

EU Backs WTO Accession Bid

By [The Moscow Times](#)

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EC President Herman van Rompuy, Medvedev and Barroso in Brussels. **Virginia Mayo**

BRUSSELS — The European Union formally backed Russia's bid to join the World Trade Organization on Tuesday, clearing the way for Moscow to join the body in 2011, after 17 years of trying.

Economic Development Minister Elvira Nabiullina and EU Trade Commissioner Karel De Gucht signed an agreement on the sidelines of an EU-Russia summit, after the resolution of a tariff dispute that had held up EU approval.

EU Commission President Jose Manuel Barroso met with President Dmitry Medvedev on Tuesday and said the agreement marked a "milestone" in relations.

"Our difficult bilateral issues are resolved. We signed a memorandum of understanding to this end today," Barroso said. "Russia becoming a WTO member in 2011 is a realistic perspective."

The EU, the world's largest trading zone, is Russia's biggest trading partner. Its decision to

end its WTO veto — largely thanks to Moscow's commitment to phase out export tariffs on timber and rail freight fees — removes a major obstacle to Moscow's accession to top trading nation status.

Russia's \$1.2 trillion economy makes it the largest outside the WTO. The World Bank has estimated that entry could increase Russian gross domestic product by as much as 3.3 percent in the medium term and 11 percent in the long term.

As part of Tuesday's agreement, Russia has promised to lower export duties on timber, which are currently set at about 15 percent. This will benefit EU paper makers such as UPM, Stora Enso and M-Real.

Russia will also lower fees on Asian freight reaching Europe by train through Russia, EU officials said.

The accession still needs approval from the 153-member WTO. Multilateral negotiations are expected to focus on Russian concessions that will make it easier for foreign carmakers to export and produce cars in Russia.

"Foreign carmakers operating in Russia and joint ventures are going to be the big winners. They're the ones that will progressively take over the market," said Eric Bergelin, director for trade and economics at the European Automobile Manufacturers' Association.

Russia hopes WTO entry will increase foreign direct investment and its exports of steel to the EU market.

Prime Minister Vladimir Putin has said the country hopes to join next year, completing a process that began in 1993. The WTO represents more than 97 percent of global trade.

"WTO accession will strengthen trade and investment rules in Russia and will therefore be beneficial to its businesses and its citizens," Barroso said. It will also improve business opportunities for EU companies in the expanding market.

The agreement underscored the improving relations between Europe and Russia. On Monday, Medvedev started his goodwill mission by visiting Poland, a former Soviet satellite and current EU member with whom it long had a troubled relationship.

Despite the global economic crisis, trade with Russia picked up this year after a sharp slump in 2009.

In the first nine months of 2010, Russia was the EU's third-biggest trading partner, after the United States and China, accounting for 6 percent of the EU's exports and 10 percent of its imports.

The EU shipped about 66 billion euros (\$88 billion) of products such as machinery, transport equipment, food and live animals to Russia last year and bought 115 billion euros of Russian goods. Energy and mineral-fuels products make up 77 percent of EU imports from Russia. The bloc relies on Russia for more than a quarter of its natural-gas demand, according to EU statistics office Eurostat.

The accord doesn't iron out all accession issues. The world's biggest energy supplier must negotiate multilaterally on unresolved matters such as conditions for a trade-related investment regime and its application of health rules for food imports, some of which concern the EU, said John Clancy, the commission's trade spokesman.

"We will continue negotiations alongside other WTO members on technical regulations and will monitor that Russia implements the commitments it undertook in such areas as sanitary and veterinary conditions for agricultural imports, intellectual-property rights and other market-access-related non-tariff regulations," he said.

Russia also agreed during discussions that ran parallel to its WTO accession talks to alter the way it imposes fees on European planes for the right to pass over Siberia. The changes will be made when Russia joins the WTO, Clancy said.

"Once all multilateral questions are resolved and negotiations in Geneva are finished, the EU countries will have to agree to the whole WTO accession package," he said. "As Russia made the link to WTO accession, the implementation of the overflight agreement will be an important element to be considered at that stage, which could be in six to 12 months from now, if negotiations proceed in a good pace."

"Russia's accession to the WTO appears an increasingly likely possibility in the coming two years, allowing the country to fully join the other BRICs at the trade organization," ING said in a research report Monday. "This will prove of particular importance for increasing foreign direct investment limits on Russia's telecoms, insurance and banking sectors, so we could see a ramp-up in valuations for corporates in these areas as WTO accession nears."

(Reuters, Bloomberg, AP)

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