How to Ensure Sustainable Development of Agribusiness in the Conditions of Trade Integration: Russian Approach

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ABSTRACT

The World Trade Organization (WTO) is currently the leading international organization regulating the issues of liberalization of international trade. In October 2011 the long process of Russia-WTO negotiations was completed. The problem is that the Russian accession into WTO is more related to the general unification of Russian trade policy, not to the effective development of agricultural production. Russian agricultural producers are against integration into the global trade system in the frameworks of WTO. National agricultural production would not be able to compete effectively with foreign producers in the conditions of free market. The complex of supportive measures for Russian agribusiness is needed from the national government, but the situation is worsened by the global financial crisis and lack of budget resources. The paper discusses an overview of the WTO principles in agriculture and possible support measures for the Russian agriculture in the conditions of trade integration.

Keywords: Agribusiness, Obligations, Subsidies, Support, Sustainable Development, Trade Integration

INTRODUCTION

The Russian accession into World Trade Organization (WTO) had been approved in December 2011 after the long period of multilateral negotiations. The ratification of the accession documents by the State Parliament of the Russian Federation (Duma) is expected in the middle of 2012. After that, Russia will become the full member of the single global trade system. Along with a wide range of advantages given by the WTO system to the Russian economy, many experts reasonably observe series of problems and challenges related mainly to the alleviation of access to the Russian internal market for foreign goods, decreasing competitiveness of Russian producers, wave of bankruptcies,
increase of unemployment and decrease of living standard.

Membership in WTO will obviously limit the opportunities in independent regulation of the external economic activity. Particularly, the binding of the import custom tariffs will limit the maneuverability and flexibility of the state regulation of the custom and tariff measures. The economic conditions of the majority of plant and animal production branches will get worsened because of the low competitiveness of Russian production based on the low level of provision with qualitative production factors, as well as on the weak interaction between agriculture and the rest of industries and services. It will become harder and more difficult for the state to protect national producers; the access for the foreign food products to the internal market will become easier because of the lower import custom tariffs. This may lead to the decrease in the national production.

The mentioned problems are especially true for the Russian agri-industrial complex and development of rural territories. Russian experts anticipate the decrease of the share of the local agricultural producers on the internal market which, in turn, will effect on the employment in the related industries. Food processing industries, especially meat and dairy, are expected to be the most attackable. After the WTO accession the problems may arise in the sphere of application of veterinary, sanitary and phytosanitary measures, treated as protective ones. Once entering WTO the country has to implement the sanitary and phytosanitary measures or restrictions in accordance with the WTO Agreement on Sanitary and Phytosanitary Measures – and only based on the scientifically proven principles of phytosanitary risk. The growing flow of cheap import products may bring new quarantine objects and diseases to the country.

**DISCUSSION**

Even today, the majority of Russian agricultural industries cannot equally compete with foreign producers. The dependence on import deliveries is critically high. Local agricultural and food products cannot find their customer neither on foreign nor even on local Russian markets.

However, the “secret” of success of foreign farmers on the Russian market is not only in the unique high quality of their production. Agriculture in global economics is one of the most protected and “closed” branches. The main method of protection is to give a huge volume of subsidies to the agricultural producers. Annual expenses of WTO member countries for agriculture reach dozens of millions US dollars. Half of “agricultural” expenses of WTO member countries are the measures distorting trade and production which has a negative influence on the global agricultural market, leading to the excess production and fall of prices for agricultural and food products.

Currently almost all-global volume of agricultural support is distributed between EU producers (39%), USA (36%) and Japan (15%). These countries provide more than 90% of total volume of subsidies worldwide. The share of state support in GDP of agriculture is 36% in EU, 37% in Japan and 39% in USA (Table 1). Herewith USA and a range of other developed countries remain the net exporters of food products and save the high level of food sovereignty. USA and France are fully independent and provide themselves with agricultural and food products on 100%, Germany – on 93%, Italy – on 78%, Japan (which almost has no land resources) – on 40%.

Foreign experience of state support of agriculture, applied tools and methodological base of WTO in this sphere are obviously the necessary objects to be studied in purpose to smooth the expectative negative effects for Russian agriculture in view of WTO accession and to use all existing competitive advantages.

WTO activities are based on the main principles among which are non-discrimination principle and principle of open market access. The essence of the non-discrimination principle is in the unity of two regimes: Most-Favored-Nation Regime (MFN) and National Treatment (NT).
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