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BELARUS' WTO ACCESSION: IMPACT ON DOMESTIC BUSINESS

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Summary

The paper describes the results of the survey of enterprises conducted by the IPM Research Center in order to identify their views on the impact of accession of Belarus to the WTO on the country’s economy and national business. The results of the survey show that Belarusian enterprises are generally positive about the possible accession to the WTO. The number of those who believe that the country should become a member of this organization in the near future is significantly more than the number of those who do not agree with this (44.7% and 9.9%, respectively). According to the survey, the representatives of Belarusian enterprises believe that membership in the WTO will promote the economic development of Belarus, both in the short-term perspective and, especially, in the long run. In particular, they expect growth of attractiveness for foreign direct investment of the sector or industry in which they operate. Despite the fact that the enterprises understand that accession to this international organization will lead to increased competition, the majority of them do not carry out any measures to adapt to the conditions of Belarus’membership in the WTO and count on government support to a great extent. However, both private and state-owned enterprises do not expect the state to provide direct compensation of losses from the budget, but primarily to improve the business climate. It was called a top-priority measure by 43.5% of state-owned and 37% of private enterprises. An important conclusion to be drawn from the survey is the lack of knowledge among enterprises both about the basic rules and regulations of the WTO (only 23.3% of the respondents stated they were aware of them) and a wide range of issues related to the country’s accession to this organization. This is particularly evidenced by a high proportion of businesses that found it difficult to answer the survey questions. In turn, this means that businesses cannot articulate their position and interests and communicate them to business associations, ministries, departments and local authorities, who, in turn, cannot report them to the Ministry of Foreign Affairs, as the body responsible for negotiating, and to the representatives of the Belarusian delegation at the negotiations.

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1. INTRODUCTION

Belarus' accession to the World Trade Organization (WTO) is a key element of the country's integration into the world economy. The application for membership in this organization was filed by Belarus in September 1993. In 1996, Belarus distributed the Memorandum on Foreign Trade Regime and in 1998-1999 it prepared initial proposals for negotiations on market access for goods and services, which were adjusted in the course of negotiations. Meanwhile, the national legislation was brought into conformity with WTO regulations. However, the negotiation process slowed down drastically after the mid-2000s, and the Working Group had no formal meetings after 2005. The need to intensify negotiations and accelerate the process of accession to the WTO became evident after Russia's accession to this organization in December 2011. As a member of the Customs Union with Russia and Kazakhstan, Belarus has to follow Russia's commitment on market access for goods since the countries have signed the *Treaty on the Functioning of the Customs Union within the Framework of the Multilateral Trading System*. Under the Agreement, after the accession of Russia to the WTO, the rates of the Common Customs Tariff of the Customs Union should not exceed Russia's import tariff levels consistent with Russia's commitments to this organization.

Belarus government has expressed its willingness to resume negotiations and expedite the process of accession to the WTO, and has already carried out a kind of "mandatory trade liberalization" in the country, sparking debate in the society and a number of critical comments on the costs and benefits of accession to this organization. For example, Belarusian enterprises have expressed concerns that a number of industries may face problems in the long run due to the increasing competition coming from foreign goods, which will result in the reduced supply of domestic products to the domestic market.

This kind of concerns are quite customary and were expressed both by representatives of national businesses and expert communities in the majority of countries that acceded to the WTO in the last two decades or preparing to do so, which led to a number of empirical studies in this area. The economic literature usually describes the impact of WTO membership on the activities of enterprises in transition economies and emerging markets in the following areas: the impact on state-owned companies[1]; effects related to the possible increase in foreign direct investment[2], the impact for certain industries (such as agriculture, textiles and apparel, automotive, pharmaceutical sectors, manufacturing, etc.)[3][4]; and changes in the level of competitiveness. As evidenced by the experience of several countries, and China, in particular, WTO membership generally has a positive effect on local enterprises, regardless of whether they are exporters or domestic operators. However, in order to materialize the benefits of WTO membership, it is necessary for enterprises to have information both about the accession process and the changes, which it may cause (including those relating to import tariffs), so that they could start to develop measures to adapt to changing conditions.

The benefits of WTO membership for national business are manifested through:

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[1]Liu, G. S. and Woo, W. T. 2001. How will ownership in China's industrial sector evolve with WTO accession, China Economic Review, vol. 12, no. 2/3, 137–161

[2]Inachovichina,E and Martin,W(2011),Trade Liberalisation in China's Accession to the World Trade Organisation,World Bank Woking Paper no 2623 http://econ.worldbank.org/files/2228_wps2623.pdf

[3]Harwitt, E. (2001), 'The Impact of WTO Membership on the Automobile Industry in China', The China Quarterly, No.167, September, pp.655-70.

[4]Godfrey Yeung and Vincent Mok (2004).Does WTO accession matter for the Chinese textile and clothing industry? CambridgeJournalofEconomics 2004, 28, 937–954.

- improved access to foreign markets and creation of new competitive opportunities as a result of the elimination of trade barriers to exports in the form of, for example, export quotas;
- the opportunity to protect exports against discrimination in foreign markets based on the WTO dispute settlement mechanism;
- improved business and investment climate in the country;
- the technology transfer through foreign direct investment that may go up together with the increased attractiveness of the country after the accession to the WTO;
- additional incentives to improve product quality and to bring products in line with international standards.

At the same time, the country's accession to the WTO poses a number of threats, which, as noted earlier, are associated with increased competition in the domestic market. According to international experience, small and medium-sized enterprises with an insufficient level of innovation and technological effectiveness often suffer from it in the first place. However, in the long-term perspective accession to the WTO could serve for all businesses, regardless of their size and form of ownership, as a good incentive for the introduction of new technologies and production methods, review of their localization strategies and improving their products.

In view of the above, the IPM Research Center conducted a survey of Belarusian enterprises to identify their attitude to the possible accession of Belarus to the WTO, their assessment of the level of preparedness of the country to function under the terms of the membership in the organization and obtain their views on the necessary state measures to support domestic business and mitigate a potential negative impact of the WTO accession on individual industries. The description of the findings of this survey is organized as follows in the paper. The second section provides a description of the sample. The third section provides the assessment by the enterprises of short and long-term impact of WTO accession on the country's economic development; it analyzes the level of preparedness of enterprises to operate under the WTO conditions and their own assessment of the impact of the country's membership in this organization, and provides their view on possible government support and protection of businesses' interests after the WTO accession. The fourth section summarizes main conclusions of the survey.

2. DESCRIPTION OF THE SAMPLE OF SURVEYED ENTERPRISES

In April-May 2013, the IPM Research Center conducted a survey of Belarusian enterprises to reveal their views on the impact of Belarus' WTO accession on the economy of the country and national business. The survey covered 403 enterprises from all regions of Belarus: 25% were located in Minsk, 12.4% – in the Gomel and Brest regions each, 12.7% – in the Vitebsk region, 12.9% – in the Mogilev region, 13.6% – in the Grodno region ,and 11.2% – in the Minsk region.

12.7% were large enterprises, including 5% of the enterprises with the number of employees exceeding 5,000, 79.7% – small businesses, and 11.7% – medium-sized businesses.

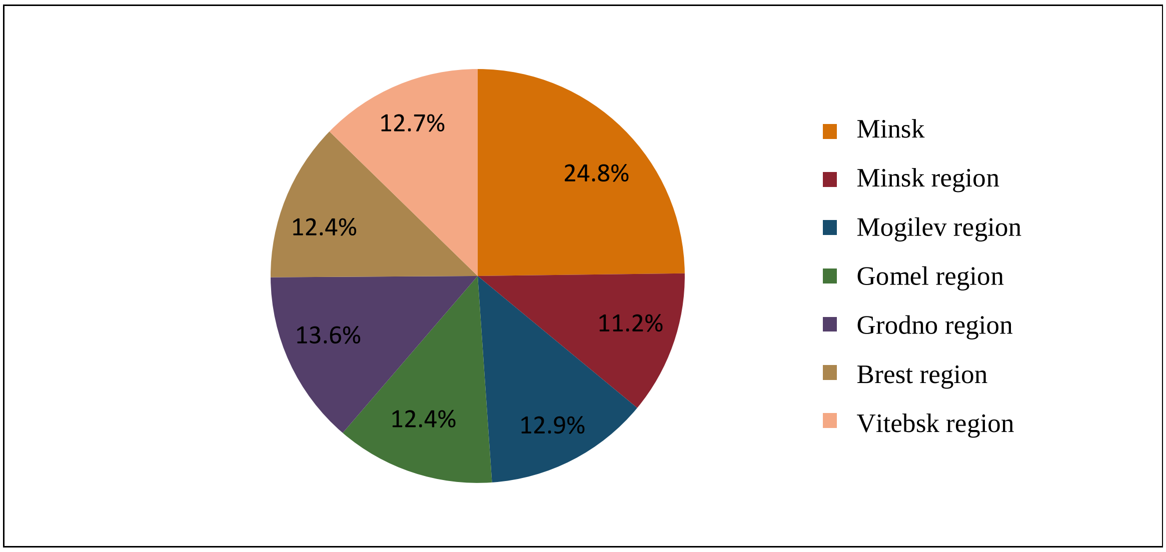

Figure 1. Distribution of the surveyed enterprises by regions of Belarus
Source: data of the Enterprise Survey

Distribution of the sample by forms of ownership is shown in Figure 2. In the total number of the surveyed enterprises 27% of the enterprises are state-owned and 73% – private enterprises, including 8.2% of enterprises with a foreign share in the authorized capital.

