 10 per cent, communications 1.1 per cent (see Annex 1, Table 1).

The services sector accounts for 48.1 per cent of total employment in the Russian Federation 11.3 per cent work in education, culture and art, 9.7 per cent are employed in trade, public services, material and technical supplies, 7.8 per cent in transportation and communications (see Annex 1, Table 2).

The Russian Federation is a net importer of services; in 1994 imports (US \$13,769 million) more than doubled the value of services exports (US\$6,906 million). Major service exports included transportation (US\$3,074 million) - 44.5 per cent of total service exports, tourism (US\$2,053 million - 29.7 per cent), commercial services, and services in agriculture, mining and manufacturing industries (US\$327.3 million - 4.7 per cent), legal, accounting, auditing, taxation, and marketing services (US\$297.9 million - 4.3 per cent), other services (US\$768.5 million - 11.1 per cent). More than 80 per cent of imports of services in 1994 were accounted for by three sectors: tourism (US\$6,825 million - 49.6 per cent of total services imports), transportation services (US\$2,413 million - 17.5 per cent), construction services (US\$1,860 million - 13.5 per cent), and other services (US\$2,302.2 million - 16.7 per cent).

The adjustment of accounting and statistics in Russia to conform with generally recognized practices is a complex endeavour which is being accomplished gradually. The GDP calculation on the basis of the system of national accounts, and the balance of payments in accordance with the recommendations of the International Monetary Fund has been initiated fairly recently. Additional information will be provided as data collection and statistical methods improve.

B. Policies Affecting Trade in Services

(i) Evolution of Legal regulations, rules, procedures, administrative provisions influencing trade in services

The process of adapting the system of legal regulation of the services sector in the Russian Federation to the needs and requirements of the market economy has resulted in a situation where new laws often coexist with older norms, and new regulations are being introduced to achieve national policy

objectives in individual service sectors. This is particularly the case with respect to those service sectors which were not provided on a commercial basis nor subject to regulation under the previous economic system. In this situation, the Russian Federation has recognized the need for special efforts to ensure transparency.

It can be expected that the regulatory framework of the Russian Federation governing the services sector will, for some time, be subject to a process of frequent adaptation and improvement in light of experience and of progress made in building a national capacity to supply of services on a competitive basis.

The supply of services in the Russian Federation is regulated by laws, government decrees, as well as by regional authorities.

(ii) "Horizontal" Legislation

As in most countries, trade in services in the Russian Federation is affected by both laws and regulations of a "horizontal" nature, not pertaining to any specific service sector, such as those dealing with foreign investment, temporary entry and employment of persons, as well as those which are designed to regulate a specific service sector or activity.

The main legislation regulating foreign investment, is the Law "On Foreign Investment in the Russian Federation" and the Decree of the President of the Russian Federation No. 1466 of 27 September 1993 "On Improvement of Conditions for Foreign Investment", which have been described in Section 1.3.3 of the Questions and Replies to the Memorandum on the Foreign Trade Régime of the Russian Federation (Document WT/ACC/RUS/2, pages 46 to 62). Additional information with respect to investment regulations in specific service sectors is provided below.

The access and employment of foreign physical persons is regulated by Decrees of the President of the Russian Federation No. 847 of 29 April 1994 "On Additional Measures Related to the Attraction and Use of Foreign Labour in the Russian Federation" and No. 2146 of 16 December 1993 "On Attraction and Use of Foreign Labour in the Russian Federation". The Federal Migrant Service of Russia issues permits for the entry and employment of foreign labour and exercises control over the use of such permits, on the basis of proposals by the executive bodies of the Republics within the Russian Federation, its territories, regions and autonomous formations and the cities of federal importance. Such permits fix specific quotas for employment of foreign nationals as a whole and by groups of professions.

Permits may be granted to Russian juridical persons, to enterprises with foreign investments operating on the territory of the Russian Federation, as well as to certain Russian and foreign natural persons and stateless persons residing on the territory of the Russian Federation for employment of foreign natural persons. Issuance of permits are subject to an economic needs test. As a rule, permits are issued for the term of up to one year and may be renewed upon payment of a fee for an additional term of up to one year.

Highly skilled intracorporate transferees (directors, managers and specialists) can be employed by foreign or joint venture enterprises without the establishment of a permit, on the basis of the confirmation of the right to work.

The Russian Federation has entered into a number of intergovernmental agreements based on the principles of reciprocal employment of citizens, with CIS member States, Germany, Poland, Slovakia, Switzerland, Finland and China. Presently, 172 thousand foreign citizens from 107 countries work in the territory of the Russian Federation.

(iii) Licensing

The supply and quality of services in certain sectors is subject to direct administrative regulation through licensing of specific types of activities, standardization and certification of services, regulation of prices within legally determined norms and limits, as well as to enforce anti-monopoly measures. (A list of laws and regulations applied in relation to services is contained in Annex 2).

Licensing of specific types of activity, including in the services sector, is executed on the basis of the Regulation of the Government of the Russian Federation dated 24 December 1994 No.1418 "On Licensing Specific Types of Activity". Licences are granted based on objective and transparent criteria. The Regulation "On Licensing" sets out the procedure for the issuance of licences, the lists of those types of activity subject to licensing and specifies those federal executive organs, and special entities authorized to issue licences on behalf of those organs.

