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WTO ACCESSIONS

The case of Russian Federation

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I. Abstract

It has been one year since Russia's entry to the World Trade Organization and many of its partners are not hiding their intense displeasure. Russia itself seems even more uncooperative without having realized whether the WTO accession has helped it or not. "Russia does exactly the opposite of those for which it was committed," said the European Commissioner for trade Karel De Gucht, triggered by the imposition of a special recycling fee on imported cars in Russia. In early July 2013, the EU filed complaints against Russia. Under the current legal regime, the two sides have 60 days within which to come to a compromise. If Russia fails to agree with the EU, then Brussels may ask the WTO to unilaterally impose sanctions on Russia. For many years there was no consensus in Russia's political elite over the WTO. Talks with Russia over the years were extremely difficult, since there were different approaches to a variety of issues, including the protection of intellectual property rights and the recognition of judgments and the arbitral power of the WTO over cases falling within its jurisdiction. A year after Russia's accession to the WTO, the country is still in a "lonely path," insisting on defending its interests and showing no mood for reciprocal concessions.

II. Introduction

Over the last two years, Russia has pursued the two following foreign policy priorities: efforts to become a global economic player, and influence over its neighbouring countries. Russia's global efforts are visible through its membership in the G20, the G8, its efforts to join the OECD, its status as a BRIC state and its accession to the WTO. Russia applied to the World Trade Organization's (WTO) predecessor, the General Agreement on Trade and Tariff (GATT), in June 1993 hoping to join the organization before the end of the decade. However, a lack of initiative during the early years – which can be attributed to a government that is relatively new and, in many areas, still in the midst of formulating a legal and regulatory framework to meet a completely different political and economic environment – led the entire process to run out of steam. Not being allowed to belong to the WTO relegates a country to second class status in the global economy– it is seen as a country that cannot be expected to live by the accepted norms of

international commerce. Firms engaging in international transactions with counterparts in non-members understand that the rules that govern their exchanges are changeable and may not be transparent. Non-membership is a signal that this is riskier territory than is the case when similar transactions take place with firms in other member states. Russia chafed under this stigma, particularly when other post-communist rivals such as China had been able to accede. Russia's accession to WTO wasn't smooth. Russia as the former leader of the Eastern communist block, as a country in transition and as one of the biggest trade players in the world participated in harsh negotiations for its accession. This is obvious if one considers that these negotiations lasted for eighteen years.

III. What is the WTO, and which are the benefits for Russia?

The World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations. Together with the International Monetary Fund and the World Bank constitute the trinity which regulates financial exchanges between countries globally. It is located in Geneva, Switzerland and was established on 1 January 1995 with the Marrakech Agreement, replacing the General Agreement on Tariffs and Trade (GATT) established in 1948. The bulk of the WTO'S work comes from the Uruguay Round negotiations (1986-1994). The WTO has 159 members and 25 observers which are negotiating accession.¹

The primary reason why a country wants to belong to the WTO is to secure access to export markets. A country that is not a member of the organization has no right to such markets, and so cannot appeal for access to any international trade tribunal.² Accordingly, any country can prohibit exports from a nonmember country without explanation or penalty. Another economic rationale is to attract more foreign direct investments and generally, WTO membership is seen as a seal of approval recognized by the international business community. Many nations also want to join for political reasons. For example, transition economies, see the WTO as a means to signal their commitment to market-oriented economic rules.

In Russia active negotiations started after president Putin set WTO accession as one of his goals. In 2001, Russia presented a report on 'Review of the Russian

¹ World Trade Organization, official site.

² Aslund, A., *Why doesn't Russia Join the WTO?*, The Washington Quarterly, April 2010.

Trade Policies' that will serve as the basis for the Protocol of Accession. That meant that Russia has entered the final phase of the accession process. However, because of the disagreements between Russia and the other countries, this final stage took some time to complete. Russia's primary objectives in a bid to join the WTO is to obtain new trade advantages, gain access to foreign markets and provision of non-discriminatory treatment for Russian exporters; and access to the international dispute settlement mechanism.³ Russia's economy would also benefit from the implementation of WTO rules in areas such as investment regulations, trade in services and intellectual property. Russia can count on additional growth opportunities of 3.7% of GDP by 2016 and 11% by 2021. Increasing consumer demand among the 140-million Russian population could also provide a circumstances for growth. For this to happen though, there must be better opportunities for fresh investments in Russia. The bureaucracy problem as well as corruption and mafia in Russia is notorious. The World Bank ranks Russia at a low 112 in the "Doing Business" ranking. Accession to the WTO may help to change this.⁴

IV. Russia's WTO accession and Russia's commitments

The following section looks upon the main stages of Russia's accession negotiations, the main issues which withheld its earlier accession and the

A. Russian's WTO commitments

As part of the accession accord, Russia has agreed to undertake a series of important commitments to further open its trade regime and accelerate its integration in the world economy. The Russian Federation's commitments include the following:⁵

1. Market access for goods and services

As part of the accession, Russia concluded 30 bilateral agreements on market access for services and 57 on market access for goods.