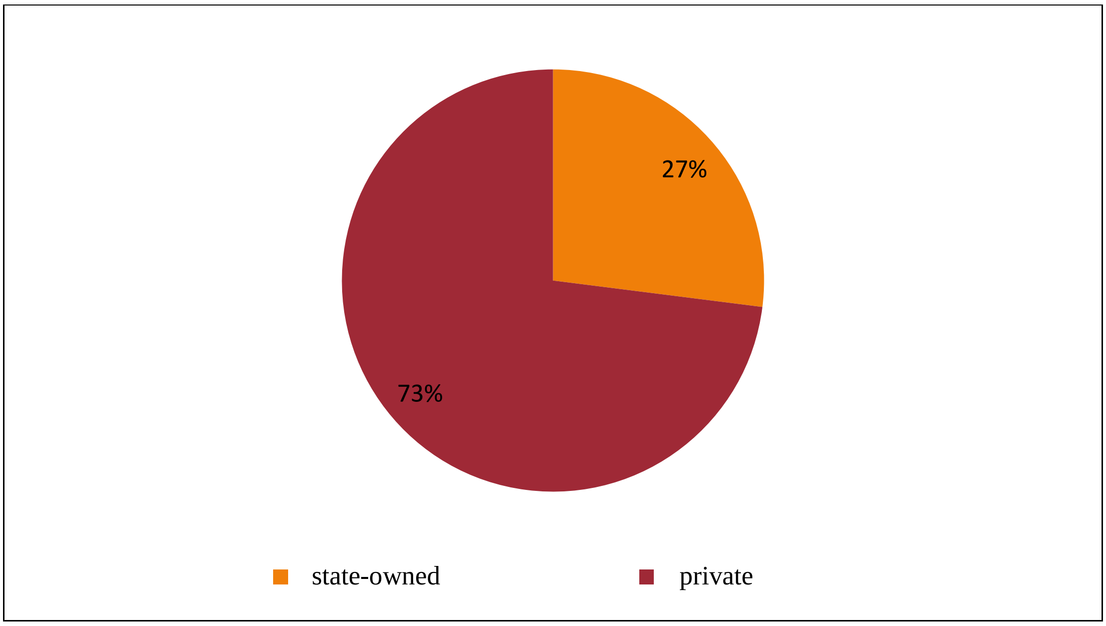

Figure 2. Distribution of the surveyed enterprises by forms of ownership
Source: data of the Enterprise Survey

Taking into account the contribution of different types of economic activities to GDP, the sample was formed to ensure the largest share of manufacturing enterprises and the presence of trade and construction enterprises. In terms of economic activities, the largest share in the sample is held by enterprises in manufacturing(36%), wholesale and retail trade (26.6%), and construction (7,4%) (Figure 3). Other activities (28.8%) included: information and communications, financial and insurance activities, real estate, research and development, education, health care, arts, sports, and social services.

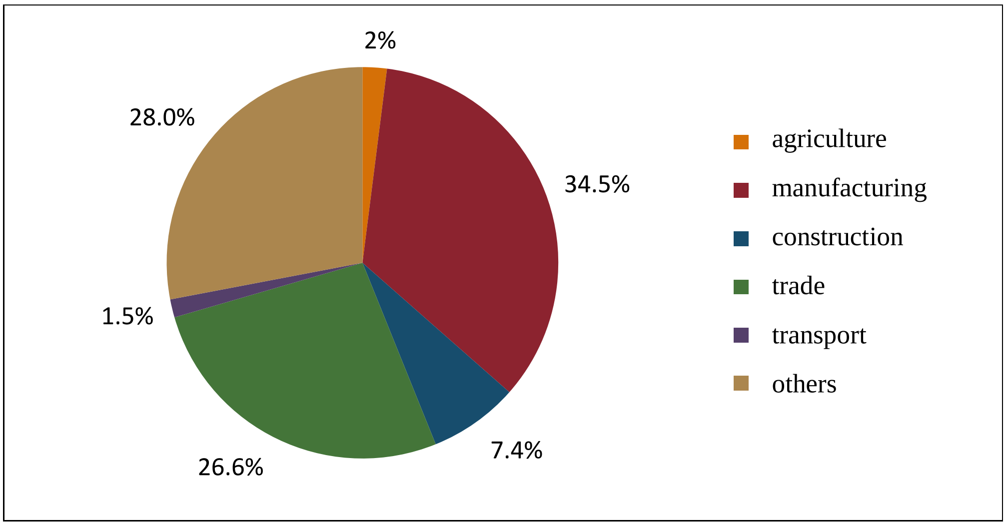

Figure 3. Distribution of the surveyed enterprises by types of economic activity
Source: data of the Enterprise Survey

Since accession of Belarus to the WTO may lead to increased competition in the domestic market, as well as to a number of benefits for enterprises supplying products to foreign markets by, for example, reduction of anti-dumping investigations, the sample was formed in such a way that it included both exporting enterprises and those who do not exports its products outside Belarus. Of those surveyed, 34% of enterprises only compete both with Belarusian and foreign producers at the regional (oblast level), 27% – at the level of the country, and 35% –internationally.

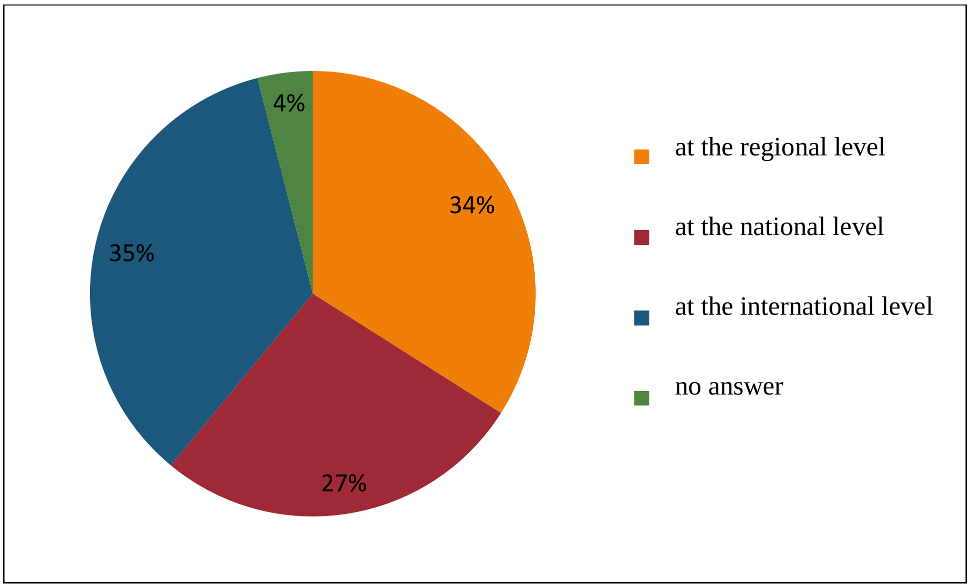

Figure 4. Distribution of the surveyed enterprises by levels of competitiveness
Source: data of the Enterprise Survey

In addition, 19.4% of the enterprises that supply products abroad generate a quarter of their profits through exports, 8.9% of the enterprises – up to 50%, 2.7% – up to 75%, and 4% of enterprises generate more than 75% of income through sales in foreign markets.

3. FINDINGS OF THE ENTERPRISES' SURVEY

3.1. Assessment by enterprises of the impact of Belarus's membership in the WTO on the economy of the country

As noted earlier, the intention of the Belarusian government to speed up the WTO accession process sparked a public discussion about the costs and benefits of such membership. In particular, a number of business associations, as well as line ministries and agencies, for example, Bellegprom, raised concerns about the possible negative consequences of the country's accession to the WTO. Therefore, the survey of the IPM Research Center studied views of enterprises on the issues relating to the impact of accession to this international organization for the country as a whole, and also to the need to accelerate the process.

As the data in Figure 5 show, the number of enterprises who consider that Belarus should join the WTO in the near future is significantly higher than of those who believe in the contrary (44.7% and 9.9%, respectively). However, it is noteworthy that half of the surveyed enterprises (45.4%) found it difficult to answer this question, indicating their lack of knowledge about the conditions of accession to the WTO and the impact it may have.

