

Ukraine in the WTO: Effects and Prospects

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Abstract: Over 6 years have passed since Ukraine became a member of the WTO. The accession has had both positive and negative effects on the country's economy. The process of accession took place in the absence of any definite economic development strategy. As a consequence, the national manufacturers were hurt in many respects. Ukraine acceded to the WTO on terms rather unfavourable for the country, with little to no regard for the opinions of experts and the business milieu. That resulted in losses for the most vulnerable sectors of Ukraine's economy. Those are the industries which produce high value-added products, including machine building, consumer goods industry and food-processing. This goes to show that the country's WTO membership was detrimental for the innovation-oriented industries involving high technologies. The branches of the real sector of the economy which produce low value-added products (such as agriculture, chemical industry, and metallurgy) fared better. Despite the patterns of poor judgment shown, there are certain positive effects of Ukraine's WTO membership. Among them one can mention the possibility to conduct equitable dialogue with the country's foreign trade partners, enhancement of competitive advantages of the major producers in the real sector, provision of incentives to harnessing new technologies, improvement of production quality in order to enhance the competitiveness on the global market. Ukraine's experience shows that it is obviously necessary for Russia to make efforts in order to ensure that Russia's WTO membership would advantage the national economy and the real sector entities. Russia's WTO membership can give a great impetus to the country development, but only if relevant domestic reforms will adapt Russian economic and legislative institutions to the conditions of the WTO multilateral trade agreements.

Keywords: World Trade Organisation, Ukrainian economy, effects of Ukraine's accession to the WTO.

Introduction

The topic of this article is mainly based on the results and prospects of Ukraine's accession to the WTO. The choice of this topic is motivated by the importance of

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assessing the experience of Ukraine in order to draw some basic conclusions for Russia. Ukraine has become an official member of the WTO on 16 May 2008. For Russia, which joined the WTO on 22 August 2012, it will be very useful to analyse the consequences of Ukraine's accession to the WTO. Firstly, the economic structure of the country is closest to the structure of the Russian economy, and secondly, it has been more than 6 years since the entry of Ukraine into the WTO, which is sufficient time to assess the socio-economic impact of this development.

The purpose of this research is to analyze the results and consequences of Ukraine's accession to the WTO, and on this basis to draw conclusions about the possible consequences of Russia's WTO accession.

To achieve this goal, the authors proceeded to:

- 1) Consider the experts' opinions with regard to the assessment of the conditions and consequences of Ukraine's accession to the WTO;
- 2) Analyse the dynamics of Ukraine's foreign trade in the 2000-2012 period;
- 3) Evaluate the impact of the global financial crisis and its key factors on the dynamics of the foreign trade of Ukraine;
- 4) Determine the trend of changes in foreign direct investment in Ukraine;
- 5) Analyse the changes in the domestic consumer market of Ukraine;
- 6) Analyse the changes in some sectors of Ukrainian economy: automotive, agricultural machinery, woodworking and trade in food products;
- 7) Consider the financial performance of the real sector of economy of Ukraine.

Based on the study, they assessed the effects of Ukraine's accession to the WTO and drew conclusions on possible outcomes of WTO membership for Russia.

In order to analyse and evaluate the consequences of Ukraine's accession to the WTO combined methods of analysis have been employed using official statistics, the definition of core concepts and the identification of trends with the help of various indicators.

Research results

Before the study, it is necessary to consider the views of various experts on the possible positive and negative consequences of Ukraine's accession to the WTO. In our opinion, the conditions under which Ukraine joined the WTO, were disadvantageous for the country. This is due to the hasty decision to join the WTO. During the course of negotiations, Ukraine was unable to obtain the most favourable terms. This view is shared by a number of experts, whose opinions are presented below.

The accession of Ukraine to the WTO occurred in a context characterised by a lack of strategy for the development of the real economy. Therefore, in the opinion of the Chairman of the Industrial Group UPEC, Anatoly Girshfeld, there is no telling if the terms of the accession to the WTO were effective for the country.

In the opinion of the Head of the Federation of the employers of Ukraine, Dmitry Oleinik, Ukraine could gain better terms and conditions for the access of their national commodities to international markets and protect national business. From this point of view Ukraine and Ukrainian manufacturers have lost.

In Girshfeld's opinion, Ukraine acceded to the WTO on terms which were not very advantageous due to political concerns, because of the haste of the decision making process and the low proficiency of the experts and officials who took part in the negotiation process. "What is most important is that there was no economic pragmatism at all, which usually takes place in case of taking such decisions. Where the WTO has become an absolute tool for high-technology industry lobbyism, which are the basis for the economic development of the countries", according to Girshfeld [7].

During the negotiations numerous concessions to foreign partners were made and, as such, all of a sudden the Ukrainian market became easily accessible for foreign products, and low competitive abilities of many branches of the Ukrainian economy did not allow to exercise within a short time the advantages of the openness of markets of WTO member countries for the Ukrainian manufactures and service providers. Besides, Ukraine acceded to the WTO on the eve of the world financial crisis during which liberalisation of international trade had a rather weakening effect than supported the key branches of its national economy [11, c. 75].

It was expected that Ukraine's participation in the WTO would become the inducement for the creation of stable laws and would lead to a boost of foreign direct investments. That it would assist structural modernisation of the economy on the whole and would bring advantages and new opportunities for the agrarian sector, mining and metallurgical enterprises and chemical industry.

