

**RUSSIA AND TRADE INTEGRATION: PERSPECTIVES OF
DEVELOPMENT OF ENTREPRENEURSHIP IN AGRICULTURE***VASILY EROKHIN¹, ANNA IVOLGA²****Abstract***

International trade by agrarian production is still rather far from full liberalization despite of the progress achieved in international trade by agricultural production after carrying out within the framework of the World Trade Organization (WTO) of many negotiations rounds. Some new rules in the organizations of international trade and the new obligations which were taken up by the participant countries of WTO have opened the new questions to discuss and settle within the framework of the following negotiation rounds. The basic themes of such negotiations at the Russian introduction into WTO should become the questions of the state trade regulation, the further perfection of sanitary control rules, the further decrease of the custom duties and administrative character of tariff quotas establishment on imported agricultural production.

Key words: *Trade integration, agricultural development, entrepreneurship*

Introduction

Process of the Russian accession in the WTO recently became considerably more active. The whole series of official and informal consultations of the Russian representatives with members of the organization has taken place. This resulted in the achievement of the certain progress in negotiating process, rapprochement of positions of both sides, and also promotion of constructive decisions.

Russian President Dmitry Medvedev declared that the country is ready for its accession into WTO even in 2011. But this is more related to the general unification of Russian trade policy, not to the effective development of agricultural production. Russian external trade by agricultural products is still rather far from the liberalization. Russian

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agricultural producers are still against the integration into the global trade system in the frameworks of WTO. National agricultural production will not be able to compete effectively with foreign producers in the conditions of free market. The complex of supportive measures for Russian agribusiness is extremely needed from the national government, but the situation is worsened by the global financial crisis and lack of budget resources.

Despite of all these problems, Russian accession into WTO is the reality of the very near future, because nobody is able to break down the global tendencies. WTO is not the absolute evil and not the absolute benefit. This is the tool, and each accessing country should learn how to use it effectively for the national agricultural complex.

State trading companies continue to play important role on the global market. It is a serious problem since the sector of agricultural production exchange and character of activity in the given market of the state trading companies essentially differ on many parameters from other sectors of the global market. From the point of import of agricultural production, the development of the state trade can result that the volumes of production in the market will decrease in comparison with what could be if on the global market there was a free competition at the equivalent custom duties. Therefore, the state trading companies should operate by the precise rules, which are not admitting discrimination of other participants of the global agrarian market. It should result in such situation at which the state trading companies cannot establish the internal price above, than the bottom level of the world price plus the custom duties. Then discrimination of consumers will be removed at a choice of sources of import production. The dealer, offering the bottom world price, will determine a price level on similar production at the domestic market. However, in practice there is no transparency in the state trading companies' activity, therefore frequently it is impossible to track, whether they carry out the given rules.

Material and methods

We created the model, which analyzes the matrix 6x6 (six integrated regions on six integrated commodity groups).

Six regions are Russia, Commonwealth of Independent States (CIS) countries, European Union (EU), East Asia, North-American Free Trade Association (NAFTA) countries, and others.

Six commodity groups are sugar, meat (including poultry), grain, industrial goods, services, other agricultural products.

For the analysis of the received results, the following parameters were used:

- Dynamics of import and export on each commodity group;
- Dynamics of manufacture on each commodity group;
- Dynamics of the investments and GDP of the country;
- Dynamics of the country wealth.

Results and discussion

It is difficult to limit the price discrimination. It is especially difficult on the foreign markets where the state trading agencies operate. It is also difficult when the government gives export grants to private trading agencies in the selective order, depending on a direction of their activity. Thus, it is much easier to limit the game on various price levels, since export subsidizing is under the positions of the WTO Agreement on agriculture. The state trading agency realizes agricultural production on a foreign market under the higher prices than the internal prices for similar production while internal manufacturers receive the average price of a home market. Thus, export of agricultural production is subsidized. In some cases, the given kind of indirect subsidizing is more effective for the government, than direct subsidizing of export deliveries. Therefore, the following rounds of trading negotiations should take into account such phenomenon, as game on a difference of the internal and external prices.

The integral part of the WTO negotiations on the markets access is the negotiations on the agricultural problematic. Besides tariff aspect, they include also consideration of the Russian policy of the concerning state support of agrarian sector and export subsidizing.

The agricultural negotiations are conducted from the end of 1998, when the initial offers on the Russian obligations in agriculture were submitted. The given document authorized by the Commission of the Government of the Russian Federation fixed the levels of internal support of agricultural producers (so-called Aggregated Measure of Support or AMS) both subsidizing of the agricultural products export and foodstuffs in format established by WTO.

It is necessary to note, that AMS includes the measures that have the major influence on trade and manufacture (subsidies for animal and plant production, indemnification of the part of expenses on materials purchasing, preferential crediting, price support, privilege for transportation).

