

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Economics**



**Bachelor Thesis**

**World Trade Organization (WTO) with focus upon  
Agricultural Commodities Trade**

**Case Study: Russian Federation**

**Elena Shultceva**

**© 2017 CULS Prague**

# **BACHELOR THESIS ASSIGNMENT**

Elena Shultceva

Business Administration

Thesis title

**World Trade Organization (WTO) with focus upon agricultural commodities trade. Case study: Russian Federation**

---

## **Objectives of thesis**

The aim of this bachelor thesis is to carefully identify problematic issues of WTO related to agricultural commodities trade. Also, what is the role agriculture plays in the WTO. And, moreover, evaluate the value of WTO in relationships between participating countries.

## **Methodology**

The thesis is divided into two parts.

The first one is theoretical part, where we look at the overall and global situation of agriculture market and then we think over what is the value of WTO in that issue. Such methods as extraction, synthesis, induction, deduction are used. The second part of my thesis is based on the first one and it is a practical part, where methods of dynamics and statistics are employed. Moreover, basic methods of comparison and description are also included.

**The proposed extent of the thesis**

40 pages

**Keywords**

agrarian policy, agricultural production, world trade, international trade, WTO, GATT

---

**Recommended information sources**

DÍŮMULEN, I. I. Mezhdunarodnaja trgovlja: ekonomika, politika, praktika. 2 izdanie, 2010

HOEKMAN, Bernard M. a M. M. KOSTECKI. The political economy of the world trading system: the WTO and beyond. 3rd ed. New York, NY: Oxford University Press, 2009.

STOLL, Peter-Tobias. a Frank. SCHORKOPF. WTO: world economic order, world trade law. Boston: Martinus Nijhoff, c2006.

VANGRASSTEK, Craig. The history and future of the World Trade Organization 2013.

---

**Expected date of thesis defence**

2016/17 SS – FEM

**The Bachelor Thesis Supervisor**

doc. Ing. Mansoor Maitah, Ph.D. et Ph.D.

**Supervising department**

Department of Economics

Electronic approval: 8. 3. 2017

**prof. Ing. Miroslav Svatoš, CSc.**

Head of department

Electronic approval: 9. 3. 2017

**Ing. Martin Pelikán, Ph.D.**

Dean

Prague on 09. 03. 2017

---

### **Declaration**

I declare that I have worked on my bachelor thesis titled " World Trade Organization (WTO) with focus upon agricultural commodities trade. Case study: Russian Federation " by myself as the result of my own original research. Where I have quoted from the work of others, the source is mentioned at the end of the thesis. With the exception of such quotations, this thesis is entirely my own work and does not break copyrights of any person.

In Prague on 2017

---

Elena Shultceva

### **Acknowledgement**

Above all, I would like to thank my parents who believed in me, gave me this chance to study abroad, and supported me during the whole study at CZU. I am very grateful to doc. Ing. Mansoor Maitah, Ph.D. et. Ph.D., as my supervisor of this work, for his valuable advice, guidance and assistance in writing my thesis. Moreover, I am thankful to all my professors, who taught me these three years of Bachelor Degree.

# World Trade Organization (WTO) with focus upon Agricultural Commodities Trade.

## Case Study: Russian Federation

### **Summary**

This topic begins with a theoretical part, which deals with the concept of international trade as a whole. Then it goes to examination of the World Trade Organization (WTO) and its value nowadays.

The practical part is dedicated to the role of agriculture and the agro-industrial complex for the whole of Russia and the basic problems of its development. Moreover, considered positive and negative aspects for agriculture of Russia after the country's accession to the World Trade Organization. Carried out the analysis of trade of Russia activity in the conditions of world trade.

This thesis examines the stages of accession to the World Trade Organization; define which difficulties the countries can meet before and which advantages can find after the join of WTO.

**Keywords:** Agrarian Policy, Agricultural Production, World Trade, International trade, WTO, GATT, Russian Federation

# Světová obchodní organizace (WTO) se zaměřením na obchod zemědělských komodit.

## Případová studie: Rusko

### **Souhrn**

Toto téma začíná teoretickou částí, která se zabývá konceptem mezinárodního obchodu. Poté následuje zkoumání Světové obchodní organizace (WTO) a její hodnoty v dnešní době.

Praktická část se věnuje především zemědělství a zemědělsko-průmyslového komplexu pro celém Rusku a základním problémů jejího vývoje. Kromě toho jsou zohledněny pozitivní i negativní aspekty pro zemědělství Ruska po vstupu země do Světové obchodní organizace. Dále je provedla analýzu obchodu Ruské činnosti v podmínkách světového obchodu. Praktická část se věnuje především zemědělství a zemědělsko-průmyslového komplexu pro celé Rusko a základním problémů jejího vývoje.

Tato práce zkoumá etapy přistoupení ke Světové obchodní organizaci; definuje, jaké jsou obtíže zemí, které musí splnit před a jaké výhody lze nalézt po vstupu do WTO.

**Klíčová slova:** Agrární Politika, Zemědělská Výroba, Světový Obchod, Mezinárodní Obchod, WTO, GATT, Rusko

# Table of content

<b>1 Introduction</b> .....	<b>10</b>
<b>2 Objectives and Methodology</b> .....	<b>11</b>
2.1 Objectives.....	11
2.2 Methodology .....	11
2.3 The Importance of Study.....	12
<b>3 Literature Review</b> .....	<b>13</b>
3.1 The International Trade.....	13
3.1.1 Characteristics of International Trade.....	15
3.1.2 The World Trade.....	15
3.2 The General Agreement on Tariffs and Trade .....	16
3.2.1 Activities of GATT .....	17
3.2.2 Rounds of GATT .....	18
3.3 The World Trade Organization .....	19
3.3.1 The Structure of WTO .....	20
3.3.2 WTO Functions and Principles of Operation .....	22
3.3.3 The Role of WTO for Economy of Member Countries.....	24
3.3.4 Obligation to WTO Accession.....	28
3.4 The Role of WTO in International Trade.....	29
<b>4 Practical Part</b> .....	<b>32</b>
4.1 WTO and Russian Federation .....	32
4.1.1 Impact of WTO on the Economy of Russia after Accession .....	33
4.2 Pork Market.....	36
4.3 Sugar Market.....	41
<b>Conclusion</b> .....	<b>44</b>
<b>5 References</b> .....	<b>46</b>



## **List of figures and tables**

- Figure 1 The structure of WTO [p.20]
- Figure 2 Lobar Structure of Export of Russia [p.35]
- Table 1 Requirements of Russia's Accession to the WTO by Pork [p.37]
- Figure 3 The Profitability of Pig Industry of Russia for 2012-2013 Years [p.38]
- Figure 4 Transfer Pricing in the pork Market with Reduced Import Tariffs in Accordance with Obligations to the WTO [p.40]
- Figure 5 Transfer Pricing on the Sugar Market with Increasing the Domestic Price [p.42]

# 1 Introduction

World trade is one of the main forms of international economic relations, as it includes both trade in goods in the real sense of the word, and a wide variety of types of services.

Today no one country cannot afford to stay away from international trade system without the risk of being isolated and fall behind from global economic development. The reality is that all countries need in ensuring the optimal conditions for the conduct of its foreign trade. The Institute of regulating the rules on the world market is currently the World Trade Organization (WTO). It has become a "successor" of the General Agreement on Tariffs and Trade (GATT), which in 1995 formally transformed into the WTO on the results of the multilateral Uruguay Round. The main task of the WTO is development of universal rules of international trade, also the reduction of restrictions on the movement of goods and services, and the alignment of conditions of competition.

The World Trade Organization is represented by the market on which are sold and bought activities of trade policy that serve the interests of certain groups of economic subjects. So, one of the parts of the WTO is the agricultural sector, which holds one of the largest parts of the world trade.

The objectives of agricultural policy are to achieve food security and sustainable rural development. The main factors contributing to the achievement of this goal is the competitiveness of domestic agricultural producers on domestic and foreign markets, income equality and quality of life of citizens and the rural population. The main indicator of achievement aim - decline in specific gravity of food expenses in the family budget.

This thesis, among other things, analyzes positive and negative aspects for agriculture of Russia after the country's accession to the World Trade Organization. Carried out the analysis of trade of Russia activity in the conditions of world trade.

## 2 Objectives and Methodology

Then, will be listed objectives and methodology used in this study.

### 2.1 Objectives

The object of research - process of Russia's accession to the World Trade Organization. Subject of research - the process and the impact of accession to the World Trade Organization.

Aim of the work - To analyze the consequences for the economy of Russia's WTO accession, by the example of agriculture commodities trade.

#### **The problems are solved in work:**

- Describe the main functions of the WTO and its role in the economy of the participating countries;
- Consider the history of Russia's entry into the WTO;
- To determine the WTO impact on the Russian economy after the entry;
- Describe the pluses and minuses for the economy, after waiting for Russian accession to the WTO;
- To main ways to reduce the negative impacts of WTO membership of Russia;
- Consider the implications of WTO accession on pork and sugar production.

### 2.2 Methodology

For this work used modern domestic monographs, textbooks and publications of Russian and foreign authors on the WTO issue.

The theoretical part begins with an explanation of the concept of the international market (its characteristics); it also considers the history of creation, functions and principles of the GATT and the WTO. In the practical - the analysis of the effects of WTO accession for Russia's economy of agriculture commodity trade, considered ways to reduce the negative effects of WTO accession of Russia.

