

Impact of WTO on Indo-Russian Trade Performance since Russian Entry in WTO

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Abstract: After accepting membership in WTO, Russia will have a positive impact in boosting its bilateral trade with India which was hovering around 10 billion dollars a year. It was bright spot amid the turbulence in the European economy due to Russia's formal accession into the World Trade Organization after 18 years of negotiations. According to Foreign Secretary Ranjan Mathai the Russian entry in to WTO will have a positive impact on bilateral trade and investment with India. Indian Prime Minister has welcomed Russia's entry in to the WTO. Indian and Russian officials during talks between Prime Minister Singh and President Dmitry Medvedev in Moscow were one in agreeing there is a huge potential to expand bilateral trade. Although declining the tariff rates for imported goods ever since Russia first began its transition to a market economy 20 years ago, Russian membership of WTO will further accelerate the process of trade.

In present study the researcher has analyzed the pre and post Indo-Russian trade performance in respect of Russian entry in WTO (Aug. 2012). For analyzing researcher used twelve month as pre (Aug. 2011-Jul. 2012) and post (Aug.2012-Jul.2013) Indo-Russian trade data. For analyzing researcher used test of significance for export, import and balance of trade significantly and proved the mentioned hypothesis at 95 %, 90% and 85% confidence level respectively.

1. INTRODUCTION

In August 2012 Russia got membership of WTO. The WTO's principal objective of creating a fair and market oriented It has become obvious. The Working Party on Russia's accession chaired by Ambassador Stefan Johansson from Iceland agreed and referendum on the terms of the country's membership to the WTO by adopting the package containing reforms to Russia's trade regime On 10 November 2011. And the commitments that Russia undertook to implement as part of its WTO accession. In acceding to the WTO, Russia embraces a series of rules and commitments that are the foundation of an open, non-discriminatory global trading system and transparent.

After accepting membership in WTO, Russia will have a positive impact in boosting its bilateral trade with India which was hovering around 10 billion dollars a year. It was bright spot amid the turbulence in the European economy due to Russia's formal accession into the World Trade Organization after 18 years of negotiations. According to Foreign Secretary Ranjan Mathai the Russian entry in to WTO will have a positive impact on bilateral trade and investment with India. Indian Prime Minister has welcomed Russia's entry in to the WTO. Indian and Russian officials during talks between Prime Minister Singh and President Dmitry Medvedev in Moscow were one in agreeing there is a huge potential to expand bilateral trade. Although declining the tariff rates for imported goods ever since Russia first began its transition to a market economy 20 years ago, Russian membership of WTO will further accelerate the process of trade.

2. REVIEW OF LITERATURE

This segment of the present study 'Review of Literature' is divided in two parts. Part one highlights the selected research studies conducted in India and later part costs light on the studies carried at international level. The related literature which directly or indirectly influences has been reviewed. Most of the studies covered in this study were related with

Indo-Russian trade. A few were related with international trade. In this segment the part first contained five national studies and part second contained five international studies.

3. NATIONAL STUDIES

- Rajesh K. Pillania (2008) in this research paper titled Indo Russian Trade: An Exploratory Study, the author evaluated the visits of high authorities of India and Russia during 2007 and 2008 and compare with the past bilateral relations and shows the future opportunities of both country's bilateral relations, and the author find that there is huge untapped potential for bilateral trade between the two countries.
- V.D. Chopra (2008) described in his research paper titled Significance of Indo-Russian relations in 21st century, highlight the relations between both countries and tried to show the future opportunities for both countries in this regarding the author has given a fresh look to the Indo-Russian relations in the 21st century in the fast changing world situations. And also the author explained the past relations of both countries.
- Mukherjee, Arpita, Deb Gupta, Paramita, (2007) in this article titled Indo-US Free Trade Agreement: Prospects for IT-Enabled/BPO Services, Discusses the current and potential trade between India and the United States. The author analyzed the bilateral trade between both countries in specified area such as information technology and business process outsourcing.
- V.D. Chopra (2005) studied in his research article titled Global significance of Indo-Russian strategic partnership, described the Indo-Russian partnership from the beginning of the 21st century and identified the significant changes in the international situation and relationship among the various country of the world. And explained the relations of both countries with the other countries and find out the global changes for both countries and changes in relations to other countries.
- Hingorani, Aman (1994) have mentioned in his article titled U.S. sanctions on the Indo-Russian rocket engine deal Focuses on the United States' trade sanctions on the Indian Space Research Organization and the Russian space agency for signing a rocket-engine deal. Main provisions and flaws of the Missile Technology Control Regime. Reference of the MTCR to National Defense Authorization Act (NDAA); Facts concerning the rocket engine deal.