It is obvious, that at complete liberalization of the agricultural market the import of meat products in Russia will increase to the greatest degree, since the given commodity group is under the greatest quotas today. The import of meat at the Russian accession to WTO will increase more than twice. The Russian producers provide today not more than 50% of all meat consumption in the country. It is obvious that the cheap import will put appreciable impact on the Russian meat producers. The significant import growth will be observed in the case with sugar. Today the sugar consumption in Russia on 75-80% is provided by the import. By grain and other agricultural products, we can predict the insignificant import growth.

On agricultural export, we can observe the growth on all the commodity groups.

The significant reduction of trade barriers will cause the export growth. However, if we pay attention to the absolute parameters, it will be possible to notice, that the export of agricultural products after the WTO accession will not cover import even on 10%.

The agricultural production will decrease, the Gross Domestic Product (GDP) will decrease on 3%, and the investments will be reduced on 0.8%. But, despite of such negative parameters, at complete liberalization of the agricultural market the general wealth of the country will increase on \$1.3 bln. (because of the redistribution of the money resources to the more profitable manufactures).

However, it is necessary to note, that the Script 1 of complete trade liberalization is improbable. It is more theoretical model. In the greater degree, it is possible to expect the realization of the Script 2, i.e. partial market liberalization.

The import of agricultural products in Russia is still increased, but already in a smaller degree. The import of meat products will increase by 29%, import of sugar – on 15%. As well as in the Script 1, the import of grain will not change. It is expected, that the import under the given script will grow gradually depending on the same gradual reduction of trade barriers on 36% during the five years' transitive period.

The situation with export is similar – the export grows, but by smaller rates, than in the case of theoretical complete market liberalization. It is connected, first, to the preservation of counter higher requirements to the domestic export from the importers.

Nevertheless, the volume of agricultural production is still decreasing.

The fact of recession of manufacture at partial and gradual market liberalization at the WTO accession tells that any attempt to free the access to the domestic market leads to the reduction of own manufacture. It has especially significant effect when the government actively subsidizes the exporter. At the Script 2 the GDP will decrease on 1%, the investments will decrease on 0.2%. The general wealth of the country will increase on \$661.2 mln. because of the redistribution of the financial resources to the more profitable manufactures.

Script 3 can be considered as the close to the Script 1, to theoretical model. However, the modern stage of the agricultural negotiations shows that the Russian side had defended its trade positions in agriculture and the trade barriers for agricultural products will not change significantly.

Import of agricultural products is reduced under such circumstances (in particular, import of grain). On the other commodity groups import grows insignificantly.

Export also grows (because of the back measures of the countries on protection of their producers)

The manufacture of agricultural products, as well as in the previous scripts, is decreased, but insignificant. The GDP and investments at the Script 3 will stay constant.

Even at the insufficient degree of reduction, process regulation of the custom duties the further trading negotiations under the Russian accession into WTO should concentrate on the decision of two basic problems: on liquidation of a tariff dispersion and restriction of tariff escalation. It is natural, that the agreement on priority decrease of high custom

duties that will help to solve a problem of a divergence in tariffing levels various agricultural products should be accepted. It will limit the countries in an opportunity of an establishment of higher protective measures on the priority goods for itself. The similar agreement on industrial products trade has been achieved during the Tokyo round of negotiations so it is obviously possible to make use the given experience to regulation international trade by agricultural production.

For maintenance of really liberal and equal character of international trade with agricultural production it is still required the carrying out of many trading negotiations rounds. All the same, the significant part of work on creation of the free global agrarian market is already made. Further, it is necessary only to improve the main principles of WTO and adopt them to constantly varying conditions of modern economic.

Conclusion

The present rise of prices for agricultural production in world economy is rather essential and testifies about possible increasing shift in dynamics of the long-term average prices in the historical bearish tendency proceeding the whole century. The high prices favor big exporters of agricultural production, such as Australia. However, possibility to benefit by higher prices in practice was limited till now by drought. The increase in global manufacture should facilitate an intense situation with supply by the agricultural goods, and foreign experts consider that possibility of some decrease in the world prices in the long term is not excluded. However, restoration of global stocks of the foodstuffs and agricultural production as a whole will be obviously slow and world demand, predictably, remains rather considerable. It means that the global prices in the near future remain high.

The WTO accession will be positive for Russian agriculture only if the conditions of the accession are favourable to Russia. Russia should be allowed by WTO to provide the state support at the level of other countries, for example, USA or EU countries. The import tariffs should provide Russia with the real protection tool for internal agricultural producers from the expansion of import agricultural products. There is no doubt that Russia will enter WTO, because nobody able to break the global tendencies. The preparation to the WTO accession today should proceed in a practical way – training of the staff, development of the appropriate normative documents.

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