By using such principles as scientific thinking, analysis, synthesis, abstraction, modeling, it assessed the consequences of the Russian Federation to the WTO.

### **2.3 The Importance of Study**

Significant expansion of the remit of the WTO and increasing the number of participating countries means that more and more in the world as the creator of the global trading system based on generally accepted rules for all participants approve the organization. The countries that are outside the scope of WTO rules, in the first place, may be on the periphery of modern international trade relations, and secondly - all the same will be forced to play by the rules of the WTO, but only in a passive way.

WTO, whose members include most of the world, has become a world center for coordinating and managing trade. Its solutions are provided duress, which at any moment can be applied to the offender-developed countries in addition to the formal procedures provided for by the constituent documents.

We see that today many countries are seeking to join the WTO. Certainly, each state has its own reasons to do so, and must reckon with that. Moreover, in most cases, acts simple logic: to be better, though small, but a member of the corporation than to confront such a collective front.

Undoubtedly, the WTO contributes to the progressive development of all member countries, but some get more for such a development, the other - immeasurably less. Each State is moving its own way, as everywhere else, there cannot be full equality, but uncontested merit of the WTO may be considered, and that within this organization was created the legal equality of opportunities for all participants. The future of each member country is now dependent only on its policies.

Acting peculiar forum to discuss the most important trends in the development of world trade, the WTO saves money dozen states and allows for immediate, coordinated solutions.

It is worth noting that the main purpose of the establishment and functioning of the WTO is to maximize profits for the most developed countries of the world.

### **3 Literature Review**

A literature review has been done by studying books, scientific works and articles, which the author of this thesis supposes to be appropriate. Accredited scholars and researchers published all of the resources that are listed.

#### **3.1 The International Trade**

International trade – is a complex economic category, which can be considered in at least three aspects: organizational, market aspect and socio-economic. (Robert M. Dunn, John H. Mutti, 2004)

##### **Organizational aspect**

Organizational aspect deals with physical exchange of goods and services between states. The main attention is paid to the problems associated with the purchase (sale) of certain goods, their movement between the parties (the seller - the buyer) and across borders of states, with settlements, etc. These aspects of International Trade are studied by a specific specialty (applied) disciplines - organization of foreign trade, customs, international financial and credit operations, international law (its various branches), accounting, etc.

##### **Market aspect**

Market aspect determines the International Trade as a set of global demand and global supply, which will materialize in two opposing flows of goods and (or) services - world exports and global imports. At that global aggregate demand is understood as the production of goods that consumers are willing to collectively purchase at the current price levels inside and outside the country, and aggregate supply - as the volume of production of goods that producers are willing to offer on the market at the current price level. They are usually considered only in terms of value. Problems with this, linked mainly to the study of certain goods market conditions (the ratio of supply and demand on it - conjuncture), the optimal organization of trade flows between the two countries, taking into account a variety of factors, but above all, the price factor.

These issues are studied international marketing and management, theories of international trade and the global market, international monetary and financial relations.

### **Socio-economic aspect**

Socio-economic aspects are considered International Trade as a special type of social and economic relations that arise between states in the process and in occasion exchange of goods and services. These relations have a number of signs that inform them a special importance in the global economy.<sup>1</sup>

First of all, it should be noted that they have a global nature, as they involve all States and their economic groupings; they are an integrator, bringing together national economies into a single global economy and internationalizing it, based on the international division of labor international trade. International Trade determines, what is more profitable to produce for the state and with such conditions to exchange of manufactured products. Thus, it contributes to the expansion and deepening of international division of labor, and therefore the international trade involves new state. (Khokhlov A.V., 2014). These relationships are objective and universal; it means that they exist independently of the will of one (group of) person and are suitable for any country. They can organize the power of the world economy, also distribute the state, depending on the development of its trade, the share, which the foreign trade occupies in international trade, and the size of per capita foreign trade turnover. On this basis distinguish "small" countries - those that cannot influence the price change on the world market, if they change their demand for a product and, on the contrary with the "big" countries. Small countries to make up for their weakness on the different markets, often combined (integrate) and placing aggregate demand and aggregate supply. However, the big countries can unite also, thus enhancing its position in the global market (Volkov G.A., Solodkov G.P., 2008).

---

<sup>1</sup>All aspects are formulated on the basis of research by Fomichev V.I. set out in the tutorial "International Trade" 2001.

### 3.1.1 Characteristics of International Trade

To characterize the international trade in used a number of indicators:<sup>2</sup>

- The value and quantities world trade turnover;
- General, commodity and geographical (spatial) structure;
- The level of specialization and export industrialization;
- Coefficients of elasticity of world trade, exports and imports, the terms of trade;
- Foreign trade, export and import quotas;
- Trade balance.

### 3.1.2 The World Trade

World trade is the sum of the foreign trade turnover of all countries. The foreign trade value of the country - is the sum of exports and imports of a country with all the countries with which it is in foreign relations (Sergeev P.V.,1999).

Since all countries import and export of goods and services, the global turnover of more determined as the sum of world exports and world imports.

Status of world trade estimate its volume for a certain time period or on a specified date, and development - the dynamics of these volumes during the period (Shumilov V.M., 2014)

The volume is measured in monetary and physical terms respectively in USD and in quantities (tons, meters, barrels, and so on. If it is applied to a homogeneous product group) or conditional physical dimension, if the goods do not have a single natural dimension. To assess the value of the physical volume is divided by the average world price.

To assess the dynamics of world trade used basic and average annual rate (index) growth (Dumulen I.I., 2010).

---

<sup>2</sup>Dumulen I. " International Trade: the economy, policy and practice." 2<sup>nd</sup> Edition VAVT 2010.

## **Summary**

For the international market of goods and services is inherent a trend in the further internationalization of the world economy. In addition to increasing the role of world trade in the development of the world economy, the transformation of foreign trade an integral part of the national process of reproduction, there is a clear trend towards further liberalization. This is confirmed not only by a decrease in the average level of customs duties, but also the elimination of (mitigation) quantitative restrictions on imports, the expansion of trade in services, the changing nature of the global market, which now comes not so much excess of the national production of goods as pre-agreed delivery made especially for certain consumer products. (J. Vanek, 1962)

Global regulation international trade is carried out in varying degrees almost by 300 organizations that specialize in economy and trade with wide or narrow composition of the participants. The one main of these organizations is the World Trade Organization (WTO).

WTO plays a crucial role in the regulation of world trade in goods, services, intellectual property, as well as the formation of the trade policies of member countries and the regulation of trade disputes between them (McKenzie, 2008).

## **3.2 The General Agreement on Tariffs and Trade**

The General Agreement on Tariffs and Trade (GATT), the predecessor of the WTO - a multilateral agreement containing principles legal norms and rules that govern the mutual trade relations involved in its country. It was signed in Geneva on 30 October 1947 and came into force on 1 January 1948 for the 23 signatory countries. It is worth noting that GATT worked as an international organization for trade, and was the central international body almost for 50 years. All member countries of the GATT controlled the implementation of the Agreement, they were able conduct multilateral trade negotiations, consider controversial issues also they discussed the most important problems of the world trade and made decisions regarding the legal framework of international trade relations (Meredith A. Crowley, 2003).

An important feature embedded in the "construction" of the GATT, - it is an opportunity to be improved: the development of legal norms of the Agreement and



its organizational forms in accordance with the changing conditions of foreign economic relations. This is one of the reasons for the viability of this Agreement, which explains why the GATT as a whole (but in a revised form) was transformed into a mechanism created on its basis of the World Trade Organization (WTO) (Charnovitz S.,1994).

The main purpose - to promote the development and liberalization of international trade relations through: the elimination of tariff barriers; eliminate all forms of discrimination in international trade in order to improve standards of living, ensuring full employment; increase in real incomes and demand, more efficient use of raw materials, the growth of production and trade exchange (Bernard M. Hoekman; Michel M. Kostecki,1995).

### **3.2.1 Activities of GATT**

The activities of the GATT are based on the following principles:<sup>3</sup>

- The implementation of trade without discrimination based on MFN and national treatment;
- The protection of domestic producers by imposing of customs duties with the phasing out of non-tariff regulation means;
- The reduction of customs tariff rates as a result of multilateral negotiations and exclude the possibility of their increase in the future without agreement of partners;
- The provision of advice to member countries to resolve trade problems;
- The development of international trade based on fair competition;
- The provision of preferential treatment for developing countries;
- The conclusion of regional trade agreements;
- The establishment of special rules managing international trade in textile and apparel.

---

<sup>3</sup>Dumulen I. "Commercial and political system of the GATT: the principles and legal rules and regulations," Foreign Trade, M. - 1993 №7 / 8, page 34-44.

