

Advantages of WTO Offset by Facts of Life, Businesses Say

By [The Moscow Times](#)

July 03, 2012



Offering the best strawberries may not be enough to compete with U.S. and European producers, some worry. **Sergei Ponomaryov**

LENIN STATE FARM, Moscow Region — Migrant workers, some stripped to their underwear in the sweltering heat, pick fragrant strawberries from the sprawling fields of Lenin State Farm, a former collective that has become one of the most successful farms around Moscow.

Director Pavel Grudinin says his strawberries are better than anything else in the Russian capital because they go from field to shelf in less than 24 hours.

But with Russia joining the World Trade Organization next week, Grudinin worries that rules designed to ensure fair trade will put him at a disadvantage.

He says it will be hard for him to compete with U.S. and European producers, who can offer lower prices because they don't have to deal with corruption and bureaucracy.

Thousands of businesses across Russia are fearful as the country, after 18 years of negotiations, is set to join the WTO, which restricts import duties and subsidies in an effort to even the playing field for international trade.

Parliament needs to approve the accession by July 10, something almost sure to happen. President Vladimir Putin, whose party controls the State Duma, says WTO membership will bring increased foreign investment and make Russian companies more competitive.

Grudinin says those rosy projections fail to take into account the toll of never-ending inspections and official checks.

"That's why we're not competitive," he said. "We don't get much support compared to European and American farmers. We'd better deal with corruption first and then join the WTO, not the other way around."

Corruption is rampant in Russia, which ranks 143rd out of 183 countries in Transparency International's Corruption Perception Index.

Businesses bribe police and fire officials to stop surprise inspections, which require no official sanction. Electricity and gas companies collect informal payments for quicker access to their services.

Some Russian trade groups say WTO membership could ruin thousands of businesses. Nearly 100 major business leaders and industry groups signed a petition to the ruling United Russia party asking its deputies to vote against ratification.

"Thousands of companies are already cutting their investment programs [and] staff and suspending production," the petition states. Signatories include the Dairy Farmers Union and the Meat Producers Union.

About 500 people rallied in central Moscow on Tuesday in a Communist Party-organized protest against WTO accession.

Analysts say WTO membership will weed out inefficient businesses because they won't be able to compete with cheaper imports.

"Efficient companies have nothing to be afraid of," said Alexander Morozov, chief economist at HSBC in Moscow, adding that they may even benefit by increasing their market share.

Lenin State Farm is one of the efficient ones. But Grudinin says the treaty will burden him with unfair competition.

While Russian companies are invited to work in Western-style market conditions, they still have to abide by the byzantine practices of Russian bureaucracy and corruption.

Natalya Orlova, chief economist at Alfa Bank, said prices for some goods in Russia are higher "because they include the cost of doing business," a euphemism for bribes. Duties on imported goods have historically offset those costs.

Grudinin, whose farm brings millions of rubles in taxes to state coffers and donates millions

more toward local infrastructure and housing, said it has taken him three years to receive a permit to build a one-story cow shed.

He was forced to receive clearance from three airports — one of them 30 kilometers away — stating that it would not interfere with their flight paths.

Morozov said Russia's WTO entry will help the country only if it pushes ahead with long-promised reforms aimed at making it easier to do business and invest.

"Rather than shielding Russian producers, the government needs to be more proactive in liberalizing laws and cutting the number of administrative barriers," he said.

Once Russia enters the WTO, it will need to cut import duties dramatically and cap subsidies to the agricultural sector. The initial cap is \$9 billion through 2018, and the permissible amount falls after that.

Orlova said joining the WTO alone won't cure Russia's ills.

"The WTO is merely a tool; it's not a pass to paradise," she said. "It's a tool that can be used if a country has a strategy."

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