

**The Long Accession: Russia and
the World Trade Organization**

by

Carrie Pfaff

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Supervised by

Professor Linda Lucia Lubrano

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Eighteen years later and the Russian Federation is still not a member of the World Trade Organization (WTO). This paper will examine the question of why Russia's accession to the WTO has taken so long. The study uses James Rosenau's framework of linkages and the balancing of domestic and foreign interests in the political space of the Frontier to look at Russia's entry into the World Trade Organization. From this framework the study uses a few key polities such as the executive branch, the judicial system, and relationships with foreign countries in connection to Russia's accession to look at the overall progress that the country has made towards preparing for entry into the WTO. Ultimately, this paper provides the reader with an outline of the issues that Russia must continue to focus on if it aspires to become a member of the World Trade Organization.

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I. Introduction

Despite the numerous transformations it has undergone in the past two decades, the Russian Federation has still not become a member of the World Trade Organization (WTO). Russia has undergone the longest accession process of any country to date. Membership in the WTO could help the Russian economy to grow as well as cement market reforms. It would improve Russia's status, both at a regional and global level. Both experts and government officials have said there is a good possibility Russia could enter the World Trade Organization later this year or early next year if it properly addresses certain concerns. However, despite these assurances about the future of Russia's membership, little scholarship has examined the connections between the reasons for the country's long accession process. This paper aims to frame the underlying issues in a broader international context to examine the delays in the Russian Federation's accession to the World Trade Organization.

The scholarly work that has been written on the accession does not adequately address the issue. Many authors have examined only specific issues within the accession such as agriculture or the economic reforms. Other scholarly works do not take into account the effects of some of the more recent events concerning the Russian Federation, such as the Khodorkovsky trials and the invasion of Georgia. For the most part, while scholars discuss the issues affecting the accession, they fail to account for the international connections that are created between the country's domestic and foreign policies. Therefore, there are many links between Russian domestic politics and international politics that need to be examined in this paper.

There have been a wide variety of issues that have delayed the accession process including the interests of the executive and the concerns of interest groups. The international community has doubts about Russia's ability to respect the *rule of law* as demonstrated by problems with the

judicial and legal system. Despite the fact that the aforementioned issues originate within the internal structure of the country, the Russian Federation must take into account the wider international context. For example, it considers the “near abroad” to be an important area, yet the country must also contend with the international trade regime as a result of the highly globalized nature of the WTO. The requirements imposed by the external environment and the domestic interests have simultaneously sustained and constrained each other within a wider political field. In the end, this paper finds that Russia must not ignore the inter-relations between domestic issues and international influences and must also seek to carefully balance its domestic and foreign policies as part of its accession to the World Trade Organization.

II. Literature Review

Several scholars have examined the Russian Federation’s Word Trade Organization accession and the problems that the country has encountered along the way. On the one hand, some scholars have given a fairly comprehensive overview of the accession process and the general issues that the Russian Federation faces. On the other hand, scholars have looked at specific aspects of the country’s entry into the WTO and how those specific incidents have affected the overall process. Often due to slightly dated information or brevity of topic, scholars fail to take into account some of the most important recent issues. They also fail to connect the problems the Russian Federation has encountered to politics in the state and the international system. As a result of the above omissions, there is considerable scholarship that can be added to the current body of work on the Russian Federation’s accession to the World Trade Organization.

To properly examine the accession process of Russia, one must have the appropriate framework. James Rosenau has written on the balance between domestic and foreign concerns, something that the Russian Federation has struggled with throughout the accession process. In his book *Linkage Politics*, Rosenau looks at the influence internal politics and the external environment can exert on each other. In his proposed framework there are several different environments, such as the regional and organizational environments, in the international system and many different politics, including interest groups and policy-making, within a state.¹

Furthermore, Rosenau has examined the balance of domestic and international issues in his book *Along the Domestic-Foreign Frontier*. In this work the author presents the idea that both foreign and domestic policy issues are connected in networks within a political space, the “Frontier”². As a result of globalization there is no longer a clear dividing line between domestic policy and foreign policy. These frameworks easily demonstrate how internal and external factors affect each other when looking at an issue, such as the Russian Federation’s WTO accession. Linkages create connections between the internal workings of the state and the outside environment, while the Frontier situates the linkages within a global context. In the Frontier, one can see the multiple connections between a variety of domestic and foreign issues that span the globe. Simultaneously, there is the ability to examine the individual linkage between the domestic polity and the international environment. The linkage framework and Frontier complement each other when examining Russia’s lengthy accession.

And yet, often with little framework analysis, a number of scholars have looked at why the Russian Federation’s entry into the World Trade Organization has taken so long. The most

¹ James Rosenau, “Toward the Study of National-International Linkages,” in *Linkage Politics*, ed. James Rosenau (Toronto: The Free Press, 1969), 53.

² James Rosenau, *Along the Domestic-Foreign Frontier* (Cambridge: Cambridge University Press, 1997), 4.

comprehensive work on Russia's accession is Peter Naray's *Russia and the World Trade Organization*. Naray traces the accession process from the beginning through to 2001. He looks at the effects the economic reforms in the Russian Federation have had on the country's accession, as well as the effects from political and institutional reforms. He devotes attention to the challenges faced by the Russian Federation to accede to the World Trade Organization as well as what the future may hold for the accession agreement. Naray elaborates on a variety of polity issues included in Rosenau's framework within Russia, such as the institutions and processes. One can easily see the domestic policy challenges with the Russian Federation's accession. However, Naray makes few connections between domestic and foreign policy, an area which can be improved upon. Overall, Naray's book provides a fairly full descriptive picture of the domestic issues surrounding Russia's entry into the WTO.

In *The New Political Economy of Russia* Erik Berglof, Andrei Kunov, et al. discuss the Russian Federation's accession to the World Trade Organization. Berglof and his co-authors are primarily concerned with the economic reforms that have taken place within the country. They also look at the structural and institutional reforms that have accompanied the changes in economic policy. The discussion on the WTO accession revolves around the relationship between that process and the economic reforms that were debated. While economic reforms are critical to Russia's accession, they are not the only constraint. There are other political and institutional issues that also must be addressed both domestically and abroad. This book provides a good base of the economic issues of Russia's accession, but puts little emphasis on other factors affecting the process.

William Cooper provides another perspective on the accession process. In his work in *Russian Political, Economic and Security Issues* he provides an overview of the Russian

Federation's reasons for joining the WTO and the progress it has made. He also talks about other countries' reactions to the accession. Through this discussion he places some of the major polity issues within an international context. While Cooper gives a good summary of Russia's accession agreement and some of the issues involved, there is not enough evidence to account for Russia's delay in entering the World Trade Organization.

Anders Aslund is one of the most prolific scholars on Russian economic reform. He has written on the Russian Federation's transition to a market economy through to the country's weathering of the recent global financial crisis. In his examination of the transition from a command and control economy to capitalism, he has been forced to confront the issue of the Russian Federation's accession to the World Trade Organization. Regardless, Aslund has not written a comprehensive assessment of the process. In Aslund's article "Why Doesn't Russia Join the WTO?" he primarily focuses on Vladimir Putin's role in the accession process. While Putin does play an important role, he is not the only factor affecting Russia's accession. Putin can be constrained by domestic and foreign politics. He is only one factor in a wide Frontier.

The focus on a single person and his effect on the accession are quite different from Aslund's previous work concerning the matter. Aslund briefly discusses a different set of issues pertaining to Russia's entry into the WTO in his book *The Russia Balance Sheet*. He looks primarily at the Russian Federation's relationship with its neighbors, particularly the relationship with Ukraine and Georgia, overall protectionist measures in the country, and foreign direct investment (FDI), especially investment concerns of firms from the United States. However, in *Russia's Capitalist Revolution*, Aslund talks briefly about the country's history of progress on the WTO accession. As the above pieces of work demonstrate, Anders Aslund has looked at a

broad range of issues concerning Russian accession, both domestically and internationally, but has failed to establish consistency in his examinations of the situation.

Separating themselves somewhat from the aforementioned scholars, certain scholars have taken an in-depth look at specific and narrow issues involved in Russia's WTO accession. These scholars have looked at concerns such as the issue of Russian agriculture and the problem of educational levels of the Russian workforce. International organizations have taken into consideration some aspects of the accession. The World Bank has done a study on the effect of trade liberalization on Russian households.³ While these works provide concrete examples of some of the problems the Russian Federation is encountering, it can be difficult to connect the work to internal and external factors.

The scholarship concerning Russia's accession to the World Trade Organization provides a broad overview of the situation and a few in-depth examples of challenges the country faces, but it fails to fully address the reasons why the accession has taken so long. Some of this lack of explanation is due to slightly outdated information, too brief of an examination of the issues at hand, and too narrow or broad of a focus. Nonetheless, the failure to explain the long accession leaves a large gap in the body of scholarly work concerning the country's entry into the WTO.

The first explanation is that some of the work is out-of-date. The world of international politics changes quickly and it can be difficult to keep information current. As an example, Naray's book is now ten years old and much has changed in the Russian Federation since the book was published. His book was published in the wake of the 1998 economic crisis and before Putin began to consolidate his power. Even Rosenau's framework needs to be altered to reflect

³ Thomas Rutherford et al. *The Impact on Russia of WTO Accession and the Doha Agenda: The Importance of Liberalization of Barriers against Foreign Direct Investment in Services for Growth and Poverty Reduction*, (Washington, DC: The World Bank, 2005), 2.

the current times. While his Frontier reflects the state of our globalized world, his linkage framework was created under much different circumstances. His original framework was created during the Cold War, the importance of which is shown through the creation of the “Cold War Environment”.⁴ Instead, other environments have now gained greater importance. The research concerning Russia’s WTO accession needs to be brought current to take into account issues such as the war with Georgia and the more recent Khodorkovsky trial.

Second, it seems that scholars have devoted little time to examining the underlying issues with the Russian Federation’s accession process. Despite Aslund’s extensive research into the Russian economy, he has spent little time looking at the WTO accession and the hindrances behind it. As mentioned previously, his work seems to be fairly fragmented. Berglof and Cooper, in their respective pieces, also do not seem to allocate enough attention to such an important issue as the Russian Federation’s accession. Given the possible impact of the country’s entry into the World Trade Organization, more attention should be given to the matter.

Thirdly, much scholarship seems to concentrate on the reforms that the Russian Federation has undergone. There especially seems to be considerable emphasis placed on the internal workings of the political structure of the country. Thomas Remington’s *Politics in Russia* examines the political changes that the country has undergone since Soviet times. In *Russia’s Capitalist Revolution*, Aslund looks at both the political and economic reforms. In their discussions, both authors touch on some of the issues that affect Russia’s accession to the WTO, but they provide little global perspective on the problems. While internal politics are important, when examining a country’s relationship to an international organization such as the WTO, one

⁴ *Linkage Politics*, 53.

must also look at the international implications. Cooper does include the perspectives of the U.S. and the EU, but more analysis needs to be done in the area.

Finally, scholars have often taken a narrow view and only examined a single issue affecting the Russian Federation's accession, or else they have taken too broad of a focus and failed to provide little exact evidence of issues. Cooper's article spends time considering United States' issues with the Russian accession, and yet the U.S. is not the only country whose opinion needs to be examined. As Georgia has shown in recent years, small countries can have just as much of an effect their larger counterparts. Furthermore, as stated previously, some scholars have only looked at education levels and agriculture. This restrictive view can leave out other issues that need to be taken into consideration.

On the other hand, the broader surveys of the challenges the Russian Federation has faced present too many issues. As a result, one can struggle to determine which are the most important and germane to explain perpetual delay of the country's entry into the WTO. As various events occur, both in Russia and other countries around the world, the importance of certain issues in the accession change. If there are too many issues, then the relevant developments can be difficult to track. The constant fluctuations of such a wide variety issues can make it difficult to determine the reasons for the holdup of Russia's accession to the World Trade Organization.

