

WTO AND DYNAMICS OF MACROECONOMIC INDICATORS: EXPERIENCE OF CHINA, EASTERN EUROPE AND CIS. LESSONS FOR RUSSIA

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Abstract

The article is based on the results of studies of the effect of the WTO accession on macroeconomic performance in such countries as China, Eastern Europe: the Czech Republic, Romania, Hungary, the Slovak Republic, Bulgaria, Poland, states of former Soviet republics: Kyrgyzstan, Latvia, Lithuania, Estonia, Georgia, Ukraine and Moldova. The analysis of indicators such as gross domestic product (GDP), exports and imports, gross national income (GNI), foreign direct investments. There are groups of countries with positive and negative impact by the WTO, as well as countries which data are not affected by the WTO accession. An attempt to predict the impact of the WTO accession on macroeconomic indicators of

Russia is made.

Abbreviations

CHY - Yuan China

CIS - Commonwealth of Independent States

FDI - Foreign direct investments GNI - Gross national income GDP - Gross domestic product

EU – European Union

NAFTA - North American Free Trade Association

OJSC - Open joint society company

WTO - World Trade Organization

Introduction

In the course of negotiations on the WTO accession which lasted more than 15 years, Russia was trying to defend the right to the protection of national companies and organizations. The stumbling blocks were the agricultural sector, the financial sector, including banks and insurance companies, the export of raw materials (oil, minerals, metals, wood).

As a result, Russia has agreed to reduce import tariffs to an average of 7.8% from the current 10% for all products, including agricultural ones – to 10.8% from the current 13.2%, for industrial goods - to 7.3 % from 9.5%. Russia has also agreed to limit the export duties on more than 700 commodity groups, including fisheries products, mineral fuels and oils, leather industry, wood, pulp, and nonferrous metals.

The Russian government made these concessions in the hope of intensifying the foreign trade by eliminating barriers for Russian goods by partner countries and thus, to increase the flow of investments and give impetus to the development of the state economy in the form of the GDP growth which then will have a positive impact on job creation and growth of incomes.

Is this a vain hope? The studies analyze the impact of the WTO accession on macroeconomic indicators such as exports and imports, the value of foreign direct investments, Gross Domestic Product and Gross National Income.

The study covers the following countries: China, the countries of Eastern Europe: the Czech Republic, Romania, Hungary, the Slovak Republic, Bulgaria, Poland, the states of the former Soviet republics: Kyrgyzstan, Latvia, Lithuania, Estonia, Georgia, Ukraine and Moldova. The selection of countries was based on the following reasons: 1) the states must have in the past or currently the planned economic system in accordance with socialist principles, 2) countries must be members of the WTO.

History of interaction of Eastern Europe, states of former Soviet Republics and China with WTO/GATT

With the collapse of the Soviet Union republics, formerly representing a single space, are integrated into the various international organizations. Of the 15 former Soviet republics, eight are members of the WTO, 6 are observers, and only Turkmenistan is far outside the scope of the organization [11].

In the accession of countries to the WTO a number of concessions and commitments have been agreed by them. Six former Soviet republics: Georgia, Kyrgyzstan, Latvia, Lithuania, Estonia, Moldova have agreed to the reduction of tariff rates from 10% to 35% of the import of agricultural products for the transition period from 4 to 9 years and maintaining a specified amount of agricultural support. For other goods new import duties have ranged from 5.8% to 15% with the transition period from 4 to 9 years [8].

By the time of the accession to the WTO a number of states - former Soviet republics, such as Kyrgyzstan, have nothing to protect in their markets. The processing industry which is particularly sensitive to the foreign competition experienced a strong decline. The Republic of Moldova in the accession to the WTO could not maintain its own measures to support their manufacturers [6].

Ukraine at the time of the accession to the WTO had a strong industry in the steel and mining branches and capacious sales market. The negotiation process for the accession to the WTO was held long and carefully in the interests of domestic producers. [7] The struggle for national producers, the complexity of the negotiation process led to the fact that Ukraine accessed to the WTO as one of the last in the CIS in 2008.

The negotiation process in Eastern Europe cannot be considered without taking into account the European integration. Against the background of the active accession into the European structures the Czech Republic, Poland, Hungary, the Balti States actively used lobbying capabilities of European partners. The result was a rapid accession to the WTO in comparison with the countries of the CIS.

Negotiations on China's accession to the WTO lasted more than 15 years. On 10 November 2001 the Fourth Ministerial Conference of the Members of the World Trade Organization (WTO) in Doha (Qatar) unanimously decided on China's accession.

According to the "White Paper" published by the press office of the Chinese State Council [13] by the end of 2011, China fulfilled all the obligations assumed under the WTO.

Governments had the costs associated with the WTO accession, with the main aim to improve the terms of trade for national business and achieve the growth of production and investments, positively impact on the macroeconomic situation in their countries.

WTO accession: macroeconomic impact

The main purpose of the World Trade Organization is to achieve free movement of goods and services between countries that have repeatedly been proved by the classical economic theory and included in textbooks. R.McConnell and S.L. Brue in their textbook Economics indicate that the international division of labor and free trade principles lead to increasing in trade and getting large amounts of resources by participating countries [5].

Based on the above, we have identified the macroeconomic indicators, which should be affected by the integration process in the WTO: exports, imports, Gross Domestic Product, Gross National Income, foreign direct investments.

These indicators have been investigated by Vaganova D.F. for the analysis of the macroeconomic impact of the integration of states into the North American Free Trade Association (NAFTA) [3].

In the analysis of macroeconomic performance we have constructed graphs in the same frame of axes. For comparability of the results for all countries, data for 1991 are taken as 1, the data for other years are calculated in the index for 1991. For countries that do not have data for 1991, later years are adopted for the base (as reflected in the notes to the graphs). For readability of the graphs the data for some countries are reflected with a lowering factor, which is also reflected in the notes to the graphs. The red dot on the chart marks the year of the accession of the state to the WTO.

Figures 1 and 2 show the dynamics of exports and imports of goods and services. Red dots indicate the periods of time of the accession to the WTO.

