

Agricultural policy and trade in Central Asia and the South Caucasus in the context of WTO rules

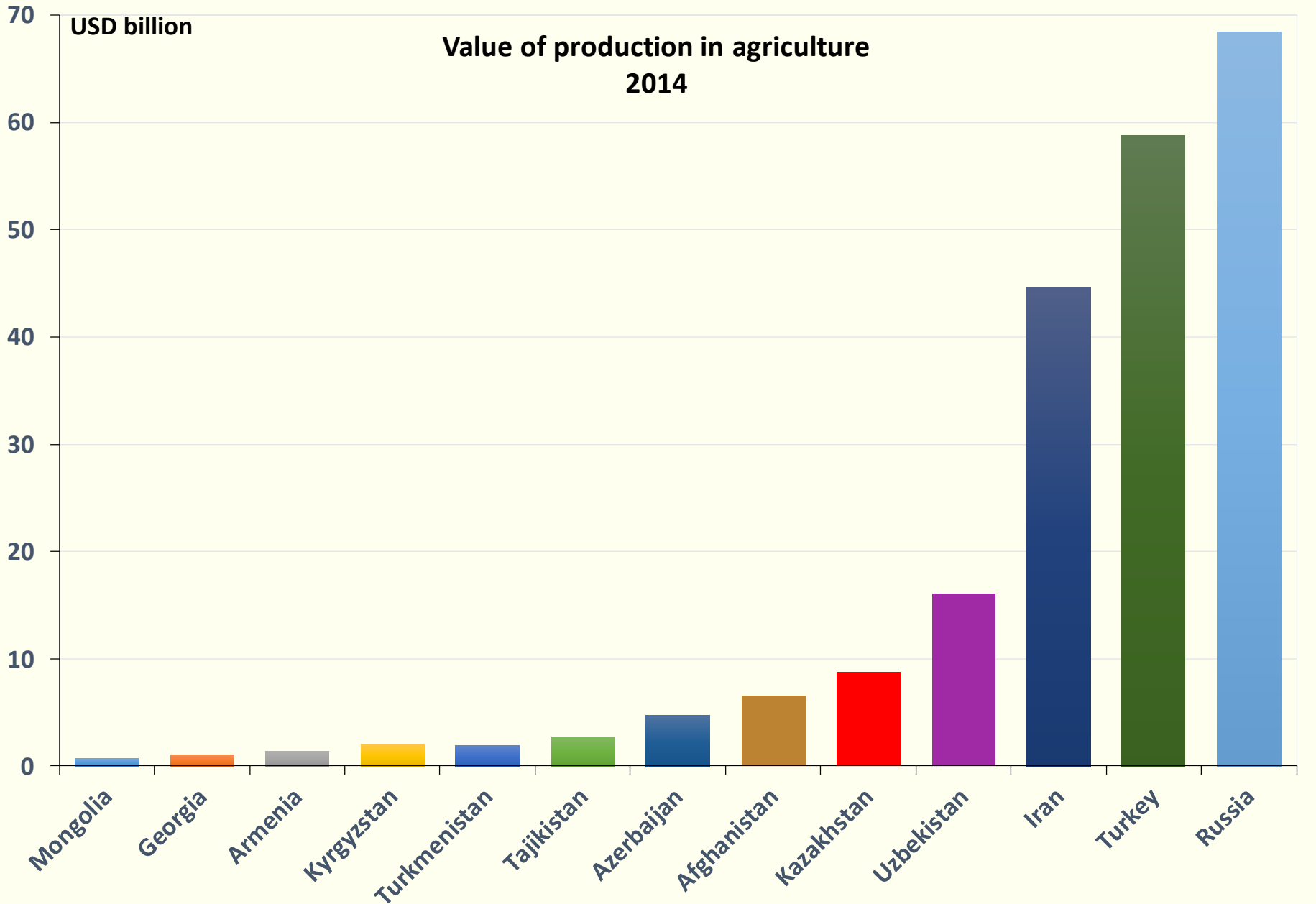
