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EU Seeks to Contain Deepening Trade Dispute With Russia

By The Moscow Times

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BRUSSELS — The European Union told Russia late last week to drop restrictions on its exports or face a legal dispute at the World Trade Organization ahead of meetings in Moscow this week aimed at dealing with a series of conflicts.

Struggling to narrow differences with Russia on issues ranging from Syria to energy, the European Commission said a fee on imported cars flouted WTO rules that Moscow promised to adhere to when it joined the global trade body last August.

"These measures, which are in breach of WTO commitments, should be terminated rapidly," the commission said in a report that monitors trade protectionism around the world. "If no results can be achieved, the EU will consider launching a WTO dispute settlement proceeding," it said.

The EU is upset about Russia's requirement since September that foreign cars must pay

a recycling fee to be able to drive on Russian roads. That puts up their price in car showrooms and makes them less attractive at a time when European carmakers, struggling at home, want to reach Russia's growing middle class.

Brussels also says new Russian regulations on alcoholic drinks and textiles will make it difficult for European exporters to sell to Russia, while Moscow banned the import of live animals from the EU in March last year.

EU leaders will discuss ties with Russia in Brussels on Friday, and EU Commissioners including EU trade chief Karel De Gucht will go to Moscow for a meeting with Russian officials next Thursday and Friday to discuss areas from trade to Syria, human rights and energy.

Russia and the EU are deeply intertwined, with Europe relying heavily on Russian energy exports and Russians hungry for EU products and access to its 500 million consumers.

French President Francois Hollande tried to put trade ties on a new footing in his visit to Moscow last month while demanding a firm defense of human rights and pushing to win support for Western efforts to end the fighting in Syria.

But the atmosphere was little better than that at the EU-Russia summit in Brussels in December, which bristled with tensions. President Vladimir Putin told European Commission President Jose Manuel Barroso that he was "emotional" and "wrong" about Europe's energy policy.

Russia is infuriated by EU efforts to liberalize its energy market and force state-dominated Gazprom to sell infrastructure to prevent it from controlling distribution networks.

Europe relies on Russia, which sits on the world's biggest gas reserves, for about a quarter of its natural gas needs.

A long list of other grievances includes EU criticism of Moscow's attitude toward civil liberties.

When it comes to trade, Brussels says that a wide range of European goods sold to Russia — the EU's fourth-largest export market — is discriminated against, and that Moscow levies tariffs that are higher than WTO rules allow.

Russia joined the WTO in August last year after two decades of waiting, but the European Commission said Moscow has adopted a series of protectionist measures since joining and is violating WTO rules by closing its markets to competitors.

"We have made it clear and plain that for us the recycling fee [levied on imports of European cars] in its current form is unacceptable," trade chief De Gucht said in a recent interview. "Avoiding a WTO dispute depends on Russia."

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