

Russia Reaches Trade Deal With U.S.

Moscow Gets Boost In Bid to Join WTO

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MOSCOW, Nov. 10 -- Russia and the United States on Friday announced a landmark trade agreement, substantially advancing Moscow's pursuit of World Trade Organization membership and cementing the position of the former Communist giant in the global economy.

The deal, announced here by the Russian Economic Development and Trade Ministry, was a victory for President Vladimir Putin, who has chafed at Russia's exclusion from the WTO, a global body that shapes the terms of world trade. The Bush administration, which has been locked in sometimes bitter negotiations with Moscow over the accord, characterized it as a milestone in the evolution of Russia from erstwhile Cold War enemy to a growing trading partner.

"It is a clear indication of Russia's efforts to participate fully in and benefit from the rules-based global trading system," declared U.S. Trade Representative Susan C. Schwab in a written statement.

Russia is the largest economy still outside the WTO. Its inclusion would be a major advance in the development of a global body devoted to seeking reduction of tariffs and promoting trade around the world. Earlier this week, Vietnam, a country still controlled by the Communist Party, gained the right to join the trading body.

The top trade negotiators for Russia and the United States are planning to **sign their accord next week in Vietnam's capital, Hanoi** -- a city still draped in homage to Ho Chi Minh -- during a meeting of the Asia-Pacific Economic Cooperation forum. Presidents Bush and Putin are expected to toast the agreement when Bush stops off in Moscow Wednesday on his way to that meeting.

But the deal will not finalize Russia's decade-old quest for WTO membership. The Kremlin still must finish bilateral negotiations with three other countries, **Costa Rica, Moldova and Georgia**. The latter two have seen their wine and agricultural products banned here. Russian officials said the wine was unsafe, but the Georgians said the embargo was political retaliation for its courting of the West and its desire to join the NATO alliance.

Georgia, in particular, is likely to try to use Russia's desire for WTO membership as leverage in negotiations. Political tensions between Russia and its southern neighbor are high, and Georgia's

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small economy has been damaged by the bans as well as a transportation blockade. In addition, the state-controlled Russian energy giant Gazprom recently announced that it planned to more than double the price of natural gas for Georgia and cut off supplies if the Georgians don't pay.

Georgia had negotiated a trade deal with Russia in 2004 and is determined to return to the bargaining table. But officials in the capital, Tbilisi, said they would attempt to block Russian membership unless it lifts the various embargoes.

If Russia satisfies Georgia's objections and reaches agreements with Moldova and Costa Rica, it will still confront further multilateral negotiations within the WTO, giving all countries -- including United States -- another chance to extract trade concessions.

In Washington, now entering a new political era with Democrats taking charge of Congress, the Russia deal could present an early test of the new leadership's inclinations on trade. Some Democrats campaigned on opposition to liberalized trade, accusing Republicans of selling out American workers to corporate interests. Congress cannot block the Russian accord, but it must approve legislation granting Russia what is known as permanent normal trading relations before American companies can be certain of benefiting from Russia's WTO accession.

In a written statement, Sen. Max Baucus (D-Mont.), who is expected to chair the Finance Committee, praised the accord as a positive development but signaled skepticism about the details, particularly about Russia's willingness to allow American agricultural products and crack down on the rampant piracy of U.S.-made movies and software.

"Russia must take additional steps to earn a welcome into the WTO," Baucus said. "Russia maintains unacceptable levels of piracy and counterfeiting, and these must be addressed before Congress can endorse Russia's WTO membership."

But in gaining the blessing of the Bush administration, Russia's bid to join the WTO cleared what analysts said was by far the highest hurdle, making Moscow's eventual induction fairly certain.

"This is a big country, and there are big geopolitical interests in getting them in," said Jeffrey J. Schott, a trade expert at the Peterson Institute for International Economics in Washington. "This is really solving some problems that we have had in our bilateral relationship."

The Russian-American trade negotiations have been politically charged while dragging on for years as the two sides tried to resolve differences over the import of American agricultural products, the piracy of U.S. intellectual property, and access to the Russian banking and insurance sectors for American companies.

The exact terms of the agreement were not immediately released by either side. But U.S. officials said Moscow had agreed to open the Russian market to American beef, poultry, pork, corn, wheat and fruit while allowing U.S. banks and insurance companies to set up and expand. The American side had to agree to comply with certain Russian food safety standards, a significant sticking point. Russia also agreed to roll back tariffs on U.S.-made machinery.

For now, trade between the two countries remains relatively modest, with the United States last

year exporting nearly \$4 billion of goods to Russia, according to the Commerce Department, and Russia sending some \$19 billion worth of wares to the United States. But the trade accord should lift curbs on U.S. investment in once-sensitive Russian sectors such as telecommunications and banking, said David Tarr, an economist at the World Bank. It should also spur Moscow to open more of its economy to competition, he added. Reformers within the government, now tangling with those armored against change, will have the force of international treaties working for them.

Russian frustration over the failure to reach agreement sooner had seeped into other areas. Analysts here linked the unresolved talks to the recent decision of Aeroflot, the state airline, not to purchase 22 Boeing airplanes and the exclusion of Western energy companies from the development of a giant natural gas field in the Barents Sea.

Goodman reported from Washington.

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