

# EU launches WTO dispute against discriminatory procurement by Russian State-owned enterprises

The EU is requesting consultations with Russia in the World Trade Organization (WTO) regarding certain Russian measures that restrict or prevent EU companies from selling goods and services to Russian State-owned enterprises and other entities through procurement for commercial purposes. These practices seem to be contrary to WTO rules which require that Russia may not discriminate against foreign companies in this area.

Since 2015, Russia has gradually expanded its import substitution policy through the use of various restrictions and incentives. These aim to replace the use of foreign goods and services in procurement contracts by certain State-related entities, and by legal entities in investment projects financed by the State. The economic impact for EU companies is very significant. In 2019, the value of published tenders by State-owned enterprises amounted to RUB 23.5 trillion, which is around EUR 290 billion and equivalent to 21% of Russia's GDP.

The EU is challenging, in particular, three Russian measures that seem to be incompatible with WTO law, notably with the core WTO principle of National Treatment that require WTO members to treat foreign and domestic producers in a non-

members to treat foreign and domestic products in a non-discriminatory manner. These include:

- **Discriminatory assessments of procurement bids:** during the assessment phase in their procurements, certain State-related entities deduct 15% (up to 30% for certain products) from the offered price for domestic products or services of Russian entities. If the bid with domestic products or services of a Russian entity is then selected, the full price is subsequently still paid. This means that imported products or services of foreign entities are looked at less favourably during this assessment phase, because they do not benefit from this 15% price reduction. This gives rise to discrimination against bids with imported goods or services provided by foreign entities.
- **Requirements for prior authorisations:** Russian companies that want to procure certain engineering products abroad need an authorisation by Russia's Import Substitution Commission. This authorisation appears to be given on an arbitrary basis and is not needed for purchasing domestic engineering products.
- **National quota requirements in procurement:** for around 250 products, including vehicles, machinery, medical devices and textile products, where up to 90% have to be domestic products.

### **Next steps**

The dispute settlement consultations that the EU has requested are the first step in WTO dispute settlement proceedings.

If they do not lead to a satisfactory solution, the EU can request that the WTO set up a panel to rule on the matter.

### **More information**

[The request for consultations](#)

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