³ Chowdhury, A., *WTO Accession: What's in for Russia?*, The William Davidson Institute, July 2003

⁴ Koch-Mehrin, S., Russia since accession to WTO, available at < <http://www.neurope.eu/blog/russia-accession-wto>> last accessed 30/05/2013.

⁵ World Trade Organization, Understanding the WTO, available at www.wto.org

a) Market access for goods — tariff and quota commitments

On average, the final legally binding tariff ceiling for the Russian Federation will be 7.8% compared with a 2011 average of 10% for all products. Imports entering the market within the quota will face lower tariffs while higher duties will be applied to products imported outside the quota.

b) Market access for services

Russia has made specific commitments on 11 services sectors and on 116 sub-sectors. For example on telecommunications, the foreign equity limitation (49%) would be eliminated four years after accession. Foreign insurance companies would be allowed to establish branches nine years after Russia accedes. Foreign banks would be allowed to establish subsidiaries. On distribution services, Russia would allow 100% foreign-owned companies to engage in wholesale, retail and franchise sectors upon accession to the WTO.

2. Export duties

Export duties would be fixed for over 700 tariff lines, including certain products in the sectors of fish and crustaceans, mineral fuels and oils, raw hides and skins, wood, pulp and paper and base metals.⁶

3. General commitments on market access

Quantitative restrictions on imports, such as quotas, bans, permits, prior authorization requirements, licensing requirements or other requirements or restrictions that could not be justified under the WTO provisions would be eliminated and not (re) introduced. Russia would apply the same rail transportation charges to imported products as they do to similar products moving between domestic locations. Regulated railway tariffs for transit of goods would be published before their entry into force. From the date of accession, importers of alcohol, pharmaceuticals and some products with encryption technology would not need import licenses. The Russian Federation would reform its tariff regime for sugar in 2012, with a view to further liberalization.

⁶ World Trade Organization, *Working Party seals the deal on Russia's membership negotiations*, Available at www.wto.org

The Russian Federation would apply all its laws, regulations and other measures governing transit of goods (including energy) in conformity with GATT and WTO provisions.

In its participation in preferential trade agreements, Russia would observe the provisions of the WTO Agreement without any differentiating between those agreements already in effect upon accession and those which would come into effect in the future.⁷

4. Industrial and agricultural subsidies

Russian committed to eliminate all its industrial subsidies programmes or modify them so that any subsidy provided would not be contingent upon exportation or upon the use of domestic over imported goods. The VAT exemption applied to certain domestic agricultural products would be eliminated upon accession.⁸

5. Pricing of energy

Producers and distributors of natural gas in the Russian Federation would operate on the basis of normal commercial considerations, based on recovery of costs and profit. The Russian Federation would continue to regulate price supplies to households and other non-commercial users, based on domestic social policy considerations.⁹

6. Sanitary and phytosanitary measures (SPS) and technical barriers to trade (TBT)

The Russian Federation would apply international standards on SPS measures through membership and active participation in the Codex Alimentarius, the World Organization for Animal Health (OIE) and the International Plant Protection Convention.¹⁰

7. Trade-related investment measures.

All WTO-inconsistent investment measures, including preferential tariffs or tariff exemptions, applied in relation to the existing automobile investment

⁷ Ibid.

⁸ World Trade Organization, Working Party seals the deal on Russia's membership negotiations, Available at www.wto.org

⁹ Ibid.

¹⁰ Ibid.

programmes and any agreements concluded under them would be eliminated by 1 July 2018.¹¹

8. Protection of trade-related intellectual property

The Russian government would continue to take actions against the operation of websites (with servers located in the Russian Federation) that promote illegal distribution of content protected by copyright or related rights. The Russian Federation would investigate and prosecute companies that illegally distribute objects of copyright or related rights on the Internet. By the time of its accession, the Russian Federation would apply all rules of the Berne Convention for the Protection of Literary and Artistic Works.¹²

9. Transparency

All legislation affecting trade in goods, services and intellectual property rights would be published promptly, according to the WTO requirements.¹³

10. Functioning of the Custom Union between Russia, Kazakhstan and Belarus

The Custom Union between Russia, Kazakhstan and Belarus was created on 1 January 2010. All customs borders were removed between the three countries on 1 July 2011. From 1 January 2012, the three states would have a single economic space.¹⁴

The commitments listed above show that Russia had to make huge steps in each economy in order to be accepted by the WTO. But first of all in order to take these steps political will was needed. The fulfillment of the commitments would be examined above in conjunction with the political scene in Russia.

