Russia’s WTO Accession: A Move in the Right Direction
By Eugenia Serova

Having concluded bilateral WTO accession negotiations with the US in November 2006, Russia will now embark on the multilateral negotiations for entry into the WTO, some fourteen years after Russia’s official request. We asked IPC Member Eugenia Serova, who recently wrote a study on the impact of accession on Russian agriculture, to provide us with her views:

As Russia is the last big market outside the auspices of the WTO, and as multinational businesses within the country have pushed for WTO membership, Russian accession is a logical next step in an evolving global economy. Yet, as in the Doha Round, agriculture has proven to be the most sensitive part of the negotiations. However, my research shows that WTO accession will not harm the Russian agricultural sector—it may even offer it likely benefits.

According to the latest official data, Russia’s average tariff for agricultural commodities is under fifteen percent (2001), and as it has increased only marginally in the last five years, it remains below the level of tariffs Russia has agreed to bind. In this respect, Russia has one of the most open agricultural markets in the world.

The country’s sensitive meat and dairy sectors can remain protected—meat tariff rate quotas are maintained until 2009, and beyond that can be expanded or substituted by ad valorem equivalents. Moreover, import tariffs for basic dairies are maintained at current levels.

Increased trade liberalization will not hurt Russia’s existing producers of fruits and vegetables, given that the rising incomes of the Russian middle-class consumers will absorb much of the inflow of imported vegetables and fruits. Reduction of tariffs for wines and cognacs will not hurt Russian agriculture either, given that domestic grape production is marginal.

While tariff reductions are only expected to have a small impact, it is important to point out that Russia has on occasion used sanitary and phytosanitary standards (SPS) for (Column cont. on page 2)

Addressing Outstanding Doha Issues: IPC and ICTSD Host Experts’ Roundtable

IPC and the International Centre for Trade and Sustainable Development (ICTSD) hosted an Experts’ Roundtable in Glion, Switzerland from January 21-23, 2007 to discuss outstanding issues in the agricultural negotiations of the Doha Development Round. As most progress to date has been reached in the export competition pillar, agricultural experts focused...
in this meeting on progress still to be made in the market access and domestic support pillars.

There was unanimous agreement on the importance of finalizing the Doha Round, and of overcoming the impasse reached in the agricultural negotiations for doing so. The experts, including IPC members Piet Bukman, Michael Gifford, Timothy Josling, Rolf Moehler and Raul Montemayor, agreed that a possible US-EU agreement on average cuts in tariffs and domestic support would constitute an important step, but that further progress on more specific modalities in market access and domestic support would also be required. Although agreement on these modalities is still elusive, it was felt that remaining differences are not insurmountable, and that negotiators could find solutions to accommodate the concerns of different WTO members.

Those representing the view of exporters raised concerns about the potentially large number and scope of exemptions from market access commitments, in the form of sensitive and special products. They also raised concerns about overly broad safeguard mechanisms. Roundtable participants from developing countries with a large number of subsistence farmers, argued, however, that they should not be forced to give up the instrument of tariffs, while developed countries would have continued access to resources for supporting their farmers.

As articulated by Vandana Aggarwal of the Indian Ministry of Commerce, “even if tariffs are not the most efficient way of protecting subsistence farmers, many developing countries do not have other resources at their disposal.” Piet Bukman argued that it is clearly inappropriate to confront subsistence farmers with complete liberalization, but also questioned the wisdom of isolating them entirely from incentives.

Like other transition economies, Russian agriculture suffers from underdeveloped institutions, and still lacks well-functioning credit and insurance systems, sound export infrastructure and extension services networks. Additional spending on these services would be considered “green box” payments, and thus would not be subject to reduction.

While Russian accession to the WTO will not squeeze out the national agricultural sector, some regions of Russia may be seriously affected by accession, due to the substantial level of support of agriculture in some regions. Challenges can also be expected because of the manner in which agricultural policy is implemented in Russia, namely, at the regional level. Regional budgets contribute more than fifty percent of the consolidated agrarian budget, and the existence of eighty-seven fairly independent agricultural units of the Russian Federation will entail some coordination challenges upon WTO accession. However, WTO accession will be a positive move in the right direction for Russia.
Given sensitivities in agricultural sectors in so many countries, experts at the Roundtable are of the view that liberalization has to be accompanied by exemptions. However, these exemptions should not be so far-reaching as to substantially negate the benefits derived from liberalization commitments.

Developing country experts also said the focus of the negotiations had shifted too much onto special products. A number of presenters argued that the same level of scrutiny should be placed on domestic support, and stressed the need for agreement on further disciplines beyond a level for Overall Trade Distorting Support and amber box support. Marcos Jank of the Institute for International Trade Negotiations (ICONE) and Rajesh Aggarwal of the International Trade Center demonstrated how the US and EU can shift domestic support from the amber to the blue box, and increase product-specific support. Particularly, they suggested that given the creation of a new blue box, caps and disciplines are necessary to avoid box shifting and to limit product specific support.