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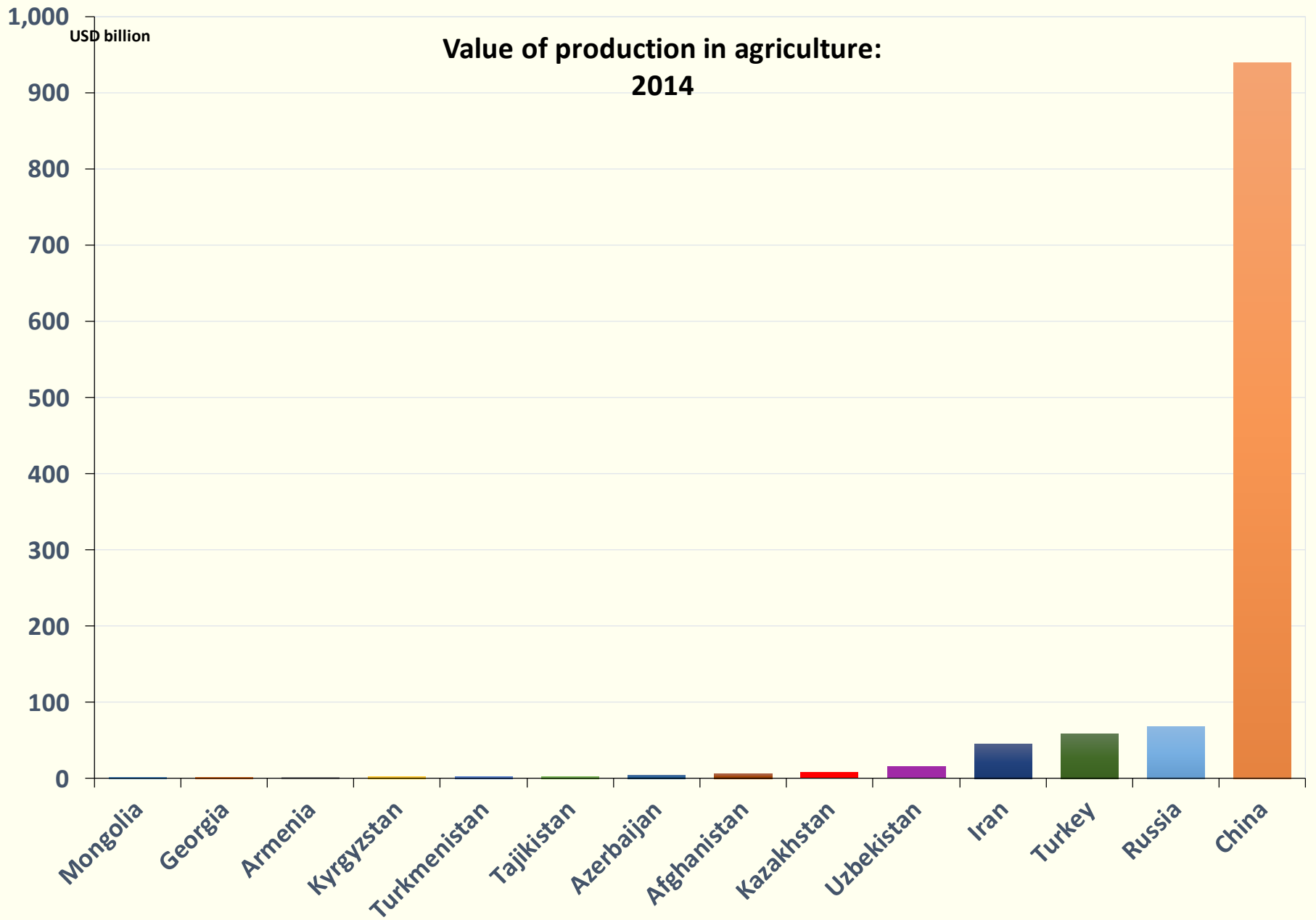
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Outline