V. Long lasting accession process

A. Russia's perception of the WTO.

Russia was the only G-20 country not being a member of the WTO. The main reason why it took almost nineteen years for Russia to get to the WTO was the

¹¹ Ibid.

¹² Ibid.

¹³ Ibid.

¹⁴ World Trade Organization, Understanding the WTO, available at www.wto.org

attitude of Russia's political leaders. They initially delegated WTO matters to a deputy minister for foreign trade. That deputy minister insisted every year that Russia would become a member in a year or two. The disinterested senior politicians were inclined to believe him or ignore him and devoted minimal political attention to the WTO.¹⁵

Russian policymakers also long ignored the harm that protectionism could cause them, thinking of their country as a pure commodity exporter. About two thirds of Russia's exports consist of oil and natural gas, which encounter minimal protectionism, but Russia is also a major exporter of sensitive commodities, such as steel, chemicals, and grain, which account for about one-fifth of its exports. Membership in the WTO is especially important for exporters of goods such as steel, chemicals, and textiles which are frequently subject to protectionist measures.

Negotiations for Russia's entry began soon after the breakup of the Soviet Union. Until 1999, communists dominated the Russian Duma and they appeared to be opposed to the WTO membership. The new laws that were needed would normally take at least a couple of years to adopt and unavoidably a supportive parliament was required.

Generally, according to Aslund(2010), Russia suffers from a post-imperial ego. In most international negotiations, it is better to be big, but when entering the WTO, the opposite is true. The bigger a country is, the more countries are concerned about the effects its foreign trade will have on them.¹⁶ Every applicant must make a bilateral agreement on market access with every member who cares to make such a claim. Usually, 10-20 countries are interested. For Russia, more than 60 member countries have demanded a bilateral protocol on market access. Moreover, because the WTO decides everything by consensus, each individual member can veto the entry of a new applicant.

In 2000, Putin became president and made Russia's early entry into the WTO one of his top priorities, viewing it as a tool of economic modernization. In his annual address in April 2002, he explained, "The WTO is an instrument. Whoever knows how to make use of it will become stronger." It is possible that China's entry in 2001 persuaded Putin to focus on the WTO. WTO accession became one of the major themes in the extensive institutional reforms that Putin pushed through from 2000—

¹⁵ Aslund, A., *Why doesn't Russia Join the WTO?*, The Washington Quarterly, April 2010.

¹⁶ Aslund, A., *Why doesn't Russia Join the WTO?*, The Washington Quarterly, April 2010.

2003. Many major laws were adopted during this period, including a tax code and a new customs code, which came into force in January 2004. Once Putin was reelected in 2004, his policy changed profoundly. The arrest of the chief owner of Yukos Oil company, the biggest oil company in Russia, due to tax evasion led Putin to silence the liberal business lobby. Consequently, he slowed down the WTO accession. Most of the politicians that Putin appointed in his second term in the ministries disliked the West. For them Russia was strong enough on its own. In May 2006, in his annual presidential session, Putin advocated industrial policy, import substitution, and state subsidies for priority industries. For every industry mentioned, Putin referred to a specific national project or program with significant government attention and subsidies to stimulate that very sector.¹⁷

The political environment changed with the election of Medvedev as a president in 2008. Putin took the position of the prime minister. Medvedev had repeatedly expressed his WTO approval. However, Putin's prospective return to the Kremlin after the 2012 elections proved that Medvedev's influence was limited in reality. The conventional wisdom is that Russia suffers from an energy curse. As long as the oil price lingers around \$75 per barrel, no reform is likely. The Russian ruling elite lives off energy rents. As long as they can do so comfortably, they are disinclined to accept any reforms or increased transparency, and the WTO would demand both for accession.

The internal debate on WTO should not be reduced to the visions of two people, as has been the tendency on many questions in recent years. Dialogue on economic and trade issues goes on in many levels of the government. For example, Oleg Deripaska -owner of the Rusal aluminium - was an early opponent of membership, arguing that Russian industry is in its infancy and in need of protection. However, Russian economists discredit the "infant industry" argument, declaring that during the ten years of protectionism and high oil revenues these industries did not take measures to increase efficiency.¹⁸ The bottom line is that accession to the WTO is an issue where Medvedev and Putin had taken clearly opposing public positions. Medvedev's desire to join the WTO is the dominant view in the Moscow establishment, but Putin could have blocked that step.¹⁹ Russia's role as a global

¹⁷ Ibid.

