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Table of Contents

TABLE OF CONTENTS.....	2
INTRODUCTION.....	4
I. Russian adaptation to become a member of the World Trade Organization.....	8
1.1. History of the World Trade Organization.....	8
1.1.1. Functions of the World Trade Organization.....	9
1.1.2. Principles of the World Trade Organization.....	10
1.1.3. Structure of the World Trade Organization.....	11
1.1.4. Agreements under the framework of the World Trade Organization.....	12
1.1.5. The accession of Russia to the WTO.....	15
1.2. Adjustment of Russia to become a member of the World Trade Organization.....	16
1.2.1. Soviet adjustment to join the General Agreement on Tariffs and Trade, or GAT, 1945 to 1991.....	16
1.2.2. Russian adaptation to be a member of the WTO during the Yeltsin period, 1991 to 1999.....	18
1.2.3. Russian adjustment to become a member of the WTO during the Putin period, 2000 to 2007.....	22
1.2.4. Russia's adjustment to become a member of the WTO during the Medvedev period, 2008 to 2011.....	26
II. Factors affecting membership in the World Trade Organization of Russia.....	27
2.1. Internal factors.....	27
2.1.1. The role of political groups within the Yeltsin period, 1995 to 1999.....	27
2.1.1.1. The role of the government.....	28
2.1.1.2. The role of Bureaucrats.....	30
2.1.1.3. The role of interest groups.....	31
2.1.2. The role of political groups within the Putin period, 2000 to 2007.....	32
2.1.2.1 The role of the government.....	33
2.1.2.2. The role of Bureaucrats.....	34
2.1.2.3. The role of interest groups.....	34
2.1.3. The role of political groups within the Medvedev period, 2008 to 2011.....	36
2.1.3.1. The role of the government.....	36
2.1.3.2. The role of Bureaucrats.....	37
2.1.3.3. The role of interest groups.....	38
2.2. External factors.....	39
2.2.1. Negotiations between Russia and the United States.....	39
2.2.2. Negotiations between Russia and the European Union.....	42
2.2.3. Negotiations between Russia and Georgia.....	45

CONCLUSION.....	47
BIBLIOGRAPHY.....	49
ABSTRACT.....	57

Introduction

After spending eighteen years applying to become a member of the World Trade Organization (WTO), the Russian Federation (Russia) was finally approved to become a member on 16 December 2011.¹ In the past several years, the question of why Russia, one of the world's great powers, took such a relatively long time to become a member of the WTO. Although Russia is a member of other important international organizations and economic cooperation groups, such as the Group of Eight (G8), the world's eight leading industrialized countries, and the Asia-Pacific Economic Cooperation (APEC).

The WTO evolved from the General Agreement on Tariffs and Trade (GATT)², which was an agreement that occurred after the Second World War (WWII), due to the war situation at that time when the economies in many countries were suffering from a severe recession. It was therefore necessary to craft multilateral global cooperations by establishing the United Nations (UN) to oversee international relations in politics, the International Monetary Fund (IMF) and World Bank to oversee finance, and at the same time attempt to establish the International Trade Organization (ITO) to oversee international trade.

Efforts to establish the ITO, however, could not be fulfilled because the United States of America (US), a democratic world power, would not ratify the establishment of the ITO, resulting in a lack of oversight of international trade. At that time, there was only the GATT agreement, which came into effect on 1 January 1947. After the GATT agreement came into force, however, it was found that various forms of trade barriers existed. After the Uruguay Round of trade negotiations, the members of GATT consented to the establishment of the WTO on 1 January 1995, to act as an international organization that would ensure that international trade was conducted freely and predictably.

The relationship between Russia and the WTO began when Russia was still the Union of Soviet Socialist Republics (Soviet Union). The global political atmosphere at that time was a battle of ideologies between the two most powerful countries, the US and the Soviet Union. The Soviet Union was concerned that the GATT agreement could be used as a tool of the US to monopolize and expand its economic influence, as well as Soviet Union's blockade

¹“Russia’s Accession to WTO: Impact and Challenges” (*www.case-research.eu*) <<http://www.case-research.eu>> accessed May 23, 2019.

² Christina Majaski, “General Agreement on Tariffs and Trade (GATT)” (*Investopedia*) <<http://www.investopedia.com/terms/g/gatt.asp>> accessed May 23, 2019.

policy.³ Therefore, in response to such policy, the Soviet Union formed the Council for Mutual Economic Assistance (CMEA or COMECON)⁴ to provide economic assistance between socialist countries. At this time, the Soviet Union was invited to participate in the Uruguay Round of GATT negotiation meetings in 1979.

When the Soviet Union collapsed in 1991, the newly formed “Russia” tried to evolve into a democracy from its communist roots. The first Russian leader, President Boris Yeltsin, implemented rapid economic and political reform policies. Domestically, Yeltsin combined and consolidated the administrative powers and implemented economical reforms focused on privatization and trade liberalization. For foreign policy, Yeltsin focused on cooperation with Western democracies to enhance international trade and investment. However, the dramatic and drastic change of governance severely affected local politics and the economy, resulting in conflicts between the new government and traditional interest groups.

Russia first submitted its application to become a member of the GATT on 4 and 16 June 1993, and a Working Party was established to examine the accession of Russia to the GATT. Russia next submitted its Memorandum on the Foreign Trade Regime to the Working Party on 1 March 1994.⁵

One of the major obstacles to Russia’s accession to the WTO was the conflict between the government and interest groups as the interest groups viewed becoming a member of the WTO as unimportant, and gave priority to protecting their own business interests as well as holding influence in politics.⁶ Therefore, from such controversial standpoint, the government was to delay the entry into the WTO.

During Yeltsin’s time as President, there were three primary interest groups. The first group supported economic reforms and freedom of trade, with government control over Russia’s military-industrial complex (e.g., fuel, energy, etc.). The second group was the agricultural group of representatives, consisting of the Industrial Union, the Agrarian Union, the Producers Federation, the Agrarian Union of Russia, and the Agrarian Party of Russia, which supported the government’s economic reforms but without wanting to go into a full marketing system and with the government implementing extensive agricultural subsidies. The third group was a group of liberal representatives, consisting of private business people who had just come into the business sector. This group’s approach was to prioritize

³ Peter Naray, *Russian and the World Trade Organization* (New York: Palgrave 2001) 20.

⁴ William H. Copper, *Russia’s Accession to WTO* (New York: Nova Science Publishers, 2009) 21.

⁵ Ibid 15.

⁶ Robert Cottrell, *Russia and the WTO* (London: The Center for European Reform(CER), 2002) 48.

eliminating problems of the economic reforms with the private sector's participation in such reforms.⁷

After Yeltsin's term expired in 1999, President Vladimir Putin, widely foreseen as the political heir, came into power to administer the country. Putin was also concerned about domestic political and economic reforms. In politics, Putin further consolidated power into the central government, and reformed the court system and laws to increase the legitimacy of the government in management. Regarding the economy, Putin reformed the internal economy, such as the tax system, and the control of private businesses important to the national economy, such as the energy sector industry and domestic industry. Moreover, Putin concentrated on participating in economic cooperation groups and international organizations, such as the G8 and APEC, as well as later the WTO – which Putin regarded as necessary and most important⁸.

However, in the second period of his government, Putin slowed down the urgency to become a member of WTO. This slowdown was a result of internal politics, especially due to the opposition from interest groups that did not want Russia to become a member of WTO because they were concerned membership would subject them to competing products and services from foreign countries and would affect their interests adversely.⁹ The interest groups had both supporting groups and anti-supporting groups, including the following. First, the Russian Union of Industrialists and Entrepreneurs (RSPP), which consisted of many industrial groups, such as energy groups, machinery industry groups, petrochemical industry groups, etc. In addition, union groups, entrepreneurs, and industrialists also acted as an economic lobby for industrial sectors. The group's approach was to allow the government to reform the economy in a liberal manner and encourage Russia to become a member of the WTO by seeing that the WTO membership would solve its economic problems and develop the domestic economic system, as well as various industrial groups who would earn benefits from increased trade with other countries. RSPP had Mr. Arkady Volsky serve as its president. Second, the Russian Chamber of Commerce and Industry (CICC), which oversaw and carried out international economic relations and was led by Yevgeny Primakov. They expected that industrial sectors might be affected because most industrial sectors were still unable to adapt to economic liberalization and had no potential to compete with products and

⁷ "Bulletin of the Atomic Scientists" (1993) 49 Educational Foundation for Nuclear Science, Inc. 32-35.

⁸ Peter Naray, *Russian and the World Trade Organization* (New York: Palgrave 2001) 22.

⁹ Anders Aslunds, *Why Doesn't Russia Join the WTO?* (The Washington Quarterly 2010) 35.

services from abroad.¹⁰ Third, the group of Mr. Oleg Deripaska, the founder of Rusal, a large aluminum production company and the car industry group in Russia. Mr. Deripaska disagreed with Russia becoming a WTO member because some industries, especially the car and aircraft markets, were still in the early stages of competing with foreign products and services. Russia had to protect Russian industries before opening markets from overseas.¹¹ Fourth, the agricultural sector requested the government to continue supporting its agricultural policy in order to protect the domestic agricultural market¹² and opposed being a member of the WTO. Moreover, they demanded that the government use tighter restrictions on imports of poultry from abroad. As a result, the government announced it would slow down its membership in WTO to reduce domestic pressure.¹³

The international relationships between Russia and other countries had a great impact on Russia's policy of becoming a member of the WTO because, in order to be able to become a full member, Russia was to participate in trade agreements with member countries in the WTO, namely, the US, the European Union (EU), and the Commonwealth of Independent States (CIS).

The relationship between Russia and the US after the Cold War was relatively smoother, especially in the economy. Russia was (and still is) a huge market for US agricultural products and meat exports. However, under trade cooperation between the two countries, there was still the problem of trade between each other, such as Russia's trade barriers and problems of intellectual property infringement within Russia, among others. In addition, being a member of the WTO had often been used as a bargaining chip; when the US proposed to support Russia's WTO membership in exchange for opening the internal markets within Russia to allow products from the United States to better enter the Russian market.

The relationship between Russia and the EU after the collapse of the Soviet Union was reciprocal. The EU relied on energy exports from Russia, and Russia relied on imports of agricultural products from the EU. However, as a result of Russia not being a member of the WTO, Russia could set prices independently, and thus could implement its energy policies unilaterally. Russia's energy regulation thus led them to a dispute, inevitably, when the EU brought up the membership of the WTO as a bargaining chip with Russia: If Russia had not

¹⁰ Anders Aslunds, *Why Doesn't Russia Join the WTO?* (The Washington Quarterly 2010) 54.

¹¹ Ibid.

¹² Ibid 55.

¹³ Stephen K Wegren, *Problems of Post-Communism*, vol 54 (4th edn, 2007) 46.

altered its energy-supply policies, then the EU would not have supported Russia in becoming a member of the WTO.

The relationship between Russia and the CIS found that Russia had problems with some independent states, especially Georgia, due to border security problems and internal affairs. The conflict between Georgia and Russia was caused by Russia sending troops into Georgia, helping the division in 2008, and recognizing Abkhazia and South Ossetia as independent states, which caused Georgia to accuse Russia of insider affairs. This resulted in Georgia using its WTO veto to get back leverage over Russia in 2008 until Russia was finally able to successfully become a member on 16 December 2011.

I. Russian adaptation to become a member of the World Trade Organization

For this chapter, it is necessary to study the history of the World Trade Organization (WTO), including the adaptation of Russia as a member of the WTO in each political period as well as the causes and effects of internal political changes. These subjects will be presented under the following main topics ;

1.1. History of the World Trade Organization

The World Trade Organization (WTO), itself established in 1995 evolved from the General Agreement on Customs and Trade, or the General Agreement on Tariffs and Trade (GATT)¹⁴, which was founded after WWII in 1948. The war had left behind destruction and chaos, and well aware of the economic vacuum to come, the leading countries wanted to find solutions to restore the global economy. This led to the establishment of multilateral-cooperation organizations such as the United Nations (UN) to oversee international security, the World Bank to oversee and provide budgeting, and the IMF to supervise finance as well as the efforts to establish an ITO to oversee international trade. The establishment of the international trade commission needed to be approved by the Member States for ratification. However, the US as a superpower nation, did not approve ratification, which led to the establishment of the ITO not sufficient attention from other countries. As a result, at that time, only the GATT was the norm in international trade. As the GATT did not have a

¹⁴ “The WTO and Its Treaty Instruments” (2019)
<http://www.wto.org/english/res_e/booksp_e/sli_e/3TheWTOanditstreatyinstruments.pdf> accessed May 23, 2019.

commercial dispute resolution mechanism, international affairs at that time were prone to exploitation of various trade barriers, such as those from developed countries. Therefore, after the Uruguay Round, the GATT officially established the WTO on 1 January 1995¹⁵ to act as an international organization directed to oversee international trade as free and unencumbered, covering rules and trade agreements to eliminate trade barriers in various forms.