An important place in the organizational structure of the GATT took periodically pass under the aegis of the negotiating conference, aimed at reaching an agreement on the reduction of tariff and non-tariff barriers to trade. During the existence of the GATT negotiation conference took a total of 25 years, and until 1994 eight so-called trading rounds were held (Sabelnikov L. 1996)

### 3.2.2 Rounds of GATT

GATT held a total of nine rounds:<sup>4</sup>

1. Geneva Round (1947): 23 countries. GATT came into force.
2. Annecy Round (1949): 13 countries.
3. Torquay Round (1951): 34 countries.
4. Geneva Round (1955-1956): 22 countries. Reduction of tariffs. Developing strategies with respect to developing countries, to improve their position as members of the agreement.
5. Dillon Round (1960-1962): 45 countries. Further reduction of tariffs.
6. Kennedy Round (1962-1967): Further reduction of tariffs on a widespread basis for the first time, and not product-specific. Anti-dumping Agreement (in the US Congress rejected)
7. Tokyo Round (1973-1979): 99 countries. Reduction of non-tariff trade barriers. Reduction of tariffs on industrial goods. Expansion of the GATT system.
8. Uruguay Round (1986-1994): 125 countries. Creation of the WTO as a substitute for GATT.
9. Doha Round (2001-...): within the framework of the WTO.

The greatest progress in the liberalization of international trade has been made during the international trade negotiations, or "trade rounds", which were held under the auspices of the GATT. The last and longest of these was the Uruguay Round. And Doha Round were held under the WTO (Dumulen I.I.,1993).

---

<sup>4</sup> Rounds received its name from the names of cities (countries), in which the Conference of Ministers was held. The first round of multilateral trade negotiations in the WTO called the Doha round, on behalf of the state capital, where the conference opened it.

### **3.3 The World Trade Organization**

The legal basis of the WTO, which began operating on 1 January 1995 consists of the GATT in the wording of 1994 (so often a new organization called the WTO / GATT) and the General Agreement on Trade in Services (GATS); Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). It also includes several dozen agreements, arrangements, decisions, protocols and declarations are equally valid for the member countries. Some WTO documents clarify and supplement the articles of GATT, retained its leading position among all WTO documents. The overwhelming majority of these documents is mandatory for the countries - members of the WTO, and only four agreements are binding for the countries that have expressed interest to participate in them. The current Director-General of WTO is Roberto Azevêdo, who manages a staff of over 600 people in Geneva, Switzerland. Today it consists of 164-member states (Craig VanGrasstek, 2013).

The main objective of the WTO is to further liberalize of market in goods and services through by improving trade rules. The most important regulatory task connected with foreign trade investment - development of multilateral rules, similar to existing multilateral rules in foreign trade (under the Agreement on Trade-Related Investment Measures - TRIMS).<sup>5</sup>

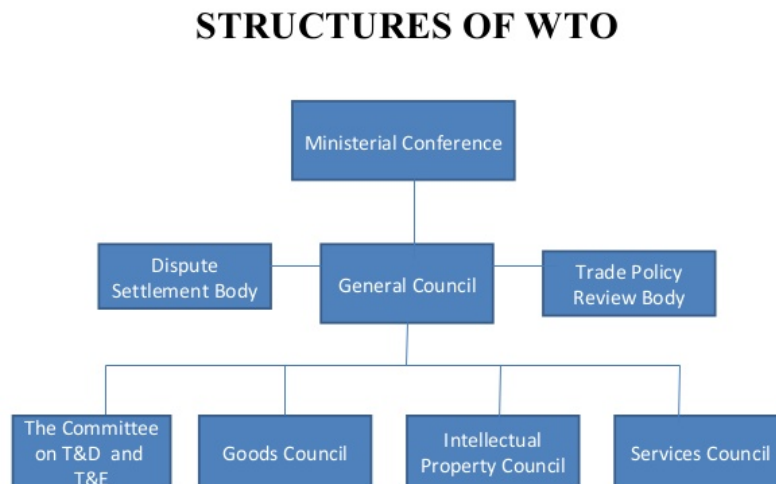
---

<sup>5</sup>The History and Future of the World Trade Organization, 2013 by Craig VanGrasstek.

### 3.3.1 The Structure of WTO

Operating elements of WTO have three hierarchical levels:

**Figure 1 The structure of WTO**



Source: <https://www.slideshare.net/Ashuvyas2128/wto-world-trade-organisation-57696451>

For strategic decisions on the highest level in the WTO is responsible the Ministerial Conference, which meets at least once every two years. The subordinate of the Ministerial Conference is the General Council, which is managing on-going assignments and meets several times a year at the headquarters in Geneva, composed of representatives of the WTO member countries (usually ambassadors and heads of delegations of the participating countries). Under the authority of the General Council are two special bodies - one for analysis of trade policies and another one for dispute resolution. Moreover, the General Council controls special committee: on Trade and Development; on the restrictions associated with the trade balance; the Budget, Finance and Administration (Shumilov V.M., 2014).

The WTO General Council acts as a dispute resolution body for conflict settlement arising in connection with the implementation of basic agreements. It has the sole power to create a panel to consider specific disputes, claim reports, which are

submitted by such groups, as well as the appellate body, to monitor the implementation of decisions and recommendations and authorize the use of response in the event of failure of the recommendations (Peter-Tobias Stoll and Frank Schorkopf, 2006).

The General Council delegates responsibility to three other main branches - namely the Councils for Trade in Goods, Trade in Services and Trade-Related Aspects of Intellectual Property. The Council for Goods controls the implementation and functioning of all the agreements (Annex 1A of the WTO Agreement) including trade in goods, although many such agreements have their own specific responsible. The last two Councils oversee their respective WTO agreements (Annexes 1B and 1C) and can create their own subsidiary bodies when it is necessary.

Other three branches are under control of Ministerial Conference and report to the General Council. The Trade and Development Committee deals with issues related to developing countries and, in particular, to the "least-developed" among them. The Committee on Balance of Payments is in charge for relation between WTO members and others countries, what take trade-restrictive measures, according to Articles XII and XVIII of GATT, for eliminating of difficulties with balance-of-payments. Finally, questions relating to the financing of the budget of the WTO are discussed with the Committee on Budget.<sup>6</sup>

Each of the four multilateral WTO agreements - those on civilian aircraft, government purchases, dairy and meat cattle - create your own bodies controls that are obliged to report to the General Council (Kern Alexander and Mads Andenas, 2008).

---

<sup>6</sup>From official documents and legal texts of WTO.

### **3.3.2 WTO Functions and Principles of Operation**

WTO member countries cooperate in the framework of a non-discriminatory trading system, where each country obtains guarantees of a fair and consistent attitude towards its exports to the markets of other countries, undertaking to provide the same conditions for imports into its own market. In the implementation of the commitments by developing countries provided a relatively greater flexibility and freedom of action (Srinivasan, T.N. 1999).

**WTO provides in relation to the members of the organization the following functions:**

- Control over the observance trade agreements and arrangements;
- Conduct of multilateral trade negotiations and consultations;
- Monitoring of trade policy;
- The resolution of trade disputes;
- Technical assistance to developing countries on issues related to the competence of the WTO;
- Cooperation with other international organizations;
- The admission of new members.

Key WTO rules and principles are reflected in the multilateral trade agreements that affect trade in goods and services, as well as trade-related aspects of intellectual property rights, dispute settlement and mechanism for review of the Trade Policy (Annex 1 of the WTO Documents).<sup>7</sup>

---

<sup>7</sup>From official documents and legal texts of WTO.

### **The principles that support trade relations of WTO:**

- Mutual granting of MFN. This means that if, for any country fees are reduced, it is extended to all WTO countries. This rule is also called the trade without discrimination.
- Mutual national treatment: regime for foreign companies must not be less favorable than for domestic (including tax).<sup>8</sup>
- Control of trade mainly tariff methods, rejection of quantitative restrictions (except in special cases).
- Development of international trade through specialization in the production of competitive goods.
- Providing predictability and transparency (transparency) trade regime by monitoring of trade policy and the mandatory notification of trade measures introduced.
- The prohibition or restriction of the use of subsidies for the production of domestic goods as they create competitive advantages and distort normal pricing process.
- The application of special and differential treatment for developing countries. Softer obligations than developed countries and more a long period of implementation (in particular, customs protection, domestic support of agriculture and export subsidies).
- The resolution of trade disputes through consultations and negotiations

The implementation of these principles within the framework of the WTO for all its participants, eventually transformed into specific requirements, allowing most effectively organizing the process of international trade. Such requirements, having a general nature for all WTO members, however, for each country can acquire specific characteristics, which, if agreed, with other countries, are conditions of the country's WTO accession.

---

<sup>8</sup>This expression was used by Dumulen I. I., and explained in their work “World Trade Organization”, 2003.

These conditions play a role account of the specific characteristics of each country and allow, to a certain extent, to comply with its own interests. Thus, realized a mechanism for harmonizing the general WTO interests with the interests of individual countries, its participants and its effects can largely adapt the general requirements of the WTO to the specifics of a particular country. However, the transition of each country to the general requirements of the WTO can lead more or less to the significant changes in its economic development. Moreover, such changes for different sectors of the economy given country can be both positive, what means the accelerating character of the development of this sector and negative, that is, reducing the rate of development of the sector in nature (Rubinstein T.B., 2004).

### **3.3.3 The Role of WTO for Economy of Member Countries.**

There are several benefits in the WTO for member countries. Apart from the purely economic benefits that are achieved by reducing barriers for a free trade, this system has a positive effect on the political and social situation in the states member, as well as individual well-being of citizen. The benefits of trading system of WTO appear at all levels: individual citizen of each country, state and the world community as a whole (Zenkin I.V., 2003).