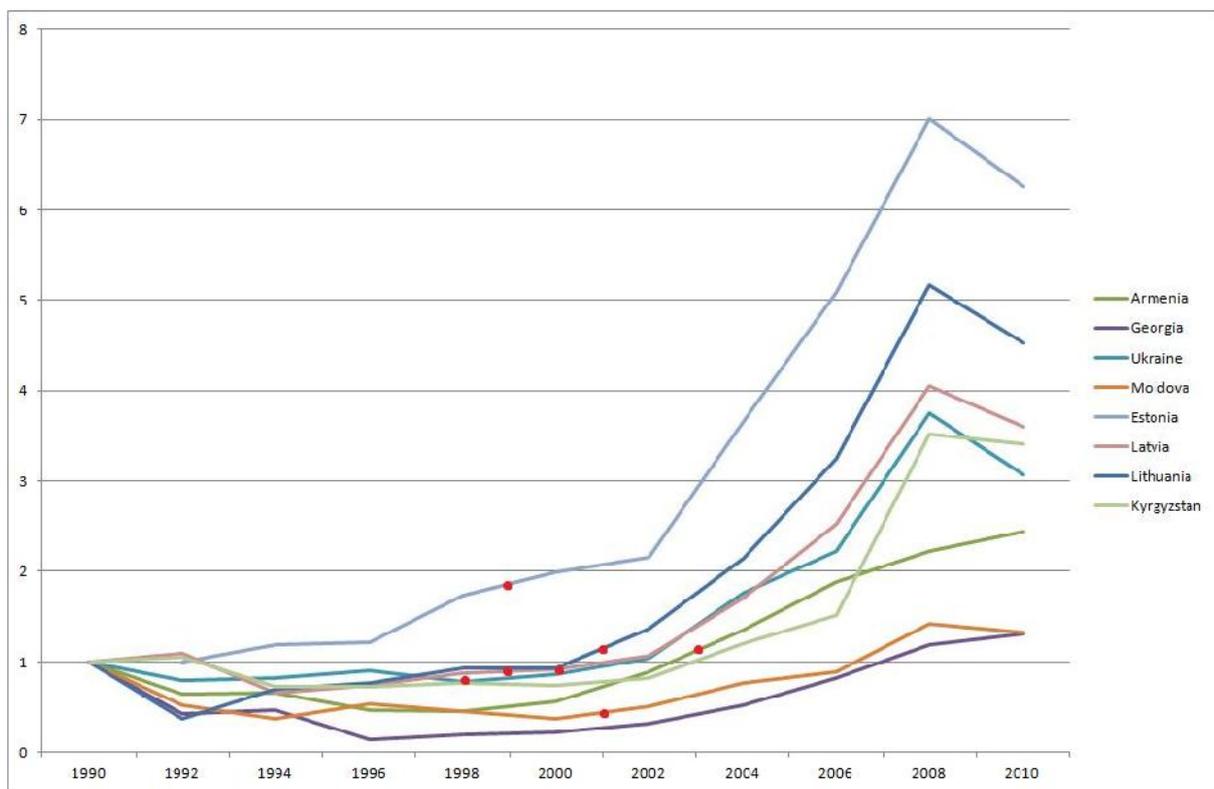
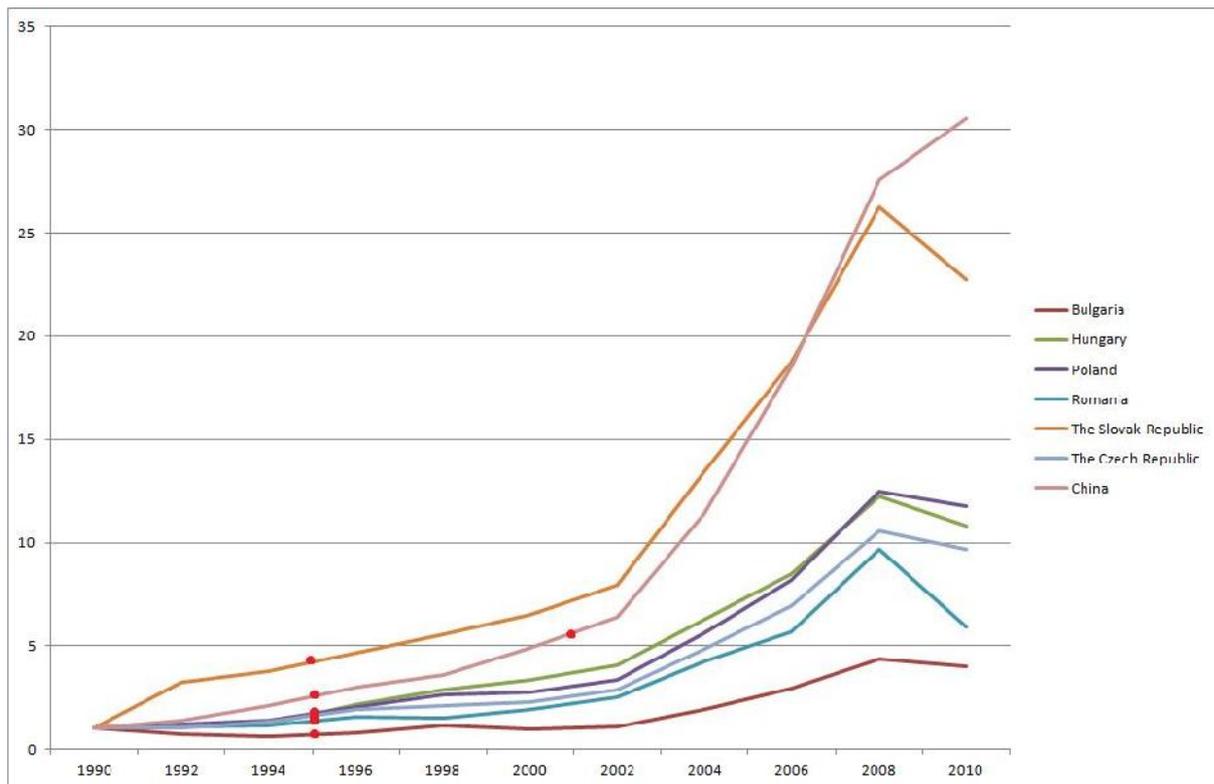


Fig. 1 Exports of goods and services *

* Note.: Data for all countries listed in the indexes (1990 = 1). For Estonia, 1992 is adopted as the base year [10].

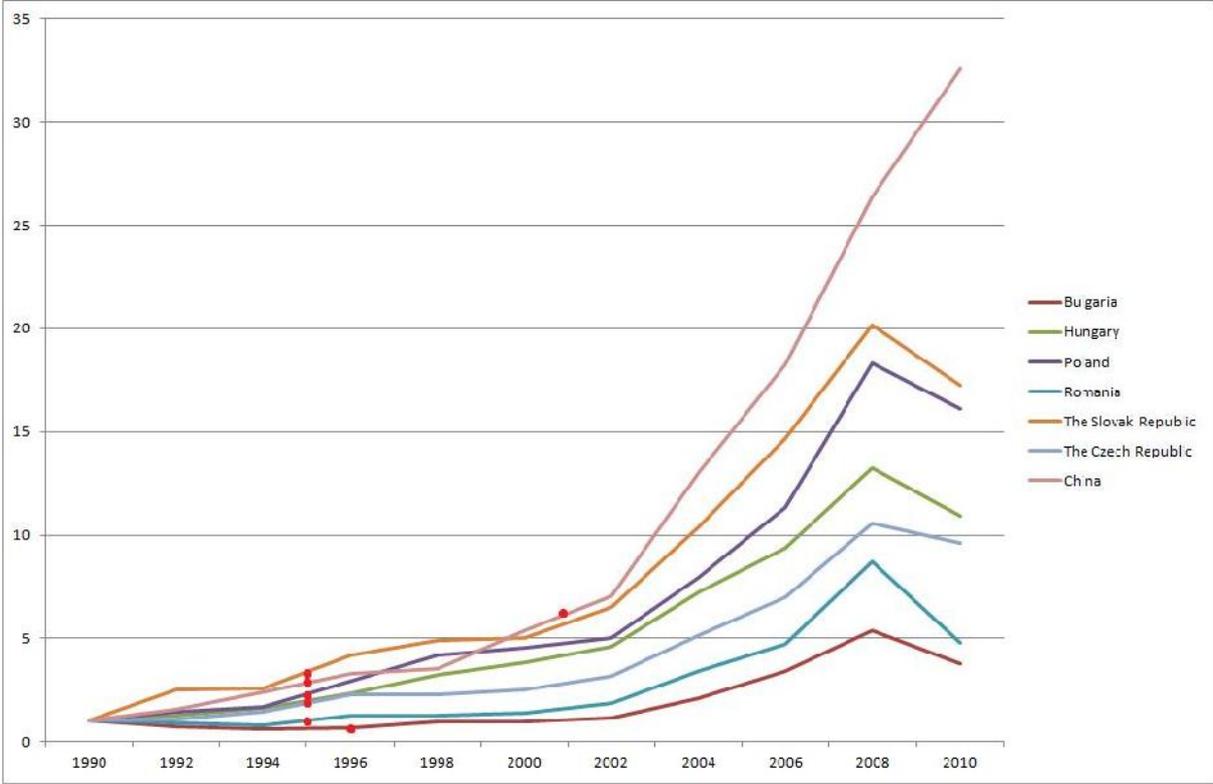
As Figure 1 shows, the states influenced by the WTO on export volume are divided into two groups. In the states with a positive influence of the WTO on their exports there is a positive change in the trend. In the states, the export of which the WTO had no effect, the trend after

