

---

## Decoding Russia's WTO Accession

---



**Dominic Fean**

*February 2012*

Ifri is a research center and a forum for debate on major international political and economic issues. Headed by Thierry de Montbrial since its founding in 1979, Ifri is a non-governmental and a non-profit organization.

As an independent think tank, Ifri sets its own research agenda, publishing its findings regularly for a global audience.

With offices in Paris and Brussels, Ifri stands out as one of the rare French think tanks to have positioned itself at the very heart of European debate.

Using an interdisciplinary approach, Ifri brings together political and economic decision-makers, researchers and internationally renowned experts to animate its debates and research activities.

*The opinions expressed in this article are the authors' alone and do not reflect the official views of their institutions.*

**Russia/NIS Center**

© All rights reserved – Ifri – Paris, 2012

ISBN: 978-2-86592-972-6

**IFRI**

27 RUE DE LA PROCESSION  
75740 PARIS CEDEX 15 – FRANCE  
TEL. : 33 (0)1 40 61 60 00  
FAX : 33 (0)1 40 61 60 60  
E-MAIL : [accueil@ifri.org](mailto:accueil@ifri.org)

**IFRI-Bruxelles**

RUE MARIE-THERESE, 21  
1000 BRUXELLES  
TEL. : 32(2) 238 51 10  
FAX : 32 (2) 238 51 15  
E-MAIL : [urbanczyk@ifri.org](mailto:urbanczyk@ifri.org)

WEBSITE : [www.ifri.org](http://www.ifri.org)

---

## ***Russie.Nei.Visions***

---

*Russie.Nei.Visions* is an online collection dedicated to Russia and the other new independent states (Belarus, Ukraine, Moldova, Armenia, Georgia, Azerbaijan, Kazakhstan, Uzbekistan, Turkmenistan, Tajikistan and Kyrgyzstan). Written by leading experts, these policy-oriented papers deal with strategic, political and economic issues.

This collection upholds Ifri's standards of quality (editing and anonymous peer-review).

If you wish to be notified of upcoming publications (or receive additional information), please e-mail: [info.russie.nei@ifri.org](mailto:info.russie.nei@ifri.org)

### ***Previous editions***

- A. Sidorenko, “Russian Digital Dualism: Changing Society, Manipulative State,” *Russie.Nei.Visions*, No. 63, December 2011;
- N. Arbatova, “Italy, Russia’s Voice in Europe?” *Russie.Nei.Visions*, No. 62, September 2011;
- A. Malashenko, “What the North Caucasus Means to Russia,” *Russie.Nei.Visions*, No. 61, July 2011.

The archive of *Russie.Nei.Visions* papers can be found by clicking on the following link: [<www.pearltrees.com/ifri.russie.nei/651883/>](http://www.pearltrees.com/ifri.russie.nei/651883/).

## Author

---

Dominic Fean is a Junior Research Fellow at Ifri's Russia/NIS Centre. He is a graduate of King's College London and the University of Sheffield. His research interests include: EU-Russia relations and the shared neighborhood; Ukraine; and the evolution of economic integration projects in Eurasia.

His publications include: "Janoukovitch et la politique étrangère ukrainienne: retour à l'équilibre?" [Ukrainian Foreign Policy under Yanukovich: a Return to Balancing], *Politique étrangère*, n°2, 2010; "Les relations avec la Russie" [Relations with Russia], in L-M Clouet and A. Marchetti (eds.), *L'Union européenne et le monde en 2020*, Ifri/ZEI, 2011; and "Economic Constraint and Ukraine's Security Policy," *Russie.Nei.Reports*, No. 7, May 2011.

(You can follow Dominic Fean on Twitter: @DominicFean.)

