Russia and WTO: interaction and security issues

Keywords
- economic security
- interaction and its scenarios
- WTO
- modernization
- competitiveness
- economic integration
- problem zones and risks
- competitive advantages

Abstract
Globalization as a process of expanding the interaction and mutual influence of countries and peoples, intensifying connections, and relationships between communities, manifests itself in the integration of international trade and investment activities. The influential international organization, the WTO, plays a very significant role in facilitating the freer movement of goods and services, capital and labor, which contributes to the weakening of protectionist tendencies. This makes it necessary to study the problem of interaction and security for the WTO member countries. The purpose of the study is to identify the advantages, possible risks, and scenarios for the Russian economy development in the context of Russia's presence in the WTO.

The methodological basis for the study of the interaction and security issues during Russia's accession to the WTO was a set of general scientific and specific scientific methods – logical, concrete-historical, comparative, analysis method. The specificity of the research subject determined the use of conceptual and systematic approaches.

Research result: the WTO problem zones have been identified, the elimination of which will ensure more effective regulation of foreign trade relations in the world market; competitive advantages, risks and expected consequences related to Russia's obligations upon accession to the WTO in the sphere of economy, finance, taxation and customs relations are identified and analyzed; the sphere of integration relations in the post-Soviet space; the sphere of ensuring the country's defense capability; the sphere of access and use of natural resources; scenarios of situation development for Russia in connection with the accession to the WTO are considered – catastrophic, optimistic and realistic; it is found that monitoring and rapid response to the current situation in the Russian economy will determine a more effective economic trajectory.

Introduction

World Trade Organization (hereinafter-WTO), established in 1995 on the basis of the General agreement on tariffs and trade. It is an international organization that operates in accordance with the rules, governing trade, and economic issues. Today, the WTO has 164 members.

Accession to the WTO is not only a serious test for the Russian economy, but also a chance to modernize the economy, increase competitiveness, and take a worthy place in the world economic space.

There is a problem that needs to be resolved: how to interact on trade issues in the world market with the fullest possible consideration of national interests. At the same time, it is obvious that a return to isolationism is impossible [14, p. 26]. In accordance with the National Security Strategy of the Russian Federation until 2020, for the sustainable development of our country, it is necessary to fully realize its national interests [43]

Literature Review

The history of the long-term process of Russia's accession to the World Trade Organization is covered by a significant amount of literature [4; 9; 10; 18; 24; 25; 30]. Russia was close to joining the WTO in 2006, 2008, and 2009. (as part of the Customs Union with Belarus, Kazakhstan) [21, p. 48]. In the preparatory process, the legal component was important, and the possibility/necessity of holding an all-Russian referendum in the country was discussed. However, in accordance with the Constitution of the Russian Federation, this issue is the competence of Federal state agencies [26].

The Protocol on Russia's accession to the WTO was signed on December 16, 2011. [28]. However, economic experts were ambivalent about the usefulness of such integration for the Russian economy. We have analyzed works on the conditions of membership and possible consequences of Russia's accession to the WTO [6; 17; 20; 27; 31; 33; 34; 36; 39; 46; 47; 48]. The general conclusions of independent experts holding a positive opinion on Russia's accession to the WTO show that accession will not cause systemic problems in any sector of the Russian economy. According to experts, in the near future, there may be problems for individual enterprises that are already not competitive at the moment. Supporters of Russia's accession to the WTO had their own economic arguments, for example, according to the World Bank, Russia's accession to the WTO will add 3.7% to the country's GDP in the period from 2012 to 2016, and 11% in the period from 2012 to 2021.
MATERIALS AND RESEARCH METHODS

The methodological basis for the study of the interaction and security issues during Russia’s accession to the WTO was a set of general scientific and specific scientific methods, including logical, concrete-historical, comparative, analysis method. The specificity of the research subject determined the use of conceptual and systematic approaches. The conceptual approach made it possible to determine the overall research direction of the problem of interaction and security of the Russian economy during the country’s accession to the World Trade Organization.

RESEARCH RESULTS AND DISCUSSION

For Russia, it was crucial to develop a competitive environment, stimulate market transformations, improve legislation in accordance with international law, harmonize domestic standards with international ones, an inflow of investments due to an improvement in the investment climate, improve the country's international image, create conditions for stopping capital outflows abroad. V. V. Ivanter believes that "without the WTO, domestic producers cannot be disciplined, but it will be easier to do so within the WTO. In this sense, the WTO is an excellent external stimulus and irritant" [11, p. 22].

