

## WTO in the Global Capitalist Economy System– Sight from Russia<sup>1</sup>

Dr. *Elena Pilipenko*

Kurgan division of the Institute of Economics,  
Ural Branch of the Russian Academy of Sciences  
Pichugina str., 15 – Kurgan, RUSSIA  
E-mail: pilipenkoev@bk.ru

**Abstract:** This article is dedicated to considering the results of Russia's membership in the WTO, and the search for solutions of social and economic problems appeared due to it. The author's approach is to consider the WTO as an objectively-based tool for implementation of certain technological waves, the consequence of establishment of which was the appearance of such supranational structure as the global capitalist economy. The WTO is an integral part of this system. And it means that the WTO may disappear only with the disappearance of the structure itself. In turn, the system of the global capitalist economy can be naturally "cancelled" by switching to other technologies, based on principles that do not require institutions like the WTO. Thus, it is finally possible to solve the "WTO problem" by means of the switching to the technologies of the sixth technological wave that objectively do not require the services of such institutes as the WTO for their reproduction.

**Keywords:** WTO; Global market; World capitalist economy; Economic models; Knowledge-based economy; Technological wave

**JEL Classifications:** B41, F63, O33, P19

### 1. Introduction

Short term membership of Russia in the World Trade Organization (hereinafter WTO) and social and economic problems, escalated due to it, drove the Russian scientific community to search conceptually different economy development model.

#### **Russia and WTO: First Results**

The year that passed after Russia's entry into the World Trade Organization (hereinafter referred to as the WTO), in general, confirmed the forecasts made before this event: Russian economy was instantly influenced by the "stick" of the WTO, and the moment when it could get the promised "carrots" (that were the main reason for this initiative, as far as we're being told) is being postponed for an indefinite period of time: "During the year the imports in Russia increased, customs duties were reduced, budgetary funding was reduced...all these facts put us at risk of smashup of industrial enterprises and job cuts. National manufacturers have already curtailed production...During the year of Russia's membership in the WTO none of industrial and agricultural sectors in the country increased its production amounts. Quite the opposite, due to the

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increased amount of imports industrial enterprises incur losses, many of them are on the brink of ruin”( Golansky, M. (1992)). At the same time, even Maxim Medvedkov, Director of Department of Trade Negotiations at the RF Ministry of Economic Development, who was an active lobbyist of the entry into the WTO, had to admit that consumers would feel price reduction no earlier than in 7-10 years (The State Duma, 2013).

Thus the pessimistic approach regarding the future of Russia in the WTO that is now prevailing in the research and social environment is absolutely logical; this attitude is obvious even from the articles' headlines: “Run from WTO! As fast as possible!”( Oviont, 2013); “Nothing except losses: the year of Russia's membership in the WTO” (Orlov, 2013); “Russia's entry into the WTO turned out to be absolutely useless” (Zabavina, 2013); «WTO makes Russian milk sellers bankrupt” (Danilenko, 2013); “Russia's entry into the WTO: the year has passed, and the business is disappointed” (Aris, 2013); “Entry to WTO is our ticket to Titanic” (Delyagin, 2012), “WTO is a slipknot for Russia” (Gordeev, 2012) etc. It is also specific that no one shows any optimism – the “hole” where the country has dug is so deep that the “liberal optimism” can become rather dangerous for its exponents.

In this context conclusions of numerous round tables devoted to the results of Russia's membership in the WTO seem quite logical:

- consequences of Russia's entry into the WTO make it a crime, and its organizers and supporters – liberal terrorists that have seized social and economic powers;
- it is necessary to strive for the withdrawal from the WTO.

There are as well very specific ways of achieving the stated goal (withdrawal from the WTO) being proposed. Thus, one of the very widely spread opinions is that “only Putin can change the situation, and all efforts should be focused on changing his mind in this regard”.

This all demonstrates the tension of the social discussion (and it is hardly a surprise because absolutely everyone, sooner or later, will feel the consequences of the entry into of the WTO), but, unfortunately, doesn't demonstrate the in-depth level of scientific understanding of the problem. We can't but agree with A. Buzgalin, Professor of Moscow State University, expert of Moscow Economic Forum, who supposes that it is absolutely necessary to understand the scale of the WTO-related problems as a matter of urgency. He also thinks that the solution to the problem of the WTO lies in searching and forming another economic model for Russia (The State Duma, 2013), and it's difficult to disagree with this statement. But before searching for and developing the parameters of the new model, we suppose it necessary to define the existing model.

## **2. Models**

### **Assessment Criteria of social and economic models**

So, it's necessary to answer the following question: which of the existing economic theories and the economic models formed on the basis describes the modern social and economic reality in the most complete, exact and consistent way? What should be taken as a criterion of “completeness, exactness and consistency” of economic theories and models? In which case we can say that the theory is correct, and the model formed on its basis is valid?

