

**Russian-European Centre for Economic Policy**

**POLICY PAPER SERIES**

**« ISSUES AND TIMING FOR RUSSIA  
ACCESSION TO THE WTO »**

**X. Richet**

May 2002

## Introduction

In this paper, I address some questions concerning the opportunity, the timing, the requirements for Russia to access to the WTO. The main ideas developed below is that Russia is in a peculiar situation: not a fully market fledged economy with strong competitive advantages, nor a developing or semi-developed economy. We could put that differently by saying that Russia gets both of it: it is a market economy with low (or unexploited) comparative advantages, it has the export structure of a semi-developed economy relying on raw material as its main source of external revenues.

Accessing to the WTO could foster the adjustment of the Russian economy but also could create big sectorial unbalance with the growth of unemployment. Foreign control of strategic assets is another issue that the Russian government wish to avoid. On the other hand, the membership would place Russia in a better position to influence the organization from inside.

## 1. The main issues for accessing to the WTO

First, it is necessary to start from a political approach to understand the process of accession to the WTO and the setting up of the Common European Economic Area between Russia and the European Union by considering Russian's relations with its two major Western partners, the US and the EU.

- Russia, as a political and economic power, doesn't play yet in the 'first division', it stands in the second one even if the two Western powers take Russia advices and positions into consideration on some major issues (G8, discussion about NATO, anti-terrorist policies). Russia has gained some political advantages from the new international environment although it is not sure that this will last for long, at least for two reasons:
  - Post September 11 has shown the increasing power of the US now able to follow it owns aims (economic – steel import embargo, agriculture subsidies -), military, without associating its partners (NATO) or even denouncing old treaties (antiballistic)
  - Politically, the EU is still a dwarf (cf. the Israeli-Palestinian conflict)) which has no real possibility to constraint Russia or to propose it challenging issue than a loose economic cooperation.
- Curiously, Russia is generally not committed to become member of international bodies and to be bounded by their rules: Russia, although the 2nd (1st recently) oil producer in the world has never belonged to the OPEP (French acronym for Oil exporting countries organisation). Russia, with Ukraine and Saudi Arabia are the three last big countries not being affiliated to the WTO (which can be understood from the point of view of Russia export shares: more than 52% are oil, gas and armaments, that is goods that are not regulated by the WTO).
- WTO comes out from strong critics from different sides (NGO, less developed countries, Seattle failure) and many questions have not been settled up at the last WTO summit (see Lamy 2002).

So, we can understand the position of the Russian leadership (and industry) to be reluctant to join world or regional organisations that would be able to constrain its choices and behaviour, on the one hand and limit its room for manoeuvre and its autonomy on the other.

On an economic level, different points have to be considered too:

- the Russian market and its various sub-sets, its big differences in regional and sectoral dynamics, its fragmentation, its organisation, the delay in the restructuring of many firms, the bad state of many infrastructures (transport, telecommunications,)
- Globally, the Russian economy remains inefficient to cope with a strong competition coming from developed market economies. Low productivity level, high level of input consumption (energy), lack of efficient financial networks, monopolization of some crucial sectors (banks, energy) which don't contribute to reduce costs, the poor state of R&D and innovation in many industries and its negative effects (entailing dangerously the advantage of Russia in the field of basic research) which cannot help to bridge the gap with competitive western economies even if the rate of investment has begun to rise again for the first time after the 1998 financial crisis. The level of internal demand is still low and is concentrating, hopefully for domestic makers, on products with low contents in innovation of different kinds.
- High protectionist behaviour, administrative barriers to entry, soft budget constraint (low energy price, tax arrears or evasion) lead to a strong distorted price system and to a misallocation of resources with, as a consequence, a lack of transparency in cost structure and price setting.
- These factors allow the Russian to be protected and to delay the process of restructuring (boosting productivity, new investments, up-grading of products and developing products integrating innovations, strategic planning, development of networks and marketing channels by firms). In a way, it allows some industry to maintain market shares: for instance, a Russian car can be sold at 6000-8000 US\$ on the domestic market while the first entry price for a Western car imported or assembled in Russia is almost the double. The principal competitors for domestic cars are imported second-hand Western cars (on which higher tariffs have been put on recently).
- The Russian industry keeps strong links with many developing or semi-developed economies (among them, the so-called 'rogue States' according to the State Department) using its 'competitive advantage' build up during the Soviet area (India, China, Irak, Iran, North Korea) in heavy and transforming industries, energy, military equipments, aviation and where competition with Western competitors is low, not on price grounds, but on asset specificities of the goods delivered, maintenance, needs of local buyers). On the contrary, on more developed markets, Russian producers can expect only some kind of industrial cooperation (aviation project with Brazil, Italy, etc.) without becoming a leader in the cooperation.
- Most of the Russian trade is made today with the EU and with former members of the CIS. In both cases, bilateral agreements could be settled up avoiding the constraints of the WTO (although that the EU is constrained by its WTO obligations).
- Up-grading these industries in which Russia has a strong know how, in order to compete on Western markets, would need huge investments for renewing capacities, integrate state of the art innovation and to cooperate with transnational corporations with the danger for most Russian industries to hold a second role in this process (which explain the strong reluctance of many industry tycoons to follow this way).
- The Russian economy enjoys a positive macro-economic environment with the growth of investment and an increase of its exports. The Rouble has not yet reached the level of the pre 1998 financial crisis and exporters still take advantage of a price-effect.
- Most of the Russian industrial groups are under-capitalised even if the 'asset-stripping' process is fading. Inward flows of capital are witnessed and many FIG are taking control