This list includes maritime, inland waterway, air and land transport of passengers and freight, education services, international tourism, specific types of construction, engineering, urban planning and related activities, architectural services, securities and commodity trading, launching of space vehicles, medical services, ritual and realty services. Services not included in this list generally do not require licences.

However, certain service sectors are regulated by special federal laws and normative acts of the President of the Russian Federation. The licensing of banking services is determined by the Law "On Banks and Banking Activity"; licensing of non-State organizations to render paid services aimed at citizens' employment by the Law "On Populace Employment", licensing of communications services by the Law "On Communications", licensing of insurance services by the Law "On Insurance".

In accordance with the statutes of the federal organs of the executive power approved by the Government of the Russian Federation, State regulation in the sphere of services and related areas can be performed by the following governmental bodies:

Ministry of Communications;
Ministry of Construction;
Ministry of Education;
State Committee on Higher Education;
Ministry of Environment Protection and Natural Resources;
Ministry of Finances;
Ministry of Health Care and Medical Industry;
State Committee on Physical Culture and Tourism;
Ministry of Culture;
Federal Service on Television and Radio Broadcasting;
Ministry of Rail Transportation;
Ministry of Transport;
Committee on Cinematography;
Federal Service On Insurance Supervision.

(iv) Judicial, Arbitral and Administrative Tribunals or Procedures providing for the review of, or remedies in relation to administrative decisions affecting trade in services

In accordance with Article 46 of the Constitution of the Russian Federation each natural and juridical person is guaranteed legal defense of his rights and freedoms. The decisions and action (or lack of action) of organs of state power, organs of regional administration, public associations and

officials can be appealed in court. Courts and arbitral tribunals are authorized to revise administrative decisions affecting trade in services. The decision of an administrative organ can be appealed either to a higher administrative organ or to a court.

In conformity with Item 2 of Article 22 of the Arbitration Code of Proceedings of the Russian Federation, disputes with respect to non-normative acts of state organs as well as other organs not conforming with law and other normative legal acts are dealt with by Arbitration tribunals.

(v) Qualification Requirements and Procedures, Technical Standards, Licence and/or Registration Requirements In Regard To Rendering Services.

Work is under way currently in the Russian Federation on standardization and certification of services on the basis of laws "On Protection of Consumers' Rights", "On Certification of Production and Services" and "On Standardization", which cover such aspects as:

- elaboration of state standards in regard to services;
- harmonization of Russian standards with international and foreign standards;
- incorporation of requirements in standards stipulating security of rendered services to consumers;
- introduction of standard methods of control and testing of services;
- application of standards of series ISO 9000 for services certification.

The development of State standards on services is carried out in six technical committees on standardization, including the development of standards on tourism and hotel services, public catering, dry cleaning, maintenance and repair of automotive technology, consumer electronic and radio devices, transportation services. Ten state standards and rules of their certification have been developed for aforementioned services. Work has begun on the standardization and certification of banking, insurance and medical services.

(vi) Provisions Regulating Existence and Activity of Monopolies and Services Suppliers With Exclusive Rights;

The existence and functioning of monopolies or exclusive suppliers of services is regulated by the Law "On Competition and Limitation of Monopolist Activity on Commodity Markets" of 22 March 1991. The Federal Law of the Russian Federation "On Natural Monopolies" adopted by the State Duma in July 1995 regulates the activity of natural monopolies in certain areas, particularly pipeline transportation of oil, petroleum products and gas, rail transport, services of transport terminals (ports, airports). State regulation in the spheres of natural monopolies is effected by establishing fixed or ceiling prices (tariffs), as well as by providing essential information to consumers, and/or determining the minimal level of their provision.

The Anti-monopoly Committee of the Russian Federation executes control of observance of antimonopoly legislation.

(vii) Provisions Relating To Safeguard Measures In Trade In Services

No specific legislation has yet been drawn up for emergency safeguard measures on trade in services. The Russian Federation will apply safeguard measures in accordance with the results of the negotiations provided for in Article X:1 of GATS.

(viii) Provisions Relating To International Transfers And Current Payments In Services

In accordance with Article 9, Chapter 1 of the Law of the Russian Federation of 9 October 1992 "On Currency Regulation and Currency Control", there are no limitations on current currency transactions made by residents. Such operations include:

- (a) transfers of foreign currency to and from the Russian Federation to effect immediate settlement of payments on export\import of goods and services, as well as to settle credit for export\import operations for a period of not exceeding 180 days;
- (b) receipt and granting of financial credits for a term not exceeding 180 days;
- (c) transfers to and from the Russian Federation of interest, dividends and other revenues on deposits, investments, credits and other transactions related to capital movement;
- (d) non-commercial transfers to and from the Russian Federation, including transfers of wages, pensions, alimonies, heritage and other similar operations.

(ix) Provisions Relating To Capital Transactions Affecting Supply of Services

In accordance with Article 6 of Chapter 11 of the Law of the Russian Federation of 9 October 1992 "On Currency Regulation and Currency Control" currency transactions related to movement of capital by residents are regulated by the Central Bank of the Russian Federation. Currency transactions related to the movement of capital, covered by Article 10 of Section 1 of the aforementioned Law, include:

- (a) direct investments, e.g. contribution of funds to the authorized capital of enterprises with the purpose of deriving revenues and exercising the right to participate in enterprise management;
- (b) portfolio investments, or acquisition of securities;
- (c) transfers for the payment of the property right to buildings, constructions and other property, including the land and its subsoil, which under existing legislation of the country are construed as real estate, as well as other rights to real estate;
- (d) granting and receipt of the deferment of payment for the export and import of goods and services, for terms which exceed 180 days;
- (e) extension and receipt of financial credits for terms exceeding 180 days;
- (f) any currency transactions other than current transactions.