# Contents

---

<b>CONTENTS .....</b>	<b>3</b>
<b>SUMMARY .....</b>	<b>4</b>
<b>SUMMARY .....</b>	<b>4</b>
<b>INTRODUCTION .....</b>	<b>5</b>
<b>COSTS AND BENEFITS OF RUSSIA'S WTO MEMBERSHIP .....</b>	<b>7</b>
<b>NEGOTIATIONS WITHOUT POLITICAL WILL .....</b>	<b>9</b>
<b>Russia's Perception of the WTO .....</b>	<b>9</b>
<b>Technical obstacles.....</b>	<b>11</b>
<b>Wavering political support.....</b>	<b>13</b>
<b>INTERNATIONAL UPLIFT? .....</b>	<b>15</b>
<b>Confirming the Reset .....</b>	<b>15</b>
<b>The EU angle .....</b>	<b>16</b>
<b>CONCLUSION.....</b>	<b>19</b>

## Summary

---

As Moscow and the WTO Member States have finally established terms on which Russia will accede to the organization, thoughts turn to the impact of this historic event and the potential for it to play a role in the modernization of the country's economy. The process has been long, with Russia having to negotiate bilateral accession protocols with the more than fifty WTO member states. The numerous delays have been driven more by political considerations than by economic ones. As such, accession can be expected to have important political effects, indicating Russia's renewed interest in international cooperation. However, uncertainty over how the regime will develop after the March 2012 presidential elections could have a significant impact on how Russia implements its international obligations, and how profound domestic reform is.

*An earlier version of this paper was presented at a conference organized by Ifri in the framework of the Eurasian Trade Task Force (ETTF), 17 October 2011. The ETTF addresses the different commercial and economic integration projects in Eurasia and their impact on domestic and foreign policies of the states concerned.*

## Introduction

---

In December 2011, the Ministerial conference of the World Trade Organization (WTO) invited Russia to join the organization, ending over 18 years of negotiations. This historic decision is all the more striking due to the speed with which the final settlement was established: between late September and mid-November 2011 long-standing issues were resolved, clearing the path for agreement. The impetus to find a final resolution developed in a context of uncertainty in the global economy and Russia's increasing interest in economic modernization and foreign direct investment (FDI).

Originally applying to join the General Agreement on Tariffs and Trade in 1993, Russia's WTO membership had been in negotiation since the organization's inception in 1994. By far the largest economy in the world not to be a member, with GDP estimated at 1.465 trillion US dollars in 2010,<sup>1</sup> Russia's exclusion from the group was long seen as an anomaly both within Russia and the Multilateral Trade System (MTS) itself.

Russia was also the only member of the G8, the G20 or the UN Security Council's permanent membership not to have a say in the discussions at WTO meetings. Mention of the Security Council is not incongruous in this context: Russia's accession application owes more to the desire to be present in global decision-making forums than it does to the economic benefits of trade liberalization. Indeed, the issue of WTO accession is best understood in terms of political calculations among the key players involved, particularly Russia, the US, the EU and some former Soviet states.

During the years of negotiations, Russia demonstrated inconsistent levels of enthusiasm for membership. The accession process was somewhat haphazard to begin with, but the arrival of Vladimir Putin as president in 2000 gave the project a boost. However, with the rise of commodity prices and the belief in a specifically Russian development model, support turned to indifference and even hostility. After the double blow of the 2008 economic crisis and the war in Georgia, Moscow's attitude became ambiguous. This makes the progress made in 2011 all the more

---

<sup>1</sup> 2010 estimate from *CIA World Factbook 2011*,  
<[www.cia.gov/library/publications/the-world-factbook/geos/rs.html](http://www.cia.gov/library/publications/the-world-factbook/geos/rs.html)>.

remarkable, analysts had long argued that the political will to finalize accession was lacking in Russia.<sup>2</sup> That the final hurdles could be overcome in a just matter of months is an indication of how political the process had become, and indicates that many of the benefits of Russia's WTO accession are political.

---

<sup>2</sup> A. Åslund, "Why Doesn't Russia Join the WTO?" *Washington Quarterly*, April 2010, p. 51.



## Costs and Benefits of Russia's WTO Membership

---

While political aspects of the decision to pursue WTO membership are the principal focus of this paper, it is important to note the overall benefits for the Russian economy. Growth linked to the implementation of WTO commitments could amount to as much as 3.3% of GDP annually in the medium term, with gains from membership possibly reaching 11% of GDP in the long term.<sup>3</sup> Nevertheless, in negotiations, the Russian authorities appeared to view the process as one of Russia paying the price of entry, rather than preparing its economy and market to be more competitive.