Based on this, Russia, joining the WTO, pursued the following goals: obtaining the best non-discriminatory conditions for access of Russian products to foreign markets in comparison with existing ones; access to an international mechanism for resolving trade disputes; creating a more favorable climate for foreign investment as a result of bringing the Russian legislative system in line with WTO standards; participation in the development of international trade rules taking into account national interests; strengthening the market economy, developing a competitive environment, and improving the legal framework for managing the Russian market that is adequate to world practice; intensification of structural reforms and efforts of Russian enterprises to increase competitiveness in the highly monopolized Russian economy, which is important for investment motivation to reconstruct obsolete production and increase its technical level; improving the Russia's image as a full participant in international trade, which should contribute not only to increasing the flow of foreign capital and services to the Russian market, but also to the formation of Russian TNCs, expanding their investment opportunities abroad and, as a result, strengthening the competitive advantages of the Russian economy.

A. N. Zakharov, A. V. Trusenev call a number of features characteristic of the Russian economy at the time of accession to the WTO: depreciation of fixed assets, uneven economic and social development of regions, high resource intensity and cost of production, the predominance of non-competitive technologies by modern standards (except for the MIC), criminalization of the economy [49]. Researchers believe that all this entails a strong dependence of economic modernization on the inflow of foreign capital, and, as a result, economic and social instability [49].
Many studies note that Russia's participation in the WTO gives our country a number of strategic, political and economic advantages, the achievement of which is the pragmatic goal of accession to the WTO. According to M. U. Medvedkov, Russia's accession to the WTO will provide the following:

- employment growth, lower prices for a number of everyday goods and medicines, the formation of a competitive market;
- the opportunity to protect interests in foreign markets, participate in the development of international trade rules;
- improving the country's image as a full participant in international trade, increasing the flow of foreign capital and services to the Russian market, forming Russian TNCs, and strengthening the competitive advantages of the Russian economy;
- ability to get information from all market participants about goods, prices, and business partners [3].

The experience of the WTO member countries shows that WTO membership and maximum liberalization of foreign economic relations allowed them to effectively solve the problems of creating and developing new high-tech industries, as well as increasing their competitiveness in the world market. Thus, in South-East Asian countries, one of the main factors of economic growth in the 60-70s of the 20th century was rapid integration into the world economy, whose open trade and investment policies facilitated access to the scientific and technical potential of developed countries, and contributed to increasing the competitiveness of their national companies.

At the same time, attention should be drawn to some WTO problem zones, the elimination of which, in our opinion, will ensure more effective regulation of foreign trade relations in the world market. This is, first of all, the need to adjust the content of the WTO principles, in particular, the principle of justice; the problem of reducing customs barriers and improving foreign trade legislation; the problem of improving national competitiveness, organizing cooperation in accordance with the WTO legal norms.

Due to the fact that accession to the WTO is only the beginning of the process, it seems appropriate to identify some of the risks and expected consequences related to Russia's obligations upon accession to the WTO, in such areas as the economy, finance, taxation and customs relations; the sphere of integration relations in the post-Soviet space; the sphere of ensuring the country's defense capability; the sphere of access and use of natural resources.

Let us consider each of the above-mentioned spheres. In the sphere of economy, finance, taxation and customs relations, the following changes are expected in the Russian market:

- presence of transnational corporations with cheaper products;
- budget losses due to lower customs duties;
- the reduction in the number of enterprises (especially in the agro-industrial complex) due to the WTO ban on state support for enterprises in the form of subsidies, tax reliefs, subsidies, preferential prices, etc., which may cause a food security issue;
- complication of the situation in manufacturing industries with a high degree of added
value (pharmaceutical, electronics, tire, textile, etc.);

- increase in the number of unemployed.

In order to minimize the risks for the Russian market, the government has planned measures to adapt the economy to the new conditions, including reducing the average weighted rates of entrance customs duties, thinking through the taxation mechanism, and others.

In the sphere of integration relations in the post-Soviet space, we should talk about two Eurasian integrations – the post-Soviet (Northern and Central Eurasia) and the continental (Eurasian continent). According to E. Vinokurov and A. Libman, this conclusion is not so obvious, as many supporters of post-Soviet Eurasian integration fundamentally reject continental Eurasian integration. Paradoxically, but in the understanding of a number of experts, "Eurasia" does not include "Europe" [29; 45]. If in the 1990s the Eurasian integration was not the subject of serious analysis, now this issue is being understood, moving not only to the field of constructive discussions, but also to the level of state foreign policy doctrines: the decree of the President of the Russian Federation was signed (May, 2012), in which the tasks of integration on the Western and Eastern vectors are normatively fixed [44]. B. T. Abdishev, V. V. Rudko-Silivanov, E. Vinokurov, A. Libman and other researchers believe that the conceptual and practical significance of the Eurasian continental integration remains marginal, its potential practical significance has not yet been realised, and overcoming existing contradictions is still an urgent task [1].