4. INTERNATIONAL STUDIES

- Alan Combs, Martin Samy, Anastasia Myachina (2013) have mentioned in his research paper titled Cultural impact on the harmonization of Russian Accounting Standards with the International Financial Reporting Standards: A practitioner's perspective to explore cultural impact on the harmonization of Russian Accounting Standards with International Financial Reporting Standards (IFRS). A theoretical review established that differences still exist between the two sets of accounting standards. For decades, Russia was a socialist state of planned economy. Accounting was a tool of centralised control, and accountants had a job of gathering information for statistical purposes of the government and tax authorities.
- David B. Heinz, Matthias Tomenendal (2012) have mentioned in his research paper titled The emerging market hype – putting market size and growth in BRIC countries into perspective There is a stream of literature highlighting the enormous growth potential of emerging markets. This literature forms the basis for strategic investment decisions made by multinational corporations. Seeking to question the findings of this literature, this paper aims to undertake a comparison of the BRIC countries with that of Germany as a representative mature market to put into perspective the short to medium-term market potential of BRIC markets. An analysis of the geographical investment priorities of 25 DAX multinationals operating in the real economy and a statistical comparison of market size and growth between BRIC countries and Germany are undertaken. While the majority of the DAX companies examined focused their strategic investment priorities on emerging markets, the short- to mid-term revenue potential of the BRIC countries – currently the most important emerging markets – are expected to be lower in absolute terms than those for mature markets such as Germany.
- Dirk Holtbrügge, Heidi Kreppel (2012) in his research paper titled Determinants of outward foreign direct investment from BRIC countries: an explorative study examined outward foreign direct investment (FDI) of firms from Brazil, Russia, India and China has increased significantly during the last few years. Despite this trend, comprehensive research on the specific determinants and antecedents of outward FDI from BRIC countries is still underrepresented.

The purpose of this paper is to give a more comprehensive understanding of outward FDI from BRIC countries. Based on an exploratory approach, case studies of eight companies were conducted. Both a within-case and a cross-case approach were conducted. The findings reveal the relevance of determinants on the country, industry and firm level. Gaining access to new markets is of utmost importance for all firms. Additionally, most companies seek to obtain access to technological resources and management know-how, therefore emphasizing the availability of these resources in the target countries. While the internationalization of Brazilian and Indian companies is primarily driven by economic motives, many Chinese and Russian firms also receive substantial political support from their governments to invest abroad, especially in strategically important industries. On the firm-level, the strength of firm-specific resources is highlighted. BRIC country firms possess specific strengths that help them to enter both developing as well as developed countries and to pursue their internationalization strategy.

- Alexandre Ardichvili, Elena Zavyalova, Vera Minina (2012) have mentioned in this research paper titled Human capital development: comparative analysis of BRICs to conduct macro-level analysis of human capital (HC) development strategies, pursued by four countries commonly referred to as BRICs (Brazil, Russia, India, and China). This analysis is based on comparisons of macro indices of human capital and innovativeness of the economy and a review of related academic literature and government publications. The study results suggest that in terms of present human capital capacity Russia and Brazil are ahead of China and India. However, during the last decade the governments of the latter two countries have initiated impressive national programs of HC development, which include significant investment and targeted government regulation in such areas as primary and secondary education, vocational education and training, and higher education, especially in science and technology fields. Russia and Brazil have targeted programs in some of the above areas, but lack comprehensive long-term strategies, covering all the above areas and coordinating effort of various agencies and constituencies.
- Lutz Preuss, Ralf Barkemeyer (2011) in this research paper titled CSR priorities of emerging economy firms: is Russia a different shape of BRIC? Examined Against the backdrop of a growing geopolitical and economic importance of emerging economies, this paper seeks to ask whether emerging economy firms are willing to match their increased economic weight with greater social responsibility. Given a relative scarcity of research into CSR in Russia, particular attention is to be given to firms from that country. The research question is examined through an analysis of differences between firms from industrialized nations, transition economies, and newly industrialized countries in terms of the breadth and depth of their sustainability reporting. This three-way comparison analyses corporate sustainability reporting according to the GRI G3 framework developed by the Global Reporting Initiative. The firms in the sample display clear evidence of a divide between industrialized and emerging economies, with Russia occupying a middle position. Contrary to expectations, however, emerging economy firms outperform those from industrialized nations in their coverage of GRI indicators.

