

ENTREPRENEURSHIP IN AGRICULTURE: NEW CHALLENGES OF INTERNATIONAL TRADE INTEGRATION

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SUMMARY: The international trade in agricultural production is still rather far from full liberalization despite the progress achieved after many negotiation rounds within the framework of the WTO. Some new rules in the international trade organizations and new obligations which were taken on by the participant countries of the WTO have opened new questions to be discussed and settled within the framework of the following negotiation rounds. The basic themes of such negotiations during Russia's introduction into the WTO should become the questions of the state trade regulation, the further perfection of sanitary control rules, the further decrease of the custom duties and administrative character of tariff quotas establishment on imported agricultural products.

Key words: trade integration, agricultural development, entrepreneurship.

INTRODUCTION

State trading companies continue to play important role on the global market. It is a serious problem since the sector of agricultural production exchange and character of activity in the given market of the state trading companies essentially differ by many parameters from other sectors of the global market. From the viewpoint of the import of agricultural production, the development of the state trade can result in the decrease of production on the market in comparison with what could be if on the global market there was a free competition with equivalent custom duties. Therefore, the state trading companies should operate by the precise rules which are not admitting discrimination of other participants of the global agrarian market. Basically, it should result in such situation at which the state trading companies cannot establish the internal price above the bottom level of the world price plus the custom duties. Hence, discrimination of consumers will be removed at a choice of sources of import production. The dealer, offering the bottom world price, will determine a price level on similar production on

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the domestic market. However, in practice there is no transparency in the state trading companies' activity, therefore frequently it is impossible to track, whether the given rules are carried out by them.

MATERIAL AND METHODS

It is difficult to limit the price discrimination. It is especially difficult on the foreign markets where the state trading agencies operate. It is also difficult when the government gives export grants to private trading agencies in the selective order, depending on a direction of their activity. Thus, it is much easier to limit the game on various price levels, since export subsidizing is under the positions of the WTO Agreement on Agriculture. The state trading agency realizes agricultural production on a foreign market under the higher prices than the internal prices for similar production while internal manufacturers receive the average price of a home market. Thus, export of agricultural production is subsidized. In some cases the given kind of indirect subsidizing is more effective for the government, than direct subsidizing of export deliveries. Therefore, the following rounds of trading negotiations should take into account such phenomenon, as game on a difference of the internal and external prices.

RESULTS AND DISCUSSION

The integral part of the WTO negotiations on the markets access is the negotiations on the agricultural issues. Besides the tariff aspect, they also include consideration of the Russian policy of the concerning state support of agrarian sector and export subsidizing.

The agricultural negotiations have been conducted from the end of 1998, when the initial offers on the Russian obligations in agriculture were submitted. The given document authorized by the Commission of the Government of the Russian Federation fixed the levels of internal support of agricultural producers (so-called Aggregated Measure of Support) both subsidizing the agricultural products export and foodstuffs in format established by WTO.

It is necessary to note, that AMS includes the measures that have the major influence on trade and manufacture (subsidies for animal and plant production, indemnification of the part of expenses on materials purchasing, preferential crediting, price support, privilege for transportation).

We created the model, which analyzes the matrix 6x6 (6 integrated regions on 6 integrated commodity groups).

6 regions are Russia, CIS countries, EU, East Asia, NAFTA countries, and others.

6 commodity groups are: sugar, meat (including poultry), grain, industrial goods, services, other agricultural products.

For the analysis of the received results the following parameters were used:

- Dynamics of import and export on each commodity group;
- Dynamics of manufacture on each commodity group;
- Dynamics of the investments and GDP of the country;
- Dynamics of the country wealth.

It is obvious, that at complete liberalization of the agricultural market the import of meat products in Russia will increase to the greatest degree, since the given commodity group is under the greatest quotas today. The import of meat at the Russian accession to WTO will increase more than twice. The Russian producers provide today not more than 50% of all meat consumption in the country. It is obvious that the cheap import will put appreciable impact on the Russian meat producers. The significant import growth will be observed in the case with sugar. Today the sugar consumption in Russia on 75-80% is provided by the import. By grain and other agricultural products we can predict the insignificant import growth.

On agricultural export we can observe the growth in all the commodity groups.

The significant reduction of trade barriers will cause the export growth. But if we pay attention to the absolute parameters, it will be possible to notice, that the export of agricultural products after the WTO accession will not cover import even by 10%.