It should be noted that economic integration in the CIS – the Customs Union, Common Free Market Zone, Eurasian Economic Community – is an essential element in the development of national economies. As it is known, the Eurasian Economic Commission (February 2012) and the Eurasian economic Union (January 2015) were organized. Economic integration is also necessary as a security mechanism for the WTO member countries.

In the field of ensuring the country’s defense capabilities, financing of technical modernization programs in connection with accession to the WTO becomes problematic, and the position of enterprises that make up the defense industry is unstable. V. U. Katasonov believes that after Russia's accession to the WTO, the MIC faces a threat to turn into a set of "screwdriver" enterprises that are completely dependent on transnational corporations [33]. These concerns are caused by concrete measures. Thus, the US Congress adopts the National Security Strategy (2006), which refers to a preventive war, the purpose of which is to long-term entrench the resources of the country (region) to global corporations, and the essence of the content in unarmed violence: economic, ideological, political, information and psychological, etc. [12]. The above confirms the need to increase attention to the issues of the country’s defense capability and compliance with the principles and provisions of collective security.

The sphere of access and use of natural resources is also undergoing changes with Russia's accession to the WTO. For example, commitments have been made to increase the prices of natural resources to the level of export, to allow foreign legal entities and individuals from the WTO member countries to provide geological, geophysical scientific research services without restrictions. It should be noted that these conditions may lead to the loss of ownership
of geological information about subsoil, the advantages of domestic subsoil users in obtaining the right to develop mineral deposits discovered by foreign companies, the exclusive right to intellectual property objects created on the basis of geological information about subsoil resources. At the same time, the legislative and regulatory framework of the Russian Federation needs to be brought in line with the WTO standards. So, the law of the Russian Federation "On subsoil" [50], legislation on product sharing agreements (PSA) contradict the WTO rules.

Particular attention should be paid to the problems of harmonization of relevant normative legal acts of the World Trade Organization and the Russian Federation. With the accession to the WTO, it becomes possible to reflect Russia's interests in the WTO law, to benefit from the rule of law within this organization. The WTO law requires states to unify domestic legislation. Now the domestic law of states must "adapt" to the norms of the WTO law (International Trade Law). The WTO law participates in the formation of Global Law and the Global Legal System [22; 36; 39]. State enterprises are in some ways placed under a special legal regime: they are directly addressed to the requirement to follow the principle of non-discrimination and commercial considerations when buying and selling on import (export) [38]. Within the WTO, there is a differentiation of international legal regimes, most of the multilateral agreements from the WTO package are fully integrated into the WTO and are binding on all its members [29].

S. Batchikov, U. Petrov, V. Kumykov criticize the key role of the WTO in establishing "a world order that includes high-tech production, financial resources, and high consumption standards at one pole, while archaic economic and social structures, chronic capital deficits, and mass poverty at the other" [2; 16; 23].

WTO law is a comprehensive formation (set) of international treaty norms of a substantive, processual and procedural nature, enshrined in several dozen interstate agreements, among which the fundamental ones are: GATT (General agreement on tariffs and trade); GATS (General agreement on trade in services); TRIPS (Agreement on Trade-Related Aspects of Intellectual Property Rights); TRIMS (Agreement on Trade-Related Investment Measures); AoA (Agreement on agriculture); SPS (The Agreement on the Application of Sanitary and Phytosanitary Measures); TBT (Agreement on Technical Barriers to Trade); agreements on subsidies, anti-dumping measures, and the financial market.

The WTO rules are implemented voluntarily by members of the organization. In conflict situations, the WTO governing bodies come into play, especially the WTO court (Dispute Settlement Body). Decisions of the Court are approved automatically unless there is a unanimous opinion on the refusal to approve them. That is, the party wishing to block the decision should convince all WTO member states (including representatives of the opposing party) to refuse his approval. Trade conflicts in the WTO are resolved by a special court – the Dispute Settlement Commission, designed to protect the interests of all countries belonging to the organization.

Some features of the WTO's jurisdictional bodies should also be taken into account. First, the WTO law is of a case-law nature, and court decisions are based on previous decisions, despite the fact that actual public relations have already changed, objects and participants
in contractual relations have been transformed. Second, case law is most developed in the United States and Great Britain, has been implemented in the activities of many international organizations, and often applied in the interests of transnational corporations. In the same row, there is a third feature, which is the presumption of guilt, i.e. the accused party in violation of the WTO rules must prove their innocence. In a number of cases, the interests of international trade capital, international concerns and banks are protected.