5. NEED OF THE STUDY

The economic relationship between India and Russia is not a new phenomenon; trade between these two countries was old. The present research has been attempted to further add impetus on the need of building strong relations between India and Russia.

The challenge is to enhance the political economic commitment further, so as to ensure the trade conditions are better than ever before. Further political support and co-operation between the governments of the two giants is desperately needed. Therefore the problem entitled 'Indo-Russian Trade Performance in Existence to Russian Entry in WTO' is selected for the present study.

The purpose or need of this study is analyzing the impact of WTO on Indo-Russian trade performance in respect of Russian entry in WTO.

6. OBJECTIVE OF THE STUDY

To make the study scientific and systematic the researcher has framed the following objective:

- To examine impact of world trade organization (WTO) existence on indo-Russian trade performance.

7. HYPOTHESIS

During the course of study the researcher examined the following null hypothesis:

- There is no significant Impact of WTO on Indian exports to Russia.
- There is no significant impact of WTO on Indian imports from Russia.
- There is no significant impact of WTO on the balance of trade of India with Russia.

8. RESEARCH METHODOLOGY

To achieved the above mentioned objectives of the study. The following general research methodology is adopted:

The data:-

To make the findings of the present study more practically viable and accurate the secondary is used.

For secondary data the researcher is used all possible published data related to Indo – Russian trade. For this purpose the researcher visited different organizations, exhibitions, conferences and seminars, related to foreign trade, Libraries, research papers, magazines, reports etc.

The collected data treated with suitable statistical techniques like percent count, weighted average and test of significance etc.

To measure the impact of WTO, the researcher compared the trade statistics prior to WTO existence with the past WTO existence.

9. ANALYSIS AN IMPACT OF WTO ON INDO-RUSSIAN TRADE PERFORMANCE

To find out the impact of WTO on Indo-Russian trade performance the researcher has analyzed the Indo-Russian monthly trade data pre period and post period of twelve months in the respect of Russian entry in WTO. To analyze the data researcher proved hypothesis and achieved an objective by using various statistical tools.

Following table shows the Indo-Russian Trade data pre period and post period in respect of Russian entry in WTO:

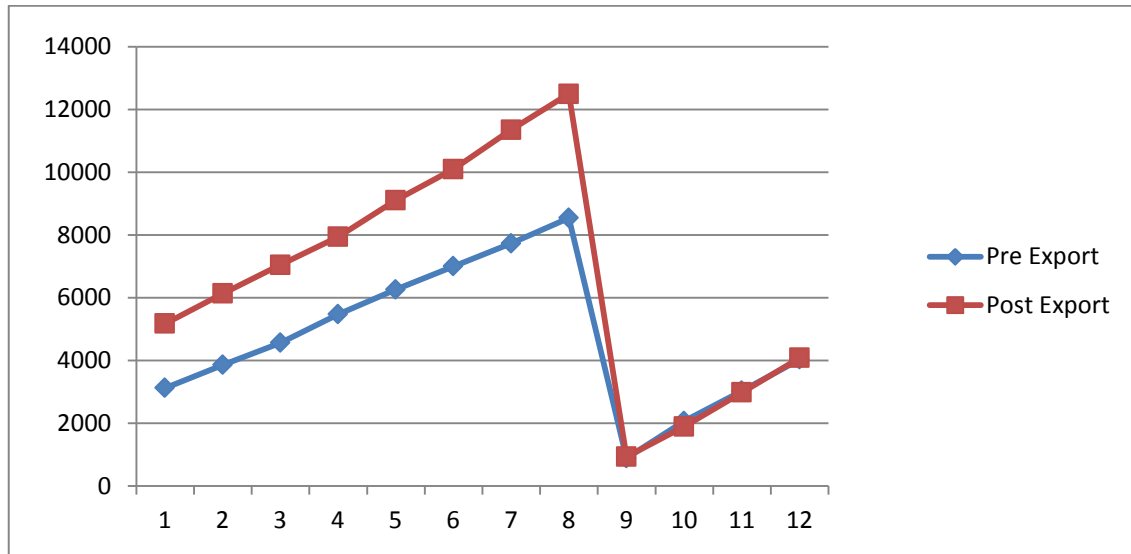
Indian export performance to Russia in pre and post of Russian entry in WTO

