

Impact of WTO on the results, prospects of development of AIC and food industry in Russia

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Abstract. The study analyzes the current results of the Russian Federation joining the World Trade Organization on the basis of operational statistics. It is revealed that in 2013 the impact of this factor on the dynamics of production indicators of Agriculture of Russia, as we made as the balance of exports and imports were insignificant. A comparative evaluation of different points of view on this issue in a number of publications of scientific and expert nature is made. In the scientific literature there are as sharply negative and relatively positive reviews on the impact of membership in the World Organization for opportunities to develop the agricultural sector in Russia. All the experts agree with the need to change government support measures. The paper presents possible scenarios of development of agriculture of the country under the World Trade Organization. The measures to support agriculture in the new environment are proposed. In credit and financial measures we can identify the need to reduce interest rates on loans and smooth trend depreciation of the domestic currency. Organizational and administrative measures should include: - increasing the efficiency of the Federal Customs Service, Russian agricultural oversight, Russian consumer surveillance (including strengthening laboratory capacity).

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Introduction

In August 22, 2012, after a 18-year period of negotiations, Russia joined the WTO and became its 156-th member. This event is a new starting point of formation commodity markets in our country and participation domestic producers in the processes of world trade. It is widely debated among scholars and practitioners, but none of them is consensus regarding the acquired benefits to the economy to date. Therefore, the aim of our study is to assess the impact of this fact on the possible positive and negative consequences for the development of domestic AIC in the current and long-term plan.

Methods

To achieve this goal the abstract logic, monographic, statistical, the method of comparison and other scientific methods of research are used.

Main part

The Russian Federation is a member of the WTO more than a half years, which gives reason to draw some preliminary conclusions functioning AIC in the new conditions. The requirement for a change of tariff and non-tariff protection measures primarily concerned such commodity sectors of agriculture, as livestock production. Therefore, the primary interest is the information on these sectors.

As of October 2013, according to a summary of Ministry of Agriculture of the Russian Federation, in all categories of farms, 9316.0 thousand tons of livestock and poultry for slaughter in live weight are cultivated, which is 5.9% more than in 2012. Production of pigs for slaughter increased by 12.1%, poultry - by 6.3%, sheep and goats - by 0.7%, however, the slaughter of cattle decreased by 1.5 percent, the production of eggs in comparison with the same period in 2012 has decreased by 1.9%.

On November 1, 2013 in farms of all categories, there were 20.3 million head cattle or 97.9% at the same date in 2012, including cows - 8.8 million head (98.2%), the number of pigs was 20.3 million head (103.0%), sheep and goats - 25.7 million head (100.2%). Reducing the number of cows resulted in a decrease in milk production by 3.9%.

Increasing production of agricultural organizations of livestock and poultry for slaughter in comparison with 2012 has a certain correlation with the volumes of production reprocessors of the country meat and offal (10.6%) of meat products (9.1%), canned meat (5.6%).

However, the import of Russian food and agricultural raw materials continues to increase. So for 9 months in 2013 they were imported in the amount of 29,852.6 million dollars, which is 5.4% more than the same period in 2012. Foreign purchases touched condensed milk and cream, butter,

citrus, coffee, sunflower oil, white sugar, cereals, alcoholic beverages, tobacco. Growth of their volume respectively amounted: 43.7, 20.5, 4.9, 18.5, 1.5, 24.9, 26.1, 9.1 and 23.0%.

In the reporting period importation of goods such as fresh and frozen meat decreased by 11.9%, fresh and frozen fish by 2.7%, poultry by 2.3%, products and canned meat by 27.5% raw sugar by 10.5% [1].

In the present period seems too early to draw any conclusions about the possible prospects of development or disrupt the Russian agri-food industry on the basis of available information. However, the current situation in the country's AIC as a critical is rather difficult to characterize because one and a half years finding of Russia into the WTO has not led to the collapse of most of the performance. Moreover, in an industry such as pigs, which predicted a production decline and loss of priority, there has been growth in the number and increasing the production of pork. It is likely that the positive growth of population of these animals is not only a process of inertia, but also the result of deliberate government support (Fig. 1) [2, 3].

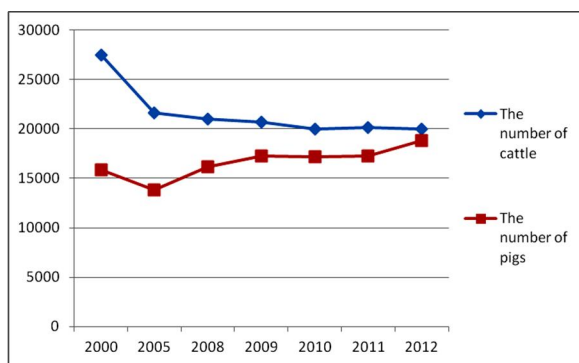


Figure 1. Dynamics of cattle and pigs in Russia in 2000-2012.

In our view, a more alarming situation arises with the steady decline of cattle in the country. In our view, a more alarming situation arises with the steady decline in the country of cattle. Dairy cattle is a basic sector not only for milk production, but also beef. Growth of production costs associated with the use of obsolete technology, puts milk production in strict price limits of consumer market. High milk price is a barrier for most of the population with low income, which leads to a decline in consumption. In this situation, the industry of dairy farming becomes less attractive for farmers and causes artificial "reset" of livestock, including cows. It is possible that the growth of meat production in cattle is indirectly connected with this fact.

In general, three or more years may need to evaluate the effects of market liberalization. It must be remembered that the reduction of tariff protection has not happened once. Yet import duties are planned to be reduced for eight years. Assessing the impact of the WTO on domestic AIC number of publications devoted to the scientific and practical nature, published in print, both before and after the fact of Russia's entry into the WTO.