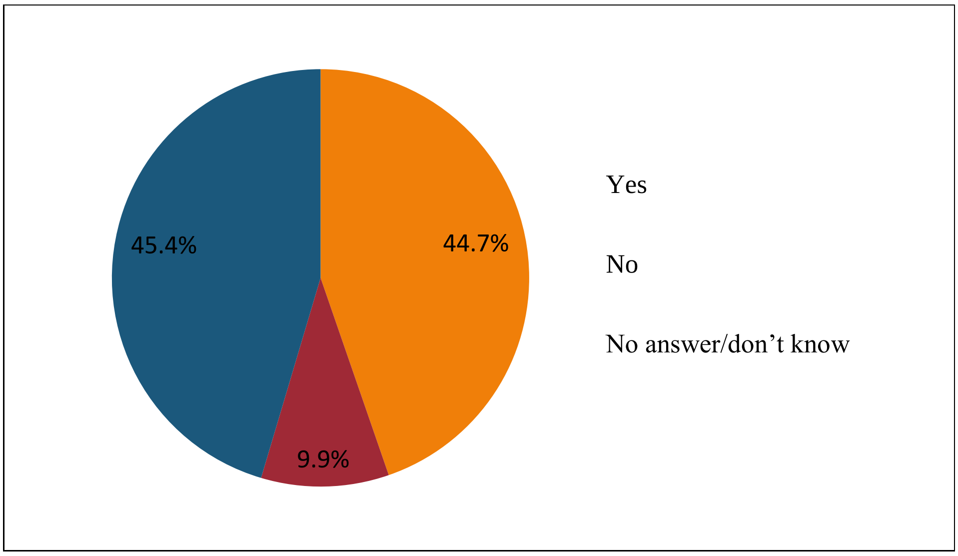

Figure 5. Distribution of the responses to the question: "Should Belarus accede to the WTO in the near future?"

Source: data of the Enterprise Survey

In addition, Figure 6 demonstrates that there is no difference in the responses to this question between state-owned and private enterprises. The proportion of the respondents who believe that it is necessary to accelerate the process of negotiations and accede in the near future is nearly the same among private and state-owned enterprises (45% and 44%, respectively), though among the latter the proportion of those who provided a negative answer to this question is lower. This is due to the fact that there is a greater number of enterprises in the public sector that found it difficult to answer this question, which proves the earlier suggestion of the gap in their knowledge related to issues of the country's accession to the WTO. In turn, this means that businesses cannot articulate their position and interests and communicate them to business associations, ministries, departments and local authorities, who, in turn, cannot report them to the Ministry of Foreign Affairs, as the body responsible for negotiating, as well as to the representatives of the Belarusian delegation at the negotiations.

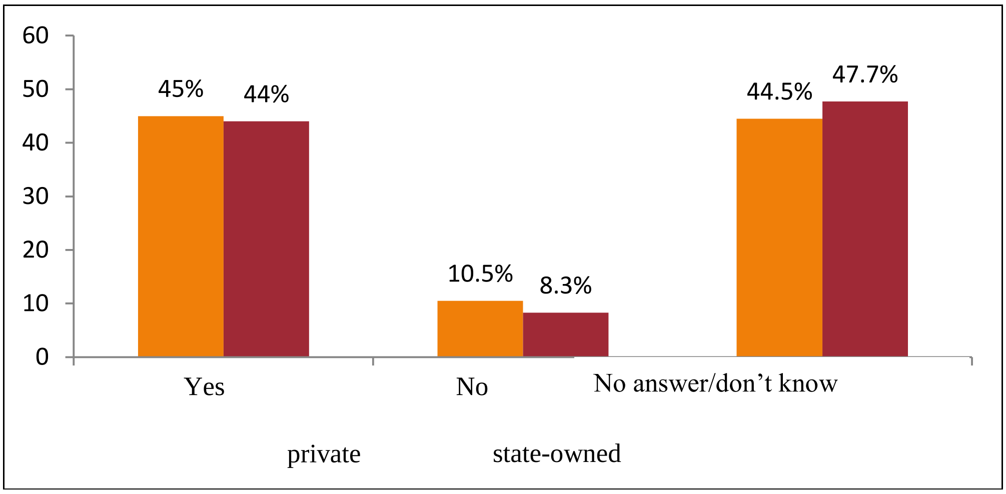

Figure 6. Distribution of the responses of state-owned and private enterprises to the question: "Should Belarus accede to the WTO in the near future?"
Source: data of the Enterprise Survey

The analysis of the distribution of responses by regions of Belarus shows significant differences between the regions in the assessment of the need in early accession to the WTO (Table 1). For instance, while enterprises in the Gomel, Mogilev and Grodno regions believe that Belarus should become a member of this organization in the near future and the number of those who found it difficult to answer this question is relatively small, the vast majority of enterprises in the Vitebsk and Minsk regions were not able to answer this question, and the proportion of positive responses ranged within 20-29%.

Table 1. Distribution of the responses to the question "Should Belarus accede to the WTO in the nearest future?", (%).

Regions	Yes	No	No answer/Don't know
Brest region	44	8	48
Vitebsk region	19.6	3.9	76.5
Gomel region	60	8	23
Grodno region	50.9	14.5	34.5
Minsk	42	12	46
Minsk region	28.9	6.7	64.5
Mogilev region	67.3	13.5	19.2

Source: data of the Enterprise Survey

The assessments of the impact of accession to the WTO in the short-term perspective (see Table 2), as provided by the public sector, were slightly more optimistic than those provided by the private sector. According to the survey, only 24.8% of state-owned enterprises believe that the membership in this organization would have a negative impact on the economic development of the country, while 47.7% believe that it would be positive or neutral. In the private sector, however, 33% of enterprises expect negative consequences, and 44.2% – positive or no consequences. When assessing the long-term impact, both state-owned and private enterprises agreed that it would probably be positive (40.4% and 50.3%, respectively). Only 7.1% of private enterprises and 11.8% of state-owned enterprises await negative consequences. This suggests that businesses believe that membership in the WTO will promote the economic development of Belarus, both in the short term and, especially, in the long-term perspective.

Table 2. Distribution of the responses to the question on the impact of WTO accession on the economic development of Belarus (%).

	Negative	Neutral	Positive	Don't know
		Short-term		
Overall in Belarus	30.8	20.3	24.8	24.1
Private enterprises	33	18.7	25.5	22.8
State-owned enterprises	24.8	24.8	22.9	27.5
		Long-term		
Overall in Belarus	8.4	16.4	49.6	25.6
Private enterprises	7.1	15.7	53	24.2
State-owned enterprises	11.9	18.3	40.4	29.4

Source: data of the Enterprise Survey

The responses of enterprises on the impact of the WTO membership on the economic development of Belarus (see Table 3) broken down by regions largely correspond to the answers to the question whether Belarus should join the WTO in the near future. The regions in which more than a half of the surveyed enterprises replied positively to the second question (Mogilev region, Grodno region, Gomel region) have a higher proportion of enterprises who believe that, despite the negative short-term impact, the long-term effect on the economy of Belarus will be positive. For example, it was stated by 71.2% of the enterprises in the Mogilev region.

Table 3. Distribution of the responses to the question on the impact of WTO accession on the economic development of Belarus (%)

	Short-term impact				Long-term impact			
	Negative	Neutral	Positive	Don't know	Negative	Neutral	Positive	Don't know
Brest region	28	42	30	0	12	38	50	0
Vitebsk region	5.9	19.6	15.7	58.8	0	15.7	23.5	60.8
Gomel region	16	18	60	6	4	18	68	10
Grodno region	56.4	10.9	20	12.7	25.5	10.9	52.7	10.9
Minsk	20	15.6	13.3	51.1	5	11	48	36
Minsk region	20	15.6	13.3	51.1	5	11	33.3	51.1
Mogilev region	57.7	28.8	9.6	3.9	9.6	15.4	71.2	3.8

Source: data of the Enterprise Survey

According to the survey, Belarusian enterprises realize that accession to the WTO will lead to increased competition (see Table 4). On average, this opinion is held by 74.2% of enterprises across the country, and more than 90%of enterprises in the Mogilev, Grodno and Gomel regions. The Vitebsk region is breaking this pattern with only 33.3% of the respondents expecting a tough competition. However, most likely, it occurs not due to their higher level of confidence in the market, but due to the lack of the information about both the possible impact and potential competitors. This is evidenced by a very large proportion of enterprises in this area who could not answer this question (64.7%).

Table 4. Distribution of the responses to the question "Do you agree with the statement that national enterprises will be in a much more rigid competitive environment than it is today?"

	Yes	No	Don't know
Brest region	82	18	
Vitebsk region	33.3	2	64.7
Gomel region	90	4	6
Grodno region	96.4	1.8	1.8
Minsk region	60	4.4	35.6
Minsk	66	7	27
Mogilev region	96.2	3.8	
Overall in Belarus	74.2	5.5	20.3

Source: data of the Enterprise Survey

Assessments of the state-owned and private enterprises of the likelihood of increased competition are also different. For instance, more private enterprises expect its growth compared to the state-owned enterprises (70.1% and 61.5%, respectively), but the number of those who found it difficult to answer this question is lower among the latter. In general, this corresponds to a more positive assessment of the effects of Belarus' accession to the WTO in the short term as given by state-owned enterprises. It may be connected with the fact that they are used to receiving support from the government and hope that the government will develop measures that may mitigate possible negative effects on the country's membership in the WTO.

