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Business Entities and Industries of the South of Russia in the Context of Russia's Membership in the WTO

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Abstract: The purpose of the study was to find out effective conditions of Russia's membership in the WTO for business entities and industries of the South of Russia. Membership in the WTO causes both threats and opportunities. In the economy of the South of Russia the main threats arise in agriculture, engineering, light industry, metallurgy. The main measures to minimize possible negative consequences of Russia's membership in the WTO are: the support for exports in the South of Russia, the support for vulnerable industries of the South of Russia, competing with imports, the creation of new competitive advantages of the South of Russia, the abolition or revision of restrictions on foreign market access of Russian goods under the full participation in the WTO, the development of support programs for small and medium-sized enterprises in the South of Russia. The results of the study complement the evaluation of Russia's WTO accession consequences in terms of macro-regions and can be applied to the economic policy planning in the regions of the South of Russia.

Key words: WTO % Russia's membership in the WTO % Economy of the South of Russia % Consequences of Russia's accession to the WTO for industries % Support for exports % Creation of the competitive advantages.

INTRODUCTION

The evaluation of the consequences of Russia's accession to the World Trade Organization (WTO) has been an actual scientific problem for the last 20 years [1]. In 2012 Russia's WTO accession was the important event for the national economy as well as for the world economy [2]. In this regard, emergence of new companies, price fluctuations and corresponding increase in threats for national and regional economies can be predicted [3], for the South of Russia in particular. Thus, there is an actual issue to form such conditions of functioning in the WTO that could minimize negative effects for national economy as a whole, its regions and fully realize the benefits of the accession. It is impossible to formulate the list of necessary institutional and infrastructural changes without consideration of the conditions and consequences of Russia's WTO entry for business entities and industries of the South of Russia.

Functioning of the Russian Economy under the WTO Rules: The history of the interaction between Russia (USSR) and the WTO (General Agreement on Tariffs and Trade at that moment) began in the mid-80s of the XX century. However, USSR got the observer status only in 1990 and in 1993 Russia made a formal application to join the GATT. The procedure of the Russia's accession to the WTO lasted for many years and the Russian delegation showed perseverance in defending the positions of the economy and the domestic enterprises, achieving compromises. After 18 years of negotiations, the Accession Package of the Russian Federation was approved on the WTO Ministerial Conference on 16 December 2011. On 22 August 2012, Russia became the 156th member of the WTO.

Since then, Russia must apply all WTO rules except for specified exemptions for the transition period. According to 30 multilateral agreements on services and 57 agreements on goods, Russia guarantees access to market of goods and services for WTO members.

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The changes were implemented in the following sectors:

Commitments on Goods: Russia assumed commitments to limit the export duty rates on over 700 products. So, limitation will affect fish products, mineral fuel and oils, leather products, wood, cellulose and non-ferrous metals.

Commitments on Services: Russia assumed commitments on 116 positions among 155 service sectors specified under the GATS [4]. The most obligations will not cause significant changes in he current regulation system. In some sectors WTO agreements provide the possibility of introducing even more strict measures than current regime. For example, if necessary, Russia can introduce a state monopoly on the alcohol wholesale trade.

System Commitments Cover a Number of Regulation Principles: Subsidies to industries-Russia's commitments on subsidizing industries are standard and common for WTO developed member states; import licensing - Russia confirms the current system of import licensing and activities (except for the transition to automatic import licensing of alcohol); protection of intellectual property rights; energy pricing - Russia keeps the right to control over the pricing of certain products and services, sanitary and phytosanitary measures and technical regulations, trade-related investment measures - all the measures that are inconsistent with the WTO rules must be removed before 1July 2018.

Also it should be noted that the Russian Federation will provide the necessary transparency of legislation and regulatory practices of foreign trade. Customs Union of Russia, Belarus and Kazakhstan is also obliged to comply with the WTO requirements of transparency [4].

