



Russia and WTO : What the real issue?

Jean Louis Truel
Université Paris Est-Créteil

Vice President
Cercle Kondratieff

Theoretical principles behind WTO

- Liberalising trade et investments favours the allocation of resources towards the most effectient sectors through suppression of established positions.
- Negative effects for the least efficient sectors are supposed to be offset by an overall increase of productivity.
- It favours foreign investments that are supposed to be more efficient. **The nationality of companies in a given economy is supposed to be neutral.** The risk linked to the disappearance of national companies is not taken into account.
- **Protection of infant industries not an issue. Exit F. List**
- **Unofficial target · WTO is a tool to promote « necessary » reforms**

- Concrete effects of entry in WTO for Russia

- ✓ End of quotas for non WTO members in some industries, for instance steel industry.
 - ✓ Decrease in tariffs for more than 700 categories of products.
 - ✓ Overall tariffs will decrease from 7.8 to 10%.
 - ✓ From 13,2 to 10,8 % for food products
 - ✓ From 9.5 to 7.3% for manufactured goods
 - Suppression of non tariff barriers through an harmonisation of standardisation
-

■ WTO related issues for Russia

- ✓ Reduction of subsidies to agriculture.
- ✓ Increase in domestic energy prices
- ✓ Opening of the **service industry** (bank, insurance, utilities...)
- ✓ Protection of industrial and **intellectual property rights**

Some negative, some may be positive

ALSO NON WTO RELATED ISSUES

■ Non WTO related issues : The case of the European Union

Hot topics at the moment

- Support to national industry/ industrial policy. Competition vs European champions.
- Exchange rate policy. Not in the Mission of ECB (unlike with the Fed)
- Support to innovation. Wishful thinking, no budget.
- Regulation in Finance. Weight of lobbies and of the UK.
- Austerity/ the 3% rule for budget deficit. Is killing Europe. Nowhere in WTO
- → On all the of the major problems of EU at the moment, WTO membership is not a significant issue. Only issue « European Small Business Act. »

- Non WTO related issues : What about Russia?
 - Exchange rate policy
 - Regulation in Finance/ financing for the real economy
 - Business environment
 - Support to national industry/ industrial policy
 - Support to innovation
-

Conclusion

The most important challenges for Russia are not connected to WTO membership