¹⁸ Fean, D., Decoding Russia's WTO Accession, Russia/NIS Center, February 2012, available at www.ifri.org

¹⁹ Aslund, A., Why doesn't Russia Join the WTO?, The Washington Quarterly, April 2010.

economic actor is negatively characterized because of the prevalent corruption and the undemocratic political climate. The country is interested in using international cooperation for its technocratic approach to modernization. This method, however, runs up against the limits of Western approaches to modernization, which place democratic values in the foreground.

In its direct neighborhood, Russia is demonstrating increasing dominance. The most important instrument in this regard is the Eurasian Union, which is supposed to be conceptually similar to the European Union, and could control up to 33% of the world's proven natural gas reserves. Members of the group that is planned to finally take place by 2015 are the Russian Federation, Belarus and Kazakhstan, that have already formed a Customs Union; potential members include Kyrgyzstan, Tajikistan, Armenia and Georgia. In contrast to the European Union's model of integration, the dynamic of integration in this region does not come from the states jointly – it is determined by Russia.²⁰

VI. Russia and EU

The EU and Russia are strategic partners- through their geographic situation and common history. Currently, their relations are under pressure. Russia is in strong economic position, thanks to its rich reserves of natural resources. The EU is Russia's most important trade partner, accounting for 50.2% of Russian imports and 44.8% of exports. In 2010, the EU imported goods worth a total of € 160 billion, with around three quarters coming from oil and gas products.

The main issues which dissatisfied EU in its relationship with Russia are the following: competition of EU and Russia over the Russian influence in neighboring states, clashes over energy Russian influence policy and disappointment by the EU about the unsatisfied way democratic principles operate in Russia. Tempting to create integration with the tools of economic and political dependence, institutional and personal responsibilities are, to date, difficult to ascertain. Within this framework, at the beginning of 2010 a common customs union and a common economic space were created with Belarus, Kyrgyzstan and Tajikistan under Russia's dominance. One problematic aspect of these post-Soviet institutions is that they hinder cooperation

²⁰Kempe, I., The European Union and Russia at a Crossroads, March 2013, available at <aei.pitt.edu>

with the EU. This conflict of interests was the reason that Ukraine has, to date, declined to join the Eurasian integration space. Russia reacted with high prices for natural gas. At present, Ukraine pays \$430 per thousand cubic meters of gas, while Belarus only pays \$166. It remains to be seen what results will come from the direct negotiations between presidents Putin and Yanukovich. Without a transparent set of institutions and without Ukraine as a member state, the Eurasian Union will remain a paper tiger, without the capabilities for democratic actions. Kiev is resource rich in minerals, but most importantly is a route for Russian gas supplies to get to Europe. Russia provides 25% of Europe's gas imports, and many countries rely almost entirely on the country for their imported gas. Many of these are locked into long-term supply contracts with Gazprom, biggest company in Russia and the largest extractor of natural gas and have argued in the past that they pay too much for their gas. On Thursday 1 March 2012, Gazprom claimed that it was “forced to seek international arbitration to protect investments in the Republic of Lithuania.” The Lithuanian government tried to divide the purchasing, transmission and distribution arms of Lietuvos Dujos, the country’s largest company of gas. This process of separating the various components of core business is in line with the EU’s recommendations for competitiveness as manifest in the third energy package for electricity and gas markets. However Gazprom holds a 37% stake in Lietuvos Dujos, the value of which Gazprom fears will be diminished if the legislative proposals go ahead.²¹ This dispute falls under the bilateral investment treaty between the two former Soviet states, for which Article 10 provides for the settlement of disputes between one contracting party and an investor. In this case, Gazprom is the investor – and therefore the arbitration is strictly not state to state. But Gazprom should not be underestimated in the politic of Russian international agreements. As the indisputable holder for most of Russian natural resources in particular gas, Gazprom itself is a powerful state entity, and in most cases, international agreements should interpret Gazprom as the state of Russia. If this is the case, then there are implications for the WTO.²²

From the Russian point of view, Brussels’ insistence upon human rights and internal political developments in Russia are needless interference. These disputes

²¹ Vickovich, A., The Gazprom enigma, March 2012 available at <www.cdr-news.com>

²² Morris, S., Russia and International Law – Welcoming the Great Bear to the WTO Club, available at <http://ssrn.com/abstract=2180449>

have meant that negotiations on the contractual relationship between the two have been on hold since 2007 with the lapse of the Partnership and Cooperation Agreement. The economic chapter of the new contract has been waiting for Russia's WTO accession before negotiations could begin.