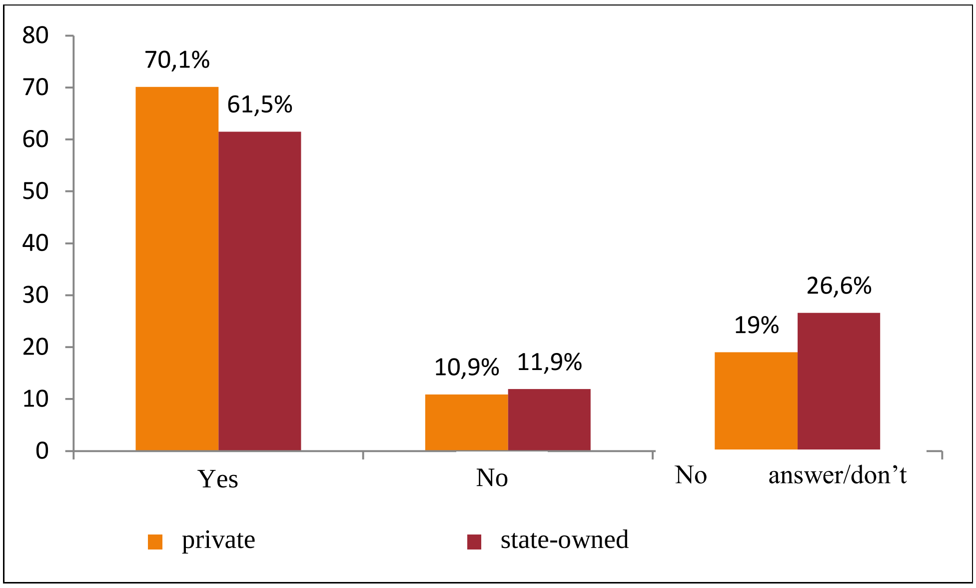

Figure 7. Distribution of the responses to the question "Do you agree with the statement that after Belarus accession to the WTO, many enterprises and industries will not be able to compete against foreign goods and services."

Source: data of the Enterprise Survey

3.2. Assessment by the enterprises of their preparedness to operate under the WTO conditions

In order to assess the level of preparedness of enterprises to work under the WTO conditions, the first phase of the survey was focused on awareness of enterprises of fundamental rules and regulations of the WTO (see Figure 8). Only 23.3% of enterprises in Belarus as a whole said that they know about the WTO system, while more than a half of them (52.6%) have no knowledge in this area. Across the regions the highest level of awareness of the rules and regulations of this international organization was observed in the Mogilev region - 38.5%, Gomel region - 26.0%, Brest region - 28%, and Minsk - 27%, while the lowest in the Vitebsk region - 5.9% and Minsk region - 15.6%. It should be noted that such a variation of responses to this and a number of other questions broken down by region can be partially related to the proportion of exporters among the surveyed enterprises in each region. The regions in which it was higher than the national average (Mogilev region – 44%, Brest region – 38%, Grodno region – 36%) demonstrated both much knowledge about the WTO system and a greater understanding of the impact of the membership in this organization on the economy. At the same time, where the proportion of exporters among the surveyed enterprises was low (Vitebsk region – 9.8%) there were generally no answers provided, or they were negative.

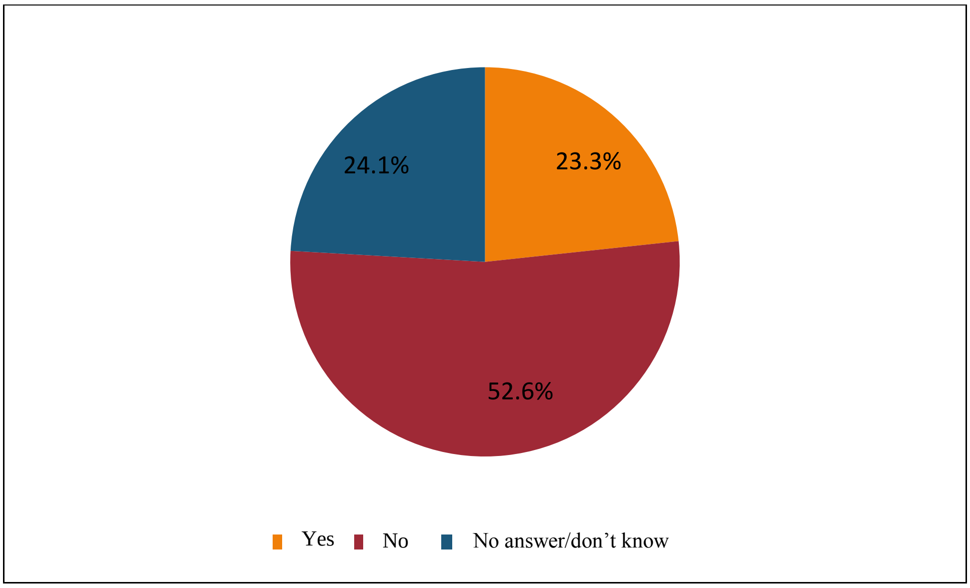

Figure 8. Distribution of the responses to the question"Are the managers and employees of your enterprise aware of the main regulations and rules of the WTO?"
Source: data of the Enterprise Survey

Almost the same situation was observed in relation to the responses to the previous question on awareness of enterprises about the possible conditions of accession of Belarus to the WTO. More than 45% of the enterprises stated they did not know about them, and 31% of the enterprises had some information on the matter (see Figure 9). As noted earlier, this lack of awareness suggests that enterprises do not participate in the discussion of key issues related to the conditions of accession of Belarus and they do not have an opportunity to state their interests before the public authorities.

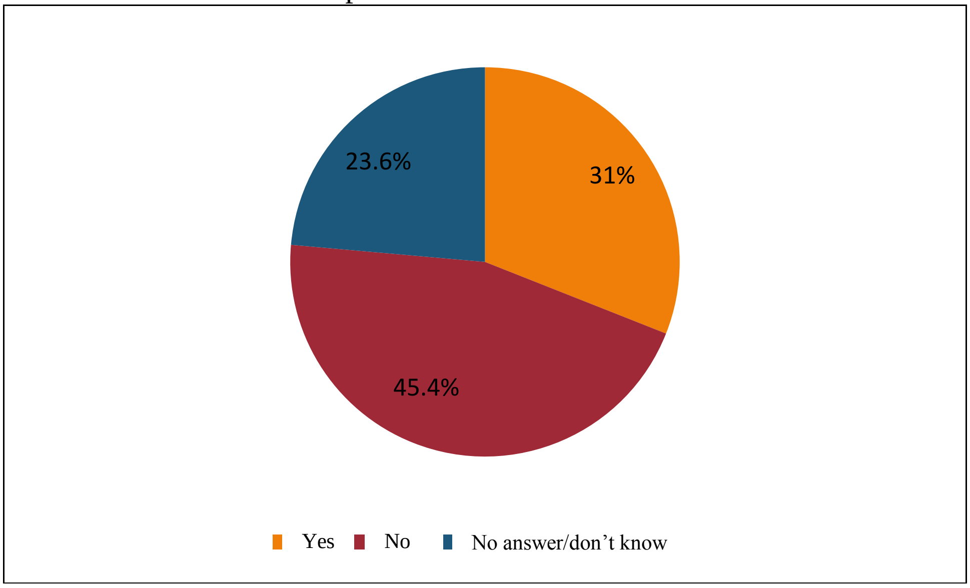

Figure 9. Distribution of the responses to the question"Are the managers of your enterprise aware of potential conditions for accession of Belarus to the WTO?"
Source: data of the Enterprise Survey

Broken down by regions, the largest number of positive responses regarding awareness of the conditions of accession to the WTO was obtained in the Mogilev region – 48.1%, the Minsk region – 37%, while the lowest number of positive responses recorded in the Vitebsk region – 11.8%. Thus, as in the responses to previous questions, the highest level of understanding and assessment of the situation is observed in the Mogilev region, where there is a high proportion of exporters among the surveyed enterprises, and the lowest level – among the enterprises in the Vitebsk region.

Despite the intention to take efforts to accede to the WTO in the nearest future, as stated by the government of Belarus, the majority of both private and state-owned enterprises admit that they have not taken any steps to adapt to the conditions of membership of Belarus in the WTO (see Table 5). The proportion of those who have done something to this end does not exceed 14%.

Table 5. Distribution of the responses to the question "Does your enterprise carry out any measures to adapt to the conditions of accession of Belarus to the WTO?"

	Yes	No	Don't know
Private enterprises	13.9	63.9	22.1
State-owned enterprises	13.8	56	30.3
Overall in Belarus	13.9	61.8	24.3

Source: data of the Enterprise Survey

Comparison of the results by regions (see Figure 10) shows that the biggest proportion of the enterprises trying to do something to adapt to the conditions of membership in the WTO was noted in the Gomel and Brest regions (20% in each region) and the smallest in the Vitebsk region (5.9%).