Decisions should be based on the same universal and constant criterion – practice. It means that we will consider those economic theory and models as correct, exact, valid and worth paying attention that serve as a basis for the forecasts that work well. Thus, the higher is the percentage of self-fulfilling forecasts, the more correct could the original theory be considered; that is quite

logical because the percentage of forecasts having worked well reflect the level of adequacy of the way the theory and the model describe economic reality.

Are there a lot of economic forecasts that held up well? And do we know a lot of economic models that can be characterized by 100% fulfillment of forecasts during years? Anyone who has shown any interest in the economic forecasts could say that the existence of such models is at least hardly probable, or even impossible. There are many examples – e.g. the highly-publicized reports of the Rome club - none of its forecasts ever worked well etc.

The most surprising fact is that such model (with 100% accuracy of forecasting) exists! It is even more surprising that it has existed for more than 30 years already. And it's absolutely incredible that the model developed in a social and economic reality being absolutely different from the present one, extremely accurately describes the modern social and economic reality (including such institute as the WTO). It is the model developed by the Soviet economist M. Golansky.

Thus, even in the 80s of the 20th century, when only "Voice of America" was seriously considering the possibility of the collapse of the Soviet Union, M. Golansky forecasted with 100% accuracy the inevitability of USSR (at the moment being the leader of the Socialist countries) entry into the system of the world capitalist economy, and described in detail the consequences of this entry:

"...refocusing on capitalism does not bode well for the Soviet Union. The whole economic system existing in the country will be destroyed and substituted by backward, stagnant small commodity production. The Soviet Union will enter the world capitalist economy as a backward developing country in need of great external support. In this case the same future as of other developing countries will expect the Soviet Union...The country will be affected by the large-scale unemployment. It will suffer from the growth of social problems, pauperism, crimes and mass emigration. Disastrous state of the economy will be accompanied by national disintegration and, actually, the collapse of the country...Transfer to capitalism will make the country's economy inoperative for a long period of time and can be amounted to a catastrophe in terms of its consequences" (Golansky,1992a, pp.82-84).

Incredible accuracy of the forecasts made by M. Golansky and based on the scientific methods and models developed by him can be well estimated today when many of them has reached the forecasting horizon. Thus, even in 1987 (under the conditions of the bipolar world characterized by the co-existence of two economic systems: socialist and capitalist) he forecasted the current economic crisis – the crisis of the unified system of the world capitalist economy, and even described the dynamics of its development from year to year:

"A new long-term trend of the retardation of the economic growth is arising now, and it is likely that at the turn of the first and the second decades of the next century we might face its complete cessation" (Golansky,1992a, p.59).

In his work "Future of the global economy and the prospects of Russia", Golansky(1992a) describes this "arising trend" in a more precise way:

"According to these forecasts the annual rates of development of production in the global community by the end of the present century on average will not exceed 2 per cent, and in the beginning of the next century – 1 per cent. After 2010 we will face a long-term recession" (Golansky,1992b).

Of course, the works by M. Golansky include a lot of other forecasts, because it is only a verbal interpretation, a description of the obtained results of mathematical modeling. In fact, till date all the trends of development of the global (and national) economy are in line with the forecasts made by M. Golansky.

As a matter of fact, today all of us live in the social and economic reality that was so precisely outlined by the Soviet researcher more than 30 years ago. In particular, the WTO as an instrument of the world capitalist economy was forecasted and described by him at that time – long before its actual establishment in 1995.

Works of M. Golansky and the mathematical model developed by him and confirmed by practice, allow saying that: economics is an exact science, and economic processes, both national and global, modern and future, can be exactly and scientifically forecasted. The reasons for which the existing forecasts “fail” are related to the inadequacy of the initial messages. This conclusion, as far as we suppose, have an independent meaning, in particular, for the development of the mechanism of economic forecasting relevant and efficient under the modern conditions. All these factors make the model developed by M. Golansky rather interesting, and in our point of view – extremely relevant. Main statements of M. Golansky’s model are as follows.

### **3. Methods**

#### **Methodological approaches to assessment of WTO’s role in the Global Capitalist Economy System**

Objective characteristics of the advanced technologies form the foundation for all changes of the social and economic reality. The point is that “...advanced technologies can efficiently (economically feasibly – author’s note) function only in the global scale...limiting the sales market of the advanced industries by national scales inevitably undermines their efficiency and forces them to decrease” (Golansky,1998, p.85).

Economic feasibility has always been the main principle of organization of the capitalist economy; it does not exist beyond its scope. The fact that the economic feasibility of the advanced technologies can be achieved only in the global scale forms an objective foundation for the economic globalization and the establishment of transnational corporations. The necessity to make the advanced technologies economically feasible “takes the whole process of the international economic integration to a new level and radically transforms the global economic order” (Golansky,1998, p.87).

