

New York Times (December 16, 2011)

## **W.T.O. Grants Russia Membership**

By DAVID JOLLY

GENEVA — Global trade ministers on Friday approved Russia’s bid to join the World Trade Organization, giving Prime Minister Vladimir V. Putin a victory on the international stage at a time of rising domestic opposition to his hold on power.

The Nigerian trade minister, Olusegun Olutoyin Aganga, struck a gavel to announce that the W.T.O. trade ministers’ meeting here had accepted the bid. Because the organization operates by consensus, Russia had to first reach bilateral agreements with 57 of its current 153 members to secure their support.

“This result of long and complex negotiation is favorable both for Russia and for all our future partners,” President Dmitri A. Medvedev said in a statement read to the conference by the first deputy prime minister, Igor I. Shuvalov. He called on world leaders to continue working for freer and fairer trade, adding: “Russia is ready to contribute as much as possible into this work.”

**The W.T.O. sets the rules governing global commerce and provides a forum for resolving disputes.** Membership ends the anomaly of having Russia, a leading oil and natural gas exporter as well as a permanent member of the United Nations Security Council, outside the world trade system. Russia, with a population of 140 million, is the last major world economy to join the organization. The W.T.O. says that with Russia’s accession, more than 97 percent of all world trade will take place among member countries. It had been about 95 percent.

Pascal Lamy, the W.T.O. director general, said that the agreement would “cement the integration of Russia into the world economy” and that it “affixes the W.T.O. quality label to the Russian Federation.” Likening Russia’s long journey to membership to a marathon,

he also warned that “once you cross the finish line, attention immediately changes to the future, to implementation.”

Mr. Putin can point to joining the W.T.O. as a sign that Russia is taking a bigger role on the global stage, even as his government confronts signs of burgeoning political discontent in the country’s large cities. During an interview, Andrei A. Slepnev, the Russian official who oversaw the negotiations, credited Mr. Putin and Mr. Medvedev for getting the deal done, and noted that Mr. Putin had referred to it Thursday as “a victory for Russia.”

In seeking membership, Moscow has had to bring its laws into conformity with W.T.O. rules, but it stands to gain as much as one percentage point in annual economic growth, according to some estimates. **Membership is also expected to shine light on the regulations and corruption that dog the Russian economy.**

Other W.T.O. members will benefit from a near-term reduction in tariffs on their exports once the lower house of Parliament, the Duma, ratifies the deal.

But businesses in the United States will remain captive for now to the Jackson-Vanik amendment, a relic of Cold War politics, under which U.S. trade with what was then the Soviet Union was tied to the Kremlin’s willingness to allow Jewish emigration.

On Thursday, the administration of President Barack Obama filed a letter with the W.T.O. saying it could not offer so-called permanent normal trade relations with Russia; Moscow in turn said it would not extend such treatment to the United States. America has issued similar letters in the case of other nations, including Romania and Vietnam, only to have Congress give its approval to improved relations weeks later.

The Obama administration has called for the **repeal of Jackson-Vanik, saying trade with Russia would have a positive effect on its human rights record. The law is in conflict with U.S. international obligations, as W.T.O. rules require that nations extend most-favored nation status to all members.** Asked if he thought the amendment would prove a lasting impediment to U.S.-Russian trade relations, Ron Kirk, the U.S. trade representative, said, “We hope not.”

Mr. Slepnev said the Jackson-Vanik obstacle was “a technical question. We believe the American administration will work out an agreement with Congress in the next half-year.”

Russia's odyssey to join the W.T.O. began in 1993, when Boris N. Yeltsin was president. Ambivalence and outright opposition in Russian government and business circles led the process to drag on as the country slowly moved away from its Soviet-style planned economy. War with Georgia in 2008 and an unsuccessful attempt to jointly enter the W.T.O. with Kazakhstan and Belarus further delayed Russia's accession.

The final breakthrough came in November with an agreement between Russia and Georgia, under which the uneasy neighbors agreed that a Swiss company would monitor trade between them.

Economists expect membership to have only a limited effect on the domestic economy in the short term, as the government has said that it will invoke rules allowing a transitional period to protect strategic industries, including automaking, from foreign competition.

Over the longer term, however, the effects could be significant, as Russia benefits from more foreign investment and corrupt business practices are exposed.

The pain of adjustment could be significant in those industries that have made little progress in modernizing in the years since the collapse of the Soviet Union, with nimbler global competitors eventually grabbing market share at the expense of entrenched local interests.

Dominic Fean, a researcher at the Russia/New Independent States Center at the French Institute of International Relations, said that Russia's so-called monotowns — 460 towns in which a single, often outmoded industry or factory dominates the local economy and job market — stood to suffer as the economy is opened up. If that happened, it could undermine the social pact under which the Russian populace has traded away some of its political freedom in exchange for economic growth and stability.

The accession story led the news on Russian state television, ORT, though with a report that debated whether joining would in fact benefit the domestic economy, particularly the automobile industry that will face more competition for its Ladas and Volgas.

Elvira Nabiullina, Russia's economic development minister, said that she expected Russia's petrochemical, metals and steel industries to get an immediate boost, as they currently suffer from discriminatory treatment in export markets that costs Russian business more than \$2 billion a year. She acknowledged that other sectors would feel pressure.

**“But it’s necessary,” she said, ‘because we’re carrying out our economic diversification policy.”**

**Already on Friday, Russia was shaking up the organization, with a Russian journalist suggesting at a news conference that perhaps it was time to add Russian to the W.T.O.’s three official languages, English, French and Spanish.**

**Mr. Lamy, who had been speaking English, switched to French to explain that it would cost \$13 million or more a year to add another language for an organization with “zero budget growth,” not to mention that China and Arab members would demand a full United Nations-type language system. “And as you know, the W.T.O. is a consensus organization,” he said, and all of the members would have to agree to bear the cost.**