**The Role for a Citizen.** The most obvious benefits of free trade for the consumer - is lowering the cost of living by reducing protectionist trade barriers. During the 50 years were organized eight rounds of negotiations, and currently trade barriers around the world are lower than they have ever been in the history of modern commerce. As a result, the reduction of trade barriers not only is going cheaper finished imported goods and services, but also domestic products, in the production of which the imported components are used (Peter-Tobias Stoll, Jan Busche and Katrin Aren, 2009).

A wider choice of goods and services – it is also the undoubted advantage of the free trade system for the consumer (Martini, R. 2011).

In addition to the finished foreign products, we are talking about domestic goods and services, which range expands due to price reductions of imported materials, Layout parts and equipment. Import competition stimulates domestic production in very efficient way and therefore indirectly reduces prices and



improves the quality of products. Moreover, because of more active marketing circuits the new technologies are developing, what has happened, for example, with mobile communications. The increasing domestic exports also increases producer's incomes, tax revenues to the treasury and, therefore, income and well-being of the population as a whole (Dumulen I.I., 2003).

**The Role for a Country.** It is impossible to draw a clear line between free trade impact on consumers, producers and the state. So, lowering of trade barriers contributes to the state. Thus, the reduction of trade barriers contributes to the growth of trade, what leads to an increase in both public and personal income. Empirical evidence shows: after the Uruguay Round as a result of the transition to a new system of world trade transactions revenue increased from 109 to 510 billion dollars. The one single market in the European Union also contributed to the increase in income and wealth. Increasing state revenue due to the activity of successful exporters allows reallocate received additional resources and help other companies, which facing foreign competition, increase productivity, expand production scale and improve their competitiveness, or switch to the new activities (Stewart and Stewart, Washington D.C., 2011).

The development of trade leads in the long term to an increase in employment, especially in export-oriented sectors of the economy. However, in the short-term job losses as a result of competitive domestic enterprises with foreign manufacturers is practically inevitable. Protectionism cannot solve this problem. On the contrary, increased trade barriers causes a decrease in the efficiency of domestic production, and quality, that in limitation of imports leads to higher prices for it and a negative impact on sales, and ultimately on the number of jobs. Rational using of protective measures and effective scheme of redistribution of additional government revenue could help the country to overcome the difficulties of the period of adaptation to the free-trade system (Stiglitz, J, 2002).

Application of WTO principles allows improve the efficiency of foreign economic activity of the state due to, first of all, of simplifying the system of customs duties and other trade barriers. As a consequence, the predictability and transparency of the economy attract partners and increase turnover. Approach without any discrimination, transparency, greater certainty in terms of trade and simplification - all of this contributes help to make lower the costs of companies,

streamlining their operations and create a favorable climate for trade and investment (Rüdiger Wolfrum, Peter-Tobias Stoll and Michael Koebele, 2008).

In turn, the influx of capital into the country, in particular in the form of foreign direct investment, creates jobs and improves the well-being of the population as a whole.

**The overall benefits of WTO membership can be summarized by following principles:**

- The creation of more favorable conditions for access to world markets for goods and services on the basis of predictable and stable development of trade relations with WTO member countries, including transparency of their foreign policies;
- The access to the WTO dispute settlement mechanism, which ensures the protection of national interests, if they are infringed by partners, and thus the elimination of discrimination;
- The possibility of implementing its current and strategic trade and economic interests through effective participation in the ICC in the development of new international trade rules.

However, as a result of accession to the WTO, and usually manifest certain potential negative consequences (cons), which are mainly payment for previous inefficient economic policies (McKenzie, 2008).

As a result of increasing competition, the decline in production is possible, if not find other markets for products, in the first place, the adaptation is inevitable downturn in the non-competitive import-substituting industrial and agricultural production, including the decline in employment, income, and inefficient partial loss of productive capital in such enterprises uncompetitive. This may negatively affect the trade balance (Shumilov V.M., 2014).

In addition, there is a possibility of short-term reduction of budget revenues as a result of liberalization and related loss of direct revenue from the state of export and import. This is a short-term decline in the revenue part of the budget can lead to a decrease in public investment and social spending. However, the growth of private household incomes from the export of goods that were previously under the control

of the state, on the other hand, will reduce the dependence of the standard of living of the population from receiving welfare payments from the state budget (Kern Alexander and Mads Andenas, 2008). Moreover, such a loss of state budget revenues quickly recovered due to increased volumes of imports (in short term) with lower rates, and because of the increased tax revenues from growing exports (in the medium term).

If a country imports technology more than exports them, there will be increased costs for the further industrialization when paying fees for the use of others' patents and other intellectual property rights, the use of the latest technologies. Some economists say the possibility of such effects, especially the fact that the 20-year patent term will likely not be effective for developing countries. Agreement on the protection of intellectual property rights provides the following terms of protection: trademark - not less than 7 years, technical aesthetics - at least 10 years, topographies of integrated circuits - at least 10 years, computer programs and copyright to literary works - at least 50 years, patents - at least 20 years after the date of registration (Dumulen I.I., 2003). However, without a reasonable protection of the rights of intellectual property of the company will not be able to recoup the high costs for research and innovation activities, such activities will not be promoted, which adversely affect the scientific and technological progress, and therefore of the global economic growth may slow. There will be a reduction of the possibility of government subsidies the direct and indirect, and domestic support, besides, decrease regulation of domestic energy prices, transport costs, convergence of which with the level of world prices will increase production costs, particularly in energy-intensive industries, and reduce the price competitiveness of domestic products (Zenkin I.V., 2003).

There will be a reduction in the inflow of foreign direct investments in the former import substitution industries due to lower customs tariffs and the empowerment of imports of finished goods.

At the same time, WTO members have the right to enter anti-dumping and countervailing measures to restrict access to its market. The introduction of such measures, possibly in connection with the onset of the crisis in a particular industry or in connection with the violation of the principles of the WTO trading partners.

Nevertheless, the business community in many countries are still not fully aware of the benefits of the WTO trading system. The main reason for this - the huge complexity of the system, which still hinders the businesspersons to get benefits from it and understand its rules and regulations. At the same time, little known, that the legal system is not only commercially beneficial to producers and trading companies, but also provides them with more rights (Steven P. Croley and John H. Jackson, 1996).

Nominally, the listed set of advantages and disadvantages of joining the WTO is the same for all countries. However, the size of each pros and cons of all the countries is different. Therefore, the balance of pros and cons for different countries is not the same. It should be borne in mind that these benefits are only a potential that will emerge not by themselves, but only on condition that the government will carry out the principles of a market economy. What means to provide competent macroeconomic management in an open economy, compete successfully in world markets and protect their rights in the WTO. (Stiglitz, J, 2003)

The balance of pluses and minuses depend on the policy of the government in the negotiations on joining the WTO, also on carry out measures to expand exports and improve the competitiveness of the economy. For all countries, the long-term benefits of WTO membership far outweigh the losses. In the short term is dominated by cons, but in the long run prevail pros stimulate exports and increasing competitiveness (Mike Moore, 2002).

#### **3.3.4 Obligation to WTO Accession**

The obligations of countries applying for accession to the WTO, are discussed based on a special agreement on agriculture, and include three main blocks of issues: domestic support, market access and export subsidies. Countries Applicants must submit proposals on all these issues. All domestic support measures provided to agricultural producers, should be listed in accordance with the Agreement, the classification system, measured in terms of money and are designed for a three-year period (Marion, Jansen, 2000).

In terms of access to the market pretender country must translate non-tariff barriers into tariff equivalents, link these tariffs at the top level and then reduce them by a gradual annual reduction during the transition period. As part of the export

subsidies applicant countries have to commit themselves or not to use export subsidies since joining, or to assess the export subsidies in terms of money and commit to their annual reduction during the transition period (Canstantine Michalopoulos, 2000).

According to the famous German economist Friedrich List, the widespread and total establishment of the free trade principle, the maximum reduction in tariffs and facilitate limiting market liberalization in practice strengthens the society, which has long and successfully gone on the market way. Nevertheless, it weakens, economically and politically “undermines” the society, which had a different economic history and enters in market relations with more developed countries when the domestic market is in its infancy.

### **3.4 The Role of WTO in International Trade**

The development of trade leads in the long term to an increase in employment, particularly in export-oriented sectors of the economy. However, in the short-term the loss of job as a result of competitive domestic enterprises with foreign manufacturers is practically inevitable (Indira Carr, Jahid Hossain Bhuiyan, Shawkat Alam, 2013).

Judicious use of protective measures and effective scheme of redistribution of additional government revenue could help the country to overcome the difficulties of the period of adaptation to the free-trade system.

Application of WTO principles to improve the efficiency of foreign economic activity of the state due to, first of all, to simplify the system of customs duties and other trade barriers. Consequently, the predictability and transparency of the economy attracted partners and increase turnover (Mitsuo Matsushita, Thomas J. Schoenbaum, Petros C. Mavroidis, Michael Hahn).

Non-discrimination, transparency, greater certainty in terms of trade and simplification - all this contributes to lowering the costs of companies, streamlining their operations and create a favorable climate for trade and investment.

In turn, the influx of capital into the country, in particular in the form of foreign direct investment, creates jobs and improves the well-being of the population as a whole.

Apart from economic benefits of freer trade, and the state gets some political benefits.

The government has more opportunities to defend themselves from the actions of lobby group, as trade policy is carried out in the interests of the economy as a whole.