The WTO became a dynamic organization developing and creating new rules to support international trade and establish special rules and requirements for developing countries so that they could join the WTO, resulting in the WTO currently having a total of 164 member countries.¹⁶

1.1.1. Functions of the World Trade Organization

The WTO was founded from the Marrakesh agreement as the conclusion of the Uruguay Round of multilateral trade negotiations, which took place on 15 April 1994 in Marrakech, Morocco. Therefore, countries that want to become members of the WTO must acknowledge the following principles of the Marrakech agreement;¹⁷

1. The WTO shall facilitate the implementation of the various WTO multilateral trade agreements.
2. The WTO shall provide the forum for negotiations among its Members concerning their multilateral trade relations in matters dealt with under the various framework agreements of the WTO.
3. The WTO shall resolve the dispute by using the dispute settlement mechanism.
4. The WTO shall oversee and monitor the international trade situation providing continuous review of trade policies of its Members.
5. The WTO shall provide technical assistance and various information to developing countries.
6. The WTO shall cooperate with other organizations such as the International Monetary Fund (IMF) and the World Bank to form a joint policy.

¹⁵ “WTO | Understanding the WTO - The GATT Years: From Havana to Marrakesh” (2019) <http://www.wto.org/english/thewto_e/whatis_e/tif_e/fact4_e.htm> accessed May 23, 2019.

¹⁶ “World Trade Organization - What Is the WTO?” (*Wto.org*, 2019) <<http://www.wto.org>> accessed May 23, 2019.

¹⁷ “WTO | Legal Texts - Marrakesh Agreement” (*www.wto.org*) <https://www.wto.org/english/docs_e/legal_e/04-wto_e.htm#articleIII> accessed October 23, 2019.

1.1.2 Principles of the World Trade Organization

The WTO gives Member States the rights and obligations to abide by the WTO agreements, which can be summarized as follows:¹⁸

1. The Non-discriminatory Principle, which focuses on the practice of two types of discrimination: 1. The Most-favored-nation rule (MFN), which means goods produced in one member country cannot be treated any less favorably than the products originating in any other member country; and 2. The National Treatment rule, requiring the treatment of imported goods to be no less favorable than those of similar products produced domestically according to national practices and implementation of tax measures, etc. However, in this non-discriminatory principle exceptions are made in certain cases. For example, developing countries can receive preferential tariff privileges from developed countries.

2. The Reciprocity Principle, known to be a traditional component of WTO principles, focusing on mutually-agreed reductions of trade barriers. It indicates a desire to guard against free-riding (arising out of the MFN rule) and a desire to make trade liberalization pleasurable on home soil. However, developing countries that are member countries can, to a certain extent, disregard the reciprocity principle, meaning that there may not be an equal expectation towards less-developed parties.

3. The Binding and Enforceable Commitments Principle: The tariff concessions reached by WTO participants in the context of multilateral trade agreements and accession are listed and set out in the concession plan. Such agreements carry out “ceiling bindings”, under which a nation may change its obligations only after agreeing with its trading partners otherwise resulting in compensation for trade losses.

4. The Transparency Principle is to enforce trade measures to be transparent, which in practice means Member States must disseminate rules and regulations to the public.

5. The Safety Valves Principle is intended to be invoked in the event of endangerment of individual well-being, public health, animals and nature, as well as good moral practice.

¹⁸ Bernard Hoekman, *Development, Trade, and the WTO: A Handbook* (The World Bank 2003) 41–45.

1.1.3. Structure of the World Trade Organization

Under the working structure the WTO is divided into seventy organizations with various responsibilities, divided into thirty-five fixed organizations that can summarize important duties in various areas.¹⁹

1. The Ministerial Conference is the top decision making body of the WTO, attended by trade ministers and other senior officials from the WTO's 164 members. It is responsible for making decisions under agreements that are binding for the organization's members in issues relating the fulfillment of membership obligations and guidelines for trade liberalization, as well as the duty of holding a ministerial conference that meets once every two years appointing the WTO Director-General.

2. The General Council consists of ambassadors' representatives who attend the ministerial conference in charge of overseeing the operations of various organizations and advising general administration by considering budget allocation, providing dispute resolutions, and reviewing trade policies.

3. The Council for Trade in Goods is responsible for conducting the implementation of GATT agreements, such as agreements on goods and services, and regulations for import-export, including internal industrial protection measures.

4. The Council for Trade in Services facilitates the work of the General Agreement on Trade in Services (GATS) and its further objectives. The Council is in charge of the operation of four subsidiary bodies consisting of the Committee on Trade in Financial Services, the Committee on Specific Commitments, the Working Party on Domestic Regulation and the Working Party on GATS Rules.²⁰

5. Council for Trade-Related Aspects of Intellectual Property controls the operation of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and reviews the laws implementation of the Agreement. TRIPS notification obligations and the exchanges of questions and answers among WTO members are examples of the transparency mechanisms assisting the Council to monitor the function of the Agreement.²¹

¹⁹ "The Structure of WTO" (Iastate.edu, 2019)
<<http://www2.econ.iastate.edu/classes/econ355/choi/wtoworks.htm>> accessed May 30, 2019.

²⁰ "WTO | Services - Council and Bodies" (Wto.org, 2019)
<https://www.wto.org/english/tratop_e/serv_e/s_coun_e.htm> accessed May 30, 2019.

²¹ "WTO | Intellectual Property - TRIPS Council" (www.wto.org, 2019)
<https://www.wto.org/english/tratop_e/trips_e/intel6_e.htm> accessed May 30, 2019.

6. The Secretariat of the WTO has a duty to coordinate and facilitate councils and committees by providing technical and professional assistance without holding any decision-making power. Currently the secretariats main offices are located in Geneva, Switzerland with 625 regular employees under the direction of Roberto Azevêdo as WTO Director-General.²²

1.1.4. Agreements under the framework of the World Trade Organization

As mentioned above in the discussion of the WTO's history, the WTO evolved from the GATT agreement. After the Uruguay Round of Trade Negotiations (1986 to 1994), the WTO was established to revise international trade regulations covering various matters that had been overlooked in the past. Regarding agricultural products, the provisions of agricultural and textile products were included in the agreement and new trade issues were added, such as trade and service agreements, investment agreements, and protection of intellectual property. Therefore, the Marrakesh Agreement on the establishment of the WTO²³ contained the essence of each agreement framework as follows:

1. The Multilateral Agreement on Trade in Goods consists of thirteen agreements:²⁴

1.1 The General Agreement on Tariffs and Trade (GATT 1994) comprises of: (i) the provisions of GATT 1947; (ii) the legal instruments; and (iii) the six understandings that are considered to be a critical part of the GATT 1994. It is an agreement regarding membership and compliance with the agreements, and negotiations to open the market to reduce taxes down to a set accord by decreasing it at the same average rate every year from the date of becoming a member within five years.

1.2 The Agreement on Agriculture, which requires Member States to use all tax measures as well as canceling other tax restriction measures, such as quantitative restrictions. In addition, Member States must reduce their internal taxes to the criteria set forth in the agreement. For example, industrial countries must reduce their taxes to 36% within six years while developing countries must reduce their taxes to 24% within ten years.

²² "WTO | Secretariat and Budget Overview" (www.wto.org, 2019) <https://www.wto.org/english/thewto_e/secre_e/intro_e.htm> accessed May 30, 2019.

²³ "WTO | Legal Texts - Marrakesh Agreement" (Wto.org, 2019) <https://www.wto.org/english/docs_e/legal_e/04-wto_e.htm> accessed May 30, 2019.

²⁴ "WTO: Agreement on Trade in Goods - EUR-Lex" (eur-lex.europa.eu, 2017) <<https://eur-lex.europa.eu/summary/EN/legisum:r11011>> accessed May 31, 2019.

1.3 The Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures: Since SPS measures can be used as restriction measures, the agreement therefore specifies the use of SPS measures must not be used for unjustifiable discrimination or camouflaged restraint, but must be justified for the protection of humans, animals, and plant hygiene, and must comply with international standards.

1.4 The Agreement on Textiles and Clothing, which requires textile and clothing trade to be derestricted by gradually integrating it into GATT regulations (within ten years), which already expired at the end of 2004.

1.5 The Agreement on Technical Barriers to Trade (TBT), which may become barriers to trade if standards and conformity assessment mechanisms, such as industrial standards and safety/environment legislation are violated or excessive. This TBT agreement seeks to avoid these systems as unnecessary barriers to trade by ensuring their openness and harmonization with international standards.

1.6 The Agreement on Trade-Related Investment Measures (TRIMs): countries receiving foreign investment can take various measures in relation to cross-border investment, including imposing criteria, conditions, and restrictions (*i.e.*, investment controls) on corporation investment. Negotiations were initially conducted at the Uruguay Round, with a view towards extending disciplines governing investment measures. The TRIMs agreement prohibits only investment measures that are incompatible with the provisions of Article III (the national treatment principle) and Article XI (the general abolition of quantitative restrictions), or which cause direct adverse effects on the trade in goods.

1.7 The Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994, which was an agreement on anti-dumping that aimed to codify and tighten standards for the measurement of dumping margins and the conduct of dumping inquiries, in order to prevent abuse or misuse of anti-dumping measures to protect domestic manufactures.

1.8 The Agreement on Implementation of Article VII of the GATT 1994: Agreement on valuation for customs sets out guidelines for the implementation of the Article and seeks to harmonize the customs valuation systems to be in accordance with the agreement and the international basis by removing discriminatory evaluation systems.

1.9 The Agreement on Pre-shipment Inspection (PSI) is an agreement concerning the assignment of an agent authorized by the government to inspect the product's price, quantity, and quality before delivery, in order to demonstrate transparency and fairness.

1.10 The Agreement on Rules of Origin includes a system for the harmonization of rules of origin applicable to all non-preferential instruments of trade policy. It also defines standards that must be followed in creating or operating rules and provides for procedures for dispute settlement and forms the rules of origin committee.

1.11 The Agreement on Import Licensing Procedures is an agreement avoiding import licensing procedures from becoming unnecessary barriers to trade from various countries. This agreement seeks to simplify regulatory procedures and ensures their equal functions.

1.12 The Agreement on Subsidies and Countervailing Measures: This agreement aims to clarify definitions of subsidies, improve disciplines by form of subsidies, and reinforces the procedures for implementing countervailing tariffs.

1.13 The Agreement on Safeguards: Such resolution seeks to clarify guidelines regarding the conditions and protocols for implementing protections (emergency steps to limit imports) under GATT Article XIX, and relevant measures.

2. The General Agreement on Trade in Services (GATS): It includes general commitments on trade in services, such as fairness, MFN and openness. It also mentions 155 service sectors and specifies that a Member State can not sustain or impose limits on market access restriction and discriminatory steps

3. The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) is an agreement on the protection of various types of intellectual property, such as patents, copyrights, trademarks, etc.

4. The Understanding on Rules and Procedures Governing the Settlement of Disputes: It is an agreement regarding the dispute resolution process in the event that the matter cannot be compromised, therefore, both parties are able to request the establishment of the dispute settlement panels and an Appellate Body to reconsider the decision in the event that both parties were dissatisfied with the first decision.

5. The Trade Policy Review Mechanism: It is an agreement on the review of trade policy of member countries by the Trade Policy Review Body (TPRB). The review will reduce trade conflicts between member countries by giving the opportunity for the members to express opinions regarding the implementation of trade policy.

As can be deduced from these points, the history of the WTO, its working structure as well as the various fair and orderly established framework agreements make the WTO an

international trading platform that is knownly accepted and favoured by many countries including Russia.

1.1.5. The accession of Russia to the WTO

Being a member of the WTO was one of the goals that Russia set as a policy after the transitional government, because the country hoped that the WTO would be a mechanism for Russian economic development and integration into the world economy. After Russia was accepted to join the GATT agreement in June 1993 (recall the GATT became the WTO in 1995), the Council established a Working Party to consider Russia applying for membership in the WTO. This Working Party examined the trade system and the draft protocol on Russian rights and obligations on 16/17 June 1993. Later, in 1994/1995, Russia sent an international trade record to the Working Party that consisted of trade records on products, investments, services and intellectual properties. However, in January 1995 GATT officially changed to the WTO, which made the process of admitting Russia to the WTO subjecting to the responsibility of the WTO but the rules and the process of admission to the organization still had to adhere to the GATT agreement. After Russia sent a memorandum of understanding to the Working Party, on 2 June 1995, the Working Party began to question Russia regarding its trade system. This questioning process was significant in order to examine the commercial system and prepare all necessary information before the meeting would be held. The question-answering process, consisting of the Working Party and Russian representatives, provided information about the regulations and obligations that Russia would have to abide by according to the agreement. The timespan of meetings began on 17 to 19 June 1995, and lasted until its final summit on 10 November 2011, totaling thirty-one meetings.

Aside from negotiating with the Working Party, countries that are about to become members of the WTO must make commitments with member countries in order to open their markets for goods and services, and to comply with general rules. Those commitments are the outcome of the membership negotiations (or accession negotiations), and the countries negotiating membership are considered as WTO observers.²⁵

²⁵ “WTO | Understanding the WTO - Membership, Alliances and Bureaucracy” (*Wto.org*, 2019) <https://www.wto.org/english/thewto_e/whatis_e/tif_e/org3_e.htm> accessed June 1, 2019.

