The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

WTO Accession Ready for Last Step

By The Moscow Times

November 10, 2011

Russia cleared a major hurdle toward opening up its huge oil-driven economy Thursday, with negotiators agreeing to final terms that would allow it to join the World Trade Organization after an 18-year effort.

The deal is expected to quickly inject 4 billion euros ($5.45 billion) a year into the ailing European economy by boosting European Union exports.

The 27-nation bloc is Russia's biggest trading partner. EU nations imported 158.6 billion euros worth of goods — mostly oil and gas — from Russia last year, while exporting 86.1 billion euros worth of machinery, automobiles and farm products.

Under the deal, Russians would be able to buy European-made cars and trucks, furniture, clothes and all sorts of consumer goods and industrial machinery at far lower prices than before.

Russia's steel industry would no longer be subject to Europe's quotas imposed on some non-

WTO members.

Europe already buys almost two-fifths of Russia's exports, including the fossil fuels that power the continent. And the third-biggest customer for EU exports is Russia, after the United States and China.

"That means ... about a 5 percent increase in European exports, just because of WTO accession," said Peter Balas, the European Commission's deputy director general for trade. "In these difficult economic times, it's a substantive, positive effort."

A panel of WTO negotiators put their stamp of approval Thursday on a package of terms for Russian membership that is expected to be signed by trade ministers at a WTO high-level meeting in mid-December.

Once that is approved, Russia would become a WTO member 30 days after it notifies the WTO that it has ratified membership — presumably early next year.

Maxim Medvedkov, Russia's chief WTO negotiator, said joining the world trade body is important because his nation, the world's seventh-biggest exporter, already does 92 percent of its trade with WTO members.

"Our nation has plans for modernization of its economy based on foreign investment," he told reporters. "We do not feel any aggressive 'no' to [joining WTO] in the business community."

He predicted the State Duma would approve the deal early next year.

Foreign manufacturers had been closely watching which tariffs Moscow would accept, and whether it would cave to outside demands for tighter enforcement of intellectual property rights.

WTO's director general, Pascal Lamy, told reporters that the deal creates new opportunities for members of the WTO, which, after the Russian deal, will cover 98 percent of global trade.

"In acceding to the WTO, Russia embraces a series of rules and commitments that are the foundation of an open, transparent and nondiscriminatory global trading system," he said.

A day earlier at WTO headquarters in Geneva, Russia signed a deal with Georgia, its neighbor and one-time foe, which removed the last major obstacle to Moscow's membership.

The deal would essentially involve a neutral company monitoring all trade between the two nations, including the breakaway Georgian provinces of Abkhazia and South Ossetia.

The following are selected extracts from the accession agreement, spelling out specific commitments by Russia.

Tariffs: The import tariff ceiling will average 7.8 percent, compared with an actual 2011 average of 10 percent.

The average ceiling for agricultural import tariffs will be 10.8 percent, lower than the actual

13.2 average.

The average ceiling for manufactured goods will be 7.3 percent, compared with an average of 9.5 percent now.

Import tariffs on information technology products, currently 5.4 percent, will be zero. Cotton imports will also have a zero tariff.

Tariffs for cars, helicopters and civil aircraft will come in after seven years and for poultry after eight years.

Services. The foreign equity limit in telecoms, currently 49 percent, will be scrapped four years after accession.

Foreign insurers will be able to open Russian branches nine years after accession.

Foreign banks will be allowed to establish subsidiaries. There would be no cap on foreign equity in individual banking institutions, but overall foreign participation in the banking system will be limited to 50 percent.

Upon Russia's accession, 100 percent foreign-owned companies will be allowed to engage in wholesale, retail and franchise sectors.

Market Access. Importers of alcohol, pharmaceuticals and products with encryption technology will not need import licenses.

Government Procurement. Russia plans to join the WTO's voluntary agreement on government procurement and will initiate negotiations for membership within four years of accession.

Subsidies. Russia commits to zero export subsidies on agricultural products. It will also scrap value-added tax exemptions for certain domestic agricultural products.

Total trade-distorting agricultural subsidies will not exceed $9 billion in 2012 and will be reduced to $4.4 billion by 2018.

Subsidies for specific agricultural products will be limited in relation to overall agricultural subsidies in each year until the end of 2017. In the draft text, total product-specific support is limited to 30 percent of general subsidies, but that figure is in brackets, indicating that it is provisional.

All industrial subsidies will be eliminated, or they are not dependent on exportation or favor local goods over imports.

Aviation. Rules on aircraft leasing will be amended to ensure that foreign-made aircraft can qualify for the same benefits and are as attractive to Russian airlines as Russian-made planes. But Russia does not plan to join the WTO agreement on trade in civil aircraft.

Privatizations. Russia will privatize 100 percent of United Grain Company by 2012 and 50 percent plus one share of Rosagrolizing no sooner than 2013.

Customs Fees. Russia will cut the maximum customs clearance fee to 30,000 rubles (about $1,000) from the current 100,000 rubles and simplify procedures.

Cars. Preferential tariffs for carmakers making large investments in Russian-based production will be eliminated by July 1, 2018.

Plant and Animal Health. Russia plans to put a new law on plant quarantine into force on Jan. 1, 2012, and plans to pass a new veterinary law in 2012.

Russia, in its customs union with Belarus and Kazakhstan, will work out a common list of quarantine pests and phytosanitary requirements to enter into force on Jan. 1, 2013.

Gas. Russia intends to develop market-based pricing for the domestic gas market, aiming to ensure gas producers and distributors can profitably supply industrial customers, but will keep regulating prices for households and noncommercial users.

Railways. Railway transportation costs for domestic produce, as well as imports and exports, will be equal by July 1, 2013.

Intellectual Property. Russia commits to lower the threshold for taking action against trademark counterfeiting and copyright piracy.

Noncontractual administration of rights will be eliminated by the beginning of 2013. Organizations engaged in collective management of rights will be held accountable to ensure that right holders receive remuneration due to them.

Russia will lift its reservation to the Berne Convention for the Protection of Literary and Artistic Works before it joins the WTO.

Export Duties. Export duties on ferrous waste and scrap will be cut from (the lower of) 15 percent or 15 euros per ton in the year of accession to 5 percent or 5 euros per ton over five years.

Export duties on copper cathode will be cut from 10 percent in the year of accession to zero within four years.

(AP, Reuters)

Average Duties: Before and After

Import	Current Tariff	Tariff Ceiling
Dairy products	19.8%	14.9%
Cereals	15.1%	10.0%
Oilseeds, fats, oils	9.0%	7.1%
Chemicals	6.5%	5.2%
Automobiles	15.5%	12.0%
Electrical machinery	8.4%	6.2%
Wood and paper	13.4%	8.0%
Sugar	$243/ton	$223/ton

— Reuters