Accession to the WTO system helps to avoid such situations, since the policy pursued by the government is focused on the development of all sectors of the economy, rather than its individual parts, which helps to avoid distortion of the competitive environment (Gary P. Sampson, 2001).

Free trade system also creates the preconditions to make intelligent policy decisions, combating corruption and bringing about positive changes in the legal system, which ultimately contributes to the inflow of investments into the country. The use of some forms of non-tariff barriers, such as import quotas, inevitably fraught with the danger of corruption among officials distributing these quotas and therefore obtain super profits importing companies - the so-called "quota rents"(Gary P. Sampson, 2005).

Transparency and openness, i.e., ensuring access for all rules of trade information to the public; clearer criteria for regulations covering safety and product standards; application of the principle of non-discrimination also have a positive impact on the political situation, reducing the possibility of arbitrary decision-making and cheating. WTO system equalizes the chances of all the members, providing a voice for small countries, thus limiting the possibilities of economic dictates of the larger states, which would be inevitable with the bilateral negotiations. Moreover, joining in unions, small countries are able to achieve greater success in the negotiations. At the same time, large state-participants are exempt from the need to negotiate on trade agreements with each of their numerous trading partners, since, according to the principle of non-discrimination attained in the course of negotiations liabilities levels are automatically propagated to all WTO members (Picciotto, Sol, 2007). WTO system creates an effective mechanism to resolve trade disputes, which being "left to themselves," could lead to serious conflict.

GATT / WTO system, in which agreements are made by consensus as a result of negotiations and agreements, rules strictly carried out, is also an important

instrument for building confidence. When government believes that other countries do not raise their trade barriers, it does not have the temptation to do the same (Christina L. Davis, 2012).

### **Summary**

Today, more than ever before a growing economy should be open. For an open economy, the trade policy has important meaning, as for cooperation with other countries is necessary to have an agreed core laws and regulations. The main institute on the world market nowadays is the World Trade Organization. It became "successor" of the General Agreement on Tariffs and Trade, which in 1995 formally transformed into the WTO on the results of the multilateral Uruguay Round.

The primary purpose of the operation of WTO is to help with providing free trade and exclude as much as possible undesirable side effects, what means the elimination of interference. It also implies that individuals, companies and governments can rely on the specific rules, which in force all over the world, and that there will be no sudden changes in trade policy, in other words, the rules should be transparent and predictable. Since the members of WTO often conclude and sign an agreement after considerable debate and disagreement, one of the most important functions of the WTO - to provide a forum for trade negotiations. For the country, which make a decision to join to the WTO and its conditions, it is crucial value of the chance to succeed in the competitive fight of global market. Multilateral – regional and global mechanisms of trade policy within the WTO primarily involve a significant restriction of national sovereignty in the relevant area to coordinate decision-making at the international level.

In spite of the criticism of the WTO, it includes 162 countries, which account for about 97% of world trade. No country can successfully develop its trade relations with foreign countries according to its own rules, which are not similar to the all over the world. Therefore, the feasibility of joining the WTO of all countries is obvious, and the entry is inevitable, because it is necessary for integration into the world trading system.

## 4 Practical Part

The next chapter describes the practical part of the study. For this case study, the author used as a method for monitoring and statistical approaches to make a conclusion.

### 4.1 WTO and Russian Federation

For many years, Russian Federation had been achieving the right to be presented as a member of the World Trade Organization (WTO). In July 1993, the Russian applied for accession to the WTO. The process of the negotiation was under heavy conditions and the biggest controversy arose around «Agreement on Agriculture». Moreover, it should be noted that the agriculture is one of the most vulnerable place during the accession of the Russian Federation to the WTO (Uzun V.J., 2012).

In a frame of negotiation's process had been reached an agreement on the reduction of tariff barriers on the part of Russia for foreign food products and reduce the volume of state support the industry.

According to most experts, such decisions will lead to negative financial and economic consequences for the agricultural enterprises in Russia within the framework of country's membership in the WTO.

#### **The objectives of Russia's accession to the WTO were the following:**

- To get the best conditions for access of Russian products to foreign markets;
- The access to the international mechanism for resolving trade disputes;
- The creation of more favorable climate for foreign investment as a result of bringing the legal system in accordance with WTO rules;
- Expanding opportunities for Russian investors in the WTO member countries, particularly in the banking sector;
- The creation of conditions for improving the quality and competitiveness of domestic products as a result of increasing the flow of foreign goods, services and investments to the Russian market;



- The participation in the formulation of international trade rules, taking into account its national interests;
- To improve Russia's image in the world as a full-fledged participant in international trade.

#### **4.1.1 Impact of WTO on the Economy of Russia after Accession**

The accession of Russia to WTO had an important meaning for the economic development of the country. However, this process was complicated and moreover controversial for different sectors and fields of activity (Belcharov Kh.U., 2012).

As a result of numerous and intensive negotiations Russia has received in general acceptable, balanced conditions of accession to the WTO. Therefore, first of all, pay attention to the positive effects and results of the accession to the World Trade Organization. Positive results of the accession to the WTO has brought for non-ferrous metals producers. Russia finally abandoned the idea of export duties on commodity metals: nickel, copper, and aluminum. Two years later, these duties will be set to zero, which should positively affect the competitiveness and financial performance of companies such as Norilsk Nickel, RUSAL, UGMK. During the negotiation and discussion of the Russian Federation, conditions of membership in the WTO, many experts predicted the collapse of the, if not the entire economic system of the state, then some of its branches and sectors. However, at the end of the year, official data and statics of the Eurasian Economic Commission indicate that the situation in the Russian economy remains moderately stable (Dembickij S.G., Semenovich V.S., Zheltenkov A.V., 2013). The first final outcome clearly demonstrates the fact that the sharp rise in imports did not happen, but the greatest impact on the volume of imported goods had not duties within the framework of the WTO, but and the rate of national currency. Director of the Department of Trade Negotiations Ministry of Economic Development M. Medvedkov noted that to date there is no evidence that the entry into the WTO has sharply increased imports, and it causes harm to the economy<sup>9</sup>, as evidenced by the

---

<sup>9</sup> Ministry of Economic Development did not find excessive import flows after Russia's accession to the WTO [electronic resource]. URL: <http://www.rg.ru/2013/04/18/myaso-vto.html> (reference date: 12.04.2013).

preliminary data of the Russian FCS: in January-July 2014 growth imports to Russia amounted to 3.5% (almost two times less than in January-July 2013) - up to \$ 155 billion.<sup>10</sup> In turn, the volume of exports also increased by 7% in different sectors and in money terms - by 3.5%. By unconditional achievements include the fact that as a third party due to the WTO Russia is actively involved in trade disputes, trying to influence the outcome and defending their interests. Especially important for the Russian debate, which at present are between the United States and the European Union in respect of subsidies to civil aircraft, as the country is also supported by aircraft (Meluchina O.G., 2013).

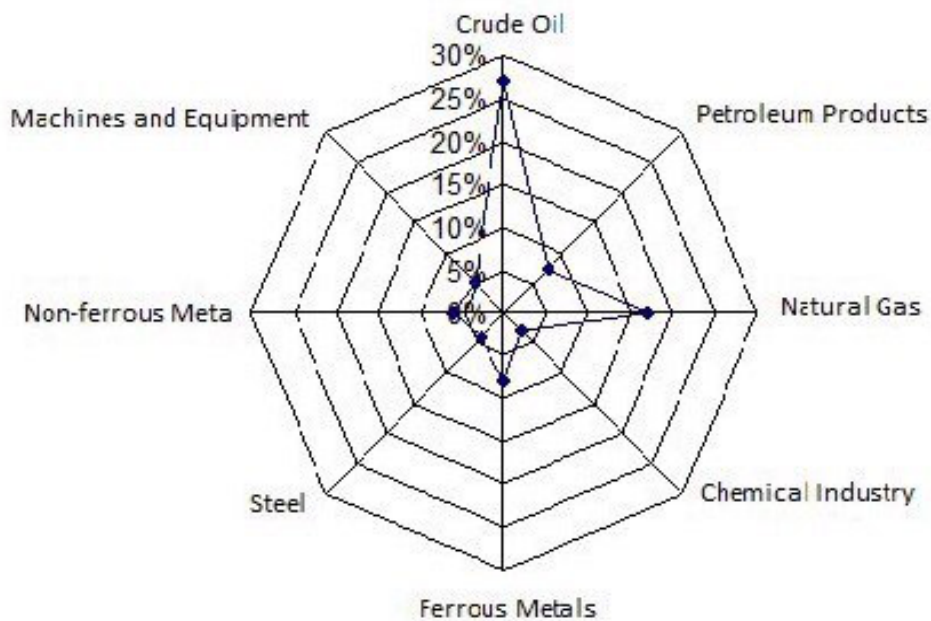
The Russian Economic Development Ministry emphasize that the Russian Federation's accession to the WTO provides a stable output conditions on the foreign markets, the elimination of discrimination in trade, as well as the possibility of equal participation of Russia in the formation of international trade rules. World Trade Organization rules allow to cancel about 80 restrictions on trade with Russia, which were in force in relation to domestic products prior to entry into the WTO. Lost Russian exporters from discriminatory measures on foreign markets, is \$ 2 billion a year, is already reduced. Experts believe that in the next year, after consultation with the partners in the WTO, this number is significantly reduced (Putylin V.I., 2013).