Thus, during the negotiations Russia achieved relatively favorable conditions for the accession to the WTO. Under the reached agreements a significant part of the goods was excluded from trade liberalization for a long transition period, non-linear procedure of import duties reduction was established. In general, it can be noted that Russia’s obligations in the WTO comply with the current legislation and practice.

However, the impact of WTO accession is evaluated ambiguously, the main positive and negative forecasts can be considered.

After the entry of the Russian Federation to the WTO, some industries that were protected by high barriers from foreign competition, can be seriously affected by the expanding imports and others-significantly benefit from improved export and investment inflow. According to preliminary estimates, the output in industries, despite the possible decline will rise again in 2015 and a net gain of industry, construction and trade in 2015 may reach 580 billion rubles. However, the GDP in 2015 will grow by less than 1%: the deterioration of the trade balance due to increased imports may reach 10-12 % [5].

It is generally accepted that the reduction of import duties for WTO accession brings a positive impact on the living standards of the population and saturation of consumer market. However, the incomes of economically active population of any country or region is formed primarily through participation in industry. Reduction of the local industry and its displacement by foreign firms, accompanied by rising unemployment, clearly do not contribute to the growth of living standards.

As already mentioned, due to Russia’s WTO accession duty rates will be reduced, but it will not necessarily lead to a drop in budget incomes. The reduction of duties usually leads to an increase in their collection and an increase in trade and accordingly, an increase in customs payments. For example, in 2002-2003 Russian duties decreased by approximately 3%, but incomes from customs duties increased. The same 3% reduction is expected for seven years after joining the WTO, with the same effect on the budget [6].

Let us see how the reduction of import duty rates may effect on different sectors. In the food industry there is s stable situation, primarily due to the fact that the world’s largest food companies had already launched their own production in Russia. Consequently, an increase in imports of these products is not expected. For some product groups (milk, meat) the best protection is their fast perishability. In addition, according to market research, in this product group Russian consumers traditionally prefer domestic products. However, there are some difficulties for domestic food industry to compete with the foreign companies. These problems are related mainly to the existing system of food distribution through the trade networks, which prefer to choose imported products with a long shelf life but often contain GMOs. So, on the one hand there is a ban on the cultivation of GMO products in Russia and on the other hand there is no prohibition of the sales of GMO food that are cheaper and look good for a long time. In the WTO, this problem can be aggravated even more: imported food become even cheaper because of lower import duties.

There is an ambiguous situation in the engineering. In Russia import duties on machines were cleared in 2007 and since then Russian manufacturers work on the open market. Abolition of import duty on steel may also lead to an increase in the supply of cheap metal from China, which may bring a positive impact on Russian engineering [7].At the same time, on the basis of "The forecast of socio-economic development of the Russian Federation in 2012 and for the period of 2013-2014", an increase in investment activity in this industry may lead to a significant increase in imports, which can exceed the growth rate of domestic production of engineering industry because of the problems with the development of domestic high-tech sectors. In this regard, the imports of investment demand products may increase more significantly than the production in the domestic engineering industry.

The situation with the automotive industry also remains ambiguous. The reduction of import duties on cars may cause that the foreign companies will have no incentive to expand car production in Russia.

Thus, he threats of Russia’s membership in the WTO are: increased competition; acquisitions and plant closures and as a consequence, the growth of unemployment; rising prices; capital outflows; limiting the possibilities of using protectionism; damage to a number of industries, inhibition of small businesses development; keeping raw material-based economy; dependence on foreign markets; risk for food security; deterioration of the trade and payments balances.

Among the potential opportunities of Russia’s membership in the WTO are: the growth of trade and state revenues; an increase in exports and increase in employment; geographic expansion and entry into new markets, increasing the transparency and openness of market mechanisms and economic and administrative institutions, equal interaction and cooperation on the international market, ability to use dispute settlement mechanisms of the WTO system [8], a certain predictability of interaction and competition due to the agreement system.