of assets (vertically horizontally) either to take the control of businesses downward or to diversified (see Sibal investing in the car industry and in the insurance business) in order to protect the value of their assets by investing in growing businesses, or to develop the value chain. Nevertheless, as growth and foreign trade are concerned, there are two weak points which have to be mentioned at this stage:

- The passive role of the financial sector, especially banks which doesn't yet play its role of financial intermediary
- The particularly low level – no to say the total absence – of internationalised Russian firms in Western economies (with the exception of Gazprom, Lukoil which manage natural monopolies and export a big share of their production abroad – with not very high added value) (see FT 500). Expanding abroad is a sign of power and contribute to increase market shares, to channel in resources and to be a big player on future markets by competing at the beginning of the life cycle of product (cf. the knowledge economy) which give strategic advantages and high returns to first movers (see the importance of the information technology issue in the WTO: it is generally the way allowing the protection of products and patents of enterprises in the knowledge economy).
- The absence of an explicit debate in Russia on the opportunity or not to design and set up a kind of horizontal industrial policy. Although the concept of industrial policy is a 'bad word' (according to G. Baker, Nobel price winner) even in Russia, it is important to mention that many developed market economies have implemented (even covered..) such policies, often under other names either to give access to scientific information, to markets, to capital, or to help different sectors to boost their exports. There is a danger to develop such a policy in Russia as it can open the door to bargaining between the government and industrial groups, between regions, favour collusions, etc. But experiences in the EU (Eureka), or in different market economies (see the latest agreement between the Netherlands, US, and a French-Italian groups to invest in R&D in semi-conductors technology).

These developments, finally, points out the peculiar situation of the Russian economy which is still deeply shaped by its former 'bad industrialisation', its low process of adjustment and restructuring to the world competition – according to some sources (Belousov), just under 15% of the remaining fixed capital in Russian industries are able to produce competitive goods by now - , the 'big holes' which remains unfilled in the institutional changes and that constitute a high challenge for Russia, the lack of vision concerning the future by leadership. If there is a kind of agreement towards a future accession to the WTO among decisions makers and industrialists in the country, - The Russian Union of Industrialists and entrepreneurs has officially come out in favour of rapid accession, other industrialists – see the chairman of Sibal – are still strongly opposed - the problem is not when (2003 is definitely too soon), but for what to do and in which conditions.

There is already in a big literature advocating in favour of Russia accession to the WTO where we find the classical arguments on the advantage of accessing to the WTO. One argument on the role of FDI is worthwhile to be mentioned as it means the inflow of foreign capital on the domestic capital market, on the majority control of domestic assets which many industrials and bankers fears as they could lose the command of their stakes in their businesses. In many countries in transition, FDI has been a powerful tool to boost economic growth, exports, up-grade domestic companies, etc.(Richet 2001). In Russia , it raises the problem of appropriation and control: does the major industries and services (finance & banking) should be controlled by Western investors (Irony of history: look at the pre-revolution situation in Russia before the 1st World War...).