the accession to the WTO remained or was stagnant. The first group of countries includes the Czech Republic, Poland, Hungary and the Slovak Republic, the second group - Romania and Bulgaria. In the countries of the former Soviet republics: the first group includes Latvia, Lithuania, Estonia, the second - Georgia, Kyrgyzstan, Armenia, Ukraine and Moldova. China also belongs to the first group because in the accession to the WTO it has come out on top on export and in the second - on the volume of trade.

Figure 1 suggests that in the first group of states the WTO has had a positive impact on exports of goods and services. However, in our view, to speak about the decisive action is not correct.

It can be seen in the Czech Republic as an example. In 1993 there was a division into 2 states - the Czech Republic and the Slovak Republic. The mutual internal trade suddenly became the foreign trade (the change in exports +69.9% and imports +45.2%). In 1995 (the year when the Czech Republic accessed to the WTO) the Act number 58/1195 on insurance and export financing with state support came into force. Thus, a significant increase in exports in 1995 to +23.4% can be justified not only by the accession to the WTO but also to measures for supporting exports adopted by the state.

The analysis of the impact of the WTO accession on the dynamics of imports of goods and services in many ways complements and follows the logic of the analysis of the impact of the WTO on exports (see Fig. 2). Here also there are two groups according to the impact of the WTO: with a positive dynamics of the index on exports and a negative / stagnant one. Among the states which import after the accession to the WTO began to fall or stagnate we can call already mentioned Romania and Bulgaria in Eastern Europe, Georgia, Kyrgyzstan, and Ukraine in the former Soviet republics. To the first group with the positive dynamics of indicators we refer all other states under review.



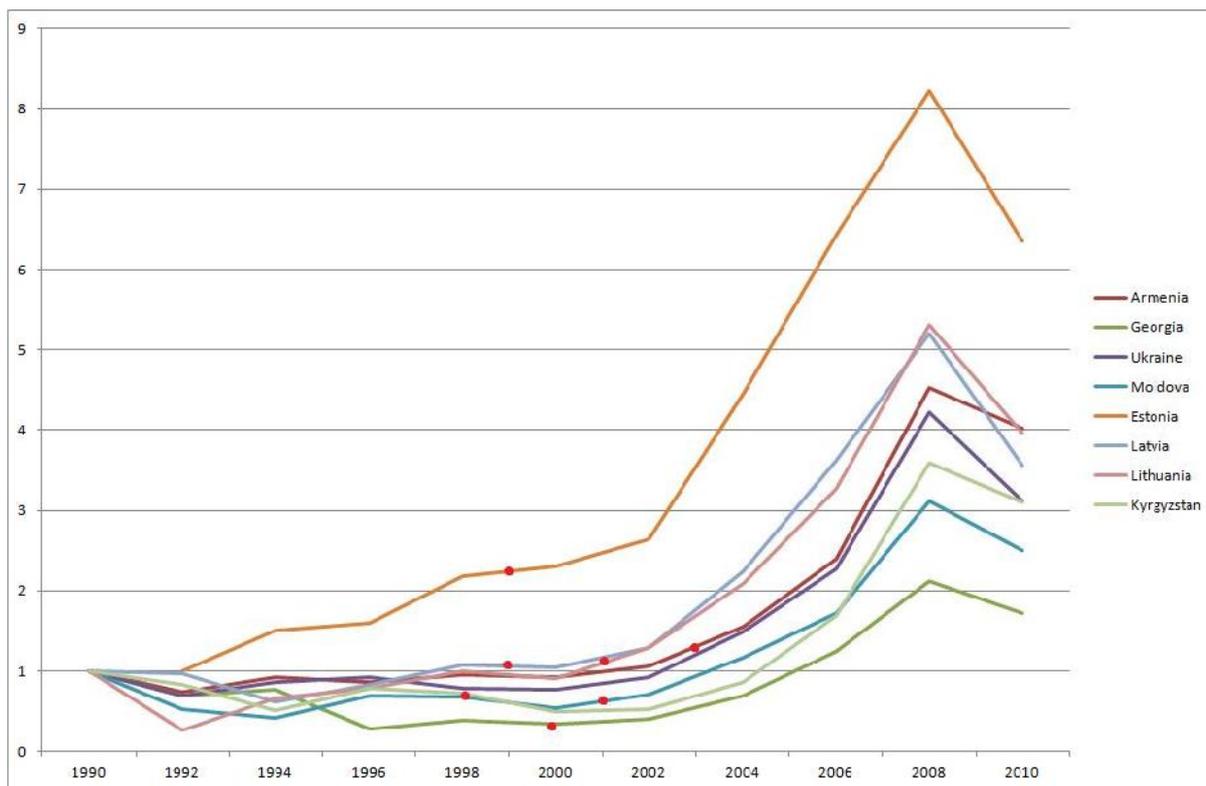


Figure 2. Imports of goods and services *

* Note.: Data for all countries listed in the indexes (1990 = 1). For Estonia, the base year is adopted in 1992 [10]

The explanation of the dynamics of imports cannot also be reduced to the WTO. We give back to the example of the Czech Republic. The import growth in 1995 to +33.6% can also be related not only to the WTO, but also with a strong domestic demand, which could not be satisfied with Czech companies, the real wage growth, strengthen reinforcing the financial strengths of foreign companies. As secondary reasons it may also be called the privatization of state assets, the economic downturn in the most countries of the European Union, the increase in oil and gas prices and the further strengthening of the Czech currency.

However, the positive impact of the WTO on exports and imports would not be denied. In accessing to the WTO by reducing trade barriers, China's foreign trade has risen from \$ 500 billion to \$ 3 trillion, exports have increased by 5.9 times, and imports - by 5.7 times. Thanks to it foreign exchange reserves have increased from \$ 212.2 billion to \$ 3 trillion [20]. China has become the "world factory", and «Made in China» is sold worldwide. The country's position in the world economy is respect for its trading partners.

China annually imports goods for \$ 750 billion, therefore, it provides more than 140 million jobs for the partner countries. In ten years the relatively low prices of Chinese goods has allowed the American consumers to save more than \$ 600 billion, and every household in the EU annually benefits € 300.