Serious concern is caused by the draft WTO documents, providing for a sharp restriction of the sovereign rights of States to regulate investment processes in their territories. There may be a situation, when the adopted laws aimed, for example, on environmental protection or public health protection, may be repealed by the WTO as "restricting competition". V. M. Shumilov believes that the WTO law does not fully comply with the principle of justice, moral values, and universal legal consciousness [36, p. 36]. The risks are that the state interests of the WTO member countries may not be sufficiently reflected in international trade law and the country will not be able to sufficiently influence the formation of its norms and principles [36].

Since the 90-s of the 20th century, Russian legislators have done serious work to harmonize national legislation, including in preparation for accession to the WTO, with international legal norms, and to improve their own legal system and law enforcement practices in order to modernize the economy, develop foreign trade, improve taxation and customs relations. Important in this regard was the Action Plan for bringing the legislation of the Russian Federation in line with the norms and rules of the WTO (approved by the order of the Government of the Russian Federation of 08.08.2001 No 1054-r) [40]. In accordance with this Plan, a number of new Federal laws were adopted, in particular, on foreign economic activity: Federal Law of December 27, 2002 No 184-FZ "On Technical Regulation" [41]; Federal Law of December 8, 2003 No 164-FZ "On the Foundations of State Regulation of Foreign Trade Activity" [42]; Federal Law of December 8, 2003 No 165-FZ "On special protective, anti-dumping and countervailing measures for the import of goods" [42].

It is important to note that the process of harmonizing the legislation of two or more actors involves reciprocity, consistency of interests, consensus-building, and the possibility of compromises. Even in a purely legal field, there are many issues that need to be resolved. For example, when the accession was still being discussed, one of the most relevant topics was the work of foreign lawyers. Theoretically, the country should open its market to foreign law firms as well, entering a common trading space. In this regard, attempts were made to get answers to questions: "Will the European legal services take away the work of our lawyers?", "What will happen to insurers, since after accession to the WTO, foreign insurance companies will be able to open their branches in the country?". We believe that the problem of admission of foreign law firms to our market still needs to be discussed, because within the WTO it is necessary to protect positions through the mechanism of legal procedures [15].

The transformation of Russia in the late 20th – early 21st century has sharpened the need for modernization processes. The trajectory of modern Russian dynamics is influenced by many
different factors, and possible scenarios for the development strategy are formed determined by both external and internal conditions [37]. Let us consider some scenarios of the situation’s development for Russia in connection with the accession to the WTO:

- the catastrophic scenario is based on the following positions: it is economically unprofitable to develop real production and invest, the prospect is to become a peripheral raw material market, and the reduction of processing industries;
- optimistic scenario: existing protectionist measures are economically inefficient, fuel corruption and shift the cost burden to the final consumer; their abolition (or a significant decrease in the level of protectionism in certain industries) will give impetus to the domestic commodity producer; increased import volumes will lead to increased competition in the domestic market; the implementation of a transparent mechanism for calculating import duties will increase its collection and the level of market protection; improvement of the investment climate will allow attracting foreign direct investment; the expected result is modernization of production capacities, production growth, improvement of the quality and competitiveness of Russian goods, guaranteed non-discriminatory access to foreign markets;
- realistic scenario: within the first 3–4 years after joining the WTO, Russia will be able to gain some profit by ending discriminatory measures against Russian exporters of raw materials in foreign markets, which will create additional jobs and increase capacity in enterprises currently suffering losses; during the transition period (5–8 years), tariff protection of Russian goods will be implemented;

Combining the efforts of scientists and practitioners, it is necessary to monitor the market situation and quickly move to a different, more efficient, economic trajectory.

**CONCLUSIONS**

The opinion of the World Bank experts is important, that at the first stage of accession to the WTO the inflow of affordable and high-quality imported products can lead to a decline in production at enterprises and increased unemployment. however, foreign direct investment in the future will increase the number of jobs, tax revenues and solvent demand of the population, which will be an additional incentive for the economy.

It should be noted that the strategic goal outlined in the Concept of long-term socio-economic development of the Russian Federation until 2020 should serve as a guideline for the changes. Russia's inclusion among the world's leading, economically developed countries is an imperative to preserve its integrity.

In any political or economic decision, it is necessary to estimate not only the achievements, but also the possible risks, which is reflected in the Russian state's strategy in connection with Russia's accession to the WTO.
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