Fall in International Energy Prices and its Impact on Agrifood Trade in Post-Soviet Countries

Roman Mogilevskii, University of Central Asia
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In 2012-2016, trade policy in the region significantly changed:
- Establishing and expansion of EAEU (Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia)
- DCFTA agreements with EU (Georgia, Moldova, and Ukraine)
- Russia, Tajikistan and Kazakhstan joined WTO
- Political shocks

Trade performance of these countries has changed much, too.
There is a strong temptation to establish causal relationship between the policy changes and the changes in trade.
However, there could be other explanations for the changes in trade.
In particular, the fall in international energy places has affected all these economies.
Majority of the region countries strongly depend either on energy exports, or on remittances sent from the neighboring energy exporting countries.
Fall In Energy Prices and its Macroeconomic Effects

- In 2014-2016, oil and gas prices were falling
- Energy exports revenue and remittances from energy-rich countries (mainly Russia) decreased
Fall in Energy Prices and its Macroeconomic Effects (2)

- All regional currencies devaluated against US dollar
- The currencies devaluated to a very different extent
- Almost all currencies of Central Asia and Caucasus strengthened against Russian ruble and Kazakh tenge
Fall in Energy Prices and its Macroeconomic Effects (3)

- GDP and internal demand growth rates have declined
- Prices of regional export goods on the neighboring countries’ markets (especially in Russia) have changed

Change in GDP growth rate, 2015 to 2013
Agrifood Trade Response

- Both exports and imports fell in majority of countries
- In most cases, the trade dynamics could be well explained by the exchange rate dynamics
Agrifood Trade Response (2)

• In contrast, policy changes could not explain large part of this dynamics

• Some examples:
  - imports of beef (HS0202) to Russia from Brazil fell from US$1.3 billion in 2013 to US$0.6 billion in 2015
  - exports of fruits and vegetables from (HS07-08) from Kyrgyzstan to Kazakhstan fell from US$71 million in 2013 to US$16 million in 2015

• One could find some trade changes directly attributable to policies, not exchange rate, e.g. imports of swine meat (HS0203) to Russia

• Some other exogenous factors (international prices, harvest) also should be factored in
Policy Implications

• Not every change in trade could/should be attributed to trade policy
• Most of the recent trade dynamics could be explained by macroeconomic developments
• Currency devaluation of the scale observed in the region is a very powerful (but painful) protective measure
• Agrifood trade in the region is particularly sensitive to price shocks
• In the conditions of such exchange rate shocks, protective trade policies become redundant and trade liberalization policies ineffective
• Agrifood trade policy must be coordinated with macroeconomic policies; otherwise their effectiveness is going to be damaged

Thank You!