The agricultural production will decrease, the GDP will decrease by 3%, the investments will be reduced by 0.8%. But, despite of such negative parameters, at complete liberalization of the agricultural market the general wealth of the country will increase on \$1.3 bn. (because of the redistribution of the money resources to the more profitable manufactures).

However, it is necessary to note, that the Script 1 of complete trade liberalization is improbable. It is more theoretical model. In the greater degree it is possible to expect the realization of the Script 2, i.e. partial market liberalization.

The import of agricultural products in Russia is still increased, but already in a smaller degree. The import of meat products will increase by 29%, import of sugar – by 15%. As well as in the Script 1, the import of grain will not change. It is expected, that the import under the given script will grow gradually depending on the same gradual reduction of trade barriers by 36% during the five years' transitive period.

The situation with export is similar – the export grows, but at lower rates than in the case of theoretical complete market liberalization. It is connected, first of all, to the preservation of counter higher requirements to the domestic export from the importers.

Nevertheless, the volume of agricultural production is still decreasing.

The fact of recession of manufacture at partial and gradual market liberalization at the WTO accession tells that any attempt to free the access to the domestic market leads to the reduction of own manufacture. It has especially significant effect when the exporter is actively subsidized by the government. At the Script 2 the GDP will decrease on 1%, the investments will decrease on 0.2%. The general wealth of the country will increase on \$661.2 mln. because of the redistribution of the financial resources to the more profitable manufactures.

Script 3 can be considered as the close to the Script 1, to theoretical model. But the modern stage of the agricultural negotiations shows that the Russian side had defended its trade positions in agriculture and the trade barriers for agricultural products will not change significantly.

The import of agricultural products is reduced under such circumstances (in particular, import of grain). With other commodity groups import grows insignificantly.

The export also grows (because of the back measures of the countries on protection of their producers)

The manufacture of agricultural products, as well as in the previous scripts, is de-

creased, but insignificant. The GDP and investments at the Script 3 will stay constant.

Even at the insufficient degree of reduction process regulation of the custom duties the further trading negotiations under the Russian accession into WTO should concentrate on the decision of two basic problems: on liquidation of a tariff dispersion and restriction of tariff escalation. It is natural, that the agreement on priority decrease of high custom duties that will help to solve a problem of a divergence in tariffing levels various agricultural products should be accepted. It will limit the countries in an opportunity of an establishment of higher protective measures on the priority goods for itself. The similar agreement on industrial products trade has been achieved during the Tokyo round of negotiations so it is obviously possible to make use of the given experience to regulation international trade by agricultural production.

In order to maintain the liberal and equal character of international trade in agricultural production it is still required the carrying out many trading negotiations rounds. But all the same the significant part of work on creation of the free global agrarian market is already made. Furthermore, it is necessary only to improve the main principles of the WTO and adopt them to constantly varying conditions of modern economic.

CONCLUSION

The WTO accession will be positive for Russian agriculture only if the conditions of the accession are favorable to Russia. Russia should be allowed by the WTO to provide the state support at the level of other countries, for example, USA or EU countries. The import tariffs should provide Russia with the real protection tool for internal agricultural producers from the expansion of import agricultural products. There is no doubt that Russia will enter the WTO because nobody is able to stop the global tendencies. The preparation to the WTO accession today should continue in a practical way – training of the staff, development of the appropriate normative documents.

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PREDUZETNIŠTVO U POLJOPRIVREDI: NOVI IZAZOVI U MEĐUNARODNOJ TRGOVINSKOJ INTEGRACIJI

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Izvod

Međunarodna trgovina u poljoprivrednoj proizvodnji je, i dalje, prilično daleko od pune liberalizacije, uprkos napretku koji je postignut posle niza pregovora u okviru STO. Neka nova pravila u međunarodnim trgovinskim organizacijama, kao i nove obaveze koje su preuzele od strane zemalja učesnica u STO, su otvorila nova pitanja o kojima treba raspravljati i ustanoviti u okviru sledećih pregovora. Osnovna tema ovih pregovora, tokom uvođenja Rusije u STO, bi trebalo da postane pitanja regulacije trgovine, dalje usavršavanje u pogledu pravila o zdravstvenoj ispravnosti proizvoda, dalje smanjenje carina i uspostavljanje administrativnog karaktera tarifnih kvota za uvoz poljoprivrednih proizvoda.

Ključne reči: trgovinska integracija, razvoj poljoprivrede, preduzetništva.

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