- **Context: CCA and neighbours, big and small**
- **WTO principles, rules, commitments**
 - Market access in agriculture
 - Domestic support rules and practice
 - WTO participation
- **Issues**
 - Landlocked, trade facilitation
 - Unofficial payments
 - Belt and Road



Source: Gross production value, FAOSTAT. Uzbekistan estimated from national data.



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WTO principles matter for small countries

- **Trade without discrimination**
 - Most-favoured-nation (MFN)
 - » Treating other members equally
 - National treatment
 - » Treating foreign goods and local goods equally
- **Freer trade**
 - Gradually, through negotiation
 - Rules-based trade
- **Predictability**
 - Through bindings: legal commitments
 - Through transparency: clear and public rules

Why WTO membership

– Pre-condition for engaging with other countries

– Self-interest

- Rule of law
- Transition to market economy
- Domestic reform and modernization
- Attracting foreign direct investment
- Trade integration in the region
- Trade facilitation
- Right to invoke WTO rules on dispute settlement
- International cooperation: seat at the rule-making table

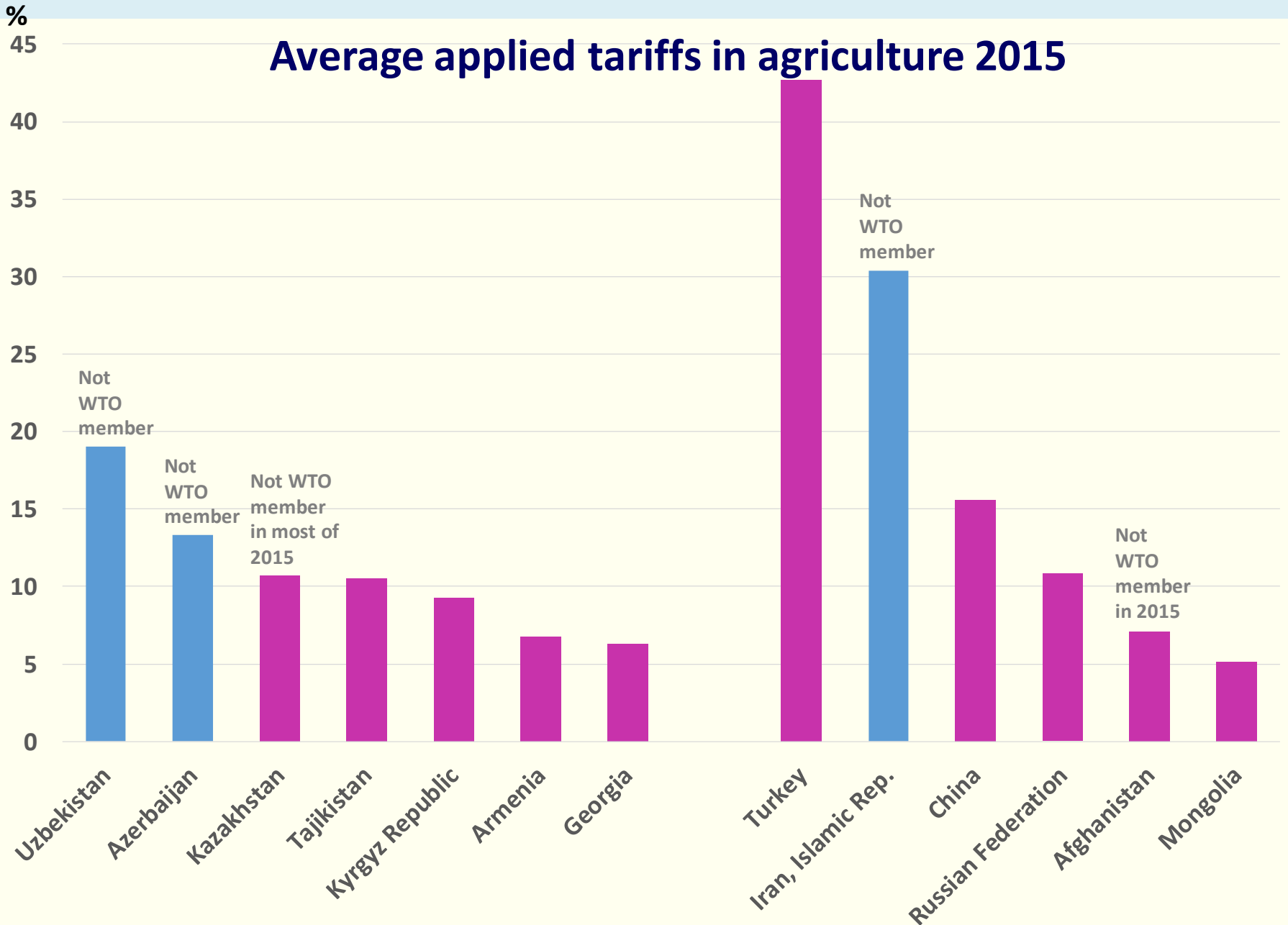
Accession to the WTO of CCA countries and *Neighbours*

