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EU Car Agreement Clears WTO Path

By The Moscow Times

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BRUSSELS — The European Union and Moscow have agreed on terms for Russia to join the World Trade Organization, leaving a bilateral agreement between Russia and Georgia the only outstanding issue to resolve, the EU's trade chief said Friday.

A deal had been reached that would help to prevent EU jobs in the car industry from moving to Russia, EU Trade Commissioner Karel De Gucht said in a statement. The agreement removes the last major trade area that had been hesitant about allowing Russian WTO membership.

"We have struck a deal on the final outstanding bilateral issues, leaving the way open for Russia to join the WTO by the end of this year," De Gucht said. "This understanding will help to protect EU jobs in the car and car components industry."

Foreign Minister Sergei Lavrov said in Moscow that "all issues had been solved" and hinted that Russia could enter the organization without Georgia's consent.

"Sticking strictly to the WTO's documents, Georgia's position is not an obstacle. There are ways to act so that our trade obligations toward all the WTO members do not apply to Georgia," Lavrov said.

The case for Russian membership has been pushed by the perceived economic gains, as well as the wish to usher Russia in before elections next March, which are expected to return Prime Minister Vladimir Putin, a WTO-skeptic, to the presidency.

Still, agreement from neighboring Georgia is required for Russia to join, and Tbilisi is demanding more trade transparency. Switzerland has been acting as a mediator in the past few months, but the EU said it was "disappointing that the talks have so far not led to a solution."

For the EU, Russian membership would make the country more transparent and open up business opportunities for EU investors and exporters. Russian import tariffs and restrictions on raw materials exports would be reduced, and Moscow would adopt international product standards and WTO rules in areas such as customs procedures, licensing and intellectual property, the EU said.

The EU is Russia's biggest trading partner, with 244 billion euros ($338.4 billion) in bilateral trade in 2010 — 45.8 percent of Russia's overall trade. Imports from Russia increased 31.4 percent in 2010, and exports from the EU to Russia went up 38.2 percent.

The car industry had been the major sticking point in negotiations.

Last year, Moscow launched a new industrial policy that offered carmakers operating in Russia incentives only if they produced more than 300,000 cars and 30,000 trucks per year, created a majority of a car's total value locally, and opened research and development centers in Russia.

That stoked fears in some EU countries that Russia would turn into an exporter competing with the rest of Europe, and that jobs would migrate eastward.

Automakers widely expect sales of cars, vans and trucks in Russia to double to 4.1 million vehicles by 2020, from about 2 million today, making Russia the largest market in Europe, overtaking Germany.

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