



Trade Facts

Office of the United States Trade Representative

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Results of Bilateral Negotiations on Russia's Accession to the World Trade Organization (WTO)

Bilateral Market Access Agreement on Services

November 19, 2006

U.S. services suppliers will benefit in a wide range of sectors, including banking and securities, insurance, telecommunications, audio-visual services, distribution, express delivery, energy services, environmental services and professional services, when the WTO agreement enters into effect.

Banking and Securities: Russia has agreed to bind most existing market access and to offer some liberalization of treatment of foreign bank subsidiaries, including:

- allowing 100 percent foreign ownership of all commercially meaningful types of non-insurance, Russian financial companies, including banks, broker dealers and investment companies, upon accession.
- exempting foreign proprietary electronic networks for trading of securities (e.g., ECNs) from a 20 percent single investor limit on ownership of stock exchanges.
- allowing foreign-invested companies to own and trade the full range of securities (including state securities, bullion and new instruments once they are approved), lead-manage Russian securities issuance, and participate in financing of privatization of government- owned firms.
- allowing cross-border services such as financial leasing, financial information and data processing, credit cards and other types of payments, and advisory services and, starting in 2008, asset management services to sophisticated investors.
- returning to consideration of bank branching upon joining the OECD or in the next multilateral round of negotiations whichever comes first.

Insurance: Russia will provide a significant level of market access and national treatment for U.S. insurance companies, including 100 percent foreign ownership of non-life insurance firms upon accession. Limits on the number of life insurance licenses granted to foreign insurance firms, as well as foreign participation in a small number of mandatory insurance lines will be phased out 5 years from the date of accession. Russia will allow foreign insurance companies to open direct branches for life and non-life insurance, reinsurance and services auxiliary to insurance nine years from the date of its accession.

Discretion to Limit New Foreign Direct Investment: Russia retains the discretion to limit new foreign direct investment in banking and insurance and insurance branches, if foreign investment exceeds 50 percent of total investment in the sector. The calculation of the 50 percent ratio excludes foreign investment: 1) made by January 1, 2007; 2) in firms privatized after Russia's accession; 3) in internal branches; and 4) over 51 percent after it has been in place in Russia for 12 years, unless Russia makes a formal decision annually to continue to include such investment.

Russia has also agreed to conduct within 5 years from the date of accession an overall review of the discretionary foreign investment limit and whether it is necessary to keep it in place.

USTR has taken the firm position that this discretion to limit new foreign investment in financial services in Russia's accession agreement will not serve as an acceptable precedent in the context of any other WTO accession negotiations, the Doha Round, or any regional or bilateral trade agreement.

Telecommunications: Russia will open its telecommunications services market both on a facilities and non-facilities basis to all foreign suppliers. Sectoral coverage is comprehensive and Russia will allow foreign telecommunications companies to operate as 100 percent foreign-owned enterprises. Russia also accepted the pro-competitive WTO Basic Telecommunications Reference Paper establishing an independent regulator, obligations to prevent anti-competitive behavior by the dominant supplier, transparency obligations and interconnection requirements.

Audio-visual Services: Russia will open its market to U.S. audio-visual service suppliers in several important sectors, such as motion picture distribution and projection services, as well as the sale of television and radio programs to television and radio stations. Russia will allow foreign audio-visual companies to operate as 100 percent foreign-owned enterprises.

Energy Services: Russia has made commitments in energy and energy-related services that will provide some market access to U.S. energy service companies.

Express Delivery Services: Russia will allow foreign express delivery companies to operate as 100 percent foreign-owned enterprises upon accession. Russia's membership in the WTO will ensure the unrestricted delivery of documents, parcels, packages, and other items through all relevant modes of supply, and guarantee that foreign express delivery operators will receive treatment no less favorable than that accorded to domestic express delivery operators.

Distribution: Russia will liberalize the wholesale, retail and franchise sectors, allowing foreign distributors to operate as 100-percent foreign-owned enterprises upon its accession to the WTO. U.S. distributors will be allowed to engage in the distribution of most products, including pharmaceuticals, with minimal limitations and on terms comparable to those of domestic distributors. In addition, Russia's commitments for distribution provide for direct sales by individual commission agents.

Business Services: Russia's commitments for business services will ensure market access and national treatment for a wide variety of professions, including lawyers, accountants, architects, engineers, health care professionals, advertising and marketing professionals and management consultants. U.S. service suppliers in these sectors will be allowed to operate as 100 percent foreign-owned enterprises and in most cases will enjoy full national treatment. In addition,

Russia's commitments for computer and related services will ensure a high level of market access, including 100 percent foreign equity investment in this rapidly growing sector, in which U.S. companies are globally competitive.

Environmental Services: Russia will liberalize its environmental services market, allowing U.S. environmental services companies to supply a range of services from sewage services for industrial waste to noise abatement services, in all relevant modes of supply. Foreign service suppliers will be allowed to operate as 100 percent foreign-owned enterprises and will enjoy full national treatment.