My research would fix these gaps in the current academic body of work on the entry of the Russian Federation into the WTO. I will draw on Rosenau's concept of linkage politics and the Frontier to see how external factors have affected the country's domestic politics in regards to its WTO accession agreement, as well as how internal issues have affected the Russian Federation's external environment. I will do a fairly inclusive examination of the issues affecting the Russian Federation's accession, using the most current issues as specific evidence

of linkages. My analysis of both internal and external factors will show how interconnected the world is and how countries must work to balance their domestic and foreign policy goals. Through my use of Rosenau's framework as well as current and inclusive information, my research will greatly add to the current scholarly work on the Russian Federation's accession to the World Trade Organization.

III. Framework

One must have the correct framework to properly analyze the issues involved with the Russian Federation's accession to the World Trade Organization. As is the case in so many issues in the globalized world of today, international trade involves a delicate balance between domestic interests and foreign policy. Decisions made in regard to the domestic market can have effects in countries on opposite sides of the globe. Similarly, foreign policy decisions can have a great impact on the lives of domestic consumers. The link between domestic and foreign affairs is what Rosenau captures in his concepts of linkage politics and the Frontier.

A. Linkage Politics

In order to utilize Rosenau's framework, there must first be a few clarifications. The primary important component to grasp is the definition of a linkage, defined by Rosenau as "any recurrent sequence that originates in one system and is reacted to in another".⁵ The behavior must be recurrent in order to allow one to build a solid framework. If the behavioral sequence was not recurrent then single events and individual actions would carry too much weight when analyzing important international issues.

These linkages are each composed of an input and an output. The output is the start of a linkage, while the input is the end of it. He further distinguishes between inputs and outputs

⁵ *Linkage Politics*, 45.

according to whether they occur in the external environment or within the polity. As an example, the polity inputs originate within a polity and “either culminate in or are sustained by their environment.” They give rise to environmental inputs, or “behavioral sequences in the external environment”. On the other hand, environmental outputs originate in the international system and are sustained by or end within the polity.⁶ In turn, these environmental outputs lead to polity inputs. This terminology helps one to differentiate where linkages begin and end.

Table1: Rosenau’s Linkage Framework⁷

A PROPOSED LINKAGE FRAMEWORK							
ENVIRONMENTAL → POLITY Outputs and Inputs ↓		The Contiguous Environment	The Regional Environment	The Cold War Environment	The Racial Environment	The Resource Environment	The Organizational Environment
Actors	1. Executive Officials						
	2. Legislative Officials						
	3. Civilian Bureaucrats						
	4. Military Bureaucrats						
	5. Political Parties						
	6. Interest Groups						
	7. Elite Groups						
Attitudes	8. Ideology						
	9. Political Culture						
	10. Public Opinion						
Institutions	11. Executive						
	12. Legislatures						
	13. Bureaucracies						
	14. Military Establishments						
	15. Elections						
	16. Party Systems						
	17. Communications Systems						
	18. Social-Institutions						
Processes	19. Socialization and Recruitment						
	20. Interest Articulation						
	21. Interest Aggregation						
	22. Policy-Making						
	23. Policy-Administration						
	24. Integrative-Disintegrative						

Rosenau’s conceptual framework provides a solid base from one to analyze the Russian Federation’s accession to the World Trade Organization. As shown in Table 1 he identifies

⁶ Ibid.

⁷ James Rosenau, “Toward the Study of National-International Linkages,” in *Linkage Politics*, ed. James Rosenau (Toronto: The Free Press, 1969) 52.

twenty-four different polities, or politically organized units, and six different environments. Still, as he acknowledges, the list of polities he created is not exhaustive. Furthermore, Rosenau created his linkage framework in 1969 and it must be brought up-to-date with current times. Therefore, I will adapt the framework to my needs. I will not include all twenty-four polities in my analysis and I will include polities which are not listed, such as the judiciary. I will not include all environments as Rosenau includes a Cold War Environment, which is no longer relevant today.⁸ With a few changes, Rosenau's framework becomes a suitable basis for a comprehensive analysis of the process of Russia joining the WTO.

B. The Frontier

Another important concept developed by Rosenau that is useful in analyzing Russia's bid to join the WTO is his idea of a new domestic-foreign frontier. In this paper I will refer to Rosenau's Frontier with a capital "F" to distinguish it from the usual meaning given to the word frontier. One can no longer think of domestic and foreign policy as two distinct spheres. The boundaries that have separated domestic and foreign affairs in the past have now been eroded and become porous.⁹ This situation has arisen due to the globalization of economies, the information revolution, the breakdown of trust, the proliferation of organizations, and the integration of regions, among other phenomenon.¹⁰ As a result the world must shift its thinking about the traditional domestic-foreign frontier.

In Rosenau's concept of the Frontier, the boundary between domestic and foreign affairs is no longer a simple line. Instead he envisions the Frontier as a wide political space.¹¹ Within

⁸ *Linkage Politics*, 52.

⁹ *Along the Domestic-Foreign Frontier*, 32.

¹⁰ *Ibid.*, 7.

¹¹ *Ibid.*, 4.

this space there is the complex and intricate web between domestic and foreign affairs.¹² In other words, the Frontier is “a widening field of action, as the space in which world affairs unfold, as the arena in which domestic and foreign issues converge, intermesh, or otherwise become indistinguishable within a seamless web”.¹³ Within this political field there are several different influences on domestic and foreign affairs.

Rosenau does not consider states and their governments to be the main forces in his Frontier framework. He believes that the hierarchical structures of world politics are no longer managed by national states and much of the “basic authority” of national governments has been depleted in today’s world.¹⁴ Instead, the focus of today is on the “processes of governance rather than on governments as the instruments through which authority is exercised.”¹⁵ The author subscribes to the fragmentation worldview, which encompasses diverse actors and issues and considers boundaries between actors to be porous.¹⁶ While this view does describe how the world is changing, it still is not a perfect model.

While on the whole I agree with the concept of fragmentation, in my analysis I will incorporate a large amount of liberalism as well since it accounts for cooperation among states and non-state actors. Throughout much of my paper, states will be my main units of analysis as the World Trade Organization was constructed on the state-based system. Only states are allowed to become members and protocols are only concluded between governments of states. Therefore, for the WTO, states and governments have not lost their authority and importance. On the other hand, in accordance with fragmentation and the linkage politics framework, I do

¹² Ibid.

¹³ Ibid., 5.

¹⁴ Ibid., 20.

¹⁵ Ibid., 40.

¹⁶ Ibid., 31.

acknowledge actors besides states in my discussion of various polities such as the executive, interest groups, and the judicial system, which have all had an effect on the Russian Federation's accession to the WTO. In order to see the impacts of these actors on the Russian Federation's bid to join the World Trade Organization, one first must understand what has occurred up to this point in the accession.

IV. Genealogy of Accession

A lot has changed in the eighteen years since the Russian Federation first began the process to join the World Trade Organization. The country has progressed in its transition from a command and control economy to that of a market economy. Furthermore, the power balance in the international system has started to shift with the rise of the European Union. Despite Russia's commanding presence in the global economy, it is currently the largest economy in the world that is not a member of the World Trade Organization. Its economy is currently valued at \$2.2 trillion, which makes it one of the ten largest economies in the world according to Gross Domestic Product (GDP).¹⁷ In order to understand the Russian Federation's final push to join the WTO, one must also understand the history of the accession as well as what the country stands to gain and lose from its decision.

In the eighteen years that Russia has undergone its capitalist transformation, so too has the World Trade Organization. When the General Agreement on Tariffs and Trade (GATT) was created in 1947, Russia was still part of the Soviet Union. At the time, the U.S.S.R. wanted nothing to do with the GATT since it saw the agreement as a capitalist institution of the West.¹⁸ At one point in time, the U.S.S.R. referred to the GATT as an "instrument of economic

¹⁷ Economy Watch, The World's Largest Economies, <http://www.economywatch.com/economies-in-top/>, (accessed April 20, 2011).

¹⁸ Peter Naray, *Russia and the World Trade Organization* (New York: Palgrave, 2001), 16.

expansion into the world market for U.S. monopolies’”.¹⁹ Instead the Soviet Union remained openly hostile to the GATT for the next fifteen years and increased its support for a global socialist revolution.²⁰

The U.S.S.R. created the Council for Mutual Economic Assistance (CMEA or Comecon) as the Soviet bloc answer to the GATT.²¹ The primary principles of the CMEA were the coordination of national planning and “the total disregard of market forces in the regulation of trade among its members”.²² On the other hand, the West did not invite the Soviet Union to become a contracting party to the GATT, because the Soviet economy was the antithesis of free trade and violated all the rules set forth in the Agreement.²³ For the first decade and a half after the founding of the GATT, the West and the Soviet Union maintained a lukewarm relationship in the trade arena, but eventually relations started to soften.

However, after détente, economic relations began to shift. A number of member countries of the CMEA joined the GATT, which created a bridge between the centrally planned economies of the Soviet bloc and the global multilateral trading system.²⁴ Most notably, the member countries of the GATT invited the U.S.S.R. to participate in the Tokyo Round of trade talks that took place between 1973 and 1979.²⁵ The U.S.S.R. declined the invitation due to concerns over the relatively little weight the country’s economy would carry in the negotiations as the result of its small export sector.²⁶

¹⁹ Ibid.

²⁰ Ibid.

²¹ William Cooper, “Russia’s Accession to the WTO,” in *Russian Political, Economic and Security Issues*, (New York: Nova Science Publishers, Inc., 2009), 125.

²² Naray, 2.

²³ “Russia’s Accession to the WTO,” 125.

²⁴ Naray, 16-17.

²⁵ Naray, 17.

²⁶ Ibid.

Starting in the early 1980s the Soviet Union warmed considerably more to the GATT as it seriously considered joining the group.²⁷ The country's interest grew enough that it applied to participate in the Uruguay Round of trade talks in 1986 as an observer.²⁸ However, due to political concerns and concerns over the fact that the structure of the Soviet economy was contradictory to GATT principles, the country's request was denied.²⁹ Finally, in 1990 the West relented and gave the Soviet Union observer status, the same status that the Russian Federation continues to hold today as the successor state to the Soviet Union.³⁰ Once the Russian economy was considered to be more in line with the principles of free trade, the country could attempt in earnest to join the world's largest free trade organization.

After the Soviet Union collapsed, the Russian Federation realized that it needed to involve itself in global trade if it wanted to grow and prosper. The country began the accession process to what was then the GATT by submitting a letter of its intent to accede to the organization in 1993. When the GATT became the World Trade Organization in 1995, the Russian Federation's accession changed with the organization. Accordingly, the Russian Accession Working Party was established in 1993 and the first meeting of the group was in July 1995. The Russian Federation followed up its letter of intent with the required Memorandum in 1994.³¹ The Memorandum provided a comprehensive overview of an applicant's foreign trade regime, including its general economic trade policy objectives. In the Memorandum the applicant had to include information about its monetary and fiscal policies, organization and workings of its trade-related administrative and legislative decision making, a list of relevant

²⁷ Ibid.

²⁸ "Russia's Accession to the WTO," 125.

²⁹ Naray, 18.

³⁰ "Russia's Accession to the WTO," 125.

³¹ World Trade Organization, Accessions: Russian Federation, http://www.wto.org/english/thewto_e/acc_e/a1_russie_e.htm (accessed April 22, 2011).

laws, export and import regulations, and bilateral and multilateral trade agreements. After the Russian Federation submitted its Memorandum, the “Questions and Answers” stage began, a process that can last for years. During this stage all members of the WTO can ask questions about the Memorandum and it also assists the Working Party in its negotiations with the applicant.³² In the case of Russia, the “Questions and Answers” stage started in June 1995 and still continues today.³³ Once the required formal documents were submitted and properly dealt with, the formal negotiations on Russia’s accession could begin.

By far, the longest and most complex part of the accession process is the negotiation stage. There are two main goals during accession negotiations: one, to decide how and when the country will comply with WTO rules, two, to determine tariff concessions, commitments on trade in services, and other parts of the “membership fee”.³⁴ Accession negotiations occur on two separate tracks simultaneously: bilateral negotiations with individual member countries and multilateral negotiations with the Working Party.³⁵ Once all parties have reached a satisfactory agreement, a vote is taken among all current WTO members regarding approval of the accession of the applicant. Officially, the accession requires the approval of the two-thirds majority, but unofficially, the WTO likes to make decisions unanimously. There is no deadline that is set as the length of the accession process can vary greatly. Before, the Russian Federation’s marathon accession, the longest was China’s fifteen-year accession process to the World Trade Organization.³⁶ The Russian Federation’s negotiations, while long and protracted, appear to be

³² Naray, 93-94.

