

An embargo in Russia's trade policy – a tactic without a strategy

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On 22 June Russia and the EU agreed to the rules for lifting the ban on imports of EU fruit and vegetables which Russia had imposed at the turn of May and June. The negotiated agreement did not, however, automatically open the Russian market to EU produce as Moscow is holding individual negotiations with particular EU member countries. The current ban on imports from the EU is part of the trade policy the Russian Federation is pursuing. The embargo is being used by Russia not only for the protection of domestic consumers and entrepreneurs but above all as an instrument of foreign policy – repression, prevention or testing the readiness of their foreign partners to make concessions. However, the effects of this policy for Moscow are mostly all short-term, without an obvious strategic objective. In consequence, the use of an embargo does Russia more harm than good.

The Russian embargo on EU vegetables

At the turn of May and June the Federal Service for the Protection of Consumer Rights (Rospotrebnadzor) imposed a ban on fresh vegetables and fruit initially from Germany and Spain and later from all EU countries, in reaction to the outbreak of a serious infection caused by the mutation of the E.coli bacteria. The European Commission protested against Moscow's decision, deeming it disproportionate to the threat. It demanded the immediate lifting of the embargo and started negotiations with the Russian Federation. The parties worked out an initial agreement on the rules of accepting EU produce in the Russian market at the Russia-EU summit (on 10 June), details were however specified only in the agreement of 22 June. According to this document, each of EU member states which exports vegetables to Russia will be temporarily certifying the origin of its produce and guaranteeing that it does not contain the mutation of the E.coli bacteria. The EU provided Moscow with a list of services and laboratories which are qualified to issue the certificates. The parties also agreed that 10 days after recording the last case of infection with this strain of bacteria in the EU the necessity of certification will expire. After having signed the agreement, part of the EU countries confirmed with Moscow their willingness to export vegetables to Russia. However, the decision-making process in Russia proved unclear (it pertains particularly to the criteria of selecting the countries on whose produce the ban was lifted) and lengthy. By 13 July only exports from Belgium, the Czech Republic, Denmark, Greece, the Netherlands and Spain were resumed. Bulgaria, Hungary, Italy, Latvia, Lithuania and Poland are still awaiting consent from the Russian government.

What purpose was the embargo meant to serve?

The ban on imports of vegetables can be seen not only as an instrument protecting Russian consumers (the official reason for the introduction of the embargo was the protection of the population against bacterial contamination) but also in the context of Russia's internal and foreign policies. The tough negotiating position of the Russian government towards Brussels coincides with the approaching election campaign (before the parliamentary election in December 2011 and the presidential election in March 2012). The negotiations with Brussels served, among other purposes, to display to the Russian agricultural lobby, which is averse to competition from abroad (including WTO membership), that the government is acting as a defender of its interests. Both President Dmitri Medvedev and Prime Minister Vladimir Putin presented themselves as spokesmen for Russian consumers and producers (the former at the EU-Russia summit and the latter during a meeting with representatives of the agricultural sector).

As for its foreign policy, by demanding additional guarantees Russia attempted to discredit the effectiveness of the EU phytosanitary control system and thus to weaken criticism of the Russian system made by WTO (including EU) members. Furthermore, while holding bilateral negotiations with EU countries about resuming imports, Moscow questioned the European Commission's competences to pursue its common trade policy. By treating individual EU countries differently when talking about the resumption of supplies Moscow once again tried to undermine the unity of the EU.

The trade embargo - Moscow's effective tactic

The ban on food imports is an instrument often used by Russia. Usually minor irregularities on the part of suppliers constitute a pretext for Russia to impose an embargo. In many cases the main objective of an embargo is the protection of the domestic market against infections (e.g. the ban on imports of poultry from Poland and the UK linked with bird flu, pork from Mexico and several US states in relation with swine flu or imports of poultry and pork from Germany after having detected dioxins in it). However, often the disproportionate and selective character of these bans proves that they are also used as a tool of Russia's foreign policy.

