



16 March 2022

(22-2317)

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General Council

Original: English

### COMMUNICATION FROM THE RUSSIAN FEDERATION

The following communication, dated 15 March 2022, is being circulated at the request of the delegation of the Russian Federation.

The Russian Federation would like to draw the attention of WTO Members to dangers looming over the multilateral trading system because of the recent aggressive and politically motivated trade restrictive actions of certain Members.

Instead of encouraging gradual normalizing of international trade, which is essential for post-pandemic economic recovery, those Members have been progressively applying unilateral trade measures aimed at undermining the economies of Russia and its neighbors. Recently, the scale of reckless "economic war" launched by these Members has increased to the breaking point leading to collateral damage across the globe.

Direct violations of the basic WTO rules by these Members have put severe pressure on global supply chains, which are still fragile after the pandemic, and jeopardizing the global food security. We are witnessing the immediate consequences of trade and economic restrictions – spiking prices for basic energy resources, minerals, and foodstuff. Unfortunately, as the IMF warned, the most vulnerable households and businesses across the globe will bear the main burden of such inflationary effects.

These ramifications could have been avoided if the mentioned countries had not breached the basic WTO rules. In particular, the following measures are clearly inconsistent with the relevant provisions of the GATT and GATS:

- implementation of import tariffs above MFN rates;
- import ban on Russian oil and oil refining products, as well as intentions to curb imports of other energy resources, such as natural gas and coal;
- restrictions on export to Russia of various goods, including oil refining equipment and technologies, foodstuff and industrial consumer goods;
- blocking of Russian financial institutions, including freezing substantial part of its currency reserves, and transportation services companies;
- prohibition of new investment in the Russian Federation, including in the energy sector in the Russian Federation;
- extreme export controls or total prohibition of trade in other goods and technologies critical for economic development.

We are deeply disturbed by the relevant developments in the WTO, which pave the way to a complete dismantling of the rules-based multilateral trading system.

First, there are voices proposing to "expel" Russia from the WTO or to suspend its membership's rights against the rules of the WTO which do not provide for such actions.

Second, unilateral unjustified withdrawal of MFN treatment for Russian goods and services or even public discussion about revocation of this treatment severely defies the fundamental WTO principle of non-discrimination. The actions of Canada and some other countries have already resulted in their *de facto* abandonment of WTO legal system due to purely political concerns. Eventually, all Members will be affected if we get into a vicious circle of introducing mutual retaliatory measures, thereby making the application of WTO agreements largely sporadic and, therefore, deficient.

Third, attempts to isolate Russia from the negotiating and regular WTO activities would lead to paralysis of the basic functions of the WTO, namely providing the forum for trade negotiations and administering trade agreements. Such attempt to block the negotiation process for political reasons looks more like an excuse to hide their inability or unwillingness to seek compromises on substantive issues on the negotiating table.

And, fourth, the recent statements by representatives of some Members demonstrate clear intention to introduce the issue of territoriality into the framework of the WTO. This trend is quite disturbing. Since its creation in 1947, the GATT/WTO system has been successfully avoiding any links of that issue with trade, notwithstanding the existence of a number of territorial conflicts and disputes across the globe, including among Members. However, now some Members have radically changed their stance, thus creating another systemic risk for the organization.

We should remember that the WTO, as the centerpiece of the multilateral trading system, was created to raise standards of living and stimulate economic development. The WTO has proved to be an organization that is primarily guided by economic considerations and solid legal standards. Regrettably, an ever-increasing pressure for its politization has already brought numerous inefficiencies and now threatens the existence and effectiveness of the organization and the multilateral trading system.

The Russian Federation is convinced that the only way of dealing with the current crisis is to talk economics, not politics, and prevent the violations of multilaterally agreed trade rules through unilateral means. Otherwise, world markets and economies of many Members will continue to suffer.

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