³³ Accessions: Russian Federation.

³⁴ Naray, 84.

³⁵ “Russia’s Accession to the WTO,” 124.

³⁶ *Ibid.*, 125.

nearing the end and the hope is that the country will join the World Trade Organization in the next year or two.

V. The Russian Economy

There are several benefits the Russian Federation stands to gain as a result of becoming a member of the World Trade Organization. But at the same time, it must balance these benefits against the losses its economy will incur due to shifts in trade, especially concerning decreases in protectionist measures. Both critics and proponents of the WTO membership have valid points about the effects of the accession on the Russian economy.

By joining the WTO, the Russian Federation will improve its standing in the international system. Currently it is the only member of the G-8 and the G-20 that is currently not a part of the World Trade Organization.³⁷ This situation causes Russia to feel alienated, especially concerning the international trade regime. Therefore, the WTO membership will further integrate the Russian Federation into the global economy.³⁸ It will also allow the country to have more influence in international affairs. As the Russian Federation sees itself as one of the major powers in the world, accession to the WTO is key to solidifying that view.

Overall, the Russian economy, and even the political system, will benefit from the World Trade Organization accession due to the requirements for membership in the organization, especially the lowering of trade barriers and new trade laws. Anders Aslund asserts that membership will cement democratic and capitalist changes that have already taken place.³⁹ Due to international involvement and pressure, it would be difficult for any future leader to reverse

³⁷ Andrei Fedyashin, "Russia's Last Hurdles to WTO Membership," *RIA Novosti*, Feb. 10, 2011, <http://en.rian.ru/analysis/20110210/162544422.html> (accessed Feb. 15, 2011).

³⁸ Erik Berglof and others, *The New Political Economy of Russia*, (Cambridge, MA: The MIT Press, 2003), 136.

³⁹ Anders Aslund, "Russia's Accession to the World Trade Organization," *Eurasian Geography and Economics* 48, No. 3 (May 2007): 301-302, <http://bellwether.metapress.com.proxyau.wrlc.org/content/c2255tw5v8r6982m/fulltext.pdf> (accessed Jan. 9, 2011).

the current transformation.⁴⁰ The WTO membership would improve the country's general business climate and the structure of the economy. Furthermore, the Russian Federation trade policy would become more predictable and less arbitrary. The improvements in trade policy would increase investor confidence.

As a result, the economy should grow and prosper. As advocated by economic theory, the country stands to grow, due to the decrease in trade barriers resulting from membership in the WTO. According to the World Bank, the country's gross domestic product could increase by 3.3% in the medium term and by as much as 11% in the long term forecast. A large amount of this growth will be the result of increases in foreign direct investment and increases in exports, particularly steel exports to the European Union. The opening of uncompetitive industries will allow for more foreign investment as well as improving the overall economy.⁴¹ Despite these benefits, some people argue that Russia will lose more than it will gain by joining the World Trade Organization.

Some scholars argue that the accession to the WTO may not be able to properly serve as an external anchor for Russian reforms. First of all, as Berglof points out, "Russia has no tradition of free trade and thus no experience of its benefits".⁴² Therefore, the necessary changes may not be implemented in a way that maximizes the benefits. Furthermore, Russians do not like tying their internal policies to international requirements, which can make reforms unpopular and possibly even impossible.⁴³ Lastly, what the Russian Federation needs is

⁴⁰ Ibid.

⁴¹ Maria Levitov and Lyubov Pronina, "Russia Says WTO Membership by July is 'Realistic'," *Bloomberg*, Dec. 8, 2010, <http://www.bloomberg.com/news/2010-12-07/russia-says-wto-membership-by-july-is-realistic-after-eu-deal.html> (accessed Feb. 15, 2011).

⁴² Berglof, 141.

⁴³ Ibid. 141-142.

institutional forms rather than the liberalization that is imposed by the WTO trade regime.⁴⁴ Due to the required reforms that would be needed, membership in the World Trade Organization may not be the magic solution that proponents say is needed to strengthen the Russian economy.

Critics of WTO membership assert that the Russian Federation will not gain a great amount by joining the organization and the economy may even lose a great deal of strength. Their primary argument is that the Russian economy is centered around oil and gas exports, an area in which the World Trade Organization is not very active.⁴⁵ Critics also disagree with the assertion that the metals industry will benefit greatly from accession to the WTO. They argue that the metals industry will not benefit as greatly since that particular sector only accounts for 15% of Russian exports.⁴⁶ The majority of export revenues come from the oil and gas sector, which represent 65% of Russian exports.⁴⁷ Furthermore, opponents are critical of the loss of protectionist measures in key sectors.

Most scholars agree that the Russian agriculture and manufacturing sectors will struggle to survive against the foreign competition that entry into the WTO will bring.⁴⁸ As a result of losses suffered by uncompetitive firms, the government may have to contend with social unrest.⁴⁹ The current state of economy may not be as conducive to a positive accession to the World Trade Organization as some believe. There is a fair amount of uncertainty concerning the full effects of WTO membership on Russia. Opponents fear that capital flow liberalization may lead to capital flight.⁵⁰ In turn, the Russian economy could become more vulnerable to economic

⁴⁴ Ibid., 142.

⁴⁵ Fedyashin.

⁴⁶ Levitov.

⁴⁷ Ibid.

⁴⁸ Fedyashin.

⁴⁹ Berglof, 137.

⁵⁰ Berglof, 139.

crises.⁵¹ As stated previously, with economic crises, there is always an increased probability of social unrest and discontentment with the government. Therefore, some of the benefits of the accession may be negated by the current structure of the economy.

VI. Political Leadership and Domestic Interests

Arguably, individual actors are almost as important as states in the international system. Certain individuals who have been invested with a large amount of power, have the opportunity to exert their influence not only in their home country, but in global politics too. People have also formed groups to be able to have more influence and have their interests heard. As many high-ranking politicians who are in positions to affect global events derive their power from the people, they have had to listen to the people's interests. As a result this influence simultaneously exerted by two separate sets of individuals has had a great impact on the path that the Russian Federation has taken to become a member of the WTO.

A. Executive Officials

Considering the Russian Federation's apparent propensity for authoritarian rule, the executive officials have had quite a bit of latitude to exercise their powers. As head of state, the Russian president has had the primary responsibility for advancing the accession process. This freedom of powers and interest has left its mark on Russia's accession, which has changed with every presidential term. The accession has seemed to quicken or slow based on the interest of the person in charge of the executive branch.

In the context of Rosenau's framework, the executive officials are polity outputs. The officials have repeatedly taken actions that have either helped or hindered Russia's accession to the WTO, the environmental input. As such, one can see that the linkage began within the

⁵¹ Ibid.

Kremlin and was sustained within the World Trade Organization. Furthermore, the executive officials must negotiate their goals within the context of the global political arena. While they may have certain domestic or foreign affairs goals, those may not always be possible due to the transversal ties in the Frontier. In order to maintain these ties, certain political moves may be forbidden or looked down upon, within the international field. As a result, executive officials must balance their interests with international expectations.

1. Yeltsin

Boris Yeltsin was the first man to attempt to tackle the Russian membership in the WTO. Overall, the efforts towards accession were slow due to the fact that the administration was contending with other economic and political issues involved with transforming Russia into a capitalist and democratic country.⁵² In the 1990s, the members of the Russian government paid little attention to the WTO because they did not fully realize the importance of the organization. At the time, most of the country's exports encountered few protectionist measures, which are one of the main trade barriers that the World Trade Organization seeks to reduce. A majority of the country's exports consisted of natural gas and oil, which are subject to few protectionist measures, and only later on did the Russian Federation start to export more sensitive commodities, which generally face more protectionism in the global market.⁵³ As Russian exports shifted, the interest in WTO membership increased. By the time that Yeltsin left office at the end of the millennium, many of the post-Communism transition issues had been resolved

⁵² William H. Cooper, "Russia's Economic Performance and Policies and Their Implications for the United States," in *Russian Political, Economic and Security Issues*, (New York: Nova Science Publishers, Inc., 2009), 108.

⁵³ Anders Aslund, *Russia's Capitalist Revolution: Why Market Reform Succeeded and Democracy Failed*, (Washington, DC: Peterson Institute for International Economics, 2007), 223.

and Russian exports encountered more protection, so that Putin started to seriously pursue accession to the WTO.

2. Putin

Arguably, the man who has had the greatest effect on the efforts of Russia to join the World Trade Organization is Vladimir Putin. In his first term, 2000-2004, Putin was very enthusiastic about his pursuit of WTO membership for Russia. In his annual address to the Russian public in April 2002, he expressed his support for the World Trade Organization: “The WTO is a tool. Those who know how to use it become stronger... Membership in the WTO should become a tool to protect Russia’s national interests on the world market.”⁵⁴ Putin spearheaded extensive institutional reforms between 2000 and 2003 in order to comply with the WTO requirements⁵⁵. Reforms included a new tax code, a new customs code that reduced corruption and delays, and new intellectual property rights laws.⁵⁶ In 2003, the Putin administration’s attitude towards WTO shifted noticeably. The first indication of a loss of enthusiasm was the proposal of a customs union, as discussed below. Other measures and actions that would hinder the Russian Federation’s entry into the World Trade Organization quickly followed.

During Putin’s second term, 2004-2008, political focus began to stray and the enthusiasm for WTO membership waned. He allowed the *siloviki*, his rich and powerful cronies, to gain power and take control of parts of the government. The *siloviki* disliked the West and believed that Russia was strong enough on its own. Therefore, they did not approve of WTO accession and continually sought to slow down the process. In his second term, Vladimir Putin appointed

⁵⁴ *Russia’s Capitalist Revolution*, 223.

⁵⁵ *Ibid.*, 224.

⁵⁶ *Ibid.*

Fradkov as prime minister, a politician who was known for being passive and would not try to undertake any further reforms. In a speech to the Duma in October 2006, while proposing several new regulations that would explicitly contradict WTO rules, Putin did not even mention the organization.⁵⁷ Some of the proposed changes included higher customs duties for automobile production, increased export tariffs for lumber, and more subsidies for animal husbandry.⁵⁸ Other measures that were mentioned were import substitution, state subsidies for important industries, as well as an industrial policy.⁵⁹ To make matters worse, many politicians such as the mayor of Moscow, Yuri Luzhkov, spoke against the decision to join the WTO.⁶⁰ With little or no will from the top, the Russian Federation's World Trade Organization negotiations slowed and came to a virtual stand-still. The backsliding that was allowed by Putin damaged much of the progress that the Russian Federation had made towards WTO membership.

3. Medvedev

Dmitry Medvedev, Putin's successor, seems to be more willing to compromise and see the accession through than his predecessors. In all of his early major speeches, he has repeatedly voiced his support for the WTO.⁶¹ Under his watch, the Russian Federation has concluded agreements with both the United States and the European Union, two major milestones in the bid to join the WTO. In order to gain the approval of the U.S., Medvedev had to make several compromises to end ongoing trade disputes. He conceded the longstanding Russian policy towards Iran by indefinitely suspending a sale of anti-aircraft missiles to that country, which the

⁵⁷ Anders Aslund, "Why Doesn't Russia Join the WTO," *The Washington Quarterly* 33, No. 2 (April 2010): 56, <http://web.ebscohost.com.proxyau.wrlc.org/ehost/pdfviewer/pdfviewer?vid=5&hid=12&sid=99bbb36a-c1a7-47b9-99c4-3b1cc801f677%40sessionmgr11> (accessed Jan. 9, 2011).

⁵⁸ *Russia's Capitalist Revolution*, 259.

⁵⁹ *Ibid.*

⁶⁰ *Ibid.*, 57.

⁶¹ "Why Doesn't Russia Join the WTO," 59.

U.S. was opposed to.⁶² Moreover, the Medvedev administration showed its willingness to compromise by reaching agreements on intellectual property rights and trade rules for Russian state companies.⁶³ Medvedev's readiness to compromise has greatly helped to speed up the accession agreements.