Some industries—the ferrous metals, non-ferrous metals and chemicals sectors—should benefit immediately from decreased tariffs allowing improved access to foreign markets. However, the major benefits of WTO membership for Russia will come from the opening up of the national economy. World Bank analysis indicates that the gains from liberalizing investment in services would account for about 85% of the gains from WTO accession. This reaffirms the maxim that with the WTO, “What you do is what you get.”<sup>4</sup> Seen in this light, the value of accession is to lock the Russian government into a liberal reform path rather than anything intrinsic to the organization itself.<sup>5</sup>

However, the World Bank also sounds a note of caution, stating that many households will be affected by the impact of increased competition from abroad, facing potential unemployment and expenses linked to retraining or relocation. So while underlining the widespread economic benefits of the move, the analysis suggests provisions be made to face these transitional challenges.<sup>6</sup>

Russian analysts identify benefits that go beyond economic

---

<sup>3</sup> D. Tarr and N. Volchkova, “Foreign Economic Policy at a Crossroads,” in A. Áslund, S. Guriev and A. Kuchins, *Russia after the Global Economic Crisis*, Peterson Institute for International Economics, 2010, p. 202-203.

<sup>4</sup> D. Tarr, “Russian WTO accession: Achievements, Impacts, Challenges,” World Bank, 2007; D. Tarr, “Political Economy of Russian Trade Policy: Early Transition, Customs Unions, WTO Accession and Protection for Industrial Diversification,” Paper prepared for conference The Political Economy of Trade Policy in the BRICS, 27-28 March 2009, New Orleans, p. 7.

<sup>5</sup> Interview with Russian economist, Moscow, September 2011.

<sup>6</sup> D. Tarr, *Op. cit.* [4b], p. 7.

growth. The ability to use the mechanisms for dispute resolution is as much of an attraction for Russia as it is for her trade partners. Accession will furnish Moscow with the tools to challenge or curtail restrictive measures deployed against Russian companies.<sup>7</sup> As such, at least rhetorically, Russia has as much to gain by binding itself into the MTS as any other state. Another perhaps optimistic conclusion suggests that Russia may be able to use its position as a member state to build influence within the MTS, not just contributing to discussions, but eventually becoming a pole of attraction within the WTO.<sup>8</sup> While the possibility is not excluded, it would take several years of operating within the confines of the WTO to develop this kind of influence.

Despite these clearly attractive prospects, there is some uncertainty that Russia will be capable of exploiting the full potential of WTO membership. An overriding concern about the impact of accession is that rule of law in Russia is weak. Indeed, many of the proposed benefits of the move are related to a predicted increase in Moscow's respect for legal provisions. While membership would increase the costs of non-compliance in the areas of WTO jurisdiction, the means for trade partners to seek legal recourse through dispute resolution mechanisms are cumbersome and rely upon Russia implementing judgments. Some observers doubt the will of the Russian authorities to be bound by international commitments in trade questions.<sup>9</sup>

---

<sup>7</sup> A. Portanskiy, "Russia's Accession to the WTO: External Implications," *Russia in Global Affairs*, 22 June 2011.

<sup>8</sup> *Ibid.*

<sup>9</sup> J. Bacchus "Former WTO Judge: Putin's Cynical Effort to get Russia into WTO," *International Business Times*, 6 May 2011, <[www.ibtimes.com/articles/142145/20110506/former-wto-judge-putin-s-cynical-effort-to-get-russia-into-wto.htm](http://www.ibtimes.com/articles/142145/20110506/former-wto-judge-putin-s-cynical-effort-to-get-russia-into-wto.htm)>.

## Negotiations without Political Will

---

While the content of trade negotiations may be technical, the consequences of trade liberalization give them a profoundly political aspect. In the Russian case this is doubly so: key personalities in the Russian elite were less than wholly convinced of the utility or compatibility of the WTO with the Russian economy, domestic and international political questions also encouraged delay.

### *Russia's Perception of the WTO*

In accession negotiations, Russia was in a weak position in relation to WTO member states: prospective members first apply to the WTO Secretariat which organizes a Working Party (WP) composed of all states with an interest in the accession. The applicant then submits its tariff profile to the WP for member state analysis. Bilateral trade protocols then need to be negotiated with each member of the WP. The results are analyzed to check conformity with WTO rules. At this stage, unresolved questions can be subject to new rounds of negotiation. Ultimately the accession package is compiled as the "best offer" from all of the compromises made with individual members. Upon accession, this offer is extended to all WTO members according to the most-favored nation principle.<sup>10</sup> The longer Russia and WP states took to reach agreement, the more issues reemerged for further negotiation. The length of time this took was a source of immense irritation to Moscow. Frustration is not unusual in accession processes, the onus being on the candidate to reply to member state concerns.<sup>11</sup> In Russia's case the WP comprised over fifty interested states, including some with whom Russia has difficult relations, Georgia foremost among these.