Another point that has to be mentioned concerns the negotiation itself with the WTO and its big members: contrary to what the Russian leadership thought, the concessions are only one-sided: the country willing to enter doesn't negotiate the rules but negotiate how, when, to which extent the rules will become compulsory for the incoming new partner. It is also important to mention that the incoming country negotiate with the organisation but also, on a bilateral base with its major members, the US and the EU. As China negotiations for accession have shown, concessions made to one partner (US) doesn't match the other partner's interests (the EU) and can push the second to negotiate more concessions that were made with the first one on other items where the partner has a strong competitive advantage to defend. The negotiation process encompasses several thousand of products and services. Finally the monitoring of the agreement allows the different partner (WTO, but also the EU, the US) to assess how behave the new member country, what are the administrative barriers that are met by the new investors, how to lobby with the government to force him to implement the agreement, etc..

This means that the process for meeting the requirement of the membership, on the one hand and to up-grade the economy, open it up to foreign investors on the other, will be time consuming.

The building up of the Common European Economic Area is another story partly complementary to the accession to the WTO, partly independent of it as it has a political dimension. Although the concept still remains vague, it is important to assess the importance of this new link between Russia and the EU (Samson 2000), but an ambiguity has to be overcome: the CEEA should concentrate on some principles binding the Russian economy to the EU without constraining it as a closer relation could do (association for instance, all the *acquis communautaire*, etc., see Piazzolo), but if Russia is going to negotiate its accession to the WTO, the CEEA concept will have to be translated in some principles such as monetary relations, joint R&D projects which would not fall under WTO regulation, political preferences, etc... If WTO accession is postponed or delayed, what could be the content and the role of the CEEA in speeding up reforms, adjusting the economy and developing industrial cooperation with the EU is an important issue.

## 2. Macro-stabilisation, sectoral dimension and timing

Russian membership to the WTO is on the agenda and in the coming months, negotiations and discussions will officially start. Already several publications and articles have been published and a hot debate is developing among specialists on the advantages and threats of a future membership of Russia which is the last big State remaining outside the 144 members countries belonging to the WTO today.

- Macro-stabilization, opening-up and structural issues

Both achievements and shortcomings of the transformation of the Russian economy have been emphasized. Although economic growth has resumed and the Russian government has been able to handle and to overcome the 1998 financial crisis, the Russian economy is still plagued with a strong structural imbalance which hampers its long term growth in an open and competitive environment.

Let's mention few problems:

### ❖ Macro

- A still weak macroeconomic policy even if the most important deficits are under control and inflation rate has been curbed down and investment has resumed during the past 2 years
- A weak fiscal base even if federal fiscal revenues are growing and barter is declining

### ❖ Micro

- Low level of restructuring, of competition among firms; strategy of rent-seeker in some industries
- Tendency to integrate vertically in some industries, reducing the scope of competition and adding new barriers to entry
- Strong asymmetry between big enterprises and SME
- Underdevelopment of services and of the banking sector
- Discrepancies between the supply of R&D and their use by enterprises making difficult to up-grade product and to compete on western markets
- ❖ Institutions and competition
  - Corporate governance
  - Inadequacy of the financial system
  - Corruption
  - Implementation of bankruptcy laws, regulation of competition made difficult
  - Overcoming internal barriers between regions
  - Difficulties for foreign invested companies to develop their business
- ❖ Foreign Trade and the World Economy
  - Raw material exporter (4:1 compared to the export of manufactured goods in 2000), import of capital goods and food.
  - Tariff and non-tariff barriers
  - Important capital outflows with some money returning home recently
  - Limited inflow of capital (FDI) compared with other transforming economies but soaring foreign investment can be witnessed linked to the macroeconomic recovery and stabilization policy
  - FDI in Russia remains located in 4 growing areas; some regions are not keen to see foreign capital to be invested in their areas.
  - Internationalization of the Russian economy, up to now, has not been a major issue for the Russian leadership
  - No Russian firms (with the exception of transportation and oil companies) with an international strategy (see UNCTD World Investment Report 2001)
  - Raw material producers prefer to cooperate with foreign partners for downstream production instead of going along the value chain and create more added-value (steel industry, aluminum industry, etc..)