During his presidency, Dmitry Medvedev has tried to improve the business climate in the Russian Federation. The thrashing that the country had received from the most recent economic crisis proved to Medvedev and other government officials that the country is overly dependent on oil, gas, and metals exports. As such, the Russian government under Medvedev's leadership has sought to strengthen the business environment in the country. Medvedev has tried to get more U.S. investments in his country as he has courted various business leaders. He has maintained that the Russian business climate, despite lingering problems such as corruption and red tape, has changed and will continue to improve. He is eager for Russia to join the WTO and be able to attract more foreign investment.⁶⁴ For Medvedev, WTO membership is the key to economic improvement and future economic stability.

The three presidents show how the interests of the executive branch can affect foreign policy decisions. Often, if the executive is focusing on his domestic issues, he may not have time to address other concerns outside the borders of his country. Therefore, the support or inaction of the president can create a linkage with the external environment without even meaning to. For example, Yeltsin's concerns with domestic issues prevented progress on

⁶² Andrew E. Kramer, "After 17 Years, Russia Resolves U.S. Objections for Entry into WTO," *The New York Times*, Oct. 1, 2010, http://www.nytimes.com/2010/10/02/business/global/02trade.html?_r=1 (accessed Feb. 15, 2011).

⁶³ Ibid.

⁶⁴ Patricia Zengerle and Guy Faulconbridge, "Trade in Focus as Russia's Medvedev Visits Obama," *Reuters*, June 24, 2010, <http://www.reuters.com/article/2010/06/24/us-usa-russia-idUSTRE65N14Y20100624> (accessed Feb. 15, 2011).

Russia's accession. On the other hand, an external factor can spur the executive branch to action as happened when Putin reformed the customs code to conform to the WTO requirements. At the same time, if the president wishes to advance a foreign policy issue he must utilize his external requirements. The support that Medvedev was able to garner from the European Union and the United States helped the accession to gather more momentum. At the same time, in order to gain that support, Medvedev had to make some policy concessions. Therefore, from the view of the executive branch there is much interaction between domestic and foreign policies in the Frontier. While the interest of the president is important for Russia's accession, he is constrained by the linkages created within the Frontier.

B. Interest Groups

In most democracies, one of the fundamental ways that people can make their concerns heard is through lobbying from interest groups. Interest groups have played a major role in the policies that Russia has chosen to adopt throughout the WTO accession process. Certain groups, for instance, the ones that advocate the interests of the agriculture and manufacturing sectors, have opposed and sought to slow down the accession process. Other groups which are associated with the pro-western business elites have tried to facilitate and encourage WTO membership for Russia. Understanding the concerns of these groups is critical when examining Russia's lengthy accession to the WTO, particularly the agricultural lobby.

1. Agriculture

One of Russia's greatest concerns about its accession is the future of its agricultural sector. The requirement to liberalize the agricultural market in Russia, as imposed by the WTO, is forecasted to reduce Russia's share of world agricultural exports from 1.3 percent to 1 percent. Conversely, agricultural imports in Russia rise from 1.9 percent to 2.3 percent. Moreover,

according to the vice president of the Russian Academy of Agriculture, “Russia loses \$3.3 billion a year to unbalanced foreign trade in agricultural products”.⁶⁵ As such, the agricultural sector is concerned about its future health.

As in many other countries, this concern over agriculture has become highly politicized. Russian farmers have struggled to compete with foreign producers, who are able to sell their products much more cheaply. The privatization of Russian farms has not kept pace with the economic changes in the rest of the country, which has led to decreased competitiveness in the agricultural sector. The majority of former state and collective Russian farms are still collectives and joint stock operations, which allows them to operate as inefficiently as they did in Soviet times.⁶⁶ As a result, farmers have become dependent on government assistance and export subsidies. Regional governments in particular have become concerned about “food security and unemployment and maintaining the supply of housing, education and other services that state farms provided to the rural communities during the Soviet period and continue to provide”.⁶⁷

However, these subsidies are a major source of contention as many subsidies are prohibited by the WTO due to their trade distorting effects. The Russians counter that the subsidies allow their farmers to compete with the highly subsidized U.S. and EU agricultural products.⁶⁸ As many WTO members are also debating the legality of agricultural subsidies as part of the Doha Round of trade negotiation, this discussion will continue even after the Russian Federation has joined the trade group.

⁶⁵ Kester Klomegah, “Trade: ‘We’ll Join the WTO When We’re Ready’ – Russia,” *Global Information Network* (New York, October 18, 2005), <http://search.proquest.com.proxyau.wrlc.org/pqrl/docview/457544717/12D4A096DFA4BCCE75E/8?accountid=8285> (accessed January 9, 2011).

⁶⁶ Ibid.

⁶⁷ Ibid.

⁶⁸ “Russia’s Accession to the WTO,” 132.

Many actors involved in the agricultural sector in Russia, including politicians, academics, and farmers are worried that the industry has a great deal to lose upon the country's accession to the World Trade Organization. Unions have lobbied for the government to give them more protection. As an example, in 2006 the Russian Poultry Union organized a protest that brought farmers from ten different regions to Moscow in order to voice their disapproval about the country's accession to the WTO. The Union also called for a tightening of import quotas, which they claimed were already being breached. Politicians have also opposed the accession, including former ministers of agriculture and members of the legislature. They have stated that they believe the accession will cause more harm than good and the highest benefit will be reaped by the foreign countries who gain greater access to the Russian market.⁶⁹ Furthermore, politicians have spoken out saying that Russia is being held to unfair standards and the WTO is being hypocritical in regards to agricultural obligations.

To back up the statements made by the politicians and farmers, academic studies have been published criticizing the Russian Federation's entrance into the World Trade Organization and decrying the amount of damage that will be inflicted on the agricultural sector.⁷⁰ The lobbying done by the above groups has met with some success in the Russian government as in recent years bans have been imposed on meat products imported from certain foreign countries.⁷¹ While the agricultural lobby has exerted a great amount of influence of the flow of Russia's accession, so have other groups, such as the business elites.

⁶⁹ Stephen K. Wegren, "Russian Agriculture and the WTO," *Problems of Post-Communism* 54, no. 4 (July 2007):50,

<http://web.ebscohost.com.proxyau.wrlc.org/ehost/pdfviewer/pdfviewer?hid=106&sid=fa28d3f3-5d28-44ad-a632-3aa0e01f1994%40sessionmgr111&vid=7>, (accessed January 9, 2011).

⁷⁰ Ibid.

⁷¹ "Russia's Accession to the WTO," 132.

2. Business Elites

On the issue of WTO membership, Russian business elites can basically be divided into two categories. In one group, there are the pro-Western liberal elites, such as Mikhail Khordokovsky, who support the accession for its trade benefits. The other group consists of WTO opponents and the *siloviki*, Putin's cronies who oppose WTO membership due to its reform requirements. Both groups have sought to favorably influence the government's policies throughout the accession.

Proponents of the Russian Federation's accession to the World Trade Organization support the action due to the reforms and openness that it could bring. Liberals, many who are leaders in industry, realize that the country should not be so corrupt and bureaucratic considering how wealthy and educated the country is.⁷² They see WTO membership as the key to fixing this problem. Many liberals are members of industries, such as the steel exporters, that stood to gain considerably from the reduction in trade barriers.⁷³ They organized themselves under the *Russian Union of Industrialists and Entrepreneurs* and used the leverage of the organization to support the accession. There also were some people in the government who have supported the membership such as the former Minister of Finance, Aleksey Kudrin, the former Prime Minister, Mikhail Kasyanov, and members of the Duma.⁷⁴

However, the opposition to the WTO grew at the same time. One of the biggest critics has been the billionaire Oleg Deripaska who owned one of Russia's biggest car manufacturers and a large airplane-producing company, and he is also the CEO of the Russian Aluminum Company. His main concerns dealt with protection for the automobile and aviation industries

⁷² "Why doesn't Russia join the WTO," 61.

⁷³ "Russia's Accession to the World Trade Organization", 295.

⁷⁴ Ibid., 296.

from foreign competitors. The opponents rallied under the Russian Chamber of Commerce and Industry, led by former Prime Minister Yevgeniy Primakov. The Chamber advocated the infant industry argument as well as the fact that most of the Russian Federation's exports are commodities, which are subject to few trade barriers.⁷⁵ The actions of the interest groups led by the agricultural sector and the business elites have had an important influence on the accession process of Russia to the World Trade Organization.

Interest groups are very important actors to consider in Russia's bid to join the WTO. As Rosenau states in *Along the Domestic-Foreign Frontier*, individuals have the ability to "nudge politics along".⁷⁶ Individuals create a network of ties that they can then leverage to affect a government's foreign or domestic policy decisions. As an example, some of the elites, such as Mikhail Khodorkovsky have garnered support from abroad. Foreign actors have then tried to exert influence over the government's foreign and domestic policy decisions. Furthermore, by their repeated lobbying, interest groups create a polity output that leads to an environmental input, which in this case are the policies that are connected to the WTO. As such, the activities and opinions of interest groups can impact the conditions under which the Russian Federation joins the World Trade Organization.

There are multiple links that can appear among the executive, interest groups, and the outside environment. The executive depends on interest groups for support from the people, while interest groups depend on the executive to voice their concerns in the international arena. This internal interplay can have significant consequences in the external environment. For example, the agricultural lobby successfully lobbied to government to continue subsidies and impose trade restrictions on foreign imports. The *siloviki* gained enough influence that they were

⁷⁵ Ibid.

⁷⁶ 8.

able to have the government slow the accession during Putin's second term. At the same time, the external environment can have an impact on the decisions of the executive. In recent years Medvedev has had to make trade compromises during negotiations and earlier Putin had to undertake domestic reforms to comply with WTO requirements. While the executive, interest groups, and the external environment all have their own agendas, they simultaneously constrain each other. If the Russian Federation is to join the World Trade Organization in the near future, then the three factors must balance each other out.

VII. The Legal and Judicial System

For a successful business venture and to create a friendly investment environment, firms must feel their rights are protected and that there is a reliable form of recourse in the case that their rights are infringed upon. In essence, such a business environment requires a *rule of law* state. In a *rule of law* state the will of the authorities and the enforcement of the law should be separate from one another. Power is adequately dispersed among societal organizations and groups, which prevents any one group from gaining a monopoly on the access to the law. Under a *rule of law* system many groups and citizens can use the law to defend their interests and rights and help safeguard the law's independence. Unfortunately, Russia has not always been a rule of law state. Instead Russia has been a "*rule-by-law*" state. Under a "*rule-by-law*" state political power concentrated in the hands of the elite is used by the elite to protect their prerogatives.⁷⁷ Citizens and organizations cannot depend on the law since the legal system is dependent on the desires of the powerful elite.

This practice of "*rule-by-law*" started during Soviet times and has continued through to today. Under Communism, the law was often altered or ignored in order to fit the needs of the

⁷⁷ Thomas F. Remington, *Politics in Russia*, 6th ed. (Boston: Pearson Education, Inc., 2010), 222.

Party and the Politburo. Even after embracing democracy, the Russian Federation has struggled to consistently embrace *rule of law*. As Remington states, “although the leaders want state officials and citizens to treat the law as binding, they routinely intervene in the workings of the law when important political interests are at stake”.⁷⁸ This intervention decreases the trust in the law.

If citizens and firms cannot trust the law to protect their interests, then there is a disincentive to invest or engage in any activity that would put their interests at a significant risk of infringement. Similarly, the members of the World Trade Organization have little incentive to provide Russian firms with trade advantages if they do not believe that the interests of their nationals’ firms will be protected in Russia. If states have to spend significant resources in trying to gain respect for companies’ rights in Russia, then cooperating with Russia may be more trouble than it would be worth. An apparent lack of regard for the *rule of law* is a major concern for many members of the World Trade Organization.

A. Law Enforcement

In order to have a *rule of law* state the laws must be carried out properly. Many allegations have arisen that Russia has failed to enforce its own laws properly. Citizens and firms alike are wary of law enforcement officials. Critics have leveled allegations that often the enforcement of laws is arbitrary and officials who carry out these acts are not to be trusted. Connected to the lack of trust are charges of widespread corruption. Other claims have included a blatant disregard for both domestic and international laws, particularly in the area of intellectual property rights. This failure to execute domestic law has led to doubts about Russian

⁷⁸ Remington, 225.

officials' abilities to enforce international laws that will be imposed by World Trade Organization membership.