<i>Mongolia</i>	<i>Acceded 1997</i>
Kyrgyz Republic	Acceded 1998
Georgia	Acceded 2000
Armenia	Acceded 2001
<i>China</i>	<i>Acceded 2001</i>
<i>Russian Federation</i>	<i>Acceded 2012</i>
Tajikistan	Acceded 2013
Kazakhstan	Acceded 2015
<i>Afghanistan</i>	<i>Acceded 2016</i>
Azerbaijan	Negotiations in process
Uzbekistan	Negotiations in process
<i>Iran</i>	<i>Negotiations in process</i>
Turkmenistan	Study and consultation

Agreement on Agriculture: rules Schedule: legally binding commitment levels

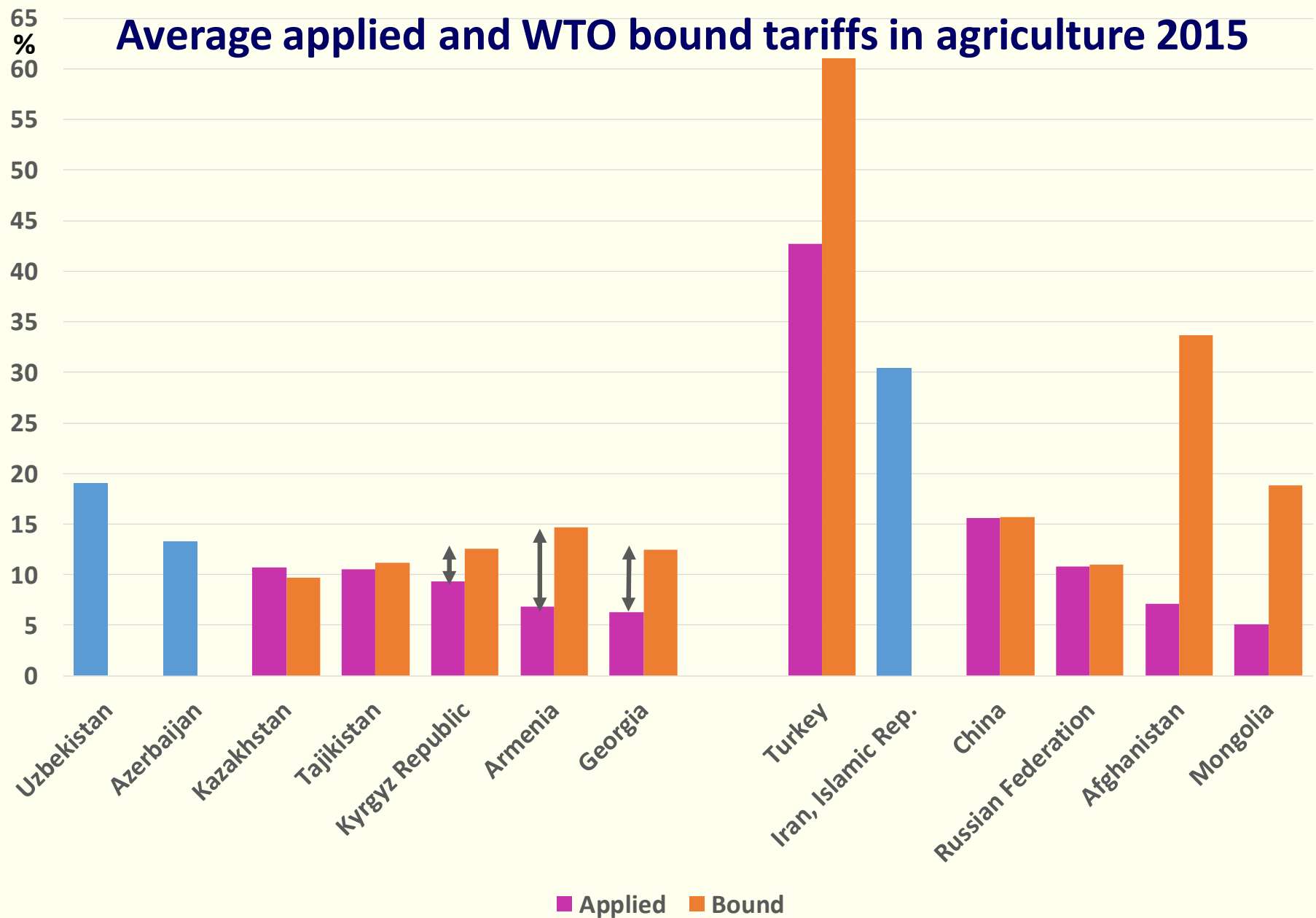
- **Market access**
 - Bound maximum tariffs
 - Tariff rate quotas for some countries and products
- **Domestic support** (*see Appendix slides for important rules*)
 - Limit on some, but not all, domestic support
 - Diversity of exemptions from limits
- **Export subsidies**
 - Entitlements for some countries and products
 - Entitlements now being eliminated over time