This is important in understanding Russia's motivation for seeking WTO membership. There was a core of consistent support: Minister for Economic Development, Elvira Nabiullina; Finance

---

<sup>10</sup> H. Zimmermann, "Realist Power Europe? The EU in the Negotiations about China's and Russia's WTO Accession," *Journal of Common Market Studies*, 2007, Vol. 45, No. 4, p. 819.

<sup>11</sup> P. Milthorp, "WTO Accessions: The Story So Far," *The Hague Journal of Diplomacy*, No. 4, 2009, p. 108-109.

Minister Alexey Kudrin; and chief negotiator on WTO accession, Maxim Medvedkov. However, those who saw the issue in more political terms were predominant and their support wavered with time.

In a 2002 speech, Putin stressed the need for Russia to be present in the decision-making process in the world economy, ahead of highlighting the importance of opening the economy to foreign competition. He stated that accession “is not an absolute evil and not an absolute good. And it is not an award for good behavior. The WTO is a tool. Those who know how to use it become stronger.”<sup>12</sup> This illustrates Putin’s wider concern with Russia assuming its role as a great power with global reach. Within this rationale, WTO entry is as much about gaining influence in global forums as it is about the organization itself. Indeed, the state capitalism promoted by Vladimir Putin during his two terms as president is in direct contradiction with the general principles of free trade: the support for “national champions” to reintegrate economic activity with government policy and replace foreign companies contradicts the WTO’s liberal approach.

The international angle is important in understanding why accession took so long. The most intractable obstacle to Russia’s accession was Georgian opposition. With few policy options vis-à-vis Russia after the 2008 war, WTO negotiations became a tool for Georgia to promote its interests. Tbilisi requested that Georgian customs officials monitor the border crossings between Russia and the regions of Abkhazia and South Ossetia. This effectively set Russia’s implied acceptance of Georgian jurisdiction over the regions as a condition of WTO membership.

From March 2011, Swiss mediated talks struggled to find an agreement. As the deadline of the 15 November WP meeting drew closer, Georgian officials declared no interest in continuing discussions if the Russian position remained immovable.<sup>13</sup> Finally, in early November, agreement was reached: trade corridors covering the three crossings between Russia and Georgia (including the two disputed regions) would be monitored by a private company commissioned by a third party, Switzerland.

Further confirmation that decisions on Russia’s foreign economic policy are more political than economic comes from Putin’s 2009 announcement that Kazakhstan, Belarus and Russia would join the WTO as a customs union. This was interpreted either as a deliberate stalling tactic or an attempt to leverage concessions in negotiations. Putin’s ambition to see a Eurasian Union grow out of the

---

<sup>12</sup> Annual Address to the Federal Assembly of the Russian Federation, 18 April 2002, <[http://archive.kremlin.ru/eng/text/speeches/2002/04/18/0000\\_type70029type82912\\_70662.shtml](http://archive.kremlin.ru/eng/text/speeches/2002/04/18/0000_type70029type82912_70662.shtml)>.

<sup>13</sup> Civil Georgia, “Georgia Says No Progress in WTO Talks with Russia,” 10 October 2011, <<http://civil.ge/eng/article.php?id=24014>>.

Customs Union highlights the geopolitical aspects of this project.<sup>14</sup> Moreover, the project was launched without supporting economic analysis.<sup>15</sup>

It now appears that the initiative was launched without considering the practicalities of WTO accession: a trading bloc had never acceded to the organization before and the three states were at greatly differing levels of readiness. However, during 2011, moves were taken to clarify the subordination of the Customs Union to the WTO. These include a law clarifying that tariff limits agreed with the WTO would have priority over those agreed by the Customs Union.<sup>16</sup> Once it became clear that the two moves were incompatible, a decision was taken to privilege integration with the MTS. These factors taken together show how inconsistent the Russian commitment to WTO membership has been at different stages. It has not always been at the forefront of foreign economic policy making and is seen in acutely political terms.

