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UNIVERSITY OF CENTRAL ASIA
GRADUATE SCHOOL OF DEVELOPMENT
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Fall in International Energy Prices and its Impact on Agrifood Trade in Post-Soviet Countries

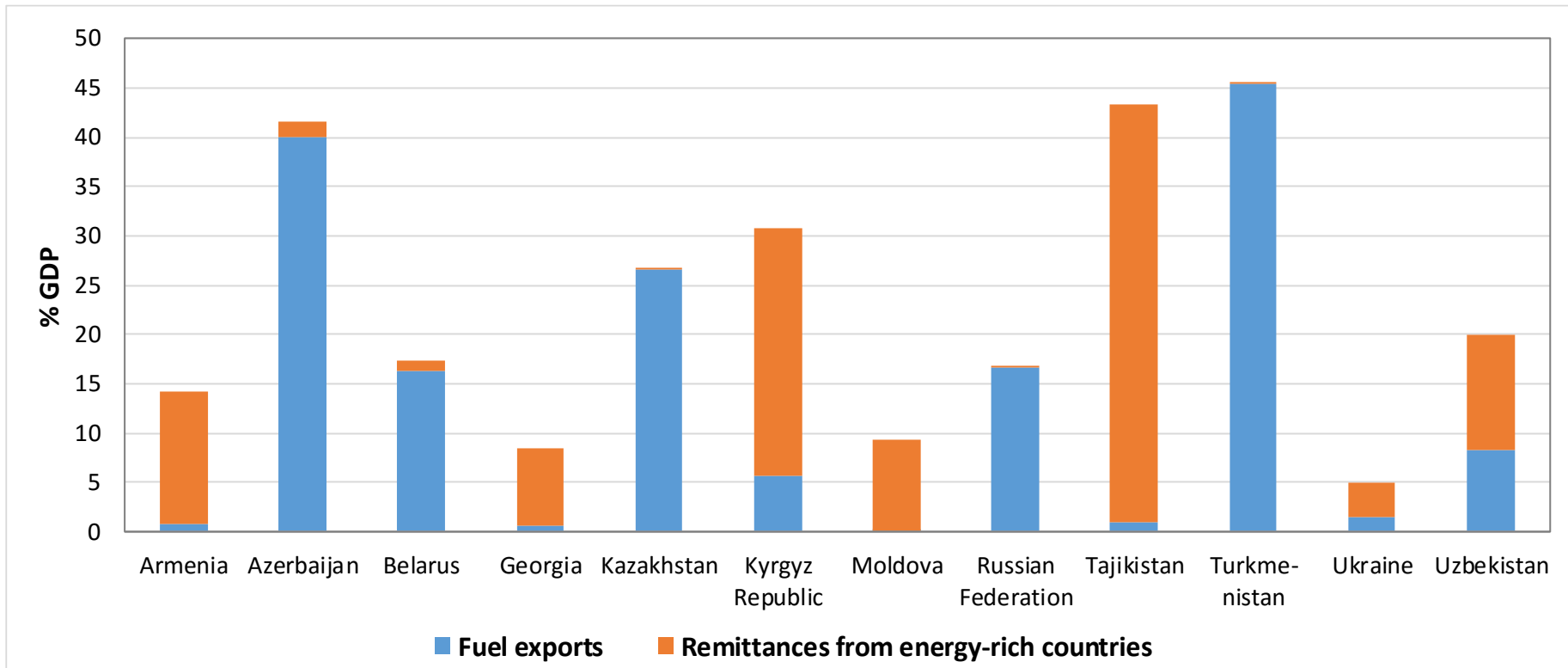
**Roman Mogilevskii, University of Central Asia
Samarkand, 4 November 2016**

Background

- 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 prices has affected all these economies

