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Coalition of the Unwilling  
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When Prime Minister Vladimir Putin announced on June 9 that Russia prefers to withdraw from the current World Trade Organization talks and seek membership on new terms -- as part of a customs union with Kazakhstan and Belarus -- most experts considered the move completely unexpected. But I have been arguing for many years that Russia was never really interested in WTO membership. Although former President Boris Yeltsin was committed to incorporating the country into a globalized world, Putin has reached the conclusion that the Kremlin has little to gain from the WTO. He is also willing to ignore the interests of Russian consumers.

Russia is the only major economy that remains outside the WTO. It joins the ranks of global outsiders such as Belarus, Iran, Iraq, Syria, Afghanistan, Yemen, Somalia and Sudan. Why is the Kremlin so hostile toward the biggest and most important trade community in the world?

First, the trade in natural resources -- 65 percent of Russia's exports -- is not regulated by WTO rules, so Russia doesn't see the WTO as a priority. Second, staying outside WTO rules will allow the Kremlin to continue granting special conditions to its government-controlled "national champions." Third, the government wants to retain its ability to use trade barriers as a political and economic weapon against neighboring countries whenever they act against Russia. Finally, the country's budget depends heavily on custom duties.

Russia is particularly sensitive to infringement on its sovereignty.

This often leads to strong-armed trade policies. For example, gas headed for Europe was used as a weapon against Ukraine. The Kremlin cut off oil supplies to a Lithuanian refinery after a Russian company was blocked from purchasing the refinery. Georgian and Moldovan wines, Polish meat, Estonian fish and Belarussian sugar and milk have been prohibited from being sold on the Russian market.

Meanwhile, the interests of Russian consumers are not taken into consideration at all. It is much more important to keep inefficient factories such as AvtoVAZ alive than to give consumers the opportunity to purchase higher quality cars. As long as manufacturers are more valued than consumers, Russia will always violate the fundamental principle behind the WTO: reducing trade barriers to benefit consumers.

After spending 16 exhausting years in WTO negotiations, Putin decided to form a coalition of the unwilling. He linked up with two countries whose economies are even more centralized than Russia's and which are even less interested in ceding their "trade sovereignty" to the WTO.

Of course, there is even less probability that the WTO will offer membership to the customs union of Russia, Belarus and Kazakhstan than it would have offered Russia had it applied on its own. But the more important question should be: Is the union even possible to form? The proposal for the union dates back to 1993, and Moscow has done little since then in moving the project along. The latest "milk war" with Minsk underscores the difficulty in reaching an agreement with its neighbors. Moreover, Russia really lacks the incentives to induce Kazakhstan and Belarus to speed up the reforms that are in needed for WTO membership. More important, the Kremlin needs income from custom tariffs more than ever.

Putin's demarche against the WTO and the milk war between Moscow and Minsk coincided quite nicely. For political reasons, Putin cannot openly admit that Belarus was denied access to Russian markets because Minsk refused to recognize the independence of Abkhazia and South Ossetia or because it decided to participate in the European Union's Eastern Partnership program, which the Kremlin considers anti-Russian. Similarly, Putin can't admit that Russia doesn't want to join the WTO because it would hurt the interests of his key constituency -- the country's huge army of bureaucrats. This is precisely why the idea of forming a customs union emerged.

Putin's reputation remains clean. After all, it was chief sanitary inspector Gennady Onishchenko who took the blows for the current tensions between Minsk and Moscow. Likewise, Belarussian President Alexander Lukashenko will probably be blamed for the future tensions between Russia and the WTO. These tensions will not end soon.

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