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

Lars Brink

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https://forum2017.iamo.de/about-the-conference/

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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
Value of production in agriculture 2014

Source: Gross production value, FAOSTAT. Uzbekistan estimated from national data.
Value of production in agriculture:
2014

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

Source: Draws on Osakwe (2016).
Accession to the WTO of CCA countries and Neighbours

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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

Average applied and WTO bound tariffs in agriculture 2015

Product group with highest average applied tariff 2014

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?
- 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
<table>
<thead>
<tr>
<th>South Caucasus Central Asia Neighbours</th>
<th>Bound Total AMS</th>
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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?

Thank you!

Agricultural economists

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Selected references


Brink, L. 2015. Farm support in Ukraine and Russia under the rules of the WTO. In Transition to Agricultural Market Economies: The Future of Kazakhstan, Russia, and Ukraine, ed. A. Schmitz and W. Meyers. Cambridge, USA and Wallingford, UK: CABI.


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