IPC Member Tim Josling laid out a range of questions about the nature of all present and likely future green box support, and whether such support can be considered truly non- or minimally trade distorting. WTO members may well request that they place a work program on green box issues onto an in-built agenda as a stipulation for concluding the Doha Round. This would commit members to examine green box issues after the conclusion of the negotiations.

Should some WTO members not be able to gain sufficiently from the multilateral negotiations, several speakers referred to the possible recourse of such members to request-and-offer bilateral negotiations to complement a multilateral agreement. Trade-offs could also be found in other pillars outside of the agricultural negotiations.

The WTO's Aid for Trade initiative was welcomed, but some experts asked whether additional, concrete development assistance for the agricultural sector could be committed to help developing countries adjust to liberalization and be better prepared to take advantage of new market access.

**IPC Announcements: New Members**

IPC warmly welcomes M. Ann Tutwiler as a new member. Ms. Tutwiler has joined IPC after serving four years as president and chief executive officer of the Council, which she co-founded in 1987. After four years as IPC’s associate director, in 1992 Ms. Tutwiler served as the director of government relations for Eridania Beghin-Say. Prior to that, she was a policy associate at the National Center for Food and Agriculture Policy, and a policy analyst and Presidential Management Intern at the U.S. Department of Agriculture. Ms. Tutwiler received a BA from Davidson College, and a Masters in Public Policy from the John F. Kennedy School of Government at Harvard University. She recently received the John W. Kuykendall Alumni Service Award from Davidson College for her work in agricultural trade and development. “The IPC owes so much to Ann;” noted IPC Chairman Piet Bukman, “we are thrilled to welcome her back in our midst as a member.”

IPC also welcomes David Blackwell, who is the vice-president and chief financial officer of global procurement at Wal-Mart Stores, Inc. Mr. Blackwell is responsible for the direct sourcing of products for Wal-Mart’s global retail operations. Prior to his current position, he served as vice president and chief financial officer of Wal-Mart Europe. Before Wal-Mart, Mr. Blackwell spent twenty years in the oil and gas industry with the Atlantic Richfield Company. He has a broad business and global perspective from his years on assignments in the US, United Arab Emirates, and Tunisia, and through participation in negotiations of multi-billion dollar business ventures in Russia and China. Mr. Blackwell is an expert on global supply chain management and finance, and has been featured in numerous articles and conferences. IPC CEO Charlotte Hebebrand noted what a great addition Mr Blackwell is to IPC, given his experience and vision for sustainability throughout the food supply chain.
In December 2006, IPC published Issue Brief 21 by Michael Gifford, “Unblocking the Doha Round Impasse,” which clarifies the complexity in the Doha agricultural negotiations. Gifford identifies potential solutions in domestic support, the tariff reduction formula, and sensitive and special products to show that the present impasse can be unblocked if key parties recommit to finding solutions.

IPC recently published the Discussion Paper “Biofuels: Promises and Constraints,” by Policy Associate Kara Laney. This paper puts forward the potential benefits of biofuels as well as their plausible drawbacks to present a thorough overview of the policy issues. The paper raises salient questions to illustrate the complexity of the biofuels issue for policymakers.

IPC has published a Discussion Paper by Daniel Sumner, director of the Agricultural Issues Center at the University of California at Davis, titled “US Farm Programs and African Cotton.” The paper outlines the major domestic and international factors influencing cotton policy: the US Farm Bill, the US-Brazil WTO cotton case, and the WTO’s sectoral initiative on cotton. Sumner proposes several ways African countries can advocate for US subsidy reform.

**Upcoming Activities:**

**The Doha Round—What’s At Stake for Africa?**

IPC and the Woodrow Wilson International Center for Scholars will host a discussion on what Africa stands to gain from the Doha Development Round, and on the continent’s other trade priorities, on February 14, 2007. The conference will feature the Secretary General of the Common Market for Eastern and Southern Africa, Erastus Mwencha, and a delegation of farm leaders and country representatives.

**International Dairy Roundtable**

An information session at the margin of the SPS Committee Meeting will be held in Geneva, Switzerland, on March 2, 2007, to unveil the results of a survey designed to determine how frequently dairy exporters are confronted with food safety and animal health standards, and how these impact trade.

**IPC’s Spring 2007 plenary meeting will be in Lusaka, Zambia** on June 2-3. Immediately thereafter – on June 4-5, IPC and the Partnership to Fight Hunger and Poverty in Africa will hold an international workshop in Lusaka which will engage policymakers, private sector representatives, donors, foundations, and other stakeholders to explore how to strengthen and expand markets and overcome supply side constraints.