Jorge Zukoksi, the president of the American Chamber of Commerce in Ukraine says: "The initial expectations of the advantages the country would get due to the accession to the WTO were rather optimistic. According to the experts' assessment, participation in the WTO would allow to increase the Ukrainian economy's growth rate by 1-1.5%. Unfortunately, the world financial crisis befell the world economy and had a significant negative impact on the national economy, which explains in part why Ukraine didn't experience the full-fledged benefits of its WTO membership. One cannot help but agree with the opinion of the expert about the negative impact of the global financial crisis on the Ukrainian economy, which makes an objective assessment of the consequences of accession to the WTO".

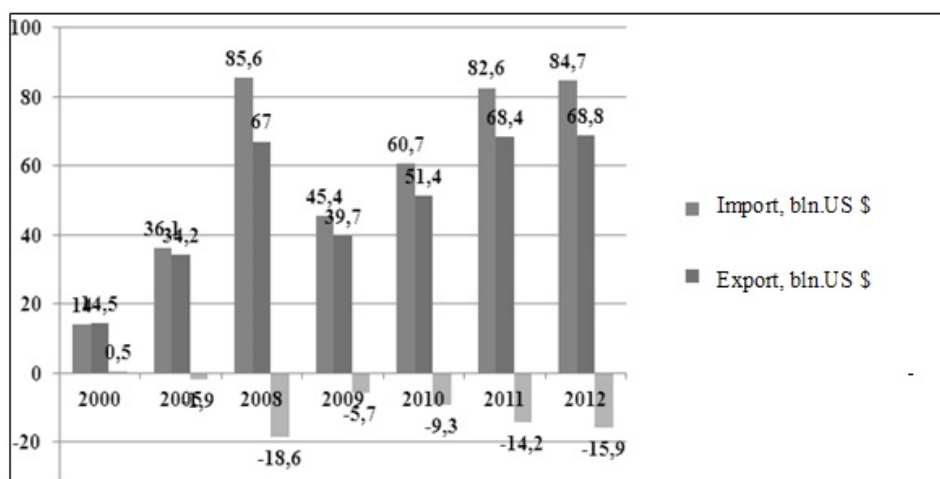
Anna Derevyanko, the executive officer of the European Business Association, says: "The real-life experience of many states which are WTO members now, especially of the developing countries shows that the majority of potential positive for the country changes are not implemented automatically, but are the result of the smart policy which creates some potential to use the opportunities of being a WTO member country. We hope that in the future Ukrainian membership in the WTO will have a significant positive effect and will promote the European integration processes on the whole. Accession to and participations in such international institutions as the WTO must be rather an inducement for the development of our country".

Leonid Kazachenko, the president of the Ukrainian agrarian confederation says: “For the last years the competitiveness of Ukrainian goods has increased. It was preceded by the world food crisis, world prices growth and hryvna devaluation. On the whole I can’t safely say that we got more positive effect than negative due to the accession to the WTO. But this is an evolutionary process and in the future we will benefit from it”[9].

In our opinion, at this point the expected positive effects of Ukraine’s accession to the WTO have not yet been achieved. In support of this opinion we will consider a number of telling indicators and trends related to the evolution of the Ukrainian economy.

Let us consider the dynamics of Ukrainian foreign trade indicators in 2000-2012. (Figure 1).

Figure 1 – Ukrainian foreign trade figures [3]



Before 2005 the commercial balance was positive, Ukraine had an export-oriented model of its international trade activity. In 2005 the negative balance was US \$ 1.9 bln and it has been growing ever since.

In 2008, the import of commodities of US \$ 18.6 bln exceeded exports, and the negative balance reached its peak value over the last decade: US \$18.6 bln, i.e. a transition to the import-dependent model of international economic activity occurred. In 2009 Ukrainian commodity export decreased by 27.3 % in comparison with the previous year data and import to the country decreased by 40.2% (2009/2008). Import of commodities decreased faster than the export. As a result foreign trade balance decreased three times – from US \$ 18.6 to 5.7 bln.

From May to October 2008 Ukrainian international trade was actively developed. The increase of export of Ukrainian commodities was directly influenced by the measures taken: decrease import duties for Ukrainian goods, abolition of EU quantitative restrictions for Ukrainian metallurgical products, removal by Ukraine of restriction on grain, sunflower seeds and sunflower oil export. However, a growth in the import of

commodities also took place. The reasons for this significant import growth are, firstly, the reduction of the tariff protection of the domestic market as the result of the accepted concessions for domestic market access; and secondly, the maintenance of the exchange rate coupled with the population nominal income increase by 40% [5, c.27].

As a result, during the first year of Ukrainian participation in the WTO, commodity import was significantly higher than export, which led to the growth of negative trade balance value.

When analysing the dynamics of Ukrainian foreign trade indicators, it is necessary to take into account the fact that 2008 was the year of the beginning of the world economic crisis. It was expected that the significant liberalisation of Ukrainian foreign trade due to this foreign policy step would result in the additional incentives for international commodity trade flow. However, the positive dynamics of export (17.8% increase in 2008 in comparison with the previous years) and import (24.8% increase in 2008 in comparison with the previous year) was interrupted by the crisis. The dynamics of foreign trade indicators of Ukraine in 2008-2009 along with its accession to the WTO was also influenced by such factors as:

- national currency devaluation;
- drop in real income of the population;
- drop in domestic commodity demand (demand of population);
- drop in external demand (in the wake of world financial crisis).

