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EUROPE NEWS | NOVEMBER 25, 2010

With EU Deal, Russia Paves Way for WTO Membership

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By JOHN MILLER

BRUSSELS—Russia and the European Union reached a deal Wednesday that could pave the way for Russia to join the World Trade Organization in 2011.

"We've practically resolved all the issues," deputy prime minister Igor Shuvalov said after meeting with senior EU officials, including European trade commissioner Karel De Gucht.

John Clancy, Mr. De Gucht's spokesman, called Wednesday's agreement "an important milestone" in Russia's 17-year-old candidacy. Russia is the only major economy that doesn't belong to the WTO. Joining requires consent from all 153 members of the Geneva-based body.

Russia cleared a big hurdle with an endorsement from the U.S. in September. The EU is now the main formal obstacle remaining and Mr. Shuvalov came to Brussels ahead of an important summit between Russian President Dmitry Medvedev and EU leaders in Brussels on Dec. 7.

On the table were a host of issues, led by Russian export taxes on raw materials, especially timber. "These will be phased out when Russia joins," Mr. Shuvalov said. Everything is set for "the final stop" in December, he said.

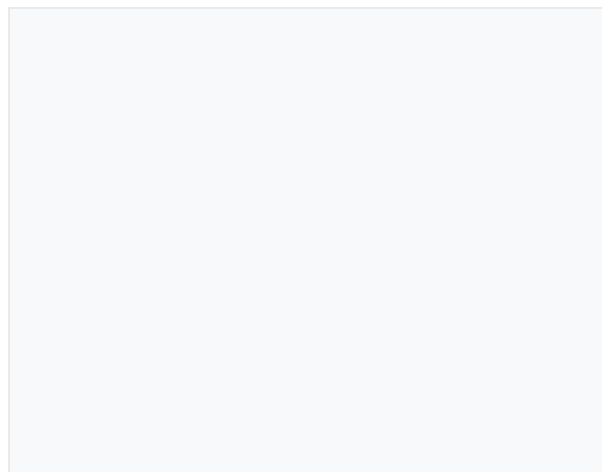
EU officials concede that Russia could be delayed by the long list of WTO rules with which it must comply, including canceling state-aid programs, unfair health rules for farm imports and weak enforcement of intellectual property rights.

Mr. Shuvalov dismissed the notion that WTO member Georgia, which went to war with Russia in 2008, might also be an obstacle. "We haven't heard anything about Georgia blocking," he said.

Georgia hasn't yet said what it intends to do, although it will be under pressure to follow the U.S., by far its most important ally.

In a interview last week, WTO director Pascal Lamy said Russia's WTO pursuit was "accelerating."

Both "[Russian Prime Minister] Putin and Medvedev say it's a political priority," Mr. Lamy said. "And if you look at the WTO-related legislation the Duma has passed in the last six months, that seems to be the case," he said, referring to Russia's lower house of parliament. He



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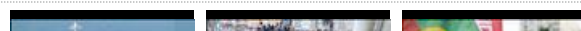
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added, "whether they join in 2011 is another question."

On paper, Russia has been trying to get into the WTO since 1993. In practice, it has stalled and delayed moves toward membership. The reason is that WTO membership could lead Russia to lose more than it gains: Oil and gas, which make up the bulk of Russian exports, aren't covered by WTO rules. Joining the WTO would force Moscow to cut import tariffs on almost all goods, exposing its still-considerable manufacturing base to foreign competition.

The financial crisis may have made WTO membership more problematic for Russia. To protect itself from the economic storms roiling the globe, it hiked import tariffs on goods from cars to chemicals. Partly as a consequence, its imports fell to \$155.2 billion in 2009 from \$255.7 billion in 2008.

In June of this year, Mr. Putin said Russia would withdraw its application to sign up to the WTO and instead join as a trade bloc with Kazakhstan and Belarus.

A month later, Mr. Medvedev reversed that decision, calling the notion of joining as a customs union "problematic."

Separately, Mr. Shuvalov said Russia was committed to selling a 10 percent stake in VTB, its second biggest bank, for no less than \$3 billion, hopefully in the first quarter of 2011. "We hope in the first quarter of next year," he said. "If the current market doesn't support our price, we see no reason to sell."

He also said the government was planning to sell shares in Rosneft, its top oil producer, and Russian Railways. "We're looking at how we can do it," he said. "We need the money, but there's no rush."

Separately, the U.K. will continue its efforts to broaden its commercial links as Business Secretary Vince Cable visits Moscow. In a speech to be delivered in the Russian capital on Thursday, Mr. Cable was expected to back Russia's WTO bid and say he sees potential for deeper ties between U.K. and Russian firms in innovation and technology.

He will cite Skolkovo, the international technology hub Russia is planning to open outside Moscow, as "one where I see real opportunities for British companies and investors."

Mr. Cable is leading a delegation of several dozen business leaders to Russia, following on from trips by Mr. Cameron to China and India earlier this year.

Mr. Cameron announced this month he will become the first U.K. prime minister to visit Russia since 2005 next year, as the two countries seek to put behind them several years of tense relations.

—Laurence Norman in London contributed to this article.

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