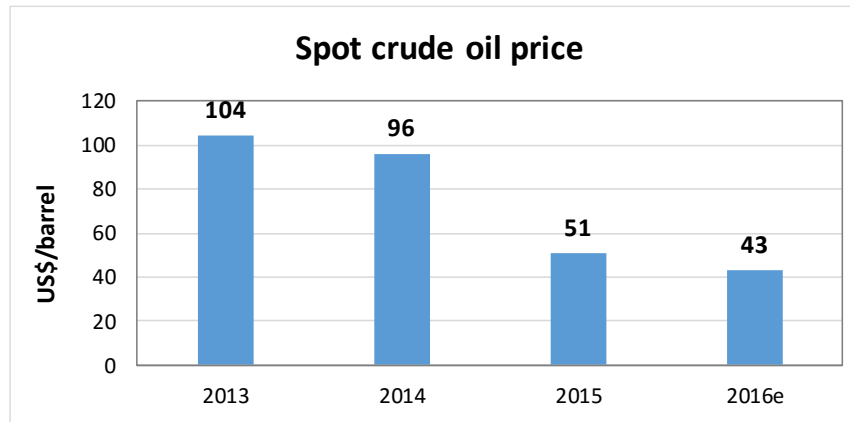
Dependence of the Region on Energy Trade

- Majority of the region countries strongly depend either on energy exports, or on remittances sent from the neighboring energy exporting countries

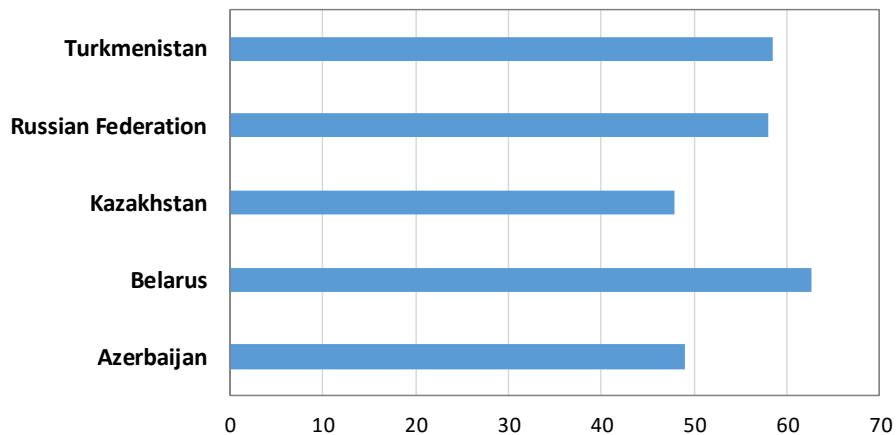


Fall In Energy Prices and its Macroeconomic Effects

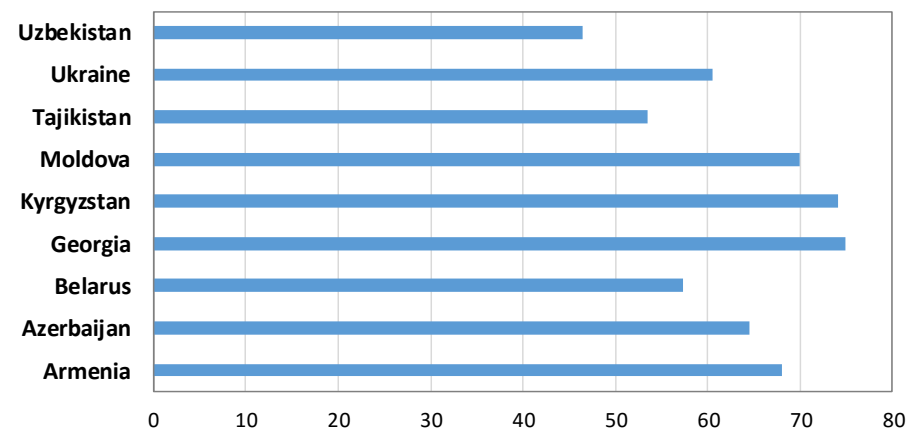
- In 2014-2016, oil and gas prices were falling
- Energy exports revenue and remittances from energy-rich countries (mainly Russia) decreased



