

Russian Games with the WTO

Michael Emerson

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Sixteen years after it first submitted its bid to join the World Trade Organisation (WTO), Russia has thrown the process into complete confusion. First Prime Minister Putin declared in June that Russia's application was to be withdrawn, in favour of a joint application with Belarus and Kazakhstan with whom it plans to establish a customs union in January 2010. Then President Medvedev at the G8 summit in Italy on 10 July said that Russia could join in either of two ways, jointly with Belarus and Kazakhstan or separately, the latter course being "simpler and more realistic".

What does Moscow think it is doing? Russia's chief trade policy negotiators know full well from their sixteen years of apprenticeship what joining the WTO entails, with the progressive accumulation over these years of obligations beyond simple agreement of a binding tariff schedule for 'most-favoured nations' (i.e. other WTO members states). Take the terms of Ukraine's accession as the most relevant model. The final report concluding in favour of Ukraine's accession and its related annexes and protocols run to hundreds of pages. And besides the tariff schedule, it covers an immense range of topics including competition policy, export restrictions and subsidies, technical barriers to trade, government procurement, free trade zones, agricultural policies, intellectual property rights, patents, copyrights, enforcement procedures and details on the extent of market opening for all service sectors (the list of service sector commitments takes over 40 pages alone).

The idea of making a single, unified multilateral agreement with this magnitude of content is a surrealist proposition for any group of states that are not already integrated to a virtually federal level. Russia's chief negotiators know this.

So what does Prime Minister Putin think he is doing, when President Medvedev feels obliged to say in public at the G8 summit that Putin's line is unrealistic?

One interpretation might be that Prime Minister Putin shot off with his proposition without taking advice from his officials. But that seems highly unlikely. Putin is generally an assiduous master of detail in whatever he does.

A second interpretation is that he had received technical advice, but went ahead anyway on the basis of a different political rationale: that he does not want Russia to accede to the WTO. The evidence supporting this interpretation is the fact that the government constantly attempts to adopt trade policy measures that would be ruled illegal or at least seriously contested if it were a member of the WTO. Putin clearly does not want to be bound by international rules. Russia has

Michael Emerson is Senior Research Fellow and head of the EU Foreign, Security and Neighbourhood Policies research programme at CEPS. He is the former EU ambassador to Russia.

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taken numerous measures in recent years that were either WTO-incompatible or could have been seriously contested and taken to WTO dispute settlement procedures, including the wine sanctions imposed on Georgia and Moldova in 2006, the meat dispute with Poland and the EU in 2007, the timber export dispute with Finland and the EU in 2008 and the automobile import tariff increases in 2009. The Prime Minister wants to be able to continue to use trade sanctions as a political tool.

A third interpretation relates to Russia's wish to advance renewed economic integration with whichever CIS states are willing. Only Belarus and Kazakhstan are currently willing to join Russia in a customs union, although trade sanctions taken in recent months by Russia against milk products from Belarus may make this country think again. However to pull these two countries into a joint WTO application could provide leverage to advance the economic integration agenda of the three countries beyond the tariff unification of the customs union. In addition, the customs union will deprive Belarus and Kazakhstan of the option of proceeding independently to negotiate their own trade agreements with major partners such as the EU or China.

A combination of interpretations two and three would suggest that Putin spotted this as a smart move to stop any realistic chance of the WTO accession which he does not want, but without having to say so, while at the same time using the manoeuvre to increase Russia's leverage over Belarus and Kazakhstan. However this turns out to have been not so smart. It has thrown into the open the well-known and deep division within the Russian leadership and elite circles over the real issue: whether it is in Russia's interest to accede to the WTO or not, or more broadly whether Russia's modernisation objective would be furthered with increasing international openness and adherence to generally accepted global rules of the game. According to a 'liberal' view, WTO membership is an essential precondition for broadening Russia's industrial base beyond natural resources. The contrary 'statist' thinking goes of course in the opposite direction: outside the WTO, it is easier to protect specific industries and foster their development, although economic history is replete with failures of this approach (e.g. Mexico pre-1980s). Putin reveals himself to be against WTO accession with all that this implies, despite the numerous speeches in which he has said he is in favour; Medvedev, on the other hand, appears to be genuinely in favour of WTO membership. There seems to be no other explanation why Medvedev felt obliged to intervene and advertise their most explicit policy difference observed so far.

In any case this episode throws unfavourable light on the role of Russia as privileged member of the G8, which is meant to be the inner sanctum of the world's most advanced economies. Russia's presence in G8 alongside the absence of China, which is a WTO member, is already an anomaly. At the same time Russia pretends to play a grand role in reshaping the world order, for example convening recently a meeting of the so-called BRIC group, with Brazil, China and India. Russia is also pretending to lead Europe and the West into a new normative pan-European security order, against the background of having invaded Georgia a year ago, and going on to justify recognition of the independence of Abkhazia and South Ossetia with the Kosovo precedent that it had otherwise been using as a tool to criticise the immorality of the West.

When will Russia's ruling elite see that their ambition for their country to be a leading international actor, with a branding as promoter of a reshaped normative world order, calls for more consistency, professionalism and credibility for the sincerity of their motives?