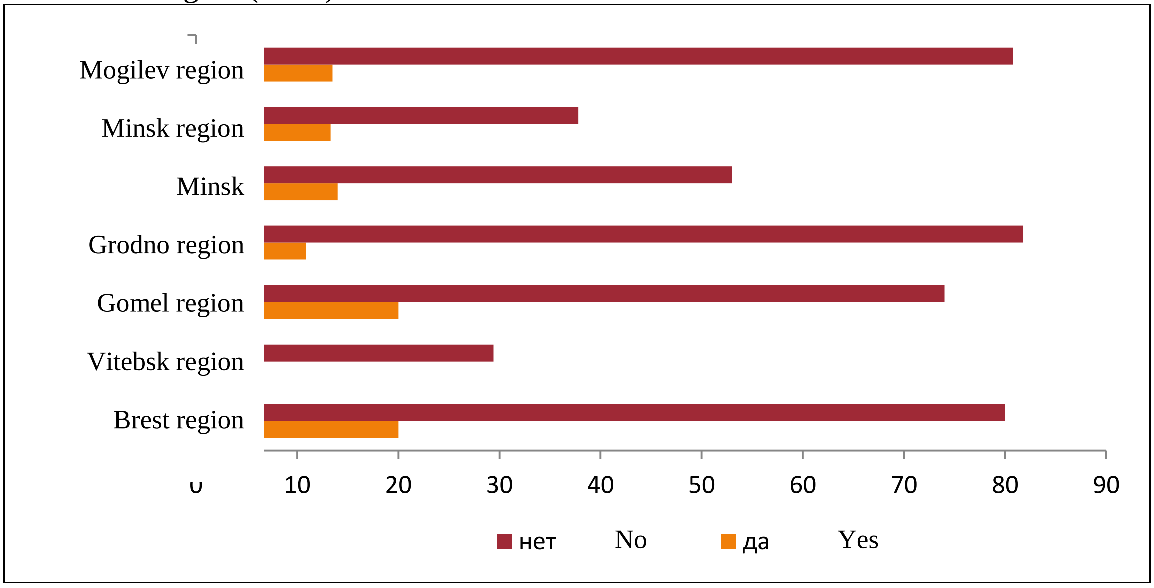

Figure 10. Distribution of the responses to the question "Does your enterprise carry out measures to adjust to the conditions of accession Belarus to the WTO?" by the regions.

Source: data of the Enterprise Survey

Among the enterprises taking steps to adapt to the conditions of membership in the WTO, the highest proportion is comprised by those enterprises that have enhanced standardization and certification of products, market research, as well as release of new products. Out of 13.9% of the enterprises taking measures to adapt to the possible accession of Belarus to this organization, 27.5% conducted evaluation of potential gains and losses for businesses incurred by the membership of the country in the WTO, and 24.2% - modernization of production (see Figure 11). Only 8% of the enterprises elaborate an adaptation strategy. It should be noted that modernization of production, market research and product innovation are essential prerequisites for the effective operation and development of the enterprise regardless whether the country is planning to accede to the WTO, or not. Therefore, these can be referred to adaptation measures only to some extent, as it is difficult to determine whether they are carried out by the surveyed enterprises in light of the possible membership in this international organization or just as a part of their ongoing operation.

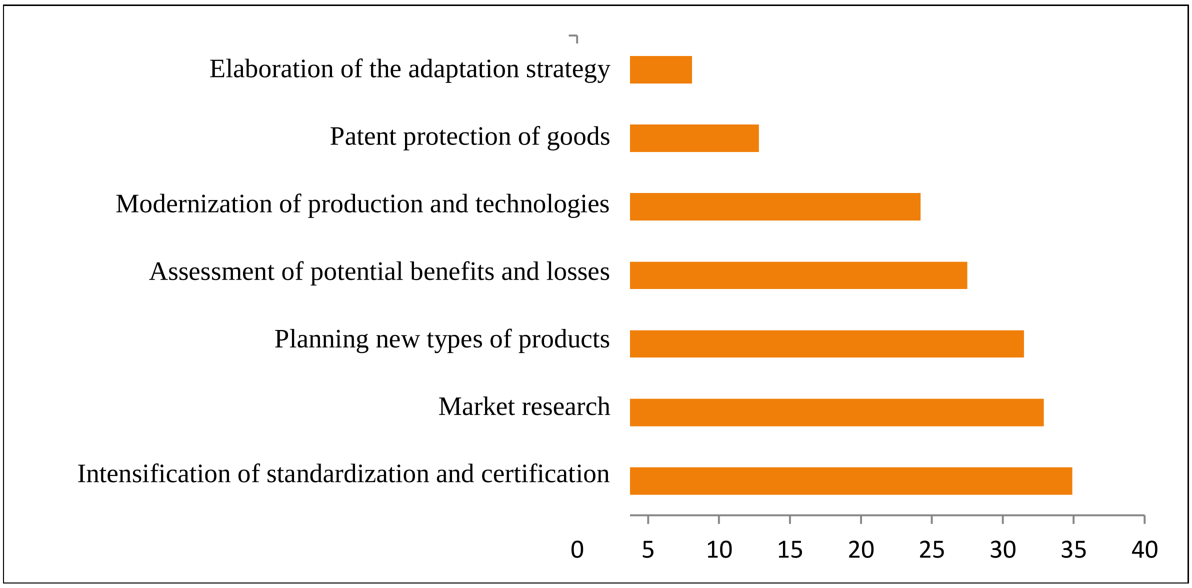

Figure 11. Distribution of the responses to the question "Which measures to adjust to the conditions of accession Belarus to the WTO does your enterprise carry out?"

Source: data of the Enterprise Survey

3.3. Assessment of possible effects of the membership of Belarus in the WTO for enterprises

To assess how the WTO membership may affect the operation of enterprises, the survey was tasked to find out what they see as strengths and weaknesses of their products compared to foreign counterparts. A clear understanding of the enterprises' strengths and weaknesses will help not only to assess the possible costs and benefits of the country's accession to this organization, but also to understand how it will affect specific sectors, regions and the economy as a whole. Both private and state-owned enterprises (32.8% and 30.3%, respectively) stated lower prices as the main strength (see Table 6). However, a competition strategy based on low prices is effective only when it is based on low cost and goods of acceptable quality. Moreover, consumers as their incomes increase often begin to demand the goods, which are in the higher price range and of better quality. However, only 10.2% of private enterprises and 9.2% of state-owned enterprises stated a better quality as a competitive advantage of their goods.

It is also noteworthy that 19% of state-owned enterprises and 21% of private enterprises felt that they had no advantages compared to their foreign counterparts, and almost a third of respondents could not provide any answer to this question. On the other hand, some respondents stated that they had other strengths not related to the price and quality, including: an ability to make unique selling proposals for narrow segments of consumers, a flexible range of products, a high level of innovation, logistics and market understanding, company's identity, use of environmentally friendly materials, research intensity, market experience, creation and production of new products, a high level of after-sales service. However, the proportion of enterprises that have the above-mentioned advantages totaled only 5.5% in the private sector and 3.7% – among the public sector.

Table 6.Distribution of the responses to the question"What are the strengths of the products of your enterprise compared to similar foreign goods?"

	Overall in Belarus	Private enterprises	State-owned enterprises
Lower prices	33.2	32.8	30.3
Better quality	10	10.2	9.2
Other advantages	5	5.5	3.7
No advantages	19.7	19.1	21.1
Don't know	33.3	32.4	35.8

Source: data of the Enterprise Survey

The survey also focused on the views of enterprises on weaknesses of their products compared to those of their foreign counterparts (Figure12). It is noteworthy that 38.5% of enterprises could not answer this question, and almost 36% of enterprises stated no weaknesses at all. Low quality and higher prices were named by only 11.2% and 10.2% of the surveyed enterprises, respectively.

