

WTO: Forecasts Come True

Several years ago our authors predicted on what terms Russia would join the WTO, and what advantages and disadvantages such membership in the world trade club would bring us. And their forecasts have come true.

Aleksey Kudrin

Deputy Chairman of the Russian Government, Minister of Finance

The Russian position on this matter is consistent and unambiguous: Russia must join the World Trade Organisation, but this process needs to be on standard terms *pari passu* with other WTO Member States. We are not going to give up our positions in exchange for sheer membership.

The terms of our membership must primarily capture the development needs of our national economy, remove any discrimination of Russian exports, and facilitate access by Russian goods and services to global markets. Its unquestionably positive aspects include, first of all, the implementation of consistent and predictable rules of the game and unified approaches to the application of foreign trade regulation mechanisms. Applying these rules to Russia will make investment in the country more attractive for international investors and the economic and legal environment more predictable for Russian players. Undoubtedly, this process will require certain amendments to the existing law and a number of draft laws to align our legislation with the WTO requirements. (*WTO: Pro and Contra. – Magazine 'Ekonomika Rossii: XXI vek', April 2001.*)

Viktor Khristenko

Deputy Chairman of the Russian Government

The international context is no longer favourable. As a result, exports are declining as compared to the last year, the total trade turnover is also going down, while imports are growing. As such, Russian producers need to be ready to confront strong competition from imported goods. We can no longer rely on any tough protective measures, it is quite obvious. The market operating rules, and this has been announced in advance, will be changing and transforming towards greater liberalization, which is due, among other things, to the forthcoming accession by Russia to the WTO. (*Market Rules Will Change. – Magazine 'Ekonomika Rossii: XXI vek', July 2002.*)

Tatiana Valovaya

Director of the International Cooperation Department in the Russian Government

The accession to the WTO will benefit not only to larger companies, but also to small- and medium-size businesses that are currently almost defenceless in terms of antidumping investigations [against Russian exporters]: smaller Russian companies have neither highly qualified world-class lawyers, nor money to execute relevant documentation and pass all the formalities they need to access the global market. Still, many of them offer unique know-how and could find their export market niches.

... I believe that the average consumer will just benefit from this. For if we support Russian producers who do not face any, even limited, competition, this will finally cool them down. That is, producers will be unlikely to show much effort to make their products competitive. While everyone will benefit from reasonable competition. (*On the Roadside of the World Trade System. – Magazine 'Ekonomika Rossii: XXI vek', December 2002.*)

Martin Shakkum

Chairman of the State Duma's Committee for Industry, Construction and Knowledge-Intensive Technologies

It is clear that in the context of growing economic globalization and subject to the outlooks of Russia joining the WTO, the typically Soviet self-contained system that produced every single thing – from needles to aircraft – within itself is no longer viable. We need to determine which domestic industries need government support and how such support would look like given their actual state.

We still need to understand that the term itself – ‘domestic producer’ – is somewhat theoretical: any efficient and profit-making Russian asset will attract foreign investment. The only important point is to make sure that such investment does not impair the national security interests. For there have been multiple instances when foreign corporations took over a Russian business sensitive for national defence, then shut it down while national security information leaked abroad. (*‘Modernizing Russian Industry. – Magazine ‘Ekonomika Rossii: XXI vek’, November 2006.*)

Maksim Medvedkov

Director of the Trade Negotiations Department of the Russian Ministry of Economic Development and Commerce

In 2003, the negotiations were intensified in all areas. They stumbled over the same issues as a year before: support to the national aircraft industry, car building and agriculture.

These are the industries for which the trade-off will be reached at the very last moment as they are too sensitive for the Russian economy. Moreover, we have notably advanced in negotiations on agriculture, including as a result of finding a trade-off for tariff quotas. In these negotiations we are focussing on securing the maximum permissible government support to agriculture. (*‘Investment in Commerce Brings High Returns, Magazine ‘Ekonomika Rossii: XXI vek’, April 2004*)

Igor Yurgens

Executive Secretary of the Russian Union of Industrialists and Entrepreneurs

Even the liberal U.S. economy claims support to national producers. Russia will also continue committing to this cause. The WTO gives a country plenty of tools to back its domestic producers: from provisional government regulation of duties and tariffs to protection of individual large economic sectors.

Global competition is everywhere, and Russia will not be an exception. Some industries will be surely more exposed to it. But I believe that it is high time for, say, GAZ or Moskvich car builders to experience competition. For consumers will all the same choose other, though more expensive, cars, but not theirs. And if duties for imported cars are cut down from 50% to 10%, consumers will be just happy. (*‘Our Work is Progressive Lobbying’. – Magazine ‘Ekonomika Rossii: XXI vek’, December 2001.*)

Mikhail Ershov

Senior Vice-president of Rosbank

It has been clear for many years that if Russia sticks to a consistent and persistent approach, it would be admitted to the WTO on its terms. In 2005 we wrote:

“Bearing in mind the volume of Russia’s natural resources and the fact that this volume exceeds the volume of resources that all member countries of WTO have in total, it is obvious that Russia will be accepted to the organization. The WTO member states are unable to ignore the enormous

potential and vast opportunities the members of the organization will get as a result of full integration and openness of the Russian economy. Ultimately, the WTO is interested in Russia more than Russia is interested in the WTO, although it is, naturally, a reciprocal process which is beneficial to both sides if correctly organized and balanced.

What we see at the current stage of negotiations is a normal political and economic pressure, which is inherent to all international negotiations and is exerted to all countries with the aim to get the most from them, warning that otherwise the 'accession may not happen'.

If the western countries feel that their position may urge Russia to revise its approaches and the accession to the WTO may become problematic all their demand will be lifted at once.

If Russia will defend the positions which are extremely important for its development (fuel prices, agriculture, finance etc.), there is a high probability that at the final such demands of western countries will be revoked in order to facilitate the accession of Russia to the WTO."

(M. Ershov. "Economic Sovereignty of Russia in the Global Economy". - M.: Economica, 2005)

Dmitry Medvedev

Russian President

After 18 years of talks, Russia gains entry to the WTO. The negotiation marathon has ended on the terms that fully capture the interests of the country. Now we need to learn how to work in the WTO while taking maximum advantage of our membership. The WTO membership is an important factor for Russia's integration in the global economy. It meets both our national interests, and the goals of stabilizing the international trade system.

Vladimir Putin

Chairman of the Russian Government

Draft ratification [adhesion by Russia to the WTO] may take place within six months, and we have time to take a thorough look at all potential instruments to protect the interests of domestic producers.

Viktor Zubkov

First Deputy Chairman of the Russian Government

Russia's adhesion to the WTO carries certain risks for Russian agriculture. They are mainly related to livestock products. There are, however, still six months before the country officially joins the WTO to settle all issues and apply sufficient efforts to minimize such risks. The advantages are that the WTO will provide Russian agricultural producers with wider exposure to the global market where we are already offering not only grain, but also sunflower seed oil, poultry, and sugar (we are exporting about 200 thousand tonnes of sugar each year). I would remind you that by the end of the agricultural year, that is, by 1 July 2012, we will export another 6 to 7 million tonnes of grain. As such, our total exports will be close to 24-25 million tonnes.