## **Technical obstacles**

Accession faced several obstacles in the 1990s, including a lack of technical expertise on the part of government officials negotiating accession.<sup>17</sup> To compound the scant expertise in this field, the WTO negotiation team was subject to a downgrading in the bureaucratic hierarchy. While the negotiations in the 1990s were led at a relatively high political level, in 2004, Chief Negotiator Maxim Medvedkov—previously a Deputy Minister of Economic Development since 2000—was demoted to Director of the department for WTO accession. Furthermore, the Deputy Prime Minister in charge of the process since 2010, Igor Shuvalov, had many other responsibilities to contend with.<sup>18</sup>

By the eighteenth year of negotiations, the shape of Russia's WTO accession conditions had emerged, leaving very few unresolved issues. However, the ability to settle these final questions seemed to escape both Russian and international negotiators.<sup>19</sup> Russian

---

<sup>14</sup> V. Putin, "Novyi integratsionnyi proekt dlya Evrazii—budushchee, kotoroe rozhdaetsya segodnya" [A New Integration Project for Eurasia: The Future in the Making], *Izvestia*, 3 October 2011.

<sup>15</sup> Interviews with Russian economic experts, Moscow, September 2011.

<sup>16</sup> Kremlin.ru: "Agreement on the Customs Union's Functioning within a Multilateral Trade System Has Been Submitted to the State Duma for Ratification," 22 August 2011, <<http://eng.kremlin.ru/acts/2727>>.

<sup>17</sup> A. Åslund, *Op. cit.* [2], p. 51-52.

<sup>18</sup> A. Portanskiy, *Op. cit.* [7].

<sup>19</sup> D. Dyker, "Will Russia Ever Join the WTO?" *Hague Journal of Diplomacy*, No. 4, 2009; R.M. Stern, "An Economic Perspective on Russia's Accession to the WTO," *William Davidson Working Paper*, No. 472, June 2002.

negotiators appeared to accelerate or delay the negotiations on technical matters in reaction to the public statements of government ministers: when Minister of Economic Development Elvira Nabiullina in mid-September 2011 cast doubt on the ability to complete talks before the end of 2011, Russian negotiators seemed to take it as an indication not to push ahead.<sup>20</sup> Among the sticking points were rules and quotas for meat imports, the implementation of Sanitary and Phytosanitary Standards and the application of the WTO's Trade-Related Investment Measures (TRIMs) agreement. While these had so long frustrated talks on both sides, in a matter of weeks they were laid to rest.<sup>21</sup>

While technical in nature, these issues are not without their domestic political importance. In 2010, Russia offered foreign carmakers incentives to increase their production in Russia, use locally produced parts and open research and development centers in Russia; a move that is incompatible with the WTO's TRIMs agreement. Developing states use such measures to encourage the transfer of production technologies and create jobs. Despite EU and US pressure, Russia intends to keep the measures in place until 2018.<sup>22</sup>

The Russian automobile industry is highly prized by the government: 1.7 billion US dollars were spent in 2009 to bailout AvtoVaz, the Russian car giant. In addition, the Soviet heritage of the Russian automobile industry gives it traction in domestic politics. "Monotowns," cities which depend entirely on one industry or factory, represent a point of weakness in social relations. Accession to the WTO would place considerable pressure upon the uncompetitive elements of Russia's industry, including the Monotowns. For this reason, negotiations over TRIMs and the period in which Russia would continue imposing local content requirements were drawn out. Russia held out for a seventeen year adaption period, while WTO norms stress a maximum of seven years for even the least developed states.<sup>23</sup> Movement on these issues, however, had little to do with the technical negotiations. As the speed with which they were finally overcome demonstrated, the real obstacle was the lack of political will.

---

<sup>20</sup> Interview with European diplomat, Moscow, September 2011.

<sup>21</sup> Interfax, "Russian WTO Entry Talks Going According to Schedule – Ministry (Part 2)," 4 October 2011.

<sup>22</sup> J. von Reppert-Bismarck, "On Russia, WTO Fraternity Ready to Yield," *Reuters*, 27 September 2011, <<http://uk.reuters.com/article/2011/09/27/uk-wto-russia-idUKLNE78Q01S20110927>>.