The conditions of Russia's accession to the WTO is of great importance for those members of the Commonwealth of Independent States (CIS) which are not yet in the WTO. A number of CIS countries (Kyrgyzstan, Moldova, Ukraine) are already members of the WTO, but they join the WTO hastily and on unfavorable terms. For this reason, the Russian experience creates the possibility for other countries to uphold more favorable positions during the negotiations [9]. This is especially of current interest for Belarus and Kazakhstan, which are members of the Customs Union and the Common Economic Space. Russia’s WTO accession cause the following changes for the Customs Union: the WTO rules were included into the legislation of the Customs Union and the priority of country's WTO obligations to its obligations under the Customs Union, conditions of Russian accession to the WTO will be the guideline for other participants of the Customs Union [10]. It should be noted that initially three countries of the Customs Union had the intention to join the World Trade Organization simultaneously because the WTO rules allow as states as customs territories to enter it.

While the Customs Union gives priority to the customs regulations, WTO rules and standards cover a wide range of legal issues. In this regard, there are concerns that due to Russia's WTO accession there may be substantial disputes between the members of the Customs Union and benefits of participation in the Customs Union can be minimized for business entities and the economies of the Customs Union member-states. Despite the fact that in the world there are examples of the simultaneous participation of countries and regional economic unions in the WTO (e.g. the USA, Canada, Mexico - members of both the NAFTA and the WTO), for members of the Customs Union, it will be much more difficult, because not having the rights and benefits of the WTO membership untill the formal entry into the organization, Kazakhstan and Belarus are still forced to operate under the rules of the WTO.

From this point of view the accession to the WTO brings specific risks and opportunities for both Russia and the other countries of the Customs Union. Russia as a major consumer of Belarusian agricultural machinery (in 2011 Belarus exported 91% of tractors to Russia) [11] and in the case of re-orientation to European agricultural machinery, it will arise significant challenges for Belarusian manufactures. On the other hand, for example, Kazakh producers will be able to use Russian transport corridors to promote their products in Europe.

Threats and Opportunities for Business Entities and Industries of the South of Russia in the Context of Russia’s Membership in the WTO: The South of Russia plays an important role in the foreign trade of the country. To sum up the first results of Russia's membership in the WTO for the South of Russia, it can be noted that the results of 2012 and the first quarter of 2013 shows that

Russia's accession to the WTO do not led to fundamental changes in the direction and structure of the foreign trade. The share of those goods in respect of which the level of tariff protection was changed due to Russia's entry into the WTO, is not more than 3 % of the value of imports [12]. Significant fluctuations in the volume of exports of the South of Russia also has not been noticed. A rise or fall in exports is most often associated with the seasonality of one of the major export groups of the South of Russia - agricultural products.

The long-term socio-economic impact of Russia's accession to the WTO may be different for business entities in different sectors as well as for the regions. Import-dependent regions will be in a worse situation than the export-oriented regions. Analysis of the consequences of Russia's WTO accession for regions shows that the largest increase in exports will take place in the North-West (4.30 %), in the Central regions (4.14 %), the Urals (3.36 %). The South of Russia occupy lower position (1.18%). The consumption of the South of Russia will increase by 0.59 %, an increase in wage of skilled workers will be 0.62 % and 0.33% for unskilled [13].

At the same time, despite the fact that the economy of the South of Russia sufficiently diversified there are significant threats in many sectors of this macro-region.

Threats to Agriculture of the South of Russia: Russia has one of the greatest economic potentials for the production of agricultural products: 8.9% of the global arable land; 2.6% of pasture; and 20% of the world's water [14]. However, there is a significant threat to agriculture. It may be probable reduction of the production, further destruction of the villages, especially in non-Chernozem Zone. For regions of the South of Russia which are climatically one of few favorable Russian regions for agriculture, negative consequences are also possible.

