

MEMBERSHIP OF RUSSIA IN WTO

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The world's sixth largest economy – Russia - officially became the 156th member of the WTO last August 22. Russia's entry into the WTO family of nations marks a defining moment in the WTO's history and in the evolution of the rules-based, open, multilateral trading system. The event will change both Russia and the WTO in profound ways. Russia's negotiating process was the longest in WTO history, longer even than China's, which lasted 14 years. In each case, the arduous nature of the negotiations has symbolized the political and economic strength of the country's economy, as well as the desire of WTO Members to strengthen trade and commercial relations with the country.

The purpose of this research is to study the main advantages of Russia's WTO accession and to identify problems connected with the entry into the WTO. The main tasks of the research include defining possible WTO benefits for consumers, economic benefits and political benefits and analyzing the results of the Russia's first year in WTO.

The WTO membership offers a range of benefits. Enjoying these benefits is, pragmatically, the goal of joining the WTO. By acceding to the WTO Russia pursues the following goals:

- improvement of existing conditions for access of Russian products to foreign markets and provision of non-discriminatory treatment for Russian exporters;
- access to the international dispute settlement mechanism;
- creation of a more favorable climate for foreign investments as a result of legal system change in accordance with the WTO standards;
- expansion of opportunities for Russian investors in the WTO member-countries, particularly, in the banking area;
- creation of conditions for growth of domestic production quality and competitiveness as a result of the increased flows of foreign goods, services and investments to the Russian market;
- participation in negotiations of the international trade agreements taking into account national interests;
- improvement of the image of Russia as a competent international trade participant.

The objective of the accession negotiations is to achieve the most favorable conditions for Russia joining WTO, i.e. the best balance possible between the benefits of accession and the concessions in forms of tariffs reduction and domestic market opening.

The most evident benefit of the free trade for consumers is lower cost of living achieved through reduction of protectionist trade barriers. Lower trade barriers result not only in reduced prices of finished imported goods and services, but also in lower prices for domestic products, as imported intermediate goods used in production become cheaper.

Wider choice of goods and services is also undoubtedly a benefit of the free trade for consumers. Besides the finished imported products, locally-produced goods and services are also affected. Reduction of prices for imported materials, components and equipment results in a wider choice of the domestic market goods.

Reduction of trade barriers boosts trade growth adding to incomes – national, as well as personal ones. Increase of government resources due to the successful activity of exporters means that extra funds become available for redistribution. They are generated by those who gain the most and directed to help other companies, facing foreign competition, in order for the latest to adapt by becoming more productive and competitive in what they have been doing, or by switching to the new activities.

In the long term trade development leads to creating more jobs, especially in the export sectors of economy. Reasonable use of protective measures and efficient approach to redistribution additional government income may help the country to overcome the difficulties of the adaptation period when adjustments to free trade are made. Besides economic benefits from trade liberalization there are certain political benefits, too.

Governments are better placed to defend themselves against lobbying from narrow interest groups by focusing on trade-offs that are in the interests of everyone in the economy. Acceding to the WTO system helps to avoid similar situations, because the trade policy within the WTO covers all sectors of the economy which enables to avoid distortions in the competition environment.

All WTO members undertake to meet the principal agreements and legal documents jointly called International Trade Agreements (ITA). Thus, from a legal point of view, the WTO system is a kind of a multilateral contract (package of agreements) which rules and provisions govern about 97% of all international trade in goods and services.

Trade liberalization also encourages generating a range of wise political decisions thus limiting opportunities for corruption and bringing positive changes into the legislative system, which in the long run creates favorable conditions for the inflow of investments into the country.

So it is considered that WTO trade system provides countries with a constructive and fair mechanism for dealing with trade disputes. International stability and cooperation is thus created and reinforced.

Deciding the second task of our research we analyzed some statistic data and could make a conclusion that aftermath doesn't look rosy.

A year passed since Russia was officially admitted to the WTO. Agriculture and food industries are suffering and the EU is attacking the country for alleged violations of the membership rules.

However, analysts promise WTO fruit will come to Russia in about 3 years. One year on, and the effects of the membership are largely disappointing. Trade turnover shrank 0.7 percent in the first half of 2013. Exports fell by 3.8 percent, while imports increased by 4.4 percent.

In line with pre-admission expectations, Russia's food and agriculture are now clearly suffering the most, as the country's producers haven't yet become competitive enough to resist growing imports. In the last six months, the import of milk and cream to Russia increased by 15.5%, milk powder - by 47.7%, butter - by 12.5%, cheese and cottage cheese - 10%, according to the Federal Customs Service.

The pain of getting used to a new economic reality was largely expected, with the headline statements saying prior to Russia's admission that the country's federal budget would lose about \$14 billion in lost tariff revenue during the first two years. In the wake of the recent pressure against the trade agreement some of the country's officials have said the loss would be bigger – about \$15 billion.

The World Bank estimates that membership could add an additional 3.3 percent to overall gross domestic product, or about \$65 billion in the first three years. This is expected to rise to an 11 percent benefit, or \$220 billion, within a decade after WTO membership. Moscow's New Economic School projected a sustainable 0.5 percent addition to annual GDP growth as a membership benefit.

The management of Russia's post-accession phase is of great importance, particularly the tasks of strengthening and modernizing the private sector and creating greater awareness of the benefits of the WTO. Entering an organization like the WTO is not the end but the beginning of a journey that is exciting and challenging. The WTO's benefits are neither automatic nor immediate. All depends on whether Russia's private sector has the capacity and skills to compete in markets abroad and live up to the demands of increased competition at home.

Russia could derive the maximum benefit only if it energetically defends the interests of Russian producers. It depends on how fast and how actively Russian businesses enter foreign markets, and how effectively the government and its bureaucratic machine supports them.