Average applied tariffs in agriculture 2015



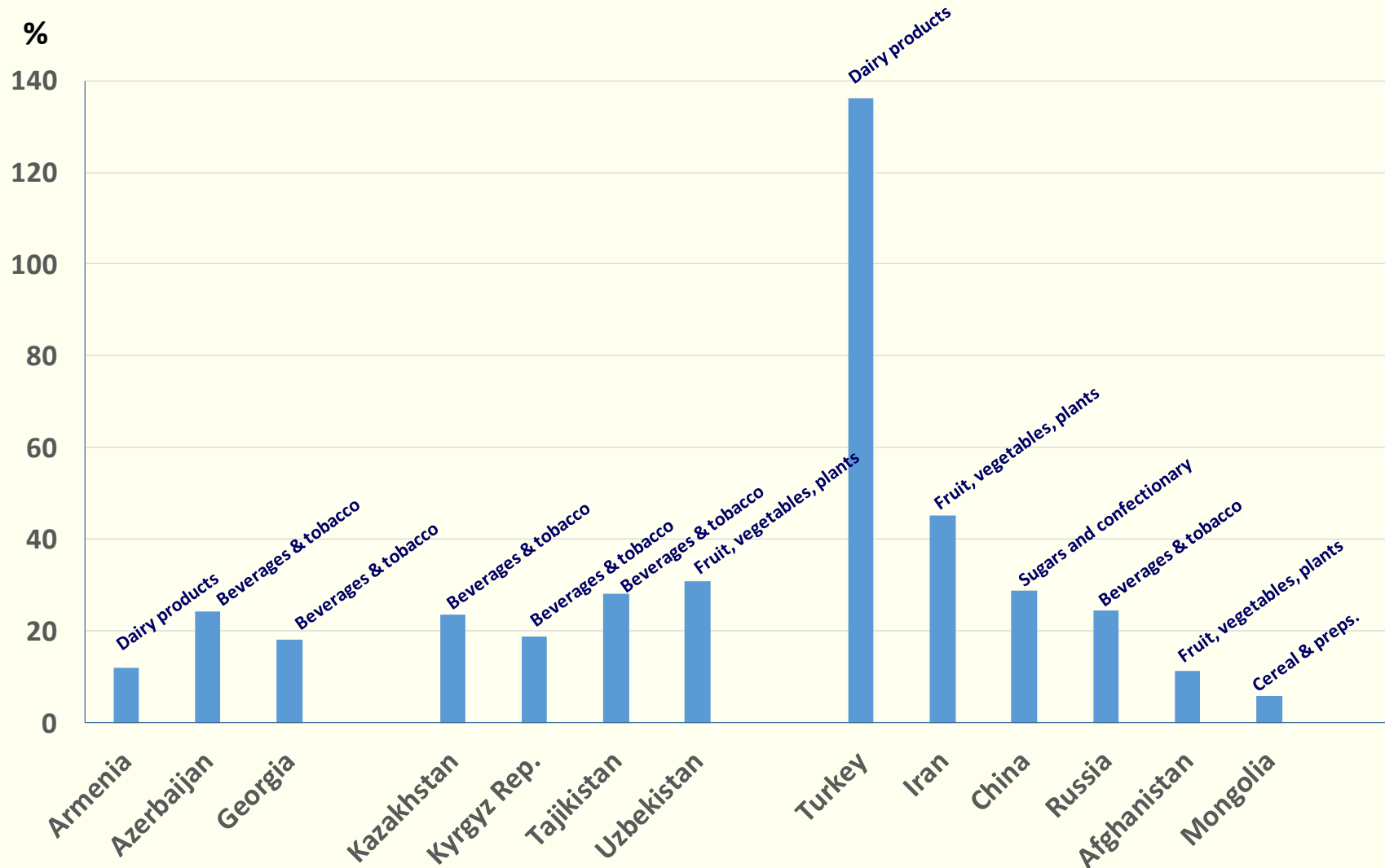
Source: WTO, ITC and UNCTAD (2016). No data for Turkmenistan.