The EU has played political games with Russia's WTO accession too. In 2004, the EU-Russia bilateral protocol was signed. However, in this the EU exchanged Russian support for the Kyoto Protocol on Climate Change for the ending of bilateral WTO negotiations. Brussels wanted to promote its global influence by demonstrating leadership on climate change and used Russia's WTO accession as a tool in that effort. Nevertheless, the EU considers Russia's accession to the WTO as important for global trade.²³

VII. Russia and U.S.

U.S.-Russian trade is governed by Title IV of the Trade Act of 1974, which sets conditions on Russia's Normal Trade Relations (NTR) including the "freedom-of-emigration" requirements of the Jackson-Vanik amendment²⁴. Changing Russia's trade status to unconditional NTR or "Permanent Normal Trade Relations status (PNTR)" required legislation to lift the restrictions of Title IV.²⁵ To give Russia normal trade relations, the United States president must grant an annual waiver, certifying that Russia does not deny its Jewish citizens the right to emigrate, in order for Russian exports to enter the U.S. market at normal tariff rates. In reality, this has not been a problem since the mid-1980s, but the Jackson-Vanik amendment is used for putting U.S. pressure on Russia for all kinds of purposes. Russia's treatment of imports of U.S. meats is one of the most sensitive issues in U.S.-Russian trade relations. In 2009, Russia was the largest market for U.S. poultry meat exports.

On January 1, 2010, the Russian government implemented new regulations on imports of poultry, claiming that the chlorine wash that U.S. poultry producers use in the preparation of chickens violates Russian standards. At the June of 2010, press conference President Obama and then-President Medvedev announced that the

²³ Fean, D., (2012) Decoding Russia's WTO Accession, Russia/NIS Center, available at www.ifri.org

²⁴ The so-called Jackson-Vanik amendment, denies the countries eligibility for NTR status as well as access to U.S. government credit facilities, such as the Export-Import Bank, as long as the country denies its citizens the right of freedom of emigration.

²⁵ Cooper, W.H., Permanent Normal Trade Relations (PNTR) Status for Russia and U.S.-Russian Economic Ties, Congressional Research Service, March 2013.

dispute over poultry trade had been resolved.²⁶ The lack of adequate intellectual property rights (IPR) protection in Russia has also tainted the business climate in Russia for U.S. investors for some time. Prime Minister Putin's announcement in 2009 that Russia would be abandoning its application to join the WTO as a single entity and would instead pursue it with Belarus and Kazakhstan as a customs union seemed to set back the accession process. However, after meeting resistance from WTO officials, Russia and the other two countries decided to pursue accession separately. On June 24, 2010, President Obama and President Medvedev committed to resolve the remaining issues regarding Russia's accession to the WTO by September 30. On October 1, 2010, the USTR announced that "the United States and Russia have reached agreement on the substance of a number of Russian commitments." He noted that Russia had enacted amendments to laws related to the protection of IPR.²⁷

VIII. Comparison of Russia's and China's Accession to WTO

First of all there are some important differences between China and Russia in the political and economic sector, which influenced their accession to WTO.²⁸ In Russia the collapse of communism and the transition to democracy occurred in 1991, while in China the Communists remain in power though the ruling party sees its continuing legitimacy in terms of economic success. Additionally, in Russia there was severe decline in GDP and output in most sectors until late 1990s and a recovery since then. In China there was rapid economic growth since late 1970s, but slowing down from mid-1990s. Like Russia, China has experienced trading surpluses in recent years, which in China's case these have resulted from the successful expansion of manufacturing exports and in Russia from exports dominated by primary produce. Also China attracted substantial FDI to mid-1990s while in Russia there were not very attractive conditions for FDI.²⁹

China signed its WTO Accession Protocol in late 2001 after fifteen years of negotiations and entered the WTO in December while Russia entered eleven years later.

²⁶ Ibid.

²⁷ Ibid.

²⁸ Hare, G. P., *Russia and the world trade organization*, Russian-European Centre for Economic Policy, 2002

²⁹ Ibid.

Large gains came through four principal channels: (a) reduction in the perceived riskiness of investment in China, (b) efficiency gains due to the removal or considerable reduction of tariffs and quotas across most sectors; (c) improved productivity in certain key sectors, notably automobiles; and (d) liberalisation of services trade and improved conditions for foreign investment in services.

The key economic factors, therefore, have been market access, locking in reforms through provision of an external anchor (in China's case, to support long-delayed state-owned enterprises reforms), and improving conditions for FDI. All of these apply with great force to the Russian case. However, we should also highlight some significant political and economic differences between Russia and China in terms of their starting points and recent reform experience. These differences make WTO accession a more difficult matter for Russia than it was for China, not so much in terms of the international environment but in terms of the domestic politics of accession. The most successful branches in Russia - the primary producers - already face few relatively restrictions in world markets, so they have little to gain from WTO enter. At the same time, much of Russian industry is uncompetitive and fearful of increased competition from abroad, with the result that many branches lobby for protection.