Table 1

Pre period Export (Before Russian entry in WTO)		Post period Export (After Russian entry in WTO)	
Months	Export (In Rs. crore)	Months	Export (In Rs. crore)
August, 2011	3126.81	August, 2012	5176.45
September, 2011	3860.65	September, 2012	6136.93
October, 2011	4565.89	October, 2012	7048.50
November, 2011	5472.79	November, 2012	7943.20
December, 2011	6262.58	December, 2012	9112.93
January, 2012	7003.53	January, 2013	10099.07
February, 2012	7732.71	February, 2013	11354.64
March, 2012	8546.90	March, 2013	12496.86
April, 2012	885.28	April, 2013	932.20
May, 2012	2069.87	May, 2013	1897.31
June, 2012	3032.03	June, 2013	2984.45
July, 2012	4035.68	July, 2013	4087.20

Source – Dept. of commerce of India.

Following graph shows the Indian export performance in respect of pre and post of Russian entry in WTO.



Graph 1

As per above stated export performance of India with Russia increased after Russian entry in WTO.

Following table shows the comparative monthly export performance of India to Russia pre and post of Russian entry in WTO i.e. August 2012.

Table 2

Months (pre export)	Months (post export)	Performance
August, 2011	August, 2012	Increased
September, 2011	September, 2012	Increased
October, 2011	October, 2012	Increased
November, 2011	November, 2012	Increased
December, 2011	December, 2012	Increased
January, 2012	January, 2013	Increased
February, 2012	February, 2013	Increased
March, 2012	March, 2013	Increased
April, 2012	April, 2013	Increased
May, 2012	May, 2013	Decreased
June, 2012	June, 2013	Decreased
July, 2012	July, 2013	Increased

As per above presented table the Indian export to Russia increased in all presented months except May and June in respect of pre and post Russian entry in WTO.

The researcher framed the following null hypothesis to prove the WTO impact on Indian export to Russia in respect of Russian entry in WTO.

H₀ There is no significant impact of WTO on Indian export to Russia.

To test the above stated null hypothesis researcher acquired the paired t-test in respect of pre and post bilateral trade data of WTO. The following table shows the values come out after test the null Hypothesis.

P value	0.0012
t, df	t=4.320 df=11
Number of pairs	12
P value	< 0.0001

As per the above stated values the P value 0.0012 is less than 0.05 (95%, Confidence level) and t value 4.320 at the 11 degree of freedom this value is greater than 2.201 table value for same degree of freedom. Hence null hypothesis is rejected. It can be concluded after above calculation that India’s export to Russia are growing significantly at 95 percent confidence level.

Indian Import from Russia in pre and post of Russian entry in WTO.