The Bank of Russia has established the basic provisions of regulation of foreign exchange. Licences are required for effecting currency transactions related to movement of capital .

(x) Provisions relating to the procurement by government agencies of services

The Russian Federation hopes to participate in the negotiations foreseen in Article XIII of GATS. The information submitted by WTO members in that context will guide the Russian Federation in preparing a response under this heading.

(xi) Provisions concerning any form of aid, grant, domestic subsidy, tax incentive or promotion scheme affecting trade in services

The concept of subsidies to trade in services has not yet been sufficiently defined. The Russian Federation will follow closely the work carried out under Article XV of GATS, and the information submitted by WTO members in that context will guide the Russian Federation in providing a response under this heading.

C. Information on Specific Sectors**(a) Professional services****(i) Legal services**

Pursuant to the provision on licensing activities related to paid legal services in the territory of the Russian Federation approved by the Decree of the Government of the Russian Federation No.344 of 15 April 1995, licences are issued by the Ministry of Justice of the Russian Federation and by the juridical organs of the subjects of the Russian Federation, which are also authorized to control the observance of licence conditions.

Licensing is not required for legal services provided within the structure of enterprises. Certain types of legal activities, which are set out in the legislation of the Russian Federation and the normative acts of the President of the Russian Federation require specific procedure of licensing (e.g. notarial activities).

Foreign legal firms and foreign lawyers providing paid legal services on the territory of the Russian Federation receive licences exclusively from the Ministry of Justice of the Russian Federation. A person who has obtained a diploma from a foreign state in higher legal education has the right to render paid legal services consultations on the legislation of the state that issued the diploma.

The Ministry of Justice has issued more than 300 licences.

(ii) Accounting, auditing and bookkeeping services

Government regulation of this sector is carried out by the Presidential Commission on Auditing Activity. The basic legal documents applicable in this area are the Decree of the President of the Russian Federation of 24 October 1994 "On Specifying the Dates of Holding Events on Regulating Auditing Activity in the Russian Federation" and the Regulation of the Government of the Russian Federation of 5 January 1995 No.15, according to which all natural and legal persons performing auditing services should receive licences confirming their right to conduct such activity.

Licences are issued by the appropriate departments of the Ministry of Finance, the Bank of Russia or Rosstrakh (depending on the specialization of accounting and auditing firms).

According to the Federal Law FZ-4 "On the Accounting Chamber of the Russian Federation", accounting and auditing services on account transfers related to the formation and spending of means of the federal budget are assigned to the Chamber which is an organ of state financial control.

About 3,000 accounting and auditing firms, including the leading foreign companies (the so-called 'big six'.) operate in the Russian Federation.

(iii) Architectural Services

In accordance with the Regulation of the Government of the Russian Federation of 24 December 1994 No.1418 "On Licensing Specific Types of Activity", the provision of architectural services is governed by licences granted by the Ministry of Construction, (together with the Union of Architects), to Russian natural and juridical subjects. Foreign firms acting in this sector of services and registered as Russian juridical persons are granted national treatment without any limitations. The legislation regulating services in architectural area in Russia contain no provisions incompatible with the most favoured regime.

(iv) Urban planning and landscape architecture

According to the Regulation of the Government of the Russian Federation of 24 December 1994 "On Licensing Specific Types of Activity" the following services are subject to licensing:

- services relating to town planning and construction documentation, (those licences are granted by the Ministry of Construction);
- services relating to the operation of engineering systems of cities and settlements (those licences are issued by local authorities); and
- services relating to maintenance, conservation and restoration of the cultural heritage (such licences are issued by the Ministry of Culture of the Russian Federation, if the objects are listed in the roster of cultural monuments of federal value, and by the local authorities if the cultural monuments are included in proper local lists).

(v) Research and Development Services

According to the Regulation of the Government of the Russian Federation of 24 December 1994, No.1418 "On Licensing Specific Types of Activity", state licensing is required to render services on purposes of carrying out research and experimental and design works in the following areas:

- development of arms, military technology and armaments (licences are granted by the State Committee on Defense Industries);
- research on active impact on hydrometereological and geophysical processes and phenomena;
- hydrometeorological, oceanographic, heliogeophysical research and work on monitoring environment pollution, in the order laid down in the Regulation of the Government of the Russian Federation of 7 August 1995, No.787.

Additionally, enterprises and organizations that received an order for research and design of arms and military technology from a foreign partner, should receive permission in advance from the Ministry of Defense. There are no other limitations for carrying out research in Russia.

(vi) Services Relating to Real Estate

In conformity with the Regulation of the Government of the Russian Federation of 24 December 1994, "On Licensing Specific Types of Activity", operation of real estate firms is licensed by the organs of executive bodies of the regional governments of the Russian Federation.

For instance, in Moscow, a major centre of real estate, licences are granted by the Licence Chamber or by the Centre For the Promotion of Housing Reform in Moscow in conformity with the Regulation of the Government of the Russian Federation of 4 October, 1994, No. PM-885. At the present time, 286 firms, including foreign companies, have licences in Moscow.