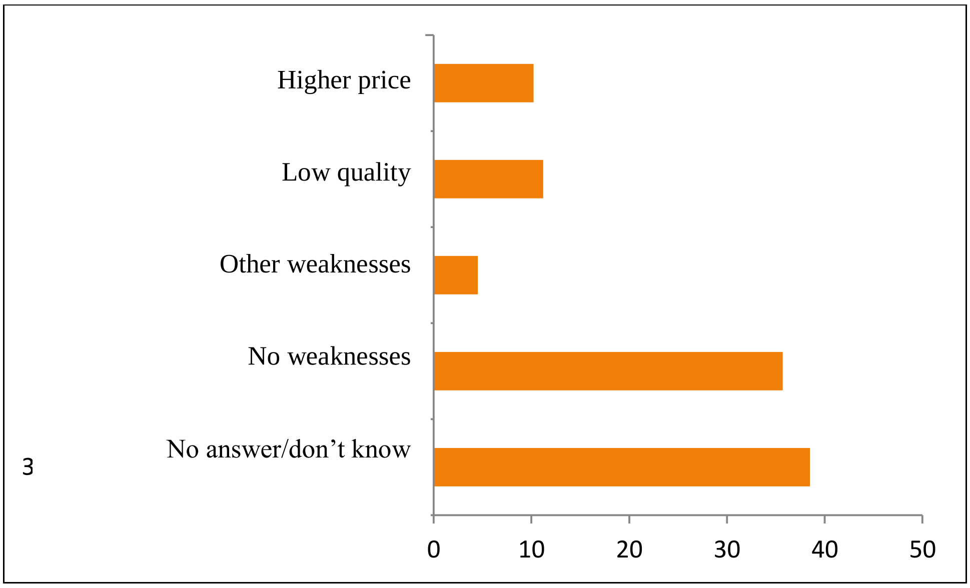

Figure 12. Distribution of the responses to the question"What are the weaknesses of products of your enterprise in comparison with similar foreign goods?"
Source: data of the Enterprise Survey

A number of enterprises (5%) also pointed out other weaknesses, including: a higher cost of production, poor appearance of goods, design and packaging, a low level of skills of engineers, a low volume of production, production of obsolete products, insufficient marketing, low adaptability to streamlined manufacture, problems in connection with obtaining standardization and certification documents, bias against Belarusian producers, and a lack of brand awareness.

However, despite such assessments of strengths and weaknesses, in the survey majority of the representatives of enterprises believe that accession of Belarus to the WTO will either have no impact on their business, or will have a positive effect (see Table 7). This view is held by 63.2% of private enterprises and 56% of state-owned enterprises. Moreover, the latter have a smaller proportion of those who expect negative effects (8.2%) and who found it difficult to answer this question (35.8%).

Table 7. Distribution of the responses to the question"What will be the impact of the WTO accession on the operations of your enterprise?"

	Negative	Neutral	Positive	Don't know
Overall in Belarus	9.7	31.5	29.8	29
Private enterprises	10.1	31.6	31.6	26.7
State-owned enterprises	8.2	31.2	24.8	35.8

Source: data of the Enterprise Survey

Regionally, the largest number of enterprises expecting negative consequences for themselves as a result of the WTO accession was observed in the Brest region (18%) and Grodno region (14.5%), and the largest number of positive assessments – in the Mogilev region (36.5%) and Gomel region (56.0%).

In general, exporters have a more positive view of Belarus' accession to the WTO, 42.2% of these respondents believe that the impact would be positive, compared to 35.5% of non-exporters. In this case, there is a clear relation between positive assessments and the geographic focus of exports. As can be seen from Figure 13, the proportion of those who gave favorable assessments of the impact of the country's membership in the WTO among exporters to countries outside the CIS, i.e. truly internationally competitive enterprises, was significantly higher than among those who supply products to CIS countries and Russia (57% compared to 40%). Similarly, only 7.1% of exporters to non CIS countries expect negative consequences for themselves resulting from the WTO accession compared to 18% of exporters to Russia.

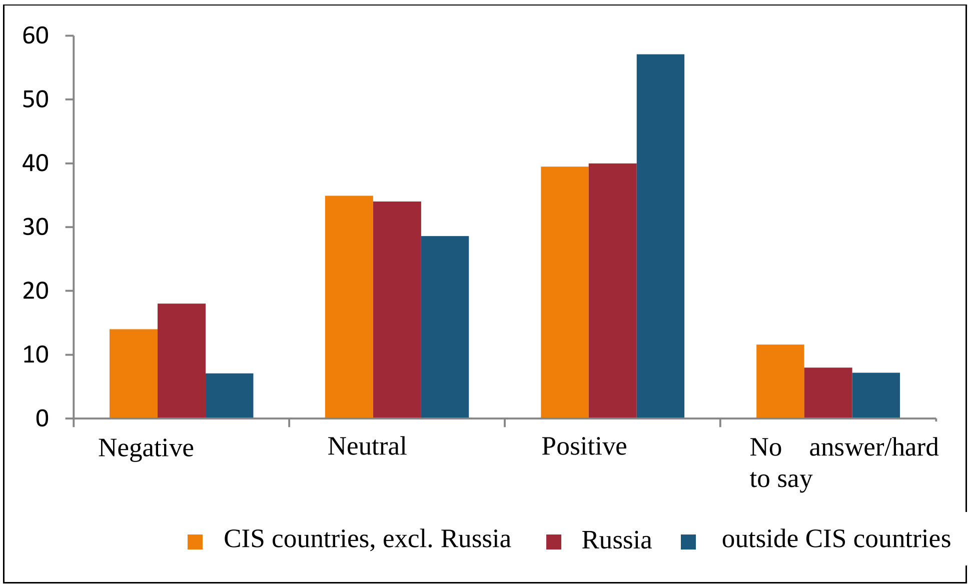

Figure 13. Distribution of the responses to the question"What will be the impact of the WTO accession on the operations of your enterprise?" depending on the geographical focus of exports

Source: data of the Enterprise Survey

The enterprises could assess the impact of the WTO accession on the basis of the conditions of Russia's accession to this organization since Belarus, as a member of the

Customs Union, should follow Russia's commitments on market access for goods. According to the majority of enterprises, membership in this organization had no influence on them. This opinion is held by 71.2% of the enterprises in the Mogilev region, and 70% – in the Brest region. The largest proportion of the enterprises that believe that Russia's membership in the WTO had a positive effect on them is located in the Gomel region (30%).

Table 8. Distribution of the responses to the question"Has the accession of Russia to the WTO affected the operations of your enterprise?"

	Negative	No impact	Positive	Don't know
Brest region	14	70	16	
Vitebsk region	5.9	19.6	7.8	66.7
Gomel region	4	44	30	22
Grodno region	7.3	45.5	14.5	32.7
Minsk	9	45	7	39
Minsk region	4.4	31.1	4.4	60
Mogilev region	13.5	71.2	9.6	5.8
РБ	8.4	46.7	12.2	32.8

Source: data of the Enterprise Survey

By type of ownership, almost half of the state-owned and private enterprises reported that Russia's accession to the WTO had no influence on them.

To assess the impact of the WTO accession on business operations, the survey focused on the views of enterprises on how it may affect the competitiveness in the domestic market. More than half of the respondents on average across Belarus responded that it would ether remain the same, or increase (see Table 9). However, there was a significant variation in the distribution of responses broken down by regions. For example, while 29% and 18% of businesses in the Grodno and Brest regions expected decreased competitiveness, this number in Minsk was only 8.9%. These results corresponded with how enterprises assessed the impact of the WTO accession. The largest proportion of respondents who expected some negative impact was located in the Grodno and Brest regions. In turn, the Mogilev and Gomel regions were, as usual, most positive – 42% and 52% of the surveyed enterprises there expect growth of competitiveness in the domestic market.

Table 9.Distribution of the responses to the question "How will the competitiveness of your enterprise in the local market change after Belarus accedes to the WTO?"

	Will decrease	Will remain the same	Will increase	Don't know
Brest region	18	60	20	
Vitebsk region	9.8	11.8	7.8	70.6
Gomel region	18	14	52	16
Grodno region	29.1	27.3	32.7	10.9
Minsk	16	29	17	38
Minsk region	8.9	17.8	11.1	62.2
Mogilev region	11.5	36.5	42.3	9.6
Overall in Belarus	16.1	28.3	25.3	30.3

Source: data of the Enterprise Survey

Distribution of the responses to the question on competitiveness broken by forms of ownership (see Figure 14) showed that there were more private enterprises expecting its decrease (19%) compared with state-owned enterprises (9.1%). However, the private sector had a slightly higher proportion of those who suggested its increase.

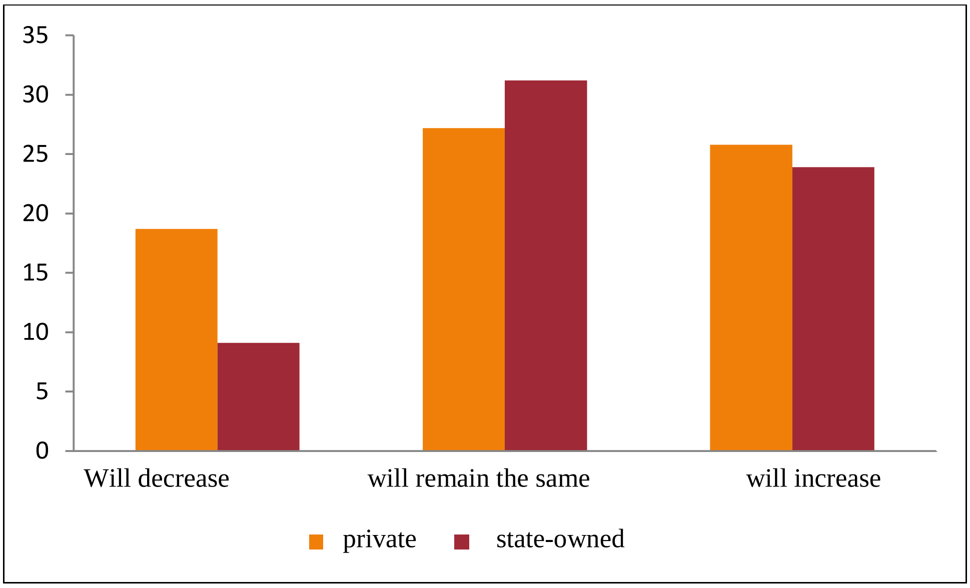

Figure 14.Distribution of the responses to the question "How will the competitiveness of your enterprise in the local market change after Belarus accedes to the WTO?" broken down by forms of ownership.