Energy exports, 2015 in % to 2013

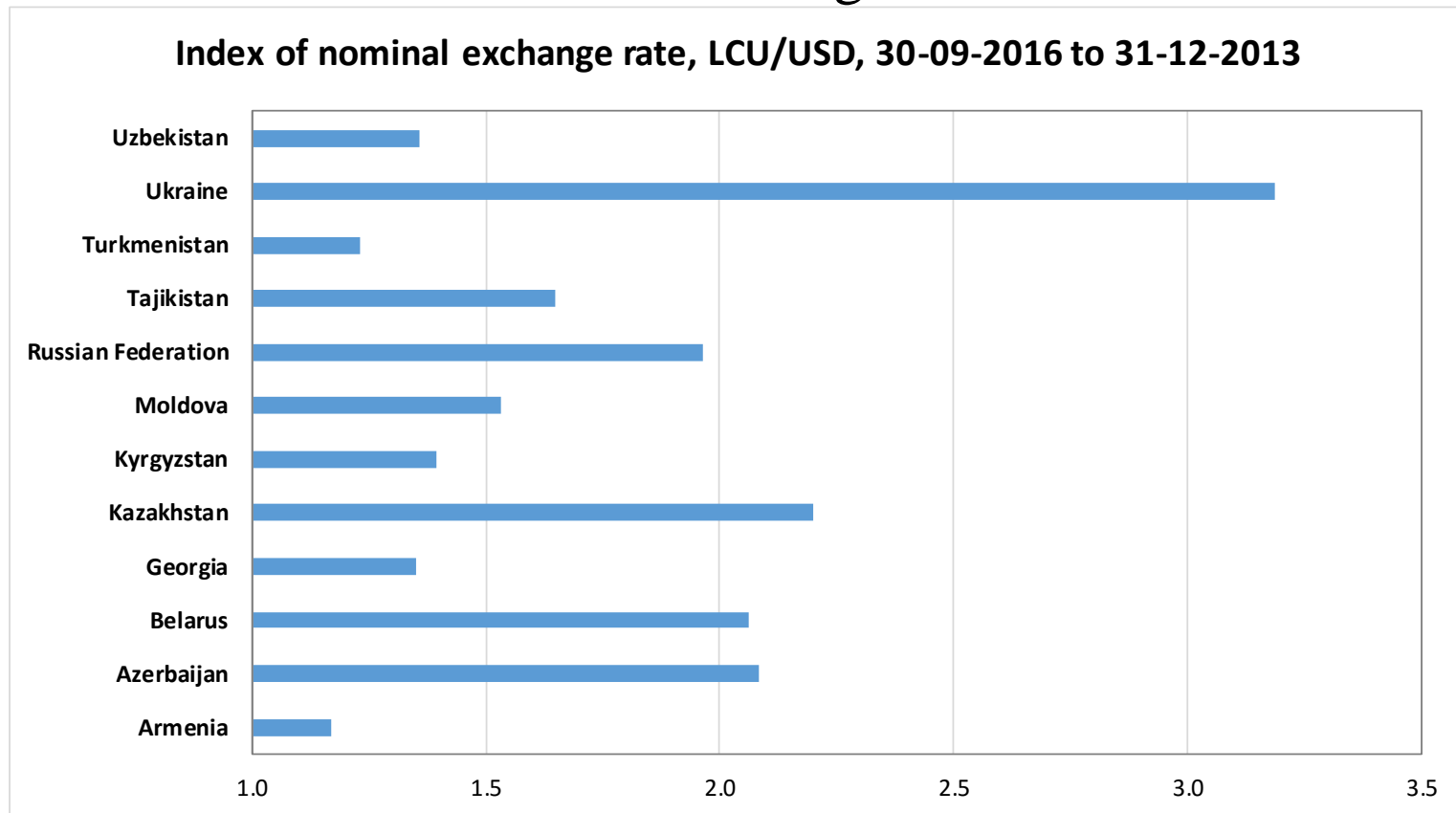


Remittances, 2015 in % to 2013