Yet, even with all of these reasons contributing to delays, Russia's problems regarding its entrance into the WTO were much smaller than those that had faced China, mainly because Russia is a relatively open market economy with average import tariffs of around 12 percent and few quotas or licenses. Yet, China became a member of the WTO before Russia.

China's success story shows that membership of the WTO can have a positive impact on the economy. As the markets were continually being opened, it created a more attractive environment for trade and investment. Since joining the WTO the country's trade revenue has grown by around 300%. According to OECD 2013 prognoses, China could displace the USA as the largest economic power in 2016. Russia, however, relies on a small number of industries; it is heavily dependent on developments in raw material prices. Without modernizing and diversifying, Russia will not be able to follow the same trajectory as China.³⁰

³⁰ Koch-Mehrin, S., Russia since accession to WTO, Available at < <http://www.neurope.eu/kn/article/russia-accession-wto>>

IX. Russia after the accession

Russia's behavior since joining the WTO has, however, caused frustration. Only one week after accession to the WTO, Russia introduced a discriminatory recycling fee for imported cars. Foreign vehicle imports are, from now on, charged a recycling fee on entry of at least €350 for personal vehicles and €15,000 for heavy goods vehicles. This means that it now costs more to import motor vehicles than before accession to the WTO. Russian producers, on the other hand, only have to guarantee that they will take back old vehicles and will dispose of them at their own expense.³¹ Russia long-lasting tries to keep alive its domestic car industry, which flourished during the Soviet years, through import tariffs and deals between domestic manufacturers and global car companies. This year Russia managed to produce all ten of the most popular models sold in the country, according to the Association of European Businesses in Russia. Leading models include brands such as OAO Avotvaz's Lada, as well as Russian-made vehicles of foreign manufacturers, like Ford Motor Co.'s Focus model, produced near St. Petersburg. But, after years of growth, Russian car sales are slipping this year. The AEB trade group last month cut its forecast for annual sales to 2.8 million cars and light vehicles. In 2012, Russians bought 2,935,000 cars, an increase of 11% from the year before. Eventually, on 9 July 2013, the European Union requested consultations with the Russian Federation regarding Russia's measures relating to "recycling fee" charge, imposed on motor vehicles. on 18 July 2013, the United States requested to join the consultations. On 19 July 2013, China and Japan requested to join the consultations, followed by Turkey and Ukraine on 22 July 2013. Subsequently, the Russian Federation informed the dispute settlement body that it had accepted the requests of the above countries as well as the United States to join the consultations.³²

On the other hand, Russia is on the verge of filing a complaint against EU and its direct state subsidies to its fishing companies in the West Africa region (Mauritania), which make Russia and other non-EU companies unprofitable. While Moscow was negotiating access to Mauritanian waters with Nouakchott, the capital of Mauritania, it turned out that EU had been funding European fishermen. Shortly

³¹ Koch-Mehrin, S., Russia since accession to WTO, Available at < <http://www.neurope.eu/blog/russia-accession-wto>> last accessed 30/05/2013

³² Dispute Settlement: Russia Federation- Recycling Fee, Available at <http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds462_e.htm>

before a deal on cooperation had to be signed it became known that Russian companies would not be on equal terms with European ones and would have to pay 380 euros per ton in fees not 126 euros like European fishermen. Under the agreement signed between the EU and Mauritania the latter can't offer new partners a better or at least equal cooperation, and this violates the rules of international trade. Currently the EU pays the government of Mauritania about \$80 million per year for European companies to have the right to catch 300,000 metric tons of fish in its exclusive economic zone. This means that the EU subsidizes its fishermen almost 60% of their costs. Actually, the same situation is observed also in other Western Africa states, where EU uses the same practice. Russia's threat comes at a time when it is also negotiating an access agreement with Mauritania for its fleets, to catch small pelagics. Although no official information has publicly been made available, a Mauritanian newspaper, Le Calame, obtained the draft agreement being discussed, which proposes a 10-year access agreement for Russian vessels, against a payment of US\$100 million, to be invested in storage and processing infrastructure. However, the Mauritanian government insisted that Russian vessels should have the same technical and financial conditions as apply to EU vessels. These conditions applying to EU vessels fishing for small pelagics under the Fisheries Partnership Agreement include a rise in ship owner's payments, as well as a redefinition of the fishing zone, which puts sardinella resources – deemed over-exploited – out of reach of EU vessels. This move was welcomed by local artisanal fishermen, who insisted that sardinella is key for local and regional food security. Faced with this demand, Russian negotiators stated that unlike the EU, Russia does not grant subsidies to its ship owners. Therefore the economic indicators show that the Russian fleet cannot work under as strict technical conditions as imposed on EU vessels, which prompted Russia to announce its initiative at the WTO.³³ There is a possibility that Russia may file the complaint along with other countries, as the Western Africa region has always been of interest for Soviet and later for Russian fishing companies, according to Vasili Sokolov, deputy head of Federal Agency for Fishery.³⁴