Average applied and WTO bound tariffs in agriculture 2015



Source: WTO, ITC and UNCTAD (2016). No data for Turkmenistan.

Product group with highest average applied tariff 2014



Customs Union and EAEU integration

- **Many tariff settings at play**
 - Applied external tariffs of Customs Union, now of EAEU
 - Bound WTO tariffs: *Russia, Armenia, Kyrgyz Rep., Kazakhstan*
- **Which tariffs are lower or higher than those of EAEU?**
 - Renegotiate bound WTO tariffs? *Russia, Armenia, Kyrgyz Rep.*
 - *Kazakhstan* WTO accession: may renegotiate tariffs up to EAEU level
 - But usual rules do not apply
- **Diverse agricultural trading relations of smaller countries**
 - Considerable trade with neighbours other than *Russia*
 - Bilateral & regional trade agreements with CCA countries and with neighbours

South Caucasus Central Asia Neighbours	Bound Total AMS	<i>De minimis</i> percentage	Art. 6.2 exemption for investment and input subsidies and diversifying from illicit crops
Armenia	No	5%	No
Azerbaijan	Negotiations	Negotiations	Negotiations
Georgia	No	5%	No
Kazakhstan	No	8.5%	No
Kyrgyz Rep.	No	5%	No
Tajikistan	USD 183 million	10%	Yes
Turkmenistan	Unknown	Unknown	Unknown
Uzbekistan	Negotiations	Negotiations	Negotiations
AFG, TUR, MNG	No	10%	Yes
China	No	8.5%	No
Iran	Negotiations	Negotiations	Negotiations
Russia	USD 4.4 billion	5%	No

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Applied domestic support: very diverse

- **No AMS support: Georgia, Kyrgyz Rep., Afghanistan**
 - Only green box support
- **Most green box support: Pest and disease control, Inspection services, Infrastructural services**
 - “Research” expenditure surprisingly small share of green box support
- **Only Tajikistan among CCA can and does exempt investment and input subsidies (Art. 6.2)**
- **Overall picture: policy priorities and efforts are highly diverse**

Agriculture priorities as WTO member

– Participation in WTO processes

- **Transparency in Committee on Agriculture**
 - Notifications
 - Questions
- **Trade Policy Review**
- **Negotiations**

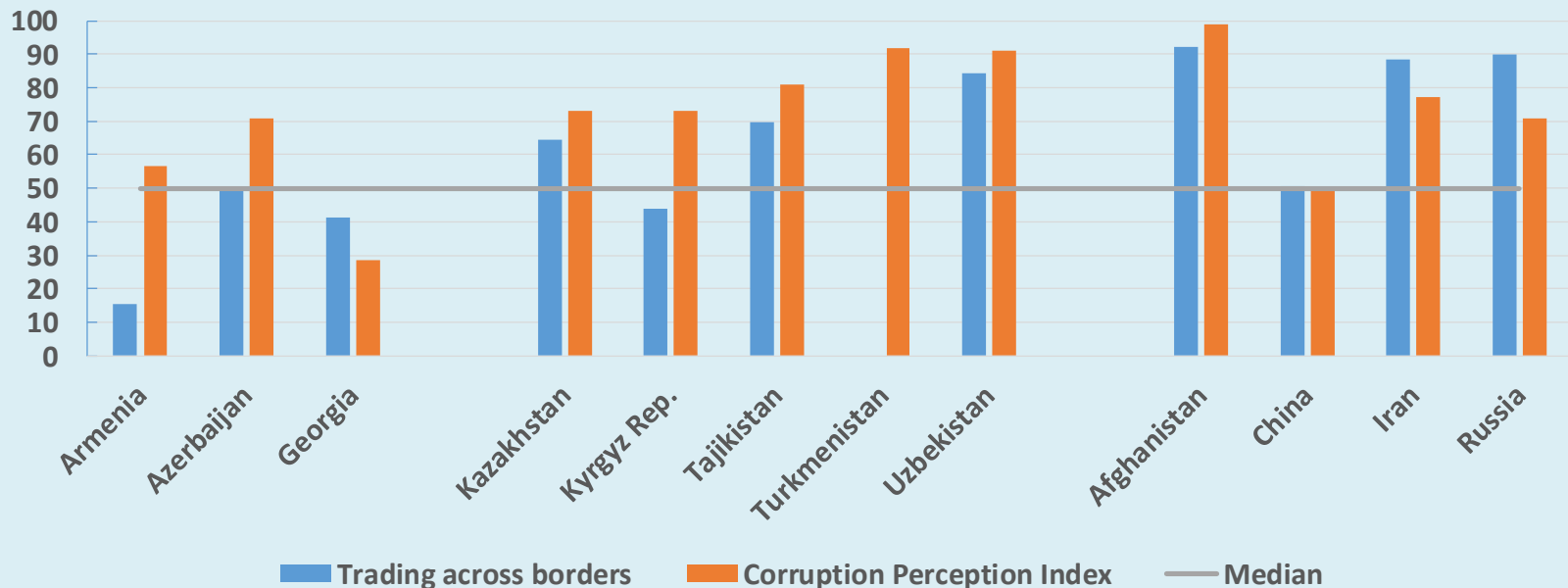
– Priority on data and analysis in order to ...