How joining WTO could boost the internationalisation of the Russian economy and help Russian firms to compete both on their domestic and foreign markets?

Besides the application of the new rules, specific measures undertaken by the Russian government should aim at:

- ❖ Favoring legal measures to increase transparency and confidence (corporate governance, rule of law)
- ❖ Develop horizontal and sectoral policies in order to fill the gap between the supply of government funded R&D, of human capital (skill labor) and enterprises in order to help them to

integrate more up-to-date machineries, to develop new products that could compete both on domestic and world markets and so keep their market shares on their traditional markets,

- ❖ Promote the development of the knowledge economy integrating more and more immaterial inputs
- ❖ Promote strategic trade policies by firms with the support of special government agencies to help them to capture new markets through access to information sources, finances, monetary policies, etc, compatible with WTO regulation
- ❖ Promoting industrial alliances of Russian firms with Western firms in order both to attain the efficiency size necessary to cope with competition and to internationalize Russian firms on Western markets and on emerging markets in order to be among the firms movers , particularly in industries incorporating higher added value.

Besides these general remarks, several problems arise concerning when and what terms, and the different levels of analysis of the process of becoming a member of WTO

Among decision makers, it would take more time to get ready than the initially 2003, not only for administrative and legislative purposes (the Duma will have to vote on around 74 separate laws) with the feeling that a lot has already been done at the parliament and with the fear that it will leave open the country to gobble up entire parts of the Russian industry. Already, there is strong frictions among negotiators and the Russian part is upset by other partners advise to discuss law drafts before submitting it to the Duma.

At this stage, there seems to be some contradictions among the Russian leadership concerning the sequencing and the stages of the negotiations.

**Figure 1: Key concerns of negotiations between Russia and the WTO (besides negotiations with WTO partners)**

- |   |
|---|
| <ul style="list-style-type: none"><li>- customs formalities and administration, including customs valuation</li><li>- standards and conformity assessment</li><li>- transparency and publication of trade regulations</li><li>- intellectual property protection</li><li>- import licensing and other non-tariff barriers</li><li>- subsidisation of agriculture</li><li>- tariffs, fees and charges on imports</li><li>- special privileges in importation and other trading rights issues</li><li>- judicial review of administrative decisions</li><li>- consistency of sub-federal measures with the WTO</li><li>- non-discrimination in domestic taxation and regulation</li></ul> |
|---|

- First, there is a political approach to this question: Russia, if it wants to come back has a big player among the most developed economies has to join the WTO and cannot delay anymore its entry, not only to show up its willingness to be considered as a ‘normal’ market economy, but also to have the power to influence the decision making within the international body.

Other countries, in a worst shape (but, of course, with not the same economic importance) have joint the WTO after a 3-4 years negotiation period. On the contrary, China, which has recently joined the WTO took much more time to adjust to the requirements of the biggest WTO partners (the US, the EU).

There has been, at the beginning, a misunderstanding of the content and the sequencing of the membership process. Accession is not a political process; it is a contract between more than 100 members. Russia leadership has initially disconnected the political dimension from the economic one: let's be member first, discuss the technical details after, forgetting that the negotiations are on how to adopt the rules and not how to transform the rules (that Russia can influence from inside once it is a member of the organization). It seems now that the gap between these two approaches has closed up and that the Russian government is fully aware of the irreversible consequences of an early membership to the WTO. But a strong political leadership will be necessary to win the support of decision-maker who have shown mitigate feelings towards the projects, event in the inner circle of the power.

- Another step which can be called 'administrative-horizontal' deals with the discussion on the tariff: average level, tariff applied to different sectors, removing different tariff entry barriers, opening special sectors, development and setting up of special bodies to monitor and supervise the implementation of the agreement. It is the core of the discussion between Russia and the WTO, but also between Russia and any other members of the WTO which feels concerned by the future membership of Russia (Australia on agricultural, for instance). This level of discussion, explicitly calls the attention on the third level which deals with sectoral approach of the negotiation, that how specific sector can support the exposure to the world competition, how it would be possible to protect such sectors or sub-sectors with special measures. This is both a political and economic issue: political because the Russian government has to come up with an agreement which shows its commitment to apply the rules (in other worlds, it is not possible to negotiate too much exemptions for too many sectors without appearing structurally unable to be a member and to risk to pull out from the final agreement after a long period of negotiation); the government and the different decision makers and economic actors (industrialists, bankers) have to come up with a clear view of the new competitive environment which will result from the opening up and the application of a strong legal systems.