Source: data of the Enterprise Survey

The assessments of enterprises of their preparedness to operate under the rules and regulations of the WTO (see Figure 15) showed that, in general, the majority of them consider themselves partially or fully prepared (55.3%). 52% and 60% of respondents in the Mogilev and Gomel regions said that they were fully prepared, and 58% of respondents in the Brest region stated that they were partially prepared. At the same time, 40% of enterprises in the Grodno region considered themselves completely unprepared to operate under the WTO conditions.

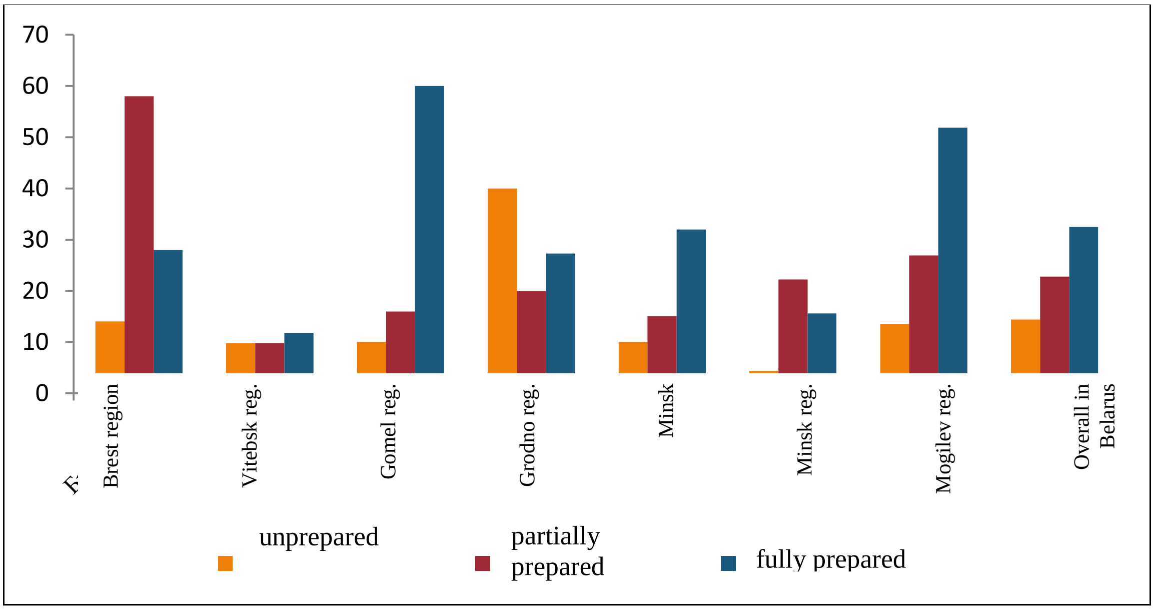

Figure 15. Distribution of the responses to the question"Is your enterprise ready to operate under the WTO conditions?"

Source: data of the Enterprise Survey

The survey showed that, in general, Belarusian enterprises expect growth of attractiveness for foreign direct investment of the sector or industry in which they operate after the WTO accession. Partial or substantial increase in FDI inflows is expected by 55.6% of the respondents. In the Mogilev and Gomel regions, the proportion of the enterprises who believe that the attractiveness would grow significantlyis 58% and 60%, respectively.

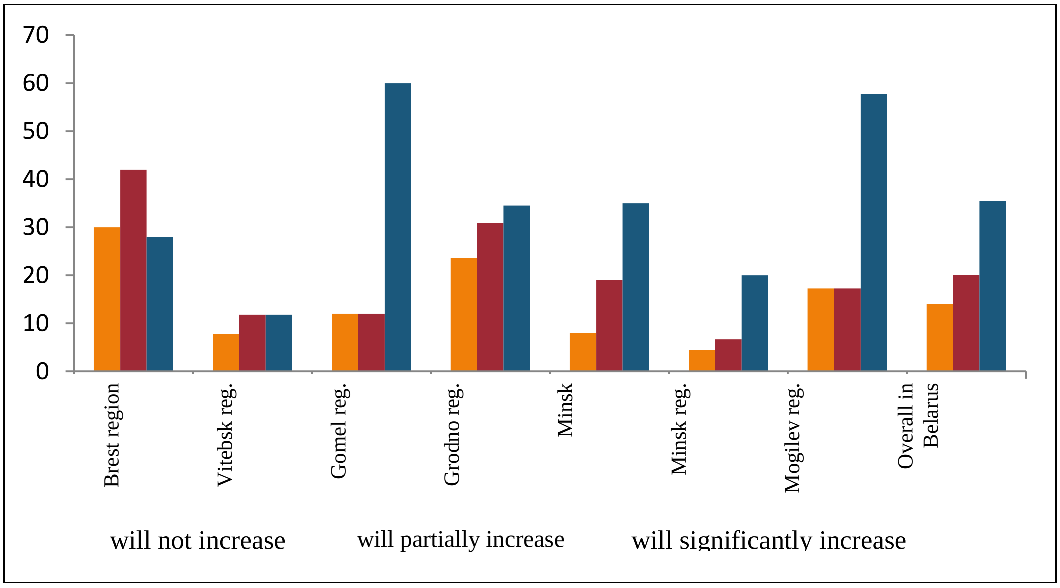

Figure 16. Distribution of the responses to the question"Will the attractiveness of the sector or industry where your enterprise operates increase for foreign direct investments after Belarus accedes to the WTO?"

Source: data of the Enterprise Survey

Enterprises in the Brest region are most skeptical – 30% of businesses do not see any relation between the accession to the WTO and the inflow of foreign direct investment. It is noteworthy that 68.9% and 68.6% of the respondents in the Minsk and Vitebsk regions found it difficult to answer this question.

3.4. Government support measures to be taken after accession of Belarus to the WTO as proposed by the enterprises

According to the survey of enterprises, the majority of the enterprises believe that the government must necessarily provide its support to domestic producers after the country's accession to the WTO (see Table 10). This was stated by 51% of the surveyed enterprises. However, this figure is much higher in the Grodno, Gomel and Mogilev regions totaling 78%, 68% and 60%, respectively. 14% of the respondents saw government support as desirable, with 34% of such enterprises in the Brest region. Only 6.5% of the total sample considered government support as unnecessary, however, not a single enterprise in the Minsk region stated this opinion. Regionally, the largest number of enterprises against government support was in the Mogilev (13.5%) and Brest regions (12%).

Table 10.Distribution of the responses to the question"Do you think that state or local authorities should support enterprises after the country accedes to the WTO?"

	Support is not needed	Support is desirable	Support is necessary	Don't know

Brest region	12	34	54	-
Vitebsk region	5.9	11.8	11.8	70.6
Gomel region	4	16	68	12
Grodno region	3.6	7.3	78.2	10.9
Minsk	6	14	46	34
Minsk region	0	2.2	42.2	55.6
Mogilev region	13.5	13.5	59.6	13.5
Overall in Belarus	6.5	14.1	51.1	28.3

Source: data of the Enterprise Survey

The breakdown of responses by types of ownership (see Figure 17) demonstrates that only a small part of both state-owned and private enterprises consider government support as unnecessary (6.5%). However, according to the survey, a larger proportion of state-owned enterprises compared to the private enterprises believe that it must be necessarily provided (59% and 53%, respectively). As noted earlier, such distribution of responses may be due to the fact that the first (of the above) are used to receiving support from the government and rely on it in the future. This also corresponds with a more positive assessment of state-owned enterprises of the effects of Belarus' accession to the WTO in the short term.