The inevitable consequence of the country's accession to the WTO will be alignment of domestic and world prices of inputs for agricultural production. This will lead to an increase in domestic production costs. Taking into account the strong support of agriculture in competitor countries and the reduction of import duties there may be a decrease of the competitiveness of regional agriculture (production of vegetable oils, animal fats, grains, pork) and it may affect the exports. According to the conditions of WTO accession, Russia is forced to reduce the average import duty rates from 15.634 to 11.275%. Current high level of protection of agricultural products will be reduced by almost 28% by the end of the transition period.

After joining the WTO, the imports of agricultural products to Russia will Increase by 0.6% - 0.7% (9.11 million), the import of food will increase by 2.3%-2.4% (182-190 million dollars) [15]. Import duties will be reduced during 8 years: for grain products from 15.1 % to 10 %, for oil seeds and vegetable oils from 9.0 % to 7.1 %, for cereals from 15.1 % to 10 %, etc. Since these product groups are the specialization of agriculture of the South of Russia, therefore, they are the most vulnerable and require government support with the help of all the measures allowed by the WTO during the transition period.

The limiting factor preventing the expansion of exports of the main agricultural products of the South of Russia - the grain, is EU tariff quotas for barley and soft wheat with medium and low protein content. For the South of Russia it is important factor as the Russian wheat is mostly mild with low protein content.

The most heated debate about Russia's WTO membership raises issues about support for agriculture according to WTO rules. It is related to the classification of state support for agriculture according to the Agreement on Agriculture: state support for agriculture is divided into categories - "baskets." The measures of "green basket" are of particular interest as they do not influence directly on the increase in the production (e.g. crop insurance, development of consulting and information support for agricultural producers, improvement in rural infrastructure, R&D etc.). Under the WTO rules such measures can be used without restrictions. On the one hand, there are doubts that such neutral measures can have a significant beneficial impact on agriculture. In fact there are a lot of problems in Russian agriculture that the WTO can only escalate. However these problems can be solved with the help of the measures from "green basket". Thus, there is the need to support for research projects in the seed production. 12 years ago, about 85 % of seeds used for the cultivation of sunflower were selected in Russia and 15 % were imported, but today the share of Russian seeds is about 10 percent [16]. These figures show that the sunflower, which is an important export agricultural product, dependent on imports of seeds and Russian seed producers can't compete with foreign ones.

Threats to Engineering Industry (Agricultural Machinery and Cars): There is a real threat of reducing the production of a number of engineering enterprises of the South of Russia, agricultural machinery producers in particular, which are unable to compete with high quality and cheaper imported machinery.

Due to WTO accession, import duties on agricultural machinery are reduced from 15% to 5%. Since the major importers of these products are the Rostov region (51.6 %), the Krasnodar region (34.5 %) and the Volgograd region (8.8%), therefore the producers of these regions will face increased competition on the markets of the South of Russia. The reduction of state support for domestic producers of agricultural machinery is a negative consequence as well. After accession to the WTO, farmers can receive government subsidies not only for the purchase of domestic machinery, but also imported ones. While imported machinery has a lower price it will determine consumer choice not in favor of the largest in Russia and in the South of Russia plant "Rostselmash" which in 2012 already stopped production of harvesters.

However, adequate steps have been taken to support engineering industry. The Eurasian Economic Commission (EEC) has established a provisional special protective duties on imports of harvesters to the Customs Union at the level of 27.5% untill current special protective investigation will be ended. It was initiated by the plant "Rostselmash" and Krasnoyarsk Harvester Plant [17]. In EEC notice of initiation of an investigation it was said that in 2009-2011 imports of harvesters to the Customs Union increased by 20.5%, while at the plants mentioned the output of this machinery fell by 14.4% and sales - almost by 43%.