Now turn the attention to the negative consequences of conducting trade and business for domestic producers in accordance with the rules and regulations of the WTO, which is, unfortunately, more than positive, and they are much more tangible. As predicted before the entry into the WTO, agricultural sector, light industry, mechanical engineering and metallurgy most suffered in Russia. Industry Association reported that in animal husbandry, in the production of pork, beef, poultry, milk production almost all enterprises are in loss (Sinyagin A.K., 2013).

---

<sup>10</sup>Results of the first year of membership of Russia in WTO [electronic resource]. URL: <http://government.ru/news/7846> (date-treatment: 12/04/2013).

**Figure 2 Lobar Structure of Export of Russia**



Source: The study "Analysis of the consequences of Russia's accession to the WTO". Own work.

The customs statistics recorded a rise of pork import by 16%, dairy products by 23%, vegetable oil by 50%. As the result of the abolition of quotas for the import of meat products into the country flooded the raw material a variety of manufactures, including unfair. Was started deliveries of goods, which was kept for many year in the freezer. As a result, there was a surplus in the country's meat, including due to poor quality and contaminated products. As a result, the pork immediately fell by 15-20%, and this despite the fact a zero or low profitability of domestic pig producers. The head of the executive committee of the National Meat Association Sergeii Yushin said that to reduce the prices of pork led to prices down for poultry meat, which led to a sharp drop in prices in the wholesale sector by about 25-30%<sup>11</sup>. There is not better situation in the milk industry. Duties on some certain types of milk products were reduced, what led to an increase in its import.

<sup>11</sup>The Year of Russia in WTO: fears were not justified [electronic resource].  
URL: <http://lprime.ru/News/20130822/765729684.html> (reference date: 12.04.2013).

However, the domestic consumer did not get some cheap imported products, because of suppliers constantly raise prices, knowing the fact, that the Russian market is heavily dependent on imports.

This dependence only exacerbated due to failing domestic production, which in the first half of 2014, as evidenced by data from the National Union of Milk Producers, amounted to 10-15%. In general, for the first year of membership in the WTO the milk industry has lost at least 1 million tons of commercial-grade milk (Bajbekova R.A., 2013).

Thus, as a result of accession to the WTO in agricultural of Russia completion has increased significantly. Considering, that the prices of basic foodstuffs, such as milk, cereals, grains, vegetable oil and sugar, completely connected with world prices, the business, that imports these products, has to pay more cost of delivery.<sup>12</sup>

## 4.2 Pork Market

In August 2012, Russia became a member of the WTO, and was forced to begin to fulfill its obligations to reduce trade barriers. Pork market was the most affected by the liberalization of foreign trade regime. Immediately after joining the WTO, Russia abolished the duty on pork imports within the quota, reduced duty on pork imports in excess of the quota and imports of live pigs (Table 1). Starting from 2020, the tariff quota for pork will be canceled, but instead will apply a flat rate of 25% (Kovalev Y.I.,2013).

After the joining of WTO imports requirements of pork and live pigs for slaughter were fundamentally changed. As a result, imports began to grow. From August to December 2012 the total volume of import of pork fresh or chilled exceeded the supply level for imports in the same period of the previous year by 26%. Thus, above quota pork imports grew by 98%. According to the 2012 statistics shows the overall increase in imports amounted to 60 tons (9%), including above quota import of pork increased by 62 tons (63%).

---

<sup>12</sup>Round table “The consequences of Russia’s accession to the WTO: Who did win?” [electronic resource].URL: <http://me-forum.ru/media/events/round-table-the-implications-of-russia-s...> (reference date: 04.12.2013)

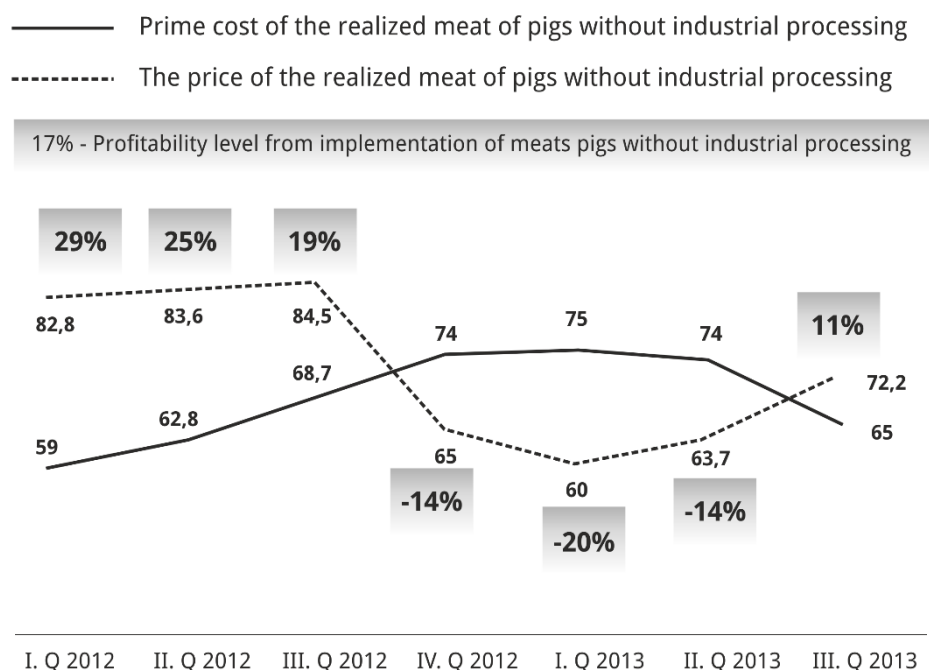
**Table 1 Requirements of Russia's Accession to the WTO by Pork**

No	Characteristic	Requirements before accession to the WTO	Commitments from the date of accession to the WTO	The final bound tariff
1	The size of the quota duty on pork in the country	15%	0%	25%
2	Size above quota duty on pork	75%	65%	
3	Size above quota duty on pork for developing countries (Brazil, Chile, and others.)	56,25%	48,75%	
4	The duty on live pigs for slaughter (not covered by the tariff quotas)	40%	50%	0%
5	The size of the quota on pork ton.	430	430	-
6	With regard to meat imports from developing countries there is preferential regime to	75% from customs duty	75% from customs duty	-
7	The duty on offal (not covered by the tariff quotas)	25%	15%	15%

Source: customs legislation of the Russian Federation

Therefore, with the entry into WTO, the possibility of government to provide state aid and the protection of domestic markets decreased significantly. At the same time because of the drought have increased prices for grain - by 40% on average for the year 2012 compared with the previous year. Prices of live pigs fell by 25 - 30%. All this led to a fall in the profitability of pig production. From Q4 of 2012 to the Q1 of 2013 cost of sales of meat without industrial processing of pigs was higher than the selling price of the meat of pigs, and profitability of modern pig farms became negative (Karlova N, 2013).

**Figure 3 The Profitability of Pig Industry of Russia for 2012-2013 Years**



Source: The National Union of breeders of Russian Federation

After joining of WTO, the regime of state support was changed by 75-80% of investments in new capacity in 2013, have been suspended according to the National Union of breeders, which inevitably would have lead for a decline in industrial production after 2014, while preserving the effect of the inertial growth in 2013-2014.

The negative trend in pork production private ancillary plot began in 2008, but after joining the WTO, this trend accelerated, that is also due to the reduction of livestock farms in the country in connection with the threat of the spread of African swine fever and an increase in feed prices. As a result, there was the risk of return to the level of five years ago with the newly emerged threat to food security in the Russian pig industry, where the share of imports in the market was 40-50%.

For regulation of unfavorable situation in the pig breeding was carried out a series of measures by the government of the Russian Federation. Allocated disposable subsidies to compensate part of the costs associated with the increase in grain prices. Moreover, it adopted a set of measures on imports of pork regulation

taking into account WTO rules. For example, were introduced as early as March 2012, the restrictions on imports of live pigs from the EU trade under the "Agreement on the Application of Sanitary and Phytosanitary Measures of the WTO." In addition, in the framework of the "Agreement application of technical barriers and WTO rules Rosselkhoznadzor from December 2012 introduced restrictions on imports of meat containing ractopamine (a substance used as a feed additive to increase muscle mass of pigs and cattle) from the North, South and Latin America, and from February 2013 the restriction came to the United States (Uzun V. J., Gataulina E.A., 2010). Furthermore, in the WTO was an inventory of tariff preferences to imports of meat, poultry and meat products. Since April 2013 Pork and poultry were excluded from the "list of goods originating in and imported from developing and underdeveloped countries, the import of which tariff preferences are issued". Since August 2013, Rosselkhoznadzor has introduced temporary restrictions on the movement from Belarus to Russian pigs, their genetic material, as well as pig products and feed for pigs that have not undergone heat treatment. As a result of all these restrictions the import of pork supply in the beginning of 2013 began to decline (Belcharoev Kh., 2012).

The first months of Russia's WTO membership have shown that in the conditions of liberalization of foreign trade regime fell competitiveness of domestic pork, the production of which in recent years has supported a high level of internal prices compared to the world.