<sup>23</sup> Interview with Western diplomat, Moscow, September 2011; UN Conference on Trade and Development, *Elimination of TRIMs: The Experience of Selected Developing Countries*, United Nations, Geneva, 2007, p. 1-4.

## ***Wavering political support***

Starting in 2008, a more skeptical tone developed in Putin's statements on the WTO. A rise in Russia's economic fortunes following the increase in global oil prices had engendered a belief that Russia had a unique development model. As energy is rarely subject to import tariffs, Russia's principal exports were not hindered by remaining outside the WTO.<sup>24</sup> Putin's intermittent skepticism about the WTO is important given the expectation that he will return to the Kremlin after the 2012 presidential election: he will oversee the implementation of WTO commitments. As recently as April 2011, he publically rebuked officials, stating that no commitment was to be respected until membership had been achieved: "[Russia] gets nothing out of a membership that isn't [...why] in hell would they admit us if we do everything anyway?"<sup>25</sup> This confirms that membership is seen as a trade off against concessions, rather than the means to greater economic benefits after liberalizing trade.

President Medvedev has spoken warmly about WTO accession during his tenure; the link to his project to modernize Russia is evident.<sup>26</sup> Indeed, some analysts have been forthright in their belief that without competition, access to FDI and technology flows, Russia's modernization project cannot be realized.<sup>27</sup> Some even see WTO accession as a barometer of Medvedev's influence within the ruling tandem.<sup>28</sup> Nevertheless, success in this area has more to do with external political matters than the relative strength of the players in the tandem. Putin's presumed return to the Kremlin demonstrates that Medvedev's influence was limited in reality; as one Russian newspaper editor put it: "Medvedev did not decide to swap seats with Putin; the chair was kicked from under him."<sup>29</sup> As the arbiter of power in the ruling tandem, there can be no illusion that WTO accession would go ahead without his approval.

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, Viktor Zubkov is reputed among analysts to be favorable to the use of protectionist tariffs.<sup>30</sup> Key figures in business have also contributed to the debate,

---

<sup>24</sup> D. Tarr, *Op. cit.* [4b], p. 11-12.

<sup>25</sup> RIA Novosti, "Russia to Ignore All WTO Commitments until Admitted – Putin," 8 April 2011, <<http://en.rian.ru/russia/20110408/163438036.html>>.

<sup>26</sup> D. Medvedev, "Go Russia!" 10 September 2009, <<http://eng.kremlin.ru/news/298#sel=>>.

<sup>27</sup> A. Portanskiy, *Op. cit.* [7].

<sup>28</sup> A. Åslund, *Op. cit.* [2].

<sup>29</sup> Interview with Russian journalists, September 2011, Moscow.

<sup>30</sup> Interview with Russian analyst, September 2011, Moscow.



Oleg Deripaska—owner of the Rusal aluminum producer with interests in automobiles, metallurgy and aviation—was an early opponent of membership, arguing that Russian industry is in its infancy and in need of protection. However, his position seemed to soften once high tariffs were placed on used car imports.<sup>31</sup> Russian economists debunk 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.<sup>32</sup>

Questions will doubtless remain over how committed the Russian leadership under Putin is to the WTO process. As reflected in their negotiating stance, they are not entirely convinced of the benefits of economic liberalism. Furthermore, the second Putin presidency saw the Russian government taking a much more muscular approach to foreign trade relations and the position of foreign companies in the Russian market. Trade wars with Georgia, Moldova and Belarus; export limits on Russian timber; aggressive tactics towards foreign partners in oil and gas projects are all examples of how trade issues have been politicized in the past. How these instincts will be modified by WTO membership and the new desire to attract foreign investment will be important to the economic development of Russia in the future.

---

<sup>31</sup> D. Tarr, *Op. cit.* [4b], p. 8; A. Åslund, *Op. cit.* [2], p. 54.

<sup>32</sup> Interview with Russian economist, Moscow, September 2011.



## International Uplift?

---

Even if the long-term economic impact of WTO accession is likely to be significant, the international political impact is likely to be more immediately visible. In two of its key international relationships, Russia's WTO accession should promote a sense of achievement and potential for further cooperation.