(vii) Rental/Leasing Services Without Operators

According to the Regulation of the Government of the Russian Federation of 24 December 1994 No.1418, activities of leasing companies in Russia operate under licences granted by the Ministry of Economy of the Russian Federation. Presently, the National Russian Association of Leasing Companies unites 18 firms, and 20 companies more function beyond its framework.

(b) Other Services Relating to Business Activity**(i) Advertising Services**

The basic document regulating the advertising market is the Federal Law FZ-108 "On Advertisement" of 18 July 1995. The functions of state regulation of this sector which are confined to monitoring the accuracy of advertisement and the absence of misleading information have been assigned to the State Committee on Anti-Monopoly Policy.

Presently, this sector of services in Russia comprises all major world advertising agencies, the so-called Big Ten. Association of Advertising Agencies in Russia joined the International Code of Advertising Activity in 1995.

(ii) Services Relating to Mining Industry

In accordance with the Regulation of the Government of the Russian Federation of 24 December 1994 No.1418, the Committee of the Russian Federation on Geology and Use of Natural Resources (Goskomnedra) the following activities require licences:

- geological and survey works, compilations and publication of geological maps (including electronic and digital);
- water well drilling (excluding thermal ones) and geological boring on natural resources;
- geophysical (including gravimetric) works on investigation of the earth entrails.

In conformity with the Regulation of the Government of the Russian Federation of 25 April 1995 no. 410, mining services outside the continental shelf are regulated by the Goskomnedra and by the Ministry of Foreign Affairs of the Russian Federation.

In addition, in conformity with the Federal Law "On Use of Mineral Wealth", services are issued for the exploitation of the subsoil. Goskomnedra of Russia established in 1993-1994 a national service for licensing exploitation of subsoil which conducted auctioning of licences. The auction resulted in the issuance of 8,530 licences, of which 206 were granted to foreign companies.

(iii) Maintenance and Repair of Equipment

The following types of services are licensed in this sector:

- production, realization and maintenance of medical technology (licences issued by the Ministry of Health Care and Medical Industry of the Russian Federation);
- manufacture, maintenance and realization of means of measurements for military purposes in armed forces (licence issued by the Ministry of Defense of the Russian Federation);
- development and production of arms and military hardware (licences issued by the State Committee on Defense Industries of the Russian Federation);
- testing, manufacture, storage and preparation for launching of space objects (licences issued by the Russian Space Agency).

(iv) Services Relating to Investigation and Security

This activity is regulated by the Law of the Russian Federation "On Private Detective and Security Activity" of March 1992, by the Law of the Russian Federation "On Weapons" and is subject to compulsory licensing. In accordance with the Regulation of the Government of the Russian Federation of 17 November 1994, No.1272 licences on the conduct of detective and security activity is granted by the organs of the Ministry of Internal Affairs of the Russian Federation.

Services incidental to the creation, production and operation of coding means, coding information, providing services related to interception of information in government premises can be rendered only after receiving licences of the Federal Agency of Government Communications and Information. This requirement is contained in the Federal Law "On Federal Organs of Government Communication and Information Network", the Decree of the President of the Russian Federation of 3 April 1995 No.334 and Regulation of the Government of the Russian Federation of 24 December 1994 No.1418.

In addition, according to the Regulation of the Government of the Russian Federation of 15 April 1995 No.333, the Federal Security Service requires licensing of activities of any enterprise or organization on services using data containing state secrets.

(v) Services Relating to Human Resource Management

In conformity with the Regulation of the Government of the Russian Federation of 24 December 1994, No.1418 licences are required for the following activities:

- rendering of paid services in the employment of individuals by private organizations (issuance of licences is executed by the organs of the executive power of the subjects of the Russian Federation upon issuance of a certificate by the Federal Employment Service); and
- activity related to employment of Russian citizens abroad (licences are granted by the Federal Migration Service of Russia subject to the certification of the Federal Migration Service).

(vi) Services Relating to Photography, Packaging, Printing and Publishing

In accordance with Regulation of the Government of the Russian Federation of 24 December 1994 No.1418, the following activities require licensing:

- printing of driver licences (issuance of licences is conducted by the Ministry of Internal Affairs of the Russian Federation);
- services relating to cartography (licences are granted by the Federal Service of Geodesy and Cartography of the Russian Federation).

(b) Communication Services

Services relating to communications in the territory of the Russian Federation are regulated by the Federal Law on Communications adopted by the State Duma on 20 January 1995. The activity of natural and juridical persons connected with the communications services is conducted on the basis of licences granted by the Ministry of Communications of the Russian Federation. Control over licensing of activity in the area of communications is conducted by Gossvyznadzor of the Russian Federation.

Joint ventures with foreign organizations or citizens are permitted in the domestic or international express mail delivery, as well as for the distribution of advertising material.

In regard to telecommunications, joint ventures may be established to provide the following services:

- all types of communication activity on selected communication networks (e.g. on networks not having access to public switch network);
- services of local telephone communications (rural, urban, regional);
- value added communications services.

Requests for interconnection of foreign suppliers of services to the domestic basic telecommunications network are considered on case-by-case basis.

Qualification requirements, technical standards and licence/registration requirements for rendering communications services in the Russian Federation conform to the corresponding provisions of Acts, Conventions and Agreements of the International Telecommunications Union (ITU), the World Postal Union (WPU), European Conference of Postal Administration (CEPT), of the European Institute of Telecommunications Standards (ETCI).