The ban on imports (and more seldom prohibitive customs) is employed by Russia above all as a means of political retaliation (e.g. towards Estonia, Georgia, Moldova and Belarus) or as a preventative measure (Poland) towards the countries pursuing a policy which is contrary to Russian interests (see more in the Appendix). The embargo on imports is also used by Moscow in order to strengthen its negotiating position in contacts with Russia's key partners. The latest example of this practice is the decision made on 13 July by the Customs Union member countries (Russia, Belarus and Kazakhstan) to limit imports of animal-derived products from Ukraine. This decision was formally justified by the infringement of sanitary norms. In reality, however, this is a means for Russia to apply pressure on Kyiv in order to force Ukraine to join the Customs Union. In relations with the EU the embargo is used in order to test the readiness of the EU bureaucracy to make

concessions (through escalating demands regarding additional safety measures etc.) and as an instrument of dividing the EU member states (particularly given the fact that maintaining a common position is especially difficult when it comes to the sensitive EU agricultural and food market). In this way Russia is trying to gain short-term preferences from particular member states and the possibility to influence their domestic markets, which runs counter to the EU common agricultural and trade policies.

In the internal dimension, the immediate effect of each limitation imposed on imports to Russia was an increase in the revenues of Russian producers, a change of suppliers to the Russian market and a strengthened role of the Russian government (sanitary, phytosanitary, and consumer protection services), which would lead to a higher risk of corruption.

Russia's lack of a strategy in using the embargo

It is hard to identify a strategic goal in Russia's frequent use of the embargo as an instrument of foreign policy. Bilateral negotiations, which can be considered one of Russia's successes, do not translate into long-term benefits for Russia. Foreign partners are growing increasingly distrustful of Moscow and are developing the conviction that Moscow is not constructive, which in the long term results in closer co-operation between the countries which feel harmed by Russia. As regards the partners from the Commonwealth of Independent States, a repressive trade policy not only discourages countries which are directly targeted by it but also makes clear to other partners that there is a need for diversification and for limiting dependence on Russia. Moreover, exporters surprised by the Russian embargo are forced to search for new markets and in the long term they become more competitive and less interested in the Russian market.

Moscow is reluctant to take on formal international commitments: Russia still remains outside the WTO and the Energy Charter and is in fact not eager to regulate its economic relations with the EU under a new base agreement. This approach along with the use of its own specific rules of co-operation, *de facto* keep Russia away from the contemporary rules of the international trade. This also leads to a perpetuation of the resources-based character of the Russian economy.

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Appendix

Selected examples of the instruments of market protection used by Russia in recent years

Country towards which the instrument was used	Year	What the instrument imposed	Probable objectives of the use of the instrument*

Ukraine	2011	A limitation on imports of animal-derived products	- An attempt to force Ukraine to join the Customs Union
Belarus	2009	A ban on imports of dairy products	- Retaliation for Minsk breaching the bilateral agreement on the acquisition of shares in the most attractive Belarusian companies by investors
Finland	2007	Prohibitive export customs imposed on wood	- Gaining a better negotiating position in talks about the gas pipeline in the Finnish exclusive economic zone
Georgia	2006	A ban on imports of wine, all plant-derived products and mineral waters	- Political retaliation for pursuing "anti-Russian" policy with the West in the political, economic and security spheres - sanctions for blocking Russian membership in WTO
Latvia	2006	A ban on imports of sprats	- A preventative message addressed to the new Latvian government - domestic economic issues (support for Russian companies)
The Netherlands	2007	A ban on imports of plant-derived products	- Economic issues (changes in the structure of subsidies) - strengthening of the <i>Federal Service for Veterinary and Food Safety</i> (Ruselkhoz nadzor)
Moldova	2005 2006 2010	A ban on imports of meat, plant-derived products A ban on imports of wine A ban on imports of fruit and vegetables	- Forcing Chisinau to abandon attempts to regulate relations with separatists against Russian interests - political retaliation for Moldova's rapprochement with the West in the political and political sphere
Poland	2005	A ban on imports of meat and plant-derived products	- A message directed to the new government in Poland about Russia's negative position on Poland's foreign policy, development of democracy in Belarus and Ukraine - Questioning Poland's objectives in energy policy (its opposition to the Stream gas pipeline and willingness to diversify gas supply) - Questioning the credibility of the EU system of subsidies, particularly in New Member States (Russia had relations with Bulgaria and Romania).
The US	2002 2010	Poultry	- The willingness to negotiate better conditions of trade (steel) - The protection of domestic producers

*Each time (except for customs on wood) the infringement of sanitary and phytosanitary norms – which threatened Russian consumers – was given as the official reason for imposing the ban.