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Eurasian Economic Union Panned by WTO Chief

By Andrew McChesney

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ST. PETERSBURG — First Deputy Prime Minister Igor Shuvalov put up a vigorous defense of a Russian trade bloc with its ex-Soviet neighbors, but WTO chief Pascal Lamy tore into the concept as misguided, saying Russia needed to focus on the EU if it wanted to integrate with the global economy.

The two leaders traded sharply contrasting viewpoints Thursday during a panel discussion on economic integration at the St. Petersburg International Economic Forum.

Shuvalov, who received a smile and a wave from Lamy when he arrived 40 minutes late for the session, said that a proposed Eurasian Economic Union with founding partners Russia, Belarus and Kazakhstan had no ambitions to rival the European Union.

Instead, he said, the new bloc would give Russia more equal footing in its efforts to integrate with the world economy.

"We will have more muscle as a trio than alone," he said.

He also insisted that the union was all about business and had no political goals, in remarks that clearly tried to dispel worries that President Vladimir Putin, the initiator of the project, hoped to use its integration drive to restore the Soviet Union.

Putin, who will address the forum on Friday, has said the bloc would build upon the "best values of the Soviet Union."

"I want to underscore that when we meet for discussions, there is no talk on political integration," Shuvalov said. "I would even say that this subject is taboo."

Lamy, who worked closely with Shuvalov during Russia's successful bid to enter the World Trade Organization last August, said regional integration "is and will be a major conduit to harnessing global integration."

But, he said, the Kremlin should think hard about the need for a new trade bloc.

He said regional blocs served a purpose in the past when countries' close proximity to one another made such alliances conducive to trade. But technology has erased the barriers once caused by distance, he said, making Montreal as assessable as Minsk to Russian companies these days.

On visits to Moscow, Washington and Tokyo, Lamy said, he often hears government officials talk about creating a trading powerhouse that will converge with the rest of the world. But the jury is out on whether that will happen, he said.

Russia's best bet for integration, he said, is to draw closer to the EU. "That's my recommendation."

Other panelists said Russia needed to find ways to lower trade barriers. Philippe Le Houerou, the vice president of the World Bank whose mandate includes Russia, praised open trade as the reason that 100 million people have been lifted out of poverty in the former Soviet Union since 1995.

The panel was moderated by Viktor Khristenko, chairman of the Eurasian Economic Commission, which is modeled after the European Commission and was created in January 2012 to oversee efforts to form the new trade bloc.

Thursday's session was a continuation of a discussion that started at last year's St. Petersburg forum when Khristenko announced during a similar session that Moscow was shifting its emphasis away from the EU to its regional partners on issues of trade.

In a sign of the high interest in the topic, investors, government officials and journalists filled the conference hall to overflowing on Thursday, and the session, scheduled to run 1 hour and 15 minutes, ended about 30 minutes late.

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