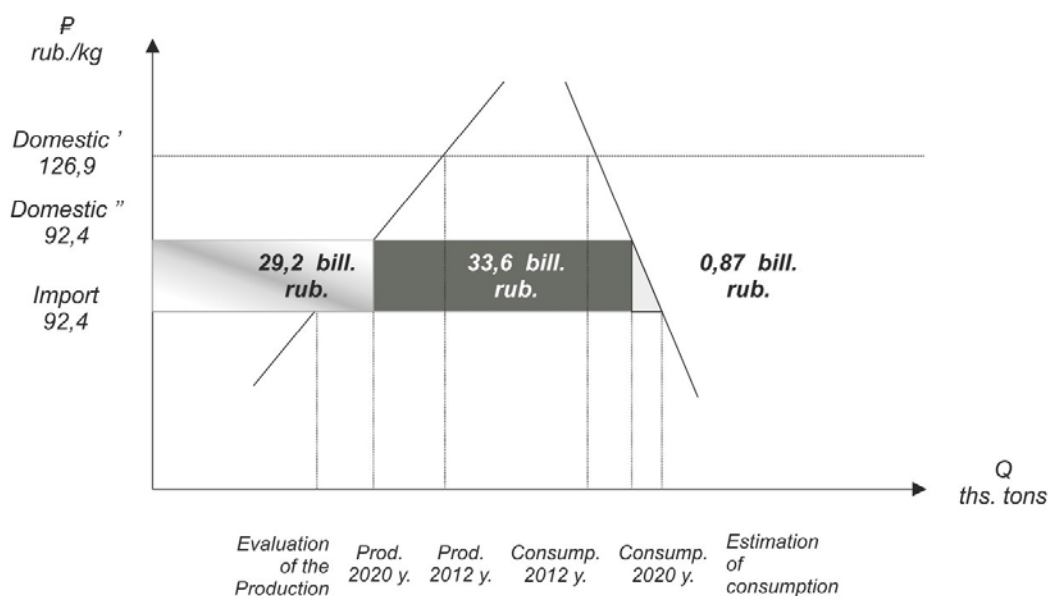
Only the application of a number of restrictive measures in respect of imports stopped its growth. Positive impact on the market also had begun in February 2013 with a decrease in grain prices. All this contributed to an increase in pork prices, and in the 3rd quarter of 2013 the domestic pig has reached a positive level of profitability - 11%.<sup>13</sup>

---

<sup>13</sup> In 2012, the import growth occurred at the expense of deliveries in excess of quotas. This was mainly meat from Brazil, which provides tariff preferences. When in 2013, entered into force on the decision to exclude pork from the list of goods, the import of which tariff preferences, imports in excess of a quart plummeted - in May, 8.1 times in comparison with April, in June to 6.2 times compared to April.

In accordance with Russia's commitments to the WTO the final level of the import tariff on pork in 2020 shall not exceed 25%, while the tariff quota is canceled. If no other public policy measures to support the domestic price will not be applied and on the assumption that the domestic market set the price in excess of the import price by 25% (Figure 3). When you save the current world prices and reduced import tariffs to the level in force in 2012 to 25% of internal purchase price of 1 kg of pork will be 92.4 kg. The volume of production of pork will fall to 2170 thousand tons 1580 thousand tons, and the consumption volume on the contrary will increase from 3222 thousand tons to 3398 tons. The increased deficit between consumption and production will be filled with the import of meat - 1818 tons.

**Figure 4 Transfer Pricing in the Pork Market with Reduced Import Tariffs in Accordance with Obligations to the WTO**



Source: Constructed according: Agricultural Policy Monitoring and Evaluation 2013. OECD Countries and Emerging Economies. OECD, 2013, Paris.

If, before the accession to the WTO, the share of imports at consumption of pork was 33%, then by 2020, with a reduction in import tariffs of up to 25% the share of imports in consumption could increase to 53.5%. In accordance with the doctrine (Decree of the President of the Russian Federation dated 30 January 2010 № 120) of the food security of the Russian Federation, the share of domestic meat and meat



products in the total volume of commodity resources of the internal market should not be below 85%. To solve the problem of food security is necessary to adopt countervailing measures, taking into account WTO rules.

Accession to the WTO showed that the period of high prices is over. Meat producers need to think about improving the competitiveness of their products. The negative effects of WTO accession, caused by a decrease in the market price support in the coming years should be partially offset by the WTO are allowed in non-price measures of state support.

### **4.3 Sugar Market**

As a member of WTO, Russia maintains a floating regime of import duty on raw sugar, which depends on the price on the New York Mercantile Exchange. However, the upper limit of the floating duty should be reduced from 270 \$ to 250\$ Per ton. The lower limit of the floating fee will remain unchanged -140\$.

In 2010-2012, outstripping growth rates of costs above the growth in the efficiency of sugar beet production have led to a decrease in profitability of sugar production. Reduced state support after joining the WTO could lead to a further decrease in the profitability of sugar beet. Production of sugar beet may be unattractive for agricultural producers, which will lead to a decrease in acreage and a drop-in production of sugar beet, as happened in 2013. This situation could again weaken food security for this product (Uzun V. J., Gataulina E.A., 2010).

According to estimates of the Union of sugar producers, taking into account the rising costs in the production of beet sugar and provision of the necessary level of profitability of the production of sugar beet and sugar, a fair level of wholesale prices of sugar should be 25 thousand rubles per 1 tone (excluding VAT). This will ensure the necessary level of reproduction of the beet and sugar and to attract investment capital for the development of the industry. In these circumstances, a fair purchase price of sugar beet for its reproduction must be not less than 1500 rubles / kg. Then the cost of raw materials per 1 tone sugar will be 11.5-12 thousand rubles (Uzun V. J., 2012).

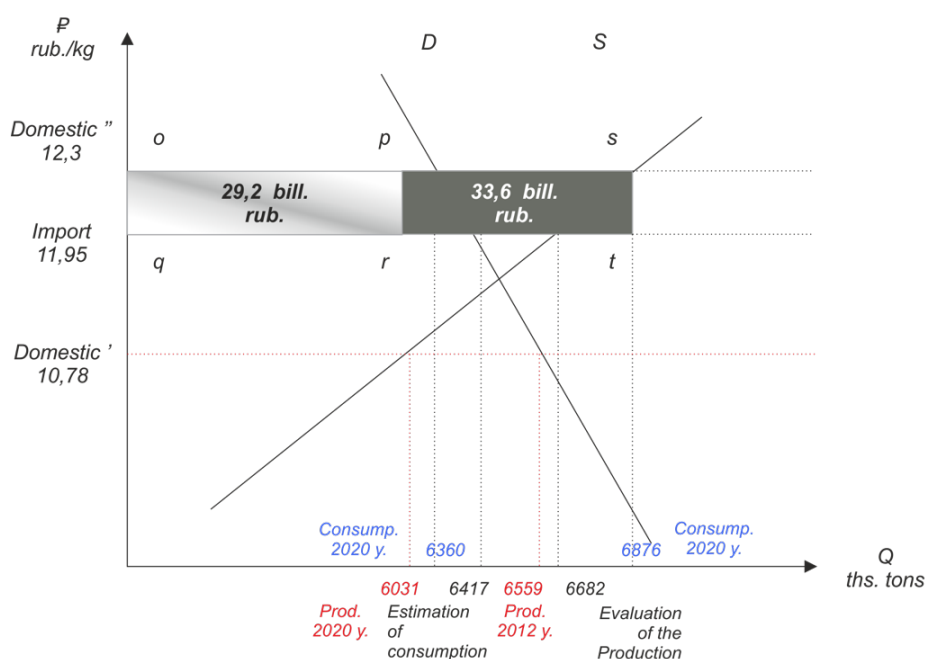
According to the forecasts of the Union of sugar producers by 2020 the cost of production of 1 ton of sugar from sugar beet will increase to 25.4 thousand rubles,

and the cost of raw materials in terms of 1 tone of sugar will make up 12.3 thousand rubles.

With the help of graphical analysis of demand and supply in the sugar market will evaluate the possibility of establishing such as a fair price, which will affect the production and consumption (Uzun V. J., 2012).

As already discussed above, support of market price of the sugar market was zero, moreover, that the customs-tariff restrictions were acting - intrinsic value of the raw material for the production of 1 ton of beet sugar fell below the cost of crude to produce 1 ton of imported sugar. with increase in prices to a such level the production will grow to 6682 thousand. tons, while consumption will fall to 6417 thousand tons (Figure 4). On the market will appear unclaimed supply volume, which should be directed for export.

**Figure 5 Transfer Pricing on the Sugar Market with Increasing the Domestic Price**



Source: Constructed according: Agricultural Policy Monitoring and Evaluation 2013. OECD Countries and Emerging Economies. OECD, 2013, Paris.

The increase cost of raw materials to 12.3 thousand rubles per 1 tone by 2020 will lead to the fact that sugar production will rise even more - up to 6.876 million tons, while consumption will fall to 6.38 million tones. Manufacturers will benefit from higher prices, stimulating them to produce more. Consumers now pay a higher price, which is reflected in consumption volumes. The volume of exports in this growing and could reach about 500 thousand tons (Meluchina O., 2013).

Thus, appear the following price transfers: a transfer to producers from consumers (2.233 billion rubles) and transfer to producers from taxpayers in the form of budget spending 174 million rubles).

Thus, until 2011 when the internal price of sugar beet for the production of 1 ton of sugar does not exceed 10.89 rubles., Sugar manufacturers to maintain a high price transfers at the expense of consumers. In addition, due to higher domestic prices compared to foreign consumers were forced to pay transfers to the state. Excess consumption over production is covered by imports (Uzun V.J.,2102).