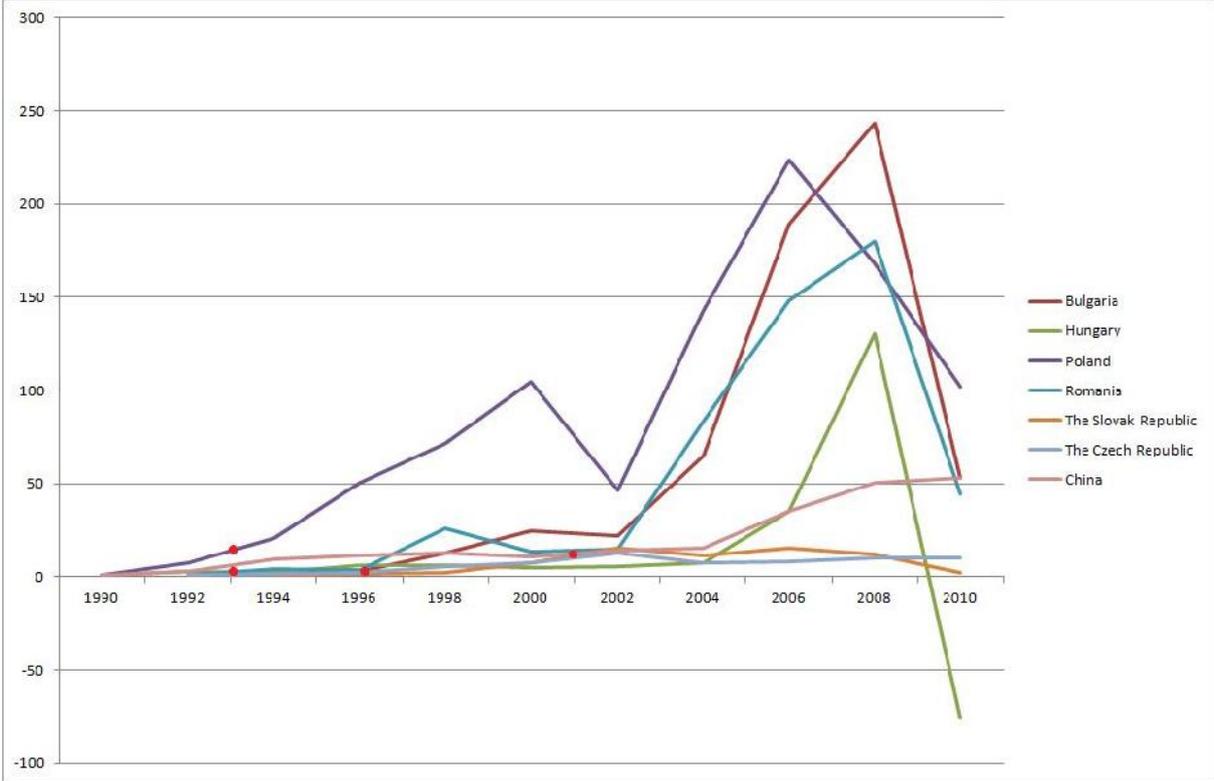
China's economic progress is based not only on the WTO. It's sufficient to analyze the conditions that China has accessed the WTO (see Fig. 3). According to the Statistical Service of China, at the time of the accession to the WTO in 2001, the average wage in China was \$ 110, the average rate on loans to 6%, the Chinese Yuan was undervalued against the U.S. dollar by 53% [14,15]. All this created the preconditions for the accelerated development of

the Chinese economy and foreign trade. However, the removal of protective trade barriers from foreign trade partners of China certainly helped in this growth.

Removing barriers in foreign trade through membership in the WTO was seen by many candidates as a tool for attracting foreign investments and stimulating the GDP.

Figure 3 shows the dynamics of foreign direct investments in Eastern Europe, China, the former Soviet Republics, who later became the members of the WTO. Red dots indicate the time of the accession to the WTO.

As you can see from the graph, on the impact of WTO accession on the dynamics of foreign direct investment (FDI) there are two groups - with a positive or negative and stagnant influence. The positive dynamics of the foreign investment impact of the WTO accession is for China, Poland, the Czech Republic, Bulgaria, the Baltic states of Latvia, Lithuania and Estonia and Armenia. Foreign investments in these states have a pronounced progressive trend. The negative or stagnant dynamics of FDI after the WTO accession was observed in countries such as Romania, the Slovak Republic, Hungary, the CIS countries - Kyrgyzstan, Moldova, Georgia and Ukraine.



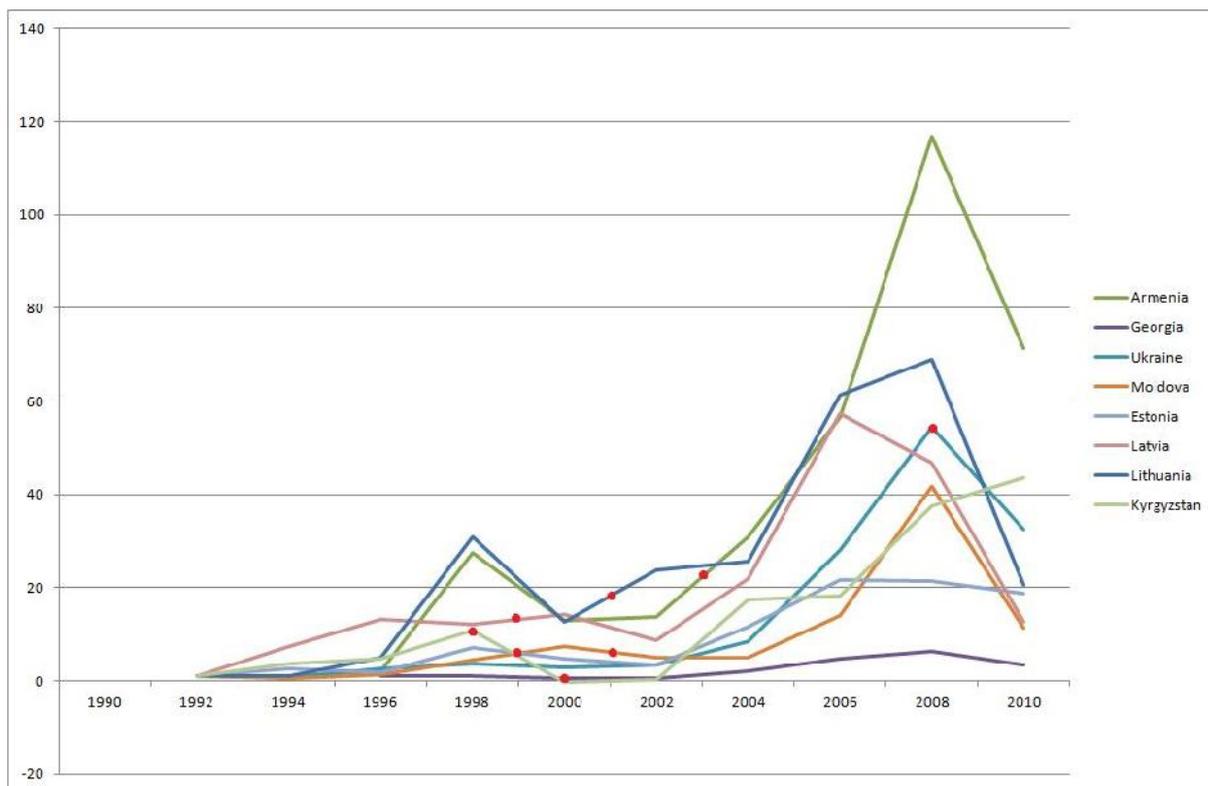


Fig. 3 Foreign direct investments, net inflows*.