(c) Audio-Visual Services

(i) Services in Radio Broadcasting and Television

Direct broadcasting, e.g. transfer of broadcasting signals is regulated by the 'Federal Law on Communications'. The activities of broadcasting companies, both state and commercial, are regulated by the Law of the Russian Federation on Mass Media (No.2124-1 of 27 December 1991).

Licences for broadcasting on Russian territory are granted by the Federal Service on Television and Radio Broadcasting (FSTR) upon approval of the Ministry of Communications on the basis of "Provision on Licensing Television and Radio Broadcasting" and approved by the Government Regulation "On Licensing of Television and Radio Broadcasting in the Russian Federation" No.1359-1 of 27 December 1994.

There are about 900 commercial companies operating in this area. Currently, Russian legislation does not impose quantitative limitations on the broadcast of foreign programmes, or on the participation of foreign investors in creation and financing of broadcasting companies.

(ii) Services Relating to Production and Distribution of Cinema and Video Films

The Committee of the Russian Federation on Cinematography is the state regulatory organ in this sector. In accordance with Regulation of the Government of the Russian Federation No.396 the registration of cinema and video films designed for public demonstrations at cinema and video installations, in cinema and video theatres, video saloons and other halls is obligatory. No screen time quotas are currently in effect.

(d) Distribution Services

In accordance with Russian legislation, solution of issues regarding activity in the sphere of commerce and retail services is the responsibility of regional and local governments. Quality control has been assigned to the Inspection of the Russian Commerce Committee. Licensing is employed solely in relation to commodities subject to excise duty.

Small and medium business dominate in this sector. As of today, 61 per cent of trade organizations and 41 per cent of catering (from the total quantity of enterprises resting on their own balance) are small and medium enterprises (with the number of workers not exceeding 15 people in retail and 30 people in wholesale).

Radical changes have occurred in wholesale trade. Specialized wholesale trade societies have been transformed into associations, companies and firms.

(e) Education

According to Regulation of the Government of the Russian Federation of 24 December 1994 No.1418 licensing is implemented in educational area by the following organs:

- in the area of pre-school, primary, comprehensive, basic, and secondary education, as well as of primary vocational and secondary pedagogical education - by the organs of the executive power of the subjects of the Russian Federation;
- in the area of secondary, higher, postgraduate professional education - by the State Committee of the Russian Federation on Higher Education;
- in the area of higher engineering and pedagogical education of the Ministry of Education of the Russian Federation.

Additional requirements to educational services are contained in Government Regulation of the Russian Federation of 24 April 1995 "On the Order of Development of State Standards of Secondary Professional Education in the Russian Federation".

Foreign firms engaged in this services sector and registered as Russian juridical persons are granted national treatment. Legal documents regulating the share of educational services in Russia contain no provisions incompatible with the most-favoured-nation treatment .

(e) Services Relating to Environment Protection

Licensing in the sphere of environment protection in the Russian Federation is conducted in accordance with the Regulation of the Government of the Russian Federation of 24 December 1994 No.1418 'On Licensing Specific Types of Activity' by the Ministry of Nature of Russia and by territorial bodies of the protection of nature. Certification in the area of environment protection is implemented by the Ministry of Nature in coordination with Gosstandard.

According to the Law of the Russian Federation "On Environment Protection" an environmental audit by the state is a prerequisite to any economic decision the implementation of which could be detrimental to the environment.

(f) Financial Services

(i) insurance

According to the statistical data of 1994, the total amount of collected insurance premiums constituted 1.2 per cent of the gross national product. As of 1 June 1995, 2690 insurance organizations were included in a state register, 54 per cent of those had been present in the market less than one year. The state insurance companies constitute 5 per cent of the total number of companies; 56 per cent of the overall insurance premiums collected in 1994 pertain to 50 major insurance companies. As of 1 September 1995, 71 joint venture insurance companies were registered in Russia.

The legislative basis of the activities of insurance companies and conducting insurance includes the Civil Code of the Russian Federation, the Law of the Russian Federation "On Insurance" of 27 November 1992 (the new edition of the law was adopted by the State Duma of the Federal Assembly on 14 July 1995), the Law of the Russian Federation "On Medical Insurance of the Citizens in the Russian Federation", the legislative acts of Rosstrakhnadzor.

Regulation of the insurance market takes place on the basis of general requirements on licensing and registration of insurers, insurance brokers, insurance auditors and associations of insurers, and prudential control including auditing and reporting. Coordination on insurance issues is carried out

by the federal organ of the executive power -the Federal Service of Russia on Insurance Supervision (Rosstrakhnadzor).

The Law of the Russian Federation on insurance recognizes insurers as juridical persons in the form of stockholding companies or state unitary enterprises (insurance organizations), that have received licences to carry out insurance activity in Russian Federation as provided for by Law and by mutual insurance associations. Insurers involved in life insurance are prohibited from offering non-life insurance. Licensing is required for activities of insurance companies that deal exclusively with reinsurance, as well as insurance brokerage.

The "Russian State Company", as provided in the legislation on insurance, has exclusive rights to offer a number of obligatory insurance authorized by the decisions of the Government of the Russian Federation. Russian legislation has established obligatory medical insurance.