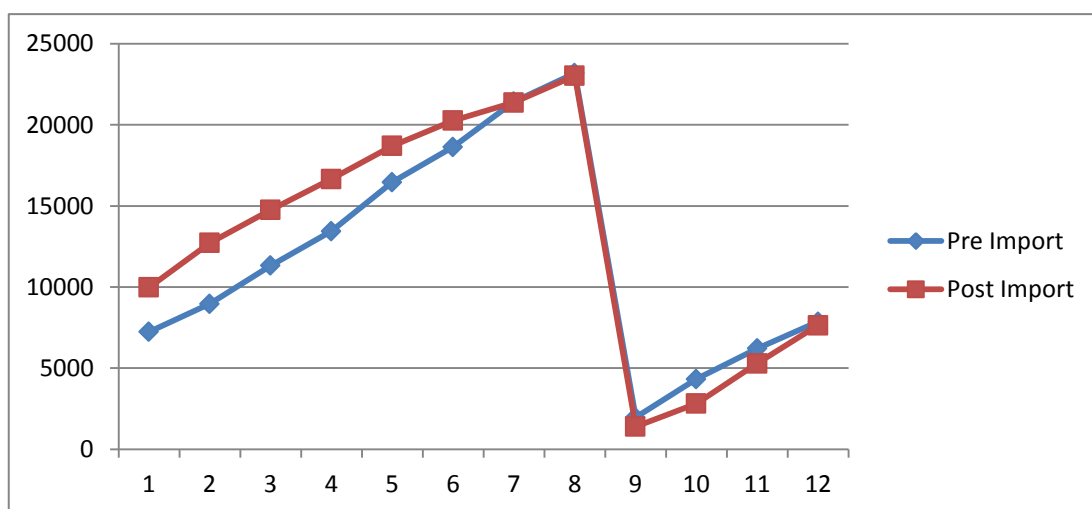
Table 3

Pre period Import (Before Russian entry in WTO)		Post period Import (After Russian entry in WTO)	
Months	Import (In Rs. crore)	Months	Import (In Rs. crore)
August, 2011	7243.21	August, 2012	9989.49
September, 2011	8973.00	September, 2012	12729.04
October, 2011	11322.49	October, 2012	14762.37
November, 2011	13448.71	November, 2012	16661.80
December, 2011	16464.60	December, 2012	18705.21
January, 2012	18635.92	January, 2013	20264.83
February, 2012	21427.89	February, 2013	21377.72
March, 2012	23180.44	March, 2013	23020.95
April, 2012	1969.17	April, 2013	1407.64
May, 2012	4329.93	May, 2013	2821.62
June, 2012	6220.22	June, 2013	5305.03
July, 2012	7868.51	July, 2013	7647.22

Source – Dept. of commerce of India

As per above stated pre and post import performance of India in respect of Russian entry in WTO. Indian import from Russia is also increased that is not a good sign to India because balance of trade India with Russia is increased negatively. But after some time Russian entry in WTO the Indian import from Russia is decreased.

Following graph shows the Indian import performance in respect of pre and post of Russian entry in WTO.



Graph 2

The above presented graph shows Indian import from Russia in respect of pre and post of Russian entry in WTO. In the presented graph blue line show the pre import from Russia and pink line show the post import from Russia.

The researcher framed the following null hypothesis to prove the WTO impact on Indian import from Russia in respect of Russian entry in WTO.

H₀ There is no significant impact of WTO on Indian imports from Russia.

To test the above stated null hypothesis researcher acquired the paired t-test in respect of pre and post of WTO. The following table shows the values come out after test the null Hypothesis.

P value	0.0626
t, df	t=2.072 df=11
Number of pairs	12
P value	< 0.0001

As per the above stated values the P value 0.0626 is less than 0.10 (90%, Confidence level) and t value 2.072 at the 11 degree of freedom this value is greater than 1.796 table value for same degree of freedom. Hence null hypothesis is rejected.