- This leads to a third stage of the process of becoming member of the WTO: how the Russian government can assess the strength and the weakness of its industry, finance and services, its agriculture, particularly among its more sensible sectors in the new environment, on the one hand, how removing domestic subsidies could hamper the competitive advantage of some industries; what will be the cost of adjusting at sectoral level, and what kind of policies should be implemented compatible with the spirit of the agreement (i.e avoiding direct subsidies)? How to assess who will be the winners and who will be the losers of the opening; what will be the regional consequences of the opening.

Definitively, there is more to win than to lose in this process; entry into the WTO club will act has a permanent constraint on economic agents, reducing probably the room for maneuvering inside Russia by big industrial and financial groups. Not all sectors will face the same level of competition coming from foreign investors (who, by the way, could provide the level of capital missing to achieve the normal reproduction of fixed capital and the increase of capacities needed by the growth of demand since the level of domestic savings and financial intermediaries are not sufficient to cover these needs). The level of annual inflow of foreign direct investment in Russia currently equals \$ 5 billion and the country needs at least \$ 100 billion every years to maintain equipment rotation while only \$ 55 billions are invested. Industrial cooperation (or even mergers) could strengthen the industrial base and increase the competitiveness of strategic sectors with a very strong local and regional spin-offs. On the contrary, the most sensible points are those dealing with sectors where Russia is in weak position and where negotiators are reluctant to make concessions which could be seen as a kind of control on the management and the development of these industries and services (those dealing with intellectual property rights, finances, services).

### 3. Further Researches on the Topic

From what has been developed it seems important to focus our work on several points in order to highlight the strength and the weakness of the Russian industry and address the main points that we think are crucial for the further development of the negotiation between Russia and its counterparts. It should also help at identify the strategic sector which could take advantage of the opening and have a strong impact upward and downward on the industry.

- First, it would be essential to consider two points without necessary working in depth on its but which are important in the present discussion:

- assess the level of implicit and real subsidies in the Russian economies and the impact of (total or partial) removing these subsidies on relative costs and competitiveness of recipient industries, possibly to recalculate, at branch level, the real and relative cost of production (see what P. Hare and alii did for Eastern Europe in the beginning of the 90's)
- identify and assess the different sectors concerned by the intellectual property rights which seems to be a big points in the discussion (use of patents in which sector, fake, etc.)

- Secondly have a broad picture of the positions of industrialists, bankers, insurers, etc, concerned by the opening up, their rational arguments to oppose or to support the membership (insurers with the threat of takeover, steel makers facing anti-dumping measures from neighbor competitors, Ukraine, Kazakhstan..), how they can converge toward a common view

- Look at the complementarity of negotiations between the WTO and the EU and how the implementation of the Common European economic space could be a device helping to overcome some sensible points (agriculture), bolstering and 'locking in' the economic reform process in Russia and helping Russia to take advantage of the opportunities created by EU single market and EU enlargement . See how breaking a deal with the EU could help to find a positive solution on hot topics (agricultural subsidies)

- Some branches which have a strong growth potential or that have a strategic position within the Russian economy and that raise new should be investigate in order to assess the impact of the accession. Among the possible sectors that could be instigated, there are at least three which seems relevant:

- the automobile sector which is a strong internationalized sector, where there are numerous takeover and/or strategic alliances and which in Russia has an important role in terms of regional development, industrial output, innovation, growth, etc..
- the banking and the financial industry is another important sector to consider if we look at its 'distorted' structure compared to Western standard. It certainly a sector where transformation will be difficult to undertake and in which there will be a very limited maneuvering room for the leaders of this industry due to the strong impact of foreign companies which will enter easily on the market. On the other hand, there are few arguments to opposes to the liberation of the sector by the Russian negotiators.
- The aeronautic industry is a very sensible sector not only because the duopoly situation existing today on the world market (Airbus and Boeing) but also for the existence of strong comparative advantage still unexploited by the Russian industry (know-how, marketing) and the importance of high tech industries involved both in terms of contents and industrial cooperation and sub-contracting.

