

## Executive Summary

### **“Accession to the WTO in 2013 and beyond: What consequences business and expert communities perceive ahead?”, January, 2013**

- The majority of participants think that the WTO will retain its positions in the international arena for at least another decade, and its institutional basics will not undergo substantial changes.
- The WTO effectiveness is accounted for by its working mechanisms: dispute settlement, trade policy reviews, internal market protection and new members’ accession mechanisms.
- Interestingly, when the research was started in May, 2012, with Russia still not a WTO member, most respondents were more critical in their assessments of the situation and agreed to be cited. However, just four months into WTO membership, when the country is facing regime tightening measures, most businessmen agreed to take part in the research only on condition of anonymity and offered much softer statements. Some businessmen refused being cited and opted for non-participation in principle.
- Experts have confirmed that Russia joined the WTO knowing in advance that it may well go beyond the WTO limits, the same way as China does.
- The change of financial and trade flows toward developing countries and their rapid growth in contrast with developed countries will be a challenge for the WTO as an international organization.
- In general, the research has revealed that the expert community cannot reach a consensus in evaluating such an important step for Russia as the accession to the WTO.

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- Expert opinions concerning Russia’s accession to the WTO and their evaluation of the delegation performance during the accession talks differ.

- A US government source believes that everybody has achieved the best possible results.
- The primary question, according to the experts, is how the accession to the WTO will be implemented in legislative and law-enforcement practices.
- One of the experts believes that Russia's WTO accession was not a part of Russia's development strategy as we do not have one. Some experts pointed out the political reasons for the accession.

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- The majority of experts believe that the role of the Eurasian Economic space (Customs Union) as an international organization will slowly decline and finally will be dissolved within the WTO, it being the more powerful organization.
- The Eurasian Economic space regulatory framework is being adjusted to WTO requirements, which should facilitate negotiations between Kazakhstan, Belarus and WTO members. To join the WTO, Kazakhstan will need another six months or a year, while Belarus is barely half way there.
- Some experts predict multilevel conflicts aimed at protecting Russian interests. Different levels of customs control, different interests with regard to tariff protection and different standards in pharmacopoeia may lead to conflicts in the Eurasian Economic space. And these future conflicts will show who is who.
- The state management system has not been completely formed with regard to WTO issues, and even responsibilities of the Eurasian Economic space.

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- Expert opinions are deeply divided over the role of the Russian accession for certain industries and business as a whole:
  - One group of experts expects negative consequences from the accession for the light industry, agricultural industry, agricultural

machinery, machinery engineering, pipe industry, aviation industry, and machine tool engineering.

- Another group of experts argues that companies exporting raw materials and processing industries are comfortable with the WTO conditions and that their interests will not be jeopardised.
  - Gas companies will have potential problems as there is some pressure on prices associated with the emergence of LNG and shale gas, and diversified European gas sources.
  - Steelworkers are scared of the tightening of the situation and requirements on them in international markets.
  - The legal consulting market will become more competitive.
  - The Russian software market will hardly be affected by the WTO accession and the intellectual property protection market will lose certain attention on the part of the government.
  - There are sectors, like fishery, where the consequences vary depending on the business specialization and interpretation. For instance, the WTO accession is beneficial for enterprises selling fish but not beneficial for enterprises catching and processing fish.
  - Some experts point at increasing competition and transparency, as well as lesser corruption and GDP growth.
- Experts argue that the first consequences may become apparent within the first year after the accession. Other experts expect the first consequences in 2 to 10 years.
  - One group of respondents considered first results could have been expected in the form of customs duties by the end of 2012. Allowing parallel imports may be one of the negative consequences of the accession for businesses. There also will be good consequences, i.e. the simplification of customs rules.

- A gradual reduction of aviation prices as airplanes can be bought abroad at a cheaper price.
- Nevertheless, some predict no results in several years and no visible results in a decade as the Russian production protection by tariff methods remains a priority for the government aiming at retaining business and jobs.

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- Some experts criticize the government for poor information support of the business society and State Duma representatives regarding the future changes. Other experts disagree with this opinion.
- One of the most serious issues in this regard is lack of established channels for bilateral dialogue among business and the authorities and no initiative on the part of business.
- Head of Department of Trade Negotiations under the Ministry of Economic Development, Maksim Medvedkov provided no answer regarding the participation in this research.

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- There are few companies which are actually preparing strategies to adapt their businesses to the WTO requirements. The reason for this is the fact that everything is changing rapidly in Russia, the environment is unstable and few people think several years ahead.
- Business received ambiguous signals that Russia was really willing to join the WTO.
- Experts believe that foreign competitors are better prepared for Russia's membership in the WTO. The U.S. Department of Commerce has prepared a special section on its website dedicated to this issue. The Department analyzed the terms and conditions of Russia's accession to the WTO for American businesses, and gave an overview of the opportunities for businesses in terms of improved access to the Russian market.

- Producers of meat and poultry products from the EU prepared too and will also benefit from Russia's accession to the WTO, as their products will no longer be discriminated against.
- Some businessmen think that it is not necessary to prepare for the WTO until 2015. The strategy will be prepared when customs officers, tax inspectors and the Finance Ministry publish legislation and legal framework changes, which will have an impact on business.

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- Russia is expected to be a defendant in cases connected to anti-dumping, sanitary, and phytosanitary measures and intellectual property rights (TRIPS).
- In practice, an applicant usually wins a case. However, about 70% decisions of the commission on dispute resolution is appealed as appeals are free, help delay decisions, and provide local politicians with the opportunity to 'save face' in their respective countries.
- A country, which is found guilty as a result of the dispute resolution process, is expected to amend its legislation to remove or change its aspects that are at odds with the WTO.
- Meanwhile, the US most often acts as an applicant as well as defendant.
- During the whole period of the commission activity since the formation of the WTO in 1995, there have been 454 disputes brought to the WTO; however the volume of appeals has been decreasing recently.

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- The mobilization of legal and governmental relations consultants by Russian and foreign companies in order to develop adaptation strategies for their businesses to meet the WTO rules will allow the prediction of potential risks and prevent real ones. It will also provide a basis for favorable conditions for business in order to respond to future regulatory requirements and establish long-term relations with key state representatives responsible for trade and investments.