



## Russia's WTO Commitments: New Opportunities for U.S. Services Firms

The service sector accounts for nearly 80% of U.S. private sector GDP and employs more than 80% of the U.S. private sector workforce. U.S. exports of services totaled more than \$480 billion in 2009.<sup>1</sup> The U.S. has a dynamic and balanced services trade with Russia. Prior to totaling \$3.6 billion in 2009, U.S. services exports to Russia reached a high of \$3.7 billion in 2008, representing growth of 16% over the previous year's levels.<sup>2</sup>

Russia's WTO accession commitments will improve or bind current trade practices in 116 services sub-sectors, ensure full national treatment in 30 sub-sectors<sup>3</sup> and provide U.S. service companies with greater market access and national treatment in Russia in the following important areas<sup>4</sup>:

**Audio-Visual Services:** Russia will allow wholly foreign-owned audio-visual enterprises. It made commitments in motion picture distribution, projection services and sales of television and radio programs.

**Business Services:** Russia's WTO commitments will ensure market access in legal services, accounting, advertising, architectural, engineering, computer and related services, health care, advertising, and marketing and management services. U.S. service suppliers will be allowed to operate with 100% foreign ownership and, in most cases, will enjoy full national treatment.

**Distribution:** Russia has made WTO commitments in the wholesale, retail and franchise sectors, and it will allow 100% foreign ownership in these areas upon accession. U.S. companies will be able to distribute most products with minimal limitations. Russia will also allow direct sales by commission agents.

**Energy Services:** Russia will allow wholly foreign-owned subsidiaries in energy services, including services related to mining and energy distribution, and technical consulting services. Additionally, Russia's WTO commitments prohibit quantitative limitations on the participation of foreign energy services in the market.

**Environmental Services:** U.S. companies will be able to supply a range of environmental services, including industrial waste and noise abatement, as a result of Russia's WTO accession. Russia's WTO commitments provide for full national treatment and 100% foreign ownership.

**Express Delivery Services:** Upon WTO accession, Russia will allow wholly foreign-owned express delivery enterprises and will guarantee national treatment for those operators. It will also provide for the unrestricted delivery of documents, parcels, packages, and other items through relevant modes of supply.

**Financial Services:** Russia has agreed to permit 100% foreign ownership of banks, non-life insurance companies and securities firms. Russia's WTO commitments will also enable foreign insurance companies to open direct branches in Russia.

**Telecommunications:** As part of its WTO commitments, Russia will sign on to the WTO Basic Telecommunications Reference Paper, providing for an independent regulator, obligations to prevent anti-competitive behavior, transparency obligations, and interconnection requirements. Its WTO commitments also provide for comprehensive sectoral coverage with 100% foreign-ownership and for open services on both a facilities and non-facilities basis.

**Transport Services:** Russia made WTO commitments in maritime, road and auxiliary transport services, including freight forwarding and storage and warehousing services. Russia will also open its aircraft repair and maintenance and reservation services to foreign competitors.

**Further WTO services commitments from Russia are expected to emerge as a result of multilateral negotiations. For example, ongoing discussions regarding intellectual property rights will likely have additional positive implications for the U.S. services sector.**

<sup>1</sup> "Fact Sheet on Services in the United States & Global Economy," U.S. Coalition of Service Industries, February 2010.

<sup>2</sup> "External Trade in Services of the Russian Federation by Main Partner Countries in 2002-2009," Central Bank of the Russian Federation Website, [http://www.cbr.ru/eng/statistics/print.aspx?file=credit\\_statistics/trade\\_2002-09\\_e.htm&pid=svs&sid=vt\\_uRF](http://www.cbr.ru/eng/statistics/print.aspx?file=credit_statistics/trade_2002-09_e.htm&pid=svs&sid=vt_uRF), (accessed August 13, 2010).

<sup>3</sup> "Principal Results of Russia's WTO Market Access Negotiations," Russian Ministry of Economic Development and Trade, November 24, 2006.

<sup>4</sup> "Bilateral Market Access Agreement on Services," Office of the U.S. Trade Representative, November 19, 2006.