## **Conclusion**

Russia will become a member of the WTO in the coming years. The accession will have certainly a positive impact on its economy if the economic environment remains favourable, and if the economy policy is still committed to its macroeconomic objectives. But the accession raises many questions, mostly at a meso and sectoral levels. The different partners involved (government, regions, industrialists, unions, etc..) have different stakes and concerns: the negotiation phase in which Russia is entering should be an opportunity for them to discuss openly of the advantages/disadvantages of joining the WTO, the way to implement eventually specific policies to accompany the accession in order to make it successful and rewarding for the well being of the country.

### Annex 1: Russia Entry in the WTO: a SWOT Analysis

<b>Strength</b>	<b>Weakness</b>
<p>Human, capital and natural resources                      Strong industrial base and know how                      Large and growing markets                      Recent export performance                      Macro-stability and economic growth                      More transparency, fiscal federalism                      Political stability                      Post September 11 political outcome                      Emerging industrial sectors with strong growth potential                      Economic relations and partnership with the European Union                      Increase of FDI in strategic sectors (Yukos, Norilsk Nickel)                      Inflow of significant funds by Russians as direct and/or portfolio investments                      Commitment of the Russian leadership to joint the WTO</p>	<p>Russia still perceived as a ‘non market economy’ by some foreign governments and international institutions                      Pro-western policy not supported by important faction in the ruling elite (army, some industrialist)                      Weak competition of the Russian industry, low productivity                      Heavy hand of the state on some strategic sectors (utilities, media, UES)                      Lack of funding for modernizing infrastructures                      Slow restructuring, remaining structural barter                      Specialisation and comparative advantage in non competitive sector or with low added-value                      Lack of internationalisation strategies of Russian firms (except oil and gas)                      Underdeveloped service industry                      Non performing banking system                      Strong implicit subsidies                      Lack of transparency in the control of some firms, poor corporate governance                      No respect of shareholder rights (especially minority)                      Segmented markets, internal barriers                      Tolling, strong vertical integration                      Advantages given to domestic companies                      Unexploited FDI opportunities                      Narrow export base, low added value of exports                      ‘Dutch disease’                      Collapse of the national innovation system which might entail the human capital accumulated</p>
<b>Opportunities</b>	<b>Threats</b>
<p>Support by businessmen, analysts, spokesmen for Russia’s regions                      Enter the world market                      Stronger rules and discipline will ensure a framework and structure for continued economic growth and the attraction of investment                      Influence of Russia inside the WTO                      Develop competencies on more added value segment of the production                      Develop the service industry                      Facilitate the transfer of technology and management know how                      Increase the share of FDI, control of under valued companies                      Big opportunities for foreign strategic investors in telecom and energy sectors after restructuring</p>	<p>Continuing world recession                      Decrease in the price of raw materials                      Increase of the technological gap with the development of the knowledge economy and major innovation breakthrough                      Strong competition from developing economies (China) on the low end of manufacturing                      Unbalanced Regional development                      Control of some strategic sectors by foreign investment                      ‘Crowding out ‘effect: good firms controlled by foreign capital, bad firms supported by local and federal government with subsidized                      Distortion in the allocation of financial resources</p>

## Annex 2

### **WTO accession and agriculture (Economic Research Service, US Department of Agriculture)**

Russia formally applied for accession to the World Trade Organization (WTO) in 1995. Negotiations are currently in progress.

The two main agriculture-related concerns in Russia's accession to the WTO are:

- market access—the extent to which a country permits imports, and
- internal support for agriculture.

**Market access.** Russia has few quantitative restrictions (quotas) on imports. Tariffs for most agricultural imports range from 10 to 20 percent, though the tariff on poultry, the main U.S. agricultural export to Russia, is 30 percent. For certain products, Russia uses a combined tariff system involving an ad valorem tax and a fixed duty, which makes the tariff system less transparent or predictable. Russia is also considering instituting (and in some cases already has) seasonal tariffs, discretionary licensing, and tariff-rate quotas. Sanitary and phytosanitary measures and technical standards are often used by Russia to serve as trade barriers, not necessarily based on science or harmonized with international standards. Another related to market access concern is state trading, which exists when government or non-government enterprises are given special rights and privileges that alter the direction or level of trade.