In the aftermath of the world financial crisis of 2008-2009, Ukraine experienced significant national currency devaluation from 5.1 hryvnas to 8.05 hryvnas per US dollar (Figure 2).

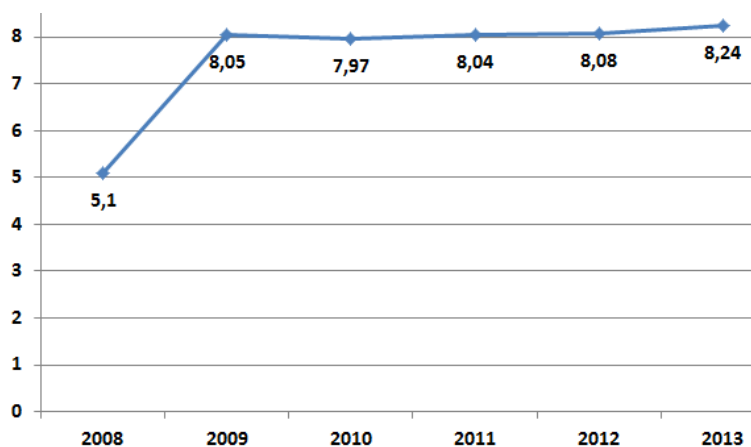


Figure 2 – US dollar against hryvna, 2008-2013.

One of the effects of the world financial crisis for Ukraine was the drop of the real income of the population (17.6% decrease in 2009 compared to the previous year), which resulted in the drop of domestic commodity and service demand.

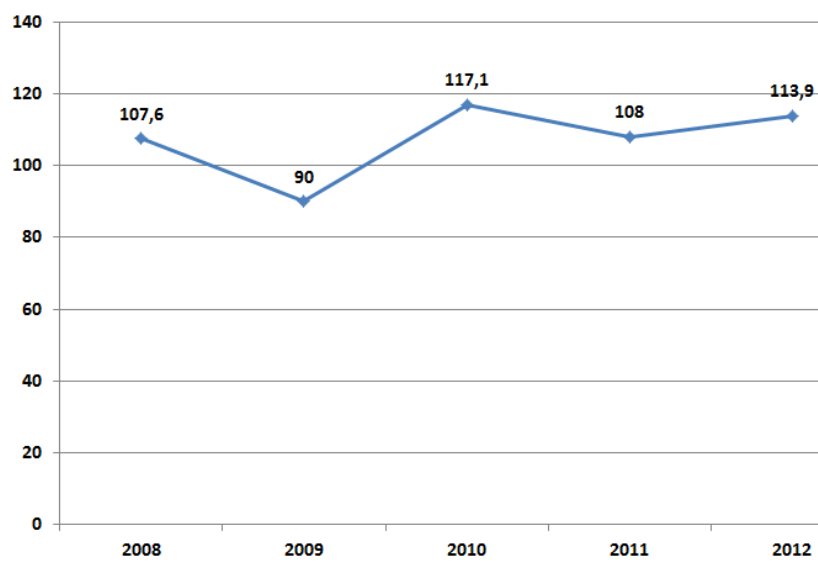


Figure 3 – Actual expendable income, percents, compared with the previous year [3]

Therefore, the negative financial conditions on the world market in 2008-2009 resulted in a 27.3% decrease of Ukrainian commodities export in 2009, and the devaluation along with the drop in real income of the population reduced the import transactions by 40.2%.

Nevertheless, the issue of the extent of the impact of the accession of Ukraine to the WTO on the Ukrainian international trade in the context of the decline of the world economy growth rate and liquidity of financial markets is still open.

In 2010 foreign trade became more intense. At the end of 2011 the international goods trade recovered to the pre-crisis levels. In 2012 the negative balance of trade increased up to US \$ 15.9 bln, and the import was US \$ 84.7 bln, while export came to US \$ 68.8 bln.

Therefore, Ukraine significantly decreased or totally slashed to zero duties on import, which constantly drove home manufacturers out of the domestic market.

According to the initial forecast, WTO membership was supposed to bring an acceleration of growth rate of the inflow of foreign investment (as estimated by the Administration of the Ukrainian Presidency - up to US \$ 5 bln annually, according to the Ministry of Economy - US \$ 500 bln) [7]. This expectation came true: the biggest increase of the foreign investment inflow took place in 2008 and 2009 (7935.4 and 6073.7 mln

US \$ more than in the previous year correspondingly). From 2010 to 2013 there can be seen a consistent trend of growth of direct investment inflow into the Ukrainian economy (Figure 4).

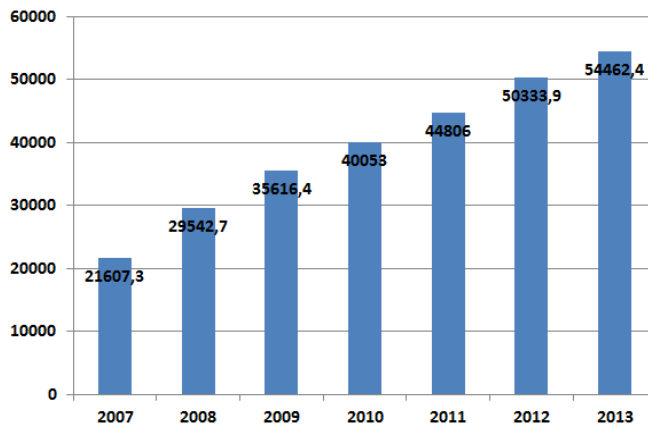


Figure 4 – Direct foreign investment to Ukraine, US \$, mln. [3]

The main investor-countries are Cyprus - \$ 17275.1 mln, Germany - \$ 6317 mln, the Netherlands - \$ 5168.6 mln, the Russian Federation - \$ 3785.6 mln and Austria - \$ 3401.4 mln. Therefore, the total amount of the investment from the EU countries was \$ 42979 mln and from CIS countries - \$ 4269 mln (the volumes of the direct foreign investment in 2012).