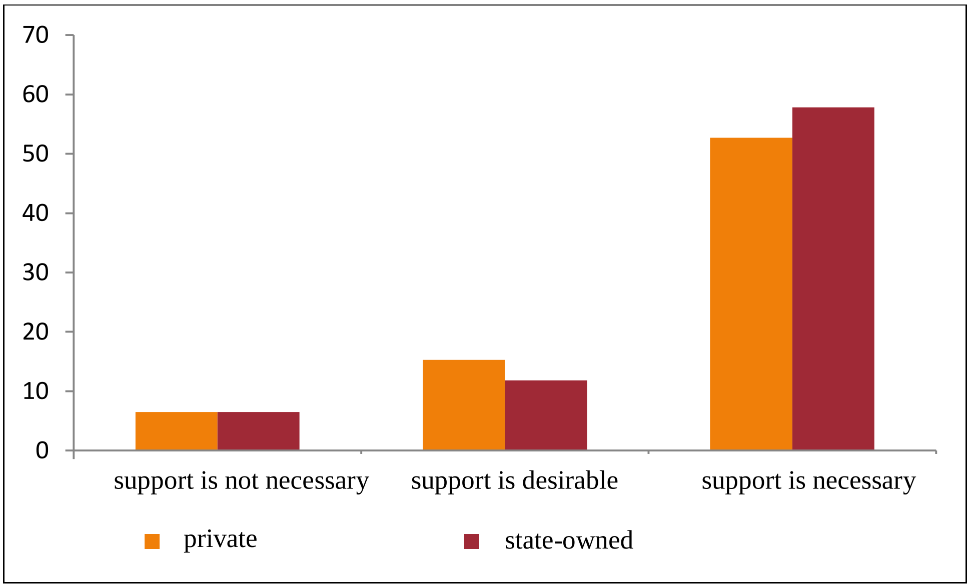

Figure 17.Distribution of the responses to the question "Do you think that state or regional authorities should provide support to enterprises after the country accedes to the WTO?" broken down by forms of ownership.

Source: data of the Enterprise Survey

The views of enterprises on possible government support measures seem quite remarkable(see Figure 17). According to the survey, both state-owned and private enterprises believe that the most important measures are those aimed at improving the business climate in the country. This was seen as a top-priority measure by 43.5% of state-owned and 37% of private enterprises. For state-owned enterprises, it is followed by non-tariff protection measures: quotas and licensing, technical regulations and certification, and then followed by the reduction of administrative burden and restructuring uncompetitive enterprises.In their turn, private enterprisessee the last two measures as most important support measures and assign a secondary role to the measures aimed at removing non-tariff barriers. The private sector also believes that the state should stimulate demand for domestic products and improve customs procedures. It is noteworthy that both state-owned and private enterprises consider direct compensation of losses of enterprises from the budget as one of the least important measures of the proposed government support measures.

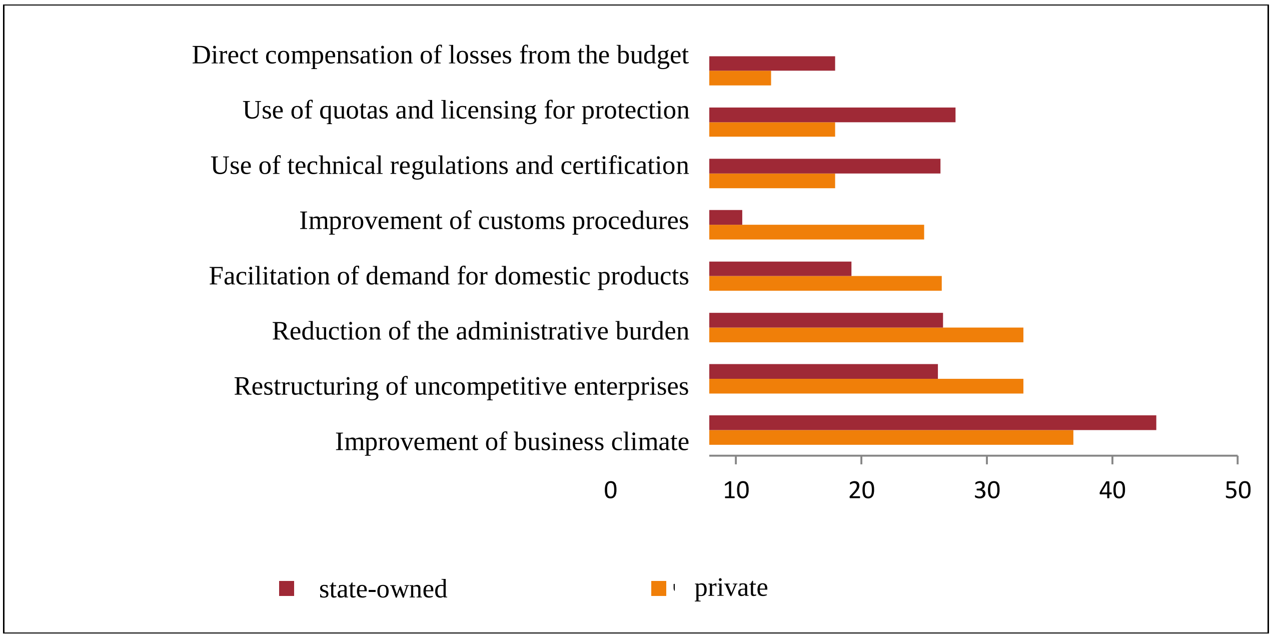

Figure 18.Distribution of the responses of state-owned and private enterprises to the question on the required government support measures.

Source: data of the Enterprise Survey

4. CONCLUSIONS

To identify the views on the impact of Belarus' accession to the WTO on the economy of the country and national business, the IPM Research Center conducted a survey of the Belarusian enterprises in April-May 2013. It covered 403 enterprises from all regions of Belarus, of which 12.7% were large enterprises, including 5% of the enterprises with the number of employees exceeding 5,000, 79.7% – small businesses, and 11.7% – medium-sized businesses. The largest share in the sample is comprised by enterprises in manufacturing (36%), wholesale and retail trade (26.6%), and construction (7.4%). In the total number of the surveyed enterprises 27% of the enterprises are state-owned and 73% – private enterprises, including 8.2% of enterprises with a foreign share in the authorized capital.

The results of the survey show that despite a number of concerns expressed by the line ministries and agencies, as well as business associations, the managers of Belarusian enterprises are generally positive about the possible accession of Belarus to the WTO. The number of those respondents who believe that the country should become a member of this organization in the near future is significantly higher than the number of those who are against this idea (44.7% and 9.9%, respectively). In this respect, there is no difference in the responses to this question between state-owned and private enterprises. According to the survey, the representatives of Belarusian enterprises believe that membership in the WTO will promote the economic development of Belarus, both in the short-term perspective and, especially, in the long run. In particular, they expect growth of attractiveness for foreign direct investment of the sector or industry in which they operate (partial or substantial increase in the inflow is expected by 55.6% of the respondents). At the same time, they understand that accession to this international organization will lead to increased competition – this opinion is shared by 70.1% of private and 61.5% of state-owned enterprises. However, the enterprises admitted taking no steps to adapt to the conditions of the membership of Belarus in the WTO. The proportion of those who are doing something in this area does not exceed 14%, of which only 8% of enterprises have tried to develop an adaptation strategy. In addition, it should be noted that both private (32.8%) and state-owned enterprises (30.3%) named lower prices as the main advantage. However, a competition strategy based on low prices is effective only when it is based on low cost and goods of acceptable quality. At the same time, only 10.2% of private enterprises and 9.2% of state-owned enterprises state a better quality as a competitive advantage of their goods.

Despite the fact that only 9.7% of respondents believe that membership to the WTO have a negative impact on their operations, the majority of businesses think that the state must necessarily provide support to domestic producers after the country's accession to this organization. This was stated by 51% of the surveyed enterprises. However, both private and state-owned enterprises do not expect the state to provide direct compensation of losses from the budget, but primarily to improve the business climate. It was named a top-priority measure by 43.5% of state-owned and 37% of private enterprises. Other important measures to support domestic producers as mentioned by the surveyed enterprises included non-tariff protection measures (quotas and licensing, technical regulations and certification), reducing the administrative burden and restructuring uncompetitive enterprises.

The survey also showed that there was a significant variation in the distribution of responses at the regional level. This is partly connected with the proportion of exporters among the surveyed businesses in each region. Those regions in which it was higher than the national average (the Mogilev region - 44%, the Brest region -38%, the Grodno region - 36%) demonstrated both much knowledge about the WTO system and a greater understanding of the impact of the membership in this organization on the economy. At the same time, where the proportion of exporters among the surveyed enterprises was low (the Vitebsk region – 9.8%), there were generally no answers provided, or, if they were provided, they were negative.In this case, there is a clear relation between positive assessments and the geographic focus of exports. The proportion of those who gave favorable assessments of the impact of country's WTO membership among exporters to non-CIS countries, i.e. truly internationally competitive enterprises, is significantly higher than in the midst of those who supply products to CIS countries and Russia.

An important conclusion to be drawn from the survey is the lack of knowledge among enterprises both about the basic rules and regulations of the WTO (only 23.3% of enterprises said they were aware of them) and a wide range of issues related to the country's accession to this organization. This is particularly evidenced by the high proportion of businesses that found it difficult to answer the survey questions. In turn, this means that businesses cannot articulate their position and interests and communicate them to business associations, ministries, departments and local authorities, who, in turn, cannot pass them to the Ministry of Foreign Affairs, as the body responsible for negotiating, as well as to representatives of the Belarusian delegation at the negotiations.

All this indicates the need for the public authorities to carry out awareness-building campaigns for enterprises on the issues related to the country's membership in the WTO, as well as consider requesting international donors to provide technical assistance on the matter.