This means that “all objectively determined proportions of economic reproduction are set not on the national, but the international level. Only global economy as a whole possesses all information necessary for making decisions regarding the proportions of production. Without the world capitalist economy we can’t understand what happens in a particular country and where it goes now” (Golansky,1998, p.86).

As a result, the “global economy as a whole” becomes a unique self-reproducing, self-developing systems (SD system). This is the principal content of the changes happened. Just a while ago “national economy in the majority of cases was self-reproducing and self-sufficient. New industries were, as a rule, a product of endogenous” (Golansky,1998, p.86). Today we can “say for sure that no national economy cultivating advanced technologies can any longer qualify for autarchy and self-reproduction”, because “...no developed economy in the state of autarchy can support even simple reproduction, leaving alone the expanded one” (Golansky,1998, p.87).

In the system of global economy that substituted the systems of national economies, in accordance with the law of value, the average global and not the average national level of labor efficiency becomes a regulator of the economic activities efficiency. “Backward countries with the labor efficiency being hundred times lower than the average global level should now enter the open competition with the developed countries having the level of labor efficiency several times higher than the average global one” (Golansky,1998, p.86). Those countries that can not sustain this

competition “will not receive any help, but will face a cruel outrage in the form of creating an extremely unfavorable conditions for capital investments in production. The time, when the world eliminates those being backward, and not the backwardness, has come” (Golansky,1998, pp.86-87).

The backward countries are eliminated as the “manufacturers” of their own production and stay in the quality of “consumers” for the leading countries. It is another principal moment – the world capitalist economy being a capitalist economy is destined for expansion. That is why “the system of the world capitalist economy can be preserved only in case developing countries will stay in this system. This is evident from the fact that the expanded reproduction of the social capital in the system of the world capitalist economy is possible only in case of presence of the developing countries in this system. According to the forecast for the world capitalist economy system in general, in the absence of the developing countries the world capitalist economy will have to cease its activities” (Golansky,1992a,p.59).

The world capitalist economy will need the developing countries in an absolutely unambiguous quality – their role and functions are strictly determined: “The world capitalist economy will need the developing countries in the role of consumers, and not in the role of producers and participants of the global production process... It seems that for some period of time the underdeveloped countries will play the role of a catalyst of economic activities, by analogy with the recent situation with the military production” (Golansky,1992a,p.59-60).

As noted by M. Golansky, the world capitalist economy does not “let matters drift”: “Preparing the developing countries for the role of consumers in the system of the world capitalist economy is carried out with the use of the so-called demonstration effect that serves as a powerful tool of inculcating the average global standards of consumptions to these countries and forms their consumption structure in a necessary way” (Golansky, 1992a, p.60).

The system of the world capitalist economy does not provide for the opportunity of moving from the category of “developing” countries to the category of “developed” countries (i.e. to move from “consumers” to “producers”) - this is not what it was established for: “In the system of the world capitalist economy the developing countries does not have a chance to overcome or at least decrease the level of their backward from the developed capitalist countries in the order of self-development. This is evident from the results of the forecast on the open scenario when the effect of the law of value in the world capitalist economy in relation to them is extremely strong (in the form of practically prohibitory regulations of economic activities” (Golansky,1992a, p.60).

Works by M. Golansky contain a large number of very interesting and extremely relevant (that is a subject of interest in itself due to the period of their creation) conclusions on the results of interpretation of mathematical calculations, but in accordance with the objectives of the present work we will limit ourselves to the above mentioned statements, because they describe adequately the “grounds” for the formation of such organization as the WTO.

So, the condition of survival and existence for the world capitalist economy is the continuous expansion, occupying new niches and spheres. If there is a lack of such spheres and niches, the world capitalist economy forms them artificially by means of transferring the growing number of countries to the category of “developing”, that means, in the category of “consumers” of the world capitalist economy products.

WTO is an instrument of forming the “living environment” for the system of the global capitalist economy.

M. Golansky (1998) describes this very well in his later work: “So, multi-variant forecasts regarding the situation in the world and in some particular countries are unambiguously related to the ascension of the global monster in the form of the multi-potent global market.... The newly

born global monster received unprecedented powers and efficient means of distributing production among countries and determination of the structure of the global production” by means of the “powerful mechanism of value regulation” (Golansky, 1998, pp.86-88).

One of such “efficient means of distributing production among countries and determination of the structure of the global production” alongside with the International Monetary Fund and the World Bank is the WTO that is being confirmed by the whole history of existence of this organization (Zhdanovskaya, 2012).