The first breakthrough was in February 1998, when Russia was able to enter into market access negotiations on goods.²⁶ And in October 1999, Russia was able to initiate market access negotiations on services,²⁷ which was considered a success after the meeting sessions of more than nine times. According to the progress of the 27th meeting from 13 to 15 April 2005, Russia reached agreements with twenty-nine member countries and on 87% of the imported goods to be negotiated. On 17 November 2011, a resolution was adopted to confirm the result of the negotiation regarding the market opening for goods and services from the General Council.²⁸ After the General Council confirmed the negotiations, the Working Party documented ratification of Russia to become a member of the WTO. After this document was sent to the Ministerial Conference for an approval, on 11 December 2011 the Ministerial Conference resolved to officially accept Russia as a member, with Russia to ratify within 220 days. Thirty days after ratification, the status of becoming a member of the WTO would be complete.

On 22 August 2012, Russia became the 156th member of the WTO after the ratification of the Duma to certify that Russia would enter the WTO and be bound to the rules and commitments of international trade. In this regard, Pascal Lamy, the Director-General of WTO members (from 2005 to 2009 and 2009 to 2013), described the success of Russia as a member, saying that Russia must take advantage of being a member of the WTO to strengthen and develop the Russian economy, in order to compete and integrate its economy to be a part of the global economy, including the development of stable welfare for the Russian people.²⁹

1.2. Adjustment of Russia to become a member of the World Trade Organization.

1.2.1 Soviet adjustment to join the General Agreement on Tariffs and Trade, or GATT, 1945 to 1991

After the WWII ended, the Cold War was generated between two power parties led by the US and the Soviet Union. The ideological struggle between the two superpowers

²⁶ WT/ACC/RUS/24

²⁷ WT/ACC/RUS/32

²⁸ WT/ACC/RUS/70, WT/MIN(11)/2

²⁹ “WTO | 2012 Press Releases - Lamy Hails Russia’s WTO Accession Ratification - Press/668” (www.wto.org, 2012) <https://www.wto.org/english/news_e/pres12_e/pr668_e.htm> accessed June 1, 2019.

created many socialist countries, resulting in resistance between the liberalist countries and the socialist countries. Furthermore, international associations were established to provide economic assistance to countries affected by the threat posed by the Soviet Union. At that time, though, the US followed the strategy of establishing a multilateral cooperation in the form of various institutions to strengthen the international political and economic system.

Unlike liberalism, socialism only implements trade policies in socialist countries, thus the Soviet Union only developed economic aid cooperation in the socialist nations during that period. Socialist countries' economic assistance used the exchange of goods among participants within the cooperative community. Countries that were capable of manufacturing specific goods and services would provide them in exchange for their requested imports. For example, the Soviet Union exported oil and natural gas products, steel, engine parts and aircraft; Bulgaria exported tomatoes; Poland exported coal; and so on.³⁰ Those economic operations are indicative of self-sufficiency only in those socialist countries by using the policy-setting central planning, such as the state subsidizing all forms of industries and functioning as a monopoly on products.

From 1960 to 1987, although socialist countries had the highest proportion of foreign trade compared to other cooperative groups, problems with the economic system, in particular the issue of budget deficit due to the Soviet Union offering excessive financial support to the socialist countries, arose. In particular, the provisions of credit-aid to Cuba, Vietnam, and Iraq, as well as the use of goods exchanged between socialist countries, caused the Soviet Union to face a trade deficit as a result of its high production costs of petroleum and natural gases in exchange for inferior products from cooperating countries. Subsequently the Soviet Union was forced to introduce future reform policies.

As a united countermeasure against communism, in terms of both security and economic cooperation, the liberal world established cooperative organizations, in particular the formation of the global economic organization, the Organization for European Economic Co-operation (OEEC), which has developed into the Organization for Economic Co-operation and Development (OECD).³¹ The Soviet Union viewed these actions as an undermining tactic, designed to prohibit it from expanding its influence and supporting other nations.

Nevertheless, in 1985 the Soviet Union adopted its policy of Glasnost (Russian for "openness") and Perestroika (Russian for "restructuring") in response to its economic

³⁰ Robert Cottrell, *Russia and the WTO* (London: The Center for European Reform(CER), 2002) 10.

³¹ Ibid 12.

difficulties, combined with international pressure, and to reform and stabilize its political and economic systems by establishing partnerships with the US and the EU.³²

The 1985 Geneva Summit was an important meeting during the Cold War era held in neutral Switzerland between then US President Ronald Reagan and the Soviet Secretary-General Mikhail Gorbachev, on 19 and 20 November 1985.³³ As a result of this meeting, the Soviet Union became interested in joining the GATT agreement at a later stage and submitted a request to be an “observer” at the Uruguay Round negotiations of the GATT in August 1985. The Soviet Union was obstructed, however, by Western industrialized countries and the US because of its central planning economic system. Finally in 1990, the Soviet Union received a status as an observer to the Uruguay Round negotiations with the support of the US.³⁴ The status of the Soviet Union remained as an observer until the collapse of the Soviet Union in 1991. After the collapse, Russia became a full heir to the Soviet Union: it was a permanent member of the United Nations Security Council and had the right to become a GATT member.

1.2.2. Russian adaptation to be a member of the WTO during the Yeltsin period, 1991 to 1999

Boris Nikolayevich Yeltsin, the first Russian leader after the collapse of the Soviet Union, managed to run the country amidst the resulting political and economic instability. The new Russia was beset by severe economic problems, such as competition from political groups vying for and trying to usurp power, massive debt problems, inflation issues, and shortages of basic consumer goods. Yeltsin's approach to solving these problems was to use a new structural change and replace the previous one by altering from a socialist system to a liberal system, and to use economic practices of the Western industrialized countries as a model. After the ratification of Russia's accession to the GATT agreement in 1993, Russia adjusted to becoming a member of the WTO as follows below.

Firstly, Yeltsin focused on an ambitious program termed “shock-therapy reform”, which was a rapid transition to establish a middle ground between a state and market company. This concept was part of the Washington Consensus, which provided a set of

³² History.com Editors, “Perestroika” (*HISTORY*, August 21, 2018) <<https://www.history.com/topics/cold-war/perestroika-and-glasnost>> accessed June 1, 2019.

³³ Frances Fitzgerald, *Way out There in the Blue : Reagan, Star Wars, and the End of the Cold War* (Simon & Schuster 2001) 513–514.

³⁴ Leonid Sabelnikov, *Russia on the Way to the World Trade Organization*, vol 72 (2nd edn, 1996) 346.

standard principles for economic policy and was considered a prototype of the international economic organizations such as the IMF. The Yeltsin government began shock-therapy measures on 2 January 1992, granted extraordinary powers from the People's Congress of Deputies through an inner circle of reformist deputies consisting of Yegor Gaidar, Anatoly Chubais, and Boris Nemtsov.³⁵ Important pillars of reform were as follows:³⁶

A. Budget Stabilization:

Restructuring and stabilizing the financial system decreased the cost of government spending and the state budget funding for state enterprises. Because during the time of the Soviet Union, the State was required to subsidize the economic budgets of all sectors, which resulted in state monopolies and, when the state had a liquidity problem, often affected other parts of the economy.

B. Trade Liberalization:

Yeltsin implemented trade liberalization without tax restrictions, which enabled foreign products to flow into new Russian markets. Although the Russian people had more access to consumer goods, trade liberalization without effective control measures led to prices increases. For example, food prices rose 400% in a single month.³⁷

C. Privatization:

Following the implementation of various economic measures, the next step was to transfer state-owned enterprises to the private sector in order to reduce the cost of embracing the loss of state-owned enterprises and to compensate the budget for state subsidies in the past. Furthermore, the privatization was also in accordance with the decentralization principle, which sought to reduce a central monopoly for restructuring the free economy; for example, by allowing state-owned enterprises to buy shares of other state-owned enterprises at a lower rate. This process led to the situation, where having the power to buy shares was a way for senior executives or politicians to take over the state enterprises. In addition, the State provided private individuals with the opportunity to purchase state-owned shares by issuing a decree on the privatization on 19 August 1992 to supposedly distribute state-owned enterprises to the people.³⁸ Many state-owned enterprises instead fell into the private hands of an elite few and not into the hands of the people, as a result of this unequal privatization. In

³⁵ Desai, Padma, Chapter I Boris Yeltsin, *Conversations on Russia: Reform from Yeltsin to Putin* (Oxford University Press 2007) 80.

³⁶ Christopher Huygen, "One Step Forward, Two Steps Back: Boris Yeltsin and the Failure of Shock Therapy" (2012) 3 *Constellations* 63-71.

³⁷ *Ibid* 66.

³⁸ Graham Smith, *The Post-Soviet State Mapping the Politics of Transition* (Oxford University Press, 1999) 202.

1993, there were 204,998 state enterprises in the system waiting to be transferred to the private sector, and just five years later, in 1998, there remained just 88,264 state-owned enterprises in the system – a reduction of almost 60%.³⁹

Secondly, Russia enacted internal regulatory changes, promoting domestic and foreign businesses, such as privatization and public affairs laws, land-based restructuring legislation, and tax system controls, which both trading partners could use as a common practice, and which facilitates investment between countries. Russia implemented reforms and laws to support trading and investment as follows:

A. Russia issued legislation supporting the privatization and operation of citizens, private entrepreneurs, and foreign investors. In order to protect private rights and liberties of various businesses, the Russian Constitution amended the details of the investment law; for example, in Article 35, paragraph 1, the Russian Constitution stipulates private rights for operating an enterprise that is not otherwise against Russian law.⁴⁰

B. A law on the privatization of state-owned firms was adopted, which would result in property under state control being transferred to the private sector. Accordingly, land ownership rights needed to be amended under the law on land privatization.⁴¹ Nevertheless, the law on land privatization in Russia was still very limited, because the old law stipulated that the state was the only “individual” with the right to hold lands. Hence, the land privatization of the Yeltsin government was only partially successful because it was opposed by opposition parties and farmers who did not want the state-owned land to fall into private possession.

C. In addition, Russia released tax rules and regulations that defined the extent of tax reform measures, such as the use of import restrictions that Russia was eligible to use as necessary in three cases: 1) for the security and safety of the people in the nation; 2) where import was a legal obligation; and 3) to defending the domestic market.

However, although Russia passed legislation to certify its tax system, in practice it was still possible to disregard the reduction in duty under the WTO agreement, such as Russia’s vow to reduce the average import tariff to 10%. It later emerged that Russia was still using the same rate of 16%, even following discussions with the Working Party. As well as imposing high import tariffs on medicines and medical supplies.

³⁹ Hans Van Zon, *Russia’s Development Problem - The Cult of Power* (1st edn, Palgrave Macmillan UK 2009) 145.

⁴⁰ *Ibid* 147.

⁴¹ *Ibid* 147.

Thirdly, the 1997 amendment to the laws protecting foreign investors was considered important legislation that demonstrated Russia's changes to encourage foreign investment by providing basic assurances for the ability of foreign investors to contribute in Russia, as well as for the revenues and income earned from investors. The essence of these laws emphasized non-discrimination, meaning foreign entrepreneurs would have equal rights to domestic investors under Russian law.⁴² However, passing and implementing legislation during this period was difficult because the opposition often opposed the government's proposed legislation, such as with the production sharing law that defined the scope of investment and product allocation within Russia's mining and energy industries.⁴³

Fourthly, Russia adopted intellectual property laws, which was a matter of great concern to developed countries. In 1997, Russia passed the Intellectual Property Protection Act, after more than two years of effort, in accordance with international standards, though Russia still had limits on intellectual property production standards and regulation of intellectual property industrial systems.⁴⁴ However, enforcement of intellectual property protection laws in Russia was still very troublesome because most police officers and legal departments were not executing strict law enforcement, resulting in frequent intellectual property infringements within Russia. The US in particular objected to the lack of Russian enforcement in this respect, and planned to take full measures against intellectual property infringing entrepreneurs.⁴⁵

Regarding foreign trade and investment, it was found that foreign countries were increasingly interested in investing and trading with Russia after the government announced the sudden economic reform. Although the government had introduced various measures to smoothen trade and investment with foreign countries, imports and exports were still in small quantities. Russia had to rely on foreign-state credit assistance, which led to increased debt at that time. In 1998, Russia had up to 142 billion US dollars in foreign debt.⁴⁶

The reform was not capable of addressing domestic economic challenges but, on the opposite, it caused multiple disadvantages. The failure of the Yeltsin's economic reform became a threat to the popularity of the government. Therefore, Yeltsin had to create political trust in his government by nominating economic experts, such as appointing Mr. Yevgeny

⁴² Ibid 148

⁴³ Ibid 147.

⁴⁴ Ibid 148.

⁴⁵ David A Dyker, *Economic Policy Making and Business Culture: Why Is Russia so Different* (Imperial College Press 2012) 106.

⁴⁶ Ibid 66.