- **Ensure and demonstrate compliance with WTO commitments**
- **Use WTO commitments as a policy filter**

How to analyze agricultural trade when “unofficial payments” distort trade data?

- Extra payment to a government official to
 - do what he should do anyway
 - not do what he should do
- => trade flows and values are mis-recorded

Rankings: Trading Across Borders (189) and Corruption Perception Index (168); both normalized to 100



Landlocked

WTO Trade Facilitation Agreement TFA

- **“Freedom of transit” already in GATT Article V**
 - No unnecessary delays or restrictions
 - Charges and regulations must be reasonable
 - No discriminatory treatment of transit traffic
- **“Freedom of transit” in TFA Article 11**
 - Clarifies and improves Article V
 - » Expedites the movement, release and clearance of goods, including goods in transit
- **Some CCA and neighbours not members of WTO**
 - Uzbekistan, Turkmenistan, Azerbaijan, Iran
 - Implications for effectiveness of TFA for CCA?

Belt and Road BAR (OBOR)

- **Physical infrastructure and funding**
 - Media attention
- **Institutional infrastructure?**
 - Trade agreements, trade facilitation, policy transparency, etc.
- **Will BAR investors want to see better trade institutions**
 - Before making physical investments?
 - To stimulate more use of physical capacity, once installed?

Belt and Road: Agricultural Trade

- **China vision for BAR***
 - Expand trading areas, improve trade structure, explore new growth areas of trade, and promote trade balance.
 - Build routes and infrastructure such as transportation and storage so as to improve facilitation, increase volumes and expand fields on trade.
 - Cooperate on inspection and quarantine; develop traceability system(s) and supervision and control measures to inspect and quarantine imports and exports.
- **Russia initiative: EAEU**
 - How will priorities, policies and institutions of EAEU mesh with BAR?
 - Consequences for smaller countries along the belt?
- **Role of WTO rules and trade agreements?**

* National Development and Reform Commission, Ministry of Foreign Affairs and Ministry of Commerce (2015); Ministry of Agriculture, National Development and Reform Commission, Ministry of Finance and Ministry of Commerce (2017).

Thank you!

<http://www.icae2018.com/> **IAAE 2018 Conference Vancouver**

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Appendix (1):

Domestic support: exemptions from limits

- **Limits on support provided through some policies**
 - **But many exemptions from limits: support faces no limit**
- **Exempt from limits if policy meets criteria in Agr. Agreement**
 - » **Support that distorts only minimally or not at all**
 - No reason to limit such support
 - Criteria in Annex 2 of Agreement: green box
 - » **Support that often distorts much but is still exempted**
 - Investment and input subsidies in developing countries
 - Criteria in Article 6.2 of Agreement
 - » **Support that distorts but also limits production in some way**
 - Compromise to conclude Uruguay Round negotiations in 1994
 - Criteria in Article 6.5 of Agreement: blue box

Appendix (2):

Domestic support: limits

- **Support that is not exempted is a residual**
 - Measure residual through a number of AMSs
 - » **Aggregate Measurements of Support**
 - One non-product-specific AMS
 - Many product-specific AMSs
- **Most countries: each individual AMS has a limit**
 - » **Limit is X % of product's value of production (VOP) in current year**
 - X = 5%, 8.5%, or 10%
 - Actual limit varies from year to year
- **Some countries need to sum all the individual AMSs**
 - Except any AMS smaller than X% of its VOP
 - Sum is “Current Total AMS”
 - » “Bound Total AMS” is limit on “Current Total AMS”
 - Tajikistan, Russia