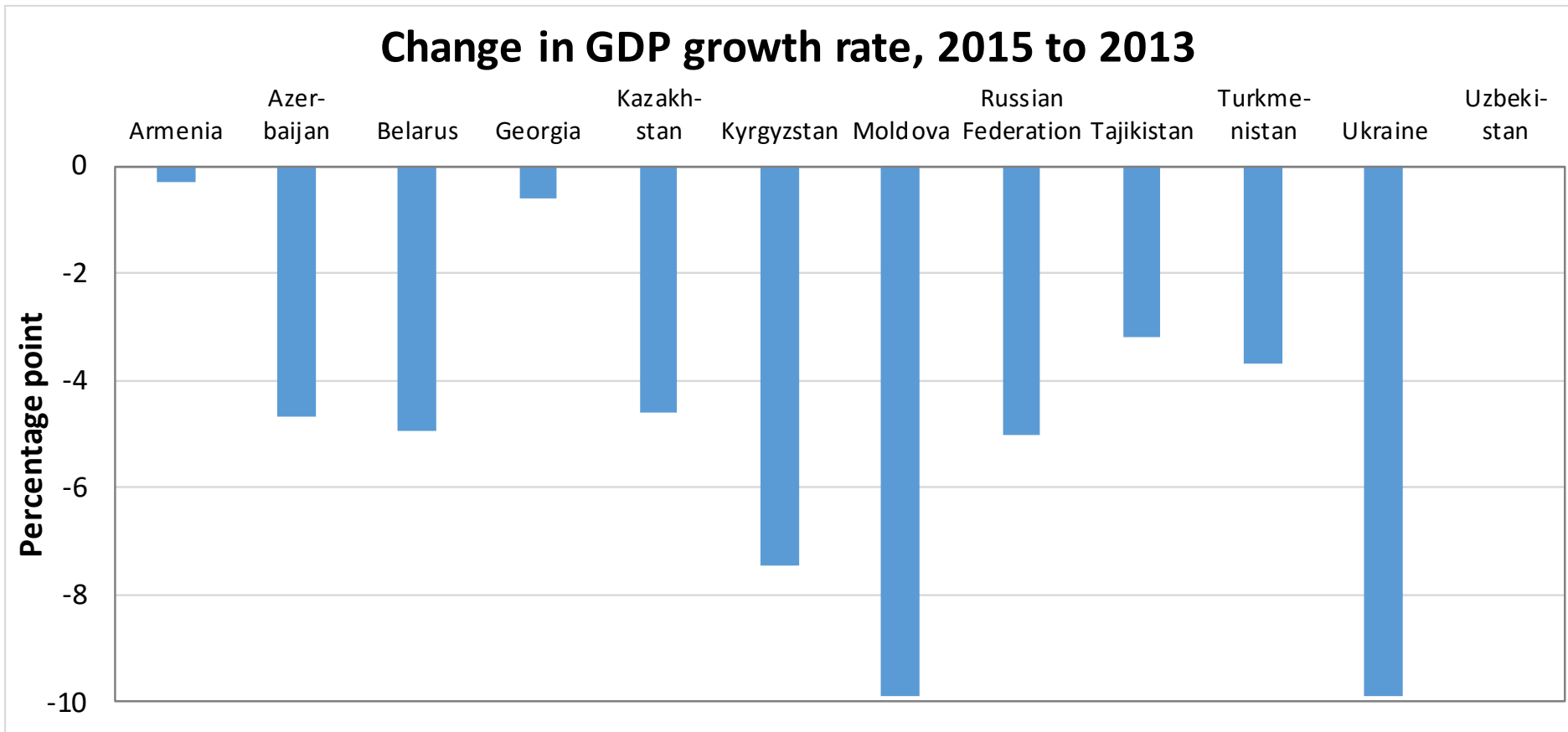
Fall in Energy Prices and its Macroeconomic Effects (2)

