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RATIO ECONOMICA: PREMIER'S WORD AND DEED Russia's rejection of the WTO is a colossal and tragic mistake

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TERMINATION OF WTO MEMBERSHIP TALKS BECAME THE MOST IMPORTANT ECONOMIC DECISION OF DMITRY MEDVEDEV'S FIRST TERM OF OFFICE

Premier Vladimir Putin's words that Russia would only join the WTO within the framework of the Customs Union with Belarus and Kazakhstan stunned the international community. Barely two days ago (i.e. during the St.Petersburg International Economic Forum), everyone had been euphoric over real progress made in the WTO membership talks.

Putin made it plain that fortune in the Russian economic policy smiled on whoever had the guts to turn the tables and all but defy all existing rules. His statement repudiated all previous agreements. Putin shifted the planned establishment of the Customs Union to an earlier date and entry into the WTO to a later.

Insisting on joining the WTO together with Belarus and Kazakhstan, Putin all but put WTO membership out of Russia's reach in the foreseeable future. The Customs Union is unlikely to be formed by January 1, 2010. Even if and when it is formed, Belarus' road to the WTO will be proverbially long and winding yet.

Besides, even if all three members of the Customs Union meet WTO's requirements, there have never been precedents of mass entry into it yet.

Russia's rejection of the WTO is a colossal and tragic mistake. An exporter of hydrocarbons as it is, Russia does not really care if it is in the WTO or not, but membership in it is an instrumental condition (but not the only one) for diversification of economy and attraction of foreign investments. As matters stand, Russia is the only major economy in the world that is not in the WTO yet. Nobody is saying that the WTO membership will solve all of Russia's problems. Still, it will protect Russia to a certain extent. It will facilitate its entry into the Organization for Economic Cooperation and Development and help with a new agreement with the European Union. Membership in the WTO will help Russia with realization of key premises of the Concept'2020. Few Russian officials believe in international trade or its benefits, but national interests of Russia nevertheless demand integration into the global economy and that means membership in the WTO.

Countless studies and surveys show that membership in the WTO will enormously benefit the national economy.

In the meantime, direct economic losses inflicted by Putin's statement are nothing against the background of the damage done to repute of the government of Russia. Termination of the individual WTO membership talks is a signal that the word of the government of Russia means nothing - the word of the prime minister means nothing. Entry into the WTO has been one of the high priorities of Putin's economic policy since his very first year as the president of Russia. His Economic Development Minister

Herman Gref, author of Putin's economic strategy, all but made entry into the WTO his personal project. We see now that numberless speeches on the necessity of the WTO membership, some of these speeches made by the premier himself, meant nothing.

Deviation from the course for the WTO membership is an apparent economic mistake.

Some specialists point out that this mistake is not irreversible at all, that Putin changes his mind so often that his words might be dismissed. They even speculate that Putin may change his mind on joint entry into the WTO now. If they are correct and he really may, then there is something seriously wrong with the powers-that-be in Russia. It makes Russia's economic policy unpredictable and bizarre. What could be worse than that during a crisis?