



Russia's Accession to the WTO

Opportunities for the U.S. Services Sector

Russia's membership in the WTO will provide significant commercial opportunities for U.S. exporters:

- Russia's WTO accession commitments on services will improve or bind current trade practices in 116 services sub-sectors, ensure full national treatment in 30 sub-sectors, and provide U.S. service companies with more certain and predictable market access in Russia.
- To join the WTO, Russia must change its trade regime and implement many trade liberalizing obligations. The United States, by contrast, will merely extend to Russia the same trade treatment it already extends to all other WTO Members, and has extended to Russia every year since 1994.
- Russia's obligations, including those on services, will be enforceable through use of WTO dispute settlement.

Services Sector Overview

- The U.S. services sector accounted for 68.5 percent of total U.S. GDP in 2010 and was valued at \$10.3 trillion.¹
- The U.S. services sector employed over 92 million workers in 2009, with services accounting for approximately 83 percent of private non-farm employment.²
- In 2010, the U.S. enjoyed a \$162.2 billion surplus in cross-border trade in private services.³
- The Russia market offers areas of opportunity for U.S. service providers, particularly in a broad variety of sectors including financial services, energy, and travel and tourism.⁴

Improved Market Access for U.S. Services Exporters to Russia

- Russia is undertaking legally enforceable market access commitments covering U.S. priority services sectors, including audio-visual, telecommunications, distribution, express delivery, energy, and financial services (including insurance, banking, and securities).
- *Financial Services:* Russia will liberalize its treatment of foreign bank subsidiaries, including allowing 100 percent foreign ownership of all commercially meaningful types of non-insurance financial services firms, including banks, broker dealers, and investment companies. Russia has agreed that foreign companies can 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. Russia has also agreed to allow important cross-border services such as financial leasing, financial information, and data processing, as well as credit cards and other types of payments.
- *Energy Services:* Russia has agreed to commitments in a broad array of energy-related services sectors which will improve the market access picture for U.S. energy services companies. While Russia's commitments in services incidental to mining and in technical testing services cover consulting only, and exclude fieldwork, this access is consistent with that provided by some other WTO Members, such as Mexico, that have strong domestic sensitivities in this area.
- *Insurance:* Russia has agreed to 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. Russia has also agreed to phase out its existing restrictions on foreign insurance firms. 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 over 5 years. 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.
- *Audio-Visual Services:* Russia's commitments for audio-visual services are broader than those of other countries that have recently joined the WTO. 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 also allow foreign audio-visual companies to operate as 100 percent foreign-owned enterprises.
- *Information, Communication, and Technology (ICT) Services:*
 - *Computer and Related Services:* Russia has made very broad commitments for computer and related services, including commitments for U.S. service providers involved in hardware and software installation, data processing, and database services.

1 U.S. Department of Commerce, Bureau of Economic Analysis, Services references BEA definition of private services-producing industries.

2 U.S. Department of Commerce, Bureau of Economic Analysis, Services references BEA definition of private services-producing industries.

3 U.S. Department of Commerce, Bureau of Economic Analysis, U.S. International Services, October 2010.

4 U.S. Department of Commerce, U.S. & Foreign Commercial Service, 2010 Country Commercial Guide for Russia.

- *Telecommunications*: Russia will open its telecommunications services market both on a facilities and non-facilities basis to all WTO 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 that requires the establishment of an independent regulator, the prevention of anti-competitive behavior by dominant suppliers, and the introduction of transparency obligations and interconnection requirements.
- *Management Consulting Services*: Russia has undertaken full legally enforceable commitments in all areas of management consulting services. These commitments will facilitate U.S. service suppliers selling their expertise in establishing and managing technology-based enterprises.
- *Cross-Border Services*: Russia has undertaken commitments to allow cross-border provision of telecommunications- and Internet-based services. For example, Russia has undertaken commitments to allow Internet-based provision of a broad range of professional services, such as legal, accounting, and architectural services, as well as Internet-based educational services.
- *E-Commerce*: In addition to the commitments for cross-border provision of telecommunications- and Internet-based services, described above, Russia has undertaken full commitments for cross-border wholesale and retail distribution.
- *Distribution Services*: 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.
- *Express Delivery Services*: Russia will allow foreign express delivery companies to operate as 100 percent foreign-owned enterprises upon accession. Russia's accession in the WTO will ensure full market access for express 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.

Other Key Commitments by Russia for the Services Sector

National Treatment:

Russia has undertaken broad national treatment commitments for services, which parallel the commitments they have taken for services market access.

Government Procurement:

Within four years of becoming a WTO Member, Russia will commence negotiations to join the WTO's plurilateral Government Procurement Agreement (GPA). Government purchases generally account for 10 percent to 15 percent of a country's GDP. The GPA subjects the purchases covered by the GPA to a system of WTO rules aimed at ensuring that procurement is conducted in a fair, transparent, predictable, and non-discriminatory manner that levels the playing field for foreign suppliers.

Transparency:

Upon accession, Russia will ensure that laws and regulations pertaining to trade in goods, trade in services, or intellectual property rights will be published before they become effective and will be subject to "notice and comment" procedures. Compliance with these rules will not only give interested persons (e.g., U.S. producers and exporters) an opportunity to provide input into the rules governing trade with Russia, but it will also ensure advance notice for any changes. In addition, Russia will ensure that the process for licensing service suppliers is transparent. Russia will publish its licensing requirements and its licensing authorities will keep applicants informed of the status and disposition of their applications. Applications for licenses will be handled expeditiously, and fees for licenses will be reasonable. In addition, where Customs Union (CU) authorities have responsibility for WTO issues, such as sanitary and phytosanitary measures, technical barriers to trade, customs issues, and enforcement of intellectual property rights at the CU border, these transparency obligations will apply.

Trade-Related Investment Measures:

Upon accession, pursuant to the WTO Agreement on Trade-Related Investment Measures, Russia will be prohibited from imposing certain conditions on investing in Russia in order to obtain a benefit from the government. For example, unless specifically "grandfathered" in Russia's Working Party Report, Russia would not be able to impose local content requirements or export requirements as a condition of investing in Russia. Implementation of this Agreement will ensure that companies make investment decisions and business plans based on commercial considerations.