The law permits foreign juridical persons and foreign citizens to participate in the establishment of insurance organizations in the Russian Federation with an equity participation not exceeding 49 per cent. The law does not allow brokerage activity aimed at the conclusion in the Russian Federation of insurance contracts on behalf of foreign insurers, unless otherwise stipulated in the international treaties of the Russian Federation or federal laws.

The legislation of the Russian Federation does not permit sale of insurance services on a crossborder trade. The foreign insurer is required to establish a branch in the Russian Federation.

(ii) Banking and other financial services (excluding insurance)

According to Article 2 of the Law "On Banks and Banking Activity", the banking system of the Russian Federation consists of two levels, the first of which is occupied by the Central Bank of the Russian Federation, the second one by commercial banks and non-bank credit operations that conduct the banking activity on the basis of licences issued by the Central Bank of Russia. Banking operations in foreign currency can be conducted only by those credit organizations which have currency licences issued by the Central Bank. At present, the following types of currency licences are valid:

- (1) internal currency licence authorizing conduct of a limited number of banking operations in foreign currency (clients' currency accounts, international operations, currency service of citizens etc.).
- (2) expanded currency licence envisaging (beside afore-mentioned operations) the possibility of establishing correspondent relations with foreign banks.
- (3) general licence, authorizing conduct of a full scope of banking operations in rubles and foreign currency stipulated by the Law of the Russian Federation 'On Banks and Banking Activity in RSFSR'.

Presently, 2570 banks conduct banking activity on the territory of Russia. Of them 268 banks possess the General Licence, 262 operate with expanded currency licence and 527 banks with internal currency licence. The possibility of participation of foreign banking capital in Russia is provided for in Article 1 of the Law "On Banks and Banking Activity". Foreign banks can execute banking activity in the Russian Federation by way of creating joint venture banks, as well as by opening affiliated branches. The Central Bank of Russia may impose additional capital requirements on joint venture banks, with the purpose of ensuring equal opportunities for competition for all banks. The Central Bank of Russia obliges foreign participants of joint venture or foreign banks to contribute to the charter capital an amount no less than US\$2 million, in accordance with the current rate at the time of investment.

To open a branch of a joint or foreign bank in the Russian Federation, a separate licence is required from the Central Bank of Russia. Branches of fully foreign owned banks with a strong financial position and immaculate business reputation are permitted to operate. Preference is granted to banks whose short-term obligations have the IBCA classification, Moody's or Standard and Poors rating no lower than AA, prime - 1. A non-resident bank's affiliated branch to be opened on Russian territory should possess adequate capital, which is determined by the non-resident bank with the agreement of the Central Bank of the Russian Federation. Such capital should be no less than US\$5 million, in accordance with the current rates set by the Central Bank of Russia.

On 29 March 1993, the Board of Directors of the Bank of Russia authorized a 12 per cent limit of the share for foreign capital in the banking system of the Russian Federation. The limit relates to those banks whose charter capital is formed with more than 50 per cent foreign equity participation. At the present time, 180 banks with some degree of foreign ownership, are registered and conduct banking activity. Of this number, 16 banks are more than 50 per cent owned by non-residents, including 10 totally foreign owned banks.

The Decree of the President No.1924 of 17 November 1993 introduced temporary limitations until 1 January 1996 on foreign banks and their affiliates, as well as on joint venture banks with non-resident capital exceeding 50 per cent, and which did not start rendering their services to the residents of the Russian Federation before 15 November 1993, as well as on those who received licences after the aforementioned date. The Decree of the President of the Russian Federation No.1184 of 10 June 1994 authorized withdrawal of those limitations for banks whose home countries had entered into agreements for the promotion and protection of investments. Limitations were also removed for those banks and affiliates which had received licences from the Bank of Russia before the publication of this Decree. President's Decree No.419 of 27 April 1995 removed those limitations on certain fully foreign owned commercial banks which had been registered before 5 November 1993.

Presently foreign and joint venture banks are issued licences according to the principle of reciprocity with respect to their home countries' treatment of Russian banks subsidiary and joint-venture branches, as well as affiliates and representative offices.

1. Securities

Presently the Federal Law "On Stock Market in the Russian Federation" is under consideration in the Federal Assembly. Pending its adoption, the securities market is being regulated by the Laws of the President of the Russian Federation, by the Decrees of the Government of the Russian Federation, by regulatory acts of the Ministry of Finance of the Russian Federation and the Federal Commission on Securities and Stock Market of the Government of the Russian Federation.

The Decree of the President of the Russian Federation of 4 November 1994 No.2063 "On Measures on State Regulation of Stock Exchange in the Russian Federation", provides that business activity in stock exchange, including underwriting, placement, purchase and sale of securities, is being conducted on the basis of licences issued in accordance with the relevant legislation of the Russian Federation. Limitations of activities of citizens and juridical persons which act as investors in securities or financial market, inclusive of those dealing with shares and other securities, can be established by federal laws and decrees of the President of the Russian Federation. This Decree also stipulates that the securities market conducts the following types of entrepreneurial activity:

- brokerage - conclusion of civil and legal transactions with securities on the basis of commission agreements and/or guarantees;

- dealing - conclusion of purchase/sale transactions in its own name or at the expense of public announcement of prices for the purchase and sale of those securities according to announced prices;
- deposit - activity on storing securities and/or accounting of their rights for securities;
- shareholders' register management - activity conducted by the holder of shares register in the order established by legislation of the Russian Federation;
- clearing transactions on funds - activity on determining mutual commitments and/or the transfer of funds related to securities transactions;
- organization of securities trading - rendering of services promoting securities transactions between professional participants in the securities market, including stock exchange activity.