Maksimovich Primakov, a former Middle East KGB officer, who was highly respected in the Duma as Foreign Minister.⁴⁸ Furthermore, Yeltsin used his alliances to receive a majority vote in the parliament. As in the second presidential election, Yeltsin appointed Secretary of the Security Council, Lieutenant General Alexander Ivanovich Lebed for calling on his supporters to vote for Yeltsin, and as a result of this strategy, Yeltsin was re-elected for the second term.⁴⁹

In the aspect of building economic confidence, the government turned to implement policies by controlling the domestic economy and exporting oil and gas to generate income into the country, as well as requesting foreign financial assistance from various institutions to revitalize the nation's economy, such as requesting loans from the IMF. From 1999 to 2000, the Russian economy rose by 8.3%.⁵⁰ The domestic industry had been recovered and new industries, such as the software industry, computer industry as well as food processing- and packaging businesses had been developed.

1.2.3. Russian adjustment to become a member of the World Trade Organization during the Putin period, 2000 to 2007

After the resignation of Yeltsin in 1999, Vladimir Vladimirovich Putin was elected as President on 26 March 2000. Putin's first strategy was to rebuild economic confidence within Russia after the 1997 financial crisis; From 1997 to 1999 economic growth had decreased by 4.9%.⁵¹

Putin paid a great attention to becoming a member of the WTO, as he stated that Russia was to complete the mission by 2003.⁵² Russia's transition to becoming a member of the WTO during the Putin period took several steps, such as introducing tax reform measures, privatizing land of state-owned companies, promoting trade and investment banking-laws, and reforming domestic and foreign investment policies, which can be seen in various aspects:

⁴⁸ Lilia Shevtsova, *Putin's Russia* (Carnegie Endowment for International Peace 2010) 39–40.

⁴⁹ Ibid 35.

⁵⁰ "Russia's Post-Soviet Union Economy" (*Investopedia*, 2019)
<<https://www.investopedia.com/articles/investing/012116/russian-economy-collapse-soviet-union.asp>>
accessed July 20, 2019.

⁵¹ David A Dyker, *Economic Policy Making and Business Culture: Why Is Russia so Different* (Imperial College Press 2012) 104.

⁵² Anders Aslund, "An Assessment of Putin's Economic Policy" 16.

Firstly Russia introduced tax reforms⁵³ to attract foreign investors and create incentives for domestic entrepreneurs, because the country had been in a financial deficit in the last years partly due to businessmen and companies avoiding and minimizing tax payments. The introduction of tax incentives would thus help stimulate the domestic economy to recover and increase the taxes according to standards. On 1 January 2000 Putin passed the tax law and implemented reforms in different areas, such as value added tax (VAT), corporate tax, personal income tax (PIT), transport tax, ownership tax, license tax.

Secondly Russia reinforced the privatization of state-owned land, which had been a residual issue of the Yeltsin era.⁵⁶ The draft law was opposed by the opposition and the agricultural sector. Later, on 22 July 2002, President Putin approved and signed a law on the turnover of the state-owned land, consisting of the law governing land survey, the land allocation law for investment, the agricultural land allocation law and the regulations on land use.

Thirdly Putin introduced laws to promote foreign trade and investment, such as the legislation for establishing foreign juristic persons and the investment regulations in the stock market.⁵⁷

Fourthly Russia implemented reforms in the banking sector.⁵⁸ Since the Soviet Union collapsed, the development of the banking sector in Russia had been very slow and it was found that only thirty banks achieved the international standards. This was a huge problem for international transactions, hence, Putin reformed the banking system to support the economic growth by defining the structure of the banking system into four sections:

A. The Central Bank of the Russian Federation is responsible for the control of the banking system and the business operations of commercial and foreign banks.

B. The Government bank consists of the Government Savings Bank to oversee the amount of accumulated funds and public transactions, and an International Trade Bank that was licensed by the Central Bank to carry out 2,000 business operations.

C. The commercial banks suffered bankruptcy after the 1997 financial crisis and had been shut down. The government, however, adopted a policy of restructuring public debt and halted the commercial banks' debt repayment, resulting in the banks to be recovered again. In

⁵³ Ibid

⁵⁶ Ibid 17.

⁵⁷ Cornaire Michel Hallisy, "Riches to Rubles: Problems Russia Must Address to Increase Direct Investment from U.S. Private Equity" (2008) 16 *The Journal of Comparative and International Law* 143-156.

⁵⁸ Ruben Lamdany, *Russia: The Banking System During Transition (World Bank Country Study)*(The World Bank 1993) 3-6.

addition, these banks endeavored to overhaul the banking system to be more in line with international banking structures, such as developing payment- and international money transfer systems.

D. The foreign banks operating in Russia had limited transactions. Russian law did not allow foreign banks to carry out full transactions in order to prevent the excessive entry of foreign banks.

Fifthly, Russia implemented policies to encourage domestic and foreign trade and investment, such as tackling corruption issues, developing internal structure for investment promotion, and expanding energy investments to foreign countries.

A. Publicly Putin considered corruption as a very crucial issue. He compared corruption to a disease that threatened national security and caused Russia to lose confidence in foreign investors hindering Russian growth.⁵⁹ To address this problem, Putin implemented the policy of re-nationalization, granting the government control over the private sector under the operation of the state to regulate private businesses and prevent monopolies in large industries, as for example in the case of large oil production companies. Therefore, the aforementioned strategy, was to create social norms to discourage interest groups from becoming monopolized and allow foreign countries to easily enter into the markets.⁶⁰

In addition, Putin also established the National Anti-Corruption Agency to oversee various government agencies and review private business operations concerning money laundering and market monopolies. The National Anti-Corruption Office also monitored the movement of private sectors encouraging fraud, such as preventing capital movements in illegal businesses and inspecting the business operations of private groups.⁶¹ The National Anti-Corruption Office was an independent organization with independent power of administration, and consisted of legal experts in multiple fields.

B. Putin concentrated on improving internal investment system as Russia had weak domestic investment rates following 1990. Foreign investment in Russia accounted for less than 1% of the investment value compared to global investments.⁶² Consequently, Putin initiated the establishment of a special economic zone and developed various mechanisms to facilitate foreign investors. This concept was a strategy introduced by powerful nations, such

⁵⁹ Oleg Karpovich, *Corruption in Present Day Russia* (Author House 2008) 13.

⁶⁰ Anders Aslund, "An Assessment of Putin's Economic Policy" 18.

⁶¹ "FAS Russia" (*en.fas.gov.ru*, 2014) <<http://en.fas.gov.ru>> accessed June 5, 2019.

⁶² David A Dyker, *Economic Policy Making and Business Culture: Why Is Russia so Different* (Imperial College Press 2012) 138.

as France and the United Kingdom.⁶³ Putin adopted the idea as a model to develop investment in major industries, such as the automobile and aircraft industries, as well as creating a special economic zone to attract foreign companies to invest in Russia.⁶⁴

C. Putin expanded investment in the energy sector to foreign countries. Russia formulated a strategy to boost the economy by widening the gas pipeline project to the Eurasian zone, which connects to the CIS and transfers gas to Europe, such as the Russia-Ukraine gas pipeline project to the EU. In addition, Russia also developed gas transport routes to the EU on the Blue Stream route through the Balkans to Italy. Throughout Asia, Russia had established gas pipelines to China, Japan, and South Korea on the Trans-Siberian route.⁶⁵ As a result of the expansion of gas pipelines to different regions, Russia became the sole exporter of natural gas to the EU. In addition to the monopolization of gas export, Russia implemented a policy to subsidize the domestic energy sector, which made domestic energy prices cheaper than the world market average.

In general, the Russian economy after 2000 started to develop as a result of tax policies and industrial regulations. In 2007, Russia's GDP ranked tenth in the world, and the country became the world's seventh economic power.⁶⁶ Moreover, Russia successfully negotiated the opening of free trade with foreign countries, such as the approval of the Russian market mechanism by the EU in May 2004, and an agreement to open markets for goods and services with the US in November 2006, resulting in the Russian economy receiving more acceptance from foreign countries. It was also an important step in planning to be qualified for membership in the WTO.⁶⁷

⁶³ Joseph Dresen, "Petrostate: Putin, Power, and the New Russia | Wilson Center" (*www.wilsoncenter.org*, 2013) <<https://www.wilsoncenter.org/publication/petrostate-putin-power-and-the-new-russia>> accessed June 5, 2019.

⁶⁴ European Bank, "Automotive Industry in Russia: Impact of Foreign Investments in Car Assembly Plants on Suppliers' Entry" (2013) <<https://www.ebrd.com/downloads/research/economics/auto.pdf>> accessed June 5, 2019.

⁶⁵ Roman Kazmin, "EU Heavily Divided on South Stream" [2009] *European Energy Review* <<https://www.elektormagazine.com/files/attachment/3611>> accessed July 30, 2019.

⁶⁶ Sputnik, "Russia's Economy under Vladimir Putin: Achievements and Failures" (*Sputniknews.com*, March 2008) <<https://sputniknews.com/analysis/20080301100381963/>> accessed June 5, 2019.

⁶⁷ William H Cooper, "Russia's Accession to the WTO and Its Implications for the United States" (2012) Congressional Research Service 4.

1.2.4. Russia's adjustment to become a member of the WTO during the Medvedev period, 2008 to 2011

President Dmitry Anatolyevich Medvedev's election in 2008 attracted a lot of attention because Medvedev was considered a potential successor to Putin. The Russian constitution stipulates that the term of the position of president must not exceed two consecutive terms. Therefore, Putin could no longer hold the presidency.

In September 2009, Medvedev proposed a development plan entitled "Go Russia". The development strategy was part of the modernization policy that focused on five priorities for Russia's technological development:⁶⁸

1. Efficient use of energy and resources
2. Nuclear technology
3. Information technology
4. Medical technology and pharmaceuticals
5. Space technology and telecommunications

In addition to pursuing the modernization policy, Medvedev also focused on building economic cooperations with foreign countries. Medvedev mediated with other countries to support Russia to become a member of the WTO more rapidly. For example, in 2009 Medvedev officially visited the US to discuss with then President Barack Obama supporting Russia to become a WTO member, and held a second visit the following year. Medvedev was strongly supported by the US, and the US was firmly committed to endorsing Russia as a member of the WTO.⁶⁹

For the executive power, Medvedev found that there were several limitations. It was well known that Medvedev represented Putin's power, although while he served as President, the decision-making authority remained with Putin and the ruling party. While Medvedev implemented modernization policies to create an investment climate and requested for international cooperation to support Russia as a member of the WTO, in 2009, Putin, the prime minister at that time, announced a delay in becoming a WTO member and established a Customs Union, consisting of Russia, Kazakhstan and Belarus instead.⁷⁰ The announcement of Putin's formation of the Customs Union was seen as Russia's attempt to force member

⁶⁸ "Dmitry Medvedev's Article, Go Russia!" (*President of Russia*, 2009) <<http://eng.kremlin.ru/transcripts/298>> accessed June 5, 2019.

⁶⁹ William H. Cooper, "Russia's Accession to the WTO and Its Implications for the United States" 8.

⁷⁰ Anders Aslunds, *Why Doesn't Russia Join the WTO?* (The Washington Quarterly 2010) 8.

countries of the WTO to put pressure on Georgia to overturn its veto of Russia's membership in the WTO. Russia pushed the US and the EU to pressure Georgia to negotiate with Russia because Georgia was not satisfied with Russia's initial recognition of the independence of Abkhazia and South Ossetia. However, the proposal of forming the Customs Union in the form of a special economic zone was impractical and had to be abolished because the Customs Union did not have a specific operational framework and the economic structure of Russia, Kazakhstan and Belarus, such as the trading- and customs system, was also very different.

In summary, Russia's transition in the Medvedev era used three approaches to become a part of the WTO, starting with the strategy of modernization, the collaboration with the US to support Russia as a WTO member, and using the principle of Putin's Customs Union in an effort to pressure the WTO Member States to persuade Georgia to overturn the veto on Russia. After the discussion between the Working Party and Russia in Switzerland in 2009, Georgia revoked its veto on Russia's WTO membership, and Russia formally joined the WTO in late 2011.

II. Factors affecting membership in the World Trade Organization of Russia

2.1. Internal factors

Domestic factors had a profound effect on international negotiations. These could only be successful when the conclusion was satisfactory to all local interest groups.⁷⁹ The following study of internal factors impacting Russia to become a member of the WTO of Russia focuses on the role of internal political groups, including governments, bureaucrats and interest groups between 1995 and 2011.

2.1.1. The role of political groups within the Yeltsin period, 1995 to 1999

The political situation in Russia after 1990 had not been favorable for negotiations to become a member of the WTO, because at that time, Russia had recently transitioned to democracy, resulting in a very restrictive adjustment in politics and economy. Political

⁷⁹ Robert D Putnam, "Diplomacy and Domestic Politics: The Logic of Two-Level Games" (1988) 42 International Organization 448 <<http://www.guillaumenicaise.com/wp-content/uploads/2013/10/Putnam-The-Logic-of-Two-Level-Games.pdf>> accessed June 8, 2019.

groups were attempting to usurp the governing power and the economic crisis during the Soviet Union had left behind a severe impact.