* Note.: Data for all countries listed in the indexes. For Bulgaria, the Czech Republic the base year is adopted in 1992, the Slovak Republic - 1994. For the CIS countries the base year is adopted in 1992, Armenia - 1994, Georgia - 1996, for the rest - 1990 = 1 [10].

As the graph shows, the accession to the WTO is not a guarantee of attracting foreign capital. It can be seen in particular from the example of the Republic of Kyrgyzstan. One of the main problems, the solution of which the government expected to be decided by the WTO was to attract foreign investments and create jobs because of this, was not achieved. The country did not receive the long-awaited boom in foreign investments. The influx of foreign investments began to be felt only 6 years after the accession to the WTO in 2004.

The WTO cannot be called the main factor motivating the foreign investor to invest in a certain state. It focuses on the situation in general paying attention to the membership in the WTO is not for the first or even second place. There is a variety of evidence for it.

In Russia, net private capital flows in 2006 were \$ 41.9, and in 2007 - \$ 81.2 billion [12]. Russia became a member of the WTO in September 2012.

The example of China also confirms our assumption. The Vice-President of the World Bank Otaviano Canuto in his speech at the forum on the tenth anniversary of China's accession to the WTO, said, "The average annual growth of foreign trade is 21.6%, while foreign direct investments have increased by 11 times". [4]. However, the growth of FDI in China was at a time when the WTO no one dreamed of. Table 1 shows the dynamics of some macroeconomic indicators in China in 1996. [15] The table shows that the indicators grew even before the accession of China to the WTO.

Table 1. China's macroeconomic indicators: the growth is possible even prior to the accession to the WTO

Macroeconomic indicator	1996	2001	2005	2010	2011
GDP, billion CNY	6779,5	10965,5	18232,1	39798,3	47156,4
Distributed income of urban residents in the country, CNY	4839	6860	10493	19109	21810
Exports, billion USD	151,1	266,1	762,0	1577,9	1898,6
Imports, million USD	138,8	243,6	660,1	1394,8	1743,5
Foreign exchange reserves, billion USD	105,0	212,2	818,9	2847,3	3181,1

It would be wrong to deny the positive impact of the WTO on China for attracting foreign investments: in ten years after accessing to the WTO, China has attracted more than \$ 700 billion of foreign capital. Among the 500 largest global companies more than 480 have business in China. In addition, on the degree of the openness of the service market, China is close to the average level of developed countries. According to the "White Paper" to the date, the open access to foreign capital is in 100 of 160 sub-sectors included in the category of trade and trade-related services (on the range of trade services of the WTO). In 2010, there were registered 13,905 new enterprises with foreign capital and foreign capital was actually used up to \$ 48.7 billion [13].

In 1998 the Czech Republic adopted a resolution on investments No 298/1998 to encourage investments by which to provide incentives to invest in the manufacturing industry. The result of these innovations was the increase of foreign direct investments by 184% in 1999. Thus, the WTO accession had no direct impact on the flow of investments in the Czech Republic.

At Figures 4 and 5, we present the dynamics of GDP and gross national income (GNI). The graph shows that since the accession to the WTO GDP grew in all of the countries under review. However, growth rates were quite different. In the first group of countries GDP was increasing actively with the sharp rise. We assign to it - China, Lithuania, Latvia, the Czech Republic, Poland, the Slovakia Republic, from the CIS countries - Armenia. In the second group of countries the growth had either insignificant rates (Hungary, Georgia, Kyrgyzstan, Moldova), or GDP stagnated (Romania, Bulgaria), and sometimes even reduced (Ukraine).

Since accessing to the WTO we note a significant increase in GDP in Poland, which indicates an increase in the economic activity of the country and the number of markets, i.e. increasing in exports, and focus on the further liberalization of trade policies of the country that the WTO has had a great influence.

Doing analysis we should underline that the CIS countries with the lowest GDP in the CIS in absolute terms and per capita have joined the WTO among the first. This confirms our conclusion that the countries that did not have or had in small amount of their own production easier agreed to the requirements of the WTO, as they simply had nothing to defend. These states were Kyrgyzstan and Georgia. The Baltic States were also quickly integrated into the WTO. But here the main reason was to support countries – the EU members. But here, too, our thesis is confirmed: the Baltic States have a minimum rate of GDP in the EU. The negotiation process for the countries was held relatively painlessly and quickly.

The second conclusion is that we can make based on the graph 4: it does not support the conclusion of the economic theory: the graph does not show a direct impact of the WTO on

Gross Domestic Product. In Eastern Europe in Bulgaria, the Slovak Republic, Hungary, Romania, the Czech Republic after the WTO accession the growth rates remained as achieved by the countries at the time of the integration. Among the Baltic States to such we assign Latvia, Lithuania and Estonia. In the CIS countries, the WTO also had no impact on GDP: saving of the achieved trend is observed in Kyrgyzstan, Moldova, Armenia and Georgia. In Ukraine, after its accession to the WTO in 2008 the GDP, in general, "collapsed" by more than 20% by the end of 2009.