After the accession to the WTO, the rate of retail trade growth in Ukraine significantly slowed down: in 2007 this value was 128.8 %, and from 2008 to 2012 it decreased from 118.6 to 115.9 %. Certainly, the dynamics of retail trade volumes was affected not only by the accession to the WTO, but also by such factors as the drop in real income of the population, consumer demand, etc.

After Ukraine's accession to the WTO, some negative changes for the domestic consumer market took place:

1. National consumer commodities sale share in the structure of retail turnover of the distributive network decreased: from 2009 to 2012 this figure dropped from 67.4 to 58.9%.

2. The share of national non-foods in the structure of retail turnover in the distributing network decreased: from 2009 to 2012 this figure dropped from 54.7 to 41.9% (Figure 5).

Not all the branches of the Ukrainian economy managed to come into the international market because of low competitiveness, whereas the Ukrainian market became open for foreign manufacturers, which resulted in the supersession of home commodities with the import ones.

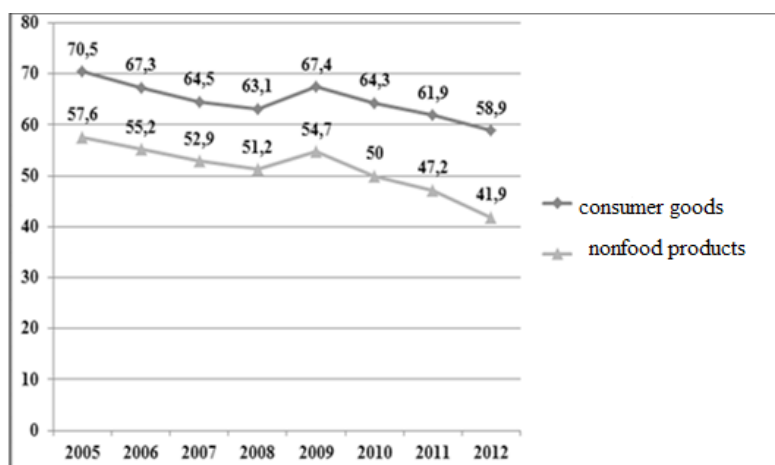


Figure 5 – Percentage of consumer and non-food goods distribution, produced in Ukraine through manufacturers' trading networks, % [3]

Table 1 – Commodity composition of Ukraine international trade

Ukrainian export, US \$, bln					
Branches	2008	2009	2010	2011	2012
Iron and steel industry	26,47	12,20	16,62	21,32	18,18
Agricultural products	6,36	5,63	4,75	6,47	10,18
Chemical industry	5,04	2,52	3,48	5,39	5,06
Machine-building	10,67	6,61	8,93	11,62	12,99
Energy resources	4,11	2,13	3,66	5,69	3,64
Others	14,36	10,61	13,96	17,91	18,76
Total	67,00	39,70	51,40	68,40	68,80
Import to Ukraine, US \$,bln					
Branches	2008	2009	2010	2011	2012
Iron and steel industry	4,73	1,74	2,81	3,96	3,58
Agricultural products	3,16	2,53	2,81	2,85	4,15
Chemical industry	6,96	5,32	6,44	8,02	8,59
Machine-building	2,55	8,42	11,83	19,00	21,25
Energy resources	22,84	14,64	19,60	28,60	26,19
Others	2,81	12,76	17,21	20,16	20,94
Total	85,60	45,40	60,70	82,60	84,70

Iron and steel products, chemical, machine building and agricultural products make up 72% of the Ukrainian export. We should mention that the largest part of the export volume is not high technology products, but extractive sector products.

Iron and steel products are the main export goods (in 2012 the share of this kind of products was about 26%). During that period the share of iron and steel products was constantly decreasing (from 39.5% to 26.4 % in 2012). In 2008 before the accession to the WTO Ukrainian metallurgy industry was on the rise. But that year the world economic crisis took place, which due to its continuance had a slow effect on metal production. That is why following the sharp fall in production in 2008 up to 2011 the growth continued and the production decreased again in 2012. But that time some new factors such as world demand decrease and created due to that oversupply of metallurgical capacities began have an effect [2].

Most experts estimate that the participation in the WTO played a positive role for the Ukrainian metallurgical industry. The main point about it is the removal of quotas for mill product supply to the EU countries. Besides, the WTO levels down the protection measures of markets of some countries against metal export.

The share of agricultural products in the total volume of export in 2008 was 9.5%, in 2009 it increased up to 14.8 %. In 2010 the decrease of this figure down to 9.2% due to the introduction of quotas for main crops was observed. We should mention that foreign trade balance has been steadily positive. From 2008 to 2012 agricultural product export increased from US \$ 6.36 bln to US \$ 10.18 bln (1.6 times). And in 2012 the export of Ukrainian products to the EU countries came out on top, having left behind the turnover with CIS countries, which can be estimated as one of the positive effects of the Ukrainian accession to the WTO. The share of chemical industry products in the total volume of the export during the period under study was about 6-8%. After the Ukrainian accession to the WTO an increase of the energy resources share in the structure of export was observed (from 26.7% in 2008 to 30.9% in 2012). It is connected with the growth of prices for energy resources mostly imported from Russia. The share of machine-building in the Ukrainian export structure increased during the period under study and in 2012 it was 21.3%. Before the Ukrainian accession to the WTO the dominating part of the Ukrainian machine-building was the production of high value added products, but today it is the products with low value added. And imported products of machine-building were expensive high technology products.