While political will was lacking in Russia previously, the same can be said of the US and EU. Momentum can be gained in negotiations through concessions initiated by either side.<sup>33</sup>

### **Confirming the Reset**

Russia's WTO membership should also be understood in the context of the "reset" of US-Russia relations, announced in February 2009. A watershed in US policy toward Russia following a deleterious decline in relations during George W. Bush's second term, the policy aimed to overcome mutual distrust due to: the 2003 Iraq war, US ambitions for NATO enlargement and Russian accusations of US unilateralism. The policy has improved the tone of relations—itsself no small feat—but achieved results have been modest: the New START Treaty (signed in Prague during April 2010) formalized already existing arms reductions, agreements were reached on transit for military operations in Afghanistan, and Russian policy toward Iran underwent a noticeable realignment.

US enthusiasm for Russia's WTO accession should be read in this context; post-Prague, the reset agenda has lacked projects in which both sides have clear shared objectives. Russia sees the reset as the responsibility of the US rather than a joint project: for Moscow, Washington has to make amends for its negligence in the early 2000s. Observers both in Russia and the US note that Moscow has been looking for the major payoff from the reset, and is not convinced that it too should make significant concessions in support of the policy.<sup>34</sup> Even seeing accession as part of the reset agenda, Russian

---

<sup>33</sup> Interview with Russian expert, Moscow, September 2011; P. Milthorp, *Op. cit.* [11].

<sup>34</sup> Interview with Russian journalist, Moscow, September 2011; D.J. Kramer, "Resetting US-Russian Relations: It Takes Two," *Washington Quarterly*,

statements clearly implied that Moscow viewed convincing Tbilisi to abandon its opposition as Washington's responsibility.<sup>35</sup>

The US demonstrated considerable efforts to move the process forward during the final months of negotiations. This impetus follows from the electoral cycle in Russia and the US. The Obama administration wants to demonstrate its foreign policy acumen ahead of elections in November 2012. Washington also appears to have wanted Russia's membership before Putin returns to the Kremlin, when the positive tone of transatlantic relations may be reduced. This can be seen particularly in the fact that agreement was reached on WTO membership, despite US concerns over Russia's automobile industry and the TRIMs agreement. As one assessment had it "The U.S. government has leaned way forward on this. [Failure] would definitely be a blow to the bilateral relationship."<sup>36</sup>

Washington is interested in the move in order to encourage Russia to adopt a more rules-based approach to economic questions. Meanwhile, figures for the economic relationship between the US and Russia are not fulfilling their potential. The US remains Russia's ninth most important trading partner, yet the relationship represents just 4.9% of Russia's entire import and 3.1% of export turnover.<sup>37</sup> It is hoped that improved conditions as a result of WTO membership will boost this considerably.

The impact of WTO membership on the Russia-US relationship should be qualified, however. Given the recent rhetoric over US sponsoring of post-election protests in Russia (in December 2011), Putin's traditionally forthright attitude toward Washington looks likely to remain a feature of Russian foreign policy. Nevertheless, in the WTO process both sides eventually worked together to achieve membership. The strength of this signal in favor of cooperation should not be overshadowed by discourse aimed to undermine domestic opposition and send a warning to Washington about intruding too far.

## **The EU angle**

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

---

January 2010.

<sup>35</sup> I. Metreveli, "Georgia Talks to Ease Russia WTO Entry 'fail': Tbilisi," *AFP*, 9 October 2011,

[www.google.com/hostednews/afp/article/ALeqM5hpJkSGpeP4F18YBVymESDpnXuU3A?docId=CNG.751281063b53340908dab3d7ba079cb9.611](http://www.google.com/hostednews/afp/article/ALeqM5hpJkSGpeP4F18YBVymESDpnXuU3A?docId=CNG.751281063b53340908dab3d7ba079cb9.611).

<sup>36</sup> A. Kuchins, cited in E. Barry, "Russia Declares It Is Close to Joining the World Trade Organization," *New York Times*, 4 October 2011, [www.nytimes.com/2011/10/05/world/europe/russia-says-its-close-to-joining-the-world-trade-organization.html](http://www.nytimes.com/2011/10/05/world/europe/russia-says-its-close-to-joining-the-world-trade-organization.html).