- 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



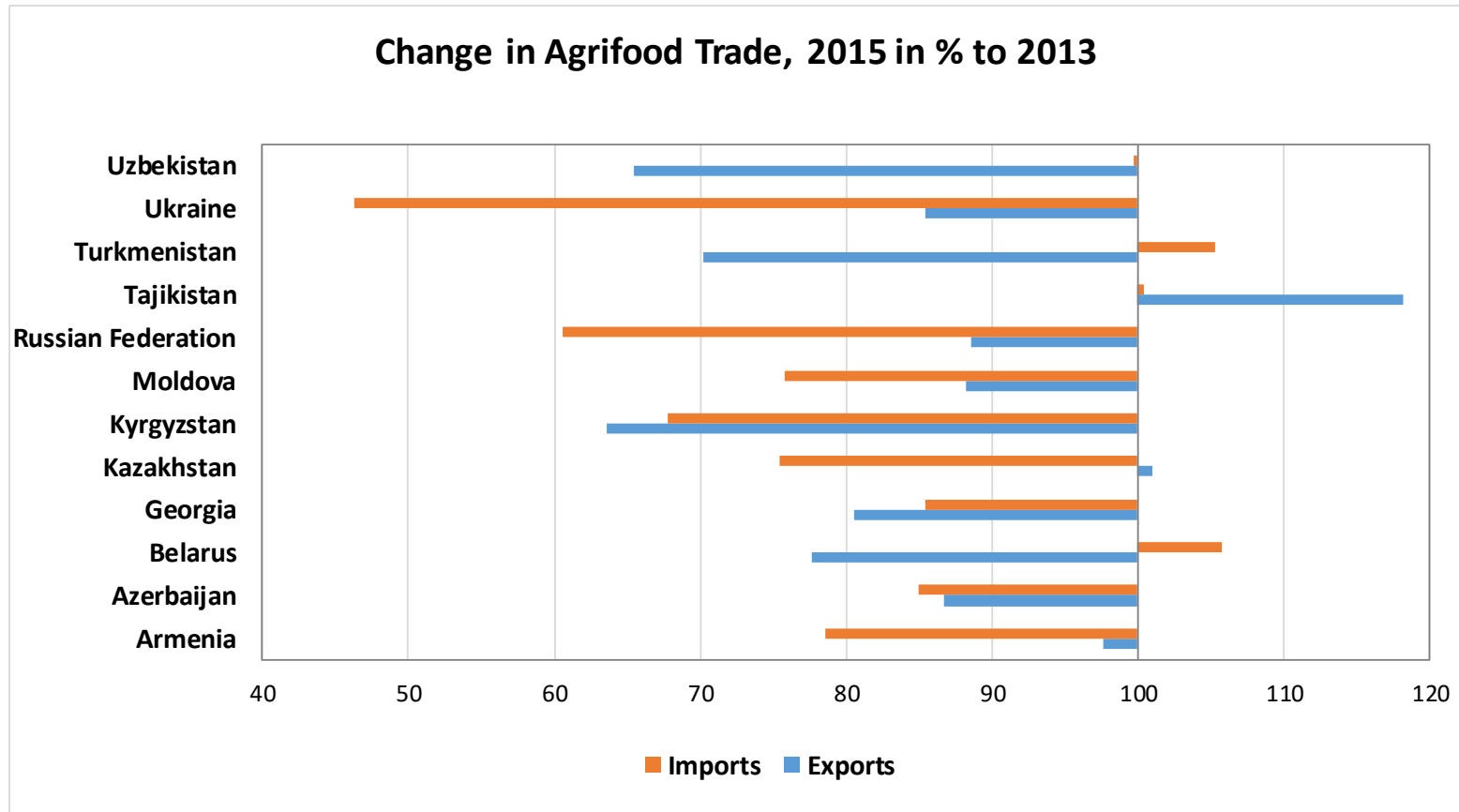
Fall in Energy Prices and its Macroeconomic Effects (3)

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



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!