In the structure of import beside energy resources (natural gas, oil and products of its distillation) machine-building products are of key importance.

Obviously, the world financial crisis in 2008-2009 as well as the Ukrainian accession to the WTO had a great impact on the changes of the commodity structure of the Ukrainian international trade. Let us compare the dynamics of the Ukrainian international trade and the similar Russian branches of industry which at that time was not a WTO member. (Tables 2 and 3).

Table 2 - Commodity structure of export of Russia and Ukraine in 2008-2012.

Industry sectors	2008	2009	2010	2011	2012
Agricultural output (Y)	6,36	5,63	4,75	6,47	10,18
Agricultural products (P)	9,2	10	8,8	13,3	16,7
Energy (U)	4,11	2,13	3,66	5,69	3,64
Energy (P)	326,3	203,4	271,9	367,6	375
Mechanical Engineering (V)	10,67	6,61	8,93	11,62	12,99
Mechanical Engineering (P)	22,8	17,9	21,2	26	26,5
Chemical Industry (Y)	5,04	2,52	3,48	5,39	5,06
Chemical Industry (P)	30,2	18,7	24,5	32,6	32
Iron and steel (Y)	26,47	12,2	16,62	21,32	18,18
Ferrous metallurgy (P)	61,8	38,6	50,3	58,7	58,2

Table 3 - Commodity structure of imports in Ukraine and Russia in 2008-2012. [3,10]

Industry sectors	2008	2009	2010	2011	2012
Agricultural output (Y)	3,16	2,53	2,81	2,85	4,15
Agricultural products (P)	35,2	30	36,4	42,5	40,3
Energy (U)	22,84	14,64	19,6	28,6	26,19
Energy (P)	8,3	7,7	5,2	10	7,4
Mechanical Engineering (V)	2,55	8,42	11,83	19	21,25
Mechanical Engineering (P)	140,8	41	101,7	148	157,6
Chemical Industry (Y)	6,96	5,32	6,44	8,02	8,59
Chemical Industry (P)	35,2	27,9	37	46	48
Iron and steel (Y)	4,73	1,74	2,81	3,96	3,58
Ferrous metallurgy (P)	19,3	11,3	16,8	23	22,8

As we can see from Table 3, during the period under study the dynamics of export in the same branches in Ukraine and Russia had similar trends: in 2009 there was a steep fall in the volume of exports, in 2010-2011 there was a slow increase of this figure, and in 2012 a little decrease can be observed.

The situation is similar for the import dynamics as well: in 2009 there was a steep fall in import both in Ukraine and Russia, in 2010-2012 there was a slow increase of that figure (in 2012 for some industries there was a slight decrease in import volume).

Therefore, the steep fall of export and import volumes in 2009 was caused not only by the Ukrainian accession to the WTO, but in a significant manner by the world financial crisis.

In our opinion, the world financial crisis influenced the state of the Ukrainian economy in 2008-2011. It is important to notice that the geographical structure of export and import of the Ukrainian commodities was dominated by the countries which are not the WTO members. For instance, the share of the three CIS countries (Russia, Kazakhstan, Belarus) in 2012 in the structure of the Ukrainian export was 32.41%, and that of European countries was 25.29% (Figure 8).

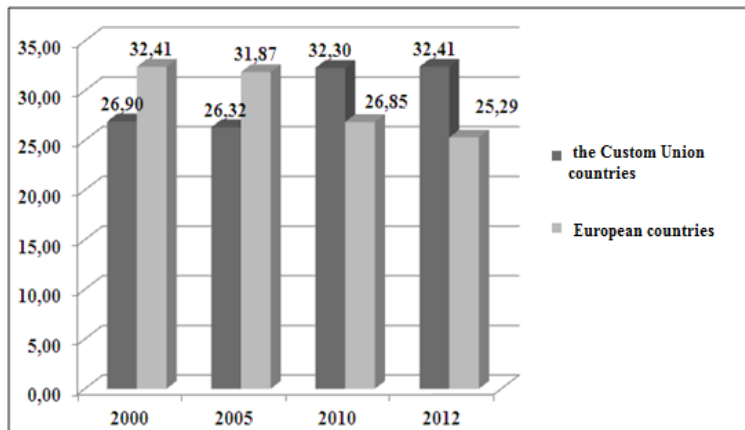


Figure 6 – Geographical composition of Ukrainian export, US \$ bln. [3]

The situation was similar in the case of import: the share of the three Custom Union countries (Russia, Kazakhstan, Belarus) in 2012 in the structure of the Ukrainian import was 40.14%, whereas for European countries it was 32.59% (Figure 7).

