

## **EU and Russian executives fear protectionism** **Financial Times, 18 November 2009**

Rising trade barriers, imposed in response to the global economic crisis, threaten economic relations between the European Union and Russia, business leaders are warning.

The dangers are compounded by risks that Russia's planned customs union with Kazakhstan and Belarus, due to start on January 1, could complicate ties between Moscow and Brussels, say executives in the Industrialists Round Table, an EU-Russia business organisation.

IRT representatives will present their findings at a meeting on Wednesday with European leaders and Dmitry Medvedev, the Russian president, during the EU-Russia summit in Stockholm. They will call for a new push on Moscow's much-delayed attempt to join the World Trade Organisation and extra efforts on negotiating a new EU-Russia deal, but acknowledge that the past year has seen "little progress" in formal economic relations.

"What we are asking for is clarity to improve the framework for business," said Nils Andersen, chief executive of Moller-Maersk, the Danish transport group, in an interview. Mr Andersen chairs the IRT jointly with Anatoly Chubais, head of Rusnano, the Russian state high-technology group, who told the Financial Times that Russian accession to the WTO would put its economic links with the rest of the world into "a completely different dimension".

In its submission to the summit leaders, the IRT says that, in spite of pledges made at G20 summits to refrain from protectionism, both the EU and Russia have taken measures "that impede imports and exports" and agreed other decisions which "seem to make increases in tariff-related trade barriers more probable in the future".

EU business people said examples included Russia's increase in car import duties and planned rises in alcohol taxes that they feared might fall disproportionately on beer, a market largely controlled by foreign investors, as opposed to vodka, where domestic producers predominate. Russian companies fear that state aid handed out by EU governments during the crisis might lead to protectionist actions.

The IRT expresses concerns over Russia's planned customs union, saying WTO accession could be "seriously delayed" if the union's rules depart from regulations already agreed in negotiations between Moscow and the WTO, for example over tariffs.

The statement does not call on Russia to scrap the plan. Russian business people could not have supported such a direct challenge to proposals backed personally by Vladimir Putin, the prime minister.

Mr Chubais said the problem was not with the customs union but with the risk that its implementation might "lead to delays in Russia joining the WTO".

He added: "January 1 is only a month and a half away. What are the rules? What are the legal measures? What kind of courts are you to go to if business has problems?"

Mr Chubais dismissed suggestions of serious differences over trade policy between Mr Putin and Mr Medvedev. He said the situation should not be seen as "a good

Medvedev and a bad Putin" because it was more complicated. "Both leaders are positive on WTO accession. It is a condition of accession that they agree."

Mr Andersen said: "The two leaders are aligned behind modernisation of the Russian economy. I hope that on this basis we can get real progress in the next 12 months."