Another result has been a low level of trust in law enforcement officials. As shown in Table 2, which displays trust levels in institutions in Russia, the public does not trust the

Table 2: Trust in Institutions, 2001 and 2007 “To What Degree, in Your View, Does...Deserve Trust or Mistrust?”⁷⁹

	Fully Deserves Trust		Does Not Fully Deserve Trust		Completely Does Not Deserve Trust	
	2001	2007	2001	2007	2001	2007
President of Russia	52	64	31	23	7	7
Church, religious organizations	41	42	21	17	12	12
Army	33	31	31	30	18	20
The press, radio, television	28	27	43	35	18	14
State security organs	22	24	32	27	19	18
Government of Russia	21	19	41	40	22	26
Regional bodies of power	21	18	36	35	27	33
Courts	13	17	34	28	26	27
Procuracy	11	16	32	28	30	26
Local bodies of power	20	16	36	31	31	41
State Duma	10	13	41	41	35	33
Federation Council	12	12	36	37	21	22
Police	12	12	36	35	38	38
Trade unions	14	9	25	21	31	28
Political parties	7	7	28	27	36	36

Source: Levada Center.

procuracy or the police. The procuracy is most similar to the federal prosecutor's office, but with broader powers.⁸⁰ It is charged with fighting corruption, crime, and the abuse of power within the bureaucracy as well as investigating crimes committed by private citizens and

⁷⁹ Thomas F. Remington, *Politics in Russia*, 6th ed. (Boston: Pearson Education, Inc., 2010), 136.

⁸⁰ Remington, 226-227.

malfeasance committed by officials.⁸¹ While the public does have more faith in the procuracy than the police, the levels of trust are still low for both institutions. Between 2001 and 2007 the overall trust of the procuracy did increase, but the vast majority of people still did not feel that the procuracy deserved their full trust. On the other hand, trust in the police did not improve at all between 2001 and 2007. The majority of the public still felt that the Russian police completely did not deserve their trust.⁸² With such low levels of trust in law enforcement officials, it can be difficult to properly carry out the law.

1. Corruption

One of the major barriers to correct law enforcement and the creation of the rule of law state in Russia is the persistent problem of corruption. Corruption increases the level of uncertainty in official interactions and weakens the ability of the law to protect citizens' interests. For firms, it increases the costs of doing business since they often must pay bribes in order to conduct routine business transactions and get their needs met. The increased level of uncertainty discourages investment and decreases gains from increased trade and lower trade barriers. Corruption is arbitrary and can serve as a form of discrimination between domestic and foreign firms. As such, corrupt practices in Russia are an area of concern for current WTO members.

Government officials have repeatedly pledged to fight corruption in Russia. Despite these assurances, levels of corruption have remained high. According to an estimate by the head of the Institute for National Strategy, the amount of corrupt payments in Russia doubled from \$240 billion to \$480 billion between 2006 and 2008.⁸³ In the 2010 Corruption Perceptions Index

⁸¹ Ibid., 226.

⁸² Ibid., 136.

⁸³ Ibid., 247.

by Transparency International, the Russian Federation ranked 154 out of 178 countries.⁸⁴ The country also received a score of 2.1 with Denmark, New Zealand, and Singapore receiving the best score of 9.3 and Somalia receiving the worst score of 1.1.⁸⁵ As shown in Graph 1, the rate of corrupt transactions in the Russian Federation has remained fairly high. Some slight progress was made in the early part of this millennium in fighting the problem, but corruption has worsened again in recent years. When the country's corruption rating fell to 2.1 in 2008, it was the lowest it had been in eight years. Graph 1 shows that corruption is an issue that the Russian Federation has struggled with for over a decade and it is a problem that does not appear to be going away anytime soon.

Graph 1 Corruption Perceptions Index in Russia, 1998-2010⁸⁶



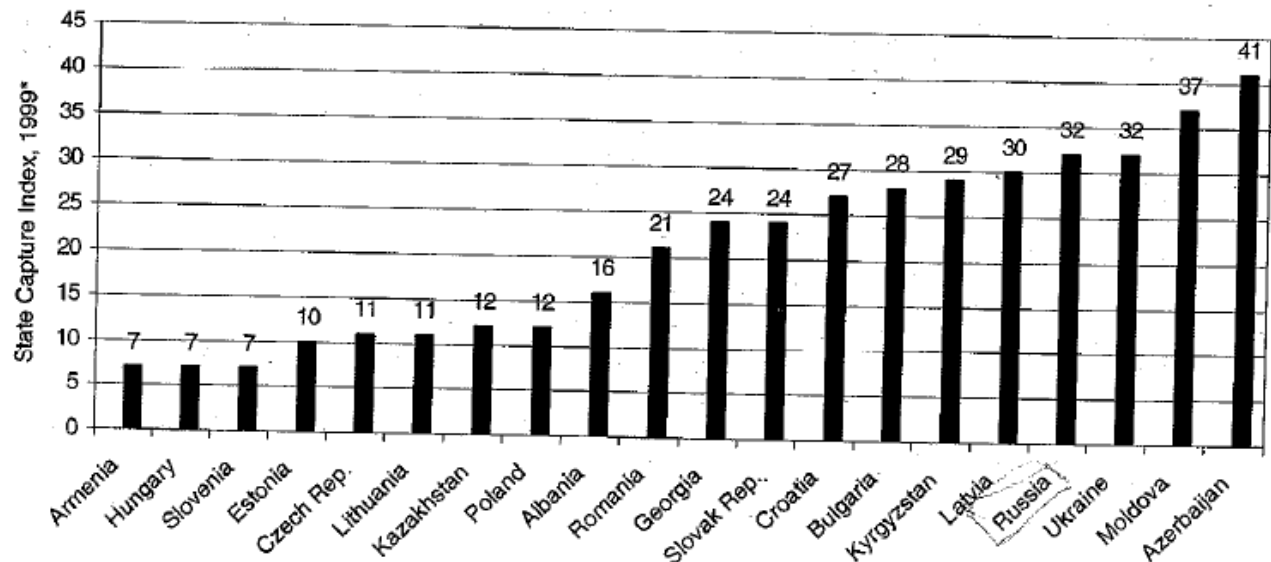
⁸⁴Transparency International, Corruption Perceptions Index, http://www.transparency.org/policy_research/surveys_indices/cpi/2010/results (accessed April 17, 2011).

⁸⁵ Ibid.

⁸⁶ Transparency International, Corruption Perceptions Index, http://www.transparency.org/policy_research/surveys_indices/cpi/2010/results (accessed April 17, 2011).

While many countries that struggle with corruption problems contend that corruption is a small-scale problem, one must also look to see how pervasive the practice is throughout the entire political system. A study was done in 1999 by the World Bank that examined the State Capture Index of corruption in the former Communist countries in Central and Eastern Europe.⁸⁷ The State Capture index looked at the prevalence of corruption at the highest levels in the political system.⁸⁸ As part of the study managers of firms were asked to estimate the impact on their companies of high-level political corruption.⁸⁹ The results of the World Bank's State

Graph 2 State Capture Index, 1999⁹⁰



Source: World Bank, *Anticorruption in Transition: A Contribution to the Policy Debate* (Washington, D.C., September 2000), p. 13, revised presentation.

*Share of firms affected by state capture.

Capture Index study are displayed in Graph 2. A score of 32 places the Russian Federation 17th

⁸⁷ Rasma Karklins, "The Experience of Corruption," in *The System Made Me Do It: Corruption in Post-Communist Societies* (Armonik, NY: M.E. Sharpe, 2005), 47.

⁸⁸ Ibid.

⁸⁹ Ibid., 48.

⁹⁰ Rasma Karklins, "The Experience of Corruption," in *The System Made Me Do It: Corruption in Post-Communist Societies* (Armonik, NY: M.E. Sharpe, 2005), 49.

out of 20 countries. Even though the Russian Federation is measured against countries that have experienced similar transitions from a controlled economy to a market economy, it still has one of the worst scores. The graph demonstrates how major of a problem corruption is for Russia as corrupt transactions at a high-level in politics can have a major impact on firms. Even when compared against its peers with a similar economic background, the Russian Federation's fight against corruption still measures up poorly.

If Russia cannot lower the levels of corruption within the country then it will significantly decrease the benefits from joining the World Trade Organization. Corruption is a disincentive for firms as it raises the cost of conducting business in the Russian Federation and increases uncertainty. The arbitrary nature of bribery can serve as a *de facto* trade barrier and discriminatory measure between domestic foreign firms. The country's inability to get the problem with corruption under control has led to some doubts about its readiness to join the WTO. If a country cannot control its internal business environment, then it may not be prepared to work in an international business environment.

While corruption can primarily be viewed as a domestic issue, in today's world it is increasingly being viewed as an international issue. As the annual Corruption Perception Index by Transparency International shows, the prevalence of corruption is an issue that is closely monitored all around the world. The repeated monitoring and international norm of no corruption creates a linkage by encouraging the government to create anti-corruption legislation. Furthermore, there is a linkage that is created between a corrupt law enforcement system, which is a polity output, and doubts about the country joining the international arena in the WTO, the environmental input. A country should be able to control the actions of its officials as well as conform to international norms.

Within the Frontier there is a tense and complicated relationship between corrupt officials in high-level politics and foreign firms. Foreign firms are often wary about significantly investing in a country where they know that they will lose profits due to corrupt transactions. Furthermore, widespread incidences of corruption in the upper echelons of politics can cause a lack of trust between foreign politicians and their counterparts in the corrupt state, which can weaken intergovernmental ties in the Frontier. The corrupt actions taken by Russian law enforcement officials have consequences across the world as they cause doubts about the country's WTO accession and the soundness of the business environment there.

2. Intellectual Property Rights

The infringement on intellectual property rights is another substantial problem for Russian law enforcement officials. Patents, trademarks, copyrights, and other forms of intellectual property are violated on a daily basis in Russia. Yet, officials there have come under heavy criticism that little is done to catch the perpetrators and adequately punish them. Foreign firms are particularly concerned that if they enter the Russian market, their intellectual property will not be sufficiently protected. As a member of the World Trade Organization the Russian Federation would be required to respect and protect intellectual property rights.

The Russian Federation has one of the worst records, particularly among the developed countries, regarding intellectual property rights protection and enforcement. Due to its poor record, the country has been listed on the United States Trade Representative's Special 301 Priority Watch List every year since the mid-1990s.⁹¹ Some of the U.S. Trade Representative's concerns include Internet piracy, fraudulent pharmaceuticals, counterfeiting of trademarked goods. The Russian Federation has failed to adhere to several agreements on intellectual

⁹¹ "Russia's Accession to WTO," 131.

property rights and implement the correct laws. Counterfeit American products now constitute a large majority of Russian purchases of music recordings, films, books, software and other materials.⁹² According to the Business Software Alliance's Global Software Piracy study, the rate of piracy in Russia was 67% in 2009 with a total commercial value of \$2,613 million.⁹³

Despite the above statistics the Russian Federation has made some improvements in enforcing intellectual property rights, particularly decreasing the number of pirated DVDs and settling patent and trademark disputes.⁹⁴ However, as my experiences prove, there is a lot of room for improvement.

When I was in Russia it was very easy to purchase pirated copies of DVDs. While there were people selling DVDs late at night in the tunnels of St. Petersburg metro stations, pirated DVDs were also sold in normal stores on Nevsky Prospekt. DVDs of films would appear in the stores at the same time that they were playing in the movie theaters and the DVD would often cost half as much as the price of a movie ticket. I saw little effort on the part of the government and law enforcement officials to discourage the purchase of pirated films. Multiply my experience in St. Petersburg by the number of cities in Russia and all the forms of intellectual property, one can easily see how little intellectual property right is the Russian Federation are enforced.

All members of the World Trade Organization are required to adhere to the Agreement on Trade-Related Aspects of Intellectual Property Rights, or TRIPS Agreement. This agreement sets the standards for five issues: 1) how to apply the intellectual property rights trading system

⁹² Office of the United State Trade Representative, "Special 301 Report," April 30, 2010, http://www.ustr.gov/webfm_send/1906 (accessed April 18, 2011), 24.