Regulation of the Government of RSFSR of 28 December 1991 No.78 approved the Provision on the issue and transfer of securities and stock exchanges in RSFSR. In accordance with this Provision, the Ministry of Finance of the Russian Federation approved:

- licensing for in the securities exchange as investment funds and on licensing activity of managers of investment funds (Instruction of the Ministry of Finance of the Russian Federation of 28 December 1992 No. 1212);
- licensing investment institutions (Instruction of the Ministry of Finance of the Russian Federation of 12 September 1992 No.91);
- licensing stock exchange activity in regard to securities transactions (Instruction of the Ministry of Finance of the Russian Federation of 13 April 1992 No.20).

None of the aforementioned provisions envisage any limitation on the participation of non-residents in the securities markets of the Russian Federation.

The fundamental legal documents regulating financial leasing services in Russia are the Decree of the President of the Russian Federation of 17 September 1994 No. 1929 "On Development of Financial Leasing" and the Regulation of the Government of the Russian Federation of 29 June 1995 No.655 "On Leasing Development In Investment Activity". The Government of the Russian Federation adopted a decision on Russia joining the 1988 Ottawa Conference on financial leasing.

(g) Services in Health Care and Social Spheres

In accordance with the Order of the Ministry of Health Care and Medical Industry of the Russian Federation No.146 of 29 May 1995 "On the order of access to medical and pharmaceutical activity in the Russian Federation of persons who received medical and pharmaceutical training in foreign states", foreigners may provide medical and pharmaceutical services in the Russian Federation on the condition that the federal government organs on education shall establish, jointly with the Ministry of Health Care and Medical Industry, the recognition of qualifications. The provision of medical and pharmaceutical services require that licences from the Ministry of Health Care and Medical Industry of the Russian Federation.

(h) Tourism And Travel-Related Services

In conformity with Regulation of the Government of the Russian Federation of 24 December 1994 No.1418, rendering of services in the area of international tourist activity is subject to obligatory licensing by the State Committee of the Russian Federation on Physical Culture and Tourism. Presently, 4,416

licences have been issued in Russia to tourist firms, of which 186 licences have been granted to joint ventures with foreign capital, including companies with 100 per cent foreign capital.

Foreign firms involved in this services sector and registered as Russian legal persons receive national treatment. Regulatory documents on tourist services in Russia do not contain provisions incompatible with the most-favoured treatment.

(i) Transportation Services

The state regulation of air, river, maritime and road transport is the Ministry of Transportation of the Russian Federation through its Transport Departments, while rail transportation is regulated by the Ministry of Rail Transport. Transportation enterprises are subject to licensing by the Ministry of Transport of the Russian Federation according to Regulation of the Government of the Russian Federation.

In regard to air transport, Government Regulation (GR) of the Russian Federation No.850 of 23 August 1993, stipulates licensing on the following commercial services: (a) transfer of passengers and cargoes; (b) maintenance of aircraft, and servicing of passengers and cargoes in airports; (c) auxiliary commercial services. In accordance with air traffic agreements, foreign airline companies and enterprises organizing flights to the Russian Federation, have the right to open representative offices for the conduct of commercial and advertising activity. Airline companies seeking to open such offices should apply to the Department of Air Transportation, which is guided by the Regulation on the Establishment and Operation Representatives of Foreign Firms, Banks, Organizations (approved by Regulation of the Council of Ministers of 30 November 1989), in issuing licences.

According to GR No.840 of 23 August 1993, licences are required for maritime and inland waterway transportation and a variety of ancillary services. Preferential treatment of vessel taxation is applied to foreign vessels sailing under the flag of states with whom the Russian Federation has maritime trade agreements. In accordance with the Charter of Inland Waterway Transport (Article 5) foreign vessels cannot sail on inland waterways of Russia.

On road transport - according to GR No.118 of 26 February 1992, and No.372 of 23 April 1994, the following services should be licensed: (a) urban, suburban, interurban interrepublican and international transportation of cargoes and passengers; (b) forwarding services; (c) maintenance and technical services. All types of licences are granted for a specified period (3 months, 1 year or 5 years) by regional departments of the Russian transportation inspection service and its affiliated branches. However, licences for international carriage and auxiliary services are issued by the Ministry of Transportation of the Russian Federation or organs authorized by this Ministry.

The majority of Intergovernmental Agreements on international road transport subscribed to by the Russian Federation provide for the issuance of licences for freight and passenger traffic between Russia and the country of origin or destination and those of transit on a case-by-case basis. The number of such licences is specified on an annual basis.

According to GR No.536 of 25 May 1994, - a list of services relating to road design, construction, reconstruction, and maintenance of the roads and road installations on them; - construction, reconstruction, and maintenance is drawn up by the Ministry of Transport subject to approval of the State Committee of the Russian Federation on Architecture and Construction.