The reduction of import duties on new imported cars would make challenges of the production association "TagAz" in the South of Russia, which also alleged mass redundancies. One of the first protective measures for the automotive industry was the introduction in autumn 2012 a vehicle recycling fees, which will be applied to all imported foreign cars, including new and used. However, in the summer 2013 legality of such a charge was objected to the WTO by the European Union (and the United States, China, Japan and Ukraine as well). The main claim is that importers pay a fee and local producers only provide guarantees, i.e. actually save money. According to European experts, the Russian car industry gets preferentials for more than 3 billion euros per year [18].

Threats to light industry: In 1990 the share of light industry in total production was about 8.4% [19] and stood in line with the same indicators of the developed countries, such as the USA, Germany and Italy which keep it at the rate of 8-12% [20]. Now the share of light industry including footwear industry in total production is about 1%. In 2012 the share of leather, leather products and footwear production occupied 0.04% [21] of Russia's GDP. Entry into the WTO will further displace Russian producers from the domestic footwear market, including in the South of Russia, where the footwear industry has been traditionally developed. The abolition of all subsidies and import duties reduction will align prices on Chinese footwear and the South of Russia, leading to a significant increase competition for domestic shoemaking. Russia will not be able to initiate anti-dumping dispute against China, as the costs for shoes production in China are lower.

Threats to metallurgical industry: Within 3-5 years the import duty on metals will decrease from 10-15% to 5%, which will also lead to increased competition in the market of the Russian Federation, the South of Russia and its regions. There is a threat to producers of pipes and metal constructions. The import of metals and its products from Ukraine, as well as from China was regulated by a special agreement, but according to an increase in imports of pipes in Russia by 40%, the damage to the Russian metallurgists for 5 years can be up to 5 billion dollars. However, after Russia’s accession to the WTO the EU abolished quotas on Russian supplies of metals and its products. It is of great importance for companies of the South of Russia, which are focused on EU markets.

In addition to the impact of Russia's accession to the WTO on the industries, it is necessary to analyze the possible impact on such business entities as small and medium-sized businesses. Establishing the conditions for the modernization of the Russian economy, small and medium-sized businesses, particularly innovative and export-oriented become a priority for the development. That leads to the urgency and importance of research on the state of small and medium-sized enterprises (SMEs) under the conditions of Russia's membership in the WTO.

Due to the fact that in the South of Russia only 20-30% [22] of small and medium-sized enterprises are participants of foreign economic activity, for the most SMEs domestic market changes will be of a greater priority rather than ones in foreign markets.

In Russia the share of small enterprises, which operate in sectors most affected by changes related to the WTO accession (agriculture, light industry and engineering) is relatively small. The share of small enterprises in agriculture accounts 1.8%, engineering-10.7% [23].However, the share of medium-sized enterprises in engineering is much bigger - 24% and agriculture - 6.1% [24].

Small and medium-sized enterprises are widely represented in the group of industries which will be neutrally effected (services, construction, transport, retail). In industries, which are most benefiting from Russia's membership in the WTO (such capital-intensive strategic sectors as oil and gas, metallurgy) [25], the share of small and medium-sized enterprises is small. In 2011, among the top 50 medium-sized enterprises of Southern Federal District there was only one metallurgical company and no one from the oil and gas industry [26].

Thus, in terms of branch affiliation vast majority of small and medium-sized enterprises can't benefit from WTO accession. However, in the short-term period, it is protected from the immediate negative impact of the WTO accession. In this case, the groups within the SME is not the same: medium-sized enterprises find themselves in a more disadvantaged position than small enterprises, because almost a third of medium-sized enterprises belongs to the most "affected" industries.

The main disadvantages of small and medium-sized enterprises in the WTO are: the insufficient capitalization of most small businesses for entering foreign markets, the lack of experience of international cooperation and the deficit of qualified stuff informed about the rules and legislation of the WTO, lack of confidence in positive impact of Russia's WTO accession on their own business; insufficient experience of lobbying at the state level; minimal barriers for entry into SME's market. The advantages of SMEs compared to large companies in the WTO are: flexibility and rapid adaptation to new conditions, rapid decision-making, focus on working with clients that allows to keep its market niche.