³³ Russia threatens to call on WTO after Mauritania says it should respect same conditions as "subsidised EU fleets", Available at < <http://agritrade.cta.int/Fisheries/Topics/ACP-EU-relations-FPAs>>

³⁴ Russia complains over unfair competition in fishing industry, available at <http://english.ruvr.ru/2013_04_22>

In addition, earlier this year president Obama asked for an immediate lift of Russia's ban on U.S. meat containing ractopamine. Russia banned U.S. pork and beef imports on February over concerns about ractopamine, a veterinary drug used in North America to boost growth and that is increasingly controversial overseas. According to Sergei Dankvert, the chief of Russian veterinary and food safety service, since the violations continue and ractopamine is detected in meat shipments from the USA, Russia imposed restrictions on the import of this product. U.S. trade and agriculture officials have rebuked Russia's position as retaliatory and unscientific. "The United States is very concerned that Russia has taken these actions, which appear to be inconsistent with its obligations as a member of the WTO," said Agriculture Secretary Tom Vilsack, in December when Russia first announced it would test beef and pork imports for the drug.³⁵

A similar case occurred in February 2013 as Russia set a temporary ban on meat imports from Germany, referring to the Schmallenberg virus. Compared to the first five months of 2012, German beef and poultry meat exports are down by 62 and 70 per cent, respectively, reports the German meat association, VDF. Exports of chilled beef have come to a standstill between March and May. Total pork exports in 2012 were already down by 24 per cent and a further 21 per cent reduction was recorded for the period January to March 2013. VDF says the central reason for these developments is the tightening in Russian veterinary measures, which have led to a widespread ban on fresh, chilled meat imports since February 2013 and numerous blocks on deliveries as the result of Russian criticism of poor veterinary supervision of specific Russian requests of exporting companies. In June, the Russian veterinary service banned a further nine meat delivery companies from exporting to Russia. Similarly, EU has counted since 2008, 86 measures in Russia that could be trade restrictions. The only country that outnumbered Russia in such measures was Argentina with 119.

New Russian trade restrictions with Ukraine were a warning against the dangerous step of signing an association agreement with the European Union. For its part, the EU characterized Russia's attitude "unacceptable". Russia is making efforts

³⁵ Russia to Ban U.S. Meat Over Ractopamine Residues This Month, Available at <
<http://www.foodsafetynews.com/2013/02/russia-to-ban-u-s-meat-over-ractopamine-residues-this-month/#.UIEzQ1CpXD8>>

to prevent the biggest country in its former empire from looking to the European side and to push it into joining the rival, Kremlin-led Eurasian Customs Union instead.³⁶ As an EU summit in Vilnius in November approaches, the means include soft power i.e. talk of a shared Orthodox heritage, carrots i.e. cheap gas and sticks i.e. trade sanctions. Russia showed her teeth back in July with a ban on confectionery produced by Roshen, a big Ukrainian company, allegedly because it contained carcinogens. This was weird since none of its customers had complained. On 14 August Ukraine's employers' federation, whose members account for 70% of GDP, said stricter Russian customs are catastrophic for trade. Russia accounts for a quarter of Ukraine's exports; these restrictions may lead up to \$2.5 billion decrease in the second half of the year. Roshen said it will lay off 400 workers.

However opposite to the general trade development trends, exports of forest industry products to Russia continue to grow and EU imports of raw timber have started to grow after falling for several years. High Russian customs duties fell as a result of membership. Lower Russian import duties boost demand for forest industry products and improve the position of Finnish products in the Russian market as the Finnish mills are closer than those of other competitor countries. Exports of paper and paperboard products have increased by 5% this year relative to spring 2012.³⁷

On the other hand Russia's membership led to the lifting of certain restrictions. Thirty-six wine producers from Georgia were allowed to register samples of their products for exports in the country.

Russia in less than a year is already participating in eight cases as a third party including Canada's complaint against EU over measures prohibiting the importation and marketing of seal products, Japan's complaint against China and measures related to the exportation of rare earths, China's complaint over countervailing and anti-dumping measures³⁸ on certain Chinese products in the United States and Japan's complaint over measures imposing anti-dumping duties on high-performance stainless steel seamless tubes in China's market.