Their analysis is reduced to the isolation of three points of view on the fact that Russia's membership in the World Trade Organization:

- 1) negative;
- 2) conditional constructive, distinguishes both positive and negative aspects of membership in the WTO;
- 3) optimistic.

In our opinion, the vast majority of the representatives of economics relate to the fact of Russia's entry into the WTO negatively. One of the most pessimistic scenarios of Russia's entry into the WTO Academician V.V. Mercy predicted [4]. He believes that due to a number of objectively existing causes (the difference in the level of budgetary and other protectionist support in Russia and developed countries; huge backlog of domestic AIC productivity, material and technical base and infrastructure, more severe and risky environmental conditions within our country) after joining the WTO, Russia will almost completely lose food security and agriculture. This view is supported by other researchers, especially in the impossibility of bringing the level of state support in both absolute and relative terms (per 1 ha, per capita) to the level of developed countries [5]. In this way Academician I.G. Ushachev points to the emergence of new threats of WTO accession with the appearance of ephemeral opportunities to promote domestic products to foreign markets [6]. The scientist believes that the accession to the WTO will undermine the food security of the Russian Federation as a whole, hitting hard the livestock industry (pig breeding), rice and fruit growing especially [7].

With the help of mathematical modeling Academician E.N. Cruise predicted a growth of import dependency, especially for pork [8]. Scholars of All-Russian Institute of Automation and Applied Informatics of A.A. Nikonov also received mathematical confirmation of inevitable losses when joining the WTO. They presented three scenarios, each of which, by their own admission, "in their own bad" [9]. Researchers are based on information about the unequal conditions of Russia's membership in the WTO and other countries in terms of regulation of the meat market. For example, according to their data, the EU applies a higher level of tariff protection

and export subsidies, Russia doesn't have the right to use. Furthermore, despite the requirements of the provisions of the WTO, developed countries are widely used "hidden" barriers (sanitary and phytosanitary measures, etc.) [10]. According to R. Gumerov the volume of only direct budget support from the U.S. is greater than that of the Russian Federation based on 1 hectare 19 times, and per 1 running 90 times [11].

Academician A.I. Altukhov, maintaining alertness of colleagues, draws attention to existing and potential problems of agribusiness. One of them - payables of villagers whose level is in excess of one-third of total revenues. [12]

The chief director of National Swine Union of Russia Y.I. Kovalev claims that after a period of intensive development in 2006-2012 industry was in deep crisis. The reason for that became WTO agreements and customs union, as well as rising prices for grain and epizootic of African swine fever [13].

G. Borodin considers it likely that as a result of WTO accession, worsening operating conditions can occur even for such a successful and competitive industry agribusiness as poultry [14].

A number of other representatives of the national science have positive attitude to the fact of accession. So, Professor V.V. Goats does not share the fears of WTO accession generally, considering export subsidies of the U.S. and EU «nonsense aimed at social support of foreign citizens». On the contrary, he sees certain advantages from increased competition and reduce prices, but believes a new level of tariff protection and insufficient market lower than in developed countries, the WTO, and the system of state which does not comply with the new realities [15].

According to Ruslan Grinberg, Russia had no other alternative way of economic development within the existing processes of globalization of the world economy. One of the advantages of joining the WTO Greenberg calls improving the country's image in the eyes of the world [16].

Conclusion

Unfortunately, there are not so many publications on WTO justifying domestic economy benefits from participation in the organization as we would like in the economic literature. There are only attempts to methodological studies and the development of tools aimed at mitigating the negative consequences for the economy and the search for promising benefits of global trade. These «reassuring» recipes are not only as a tactical tricks in the form of measures to protect the domestic food market. In our opinion, the future of food security

should be based on a model of intensive development of the agricultural sector as a whole. The use of innovative technologies in crop and livestock will reduce, first of all, manufacturing costs for products of these industries; secondly, it will create the preconditions to improve their competitiveness on the price factor. Qualitative characteristics of domestic food products currently remain below the requirements of EU. Improving the quality of realized production is a strategic objective for Russian producers, whose solution allows the country to carry out not only the function of defense, but the offensive on foreign markets by expanding exports. Given polysyllabic problems in domestic agriculture, based on the opinions of leading experts and scientists, we offer the following range of activities.

All the proposed measures we tentatively classify the state support, organizational and administrative measures and credit and financial measures. Measures of state support are conditional division of yellow and green basket measures. Yellow box measures, in our view, require adjustments to existing orders of subsidies:

- Direct support for investment in industries providing performance Doctrine of food security;
- Reducing the interest subsidy on investment loans in favor of direct subsidies.

Conclusions

Most scholars and practitioners believe that the maximum amount of funds must be reformatted from yellow to green box and green box measures should include: support for innovation; public-private partnership, the prompt response of the government to such unfavorable factors as crop failure, epizootic, etc.; financing AIC obviously in adverse conditions; support consumption of domestic products through social support for the poor and state orders under the contract system; increasing support of agricultural education and science; software sales infrastructure of domestic products (especially perishable: chilled meat, dairy, fruits and vegetables etc.) through retail and wholesale food markets, government marketing activities (formation of a positive image of the consumer of Russian goods).

In credit and financial measures we can identify the need to reduce interest rates on loans and smooth trend depreciation of the domestic currency. Organizational and administrative measures should include:

- increasing the efficiency of the Federal Customs Service, Russian agricultural oversight, Russian consumer surveillance (including strengthening laboratory capacity);
- establishment of a special government body and the conditions for educational institutions, aimed at

specific training of specialists in legal and commercial structures on WTO.

All this, in our opinion, will help to develop an offensive strategy, coupled with the active promotion of domestic goods, including food, to foreign markets. Only the acceptance of such a concept and its execution can translate critical views on the vector of positive expectations.

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