According to the above mentioned circumstances and the importance of socio-economic functions performed by SMEs, it is important to consider support for small and medium-sized enterprises under the WTO rules. For example, the use of tax credits to small businesses from any industry will not be a specific subsidy and therefore is allowed by WTO rules. Support programs for SMEs, based on objective criteria for receiving it are not prohibited by WTO rules and can be applied.

Formation of the Conditions for Russia's Effective Membership in the WTO: The task of conditions creating for effective membership in the WTO is to include the regional economy into the global economic system on a new level and to maximize the benefits while minimizing the negative effects. For the South of Russia the following set of measures can be offered.

Support for Export Production in the South of Russia: Aimed not only at improving access to foreign markets, but first of all, the creation of new jobs in export-oriented industries, including: adoption and implementation of targeted programs to support exports at the federal level and at the level of the subjects of the South of Russia; diversification of exports through incentives to export the finished product, or with high degree of processing; consideration the establishment of a stock of grain trade; providing a real system of VAT refund to exporters.

An important direction of support for exports is the improvement of foreign trade infrastructure in the South of Russia with the help of:

- The organization of information and consulting support for existing and potential exporters, which will increase the chances of new exporters to find their specialization and export niche;
- The development of transport systems, ports, cargo terminals, reduction rates on railway transportation of grain, which will eliminate the asymmetry between the localization of exporters and their distribution in the South of Russia: most of them are located in major cities of the macro-region, they are also the main beneficiaries of subsidies.
- The creation of a positive investment image of the South of Russia and its regions for foreign investors as they are potential exporters.
- The development of the hospitality industry of the South of Russia, which provides visits of business missions, business tourism, convention and exhibition industry, which contributes to raising awareness about the regions of the South of Russia and their business opportunities.
- Establishment of a trading houses network, performing the functions of protecting the interests of Russian business abroad, to create an attractive image of Russian products and their promotion in the foreign trade network. The structure of the trading house should be included not only office, but also trade and logistics facilities [27].

Support for Vulnerable Sectors of the South of Russia: Competing with imports. Drawing on international experience, in the South of Russia it is necessary to use all approved variants of support for Russian exporters.

It is important not to miss the chance to increase subsidies to agricultural producers at the initial stage of accession to the WTO from the budgets of all levels from the existing to the permitted level. Over these years farmers will be able to upgrade production facilities, purchase equipment. This five-year period is extremely important to build the competitiveness of Russian producers of the South, as the main competitors-the U.S. and the EU subsidize their agriculture by 20 and 40 billion dollars respectively. On the other hand, it is necessary to solve the problem of bank lending to agriculture. In addition to these government subsidies to European farmers a bank loan costs ten times cheaper than to the Russian one.

For agriculture is important to maximize the use of measures of "green basket": to provide a means for increased funding from the federal and the budgets of the South of Russia on the transport system, land reclamation, vaccines, breeding work, training, insurance, etc. In the field of information management, research, there is greater contact with the business community is needed in order to conduct research on actual issues of the agricultural enterprises.

It is important to provide a means of extra-budgetary funds to offset costs caused by rising unemployment and measures for the retraining of redundant labor force as a result of accession to the WTO in the regions of the South of Russia.

Effective usage of Russia's membership in the WTO can’t be imagined without the careful work in the legal field of the WTO. For the national governments it is are important not only to act under the rules of the WTO, but also use significant exceptions to these rules to improve the efficiency of business [28]. An example of the successful use of WTO rules without their violation can be represented the law signed by the President of Russia in the summer 2013. This law is about the support for those farmers who work in regions unfavorable for agriculture. According to preliminary estimates there will be about 63 of the 83 regions of the Russian Federation in the list. Such action don’t contradict the terms of the WTO as it is not specific.