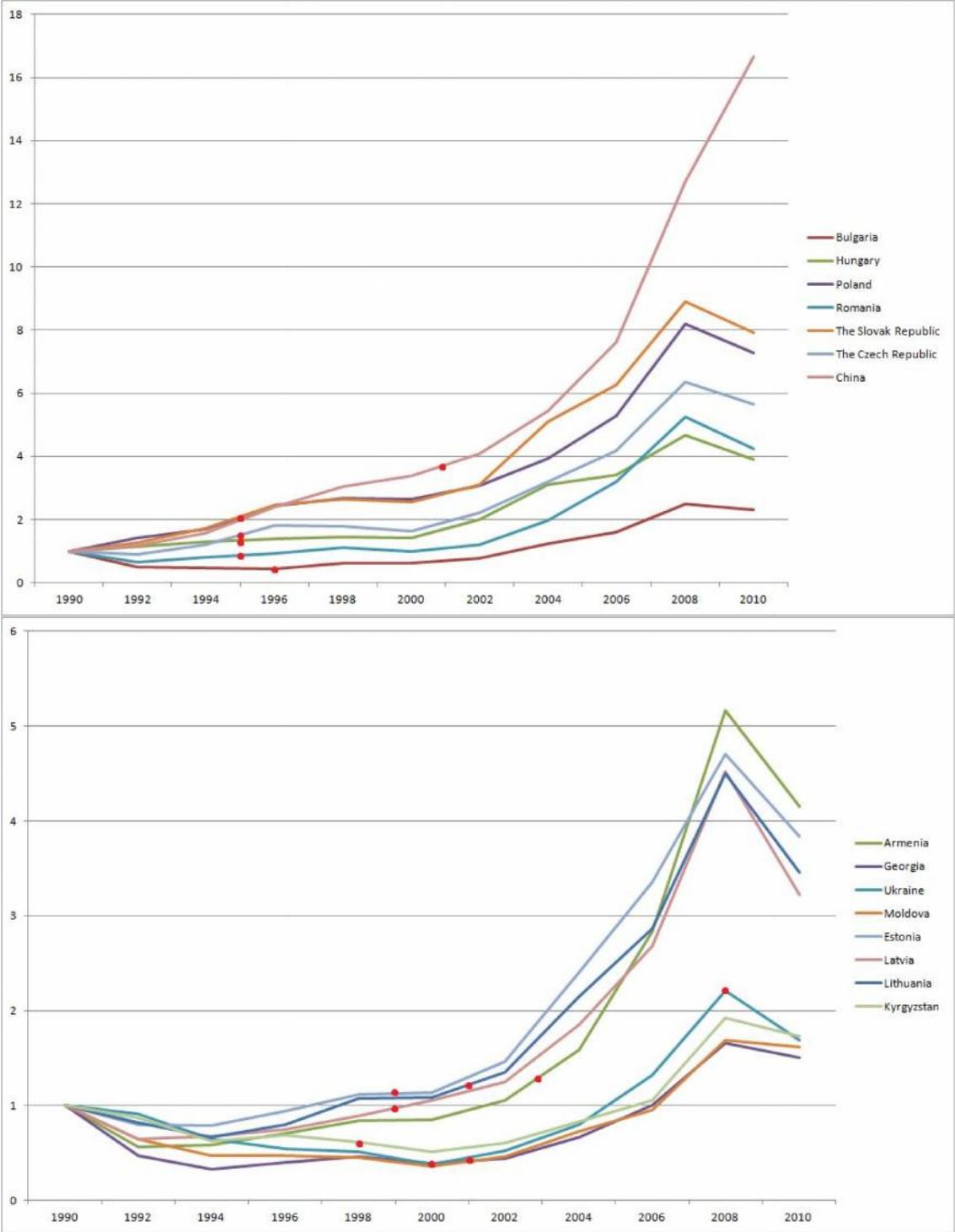


Fig. 4 Dynamics of Gross Domestic Product

* Note.: Data for all countries listed in the indexes (1990 = 1) [10]

Such contradictory results of the analysis allow us to conclude that the accession to the WTO is insignificant of the factors affecting the Gross Domestic Product of the state.

Our conclusion contradicts the conclusions and projections from the World Bank. China's GDP in the ten years of its membership in the WTO has grown nearly five times from 10,965.5 billion CHY to 47156,4 CHY, from the ninth place in the world to the second. The World Bank notes that in 2010 China's economic growth exceeded 10%, and its share in the growth of the world economy reached 25%. China's GDP forecasts are equally impressive. According to the vice-president of the World Bank Otaviano Canuto, China has the potential for its dynamic growth, and by 2030 it will be the largest economic entity of the world economy. Moreover, its GDP per capita will increase by 4 times [4].

The conclusions from the analysis of the impact of the WTO accession on the gross national income (GNI) have more to do with the economic theory. Most countries surveyed demonstrate the positive trend rate after the accession. Figure 5 shows the change in the gross national income. Analyzing the figure we can see that a negative trend of the GNI after their accession show Romania, Kyrgyzstan, and Ukraine. Other countries show a progressive trend. It is especially noticeable in Bulgaria, in 1995 there was a slight decline, and after the WTO accession in 1996 a steady growth is noticed.

Ukraine has the decline but in this case, most likely it's a consequence of the global financial crisis. Figure 5 clearly shows that in 2008 the growth rate slowed in all countries, and some of them had a decrease of the GNI.

The impact of the 2008 economic crisis on the GNI of countries proves that the WTO accession is not the main and only factor influencing on the GNI.

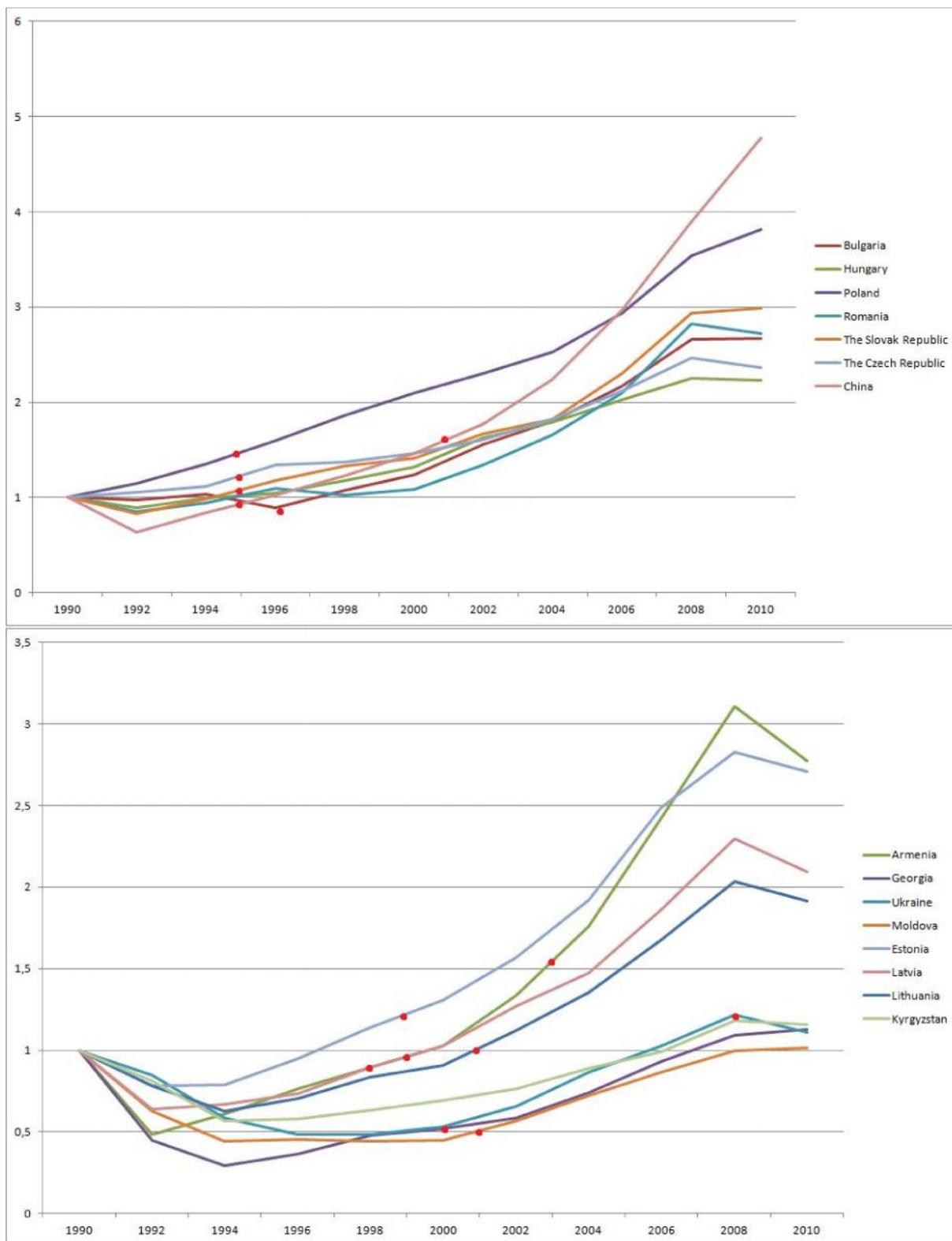


Fig. 5 Gross National Income, in % to the previous year. For clarity of providing graphics the GNI of China is decreased 2-fold [10]

There is no direct and the only influence of the WTO on the gross national income in the analysis of the index of the Baltic States. The GNI for Lithuania, Latvia and Estonia after the

WTO accession was about 100%. Such a high result of the Baltic countries is due, in our opinion, first of all, to the fact that these countries have joined the European Union (EU), which allowed them to strengthen their economic relations with the countries of Western Europe. After analyzing the share of European countries in the export of Latvia, Lithuania and Estonia - in these states more than 50% of foreign trade belongs to the European Union and we indirectly confirm this conclusion.