With increasing the domestic price to 12.3 rubles / t the situation is changing. Producers get all price transfers. Some of these transfers are paid by consumers, and other part by taxpayers. The production reaches level, which can fully meet the domestic demand, what means, that there is a need of sugar exports.

If the state received in 2010 the budget transfers from consumers, then in 2020 to maintain the higher prices is necessary an additional cost from the budget in favor of the producers, which would be very difficult in conditions of Russia's membership in the WTO, which implies reduction of price support. Moreover, maintaining a higher (fair) price on the sugar market would require an adjustment of mechanism for the formation of the floating duty on raw sugar supplied to Russia. What should be coordinated with other WTO members.<sup>14</sup>

---

<sup>14</sup> Belkharoyev Kh.U. Accession to the WTO: A Threat to Food Security of the Russian Federation // Education and Law. - 2012. - № 3. - S. 11-15.

## Conclusion

The history of the existence of the international trading system shows that for nearly forty-seven years of GATT activity does not cause any public criticism. The theory of comparative competitive advantage works well with regard to trade in goods.

As long as the liberalization of the policy was related to customs-tariff measures of regulation of trade in goods between the countries, the world's attitude to it remained positive. However, since the Uruguay Round, on which there was ratified by the Agreement Establishing the WTO, the scope of trade policy has expanded considerably - at the beginning on the agriculture, then on the sector of services: banking, insurance, tourism, health, education, etc. The result is that the system of international trade had got the opportunity to invasion of trade policy to all aspects of activity of the states, and thus caused by the WTO global market has created unprecedented tension.

Another important aspect of the work of the WTO - the settlement of disputes. Trade relations often entail a conflict of interest. The arrangements and agreements, including those reached as a result of painstaking negotiations in the WTO system, often need interpreting. The most peaceful way to resolve these disagreements - through a neutral process, based on an agreed legal foundation. For this purpose, the dispute settlement process is described in the WTO agreements.

WTO member countries cooperate in the framework of a non-discriminatory trading system, where each country receives guarantees of a fair and consistent attitude towards its exports to the markets of other countries, undertaking to provide the same conditions for imports into its own market. In the implementation of the commitments by developing countries are provided relatively greater flexibility and freedom of action.

The system of WTO, which based on rules and principles has crucial for developing countries, which have much less capacity unilaterally or bilaterally affect the terms of trade compared with developed countries. WTO gives developing countries a real basis to ensure respect their rights. Each new country, which acceding to the WTO, receives equal rights with the member countries of the

organization, which reduces the possibility of applying to it discriminatory procedures.

Due to protectionism of the rich countries the developing world imposes an enormous human and economic costs; however, the same protectionism is a burden of additional costs on the population of the rich countries, who are forced to pay higher consumer prices or through the fiscal burden brought about by subsidies. On balance, all countries would gain from dismantling the remaining trade protection in rich countries.

According to the High-level Panel of United Nations, to succeed in the course of further new rounds will be possible only if the focus of the talks will be given mainly trade needs of developing countries. In order for developing countries to have confidence in a new round, rich countries must deliver on commitments made in the past.

With the entry into WTO, Russia got opportunities to participate more actively in the process of world trade. With regard to the results of Russian agriculture commodities, it is worth noting that for a short period as part of the WTO until the stability was not observed, and were both pluses and minuses caused by being a member of the organization. However, when analyzing the market of pork and sugar for nowadays it can be concluded according to experts, that Russia raises its level of exports in the world market.

*“Record harvest of sugar beet in 2016 allowed Russia to not only supply the domestic market in sugar, but also to significantly increase its exports. Tkachev said earlier that Russia in 2016 can export 200 thousand tons of sugar - 25 times more than in 2015.” (A. Tkachev-Minister of Agriculture of Russia).*

*“It is expected that in 2017 the Russians will continue to replace the premium and expensive meat cattle cheaper types of meat - chicken and pork. Experts also predict a further growth of export-oriented, strengthening areas B2C and the emergence of new brands in the segment of chilled meat, as well as the decrease in average wholesale prices of meat in the first half of 2017. Nevertheless, the current year will be successful for breeders in terms of feed, on the main components of which - the grains and oilseeds, - collected a record harvest.” (Agro news of Russia).*

## 5 References

1. DAVIS, Christina L. *Why adjudicate?: enforcing trade rules in the WTO*. Oxford: Princeton University Press, c2012. ISBN 978-06-91-15276-9.
2. STOLL, Peter-Tobias. a Frank. SCHORKOPF. *WTO: world economic order, world trade law*. Boston: Martinus Nijhoff, c2006. ISBN 9789004144965.
3. DUNN, Robert M. a John H. MUTTI. *International economics*. 5th ed. London: Routledge, c2000. ISBN 0415208807.
4. FOMICĚV, V.I. *Meždunarodnaja trgovlja: učebnik dlja studentov vuzov, obučajuščichsja po special'nosti "Mirovaja ekonomika"*. Moskva: Infra·M, 1998. ISBN 5862255656.
5. HOEKMAN, Bernard M. a M. M. KOSTECKI. *The political economy of the world trading system: the WTO and beyond*. 3rd ed. New York, NY: Oxford University Press, 2009. ISBN 9780199553761.
6. VANGRASSTEK, Craig. *The history and future of the World Trade Organization*. ISBN 978-92-870-3871-5.
7. ALEXANDER, Kern a Mads Tønnesson ANDENÆS. *The World Trade Organization and trade in services*. Boston: Martinus Nijhoff Publishers, 2008. ISBN 978-90-04-16244-0.
8. DĪUMULEN, I. I. *Vsemirnaia torgovaia organizatsiia*. Moskva: Èkonomika, 2003. ISBN 5-282-02213-3.
9. RUBINSHTEĪN, Teodor Borisovich. *VTO: praktičeskii aspekt*. Moskva: Gelios ARV, 2004. ISBN 5-85438-113-3.
10. WOLFRUM, Rüdiger., Peter-Tobias. STOLL a Holger. HESTERMEYER. *WTO-trade in goods*. Boston: Martinus Nijhoff Publishers, 2011. ISBN 978-90-04-14566-5.
11. STIGLITZ, Joseph E. *Globalization and its discontents*. New York: W. W. Norton, c2002. ISBN 978-03-93-05124-7.
12. STOLL, Peter-Tobias., Jan BUSCHE a Katrin. AREND. *WTO--trade-related aspects of intellectual property rights*. Boston: Martinus Nijhoff Publishers, 2009. Max Planck commentaries on world trade law, 7. ISBN 978-90-04-14567-2.

13. JACKSON, John Howard. *The jurisprudence of GATT and the WTO: insights on treaty law and economic relations*. New York: Cambridge University Press, 2000. ISBN 978-0-521-62056-7.
14. MICHALOPOULOS, Constantine. *Developing countries in the WTO*. New York: Palgrave, 2001. ISBN 978-0-333-97016-4.
15. MACKEN, Jim. *What is to be done?* Annandale, N.S.W: The Federation Press, 2012. ISBN 9781862878792.
16. SAMPSON, Gary P. *The WTO and sustainable development*. New York: United Nations University, c2005. ISBN 92-808-1115-0.
17. SHUMILOV, V.M. *Pravo vseмирnoj trgovoj rganizacii (VTO)*, 2014. ISBN 978-5-9916-3135-8.
18. DITMULEN, I. I. *Mezhdunarodnaja trgovlja: ekonomika, politika, praktika. 2 izdanie*, 2010. ISBN 978-5-9547-0148-7.
19. VOLKOV, G.U. SOLODKOV, G.P. *Mezhdunarodnaja trgovlja*, 2008. ISBN 978-5-222-14007-9.
20. SERGEEV, P.V. *Mirovaja ekonomika*, 1999. ISBN 5-8401-0010-2.
21. DEMBICKIJ, S. & SEMENOVICH, V. & ZHELTNEKOV, A. *The Analysis of Economic Effects of Russia's Accession to the WTO. Moscow State Regional University.*, 2013 pp.21-30.
22. MELUCHINA, O. *Why support the Russian agro-industrial complex enough, but not effective -Agroinvestor, №2.*, 2013 pp 15-19.
23. BELCHAROEV, KH. *Accession to the WTO: A Threat to Food Security of the Russian Federation*”, 2012 pp. 15-19.
24. UZUN V. *Adaptacia mer gosudarstvennoj podderzhky selskogo chozajstva Rossii k trebovanijam vseмирnoj trgovoj organizacii*, 2012.
25. SINYAGIN, A. *Pervyje uroky prebyvanija Rossii v VTO*, 2013 pp. 76-79.
26. OECD (2003). «Trade policies in Russia. The role of local and regional govern men ts».
27. WTO, World trade report 2004, Exploring the linkage between the domestic policy environment and international trade.

*An introduction to the WTO and GATT* [online]. [cit. 2017-03-07]. Available:  
<https://www.chicagofed.org/publications/economic-perspectives/2003/4qeppart4>

*Первые уроки пребывания России в ВТО* [online]. [cit. 2017-03-07]. Available:  
<http://bujet.ru/article/231718.php>

*World Trade Organization* [online]. [cit.2017-03-07]. Available:  
<https://www.wto.org/index.htm>