

Putin Says Economy to Suffer from WTO Entry

By [The Moscow Times](#)

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Russia's energy-based economy will take a serious blow from membership of the World Trade Organization coupled with a global slowdown, President Vladimir Putin warned on Wednesday, singling out the most vulnerable sectors of the \$1.9 trillion economy.

Higher unemployment and budget revenue shortfalls were likely to result from moves to cut some import duties to comply with WTO rules, Putin said, making domestically produced goods less attractive to cash-strapped consumers and businesses.

"We should understand that the initial period in WTO will require a serious adjustment of our economy," Putin told his Security Council, convened to discuss risks posed to national security by the World Trade Organization membership.

Russia's domestic animal farming, agricultural machinery, medical equipment, automotive, pharmaceutical, textile and food sectors were particularly at risk, he said.

"Because of the negative trends in the global economy, the risks linked to Russia's WTO obligations have grown," he said.

Russia joined the global trade club in August after 18-year negotiations. Putin said entry talks were helped by the global economic crisis, which made developed economies more willing to make concessions in order to gain access to new markets.

The president said Russia's so-called mono-cities, where at least 25 percent of the economically active population work at a single enterprise, were particularly threatened by measures resulting from the country's WTO membership.

About 15 percent of the 143 million population live in about 300 mono-cities, a heritage of the Soviet planned economy.

Such cities are potential hotbeds for social unrest, and during the 2008-09 economic crisis the government spent lavishly and sometimes applied political pressure on owners trying to keep the enterprises they were built around afloat.

However, overall WTO membership remained positive for the country's economy, said Putin, who did not question any of Russia's WTO obligations and added that Russia should defend its interests in the organization.

Putin, whose health has recently been under close scrutiny amid reduced appearances and canceled foreign trips, stuttered during his speech, saying "Russia will always lag behind" instead of "Russia will always defend its interests," mixing up two similar Russian words.

Council Secretary Nikolai Patrushev also told reporters on Wednesday that a U.S. bill, known publicly as the "Magnitsky list," was also discussed at the meeting but noted it would not threaten Russia's national security.

The bill would require the names of people believed involved in the death of Sergei Magnitsky, a lawyer for equity fund Hermitage Capital who died in jail in 2009, to be published, their U.S. visa applications denied and assets frozen.

Patrushev said the U.S. needed normal trade relations with Russia "for its own sake" while the bill was dictated by the U.S. domestic political agenda. He warned that Russia had "something to respond with" in case the bill was passed.

Government sources say Moscow is also getting ready to contest European Union energy rules, known as the Third Energy Package, which restrict Russian gas giant Gazprom's control over its European pipeline assets.

The EU, Russia's largest trade partner, has criticized Russia's plans to levy scrappage fees on imported vehicles and a ban on European live animal imports. The dispute has affected work on the Russia-EU framework agreement.

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