

RUSSIA ON ITS WAY TO THE WORLD TRADE ORGANISATION: PROS AND CONS

The category of world economy and investment

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Abstract: *This article identifies the current role that Russia plays on the international market stage, covering the basic benefits our country would gain as a member of the WTO and examining trends of possible threats to Russia's economic security. The article contains recommendations connected with the very initial period of joining the World Trade Organization*

Keywords: *Russia, the WTO, economic safety, benefits and threats of accession process.*

Accession process to the World Trade Organization (WTO) is a strategically important step for any nation and, moreover, is a necessary condition for a country, wishing to set up rules of global trade, implementing its economic interests in the world economy. At the same time it is a very complex procedure, requiring considerable decisions and actions, especially in our case, when a country is applying for a membership for more than eighteen years.

It goes without saying that such actions that the liberalization of Russian foreign trade, its legal registration and implementation of market-based methods of its regulation lead to our integration into the world economy. However, there are a variety of barriers that a country has to overcome on its way to WTO membership. We have to face, that the range of goods our economy depends on is rather narrow and limited: fuel and raw materials, first of all, global conjuncture of which is rather unstable. There is a similar dependence on imports, especially in processing equipment and food field.

Currently, more than a third of Russian GDP¹ is formed by foreign trade investments. It is much higher than other countries have. Approximately, a third part of Russian enterprises are highly dependent on exports, it means that more than 25% of it is export-oriented².

Nowadays, Russia is poorly involved in international cooperation of production and almost doesn't take part in intellectual product trade, international migration of direct investment as well as in international scientific, technical and information exchange.

The current role of Russia in the world economic system is characterized by the appreciable deterioration of terms of its access to foreign markets. It is, first of all, connected with the fact that Russia is not the member of the WTO and the requirements it has to face are rather strict. The hypothesis of the article is the following: if Russia enters the WTO it will get access to global trade on generally accepted and equal terms, will increase its investment attractiveness and will modify its standards close to international ones. To prove or disprove the hypothesis, it is advisable to identify all the pros and cons that Russia will face as a member of the WTO.

It is necessary to cover the basic benefits our country will have in case of joining the WTO. As specialists say, the biggest advantage of the very membership is the fact that national producers will get the access to foreign markets on "Most favored nation"³ terms. At the same time it will slightly benefit to our exports volume, because our current relationships with the majority of the countries are based on MFN. Also it is possible, that discriminatory sanctions that are applied for the Russian metallurgy and chemical industry, whose export is restricted by quotas, increased import duties and anti-dumping procedures, will be reduced.

In general, as a member of the WTO, our country will get closer to a fair competition market, due to the fact that the market will be open for more competitive and more qualitative products our native producers will have to compete with. Customers will gain from it, getting an opportunity to choose the best product. Only strong manufactures will survive it. In time, our country is supposed to become

¹ Gross domestic product - is the market value of all officially recognized final goods and services produced within a country in a given period

² Musalimov V.A. Russia starts in WTO: forecast of the economic safety//Scientific Journal of KUB GAU.- 2012.-№75(01).-p. 1-10

³ In international economic relations and international politics, "most favoured nation" (MFN) is a status or level of treatment accorded by one state to another in international trade

competitive, and our national economy will be able to create and maintain competitive environment. So, currently the main aim of the Russian business is to adapt to the increasingly competitive environment and to become more attractive for international investments. Moreover, as a member of the WTO, Russia legally will get access to mechanism for resolving trade conflicts and the right to influence on the rules of international trade and to expect equal attitude.

Meanwhile, the majority of national manufactories are skeptical and cautious about the real role that we will play as the WTO members, paying attention to the fact that our country can't join it on variable terms and claiming to protect national producers. Also, they complain about the main problem that is not possible to be solved without investment, that problem is obsolete equipment and fixed assets in general. It is obvious that it is a long term problem, that can't be solved immediately. So, at the very first stage our national manufactures will not be able to meet nowadays requirements.

It is quite obvious that the very process of being the member of the WTO represents potential threat that can do considerable harm to economic safety of our country: more corruption; transformation into, so called, "raw material appendix" of WTO members; the bankruptcy or takeover of the weak and noncompetitive Russian enterprises; the acquisition of Russian finance institutions; threats to small business; investment crisis; social sphere crisis (increase in unemployment, decline in living standards, crime), food addiction (threats to food supply); threats to industrial policy (WTO defines industrial policy); more power to MNC; mass cash outflow, crisis of high-tech production sphere (microprocessors, liquid crystal matrices and so on), and its extrusion from the international markets, immigration processes etc.

Russia, as a global power has a number of competitive advantages: on resources, its unique geopolitical position, and still existing research and production potential, as well as the relatively highly skilled labor force. However, it is quite obvious that our focusing on exports of raw materials makes us highly dependent on foreign markets' situation. We have fallen far behind developed countries on specific energy consumption, material consumption and labor intensity.

After eighteen years of negotiation our country is really close to be a member of the WTO. However, it is necessary to understand that to join the WTO is not a terminal aim. The whole procedure will make sense if there will be a balance between pros and cons our country will face at the result. For now on suffice it to achieve such conditions of membership, which would satisfy our needs and protect the rights of our country in the field of international trade, providing a real improvement of access of local goods and services to world markets and would not lead to unacceptable losses caused by international competitiveness.

In current conditions of uncompleted economic reforms, financial crisis results and resource exhaustion it is essential to select priorities sectors of national economy that need governmental support. However, the very selection should be based on adequate evaluation of its real potential and competitive advantages.

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