**Support for agriculture.** All WTO countries must commit to bind and reduce subsidies. Russia's commitments on domestic support and export subsidies will be negotiated with other WTO members, but generally speaking, applicant countries are expected to bind trade-distorting domestic support for a recent base period and undertake reductions if the Aggregate Measurement of Support (AMS) is greater than zero. Russia's agricultural policy is in transition from centrally planned to market-based, which presents challenges to quantifying the level of support to agriculture, such as how to capture support at the regional (as opposed to national) level and how to measure debt write-off and other nontransparent forms of support.

A general concern involving Russia's accession negotiations is that weak federal government is leading to the regional fragmentation of Russian agricultural policy, as the regions assume more policy making responsibility, including over product flows. Many regions restrict agricultural outflows, particularly when poor harvests raise fears of local food shortages. The rise of regional policy making raises concerns that regional authorities might not honor agreements made by the federal government.

**Reference :**

- CEFIR: Russia and the World Trade Organization: Myths and Reality, Transition Newsletter, Jul-Aug-Sept. 2001, 4 p.
- Combe C. : L'Organisation Mondiale du Commerce, Armand Colin, Paris, 1999
- Cottrell R. & S. Wagstyl: Putin's bid to join WTO splits business, Financial Times March 27, 2002
- Financial Times: FT 500. The world's largest companies, May 10, 2002
- Greffe X: Les enjeux de l'ouverture de l'économie russe, RECEP , mimeo, 6 p.
- Hare P.G. (2002): "ussia and the World Trade Organization", School of Management, Heriot-Watt University, mimeo, 29 p.
- Lamy P.: L'Europe en première ligne, Paris, le Seuil, 2002
- Memo/01/414: EU Commissioner for Trade Pascal Lamy and EU Commissioner for External Relations Chris Patten visit Russia on 5 December to promote greater EU-Russia Integration: a future common European economic space and Russia's accession to the WTO, Brussels, December 3, 2001
- Michalopoulos, C.: WTO Accession for countries in transition, EBRD Working Paper, EBRD, 1999
- Ofer G. & M. Keren: The Role of FDI in Trade and Financial Services in Transition: Are Transition and 'Development' Different?, Current Issues in Emerging Market Economies, The Croatian National Bank, 7th Dubrovnik Economic Conference, Dubrovnik, June 28-30, 2001
- Peel Q.: Putin palys a weak hand well, Financial Times, March 18, 2002-04-17
- Piazolo D. : The Integration Process between Eastern and Western Europe, Kiel Studies, Springer, Berlin, 2001
- Richet X : Russia WTO membership, RECEP, mimeo, February 2002, 8 p.
- Richet X : Note sur la Russie, l'OMC et l'Espace économique européen, RECEP, mimeo, March 2002, 2 pages
- Richet X. : New market economies and multinational corporations strategies. Acquisition vs Industrial Cooperation, OEP, Université Marne la Vallée, mimeo 40 p. 2001
- Romriell L. : Metals magnate urges Russia to go slow on WTO, The Russia Journal, March 27, 2002
- Samson I. : Towards a Common European Economic Area between Russia and the European Union, RECEP, April 2002
- Siroën J.-M.: La régionalisation de l'économie mondiale, La Découverte, Paris, 2000
- World Bank Moscow Office: Russian Economic Report, January 2002, n° 2, Moscow,

Research findings and analyses disseminated by RECEP may include views on policy, but the Centre itself takes no institutional policy positions. Any opinions expressed are those of the individual(s), and not those of RECEP, the institutions of its managing consortium, the European Commission or any other institution of the European Union.

## **Russian-European Centre for Economic Policy**

Potapovsky Pereulok 5, building 4, Moscow 101000 Russia

<http://www.recep.org>

e-mail: [recep@recep.ru](mailto:recep@recep.ru)

tel +7 (503) 232 3613 fax+7 (503) 232 3739