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U.S., Russia Sign 800-Page WTO Deal

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Staff Writer

Russia and the United States on Sunday signed the long-awaited bilateral deal that paves the way for Moscow's entry into the World Trade Organization after 13 years of diplomatic wrangling.

Economic Development and Trade Minister German Gref signed the deal with U.S. Trade Representative Susan Schwab on the sidelines of an Asia Pacific Economic Cooperation summit in Vietnam's capital, Hanoi.

"This is a historic step -- the last step -- that marks Russia's return to the market principles of the world economy," Gref said.

Schwab also sounded an optimistic note, calling the agreement "an important milestone." Russia "belongs as a fully fledged member of the WTO," she said.

The agreement, an 800-page document that calls on Moscow to lower import tariffs on a range of goods, including agricultural and technological products, by the time of its accession to the WTO, lifts the biggest remaining obstacle to the country's entry into the 149-member organization.

Yet stumbling blocks remain. The new Democrat-controlled U.S. Congress, which is likely to be less pro-free trade than its Republican predecessor, will have to sign off on the deal with Russia, while WTO members Georgia and Moldova have threatened to block Moscow's bid if it fails to lift sanctions against them.

Gref said he hoped to resolve the issues with Georgia and Moldova -- and conclude a required round of multilateral talks with other WTO members -- by mid-2007.

Sunday's deal brought an increasingly rare chance for Washington and Moscow to applaud their relations, which have sunk to new lows over disagreements on Iran and U.S. concerns over human rights and energy security under President Vladimir Putin.

U.S. President George W. Bush told Putin during the summit of Asia-Pacific leaders that he would lift sanctions imposed on jet maker Sukhoi for selling restricted goods to Iran, Foreign Minister Sergei Lavrov said in Hanoi.

But no agreement had yet been reached on Rosoboronexport, the arms exporter also slapped with U.S. sanctions in August, Lavrov said.

The sanctions on the two companies were imposed for two years under a U.S. law that bars government agencies from working with firms judged to be aiding Iran in acquiring weapons of mass destruction.

Lavrov maintained a defensive stance on the issue Sunday, saying Russia was "certain that similar sanctions would also be lifted from Rosoboronexport, since it did not supply Iran with anything forbidden."



Charles Dharapak / AP

Bush and Putin posing after briefing the media on the bilateral WTO agreement signed in Hanoi, Vietnam, on Sunday. They are flanked by Gref and Schwab.



Dmitry Astakhov / Presidential Press Service

Putin and Deripaska attending a meeting of members of the APEC business consultative council Saturday in Hanoi.

Some observers have suggested that Washington could link its approval for Russia's entry into the WTO to a more compliant attitude on the issue of Iran. The United States has called on Moscow to halt its aid to Iran's nuclear program, including construction of the \$800 million nuclear reactor at Bushehr.

Putin and Bush seized on the bilateral agreement as a sign of good relations.

Speaking to reporters after his meeting with Bush, Putin said: "This document gives a favorable foundation for the resolution of all questions, including the sharpest international problems."

The agreement "will be good for the United States and good for Russia," Bush said.

The bilateral agreement touches on over 100 sectors of the economy, Gref said, and includes liberalization of trade in medicine, medical equipment, electronics and computer technology.

"This agreement can be seen as an agreement between partners. We went forward together and took into account the interests of both sides," Gref said.

The pact will see the country liberalize its automobile, air and banking industries, allowing full foreign ownership of Russian banks and brokerage services upon accession. Foreign insurance companies will be allowed to operate direct branches, while banks will still have to open Russian subsidiaries.

The agreement also builds a framework for Russia to crack down on piracy, setting a timeline for enacting laws on the counterfeiting of pharmaceutical and computer goods in a bid to address the country's poor record on intellectual property rights.



Dmitry Astakhov / Presidential Press Service

Putin getting into a limousine upon his arrival at Hanoi airport on Saturday.

Vneshtorgbank CEO Andrei Kostin said the country's banking sector had a lot to do before accession. "Russian banks must seriously consolidate, get stronger and grow, because for us the WTO presents a serious challenge," Kostin said, Interfax reported.

The Russian delegation also included Basic Element chairman Oleg Deripaska, Gazprom deputy chairman Alexander Medvedev and Rosneft CEO Sergei Bogdanchikov.

Russia must still consolidate its bilateral deals with Costa Rica, Guatemala, El Salvador and Moldova, and renegotiate its entry with Georgia.

A Georgian official said Sunday that Tbilisi would oppose Moscow's WTO bid as long it continued illegal trading with the separatist republics of Abkhazia and South Ossetia.

"Without Georgia's agreement, Russia can't join the WTO," said Vakhtang Lezhava, Georgia's deputy minister for economic and structural reforms, Interfax reported.

Georgia would only give its approval "if Russia fulfills trade agreements with Georgia through legal border points and legalizes the customs points on the Abkhaz and South Ossetian sections of the border," he said.

"If these measures are not fulfilled then there will be no agreement from our



Reinhard Krause / Reuters
Bush and Putin wearing
Vietnamese clothes for a group
photograph Sunday.

side."

Georgia can use its position as a WTO member to protest Russia's ongoing travel and trade blockade of the country, imposed after Tbilisi briefly arrested four suspected Russian spies in October. Moscow also maintains a ban on Georgian mineral water and wine on health grounds.

Tbilisi says the wine and water bans are politically motivated to protest the country's shift toward the West.

Moscow signed a bilateral deal with Sri Lanka on Friday, agreeing to scrap a 5 percent import duty on loose tea, Sri Lanka's main export, within two years of joining the WTO in exchange for the country's approval of its membership.

Under WTO rules, Russia must consolidate all its bilateral deals so the same trade rules apply to all countries and sign a multilateral agreement with all the WTO members.

As well as approving Russia's WTO bid, the U.S. Congress also has to repeal the Jackson-Vanik amendment, a Soviet-era relic that denies normal trade-relations status to Russia over human rights concerns.