<sup>37</sup> Russian Federal State Statistics Service, [www.gks.ru](http://www.gks.ru).

imported goods worth a total of € 160 billion, with around three quarters coming from oil & gas products.<sup>38</sup> Despite this important economic relationship, political links have been complicated in recent years. Rivalry over influence in neighboring states, disputes over energy policy and disappointed expectations of Russian democracy have frustrated the EU. From the Russian point of view, Brussels' insistence upon human rights and internal political developments in Russia are unwarranted interference. These disputes 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.<sup>39</sup>

The economic chapter of the new contract has been waiting for Russia's WTO accession before negotiations could begin. Negotiating a new economic compact with the EU could facilitate cooperation in other areas. Russian analysts privately argue that the economic component is where the "added value" of the new treaty lies.<sup>40</sup> A similar argument was made by EU High Representative for Foreign Policy, Catherine Ashton ahead of the December 2011 Russia-EU summit.<sup>41</sup> Starting negotiations on this area could be a real boon for both sides.

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 bid as a tool in that effort.<sup>42</sup>

Nevertheless, the EU considers Russia's accession to the WTO as important for global trade. European Commissioner for Trade Karel De Gucht has stressed that it would "reinforce the multilateral trading system, strengthen the international competitiveness of the Russian economy and boost the confidence of both traders and investors."<sup>43</sup> Europe's business community—like its US counterpart—advocates Russian accession in order to socialize the Russian government and companies to international trade norms.

---

<sup>38</sup> DG Trade, 8 June 2011,

<[http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113440.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113440.pdf)>.

<sup>39</sup> D. Fean, "Les relations avec la Russie" in L-M. Clouet and A. Marchetti, eds., *L'Union européenne et le monde en 2020: visions prospectives franco-allemandes*, Ifri/ZEI, 2011.

<sup>40</sup> Interview with Russian political scientist, Moscow, September 2011.

<sup>41</sup> "Speech of High Representative Catherine Ashton on the EU-Russia Summit," European Parliament, 13 December 2011, <[www.consilium.europa.eu/uedocs/cms\\_Data/docs/pressdata/EN/foraff/126907.pdf](http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/126907.pdf)>.

<sup>42</sup> H. Zimmermann, *Op. cit.* [10], p. 826-827.

<sup>43</sup> ENPI Info Centre, "Commissioner: EU to Boost Trade with Eastern Neighbours," 4 October 2011, <[www.enpi-info.eu/maineast.php?id=26579&id\\_type=1](http://www.enpi-info.eu/maineast.php?id=26579&id_type=1)>.

The WTO is no panacea to the stresses in the relationship between Russia and its Western partners. Rather, the removal of this long-term irritant could bring these relationships forward in certain areas. It would also indicate that despite frustration with the West, Russia is willing to move towards cooperation in areas where it identifies a mutual interest.

## Conclusion

---

The political signal sent by Russia's WTO accession should be clearly understood—Russia is moving in the direction of international integration and placing more of an emphasis upon cooperation with its Western partners. Having said that, the position of the Russian authorities at present remains complex, they have viewed the process in terms of what Russia has to sacrifice to its trade partners.

While analysis indicates that membership will have positive economic and political effects, these would be preceded by a difficult period of adaptation. The political elite might be unwilling to precipitate such a move lest social unrest in the “monotowns” become a challenge to their authority, all the more so at a time when their popularity has been dented by the perceived fraud during the December 2011 Duma elections. However, the reality of Russia's economy as it stands is that oil and gas dependency make it subject to global shifts, as seen during the global economic crisis of 2008; if the modernization project championed by Medvedev is genuinely set to continue when he leaves the Kremlin, WTO commitments will be a valuable tool in holding the government to a liberal economic reform program. That being said, one should not expect a wholesale move to liberal economic principles; Putin has shown no tendency towards that in the past, one should not expect it in the future.

Nothing is certain until the agreement is fully in force—which is expected to take place within six months from the invitation to join—Russia's ratification and implementation of the accession protocols will remain subject to expediency. Implementation of commitments and commitment to the rule of law remain fundamental to the benefits foreseen. While Dmitry Medvedev began his term as president with an ambitious anti-corruption drive, the results of this program have been scarce. The return of Vladimir Putin to the post of president does not necessarily bode well for this domain: between 2000 and 2008 he presided over a re-centralization of economic opportunity in the state; to attract foreign investors to Russia, he will have to show them a much more predictable business environment in the future.