⁹³ Business Software Alliance, "Global Software Piracy," Research & Data, May 2010, http://portal.bsa.org/globalpiracy2009/studies/09_Piracy_Study_Report_A4_final_111010.pdf (accessed April 18, 2011), 12.

⁹⁴ "Special 301 Report," 24.

as well as other international intellectual property rights agreements; 2) how to provide sufficient protection for intellectual property rights; 3) how countries should enforce its laws on intellectual property rights within its territorial boundaries; 4) how disputes concerning intellectual property rights between WTO members should be settled; 5) how to set up special temporary arrangements when a new intellectual property rights system is introduced.⁹⁵ One of the biggest questions is whether or not the Russian Federation will be able to adhere to the intellectual property rights regime imposed by the TRIPS Agreement. If the Russian Federation cannot enforce intellectual property rights laws then it has created a disincentive for firms to do business in the country and a *de facto* trade barrier. In the case of intellectual property rights, there are linkages created in both directions. As with previously stated problems, repeated violations of intellectual property rights with no consequences for the perpetrators create a polity output which leads to the WTO accession environmental input. The set of obligations under the TRIPS Agreement, an environmental output also creates a polity input of a series of actions that law enforcement officials must repeatedly take in order to comply with the intellectual property rights measures. As Russia negotiates its accession, it will have to navigate its way through the connections between states and their business interests in intellectual property rights.

The area of intellectual property rights is a complex web in itself of trying to balance the different development levels of countries that all need access to technology with the intellectual property interests of firms. Often countries will have to make difficult choices between supporting their citizens and cooperating with foreign firms. Intellectual property protection is a complicated issue that may become even more convoluted with the advent of new technology.

⁹⁵ World Trade Organization, Intellectual Property: Protection and Enforcement, http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm7_e.htm, (accessed April 18, 2011).

The choices between domestic and foreign interests with respect to intellectual property will not get any easier as the world becomes more interconnected.

B. The Courts

The independence of the court system is an integral part of a *rule of law* state. Citizens must feel that the courts will fairly adjudicate cases and can be trusted to uphold their interests. On the other hand, in a “*rule-by-law*” state the court system functions at the prerogative of the ruling elite and judicial decisions only serve the interests of the ruling party. Often the Russian Federation has been accused of continuing a tradition of telephone justice. During Soviet times judicial decisions many times were made at the upper levels of the Communist Party and the accused served as examples to the rest of the public.

Unfortunately, these unfair judicial decisions still occur today as even President Medvedev has acknowledged. In May 2008, at a meeting with senior judicial officials, he noted that, “ [unjust] decisions, as we all know, do happen and come as a result of different kinds of pressure, like telephone calls and---there’s no point in denying---offers of money”.⁹⁶ If judicial decisions in the Russian Federation can be so easily influenced by factors such as telephone calls from powerful people and bribes, then it leads to doubts about the country’s ability to abide by World Trade Organization decisions.

Many Russians feel that they cannot turn to the courts to adjudicate disputes and serve as an adequate source of justice. As shown in Table 2, like the procuracy and the police, the court system also suffers from a lack of trust by the Russian public. Between 2001 and 2007 the number of Russians who believed that the courts fully deserved to be trusted only increased from 13% to 17%. The number of people who did not trust the courts at all slightly increased by 1%.

⁹⁶ Remington, 225.

Nonetheless, the majority of Russians in 2007 believed that the court system did not fully deserve their trust.⁹⁷ If citizens of the Russian Federation trust their judicial system this little then it is unfair to expect foreign firms to trust the Russian courts to protect their interests. Furthermore, if the Russian government cannot uphold the integrity of its own court system, then it creates doubts about the country's ability to respect decisions by the WTO arbitration panels.

1. The Khodorkovsky Case

One of the most widely cited examples of the arbitrary nature of the Russian court system is the trial of Mikhail Khodorkovsky and the nationalization of his oil company, Yukos. The prosecution of Khodorkovsky is widely regarded, especially in the Western world as a politically motivated action. Many critics allege that the Russian government failed to follow their own laws and bent them for their own purposes. More than any other decision, the Yukos Affair has increased the doubt about Russia's ability to adhere to the *rule of law* and its readiness to join the World Trade Organization.

Mikhail Khodorkovsky was the richest of the Russian oligarchs with a variety of business interests, but his most successful venture by far was the Yukos oil company. In 2003 he was the richest man in Russia with an assessed fortune of \$15 billion.⁹⁸ Khodorkovsky was a liberal reformer who strongly believed in democratization and privatization, which hurt his status with the Putin administration. With little loyalty to the Putin Kremlin and so much money and success, both at home and abroad, he was in a position to derail Putin's plans for the consolidation power under a strong and centralized Kremlin. According to Aslund, Mikhail Khodorkovsky was known for being vocal about the problems he saw in Russia. In February 2003, he complained to Vladimir Putin at the annual Kremlin meeting with the oligarchs about a

⁹⁷ Ibid., 136.

⁹⁸ *Russia's Capitalist Revolution*, 235.

recent purchase of a small oil company by the state-owned oil company, Rosneft. He alleged that the purchase was a corrupt transaction, which resulted in significant kickbacks to state cronies.⁹⁹ It was also claimed that Khodorkovsky tried to buy seats in the Dumas, which violated Putin's policy that the oligarchs stay out of politics.¹⁰⁰ With Khodorskovsky making accusations, meddling and politics, and amassing so much wealth, the stage was set for tensions between him and the conservative Kremlin.

The Kremlin had finally decided that it could no longer allow Mikhail Khodorkovsky to be so independent. In October 2003, he was arrested at an airport in Siberia and charged with fraud and tax evasion.¹⁰¹ The state demanded \$15 billion in unpaid taxes and used all the resources at its disposal against the company including the secret police, the courts, and the media. In the end, Yukos was dismantled and auctioned off. Khodorkovsky was sentenced to nine years in a prison camp in Siberia in May 2005.¹⁰² Then, in 2007, new allegations arose of embezzlement and the laundering of stolen property.¹⁰³ A new trial commenced in 2009 and continued for over a year.¹⁰⁴ Finally, at the end of December 2010, Khodorkovsky was found guilty of all charges again and sentenced to six more years in prison.¹⁰⁵ Since the pronouncement of the verdict, two officials from the Moscow City Court have spoken out and alleged that the judge in the most recent trial was pressured by his superiors to return the verdict that he did.¹⁰⁶ The judge involved, Viktor Danilkin, has maintained that he was not pressured by

⁹⁹ Ibid., 237.

¹⁰⁰ Ibid.

¹⁰¹ Remington, 160.

¹⁰² Ibid., 161.

¹⁰³ Khodorkovsky and Lebedev Communications Center, Current Trial Background, <http://www.khodorkovskycenter.com/current-trials-legal-status/current-trial-background> (accessed April 19, 2011).

¹⁰⁴ Ibid.

¹⁰⁵ Ibid.

¹⁰⁶ Ellen Barry, "Bosses Pressed Russian Judge, Officials Say," *The New York Times*, April 14, 2011, <http://www.nytimes.com/2011/04/16/world/europe/16russia.html> (accessed April 19, 2011).

his superiors and wrote the verdict by himself.¹⁰⁷ These most recent allegations have only increased doubts about the extent of the independence of the judiciary.

Most observers assert that the trial of Mikhail Khodorkovsky proves how little regard the ruling elite hold for the judicial process. As Remington points out, the whole affair shows “that the Putin regime is willing to manipulate the legal system for political purposes”.¹⁰⁸ Many Western officials criticized the most recent verdict against Khodorkovsky, stating that it could negatively impact Russia’s bid to join the WTO. An unnamed official from the U.S. State Department told Reuters in December 2010, “The WTO is a rules-based, rule of law organization. Most countries around the world do not look at this verdict as a demonstration of the deepening of the rule of law in Russia. It will definitely have an impact on Russia’s reputation.”¹⁰⁹ The president of the European Parliament, Jerzy Buzek, commented that the trial served as a “litmus test of how the rule of law and human rights are treated in today’s Russia”.¹¹⁰ Officials around the world are concerned about whether the Russian Federation can uphold its WTO obligations, especially in the areas of free enterprise and respect for the power of the independent law.

The case of Mikhail Khodorkovsky shows how a case of tax evasion is no longer just a domestic matter and can have wider foreign policy implications. A strong linkage is created between the polity output of the judiciary and the environmental input of respect for the rule of law in the WTO. Within the case the Frontier contains many connections between Russian politics, questions over the rule of law, and the reputation of the Russian Federation in the

¹⁰⁷ Ibid.

¹⁰⁸ Ibid.

¹⁰⁹ Ashish Kumar Sen, “West Condemns Longer Prison term for Russian Tycoon,” *The Washington Times*, Dec. 30, 2010, <http://www.washingtontimes.com/news/2010/dec/30/west-russians-longer-term-political/?page=all> (accessed Jan. 9, 2011).

¹¹⁰ Ibid.

international arena. Some of the connections involve murky allegations that make the wide political space concerning the issue even more important. Furthermore, the international condemnation of the most recent verdict case shows that foreign governments take an active interest in the domestic affairs of other states. As the Russian Federation looks to join the World Trade Organization it must examine the actions of its businesspeople, politicians, and judicial officials. Russia's reputation in the world can now be decided by what was once a primarily domestic matter.

VIII. The Accession and the External Environment

A country does not exist in a vacuum and it must contend with its external environment on a daily basis. While domestic politics and institutions are important, they are affected by external factors as much as they affect the international environment. The World Trade Organization is based on the cooperation of national governments in the international arena. As shown by Rosenau's linkage framework, the internal polity is only one half of the connection. Furthermore, internal factors that affect both domestic and foreign policy must be placed in the context of the political field created by the Frontier. However, when examining the external environment, it can be divided into two important, yet different sections: the contiguous environment and the international system. Countries often envision their local role differently than their role in the overall international system. A country can be a regional power without being a major world power. While Russia sees itself as a major power in both environments, it has traditionally focused more attention on exerting power in the contiguous environment.

A. Contiguous Environment

One of the easiest places for the external environment to have an effect on a country's foreign policy is close to home. This is why both Rosenau and I find it necessary to include the

contiguous environment in the linkage framework. According to Rosenau, the contiguous environment includes such issues as historic rivalries, border disputes, and long-standing friendships.¹¹¹ Since Russia is such a vast country, it has an equally large contiguous environment. Generally, the Russian Federation has been the key player in its immediate neighborhood and has exerted a great deal of influence to try to have circumstances go in its favor. While some countries have welcomed the assistance of their much larger neighbor, other countries have viewed the country's actions as meddlesome and even aggressive. Russia has historically had strained relationships with Georgia and Ukraine. On the other hand, Russia's relations with China and its multiple attempts to form a customs have been relatively peaceful. All four factors have had a significant influence on the course of the Russian Federation's accession.

1. Georgia

Throughout much of their history, Russia and Georgia have had a strained and quarrelsome relationship. The strain on the relationship has only increased in recent years with trade disputes and then the 2008 Russian invasion of Georgia. Now that tension threatens to derail the Russian Federation's membership plans into the WTO. Despite the country's economic power, when it comes to the WTO negotiations, Georgia is a formidable opponent. Georgia has the advantage that it is already a member of the World Trade Organization. As a result, according to the organization's penchant for operating on consensus, Georgia has veto power and can prevent Russia from becoming a member.¹¹² One small country has the power to thwart the efforts of one of the most important economies in the world.

¹¹¹ *Linkage Politics*, 61.

¹¹² Kramer.

Georgia has been reluctant to resolve its disputes with the Russian Federation. This reluctance only grew after the 2008 invasion. For years, Georgian exports of produce, wine, and mineral water have been subject to a Russian trade embargo.¹¹³ In 2006, in addition to trade embargoes, Russia instituted blockages of transportation and bank transactions to and from Georgia.¹¹⁴ In retaliation the Georgian government revoked its bilateral protocol on the Russian Federation's WTO accession, which prevented Russia from becoming a member of the organization.¹¹⁵ Georgia has stated that it will continue to block the accession unless its neighbor ends the economic embargo.¹¹⁶ Furthermore, Georgia has defended its possible veto by arguing that its customs arrangements have been disrupted by the Russian military presence in Abkhazia and South Ossetia.¹¹⁷

However, Georgia has recently eased its position and started to negotiate an accession agreement with Russia. In an interview, Georgian President Mikheil Saakashvili stated that the main issues for his country were "the transparency of border transactions and customs issues". According to the president, Georgia does not care about the embargo on wine and that cannot serve as the main bargaining chip. Saakashvili offered to limit the negotiations to economic issues and ignore the more contentious political issues that are connected to the war in 2008.¹¹⁸ Despite the above statements, it still remains to be seen if both sides are willing to compromise

¹¹³ Ibid.