Above mentioned countries experienced different effects of the WTO accession on the macroeconomic indicators of the GDP, GNI, exports, imports and FDI. Some countries show a positive trend of all considered macroeconomic indicators, while others demonstrated on a number of indicators the positive change, on the other - negative. Table 2 provides a summary analysis of the impact of the WTO on the macroeconomic performance of these countries.

Table 2. Dynamics of macroeconomic indicators in China, Eastern Europe and the CIS countries after the WTO accession

Parameter	Countries with a positive change in the parameter after the WTO accession	Countries with a negative / stagnant change in the parameter after the WTO accession
Export volume	China, Hungary, Poland, the Slovak Republic, the Czech Republic, Latvia, Lithuania, Estonia	Romania, Bulgaria, Georgia, Kyrgyzstan, Armenia, Ukraine, Moldova
Import volume	China, Hungary, Poland, the Slovak Republic, the Czech Republic, Latvia, Lithuania, Estonia, Armenia, Moldova	Romania, Bulgaria, Georgia, Kyrgyzstan, Armenia, Ukraine,
Foreign direct investment	China, Poland, the Czech Republic, Bulgaria, Latvia, Lithuania, Estonia, Armenia	The Slovak Republic, Romania, Hungary, Georgia, Kyrgyzstan, Ukraine, Moldova
Gross domestic product	China, Poland, the Slovak Republic, the Czech Republic, Latvia, Lithuania, Estonia, Armenia	Romania, Bulgaria, Hungary, Georgia, Kyrgyzstan, Ukraine, Moldova
Gross national income	China, Bulgaria, Hungary, Poland, the Slovak Republic, the Czech Republic, Georgia, Latvia, Lithuania, Estonia, Armenia, Moldova	Romania, Kyrgyzstan, Ukraine

As we can be seen from Table 2, there are not so many countries that after the WTO accession showed the positive dynamics of all macroeconomic indicators. These countries include China, Poland, the Czech Republic, Latvia, Lithuania and Estonia. However, there are also few countries with the stagnant or negative trend over the considered indicators. After the WTO accession negative changes of all the above mentioned macroeconomic indicators showed Kyrgyzstan and Ukraine. At the same the negative trend of Ukraine is most likely connected not with the WTO but the global economic crisis. We have also highlighted countries in which the considered indicators positively changed after the WTO accession. In countries such as Hungary, the Slovak Republic, Armenia four indicators of the five examined showed a positive trend. In other states, such as Romania, Bulgaria, Moldova, Georgia macroeconomic indicators showed a generally negative or stagnant changes: only one or two indicators had a positive change.

Such classification has given us a reason to divide countries into categories based on the changes in macroeconomic indicators after the WTO accession:

- Category 1 - countries with a positive change of all the above mentioned macroeconomic indicators after the WTO accession;
- Category 2 – countries with generally positive macroeconomic indicators after the WTO accession;
- Category 3 - countries, which macroeconomic indicators changed negatively after WTO accession;
- Category 4 - countries with a negative change in all the above mentioned macroeconomic indicators after WTO accession.

The classification of countries according to the selected category is shown in Table 3.

Table 2. Categories of countries according to the change of macroeconomic indicators after WTO accession

Category of countries	Countries
Category 1 countries with a positive change of all the above mentioned macroeconomic indicators after the WTO accession	China, Poland, the Czech Republic, Latvia, Lithuania, Estonia
Category 2 countries with generally positive macroeconomic indicators after the WTO accession	Hungary, the Slovak Republic, Armenia
Category 3 countries, which macroeconomic indicators changed negatively after WTO accession	Romania, Bulgaria, Moldova, Georgia
Category 4 countries with a negative change in all the above mentioned macroeconomic indicators after WTO accession.	Kyrgyzstan, Ukraine

As shown in Table 3 in the countries reviewed, the macroeconomic situation has changed in many ways and is not uniform. What conclusions and lessons can be drawn from these results for Russia?

WTO accession: lessons and forecast for Russia

We would like to notice that the impact of the WTO on Russia's macroeconomic indicators will be similar to China, involving tens of billions of dollars of foreign investments and the GDP growth of 10%. However, comparing the original data of China's and Russia's WTO accession it casts doubt.

Fig. 6 shows the macroeconomic conditions for the WTO accession for Russia and China. From the analysis of the figure we see that the Chinese products due to low cost of labor (\$ 110 in 2001) and a significant undervalued yuan compared to the dollar (53% in 2001) got a substantial margin of competitiveness with the comparison of foreign products even in the fall of protective import duties:

- undervalued currency benefits the domestic industry and exporters;
- low labor costs give additional advantages compared with foreign enterprises;
- the cost of loans, comparable to the rates in the European Union and the United States, opens the access for Chinese businessmen to investments.

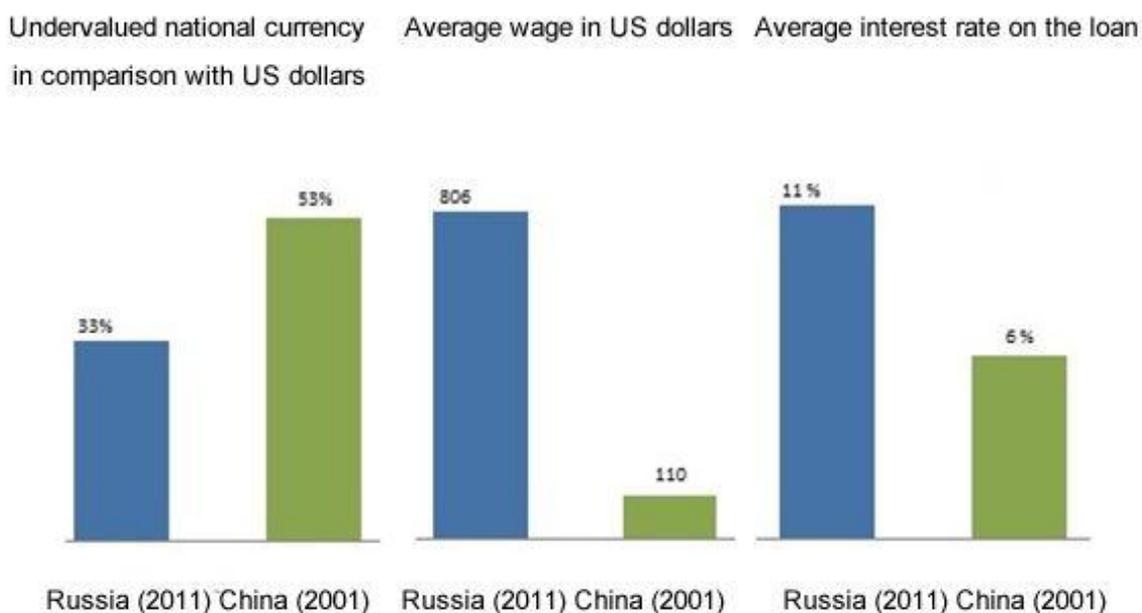


Fig. 6 Macroeconomic conditions for the WTO accession for Russia and China [12, 15, 2]

Russia does not have such advantages as China: the average wage (\$ 806 in 2011), though less than in the European Union and the United States, but much higher than in China; less undervaluation of the ruble against the dollar - 33%; more expensive than in China, the U.S. and the European Union credit resources (11% in 2011). All this makes the products of the Russian processing industry less competitive comparing with foreign counterparts. There is a high risk for the losses of Russian products even at the domestic market. The situation is complicated by the structure of Russian imports.

