

Russia Mulls Lifting European Food Import Ban for Greece

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Greek Prime Minister Alexis Tsipras

Officials in Moscow are considering exempting Greek fruits from a Russian food import ban imposed on European Union countries last year in retaliation against Western sanctions in an apparent attempt by the Kremlin to bolster ties with Athens and influence policymaking in Brussels.

Greece's fruit industry was hard hit by the ban on imports imposed by Russia in August, and the country has requested an exception for its peaches, strawberries and oranges.

Bound by a common Orthodox faith, Russia and debt-ridden Greece have appeared to move closer in recent months after the election of a left-wing government in Athens. Greece has claimed credit for blocking new EU sanctions against Russia over Ukraine, and Russian President Vladimir Putin has invited his Greek counterpart, Alexis Tsipras, to Moscow in May.

"Greece is traditionally loyal to Russia for historical, cultural and religious reasons ... it is a good instrument to try and influence EU politics," said Fyodor Lukyanov, editor of Russia in Global Affairs.

Under Consideration

Greek Deputy Agricultural Minister Panagiotis Sgouridis told journalists Sunday that Greek fruit might be taken off a list of banned goods following a meeting with officials from Russia's food safety watchdog, Rosselkhoznadzor, according to Russian news agency RIA Novosti.

Russia appeared to react favorably to the request. Putin's spokesperson, Dmitry Peskov, told the Izvestia newspaper Monday that Russia could allow the import of Greek fruits if they were destined to be processed inside Russia.

No written request from the Greek side had yet been received but it was expected within the next week, Rosselkhoznadzor spokeswoman Yulia Trofimova said Wednesday. When the request is received it will be sent on to the government which will make a decision, Trofimova added.

WTO Tripwire?

Russian officials have warned, however, that no straightforward exception can be made for Greece because of Russia's obligations under its membership of the World Trade Organization.

Economic Development Minister Alexei Ulyukayev said Monday the WTO could obstruct any push to help Greek fruit producers. "We need to find a solution that does not contradict WTO norms because a simple country exemption is impossible," he was quoted by the Interfax news agency as saying.

Peskov said that imports destined for processing might be a way around the problem. "In this case we could work out a process of indirect delivery of unprocessed raw materials ... to food processing plants [in Russia]," Peskov told Izvestia.

But legal experts have cast doubt on the applicability of WTO regulations in this case.

"I can't find any argument that would allow you to build a strong legal case that [an exception for Greece] would violate the WTO ... the WTO rules do not regulate the implementation of sanctions," said Vladimir Chikin, partner at Goltsblat BLP in Moscow.

Some EU member states, including Poland, have said that Russia's food import ban itself violates WTO rules — although the European Commission has not filed a case against Russia at the global trade body.

Hungary Too?

Greece may not be the only EU country in line for Russian help.

Ulyukayev said Monday that a non-written request for a relaxation of the food embargo had also been received from Hungary, Interfax reported.

Hungarian Prime Minister Viktor Orban has spoken out against isolating Russia and earlier this month hosted Putin in Budapest, where the two leaders signed a gas supply agreement.

During the visit, Putin said sanctions should not prevent the two countries from cooperating in the agricultural industry. "Joint work on the creation of joint enterprises in the agricultural industry could help us get out of this situation linked to the retaliatory sanctions," Putin said, news agency TASS reported.

Strawberry Shortage

Greek strawberry exports to Russia usually begin at the end of March. And the imminency of the deliveries — officials in Athens have reportedly spoken of harvests being left to rot — is likely to be one reason behind the timing of the Greek appeal to Moscow.

But if the export ban is not lifted, it will also cause pain for Russian consumers who will face price rises on strawberries and peaches and possible shortages, according to Irina Kozy, the head of news agency FruitNews. "There is just no substitution for Greek fruits," she said.

Greece exports about 20,000 tons of strawberries and between 45,000 and 60,000 tons of peaches a year to Russia, accounting for 40 percent of total strawberry imports and 25 percent of total peach imports, according to FruitNews data.

Any compromise agreement — like the one floated by Peskov involving processing in Russia — is unlikely because of high transportation and processing costs, according to Kozy. "The product will be too expensive to be considered by the market," she said.

Russo-Greek Ties

Ties between Moscow and Athens have traditionally been close, partly because of a shared religion, and Athens has often sided with Moscow in international disputes. Greece has never recognized independent Kosovo, whose U.S.-backed status Russia has condemned.

There are approximately 190,000 ethnic Greeks and Pontic Greeks in Russia and there are large Greek populations on the country's Black Sea coast and in the North Caucasus Stavropol region.

Russian investment in Greece has ticked up in recent years, rising from \$33 million in 2007 to \$98 million in 2013, according to Central Bank data. Although the deal was eventually delayed, state-owned gas giant Gazprom was a leading bidder for Greek gas assets in 2013.

Russia's economic crisis and the falling price of oil, Russia's key export, makes it unlikely Moscow will help Greece with significant financial investments, according to foreign policy analyst Lukyanov.

But lifting the food import ban would be a different matter. "It doesn't cost anything," Lukyanov said.

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