¹¹⁴ *Russia's Capitalist Revolution*, 267.

¹¹⁵ Ibid.

¹¹⁶ Levitov

¹¹⁷ Johnathan Lynna, "Exclusive: Russian WTO Bid Picks Up Momentum," *Reuters*, Sept. 21, 2010, <http://www.reuters.com/article/2010/09/21/us-trade-russia-idUSTRE68K3EB20100921> (accessed Feb. 15, 2011).

¹¹⁸ World Trade Organization, "Georgian President: Russia has to Compromise if it Wants into WTO (*Foreign Policy*, March 30, 2011)," News. April 1, 2011, http://www.wto.ru/en/news.asp?msg_id=27978 (accessed April 19, 2011).

and actually reach an agreement. If the Russian Federation is to ever become a member of the World Trade Organization, then the dispute with Georgia must somehow be resolved.

As Russia has tried to balance its relationship with Georgia with its goals, several links have been created. The polity output of the Duma's repeated approval of embargoes and other trade measures against Georgia have led to the environmental input of a continuation of hostile feelings in Georgia towards its neighbor. As a result, Georgia has continued to refuse to reinstate its bilateral protocol with the Russian Federation, an environmental output, which has thwarted the latter's country's efforts to join the WTO. Concerning its support for Abkhazia and South Ossetia, Russia must be careful to not provide too much support in a way that would give legitimacy to its own domestic separatist movement in Chechnya. While the Russian Federation may want to show its continued influence in the former Soviet republics, it must not anger Georgia to an extent that Georgia refuses to cooperate at all and ends any hope that the former has of joining the WTO. Since Georgia has traditionally held a negative, and even hostile, view of its relationship with the Russian Federation, the latter must negotiate its way through the web of the Frontier to achieve its final goal of entering the World Trade Organization.

2. Ukraine

Similarly to Georgia, Ukraine has had a somewhat strained relationship with its large neighbor to the east since its independence. Ukraine beat Russia to WTO membership when it joined the organization in 2008.¹¹⁹ As a member of the organization, Ukraine has the power to prevent Russia's accession if it sees fit to do so by dissenting during the typically unanimous approval vote. Ukraine and Russia have had particularly turbulent relations in the area of gas shipments. Russia has turned the tap off or reduced transshipment amounts several times in

¹¹⁹ Anders Aslund and Andrew Kuchins, *The Russia Balance Sheet*, (Washington, DC: Peterson Institute for International Economics, 2009), 75.

recent years. The first incident occurred in 2006 and the event reoccurred again in subsequent years. The dispute arose when Ukraine refused to pay sharp price increases.¹²⁰ Usually, the disputes have been settled within days due to the fact that the European Union receives a large amount of its natural gas from the pipelines that cross Ukraine.¹²¹ Furthermore, the Russian Federation has imposed several protectionist measures against Ukraine that would need to be removed in order for the accession to proceed.¹²² Therefore, similarly to Georgia, Ukraine is in a position to exercise a great amount of power concerning Russia's accession agreement if the two nations cannot reach an agreement about their trade disputes.

Relations in the former Soviet Union are a sensitive subject for all former Soviet citizens. This situation is especially true in Ukraine as many Russians still consider that country to still be a part of their own. The Russian Federation likes to keep Ukraine close in its sphere of influence, but the Orange Revolution government had taken a more Western stance. As such, Russia has had to balance coercing the Orange Revolution government to cooperate with the possibility of alienating the pro-Russia supporters who still live in Ukraine. However, now that a government that is much friendlier toward Russia has come to power, governmental opposition to the accession seems to be less likely.

Concerning the matter of gas shipments, the Russian Federation has traditionally given Ukraine special prices due to the historically close relationship between the two nations. At one point in time, Gazprom charged as little as one-fifth to one quarter of the price charged to the European countries.¹²³ Nonetheless, Russia must ensure the economic competitiveness of Gazprom in the global market and may be forced to raise prices as it started to do in 2006. By

¹²⁰ *Russia's Capitalist Revolution*, 267.

¹²¹ *Ibid.*

¹²² *The Russia Balance Sheet*, 75.

¹²³ *Russia's Capitalist Revolution*, 267.

raising prices, Russia has protected the interests of Gazprom. However, the same actions had consequences not only in Ukraine, but across Europe as customers' energy needs were not met. The repeated gas stoppages have resulted in doubts about Russia's reliability as a trade partner. While the Russian Federation and Ukraine have had close ties historically, as politics have shifted, so too has the relationship between the two states. Now Ukraine is positioned to either help or harm Russia's accession to the WTO, a position that the latter must consider carefully in all its decisions.

3. Customs Union

The Russian Federation has considered joining the WTO as part of a customs union a couple of different times in the past decade. While membership in a customs union could provide some trade benefits to Russia, it also has usually been viewed as slowing down the country's entry into the WTO. Therefore, the country must balance its regional interests with its international interests in the World Trade Organization and the interests of its domestic consumers. Although Russia sees a customs union as a method of cementing its regional role, such an action may not be feasible under the trade regime imposed by the WTO.

The Russian Federation first put forth a proposal to join the WTO as part of a customs union in 2003. On February 23, 2003, the presidents of their respective countries announced that Belarus, Ukraine, Kazakhstan, and the Russian Federation would form a new Common Economic Space. It would coordinate the countries' entry into the World Trade Organization as well as serve as a free trade area, customs union, and eventually a currency union. Even though the proposal sounded good, it made little sense for the four countries to join the new Common Economic Space. They already were in a poorly functioning trade zone and, with the exception of Ukraine; they all belonged to the CIS Customs Union, which also did not work. The four

states had no trade dispute resolution mechanism, and the best settlement mechanism was to be found in the WTO. The coordination of the membership of the four states would slow down each country's accession to the WTO, thereby delaying the access to the necessary dispute resolution procedures. In the end, most observers have concluded that the true purpose for this customs union proposal was to draw Ukraine closer to the Russian Federation in preparation for the fall 2004 presidential elections there.¹²⁴ In this situation, the latter country was balancing its desires to continue its strong ties with Ukraine with increasing its economic importance within its region and the global market.

Then, in 2009, the Russian Federation repeated its intention to join the World Trade Organization as a member of a customs union, but this time just with Belarus and Kazakhstan. This proposal was seen as another attempt by Putin to delay or prevent Russia's WTO accession since no group countries has ever joined the organization as a customs union, not to mention the fact that the idea is illegal under WTO rules.¹²⁵ Pascal Lamy, Secretary General of the WTO, came out with a hard statement saying that no customs union would be allowed to join the World Trade Organization immediately after Putin's announcement.¹²⁶

Consequently, the meaning of the customs union has been diluted to mean that the three countries will coordinate their entry into the WTO, similar to the previous proposal. Nonetheless, even the coordination will slow down Russia's entry as Kazakhstan has yet to conclude some important protocols and Belarus is still in the early stages of its accession.¹²⁷ It is clear that it would not be in the Russian Federation's best interests to try to join the WTO as part

¹²⁴ Ibid., 224.

¹²⁵ "Why Doesn't Russia Join the WTO," 60.

¹²⁶ Ibid., 62.

¹²⁷ Ibid.

of a customs union, but that does not guarantee that the government will choose to abandon the idea.

Again, in this most recent proposal Russia is navigating its way through the ties within the Frontier. In the view of Russia, the customs union is a key component to strengthening its regional role, but there are other issues to consider in the wider international context. Also, the customs union could benefit businesses and consumers in all three nations, but could delay the country's accession to the WTO. Each of the three countries has its own interests that it must consider. The three countries are all at different stages in their WTO membership negotiations and they each have different economies. Yet, in coordinating their entry into the WTO, the countries must engage each other within the Frontier and come to an agreement concerning the WTO. The governments must consider what is best for their citizens as well as the best way to utilize and interact with their international connections. In this case, the primary domestic-foreign concerns for the Russian Federation, Belarus, and Kazakhstan are the links among themselves. Therefore, the Russian government must consider where its domestic and international interests lie and how the ties between them will impact the country.

4. China

While one traditionally thinks of the Russian Federation's neighbors in terms of the countries of the former Soviet Union, one must also consider neighboring countries to the east, particularly China. Until China joined the WTO in 2001, both China and Russia were in similar situations. Both were very large economies who were not members of one of the international economy's most exclusive club. In 2001, that changed as China entered the WTO and simultaneously altered the dynamic of the Russian Federation's accession.

As the only other major economic power who was not a member of the World Trade Organization, China provided an impetus to Russian membership. “Russia was the only member of the G-8 that was not a member of the WTO, and China’s entry in 2001 probably persuaded Putin to focus on WTO membership.”¹²⁸ Furthermore, the Russian Federation has a much more open economy than China.¹²⁹ The country has few quotas and licenses with an average tariff rate of around 12 percent.¹³⁰ Consequently, it could be seen as embarrassing that China managed to join the WTO several years before Russia.

China’s progression towards WTO membership and eventual entry into the organization certainly had an impact on the Russian Federation’s accession. The repeated progress that China made can be viewed as creating an environmental output which leads to the polity input of accession decisions, thereby creating a political linkage. There also is a web created between domestic and international interests as the Russian government has come under pressure to prove to both domestic and international observers that the country is as economically powerful and important as the government believes it to be.

Since both China and the Russian Federation are large countries with equally large economies, and both must contend with Communist roots, their economic progress is often compared against each other. Furthermore, as neighbors who share a large border, they share common concerns in security, migration, and trade. A decision made in respect for domestic policy of one country can have a large effect on the other country. Now that China is a member of the World Trade Organization, the pressure has been increased through connections in the Frontier for Russia has to prove itself as a true economic power.

¹²⁸ *Russia’s Capitalist Revolution*, 223.

¹²⁹ *Ibid.*, 224.

¹³⁰ *Ibid.*

B. International System

The general international system replaces Rosenau's Cold War Environment in the original linkage framework since the latter is no longer relevant. Gradually, in terms of economic power the world has started to shift from a bipolar world centering on the United States and the Soviet Union to a multipolar world. While the U.S. has maintained much of its economic power, Russia has struggled to maintain its economic power since the fall of the Soviet Union. Currently, there are several entities that do not necessarily border the Russian Federation, but are in a position to exert a great amount of influence over the accession. The two best positioned entities to help or hinder the country's entrance into the WTO are the United States and the European Union.

1. European Union

Traditionally, the European Union and the Russian Federation have had a smoother relationship, than the one between the Russian Federation and the United States. As the EU and Russia share a continent as well as a large amount of history, they have a much more co-dependent relationship. Since they have several neighbors in common and share a common neighborhood, they have had to cooperate to maintain the peace and stability of that relationship. As the EU and the Russian Federation are geographically close, there is also a great amount of trade that occurs between them. The two have worked closely in cooperation in many areas of trade, particularly energy policy.

The supply of energy products is a very contentious issue between the EU and the Russian Federation. The European Union is very dependent on natural gas and oil supplied by Russia and Russia is dependent on the European Union to buy its oil and natural gas. The

European market accounts for most of Russia's oil and natural gas exports.¹³¹ The Russian Federation sends 88% of its oil exports and 70% of its gas exports to members of the European Union.¹³² While Russia supplies 40% of the EU's \$55 billion of yearly gas imports.¹³³ Both parties have important and sensitive energy interests invested in each other.