The large share of imports occupies machinery and equipment, chemical and agricultural products, that is, general products of the processing sector. Two of these industries - engineering and agriculture - are risky for the WTO influence on them.

The reduction of customs tariffs could significantly reduce the proportion of food produced in Russia.

Engineering industries may also incur significant losses as domestic enterprises need an expensive and long-term modernization. According to various estimates, the depreciation of fixed assets in the industry is more than 80% [12]. Rising of energy and metal prices already significantly reduces the profitability and competitiveness of engineering products.

These concerns are shared by a number of market experts. International rating agency Moody's believes that the WTO accession has a negative impact on manufacturers of agricultural machinery and equipment, the flagship of the Russian engineering such as GAZ Group and OJSC "KAMAZ" may face the loss of market shares, declining sales and, consequently, reduced profitability. [9] Oksana Bayulgen in her article "Two Steps Forward, One Step Back» also admits that the reduction of duties will lead to a drop in many industries and, above all, in mechanical engineering. She says that Russia can lose 1% of the GDP per year, or 7.2 billion dollars a year by reducing the barriers. She comes to the conclusion that

after the WTO accession in many countries the poverty has increased, the developing countries' share in the world trade has not increased, but decreased [1].

Prior to the WTO accession the Government of Russia neutralized these disadvantages by protective duties on imported goods. After Russia has become a member of the WTO, the situation is not so optimistic. Russia has protective barriers which are much lower than in other countries. Russia's average duty on imports is 10% against 12.1% in China, 13% in India and 13.7% in Brazil. [2] The level of the development of production in Russia is not as high as in developed countries such as the U.S.A., Japan, the European Union countries which can afford to keep a low protective barrier due to the developed level of the domestic industry. Russia's WTO accession will reduce these barriers even more.

In this situation, to talk about the national security of the processing industry is not possible and, therefore, to expect an increase in foreign investments, in the GDP and the GNI at the expense of these industries, is rather strange.

On the other hand, the reduction of duties will lead to higher consumer activity and increased consumption. While decreasing the protection of Russian products the domestic production will be replaced by imports. These two factors will lead to a substantial increase in imports, which will have an impact on the development of industries related to imports.

Agency Moody's expects that retailers such as X5 Retail Group, «ABC of Taste», "Okay", "M. Video", in the range of which there is a high proportion of imported goods and which are major importers, will receive significant benefits from the Russian Federation WTO accession, increase their revenue and profitability by it [9].

The accession to the WTO, however, does not mean that Russia alone has made some concessions and decreased tariff barriers in order to destroy its industry. The concessions were bilateral. Trading partners also reduced tariffs and eliminated quotas and restrictive measures in respect of goods from Russia. In particular, until recently steelmakers in the U.S. and the European Union often suffered from such discriminatory measures. After the accession to the WTO there are no these "barriers".

According to the experts of the Moody's agency, the producers of non-ferrous and ferrous metals and chemicals, are likely to increase the production and export of goods. These companies are such giants of industry as OJSC "Novolipetsk Steel" (NLMK) and OJSC "Severstal", OJSC "MMK" (Magnitogorsky Metallurgical Plant), the flagship of the chemistry OJSC "Uralkaly", the branches of JSC "LUKOIL" which will benefit from Russia's WTO accession.

Barriers to the export of Russian goods existed not only on the part of trading partners. In particular, at the export of oil, gas, non-ferrous metals and wood the Russian government set significant export duties. After the accession to the WTO during the transition period the export taxes should be eliminated with a positive impact on the export of these products. Raw material companies, thus, can increase their production and sales abroad.

Potentially there must be a growth of the share of mineral resources, but its growth is not due to the accession to the WTO, but the fact that Russia is one of the largest exporters of mineral products in the global market.

However, due to the negative impact of the WTO on the products of Russian agriculture, engineering, and manufacturing sectors Russia's exports growth will not be as significant as the increase in imports.

The influence of the WTO on the development of Russia's exports and imports, as well as the structure of the GDP, will be reflected in the volume of foreign direct investments. It is logical to assume that after the WTO accession investments will be put into growing industries, as we have identified, which include oil and gas, metallurgy, chemistry, forestry, services (banking and insurance). These industries occupy the huge proportion in the GDP and investments of the Russian Federation.

In the processing industries of machinery, food industry and agriculture, is likely to see stagnation or a very slow growth in foreign investments. Considering the small share of these sectors in the GDP and investments, foreign direct investments in the economy of Russia is likely to increase, but the industries-outsiders are not allowed to significantly increase this indicator.

Conclusions

The WTO accession should have a positive impact on the volume of foreign trade, exports, imports, and as a result, the volume of foreign direct investments, the GDP and GNI. However, according to our investigation, in Eastern Europe, the CIS, Georgia, China the effect of the WTO is not directly observed. The WTO accession indirectly impacts on these macroeconomic indicators in creating the conditions for an open economy and stimulating of the competition. Among the countries we examined, we have identified a group of states, on the macroeconomic indicators of which the WTO membership as a whole has reflected positively. These countries are China, Poland, the Czech Republic, Latvia, Lithuania and Estonia, Armenia and Georgia. For other countries, Romania, Bulgaria, the Slovak Republic, Kyrgyzstan, Moldova, Ukraine the indicators after the WTO accession either have stagnated and declined or increased, but only slightly.

Based on the analysis of the impact of WTO accession on the countries of Eastern Europe, the CIS, China, Georgia we have formulated the possible consequences and implications for Russia after the WTO accession. The integration into the WTO causes:

- significant increase in imports due to the fall of protection barriers for the Russian production and growth in consumer activity due to lower fees;
- increase in exports by primary products such as oil, gas, metals, wood, which do not feel stiff foreign competition. However, there may be a fall in exports of agricultural products;
- moderate or weak growth of the GDP and GNI due to the significant growth in the raw material processing amid falling output in the processing industry;
- moderate or weak growth in the FDI due to increased investments in the primary sectors, the services (banking, insurance) due to lower investments in the processing industry;
- development of primary industries and stagnation of processing sectors;
- increased dependence of the Russian economy on the world raw material prices.

The main thing which Russia can gain from the WTO accession is the stimulation of competition. That, in turn, will lead to the economic growth, and the increase of the life quality of its citizens.

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