Interest groups in Russia had developed from politicians and bureaucrats in the Soviet Union, into businessmen who had been influenced by the policy of Glasnost-Perestroika (openness and transparency) during the Gorbachev period. This policy issued a legislation enabling citizens to operate their businesses freely, granting the state enterprises the freedom in executing the policy, and allowing government officials in state enterprises to conduct state-owned companies independently.⁸⁰ Throughout the Yeltsin phase, several government officials learned how to exploit the benefits of privatization and take ownership in state-owned businesses, such as oil and natural gas, automobile and petrochemical industries. The awareness among entrepreneurs who wanted to become engaged in politics in order to protect their economic profits led to the establishment of representative entrepreneurial organizations, mainly with a military-industrial, agricultural or liberal agenda⁸⁴

In 1995, Russia formally initiated negotiations to become a member of the WTO after signing a Memorandum of Understanding on Foreign Trade Regulations. The government had pushed for the issuance of privatization laws as well as trade- and investment regulations to overhaul the international market and begin negotiations with various countries to join the WTO. However, there were political parties, government entities and interest groups that opposed to the legislation, such as the Communist Party and the Agrarian Union who collaborated together to counter the proposal. The various entities in the Yeltsin era that had influenced the integration of Russia into the WTO were as follows:

2.1.1.1. The role of the government

Being a member of the WTO (formally GATT) was a very significant matter for the government led by Yeltsin to get the country's economy back on its feet. It launched the idea of bringing Russia into the GATT Agreement, declaring its intention to the Duma Council on 28 October 1993.⁸⁵ In addition, Yeltsin appointed well known economist Yevgeny Grigoryevich Yasin as Russian Minister of Economy to oversee the negotiations. He has been

⁸⁰ Michael McFaul, "Why Russia's Politics Matter" (1995) 74 Foreign Affairs 90.

⁸⁴ "Bulletin of the Atomic Scientists" (1993) 49 Educational Foundation for Nuclear Science, Inc. 32-35.

⁸⁵ Anders Aslund, "The United States, Not Gaidar, Killed Yeltsin's Reforms" (*PIIE*, March 2, 2016) <<https://www.piie.com/commentary/op-eds/united-states-not-gaidar-killed-yeltsins-reforms>> accessed June 10, 2019.

heard stating: "If Russia becomes a member of GATT, Russia will benefit greatly, especially the export market, so that Russia does not have much choice to reject such a good opportunity."⁸⁶

Entrepreneurs and liberal politicians who were close to Yeltsin were also involved in policy making, such as Yegor Timurovich Gaidar, Anatoly Borisovich Chubais who was the president of RAO and UES, and Viktor Stepanovich Chernomyrdin who was the first chairman of the Gazprom energy company.⁸⁷ These members of Yeltsin's administration wanted to change Russia's economy to a free market. They saw that the way to help Russia recover in the long run, was to establish a stable capitalist system by transforming state-owned enterprises and therefore reducing the monopolization of the former socialist group.⁸⁸ Also the big political parties, namely, the Russia's Choice and the Liberal Democratic Party were in support of the WTO membership by voting for the privatization laws in 1993. The draft privatization act obtained 75% approval from the Russian State Duma.⁸⁹ The issuance of privatization law was a process of internal economic reform in accordance to the international economic framework put up by the GATT, in aspects such as the custom tax system, trade regulations, etc.⁹⁰

Although the government was successful initiating the negotiation, it was later hindered by political parties that did not encourage Russia to be a member of the WTO. In particular, the Communist Party voted in 1997 to overturn the draft law protecting foreign investors.⁹¹ The Communist Party and its allies also rejected the product-sharing agreements (PSA), which are agreements on product management between the government and international investors, stating that foreign investors could only exchange goods as stipulated within the agreement. As a result, the Duma Council took three years until it approved of the PSAs.⁹²

⁸⁶ Anders Aslunds, *Why Doesn't Russia Join the WTO?* (The Washington Quarterly 2010) 54.

⁸⁷ Padma Desai, "Russian Retrospectives on Reforms from Yeltsin to Putin" (2005) 19 *Journal of Economic Perspectives* 91.

⁸⁸ *Ibid* 97.

⁸⁹ Michael McFaul, "Why Russia's Politics Matter" (1995) 74 *Foreign Affairs* 90.

⁹⁰ "WTO | Trade Topics - THE REGULATION OF STATE TRADING UNDER THE WTO SYSTEM" (www.wto.org, 2014) <https://www.wto.org/english/tratop_e/statra_e/statrad.htm> accessed June 10, 2019.

⁹¹ "Russia Promises Action As It Aims for WTO", (*Wall Street Journal* 1997) 2.

⁹² United States. Congress. House. Committee on Banking and Financial Services, *Russian Economic Turmoil: Hearing Before the Committee on Banking and Financial Services, U.S. House of Representatives, One Hundred Sixth Congress, First Session, June 10, 1999, Volume 4* (US Government Printing Office 2000) 149–150.

The opposition then raised the issue of the failure of the economic reform policy, in order to attack the government administration, and collaborated with the legislature to balance the government's power, causing Yeltsin to become aware that the government needed to amend the law to increase executive authority. Yeltsin faced challenges when the opposition teamed up with the legislature to impeach him as president, leading to a referendum. Following this threat to his authority, Yeltsin urged amendment of the law by issuing Presidential Decree No. 1400,⁹³ to dissolve the Congress of the People's Deputies and grant the president additional executive powers. In contrast, the legislature saw the issuance of the decree as illegitimate, causing the legislature to exercise its power to remove Yeltsin from the presidency. The conflict escalated into violence when Yeltsin led the siege of parliament and arrested all legislators, resulting in more than 200 people killed or injured in the "1993 Constitutional Crisis."⁹⁴ After the Crisis, Yeltsin successfully amended the law to certify the presidency.⁹⁵

2.1.1.2. *The role of Bureaucrats*

The Yeltsin bureaucrats strongly endorsed membership in the WTO. Yeltsin assigned the department of Foreign Economic Relations to be responsible for the negotiations and appointed Mikhail Yefimovich Fradkov to be the leader of the negotiations. Mr. Fradkov was known as someone with extensive knowledge and expertise in the WTO. The success of Fradkov prompted Russia to sign a memorandum of understanding on trade regulations between Russia and the WTO.⁹⁶

The department of Foreign Economic Relations played an important role in arranging trade collaboration with other nations, such as the signing in 1998 of a memorandum of understanding on investment and economic cooperation with Japan. Japan supported Russia as a member of the WTO and sent economic experts to establish a trading center for international trade. Consequently, Japan was one of the first countries to work collaboratively

⁹³ Daniel Treisman, "After Yeltsin Comes... Yeltsin" (1999) *Foreign Policy* 71.

Daniel Treisman, "After Yeltsin Comes... Yeltsin" (1999) *Foreign Policy* 71. ober 1993" (*Institute of Modern Russia*, October 2, 2013) <<https://www.imrussia.org/en/politics/564-the-shelling-of-parliament-myths-and-realities-of-october-1993>> accessed July 1, 2019.

⁹⁵ "Yeltsin Crushes Revolt" (*the Guardian*, October 5, 1993)

<<http://www.theguardian.com/world/1993/oct/05/russia.davidhearst>> accessed July 1, 2019.

⁹⁶ "WTO | Accessions: Russian Federation" (*www.wto.org*, 2013)

<http://www.wto.org/english/thewto_e/acc_e/a1_russie_e.htm> accessed July 1, 2019.

with Russia, which, due to Japan's knowledge and expertise in trading networks as well as new technologies, was advantageous to the country.⁹⁷

However, the conflicts between the Russian legislature and the government became exacerbated, and the opposition criticized the government's operation for failure in economic policy and corruption in the department. In turn, the department of Foreign Economic Relations was accused of corruption, resulting in the resignation of Fradkov, taking responsibility after only two years of leading the department.⁹⁸

In addition, the bureaucrats opposed economic reform laws, such as Yeltsin's effort in 1997 to implement the law on agricultural land privatization. It emerged that the officials rejected the draft law and called on the government to stop contemplating the legislation on the privatization of agricultural land, including proposing that the government continue subsidizing the agricultural sector. When objection was raised by the officials, the government had to delay consideration of the draft law on agricultural land privatization.⁹⁹

2.1.1.3. *The role of interest groups*

Interest groups during Yeltsin's presidency were divided into three major groups: 1. a group of businessmen in the military-energy industry; 2. representatives of farmer groups; and 3. representatives of liberals. These three groups responded to membership within the WTO as follows:

RSPP headed by Viktor Chernomyrdin and Arkady Volsky:¹⁰¹ this group opposed the privatization program and becoming a member of the WTO. RSPP disagreed with certain policies, such as that the government should first privatize state-owned enterprises that were profitable and secure, and that the government should fund state-owned enterprises that could not survive on their own. Moreover, RSPP also supported that the government should increase income insurance for employees of government-owned corporations.¹⁰² However, since RSPP's representative, Mr. Chernomyrdin, became Prime Minister in 1992, it appeared

⁹⁷ "MOFA: Official Visit to the Russian Federation by Prime Minister Keizo Obuchi" (www.mofa.go.jp, 2014) <<https://www.mofa.go.jp/region/europe/russia/pmv9811/index.html>> accessed July 1, 2019.

⁹⁸ "Mikhail Fradkov – Russiapedia Politics and Society Prominent Russians" (russiapedia.com) <<https://russiapedia.com/prominent-russians/politics-and-society/mikhail-fradkov/>> accessed March 6, 2020.

⁹⁹ John Pike, "Agriculture Policy - Yeltsin" ([Globalsecurity.org](http://www.globalsecurity.org), 2014) <<http://www.globalsecurity.org/military/world/russia/agriculture-yeltsin.htm>> accessed July 15, 2019.

¹⁰¹ Hilary Appel, *New Capitalist Order: Privatization And Ideology In Russia And Eastern Europe* (*Russian and East European Studies*) (1st edn, University of Pittsburgh Press 2004) 86.

¹⁰² *Ibid* 89.

that RSPP became more engaged and supportive of the operations of government.¹⁰³ The relationship between the leaders of RSPP and the government was very close, because Chernomyrdin and Mr. Volsky were known associates of Chubais, who had been trusted by Yeltsin. In essence, RSPP was a leader of the business negotiations for membership in the WTO and pushed Russia to conclude a partnership agreement with the EU.¹⁰⁴

The Russian Agrarian Union objected to becoming a member of the WTO, beginning with an opposition to the Yeltsin privatization plan, including privatization of agricultural land. The Agrarian Union envisaged that the legislation would have an affect on the conventional agricultural system, such as changing from integrated farming to private-sector production, which would establish monopolies for middlemen and place farmers at a disadvantage. In this respect, the Agrarian Union cooperated with the Communist Party and the Agrarian Party of Russia, who were allies in the vote against the legislation concerning the agricultural sector. The Agrarian Union successfully pressured the government to suspend the agricultural land reform legislation in 1997.¹⁰⁵

The liberals' notion towards becoming a part of the WTO was that they did not explicitly display approval or resistance because, at that time, the group was loosely gathered together and consisted of numerous business groups who had just started operating, such as small exporters and insurance business companies. This naturally resulted in a decrease of the liberals' bargaining power. The lagging of trading networks in Russia had also been an obstacle to the operation of those groups because it was an industry that required assistance from the international trade system, such as export systems and bank payment regulations.

2.1.2. The role of political groups within the Putin period, 2000 to 2007

The political situation in Putin's era was relatively stable because Putin centralized the management power of the regional government to amend the law in order to increase the legitimacy of the government, such as reforming administrative law and legislation to eradicate the corruption of interest groups, and appointed his allies to control certain businesses. Putin has stated that Russia is best suited to centralized administration because there had been so much focus on decentralization to the provincial government during the

¹⁰³ Anders Aslund, *Russia's Capitalist Revolution: Why Market Reform Succeeded and Democracy Failed* (Columbia University Press 2007) 106.

¹⁰⁴ Ibid 226-227.

¹⁰⁵ Heiko Pleines, "Russian Business Interests and the Enlarged European Union" (2005) 17 *Post-Communist Economies* 270.

Yeltsin period, which allowed some regional administrators to use their power in corruption, and, as a result, led the regional administration to be monopolized by executives seeking benefits from industrial control in the region.¹⁰⁶

Putin concentrated on improving the domestic economy by making use of the advantages of energy exports and foreign trade, which ultimately resulted in a rapid growth of the Russian economy after the crisis of 1997. The rapid proliferation of interest groups as the result of Yeltsin's privatization program, helped pave the way for bureaucrats and politicians to gain benefits from the business sector. The growth (in %) of interest groups during the Putin era was especially noteworthy in the energy industry (72%), metal industry (78%) and automotive industry (72%).¹⁰⁷

In addition to Putin's emphasis on economic policy, Putin also cooperated with foreign countries and negotiated to become a member of the WTO. However, Russia was struggling to negotiate due to restrictions to the import of agricultural products, energy subsidy scheme, export incentives for the automobile industry, issues of intellectual property infringement, market expansion in the service sector, etc. These issues slowed down negotiations as a result of resistance from groups that lost benefit from entering the WTO, such as the automobile and metal industry, as well as the agrarian communities. The parties that benefited from being a member of the WTO were government, bureaucrats and RSPP who continued to support Russia as a member of the WTO. The groups in Russia during the Putin period that affected membership in the WTO can be divided into the following:

2.1.2.1 The role of the government

After Putin became the President of Russia, Putin placed a great importance on becoming a member of the WTO and emphasized this on a number of occasions, such as in the 2002 Duma manifesto;

“The WTO is a tool. Those who know how to use it become stronger...” “Membership in the WTO should become a tool to protect Russian's national interests on the world market.”¹⁰⁸

¹⁰⁶ “Russia Votes” (www.russiavotes.org) <http://www.russiavotes.org/duma/duma_elections_93-03.php> accessed July 10, 2019.