The Creation of New Competitive Advantages of the South of Russia: By active cooperation in cross-border regions, where increase in the volume of international trade and foreign investment is expected. Under these conditions the situation in the South of Russia, as cross-border macro-region, will positively affect the development of manufacturing industries and the creation of industrial clusters in the framework of the Euroregion "Donbass". This project can provide the rehabilitation of existing technological cooperation between the enterprises of Rostov region and Ukraine in engineering, as well as the increase in production and export of non-oil products. The South of Russia also needs to build the capacity of foreign trade with the partner countries of the Customs Union, which are not yet members WTO.

Focus on Achieving the Abolition or Revision of Restrictions on Access of Russian Goods: To foreign markets under the full participation in the WTO.

The Development of Support Programs for Small and Medium-sized Enterprises of the South of Russia:

- According to WTO rules it is possible to invest into the infrastructure of support for small and medium-sized businesses (business incubators, etc.) and develop a program of non-specific subsidies for SMEs because such measures contribute to the development of small and medium-sized businesses in a competitive environment;
- It is necessary to continue and expand the work of the centers of export support for SMEs (the main activity of such centers is consulting, organization of business missions for SMEs, etc.);
- For the development of the export potential of small and medium-sized businesses it is needed to support their work in the markets of the Customs Union, as these markets are more understandable and accessible to SMEs versus the markets of foreign countries;
- To encourage the inclusion of SMEs in the work of industry associations to protect and promote their interests according to Russia's membership in the WTO.

CONCLUSIONS

For Russian business entities, accession to the WTO opens up new opportunities on the international markets and on the other hand requires significant efforts on the implementation of the opportunities and maintaining the achieved performance of the economy. The changes related to the Russia’s WTO accession stand in line with the state ones, which indicate that the decision can influence on the economic development of the Russian Federation positively, despite the fact that some industries will suffer much due to the lack of competitiveness on the world market. Let’s not forget that Russia made a long way towards an open economy before joining the WTO.

The Russian Federation and its regions have set of tools which helps the national economy to adapt the new rules during the transition period. The analysis shows that Russia joined the WTO on favorable conditions and taking into account long transition period, the results of accession and the consequences for the South of Russia can be estimated in 5-6 years. The changes were not sharp, during the first year of membership first protective measures were used. In addition to careful work with the legislation of the WTO, the solution of the problem of conditions formation for effective membership in the WTO requires the development of international specialization of the domestic economy by the usage of competitive advantages and all approved measures of effective support for business entities.

RESULT

- During the negotiations on Russia's accession to the WTO the compromises on a number of issues were achieved allowing to keep a long transition period for the reduction of the import taxes and exclude the part of goods from the trade liberalization.
- In the context of Russia's membership in the WTO there are risks and new abilities. The threats of Russia's membership in the WTO are: increased competition, acquisitions and plant closures, outflow of capital, damage to a number of industries, inhibition of small business development, etc. Among the potential opportunities of Russia's membership in the WTO are: the growth of trade and state revenues; an increase in exports; equal interaction and cooperation on the international market; the use of dispute settlement mechanisms of the WTO system, etc.
- In the economy of the South of Russia the main risks appear in the agriculture, agricultural machinery industry, light industry and metallurgical industry. Thus, taking into account the strong support of agriculture in competitor countries for the South of Russia in foreign markets and the reduction of import duties it may be a reduction of the competitiveness of regional agriculture. There is a threat of reducing the output of some enterprises of the South of Russia, which produce agricultural machinery and cars.
- In order to prevent negative consequences of the functioning in the WTO it is necessary to support export production including the improving of the infrastructure of the foreign economic activity in the South of Russia, to support vulnerable industries of the South of Russia by using all the measures allowed by the WTO rules; to create new competitive advantages of the South of Russia with the help of active cooperation in border regions, to achieve the abolition or revision of restrictions on Russian goods accession to the foreign markets under the full participation in the WTO, to develop the support programs for small and medium-sized enterprises of the South of Russia.

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