

Russian Federation

Overview

The Russian economy has recovered strongly from the financial crisis of 1998, which resulted in a drastic decline in Canada's goods exports to the Russian Federation. Exports began growing slowly again in 1999, and continued building through 2000, but there has been a noticeable upsurge in 2001. Imports of goods from Russia to Canada registered a slight improvement in 2000 over 1999, but declined in 2001. Canadian exporters who had been reticent about entering the Russian market following 1998 have taken the economic good news as a sign that it is now time to re-engage in Russia. In February, Prime Minister Jean Chrétien led the Team Canada 2002 trade mission to Russia during which 77 new business deals were signed by Canadian enterprises, with a value of \$337 million. According to Statistics Canada, Canadian investment in Russia was estimated at \$423 million in 2000. Canadian direct investment is principally in the mining, high technology and agri-food sectors.

President Putin's emphasis on Russia's accession to the WTO has provided impetus to the economic reform process. The Russian Duma ended its spring 2001 session by passing tax, land and legal reform legislation. Russia will continue to be a strategic market for Canadian resource extraction, housing/construction materials and agri-food sectors. The Canadian government is working to improve access to this important emerging market along three main tracks: through the bilateral Intergovernmental Economic Commission (IEC); accession negotiations on Russia's entry into the WTO; and the negotiation of a new Foreign Investment Protection Agreement (FIPA).

Bilateral Trade

The Canada-Russia Intergovernmental Economic Commission was established in 1993 with a mandate to improve trade and investment and to identify and resolve trade and investment irritants and obstacles that Canadian and Russian companies face in each other's markets. It met most recently in Ottawa in November 2001, and the Canadian delegation was

led by the Minister for International Trade, the Honourable Pierre Pettigrew. Sectoral working groups (focusing on oil and gas, agriculture, housing and construction, mining and Arctic and the North) work to enhance opportunities and market access for Canadian investors and traders. As outlined in the new *Canada Russia Joint Action Plan* issued during Team Canada 2002, consideration is being given to the establishment of new IEC working groups on market access, transportation, and advanced technologies including telecommunications, aerospace and information technologies.

Through the Intergovernmental Economic Commission and other bilateral initiatives, including technical cooperation, Canada is promoting the transition to a market economy in Russia. We have also pressed for the removal of numerous administrative barriers to trade and investment and for uniformity in the application of laws and regulations. During the Team Canada 2002 mission in February, Canada Mortgage and Housing Corporation (CMHC) signed a Protocol with the State Committee on Construction, Architecture and Housing Policy which marked the establishment of a new Russian building code for single-family dwellings based on Canada's building code. This will create new opportunities in the Russian market for Canadian builders and construction material suppliers.

WTO Accession

The Russian Federation applied to join the World Trade Organization in 1993. Canada is a member of the WTO Working Party (WP) charged with examining Russia's application and is holding bilateral discussions with the Russian Federation to advance the accession. The first of 13 WP meetings was held in July 1995 and the most recent in January 2002.

Canada has underlined its support for Russia's eventual membership in the WTO on commercially viable terms generally applicable to newly acceding Members. Russia's membership in the WTO will give Canadian traders and investors enhanced and more predictable access to this important market. It will also help to consolidate the economic transition process in the Russian Federation and will strengthen the multilateral trading system. Although much has been achieved in recent years, Russia has more work to do to bring its trade and economic policies up to WTO requirements, particularly including the area of agricultural support policies that distort trade.