¹⁰⁷ Sergei Guriev and Andrei Rachinsky, “The Role of Oligarchs in Russian Capitalism” (2005) 19 *Journal of Economic Perspectives* 132.

¹⁰⁸ Anders Aslund, *Russia's Capitalist Revolution: Why Market Reform Succeeded and Democracy Failed* (Columbia University Press 2007) 223.

Putin also appointed close politicians and economic experts to oversee the negotiations, such as Mr. Alexei Kudrin as the Minister of Finance and Mr. Herman Gref as the Minister of Economics and Trade. Their significant achievements were the effective restructuring of the tax system and the privatization of agricultural land.¹⁰⁹

2.1.2.2. The role of bureaucrats

Russian officials actively supported the membership of the WTO, especially, the Ministry of Economics and Trade under Mr. Gref was in charge of coordinating negotiations between domestic industrial manufacturers and foreign trade representatives.¹¹⁰

A noteworthy example of the latter was the submission of a letter of clarification to the Department of Trade Negotiations of the US, clarifying the use of sanitation measures, which, as mentioned before, had started an international agitation.¹¹¹ The Ministry also held a meeting on 15 October 2002 between the EU negotiating committee, the Russian ministers as well as representatives of entrepreneurs and industries, which led to the conclusion of trade cooperation enhancements, notably the extension of gas pipelines in the EU.¹¹²

2.1.2.3. The role of interest groups

The interest groups were separated between supporters and opponents of WTO membership. The supporting groups were the government, bureaucrats and RSPP, while the groups opposing the membership of the WTO were the automotive industry, the Primakov group and the agrarian groups.

RSPP had played a crucial role in trade negotiations with the US and the EU, in particular, negotiations between Russia and the US concluding trade agreements in 2004 and 2006, after ten years of mediation. RSPP used negotiation strategies within the various industrial groups, such as encouraging the energy industry to recognize the importance of the Kyoto Protocol (an international treaty extending the 1992 United Nations Framework

¹⁰⁹ Anders Aslunds, *Why Doesn't Russia Join the WTO?* (The Washington Quarterly 2010) 52.

¹¹⁰ “«To Reach Businessmen Who We Don't See on the Usual Spaces, Is Our Task of Primary Importance»” (*Коммерсантъ*, September 26, 2014) <<https://www.kommersant.ru/doc/2577238>> accessed August 13, 2019.

¹¹¹ D Washington and H German Gref, “Letter Regarding the Tariff Treatment of Combine Harvesterthreshers and Self-Propelled Forage Harvesters” (Executive Office Of The President The United States Trade Representative 2006) <<https://2009-2017.state.gov/documents/organization/96614.pdf>> accessed July 29, 2019.

¹¹² “Pascal Lamy in Russia to discuss WTO accession” (*European Commission - European Commission*, October 23, 2002) <https://ec.europa.eu/commission/presscorner/detail/en/IP_02_1544> accessed July 15, 2019.

Convention on Climate Change (UNFCCC)), which was successfully adopted by the government on 18 November 2004, in exchange for the EU to support Russia becoming a member of the WTO.¹¹³

Dealing with the domestic automotive and metal industry was another deterrent of beoming closer to the goal of WTO-Membership. The automotive industry was widely controlled by Oleg Vladimirovich Deripaska, founder and chief executive of Rusal company, as well as relative by marriage to the Yelsin family. Serving on the board of CICC, Deripaska was assigned by Putin to represent the Russian business sector at the 2004 Meeting of APEC Ministers Responsible for Trade.¹¹⁴ Mr. Deripaska used numerous tactics to pressure the Government to restrict the import duties on cars from the US and the EU. On 17 March 2002, Deripaska and the industrial groups met with Putin to discuss the matter on import tariffs on cars and requested the government to continue subsidizing the domestic industries. Mr. Deripaska also used the media to address the drawbacks of participating in the WTO by collaborating with Mr. Primakov, the president of CICC, in a television special on channel 6, which reportedly had an audience of over 80 million people.¹¹⁵

The CICC, led by the former Prime Minister Yevgeny Primakov, was another party that resisted the entry to the WTO. Mr. Primakov had played an important role in Russian diplomacy and economy for many years. Being the Foreign Affairs Minister during the Yeltsin period, Primakov was concerned about the negative inflictions that the WTO might have on the domestic market. He was later chosen to be Putins foreign policy advisor.

The agricultural sector was another community hostile to the process. This sector consisted of the Agrarian Union, the Agrarian Party, the Communist Party as well as domestic farmers. Since Yeltsin's era, agriculture had received very small state subsidies compared to other industries because the government was more interested in industrial reform and it was found that the amount of imports of agricultural products from the EU and the US was already superior to the rate of agricultural production in the country.¹¹⁷ Alexey Vasiliyevich Gordeyev, a long-time Agriculture Minister worked with the government to provide additional support for the agricultural sector, such as the issuance of a five-year

¹¹³ "The Kyoto Protocol" (*European Commission - European Commission*, February 16, 2005) <https://ec.europa.eu/commission/presscorner/detail/en/MEMO_05_49> accessed July 15, 2019.

¹¹⁴ Sergei Guriev and Andrei Rachinsky, "The Role of Oligarchs in Russian Capitalism" (2005) 19 *Journal of Economic Perspectives* 133.

¹¹⁵ "Bloomberg - Suddenly, It's Big Business vs. Putin" (*www.bloomberg.com*, March 18, 2002) <<https://www.bloomberg.com/news/articles/2002-03-17/suddenly-its-big-business-vs-dot-putin>> accessed July 15, 2019.

¹¹⁷ William Liefert and Olga Liefert, *Russia's Growing Agricultural Imports: Causes and Outlook* (BiblioGov 2012) 2.

agricultural reform plan, beginning from 2008 to 2012, including the development of modern farm production systems and the enhancement of modern livestock systems, as already standardized in the EU.¹¹⁸

Conclusively, Russia was still unable to be a participant of the WTO during the Putin period due to the pressure and objections from these interest groups within the country. Especially oligarchs and wealthy elites did not endorse the WTO accession, because they did not want to compete with foreign goods and services. Other agrarian entities were simply afraid of losing domestic demand.¹²⁰

2.1.3. The role of political groups within the Medvedev period, 2008 to 2011

Medvedev served presidency in 2008, having won the election with 70.8% of the vote.¹²¹ The use of Medvedev's modernization program helped to create comfort and trust for international investors after Putin slowed down the accession of the WTO due to lack of support from interest groups as aforementioned. Medvedev, himself, reinforced the movement towards a free market, however, Russia was in dispute with Georgia because of its recognition of the independence of Abkhazia and South Ossetia as independent nations, leading to Georgia imposing a veto towards the proposal of accession. Georgia effectively blocked Russia from entering the trade organization after negotiations with the EU and the US had already been successful in 2004 and 2006.¹²²¹²³

2.1.3.1. The role of the government

Medvedev intended to conclude negotiations for membership of the WTO by 2011, announcing his intention to do so to the media after his official visit to Switzerland on 20 April 2009:

¹¹⁸ David A Dyker, *Economic Policy Making and Business Culture: Why Is Russia so Different* (Imperial College Press 2012) 196.

¹²⁰ Ian Bremmer and Samuel Charap, "TheSilovikiin Putin's Russia: Who They Are and What They Want" (2007) 30 *The Washington Quarterly* 86.

¹²¹ Susan Stewart, *Presidents, Oligarchs and Bureaucrats: Forms of Rule in the Post-Soviet Space* (Ashgate Publishing Limited 2012) 75.

¹²² *Ibid.*

¹²³ Anders Aslunds, *Why Doesn't Russia Join the WTO?* (*The Washington Quarterly* 2010) 58.

“We decided a long time ago to join the WTO. The fact that we have been kept waiting in the wings is not our fault. We are ready for full membership in the World Trade Organization, and I believe that there are now no specific issues that could affect the participation of Russia in the WTO. All we need is for those on whom the process of accession to the World Trade Organization ultimately depends to take the appropriate steps.”¹²⁵

Medvedev exclusively focused on the final negotiations, especially negotiations with Georgia, which was the only nation that vetoed Russia’s WTO membership. Medvedev had decided to negotiate with the US, persuading them to force Georgia to withdraw its veto by discussing the matter with then US President Barack Obama in 2009. In addition, Medvedev sought for assistance from the EU after taking part in the EU-Russia Summit on 18 November 2009. Russia had been cooperating with the EU, which was willing to act as an intermediary in negotiations between Russia and Georgia.¹²⁶ As a result, on 9 November 2011 Georgia agreed to sign the Geneva agreements to give up its veto position on Russia’s accession to the WTO, allowing Russia to finalize bilateral negotiations with its trading partners.¹²⁷ Moreover, Medvedev also collaborated with political parties to certify membership of the WTO, resulting in the State Duma having voted 238 to 208 in favour of the WTO accession.¹²⁸

2.1.3.2. *The role of bureaucrats*

At the last stage of the application for membership, Medvedev held round table meetings between representatives, such as meetings between the Russian government and international trade agents as well as business representatives, to clarify the nascent situation of Russia before becoming a member of the WTO and to exchange viewpoints about on how market adjustments were to be made. Overall negotiations between the countries, including

¹²⁵ “Speech at Helsinki University and Answers to Questions from Audience” (*President of Russia*, April 20, 2009) <<http://en.kremlin.ru/events/president/transcripts/3805>> accessed July 20, 2019.

¹²⁶ Chris Weafer, “Economic Glasnost” (*The Moscow Times*, December 19, 2010) <<https://www.themoscowtimes.com/2010/12/19/economic-glasnost-a3868>> accessed July 20, 2019.

¹²⁷ “Abkhazia, South Ossetia Alarmed By Russia-Georgia WTO Compromise” (*RadioFreeEurope/RadioLiberty*, November 9, 2011) <https://www.rferl.org/a/abkhazia_south_ossetia_alarmed_russia_georgia_wto_compromise/24384963.html> accessed August 1, 2019.

¹²⁸ “Russian Duma Ratifies WTO Accession Accord | International Centre for Trade and Sustainable Development” (*www.ictsd.org*, July 11, 2012) <<http://ictsd.org/i/news/bridgesweekly/138095>> accessed August 1, 2019.

foreign trade agents and business sectors, were clearly positive in support of Russia's membership in the WTO and proposed that Russia should open up more foreign direct investment and develop investment potential of special industrial zones.¹²⁹ In addition, the Russian government made deals on foreign affairs with various countries to seek support for the approval of Russia's membership at the WTO Ministerial Conference. As an example, Russia reduced import tariffs to EU Member States for certain goods.¹³⁰

2.1.3.3. *The role of interest groups*

Interest groups during the Medvedev phase now supported the negotiations to become a member of the WTO; in particular, RSPP, which had the duty of an intermediary to set up meetings with various parties to make them fully understand the terms and conditions of membership of the WTO, and to draw up strategies to deal with the consequences after entering the organization. For example, on 1 May 2011, a special meeting was held between the Ministry of Industry and Trade and over two hundred industrial groups to reiterate the obligations arising from the new membership. The topics concerned the reduction of tariffs signed between Russia and the WTO Working Party, the enforcement on intellectual property law, and the establishment of state policies to assist different industries, such as the program for agricultural and industrial sectors¹³¹ and the proposal to waive debts for crofters and refrain from collecting tax on agricultural operations until 2020 as compensation for agrarian groups.¹³²

For the automobile industry, the government generated an industrial estate to reinforce domestic production of cars and spur economic growth in the domestic automobile industry. The government declared that it would subsidize an estimate of 350,000 cars per year,¹³³ satisfying automobile industry operators and cleverly opening the path for the government to negotiate with other states regarding minimization of import tax on cars. The government

¹²⁹ "About the Trade and Agriculture Directorate - OECD" (www.oecd.org) <<http://www.oecd.org/tad/1848511.pdf>> accessed August 1, 2019.

¹³⁰ "Russia Will Reduce the Customs Duties on Foreign Brand Automobiles" (*RusAutoNews.Com*, August 17, 2019) <<http://rusautonews.com/2019/08/17/russia-will-reduce-the-customs-duties-on-foreign-brand-automobiles/>> accessed June 23, 2019.

¹³¹ "News / Russian Union of Industrialists and Entrepreneurs" (*eng.old.rspp.ru*, December 16, 2011) <<http://eng.old.rspp.ru/news/view/1346>> accessed August 1, 2019.