Indian Balance of trade in pre and post of Russian entry in WTO

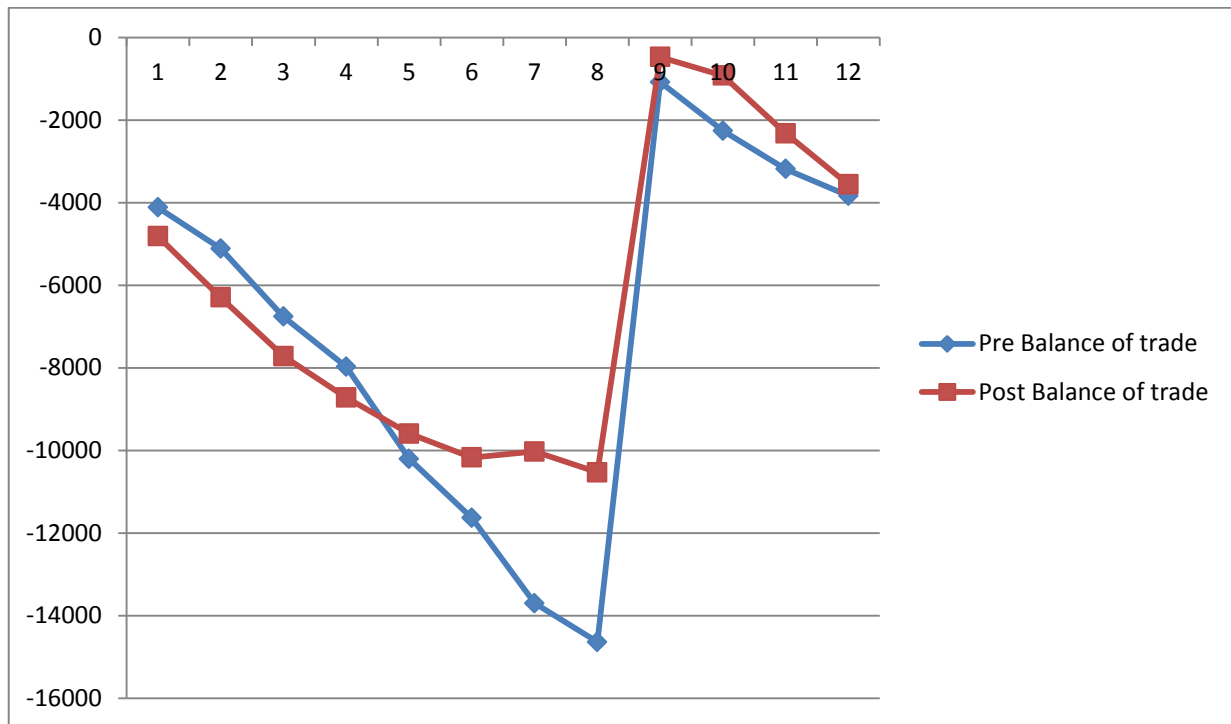
Table 4

Pre period Balance of trade (Before Russian entry in WTO)		Post period Balance of trade (After Russian entry in WTO)	
Months	BOT (In Rs. crore)	Months	BOT (In Rs. crore)
August, 2011	-4116.40	August, 2012	-4813.04
September, 2011	-5112.35	September, 2012	-6292.11
October, 2011	-6756.60	October, 2012	-7713.87
November, 2011	-7975.92	November, 2012	-8718.60
December, 2011	-10202.02	December, 2012	-9592.28
January, 2012	-11632.39	January, 2013	-10165.76
February, 2012	-13695.18	February, 2013	-10023.08
March, 2012	-14633.54	March, 2013	-10528.09
April, 2012	-1083.89	April, 2013	-475.44
May, 2012	-2260.06	May, 2013	-924.31
June, 2012	-3188.19	June, 2013	-2320.58
July, 2012	-3832.83	July, 2013	-3560.02

Source – Dept. of commerce of India

As per above presented table the balance of trade of India with Russia is shows the poor performance of trade. Because it means Indian import is greater than the Indian export to Russia it is not a good sign to Indian economy.

Following graph showing the Indian balance of trade with Russia in respect of pre and post Russian entry in WTO.



Graph 5.3

In the above presented graph blue line shows the pre balance of trade and pink shows the post balance of trade of India with Russia in respect of pre and post of Russian entry in WTO.

The researcher framed the following null hypothesis to prove the WTO impact on Indian balance of trade with Russia in respect of Russian entry in WTO.

H_0 There is no significant impact of WTO on the balance of trade of India with Russia.

To test the above stated null hypothesis researcher acquired the paired t-test in respect of pre and post of WTO. The following table shows the values come out after test the null Hypothesis.

P value	0.1407
t, df	t=1.587 df=11
Number of pairs	12
P value	< 0.0001

As per the above stated values the P value 0.1407 is less than 0.15 (85%, Confidence level) and t value 1.587 at the 11 degree of freedom this value is greater than 1.363 table value for same degree of freedom. Hence null hypothesis is rejected.

10. FINDINGS & CONCLUSION

A bilateral trade relation between India and Russia has improved and better before. But now India is facing unfavorable balance of trade with Russia due to inelastic demands of import from Russia. Balance of trade of India with Russia goes negatively because Import from Russia is greater than export to Russia of India.

And the researcher concluded after above presented analysis that the Indo-Russian trade performance is better than before Russian entry in WTO.

After August 2012 Indian trade with Russia is increased due to WTO norms.

And separately as per above mentioned analysis trade performance of India with Russia is given below:

- The Indian export to Russia is growing significantly at the 95 percent confidence of level.

- The Indian import from Russia also growing significantly at the 90 percent confidence of level.
- And Balance of trade of India with Russia is improved in the favor of India since Russian entry in WTO.

11. SUMMARY

In present study the researcher has analyzed the pre and post Indo-Russian trade performance in respect of Russian entry in WTO (Aug. 2012). For analyzing researcher used twelve month as pre (Aug. 2011-Jul. 2012) and post (Aug.2012-Jul.2013) Indo-Russian trade data. For analyzing researcher used test of significance for export, import and balance of trade significantly and proved the mentioned hypothesis at 95 %, 90% and 85% confidence level respectively.

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