All subsequent events – subdivision of countries to developed and developing, principles and boundaries of such subdivision, role and functions of developed and developing countries in the world capitalist economy, their interaction, instruments of this interaction (including the WTO) - are an inevitable consequence of the accomplished fact – the only self-developing systems in the world is the global economy as a whole, referred to by M. Golansky as the “world capitalist economy system”. All economic objects and institutes mentioned above (including the WTO) are an integral part of this system – the world capitalist economy. This means that their appearance and existence have an objective character, and their transformation and elimination is possible only as a result of transformation and elimination of the structure that formed them – the system of the world capitalist economy. It is impossible to take some element out of this system only because “we don’t like it”, or it is “incorrect” or “unjust”. First, we can speak about the “correctness” and “justice” only from the position of the system as a whole, and not from the position of separate elements. Second, any element of the system will be reconstructed if it is necessary for the system’s functioning.

Thus, even if the WTO is eliminated under the pressure of public opinion, for example, it will reappear in a new form with the same content. And it will keep reappearing till the structure that formed it - the world capitalist economy system – will be in need of the functions implemented by the WTO. Necessity of such functions (and of WTO, as a result) will disappear only with the disappearance of the world capitalist economy system.

In its turn, the world capitalist economy system being a “derivative” from the specific features of the prevailing technologies, may be naturally “eliminated” by means of transferring to other technologies – based on other principles and not requiring the institutes like the WTO for the reproduction. The studies show that the role of such technologies may be played by the technologies of the sixth technological mode. Understanding this fact is the main result of Russia’s membership in the WTO.

## **4. Conclusions**

Contrary to the common view, the WTO is the organization that is not of political but exclusively of economic nature. In the question of WTO’s expansion, the politics plays its traditional role of the lobbyist of economic interests, but it is a secondary role. Objective, not subject to any politics reason of the WTO’s establishment – is in the society’s switching to the technologies of certain technological wave (4th and 5th technological wave according to the Russian classification).

One of the key (from economic point of view) peculiarities of such technologies is the mass character of production being the mandatory condition for profitable activity. It became the reason of establishment of the consumer society within the conditions of global capitalist economy, and work for warehousing in the conditions of the state-planned Soviet economy. It caused as well an objective necessity of the WTO establishment: wholesale production requires wholesale supply of crude material and wholesale merchandising of the produced goods. The expansion of distribution

markets and crude material sources up to the parameters required by mass production with the help of pricing mechanisms is the main goal and function of the WTO.

After some time the use of pricing mechanisms typical for the WTO leads to more polarization of the countries, their final splitting into developed, i.e. possessing the technologies and producing the goods, and developing ones, i.e. consuming ready products and supplying raw material for the developed countries. It is hardly possible to overcome such polarization within the unified global capitalist economy system. Until the governing technologies in the world will be the technologies of the 4th and 5th technological waves, the structure like WTO will exist, since it is one of the components to help such technologies to be realized. It is an important conclusion in defining the mode of collaboration with the WTO.

Russia, entering the global capitalist economy system in the quality of the developing state, could not objectively count on the results different from the ones it had achieved after a year of membership in the WTO, namely - obvious and stable tendency to deindustrialization of production and degrading of agricultural sector. This is the way in which the WTO functions for the developing states – there is no space for exceptions (as confirmation – experience of all former Soviet Union states). As they say, nothing personal – just business.

It is quite clear that the population of the countries considered to be developing in terms of the WTO, may not be content about such situation, since it deprives them the possibility of self-development and de-facto they may be called the colonies of the developed countries. That is why the discussions of the WTO issues are often more emotional than rational, changing the scientific discussion into conspiratorial dispute entitled “Whose fault is it?” and “What should we do with the person in fault?” The solution though is totally different.

The author’s studies in the sphere of knowledge-based economy allow saying that the possibilities (objective possibilities) of changing the world capitalist economy system radically already exist today (the situation was different in the times of M. Golansky). They lie in the specific features of technologies that are now succeeding the technologies implementation of which required the formation of the world capitalist economy system before. These are the technologies of the sixth technological mode allowing to change the process of “assembly” of the end product from a number of intermediate products characteristic of the previous technological modes by the process of manufacturing of the end product “here and now” from the initial Substance of Nature. One of the most obvious examples is the technology of 3D printing<sup>2</sup>. Such technologies of “here and now” production does not require the complex system of suppliers of semi-finished products and vendors of end products, so, in fact, does not require the market, both the local and the global one, with all its elements and instruments including the WTO.

Thus it is possible to finally solve the “WTO problem” by means of the transfer to the technologies of the sixth technological mode that objectively do not require the services of such institutes as the WTO for their reproduction. We suppose these to be the main lessons taught by the WTO to Russia.

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<sup>2</sup> 3D printing is always known as computer modeling or alternative constructing. It is the process of the real object prototyping copying the 3D model. The digital 3D model is saved as STL file and is send for printing to a 3D printer. Then, the 3D printer layer by layer realizes the material object.

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