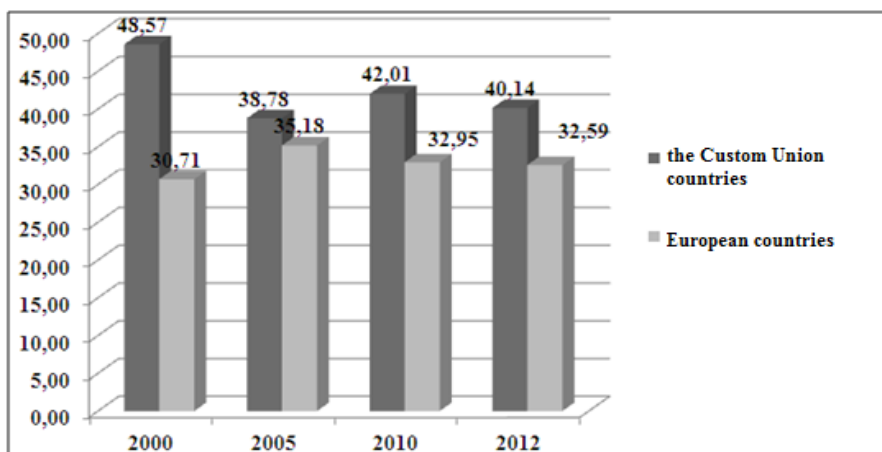


Figure 7 – Geographical composition of Ukrainian import, US \$, bln [3]

Let us consider in detail the influence of the Ukrainian membership to the WTO on different branches of its economy.

The biggest losses due to the Ukrainian accession to the WTO were suffered by the technological branches of the real sector, manufacturing products with a high value added (aircraft industry, motor-vehicle industry, agricultural and transport machine-building). Some losses were also suffered by some sub-branches of agriculture (livestock sector, wine industry), textile industry. The most heavily affected was the motor vehicle industry. After Ukraine acceded to the WTO the import duty for foreign vehicles was reduced from 25% to 10%. The opening of the market resulted in the fact that for five years the motor cars production in Ukraine decreased by six times (from 402.000 items in 2008 to 69.700 items in 2012), trucks production decreased by four times (from 11.8 thousand items in 2008 to 2.9 thousand items in 2012), buses production decreased by three times (from 10.2 thousand items in 2008 to 3.6 thousand items in 2012) (Figure 10).

Before Ukraine accession to the WTO production capacities were created to produce 400-450 thousand motor-cars (ZAZ, "Bogdan Motors", Eurocar). Nowadays under the circumstances of low import duty investors are not ready to invest into the local market. It is more profitable to import finished motor cars [4].

The food group of commodities sustained significant losses due to the Ukrainian accession to the WTO. Ukraine reduced the import duty for sugar from 300 euro a ton to 50% of import duty and agreed to give a quota to import 260 thousand tons of cane raw sugar to Ukraine at a reduced rate of 2%. This is next to duty free import of 260 thousand tons of raw sugar. Such a quota did not exist before. The share of the imported cane sugar in Ukraine increased, sugar export actually stopped [4].

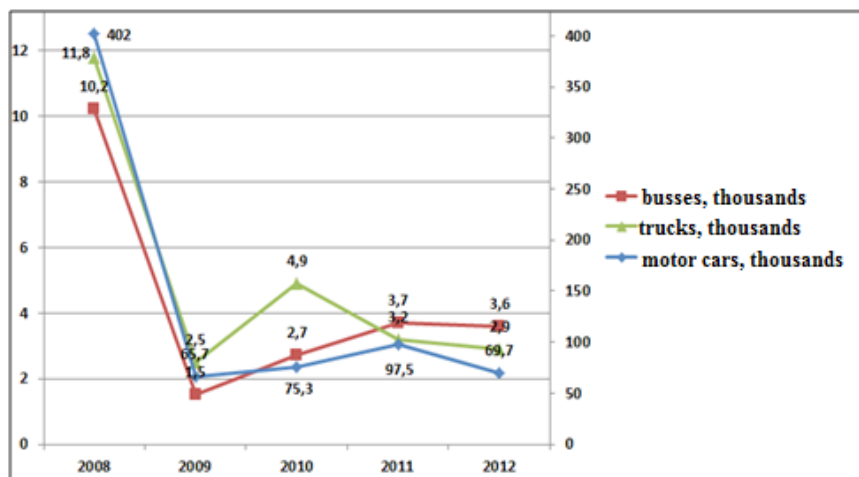


Figure 8 – motor passenger cars, trucks and buses manufacture in Ukraine [3]

Meat manufacturers found themselves in a complicated situation. During the first year of the participation in the WTO live animal import and products of animal origin increased by 2.2 times compared with 2007. In 2012 the import of live animals and products of animal origin exceeded by 1.8 time the export [3].

Duties for import meat got a 10% decrease whereas other countries had higher duties. Figure 11 presents the meat import/export dynamics in 2006-2013.

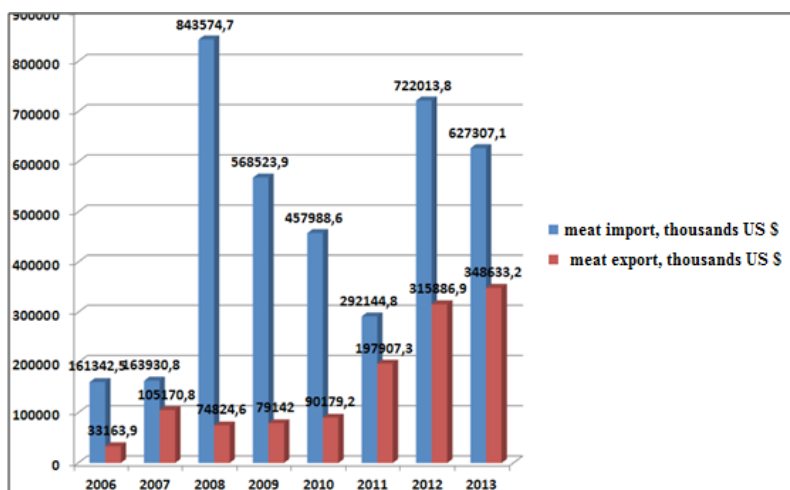


Figure 9 – Meat import-export behaviour in 2006-2013 [3]

