

## RUSSIA & WTO: PROS AND CONS OF ACCESSION

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### **Introduction**

Recently, subjects of the World Trade Organization (WTO) and the accession of Russia became dominant in public discourse in our country. In the discussion involved officials, politicians, parliamentarians, businessmen.

Defenders of the WTO membership declare that without the participation of the World Trade Organization, Russia is unable to continue economic reforms, to participate equally in international trade and receiving the associated benefits of participation. Their opponents believe that WTO accession will result in irreparable damage to whole branches of industry, would deprive the Government of the possibility of adopting the right economic decisions, and the most radical ones think that membership in the WTO "would kill millions of Russians."

This article contents an effort to understand what benefits the World Trade Organization provides its members and what responsibilities must be performed by members, how participation in the WTO impact on the development of international trade.

### **1. What would be prohibited to Russia after WTO accession?**

Basic "guides" arising from WTO membership, can be summarized in a following way:

- To raise import tariffs independently above the level adopted by WTO members.

At the same time, Russia will save the right to use other measures of the internal market protection (special protective, antidumping and countervailing measures), installed on top of import duties.

- Apply quantitative restrictions, excepting special protective measures.
- Apply a maximum or minimum required price (for energy goods).
- Restrict access to transit and transit networks.
- Tie import (of goods, capital and services) with the obligation to export (in energy sector).
- Use export subsidies in all forms (requirement of EU).
- Implement measures of trade restricting without their early publication.
- Provide benefits to state enterprises or monopolies involved in the trade (energy commodities).
- License or otherwise restrict the activities of the service providers.
- Discriminate products and services and their suppliers for some countries than in goods and services and suppliers of other ones.
- Discriminate service providers or service compared to internal suppliers or service.

Thus, the overwhelming number of restrictions have to be applied in Russia because of commitments under an international treaty on the basis of existing law or de facto.

### **2. Advantages of accession for Russia**

The fact that none of the more than 150 countries, including developing and least developed countries, went out of the WTO, and non-participating in the activity of

organization countries seek to join it, shows that the WTO membership doesn't preclude the realisation of their national interests, and vice versa, contributes to their achievement. Table 1 gives an assessment of some obvious arguments for the merger.

Table 1 - Arguments for the merger

<b>Current situation</b>	<b>The situation after the accession</b>
Conditions of access of Russian goods and services to major markets have permanently deteriorated. Market access is a problem of economic security of the country.	Russia will be able to negotiate improved market access, tariff reduction, removal of restrictions on the delivery of services. Russia will have access to the quasi-judicial WTO system.
Russia is isolated from participation in the development of new international trade rules. In the result there may be make decisions that threat the strategic interests of the country, such as environmental dumping, social dumping, trade in energy.	Russia will be able to participate in the formulation of new rules for international trade in view of its current and strategic interests.
Russian legislation is characterized by unpredictable changes. It greatly hinders to the normal development of economic activity, investment attraction.	Participation in the WTO means the stability of legislation based on multilateral rules. It increases the attractiveness of the state for foreign investments.
Lobbying for the interests of individual companies and groups can become a serious problem for the government and lawmakers.	Russia will have strict obligations, including non-discrimination obligation.
The customs policy of Russia, as the policy of governing access to the market, is confusing and contradictory.	Participation in the WTO subordinate governing policies of access to the market to strict rules.

One more argument for the accession is obvious - the early accession of Russia to the WTO will help improve the business climate in the country, and thus increase the competitiveness of its economy.

### 3. Cons of accession for Russia

In this part of article there are some arguments against joining of Russia to the WTO. However, it's given the counter-arguments for a more complete review of the situation.

Table 2 – Controversial arguments

<b>Against joining</b>	<b>Counter-arguments</b>
Russia will lose the opportunity to protect producers - the tariff will be related, subsidies are limited.	Level of "binding" of tariff is the question of negotiations. Likely it will be got the average level of "fixation" as 12%. Russia will actively apply the tools of selective protection of sectors from unfair competition, which are still unused. Finally, in critical cases, Russia will withdraw from the "binding" of tariff. As for subsidies, the prohibition applies mostly just export subsidies in the industry (in Russia is practically not available). The task is to agree a reasonable level of subsidies for Russia.

Russia will be forced to open main markets of services, including financial, to what can be damaging for its national interests.	This is also the question of negotiations. No one partner has not required the full liberalization of access to these markets yet. In addition, the project of Russia's obligations some of the measures laid down, application of which will be able to eliminate the negative effect of foreign competition even in the case of full market opening of any services. At present, access to foreign suppliers is limited to only 6 services sectors.
Russia will lose the ability to make the laws that it wants, and hold sovereign economic policies.	Russia isn't sovereign in taking decisions for a long time. Its sovereignty is restricted by over 4000 international treaties in which it is involved. Part of these contracts contains, including those, which have a direct link with specific articles of the WTO agreements, the obligations that are identical or comparable with the obligations of WTO members. On the other hand, the solution of a number of important macroeconomic problems is impossible without using the experience gained in other countries.
Participation in the WTO will lead to an increase in federal expenditures.	These costs do not exceed 1-2 million dollars a year (membership fee, the cost of maintenance of the device).

### Conclusions

Now we can do at least four important conclusions about the WTO and the conditions for participation in the organization for Russia:

1) Liberalism of the WTO system lies mainly in establishment of clear rules in the using of tools of foreign and some internal economic policy instruments. This system doesn't preclude the possibility of using of protectionist instruments, but also determines the strict confines of their application.

2) Participation in the WTO and thus the conditions for access to the Russian market are determined during the negotiations. Until negotiations are completed, any conclusions about weakening of Russia after participation in the WTO, obviously, can't be logically explained.

3) Negotiations on Russia's accession to the WTO require the active participation of the Russian business community. This is not only the opportunity to maximize the benefits to the companies concerned from membership in this organization, but also the prospect of a more efficient using of state resources in planning and implementing its business.

4) The Russian business community has a real opportunity to influence the negotiations on Russia's accession to the WTO through its active participation in the preparation of Russia's negotiating position in various sectors. Moreover, such an approach will allow Russian companies to maximize the benefits of Russia's membership in the WTO in the future.