¹³² "Government Meeting" (*government.ru*, April 25, 2013) <<http://government.ru/en/news/1556/>> accessed September 19, 2019.

¹³³ Andrew E Kramer, "Russia's Desire for Cars Grows, and Foreign Makers Take Notice" *The New York Times* (December 25, 2012) <<https://www.nytimes.com/2012/12/26/business/global/foreign-automakers-see-potential-in-russian-market.html>> accessed August 5, 2019.

also stated that it would aid the automotive sector by raising production support budgets and granting loans to finance and encourage short-term investments with a funding of 3.9 billion rubles in 2012, promising an increase of funding up to a total of 45 billion rubles by 2020.¹³⁴ These compensations had created a great contentment for entrepreneurs and the industry.

The important changes during the Medvedev era were the rising acceptance of the rolegroups towards an open market system due to calculated and reciprocal strategies, investing in the local industry and establishing economical trust.

2.2 External factors

In this section, the following content will be described: 1. Negotiations between Russia and the United States; 2. Negotiations between Russia and the European Union; and 3. Negotiations between Russia and Georgia.

2.2.1. *Negotiations between Russia and the United States*

At the conclusion of the Cold War, Russia and the US established diplomatic and economic ties, and agreed to an arms limitation in 1993. Furthermore, the US supplied Russia with a total of 19 billion USD in aid to Russian economy.¹³⁵ This economic dependency led Russia to consider the US as a new important ally. In 1995, Yeltsin visited the US, affirming that Russia was willing to cooperate in all aspects with the US, and that the US would favor Russia to finally join the WTO.¹³⁶

Nevertheless, the US also found Russia to be a significant rival. Regarding relations between Russia and the US after the collapse of the Soviet Union, both countries developed economic relations with the aim of expanding cooperation between them, resulting in a flow-collaborative atmosphere in both countries. Both countries had different sorts of resources.

¹³⁴ Izvestia and Aleksandra Yermakova, "Government to Slash Auto Industry Subsidies by Two-Thirds" (www.rbth.com, November 16, 2012) <https://www.rbth.com/articles/2012/11/16/government_to_slash_auto_industry_subsidies_by_two-thirds_20167.html> accessed August 5, 2019.

¹³⁵ Jim Nichol, *Russian Political, Economic, and Security Issues and U.S. Interests: Congressional Research Service Report RL 33407* (CreateSpace Independent Publishing Platform 2014) 3.

¹³⁶ "The President's News Conference With President Boris Yeltsin of Russia in Hyde Park, New York | The American Presidency Project" (www.presidency.ucsb.edu, October 23, 1995) <<https://www.presidency.ucsb.edu/documents/the-presidents-news-conference-with-president-boris-yeltsin-russia-hyde-park-new-york>> accessed August 5, 2019.

On the one hand, the US as an industrial and agricultural state, while Russia, on the other, was relying primarily on the production of natural resources. Even though, Russia was exporting raw materials, and resources, it still needed agricultural supplies due to its inability to cultivate and meet domestic agricultural demand. For example, Russia was importing about 5 million tons of wheat from Kazakhstan and Ukraine between 2010 and 2011.¹³⁷

Since 1992, trade between Russia and the US continued to expand, although a strong trade deficit towards the US still remained. This resulted in the attempt to force Russia to comply with the WTO requirements by calling on the nation to reform internal laws in accordance with the international trading system and to abolish various types of import restrictions. Specifically in the agricultural sector, the US required Russia to revoke import quotas on beef and poultry that were set up in 2003.¹³⁸ Russia had adopted these quotas in addition to hygiene measures to limit poultry imports from the US¹³⁹ on the grounds of preventing the spread of avian influenza.¹⁴⁰ Due to these controversies over farm goods, the US and Russia suspended negotiations to become a member of the WTO.

Next to the agricultural difficulties, the US and Russia had trouble managing investments in the service sector. The Russian service sector was a new domain that received extensive funding of more than USD 9 billion from 2000 to 2008 by the US, in fields such as financial, insurance, and telecommunications industries.¹⁴¹ The insurance and banking sectors however, restricted international investments by allowing foreign entrepreneurs to invest a maximum of 15% in insurance businesses, with the additional condition, that they were to be operated by Russian citizens and had to be run for no less than 15 years.¹⁴³ As for the banking sector, international companies were only eligible to open branches and were not permitted to set up a parent company in Russia. The US on their side, sought to bargain with Russia so that other nations could also engage in the modernization and globalization of the banking industry. In the case of telecommunications, Russia had monopolized the service

¹³⁷ William H Cooper, "Russia's Accession to the WTO and Its Implications for the United States" (2012) Congressional Research Service 14.

¹³⁸ Ibid 13.

¹³⁹ Ibid 14.

¹⁴⁰ Ibid 13.

¹⁴¹ Konstantin Borisov and Timothy Frye, "Perspectives of Russian–American Investment Cooperation: Tendencies, Mechanisms of Support, Recommendations" (2012) 119 Forschungsstelle Osteuropa; ETH Zurich, Center for Security Studies (CSS) 3.

¹⁴³ William H Cooper, "Russia's Accession to the WTO and Its Implications for the United States" (2012) Congressional Research Service 15.

through Rostelecom, a corporation that solitarily provided satellite and internet communications. Here foreign shares were set at a maximum 49%.¹⁴⁴

For over a decade Russia resisted liberalizing those industries, causing the US to neglect Russia as a future WTO member. Finally, on 27 August 2004 a meeting between the RSPP, the Russian service industry, the US Chamber of Commerce and the US banking group was held.¹⁴⁵ As a result, Finance Minister Kudrin announced that Russia would increase foreign investment in the insurance industry from 15% to 50%, considering the enlargement of foreign bank branches in Russia, and increasing the proportion of investment in the telecommunication businesses.¹⁴⁶

Another problem that hindered negotiations between Russia and the US was the enforcement of intellectual property laws. Although Russia had enacted intellectual property laws, the country still neglected their proper use. This caused considerable distress to the US, because, since 2000, the US had lost an estimated revenue of more than 755.8 million USD due to intellectual property infringement in Russia.¹⁴⁷ As an outcome, on 22 December 2000, the US Congress passed Regulation 421-2, forcing Russia to comply with the bespoke requirements on breaches of intellectual property rights. The US also threatened to eliminate customs privileges if Russia continued to ignore these law enforcements.¹⁴⁸ Only 10 years later, on 24 September 2010, Russia revised the intellectual property legislation to be more in accordance with international regulations.¹⁴⁹

There were also issues concerning import duties on cars and aircraft. Due to its low production capacity, Russian import duties in those fields were set very high, with the government applying import taxes of 25 to 30% with the goal of engaging the local demand and consequently developing domestic production. Setting of these tariffs had made it very difficult for vehicles and airplanes to be exported into Russia. In 1998, the US compelled Russia to sign an aircraft agreement to minimize import tariffs, a consensus also signed by twenty-six other WTO member countries.¹⁵⁰ Later, in June 2006, Russia lowered the import

¹⁴⁴ Ibid 15.

¹⁴⁵ Ariel Cohen and Viacheslav Evseev, "Russian Trade Associations: Important Partners for America" (2007) The Heritage Foundation 2.

¹⁴⁶ William H Cooper, "Russia's Accession to the WTO and Its Implications for the United States" (2012) Congressional Research Service 16.

¹⁴⁷ Ibid 12.

¹⁴⁸ Ibid 13.

¹⁴⁹ David A Dyker, *Economic Policy Making and Business Culture: Why Is Russia so Different* (Imperial College Press 2012) 201.

¹⁵⁰ Ibid 203.

taxes on aircraft components from the US to 15% and announced it would eventually lower the import tax on vehicles to 25% by 2010.¹⁵¹

Russia's approach to the trade negotiations with the US was very one-sided at first, being mainly influenced by the agricultural groups and the automobile industry. Nevertheless the Russian government was aware of the advantages of being a member of the WTO and sought to settle the conflicts referred to above.

2.2.2. Negotiations between Russia and the European Union

Relations between Russia and the EU are not only determined by geopolitics, but also by the economic interdependence between Russia and the EU since 1990. On 24 June 1994, Russia and the EU signed the Russia-EU Strategic Partnership,¹⁵² which came into force in 1997 and obliged Russia to develop its internal economy into a free market system by 2002. In addition, the strategic partnership agreement was used by the Russian energy-sector as a development strategy to establish a common market in the EU and the European Economic Area. This strategic cooperation deal between the two sides promoted the EU's support for Russia's entrance into the WTO.

In terms of international trade, the EU had been Russia's number one trading partner since the year 2000. Machinery and agricultural products were the most imported goods from the EU, while natural gas and raw materials were Russia's biggest export assets.¹⁵³ However, the WTO accession agreements between Russia and the EU contained several other obstacles, specifically, measures to shield the Russian economy, such as energy subsidies, measures to discourage imports of farm goods, problems with import tariffs on vehicles, and problems in the service sector. The EU's main issue concerned Russia's energy market with the goal to reduce its state subsidies and eliminate its monopoly in the industry, which had made energy prices in Russia a quarter lower than the world's average market price. Energy policy was then, and still is, one of Russia's most important diplomatic instruments used to control and

¹⁵¹ "Russia WTO Debut: Cars and Food Get Reduced Import Duties" (*RT International*, August 23, 2012) <<https://www.rt.com/business/russia-wto-368/>> accessed August 10, 2019.

¹⁵² David A Dyker, *Economic Policy Making and Business Culture: Why Is Russia so Different* (Imperial College Press 2012) 201.

¹⁵³ "Archive:EU-Commonwealth of Independent States (CIS) - Statistics on International Trade by CIS Country - Statistics Explained" (*ec.europa.eu*, July 8, 2013) <[https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Archive:EU-Commonwealth_of_Independent_States_\(CIS\)-_statistics_on_international_trade_by_CIS_country&oldid=140115](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Archive:EU-Commonwealth_of_Independent_States_(CIS)-_statistics_on_international_trade_by_CIS_country&oldid=140115)> accessed August 10, 2019.

and negotiate with partners that depend on Russia's oil and natural gas.¹⁵⁴ The EU stated , that Russia should completely reform its energy industry before becoming a member of the WTO. However, Russia insisted on continuing to subsidize its energy sector, especially the monopoly on natural gas exports, through a company owned by the Russian government, namely the Gazprom Corporation. Gazprom entered into a long-term agreement with the EU countries, stating that any country receiving more gas than specified within the contract would not be able to resell it to neighboring countries.¹⁵⁵

In 2003, the EU pressured Russia to sign an energy agreement in return for the recognition of Russia as a member of the WTO. Nonetheless, Russia declined to sign any energy agreements, declaring that if the EU decided to use an agreement to force an adjustment of the energy sector, the government would take retaliatory steps by discontinuing gas supplies to the EU.¹⁵⁶ This threat made interaction in Russia's energy setor very heedful because oil supplies were (and still are) very important to the EU.

In 2004, the EU wanted to bring the Kyoto Protocol into effect after the US, which was the number one carbon monoxide emission source, declined to ratify the Protocol. As stated in the Kyoto Protocol, it could only come into effect if certified by more than half of the Member States. Russia had therefore become an important variable, as it was fourth highest in greenhouse gas emission levels in the world. Russia eventually signed the Protocol on 11 March 1999 and ratified it on 18 November 2004 after unanimous approval by the Duma, enforcing the Member States to reduce greenhouse gas emissions.¹⁵⁷

Negotiations on agricultural commodities between Russia and the EU remained difficult. In other words, since 2000, interest groups in Russia had been formed by the Agrarian Union, the poultry farmers, the Communist Party, and the Agrarian Party, pressuring the government to introduce a program to ban all types of agricultural imports from the EU. For example, in 2001, Russia limited quotas for beef imports from the EU in reaction to the EU restricting quotas for maize imports from Russia. Additionally, Russia used tax measures to levy agricultural products that were imported beyond the quota from the

¹⁵⁴ Randall Newnham, "Oil, Carrots, and Sticks: Russia's Energy Resources as a Foreign Policy Tool" (2011) 2 Journal of Eurasian Studies <<https://www.sciencedirect.com/science/article/pii/S187936651100011X>> accessed October 1, 2019.

¹⁵⁵ David Cronin, "Russia-EU: Will Oil Become a Political Tool?" (*POLITICO*, October 13, 2004) <<https://www.politico.eu/article/russia-eu-will-oil-become-a-political-tool-2/>> accessed August 15, 2019.

¹⁵⁶ "Pipeline Politics? Russia and the EU's Battle for Energy" (*www.euractiv.com*, August 20, 2009) <<https://www.euractiv.com/section/energy/linksdossier/pipeline-politics-russia-and-the-eu-s-battle-for-energy/>> accessed August 20, 2019.

¹⁵⁷ Nick Paton Walsh, "Russian Vote Saves Kyoto Protocol" *The Guardian* (October 23, 2004) <<http://www.theguardian.com/world/2004/oct/23/society.russia>> accessed August 21, 2019.