In 2008 the steep increase of meat import (by 5 times compared with the previous year) occurred. During the three following years import of meat to Ukraine was slowly decreasing (to US \$ 282144 thousand in 2011), and in 2013 that figure again increased and was US \$ 627307.1. During the period under study meat import to Ukraine exceeded export (in 2008 by 11 times, in 2013 nearly two times). Obviously, these trends are the effects of the Ukrainian accession to the WTO.

Besides, having signed the agreement Ukraine took obligations not to incite exports of its agricultural products by means of compensations. Whereas European countries, the USA and other countries support their agricultural enterprises [4].

The Ukrainian agricultural machine building industry turned out to be in danger too. Before 2008 there was a trend of slow, but constant growth. From 2008 to 2012 the production of each kind of agricultural machinery reduced: combined harvester manufacture reduced by 5 times, harrows – by 3 times, seed planter – by 3.6 times (Figure 10).

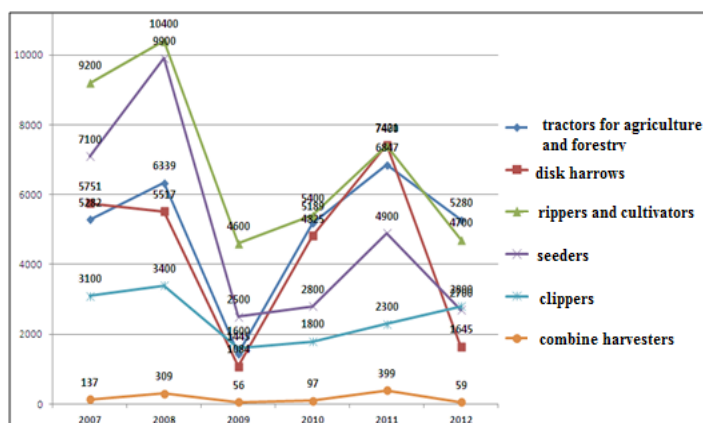


Figure 10 – Manufacture of basic kinds of farm machinery in Ukraine [3]

After the accession to the WTO a zero rate for agricultural machinery was introduced. This led to the large-scale agricultural machine import to Ukraine and the Ukrainian machine-builders lost all the orders [11, 0.83].

Negative trends were also noticed in consumer goods industry, wine and dairy products industry, foodstuff industry and aircraft industry. Disadvantageous conditions which gave import the green light can be observed on the woodworking market. Before Ukrainian accession to the WTO, 30-40% import duty depending on the commodities groups was applicable. However, in 2008 a zero duty for imported furniture was introduced. As a result, furniture from the Baltic countries, China, Italy etc. began to be imported in Ukraine [4].

Restrictions for 37 product groups with total annual volume of 1.2 bln dollars are working against the Ukrainian export. Ukraine opens its market, provides favourable conditions for import products, but the export conditions for Ukrainian products to international markets are unfavourable. These conditions may be labelled asymmetric. Let us consider the financial result of the Ukrainian real economy activity (Table 4).

Table 4 – Net profit (negative profit) of enterprises for different types of economic activity, mln, hryvnas. [3]

2008					
	net profit (negative profit)	Enterprises with profit		Enterprises with negative profit	
		Percentage ratio to the total number of enterprises %	financial results	Percentage ratio to the total number of enterprises	financial results
Total, including	-41025,1	61,3	144460,1	38,7	185485,2
Agriculture, hunting, forestry	5789,2	71,4	11822,6	28,6	6033,4

Industry	5542,5	59,6	55180,4	40,4	49637,9
Construction	-7975,4	61,1	5174,5	38,9	13149,9
Wholesale and retail trade	-34093,2	64,0	20744,4	36,0	54837,6
Hotel and restaurant industry	-1568,9	61,1	398,9	38,9	1967,8
Transport and communication	234,5	58,1	12511,1	41,9	12276,6
2012					
Total, including	35067,3	63,0	210607,6	37,0	175540,3
Agriculture, forestry and fisheries	26787,2	78,2	33731,6	21,8	6944,4
Industry	2592,4	60,7	67565,4	39,3	64973,0
Construction	-1012,7	58,9	8367,0	41,1	9379,7
Wholesale and retail trade	210,6	64,0	35498,4	36,0	35287,8
Transport, warehousing, post offices and courier services	3127,7	60,1	9728,6	39,9	6600,9
Temporary accommodation and catering services	-984,3	57,4	692,1	42,6	1676,4

Despite the fact that in 2008 and 2012 the share of profit-making enterprises was much more than the number of loss-making enterprises (61.3% and 38.7%, 63% and 37% correspondingly), negative financial result was typical for construction, wholesale and retail trade, hotel and restaurant industry. It should be mentioned that net profit of industrial enterprises decreased significantly (from 5542.5 mln hryvnas to 2592.4 mln hryvnas). Only manufacturers of competitive products managed to benefit from the accession to the WTO. In the agricultural sector the production of oil crops – sunflower seeds, sunflowers, rape and sunflower oil – increased. During those 5 years Ukraine achieved the top five of the world sunflower oil manufacturers. [4].