Rail Transport is regulated primarily by the Federal Law "On Federal Rail Transport" of 20 July 1995 No.153-F3, and by the 1964 Charter of Railroads of the USSR. Tariffs for domestic cargo and passenger transportation are regulated in accordance with Regulation of the Government

of the Russian Federation of 7 March 1995 No.239 "On Measures Related to State Regulation of Prices (Tariffs)" in the following manner:

- the Government of the Russian Federation regulates tariffs on the transport of freight and passengers, baggage, and mail (apart from suburban transportation);
- in suburban transportation tariffs are regulated by railroads subject to approval from the Ministry of Rail Transportation of the Russian Federation. Regional and local governments are authorized to introduce state tariff regulation on passenger and baggage carriage by suburban railroad transportation.

Most-Favoured-Nation Treatment Regime (MFN)

The Russian Federation has currently adopted international commitments in its relationships with the majority of CIS countries practically for all types of transport (excluding air transportation) on unhindered passage of cargoes on and through their territories.

Institutional Base For Trade and Economic Relations With Third Countries

Bilateral agreements or agreements with several countries related to trade in services, include in particular, relations in the area of international carriages are regulated also by international agreements, 261 such agreements were in effect as of 1 January 1995.

In automobile transport - 41, specifically with CIS and Baltic countries - 12.

In air transport 129, specifically with CIS and Baltic countries - 8.

In marine transport - 84

In river transport - 3

In rail transport - 4

As noted in the preceding paragraphs, specific agreements contain limitations on most-favoured-nation treatment regime in trade in services.

Information with respect to economic integration, customs unions, free trade areas and labour markets will be provided in light of progress in integration between the Russian Federation and other countries, in particular the members of the CIS. The Russian Federation participates in practically all multilateral economic organizations of a global character.

Annex 1

Table 1
Share in GDP of the Services Sector

	in % to GNP	
	1993	1994
Total in Services,	42.0	53.5
Including:		
Market services	31.0	41.0
Transport	6.8	10.5
Communications	0.7	1.1
Trade and public catering	12.2	12.6
Material and Technical Supplies	1.4	1.3
Procurements	0.3	0.2
Information and electronic service	0.1	0.1
Operations with real estate	0.2	0.2
General Commercial Activity on the provision of Market Functioning	1.2	1.2
Geology and survey, geodesic and hydrometric services	0.2	0.2
Housing	0.6	0.8
Non-production types of public services	0.1	0.3
Finances, credit, insurance	5.5	10.0
Science and scientific service	0.4	0.3
Health care, physical culture and social security	0.1	0.3
Education, culture and art	0.1	0.2
Management	0.5	0.9
Other services	11.0	12.5
Road services	0.1	0.2
Organizations serving agriculture	0.1	0.1
Housing	1.8	1.9
Communal services	0.5	0.5
Science and scientific catering	0.6	0.6
Health care, physical culture and social security	2.0	2.1
Education, culture and art	3.2	3.6
Defense	1.3	2.0
Management	1.2	1.3
Public associations	0.2	0.2

Table 2

Share of Employed in the Services Sector of the Russian Federation
in 1994 and the First Half of 1995 (in per cent)

	1994	1-st half 1995
Total		
Employed in the economy of the Russian Federation	100.0	100.0
Incl. in the services sector	46.3	48.1
Incl. in industries - trade, public catering, material and technological supply, procurements	9.5	9.7
Transport and Communications	7.8	7.8
Information and electronic services	0.1	0.1
Housing and Communal services and non-production types of public services	4.4	4.8
Health care, physical culture and social security	6.4	6.7
Education, culture and art	10.8	11.3
science and scientific services	2.7	2.5
crediting and state insurance	1.1	1.1

Table 3

Structure of Main Indicators of Foreign Trade in Services
of the Russian Federation with Foreign States for 1993-1994*

	Export of Services				Import of Services			
	1993		1994		1993		1994	
	\$ mil.	% total	\$ mil.	% total	\$ mil.	% total	\$ mil.	% total
	* CIS countries not included							
The volume of services - total	6,437.0	100.0	6,906.0	100.0	9,155.0	100.0	13,769.1	100.0
Inclusive								
Transport services	2,724.0	42.3	3,074	44.5	2,647.0	28.9	2,413.0	17.5
Tourism	2,545.0	39.5	2,053	29.7	3,962.0	43.3	6,825	49.6
Construction services	243.0	3.8	131.0	1.9	1,047.0	11.4	1,860	13.5
Postal and Communication services	2.6	0.0	32.0	0.5	0.2	0.0	28.3	0.2
Commercial services, services in agriculture, mining and manufacturing industries	437.6	6.8	327.3	4.7	2.6	0.0	2.9	0.0
Renting equipment, transport services	18.9	0.3	17.3	0.3	-	-	0.4	0.0
Investigation and development	10.0	0.2	22.6	0.3	2.9	0.0	0.8	0.0
Law, accounting, revision, taxation, marketing	237.4	3.7	297.9	4.3	32.3	0.4	107.4	0.8
Poligraphy	79.7	1.2	46.6	0.7	50.9	0.6	84.9	0.6
Commercial services not included in other categories	22.8	0.4	33.5	0.5	52.7	0.6	24.6	0.2
Education	22.3	0.3	17.5	0.3	25.6	0.3	9	0.1
Non-financial non-material assets	0.8	0.0	3.6	0.05	39.6	0.4	23.8	0.2
Financial mediating and supplementary services	77.2	1.2	81.2	1.2	77.1	0.8	86.8	0.6
Other services	15.6	0.2	768.5	11.1	1,215.1	13.3	2,302.2	16.7