

## Chapter 6

# Russia's Foreign Trade in Agricultural Commodities in Its Transition to Liberalization: A Path to Go Green

**Vasily Erokhin**

*Moscow University of Finance and Law, Russia*

### **ABSTRACT**

*The chapter includes an analysis of the current state of the international organic market and contemporary tendencies in the production and marketing of green products in Russia. Analysis of Russia's foreign trade in agricultural products is also provided. This chapter includes an overview of major threats and opportunities for organic production in Russia in view of trade liberalization. This is also related to state support of green production in Russia and CIS and its influence on volumes, directions, structure and effectiveness of trade. The chapter concludes with assessment of perspective tools to ensure sustainability of green production through a set of political, social and financial tools, and bigger involvement of rural households into international competition, diversification of traditional rural sources of income by means of green production, local identification and specialization, and utilization of existing competitive advantages.*

### **INTRODUCTION**

Trade in agricultural products in last decades becomes more and more internationalized and globalized. A global trading system is now both freer and fairer than ever before and this will boost global prosperity and can make a significant contribution to the global economic development. Favorable conditions for development of interna-

tional trade in agricultural products are caused by the trade liberalization, development of trade unions and free trade areas all over the world.

Nowadays most of the regulating functions on the global market of agricultural products are implemented by the World Trade Organization (WTO). This global organization unites the majority of the countries, including the main agricultural producers, exporters and importers. However,

DOI: 10.4018/978-1-4666-9814-7.ch006

international trade in agricultural products is still rather far from full liberalization despite of the progress achieved in international trade after carrying out within the framework of the WTO of many negotiations rounds. Such issues as potential development of green production, trade in green products, state regulation of such trade, further perfection of sanitary control rules in the sphere of green production, and administration of tariff quotas on imported green production would affect the character, structure, directions and dynamics of trade in agricultural products in future.

Until recently only one of the main global producers of agricultural products – Russia – was not among the WTO members. Russia's accession to this global trade system in 2012 and membership of some CIS countries in WTO can change the structure and main tendencies of trade in agricultural products significantly. This is especially related to trade in agricultural commodities, since agriculture is supposed to be one of the most "sensitive" spheres influenced by trade agreements within CIS and Russian accession to WTO.

Many Russian experts foresee the serious threats to sustainable rural development when foreign trade in agricultural commodities is getting more and more liberalized. The majority of Russian agricultural producers, especially small and medium rural households and start-ups in the sphere of green production, cannot equally compete with foreign producers. The dependence on import deliveries is critically high. Culture of "green consumption" is not very much developed in Russia, domestic agricultural and food products cannot find their customer neither on foreign nor even on local Russian markets. Russian experts anticipate the decrease of the share of the local producers of green products on the internal market, which, in turn, will effect negatively on the employment in rural areas.

At another point, trade integration can bring not only damages, but also advantages. Along with a wide range of disadvantages given by trade liberalization to the Russian agriculture, many experts

reasonably observe series of opportunities, especially in the sphere of agricultural export. Russia is a traditional exporter of agricultural products to CIS, EU and USA, and WTO membership can provide easier access to foreign markets for Russian agricultural producers, including such brand new products, as domestic environmentally-pure food and local Russian food specialties. Trade integration is also a process actively developed nowadays among Russia, Belarus and Kazakhstan (agreement on custom union) and among Russia and Ukraine – the second biggest CIS agricultural producer. Those countries are traditional consumers of Russian agricultural products, and potential markets for green agricultural commodities as well. These processes supported by the Russia's membership in WTO will influence significantly the character of trade in agricultural commodities, incorporate growing Russia's green production into international market, raise demand and employment in rural territories, and bring new opportunities for sustainable rural development through alternative kinds of agricultural production and growing local identities of Russia's small and medium agricultural producers.

## **BACKGROUND**

The main issues of international trade in agricultural commodities, including organic products, were researched by many authors. Particularly, Tinbergen J. (1981) developed the first national comprehensive macroeconomic model and applied dynamic models for the analysis of economic processes. Porter M. (2008) developed the competitive strategy and addressed the competitiveness and economic development of nations, states, and regions. Effects of trade liberation for multi-regional trade were studied by Boehringer C. and Rutherford T. (1999), and Estevadeordal A., Freund C. and Ornelas E. (2008).

Taking into account the recent Russia's accession into the WTO and its influences on trade in

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