Corn growers also benefited: high prices for traditional energy (oil, gas) makes corn biofuel production profitable which along with bad weather conditions in recent years and, consequently failure of corn crops in main countries of production leads to the deficit of corn on the world food market and the increase of prices for corn. These circumstances conduce to the increase of the Ukrainian corn export, and the implementation of new technologies by major players of the Ukrainian corn industry [11, c.79].

During the first years after the accession to the WTO Ukrainian agriculture remained profitable. The level of profitability of this branch of industry in 2008-2012 increased from 12.9% to 21.7%. The revenues of its business entities increased. The net profit of agricultural enterprises in 2008-2012 increased by 5 times (from 5789.2 to 26787.2 mln, hryvnas). The increase of foreign investment inflow into the agricultural branch of industry can be also mentioned. From the experience of the Ukrainian 5-year participation in the WTO certain conclusions useful for Russia can be drawn.

Ukraine acceded to the WTO on unfavourable terms without taking into consideration the experts and the business community's opinions, which contributed to the fact that the most vulnerable branches of the economy were not protected and suffered significant losses. The lengthy process of Russia's accession to the WTO allowed it to accede to this organisation on more reasonable terms.

The analysis of the effects of the Ukrainian accession to the WTO showed that the branches of real economy producing commodities with low value added (agriculture, particularly corn and oil crops, chemical industry, metallurgical industry) benefited the most. Therefore, the membership in the WTO disrupts industries based on innovation and high technologies. Russia can face the same effects due to the accession to the WTO.

Among the branches of the Ukrainian economy that suffered the most are the industries with high value added, including machine building, light industry and food industry. In comparison with the products of leading global manufacturers of airplanes, machinery and equipment, similar Ukrainian products of the real sector of economy considerably yield in competitiveness, but in any case neglecting high technology branches of the national economy is a great strategic mistake. The Ukrainian experience is rather important for Russia, where products with a high value added will hardly be competitive with foreign products already present on the market of the WTO member countries.

Concluding remarks

Analysis of the first results of the Ukrainian membership in the WTO shows that it is necessary to reconsider the initial terms of the accession to the organisation. Russia should also take these circumstances into consideration and bare in mind the possibility of reviewing the terms of its accession to the WTO.

After Ukraine's accession to the WTO, the country moved away from the import-dependent model of foreign trade. In 2008, the negative trade balance amounted to -18,6 billion USD, and in 2012, -15,9 billion USD. This is a negative trend. Not to mention the impact on the dynamics of Ukraine's foreign trade in 2008-2009, along with the accession to the WTO, of such factors as:

- devaluation of the national currency;
- a fall in real incomes;
- falling domestic demand for goods;
- a fall in external demand (as a consequence of the global financial crisis).

After joining the WTO, the growth rate of retail sales in Ukraine has slowed: in 2007 this figure amounted to -128.8% and in the period from 2008 to 2012 it fell from 118.6 to 115.9%. Of course, the dynamics of retail sales was affected not only by the entry into the WTO, but also by factors such as the reduction in real incomes, consumer demand, and others.

Not all branches of Ukraine were able to break into foreign markets due to low competitiveness, whereas Ukrainian market became open to foreign producers, which led to the replacement of domestic goods by imported ones.

The greatest losses from Ukraine's accession to the WTO were suffered by tech industries of the real sector of the economy, producing goods with high added value (aircraft, automotive, agricultural and transport machinery). Other sub-sectors of agriculture (livestock, wine) and the textile industry also suffered losses.

Despite the errors committed and the first results which are not always positive, there are some positive aspects of Ukraine's membership in the WTO: the ability to conduct an equal dialogue with trade partners, the enhanced competitive advantages of the major manufacturers in the real economy, the introduction of new technology, improvement of product quality to enhance competitiveness.

Based on this experience, we can formulate a number of recommendations so as to minimise Russia's losses and maximise advantages which derive from the accession to WTO. Improving the competitiveness of individual sectors of strategic importance for the country and the economy in general:

1. Forming a consistent and clear government policy on the development of a number of industries; a clear formulation of national goals, objectives and determining the tools to achieve them.

2. Preparation and implementation of strategies for the development/modernisation of industries, including government investment in capital-intensive production and infrastructure projects, taking into account the country's obligations as a WTO member.

3. Preventive reform of individual enterprises and single-industry towns, unable to compete in the new environment, to offset the negative social consequences.

4. The accelerated development of advanced technologies for the priority sectors of co-operation in R&D and basic research.

5. Promote imports of technologies without compromising the demand for finished products.

Creating the conditions for the rapid modernisation of the economy and prevent (reduce) the negative effects:

1. Elimination of corruption and administrative barriers to the supervisory and regulatory authorities.

2. Increasing mobility and the creation of national labour exchanges and employment.

3. Ensuring long-term, low-interest loans economy.

4. Capacity investments in infrastructure and education.

5. Improvement of tax policy.

6. Development of Small and Medium Enterprises.

In addition, there are many questions of technical nature, such as the development of technical regulations, sanitary regulations, possible measures to support adaptation to WTO rules, the development of new tools, which do not contradict WTO rules – this requires both time, and preparation of relevant experts (managers, lawyers and officials).

Only the implementation by the state of these activities can provide a relatively painless integration of Russia into the WTO system. Membership in the WTO in the current context can only harm the Russian economy.

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