Experts: Russian Food Ban Attempts to Leverage 'Big Ag' in US

Vanderbilt University

The one-year ban of food imports to Russia from the European Union, the United States, Australia, Canada and Norway announced August 6 by Russian Prime Minister Dmitry Medvedev violates the country’s obligations to the World Trade Organization and is designed in part to leverage the American agricultural industry's lobbying power in Congress, Vanderbilt experts say.

“This ban is a violation of Russia’s WTO obligations. As one of the most recent WTO members, Russia would be going back to isolating itself from the international community,” Eric Bond, Joe L. Roby Professor of Economics at Vanderbilt University, said. He noted that the ban hurts both Russia and the targeted countries. “Russian consumers lose access to food imports, and sellers lose access to the Russian market. The extent of the impact depends on the extent to which substitute products are available from non-targeted countries,” he said, with expansion of black markets possible depending upon the degree of enforcement by the Russian government.

The details announced by Medvedev follow President Vladimir Putin’s August 5 announcement of plans to institute the ban in response to the most-recent round of Western sanctions issued in response to the Russian government’s continued support for pro-Russia groups fighting in the Ukraine. The results are likely to be a mixed bag, said Klint Alexander, senior lecturer in political science.

“Russia is a huge market for agricultural exports from the U.S. Russia understands that corporations like McDonald's and Monsanto will be adversely affected by the sanctions on imports, which may lead to pressure on Congress to reduce pressure on Russia over the Ukranian crisis. Russia is playing the special interest group card to force ‘Big Ag’ in this country to bring pressure to bear in Washington,” Alexander said.

“On the other hand, the Russian sanctions will deter U.S. investment in Russia as a whole and result in increased food prices for Russians, which will stifle economic growth overall and further destabilize the political situation in the region,” he continued.

Alexander noted there is a caveat that could change the outcome of the ban for Russia. “If Russia enters into deals with China, similar to the Russian-China natural gas deal last month, or with Turkey to import food to replace U.S. and EU imports, it will reduce the negative effect on Russia.”

Bond is an expert in the linkage between trade and economic growth, is a frequent consultant to the World Bank on trade and foreign investment projects, and specializes in international trade theory and applied macroeconomic theory. His recent publications have examined transition and compensation in efficient trade agreements, as well as economic integration and the sustainability of multimarket collusion.

Alexander, an attorney and U.K. solicitor, studies international trade and human rights, dispute resolution, intergovernmental organizations, and global higher education law. For the past decade, Alexander has counseled multinational corporations, universities and nonprofit institutions on legal and commercial matters in federal and state court and before various governing bodies, including NAFTA, the London Court of International Arbitration, the American Arbitration Association, and the International Chamber of Commerce.

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