³⁶ Trading Insults, Available at < www.economist.com/news/europe >

³⁷ The forest industry has benefited from Russia's WTO membership, Available at < <http://www.forestindustries.fi/juurinyt2/uutiset/Pages/TheforestindustryhasbenefitedfromRussia'sWTOMembership.aspx> >

³⁸ Dumping is, in general, a situation of international price discrimination, where the price of a product when sold in the importing country is less than the price of that product in the market of the exporting country. Thus, in the simplest of cases, one identifies dumping simply by comparing prices in two markets.

X. Conclusion

On 22 August 2012 an extremely important event took place. Russia became a full member of the World Trade Organization. After almost 20 years of negotiations, this powerful and vast country formally joined the WTO. To complete the process of WTO accession, Russian signed 57 bilateral agreements on market access for goods and 30 on market access for services. During negotiations, Russia faced objections from the US, EU and Georgia, but it managed to reach terms with them. Tariff reduction, the key condition for Russia's WTO entry – will see tariffs fall from the current average of 9.5 per cent to an average of 7.4 per cent in 2013, 6.9 per cent in 2014, and 6.0 per cent in 2015. WTO ministers adopted Russia's WTO terms . This development has great significance for Europe and the international community. Russia speeds up its efforts to consolidate its presence in the international arena and apart from any negative consequences that this may have, the whole country is now included in the global market, which means that the country will attract new foreign investment, will expand its exports and will be able to have a say in shaping regulations of international trade. It now seems clear that Russia, through the regulations of the WTO continues to see too seriously the creation of the new Eurasian Union by 2015. Commission President José Manuel Barroso welcomed Russia's accession to the WTO, speaking about the upcoming qualitative changes to be made to the trade regime with Europe. Also, President Putin, in an earlier interview in the newspaper *Suddeutsche Zeitung*, had proposed "the creation of a harmonized community of economies from Lisbon to Vladivostok." According to the Russian President, the current level of cooperation between Russia and Europe does not respond to the circumstances and the challenges that lie in the future. While the newly accepted members are supposed to be granted a sort of a 6 year transition period to adapt to the trading body rules, the global economies didn't give Russia such a "grace period". Only three months later the European Union, Japan and the United States started formally criticizing Russia for maintaining trade barriers that appeared to be inconsistent with its WTO commitments. After less than 11 months of membership, the largest WTO members including the EU, China, the US, Turkey, and Japan united the first WTO case against Russia over a recycling levy on imported vehicles.

No other country has ever been accused of a violation so early in its membership. On the other side, Russia is currently going out with constantly renewed confidence. It is trying, and rightly, to create its own new realm. With the collapse of the Soviet Union, Westerners were quick to incorporate the more likely of the "pieces" of the then Russian Empire, thus making the "west boundaries" and move to "shorten" by about 1,600 thousand kilometers. Russia which was fragmented and weakened with the fall of the USSR, now seeks the shortest route to return as a global superpower. The entry of Russia to the WTO, above the perspective of the Eurasian Union, gives the country the opportunity to become a newly established global financial center. Russia into the WTO might see its GDP strengthened 3-10% annually, several consumer prices to fall, indirectly increase the income of households over 6% and would be forced to increase competitiveness through improved way of doing business. Several representatives of various sectors of the Russian economy, unsurprisingly, valued differently the effects of Russia's accession to WTO. But let's not kid ourselves, Russia doesn't win anything by not participating in the WTO. It was a huge mistake politically to continue its non-participation in this international organization and leaving mainly China and the U.S. to roam. You cannot become or be regarded as a superpower country, if you just rely on your inner strengths and resources. Is it possible to aim at creating e.g. strong zones of influence, without at the same time, having a strong, open, competitive economy? Allies see the economic and military power rather than good intentions or promises.

Russia was the only major country of the former soviet states that endured a tumultuous period of accession, and it was admitted, albeit some cold war trade concerns still hanging on the edges. Prior to Russia's entry to the WTO, it would utilize arbitration tribunals to solve a number of trade disputes. Now that Russia is a part of the WTO, it is likely that a number of disputes will surface in the WTO concerning energy, intellectual property rights, and human rights, among others. A year after Russia's accession to the WTO, the country still has a «lonely path," insisting on defending its commercial interests and showing no mood for reciprocal concessions. To impose high taxes on imported cars, angered the other members of the international organization. The German automaker Volkswagen said about that, that in the first quarter of 2013 it lost nearly 5% of its exports to Russia. "The other WTO members expect from Russia to comply with international trade rules.

Meanwhile the Russian research institute Levada poll showed that while in 2003 59% of the population felt that the country's entry to the WTO would be to their advantage, today this figure has fallen to 44%. However, experts estimate that there may be too early for conclusions. You should spend at least three to five years to get a full assessment.

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