The extent of this dependence between the two was further demonstrated when Russia has turned off the natural gas pipelines that transit Ukraine and Belarus. 80% of Gazprom's exports to the EU pass through Ukraine and the other 20% pass through Belarus.¹³⁴ Many member countries of the EU noticed significant decreases in their imports of natural gas from the east. As an example, when Russia turned off the Ukrainian gas in 2006 the import levels in Hungary decreased by 25% and Polish imports were down by 14%.¹³⁵ The main issue when Russia stopped the flow of natural gas was making enough of a profit to support its domestic needs, particularly those of the state-owned company, Gazprom.¹³⁶ In this case, the need to support a domestic producer had far reaching foreign policy consequences. With such strong mutual dependence, but instability in the supply of energy, both the EU and the Russian Federation are constantly reassessing their relationship.

Besides the supply of energy, another divisive issue between the EU and Russia is the pricing of natural gas. There is a large gap between the world price for energy and the price charged in Russia's domestic market. At times the difference has been as much as six to one for natural gas, four to one for oil, and five to one for electricity. The EU has charged that this price

¹³¹ *Russia's Capitalist Revolution*, 269.

¹³² European Commission, "EU-Russia Energy Relations," Energy, http://ec.europa.eu/energy/international/russia/russia_en.htm (accessed April 19, 2011).

¹³³ World Trade Organization, "EU, Russia at Odds over Energy, Putin Warns on Prices (*Reuters*, Feb. 24, 2011)," News, Feb. 25, 2011, http://www.wto.ru/en/news.asp?msg_id=27858 (accessed April 19, 2011).

¹³⁴ *Ibid.*

¹³⁵ BBC, "Ukraine Gas Row Hits EU Supplies," *BBC News*, Jan 1, 2006, <http://news.bbc.co.uk/2/hi/europe/4573572.stm> (accessed April 20, 2011).

¹³⁶ *Ibid.*

difference gives Russian manufacturers an unfair trade advantage and functions as a subsidy, a situation which could be troublesome under the WTO trade regime. The two sides came to an agreement as part of Russia's accession agreement to the World Trade Organization.¹³⁷ Even though the European Union and the Russian Federation have come to an agreement on energy for the time being, the issue will not disappear as reliable sources of energy become even more valuable in the future.

Other areas of contention in trade policy between the EU and Russia are the timber industry and meat regulations. There has been an ongoing disagreement with Finland and Sweden over export tariffs on lumber that the Russian Federation imposed in 2009.¹³⁸ As part of an agreement concluded in December 2010 Russia agreed to lower the tariffs to as little as 5%.¹³⁹ In 2004, the Russian Federation took actions against the new member countries by prohibiting meat imports from Poland and fish imports from Latvia, alleging concerns over sanitary and environmental measures.¹⁴⁰ On the whole, the former members of the Warsaw Pact and Soviet Union in the European Union are much more wary of Russia than the other countries. This distrust was heightened in 2007 when Estonia was the victim of a cyber attack after moving a Soviet war memorial.¹⁴¹ With so many EU members that were formerly dominated by Russian influence, both the European Union and the Russian Federation must strive to negotiate their domestic and foreign policy interests within the political space of the Frontier.

The uncertainty that exists in the EU-Russia relationship, particularly in the area of energy supplies, increases the skepticism about the Russian Federation's ability to be a reliable

¹³⁷ "Russia's Accession to the WTO," 130.

¹³⁸ *The Russia Balance Sheet*, 75.

¹³⁹ Juliane von Reppert-Bismarck and Alexei Anishchuk, "EU Agrees to Back Russia's WTO Entry," *Reuters*, Dec. 7, 2010, <http://www.reuters.com/article/2010/12/07/us-eu-russia-wto-idUSTRE6B621R20101207> (accessed Feb. 15, 2011).

¹⁴⁰ *Russia's Capitalist Revolution*, 269.

¹⁴¹ *Ibid.*

trade partner under the WTO. The repeated disputes over energy policy and oil and gas supplies to the European Union have called into question the country's ability to formulate an effective policy by itself. Since energy is such a sensitive issue for so many countries, the Russian Federation must carefully consider any energy policy moves.

For the EU, another aspect to consider is the Russian-dominated history of some its members. Divisions within its membership can weaken its influence globally. The Russian Federation too, must shift its thinking as countries and issues that were once part of Soviet domestic policy are now played out on the international stage. If the country cannot learn how to effectively balance its domestic energy interests with its foreign relations, then it may fail to prove its readiness to join the WTO.

2. United States

As one of the most powerful nations in the world, both economically and politically, the approval of the United States is critical to Russia's bid to join the WTO. Serious disagreements with the U.S. could derail, or even end the Russian Federation's accession. Therefore, the sphere of the international environment concerning the U.S. makes a strong linkage with the accession bid.

There are several areas of concern for a WTO agreement between the Russian Federation and the United States, particularly the agricultural industry. One of these areas is the agricultural industry. U.S. views Russia as too protectionist of its agricultural industry. Several times in the past, the latter country has used sanitary concerns to block the import of U.S. agricultural products. One of the most notable instances was the "chicken war" that began in the mid 1990s and continued for several years. The Russian government blocked American chicken imports due to concerns over sanitary measures. This action had a major impact on U.S. farmers since

Russia is one of the largest export markets for U.S. chicken.¹⁴² In the past, the Russian Federation has also blocked beef imports because of incidents of mad cow disease in the United States.¹⁴³ These incidents have had a major impact on the course of the country's accession agreement.

The disagreements over agricultural imports have created political linkages in both directions within the Frontier. The repeated trade restraints have made the United States reluctant to conclude an agreement with the Russian Federation concerning the World Trade Organization. As a result the United States has delayed negotiations, thereby slowing down the accession process. Given that both Russia and the U.S. have been disinclined to cooperate with each other over agricultural issues, through their actions they have created a network of linkages within the Frontier.

Another major hurdle that Russia faces in joining the WTO is the U.S. political process. In order for the Russian Federation to become a WTO member, Congress must repeal the Jackson-Vanik Amendment. The amendment poses a barrier to Russia obtaining permanent most favored nation status, which must be granted to all members of the World Trade Organization. The Jackson-Vanik Amendment was created during the Cold War as an enticement for the Soviet Union to allow its citizens to emigrate freely. While the Jackson-Vanik Amendment has not been used since the end of the Cold War, there still will be difficulties in Congress to repeal it. Congressional members have liked having the amendment as a bargaining chip to use with Russia.¹⁴⁴ Thus, domestic U.S. politics can affect a foreign affairs decision of the Russian Federation.

¹⁴² Wegren, 51.

¹⁴³ Ibid., 52.

¹⁴⁴ Kramer.

The continual existence of the Jackson-Vanik Amendment has created a strong relationship with Russia's WTO accession. By refusing to repeal the amendment, the United States Congress has upheld a barrier to the entry of the Russian Federation into the WTO. The Russian legislative branch has had to cooperate with Congressional demands, such as allowing free emigration, in order to ensure the continuation of permanent normal trade relations. The interaction over the amendment has created ties between the legislatures of the two countries. As a result of this situation, the domestic-foreign frontier has become more blurred, further expanding the Frontier sphere.

IX. Conclusion

There are many factors that have influenced the Russian Federation's accession to the World Trade Organization. Historically, the country has had a rocky relationship with the predecessor of the WTO, the GATT. As Russia opened up more in the political sphere, the country's attitude towards the organization completely changed and started the country on the road to accession. The Russian Federation does stand to gain from some aspects of WTO membership, but the question is to what extent those benefits will be mitigated by harmful effects. While some industries will grow as a result of decreased trade barriers, other less competitive sectors of the economy will falter due to decreased protectionist measures.

As the past two decades demonstrate, the president of the Russian Federation is in a position to exert a great amount of control over the accession process. Negotiations made little progress during Yeltsin's tenure, 1991-1999, and Putin's second term, 2004-2008, as both presidents were otherwise occupied with domestic issues. However, if the President makes WTO membership a priority, as demonstrated by Vladimir Putin in his first term and current President Dmitry Medvedev, great strides can be made in negotiations. Therefore, it is very

important how the President chooses to balance his domestic and foreign policies and the networks they choose to utilize within the Frontier.

Similarly, interest groups can weigh in on the accession process. Russian farmers have succeeded in convincing the government to implement import restrictions which have helped protect the domestic sector. While on the other hand, the business elites have battled it out to influence members of the government to either oppose or support the accession. The continual lobbying has created a linkage with the accession process. Some of the protectionist agricultural policies have caused an outcry among some foreign countries that have been negatively affected by the Russian government's efforts to protect its foreign markets. Business elites have also managed to arouse foreign interest, particularly in support of domestic free market policies, which would only be enhanced by membership in the World Trade Organization.

The Russian judicial system is a major source of doubt about Russia's ability to adhere to its WTO obligations. As the data shows, there is little trust among the public in law enforcement officials and the court system. One reason for this lack of trust is the pervasive problem of corruption. Corrupt transactions weaken the Russian Federation's ability to abide by its own laws, not to mention, international laws. This failure to follow through on law enforcement is best exemplified by the area of intellectual property rights. If Russia cannot strengthen its intellectual property rights protections, then it may struggle to meet its TRIPS commitments.

Further evidence of violations of the *rule of law* is demonstrated by the legal proceedings against Mikhail Khodorkovsky. His trials show that the government is willing to manipulate the law to meet its own agenda and that the law is still arbitrarily enforced. These repeated violations of respect for the law and courts demonstrate to the international community that Russia may not be ready to join the WTO. In order for the World Trade Organization to function

properly, its members must be able to abide by laws and regulations, which could be a problem for the Russian Federation.

Probably the biggest question concerning Russia's accession is its relationship with its neighbors. While technically Russia does not need the approval of every member to join the WTO, in practicality, it does since the organization prefers to make decisions unanimously. Therefore, a veto by Georgia could effectively put the accession on hold. It has become critical that Georgia and Russia reach a compromise if the latter is to become a member of the WTO in the near future. Considering the recent change in Ukraine to a more Russia-friendly government, that country does not seem to pose a large threat to the Russian Federation's accession to the World Trade Organization. If Russia still insists on joining the WTO as part of a customs union, then that could create a barrier to accession as that action is currently not allowed. Even trying to coordinate its entrance with its slower neighbors could greatly delay the Russian Federation's accession. In order to join the World Trade Organization, Russia will have to change its policy towards its neighbors in the context of the relations that have been established within the Frontier.

Finally, the Russian Federation must keep the two large trading powers, the European Union and the United States, content. These two have enough clout that any discontent could seriously derail Russia's accession. Russia and the EU have to cooperate to ensure the approval of the latter's more wary members. Barring any further trade disputes, Russia still needs the U.S. Congress to repeal the Jackson-Vanik Amendment. Such an action may require more negotiations and further concessions on the part of the Russian Federation. As the examples of disputes demonstrate, domestic politics in any country can affect a major international

organization. Nevertheless, once the finer points are resolved both the U.S. and the EU should benefit from Russia's accession to the WTO.

All these issues demonstrate the importance of the connections between domestic and foreign policy. The various polity outputs involved create linkages, thereby sustaining environmental inputs. Conversely, environmental outputs can affect polity inputs within a country. These linkages are numerous and can create a complex web within the wide political space that is the Frontier. Countries and actors must then leverage these connections to achieve their goals. As shown above, the executive, interest groups, law enforcement, the courts, all seek to influence an outcome in the environment at the same time that they are constrained by factors in the environment. Through negotiation and a careful balancing of domestic and foreign interests, there can be a successful outcome in the external environment, in this case the accession of Russia to the World Trade Organization.

With so many relationships between the domestic environment and the international arena, Russia must carefully consider the implications of every policy decision. Some decisions, such as a better tax code could speed up the accession, but aggressive actions towards its neighbors could delay the Russian Federation's entry into the World Trade Organization. In order to join the organization in the near future, the Russian government cannot lose focus in its negotiation efforts and allow interest groups to exert too much of an influence. It may also have to re-evaluate some of its foreign policy decisions, especially in regards to Georgia, and the country may have to change some domestic institutions such as its disregard for the *rule of law* and its weak judicial system. Finally, Russia will have to continue to cooperate with the European Union and particularly the United States regarding the Jackson-Vanik amendment, in order to garner enough support for its accession. If the Russian Federation manages to

successfully balance its domestic and foreign policy interests within the wider international contexts and fix the outstanding issues, then it could join the World Trade Organization in the next year or two and end the almost two decade accession process.

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