EU, also employing the pretext of hygiene controls to ban meat imports. Most notably in 2002, the country banned imports of meat from England, seeking to deter the spread of foot-and-mouth disease in cattle. The impact of the quota restriction on farm products from the EU made it difficult for Member States to distribute their goods within Russia. As a result, the EU declared that it would suspend negotiations with Russia to become a member of the WTO, hoping for the country to loosen its import restrictions.

Russia was (and still is) an important market for cars produced in the EU. More than 40% of all automobiles sold, were mainly imported from the US, the EU, Japan, and South Korea. In the meanwhile Russia consumed only 6% of its domestic production under AvtoVaz, the biggest Russian car manufacturer owned by Mr. Deripaska. With a 30% import tax on cars, the countries main argument was to prevent spillage of foreign products due to its history of illegally smuggled cars in the past. Although the EU agreed with Russia's rationale for blocking illegal cars, the EU was concerned that the tax would discriminate against car-exporting countries.¹⁶⁰ After several meetings between the two parties, Russia declared a decrease in import duties on automobiles from the EU to 25% in November 2003.¹⁶¹

As highlighted previously, Russia's monopolization in the banking sector was also a great concern for the EU, as Russia restricted foreign investments and did not allow foreign banks to open parent companies within Russia. However, the EU had prompted Russia to restructure its domestic banking system to make it more international and to facilitate Russian investment in the future. Finally, in January 2003 Russian Central Bank declared an increase of the foreign investment ceiling from 15% to 25%.¹⁶²

Trade relations with the EU at the outset proved challenging, whether on the grounds of the agricultural groups, the car industry communities, or the service sectors. At last the Russian government was mindful of the benefits of becoming a member of the WTO and tried to address the disputes alluded to above.

¹⁶⁰ Nikita Andreevich Lomagin and Vladimir Genrihovich Sherov-Ignatiev, "Russia's Accession to the WTO: Major Commitments, Possible Implications" International Trade Centre 4.

¹⁶¹ Ibid.

¹⁶² United States. Office of the U.S. Trade Representative, *National Trade Estimate ... Report on Foreign Trade Barriers* (The Office 2004) 412–413.

2.2.3. Negotiations between Russia and Georgia

Negotiations between Russia and Georgia had hindered Russia from becoming a WTO member. Georgia vetoed Russia's membership because Russia recognized the independence of Abkhazia and South Ossetia in 2008, which led the countries to formally declare war (lasting only 5 days). The conflicts between Russia and Georgia were on several grounds;

The first conflict was ethnicity, with South Ossetia seeking to separate its territory from Georgia after the collapse of the Soviet Union. President Gorbachev announced that South Ossetia and Abkhazia were to remain under the sovereignty of Georgia. The historical roots of Ossetia were of the same origins as Russia's. In the 13th century, the Mongolian Empire invaded the territories of Ossetia, forcing them to evacuate into the Caucasus mountains. South Ossetia, however, wanted to unite with the citizens of North Ossetia, which was an autonomous region under Russia's supervision, but Georgia initially refused the unification. South Ossetia eventually declared its independence and was officially recognized by Russia in 2006. Abkhazia sought to segregate itself from Georgia after the independence of South Ossetia as it also wished to be autonomous.

Secondly, the recognition of Georgia and the Ukraine as members of the NATO created friction between the two sides. After the NATO summit in Bucharest, Romania in April 2008, Georgia and the Ukraine were welcomed as members of the NATO alliance, which triggered considerable frustration from Russia. During the Bush and Clinton administrations the US informed Russia that NATO would not expand its membership in the old Soviet sphere. In 1998, however, NATO approved the membership of Poland, Hungary, and the Czech Republic, and in 2004 expanded membership to Eastern Europe and the Baltic States. Russia perceived this as a danger to its security and NATO's intention to expand its influence into the Caucasus was seen as a clear blockade strategy against Russia. After NATO embraced Georgia and Ukraine as NATO members, Russia responded by reinforcing relations with South Ossetia and Abkhazia to oppose NATO expansion and show Russia's staunch disagreement with the blockade strategy.

The tension between Georgia and Russia also led to the suspension of economic ties. Georgia enacted economic restrictions against Russia, such as vetoing Russia's membership of the WTO and prohibiting imports of agricultural products from Russia, while Russia

banned imports of wine, mineral water, and agricultural goods in August 2008.¹⁶³ As a total, trade relations decreased respectively between the year 2000 and 2010, with general export values dropping from approximately USD \$93,000 million to USD \$310 million.¹⁶⁴

Global responses to the war that followed in 2008 indicated that only the US opposed the fighting, calling on Russia to pledge relief by providing food supplies via planes to help the victims of the war. The US would not take counter-measures against Russia, since at the time the two sides had entered an agreement to liberalize goods and services and economic relations were going well. Meanwhile, the EU warned Russia that the country's status in the G8 would be affected by the conflict and that attempts to become a member of the WTO might therefore not succeed. Both the US and the EU did not want to take any further interactions in the conflict in order to protect their economic interests. Russian agricultural goods and energy imports had already become planned-in assets that were too valuable to endanger.¹⁶⁵ In return, Russia used this opportunity, pressuring the US and the EU to force Georgia to enter negotiations.¹⁶⁶ In April 2009, Medvedev traveled to England to attend the G20 summit where he met with US President Barack Obama. The US expected Russia and Georgia to settle post-war conflicts and in return guaranteed to further support Russia in its pursuit of becoming a member of the WTO.¹⁶⁷¹⁶⁸ Apart from encouraging the US to apply pressure on Georgia, Russia also sought assistance from the EU to mediate in the dispute, as Medvedev attended the EU summit in Sweden on 19 November 2009. Later, the EU arranged a meeting between Russia and Georgia in Geneva, Switzerland, where the two parties signed the Geneva Agreements on 9 November 2011, revoking Georgia's veto.¹⁷¹

¹⁶³ Anders Aslunds, *Why Doesn't Russia Join the WTO?* (The Washington Quarterly 2010) 58.

¹⁶⁴ Ministry of Foreign Affairs of Georgia, "The Economic Relation between Russia and Georgia" [2014] <<http://www.mfa.gov>> accessed February 1, 2020.

¹⁶⁵ Andras Racz, "Russian WTO Accession and the Geneva Agreements. Implications for Russia and Georgia" [2011] Transatlantic Academy <www.transatlanticacademy.org> accessed February 1, 2020.

¹⁶⁶ Anders Aslunds, *Why Doesn't Russia Join the WTO?* (The Washington Quarterly 2010) 59.

¹⁶⁷ Michael D Shear and Scott Wilson, "Obama, Medvedev Pledge Cooperation" *www.washingtonpost.com* (April 2, 2009) <<https://www.washingtonpost.com/wp-dyn/content/article/2009/04/01/AR2009040100242.html?sid=ST2009040100861>> accessed February 1, 2020.

¹⁶⁸ Waldemar Skrzypczak, *Exploring Language through Contrast* (Cambridge Scholars Publishing 2012) 272.

¹⁷¹ Andras Racz, "Russian WTO Accession and the Geneva Agreements. Implications for Russia and Georgia" [2011] Transatlantic Academy <www.transatlanticacademy.org> accessed February 1, 2020.

Conclusion

Russia's accession to the WTO was an important step in its economic growth. It was a two-way path, representing the rights and responsibilities of both Russia and others. It was clear that Russia had to step up in order to meet its economic goals and find an acceptable position in an increasingly transparent global economy. Today's leading world markets need to be widely competitive, but also need to free up their domestic economy for international cooperations and trade while still insuring the existence of domestic labor.

The factors impacting Russia's membership in the WTO were of internal and external nature. Internal factors were interest groups that opposed WTO membership, being concerned that the government would cease to help subsidize the manufacturing sector once the liberalization of goods and services would allow international products to flood the country and preclude domestic goods and services from being able to compete with foreign businesses. Interest groups pressured the government by;

- 1) Coordinating with political parties to vote against privatization, trade and investment law.
- 2) Conspiring with political leaders directly.
- 3) Using the media in order to sensibelize buissness owners and consumers, portraying the negative consequences of a free market system.

However, the Russian government and officials still pursued to be a part of the international trade group, believing that it would help solve the economic setback left behind by the cold war and insure a more prosperous future. The Russian government and representatives cooperated in negotiations among international intermediaries with support and guidance of the RSPP. In addition, the government used collaborative approaches with interest groups that resisted membership by compensating them in various aspects, such as the introduction of a five-year agricultural reform program and domestic industrial development policies.

Aside from domestic issues, Russia was also struggling with foreign affairs. Especially longlasting and multifactorial disagreements with the US, the EU and Georgia created rather hindering circumstances. The US required Russia to withdraw agricultural policies and liberalize its business sector as well as adjust tax legislation in accordance with international standards. The EU, on its side, expected Russia to reduce energy subsidies, eliminate measures to exempt agricultural commodities and liberalize the vehicle and service markets.

Georgia vetoed Russia's membership in the WTO because of its dissatisfaction with Russia's recognition of the autonomy of South Ossetia and Abkhazia, which ultimately led to a war between the two countries. Russia, still seeking to become a member of the WTO, eventually cooperated with the US and the EU to persuade Georgia to conclude the negotiations successfully.

The accession to the WTO would create new incentives and new opportunities. The economy was expected to witness other significant shifts, such as the growth of foreign direct investment in the service sector, the advancement of trade, the expansion of small and medium-sized businesses, technical modernization, and higher productivity. Increase in family income, as well as access to high-quality goods and services at cheaper rates for Russian citizens and residents, were to be expected

Drawbacks were nonetheless still plausible, including adverse effects on conventional high value-added markets and the possibility of unemployment in the domestic sectors. Advantages under the WTO scheme did not come naturally. The Russian government and industries had to make adjustments and find a way to work in a highly competitive, transparent, and multilateral trade environment in order to acknowledge the permanent and constructive effects that the WTO would bring.

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Abstract

The work entitled “Factors contributing to Russia’s accession to the World Trade Organization” seeks to research different factors that caused the delay in Russia’s accession to the WTO, which officially started in 1993. It includes the investigation and interpretation of internal and external influences as well as the study of the historical periods of the country. Divided into the sequence of political eras, it addresses the different roles involved in the progress. The study indicates that especially domestic influences had a great delaying impact on the attempt of becoming a member to the international trade organisation. A wide range of influential interest groups within Russia were included in the matter. Namely the Russian Government and the Russian Union of Industrialists and Entrepreneurs (RSPP) endorsed the liberalization of the economy. On the other hand, the agricultural sector, automobile and aviation industries, and the Russian Chamber of Commerce and Industry (CICC), had resisted a free market system for years in fear of losing financial interests, as well as endangering domestic enterprises by exposing them to international competition. As for the external factors, the issues with commercial negotiations between Russia, the United States and the European Union, as well as the territorial conflict with Georgia on the issue of state recognition, imposed severe complications which further delayed the process. Only good political cooperation and compliance made it finally possible for Russia to be accepted among the members of the World Trade Organization, formally joining the group in 2011, putting a total timespan of eighteen years to rest.

Abstract (Deutsch)

Die Arbeit mit dem Titel „Faktoren, die zum Beitritt Russlands zur Welthandelsorganisation beitragen“ befasst sich mit den Umständen die Russlands Aufnahme in die Welthandelsorganisation (WTO), beginnend im Jahre 1993, so maßgeblich verzögerten. Sie umfasst die Analyse und Interpretation der internen und externen Einflüsse und stellt diese in Kontext zu den geschichtlichen Hintergründen des Landes. Unterteilt in die wichtigsten politischen Epochen, soll dieser Beitrag einen Überblick über die beteiligten Entitäten und die bivalente nationale Stimmung dieser Zeit vermitteln. In der folgenden Aufarbeitung zeigt sich, dass vor allem inländische Einflüsse eine bedeutende aufhaltende Wirkung auf den Eintritt hatten. Eine Reihe an heimischen Interessensgruppen waren aktiv in den Prozess involviert. Namentlich die russische Regierung und die Russische Union für Industrielle und Unternehmer (RSPP) befürworteten

eine wirtschaftliche Liberalisierung und sahen einen großen Vorteil in der internationalen Vereinigung. Auf der anderen Seite, wehrten sich der Landwirtschaftssektor, die Automobil- und Luftfahrtindustrie sowie die Russische Kammer für Industrie und Wirtschaft (CICC) bereits seit Jahren gegen die Entwicklung in eine freie Marktwirtschaft, aus Angst davor finanzielle Ansprüche und Marktanteile zu verlieren und sich dem internationalen Wettbewerb stellen zu müssen.

Die externen Einflüsse betreffend, boten diplomatische Auseinandersetzungen zwischen Russland, den vereinigten Staaten und der Europäischen Union, sowie auch territoriale Unstimmigkeiten zwischen Russland und Georgien, Grundlagen für weitere Verzögerungen der Verhandlungen.

Lediglich eine gute außenpolitische Zusammenarbeit und Kompromissfähigkeit, ermöglichten es Russland schließlich, nach ganzen achtzehn Jahren laufender Verhandlungen, im Jahre 2011 unter den Mitgliedern der Welthandelsorganisation aufgenommen zu werden.