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

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IAMO Leibniz Institute of Agricultural Development in Transition Economies

FAO Food and Agriculture Organization of the United Nations

Samarkand Agricultural Institute

Conference “Regional and International Cooperation in Central Asia and South Caucasus: Recent Developments in Agricultural Trade”

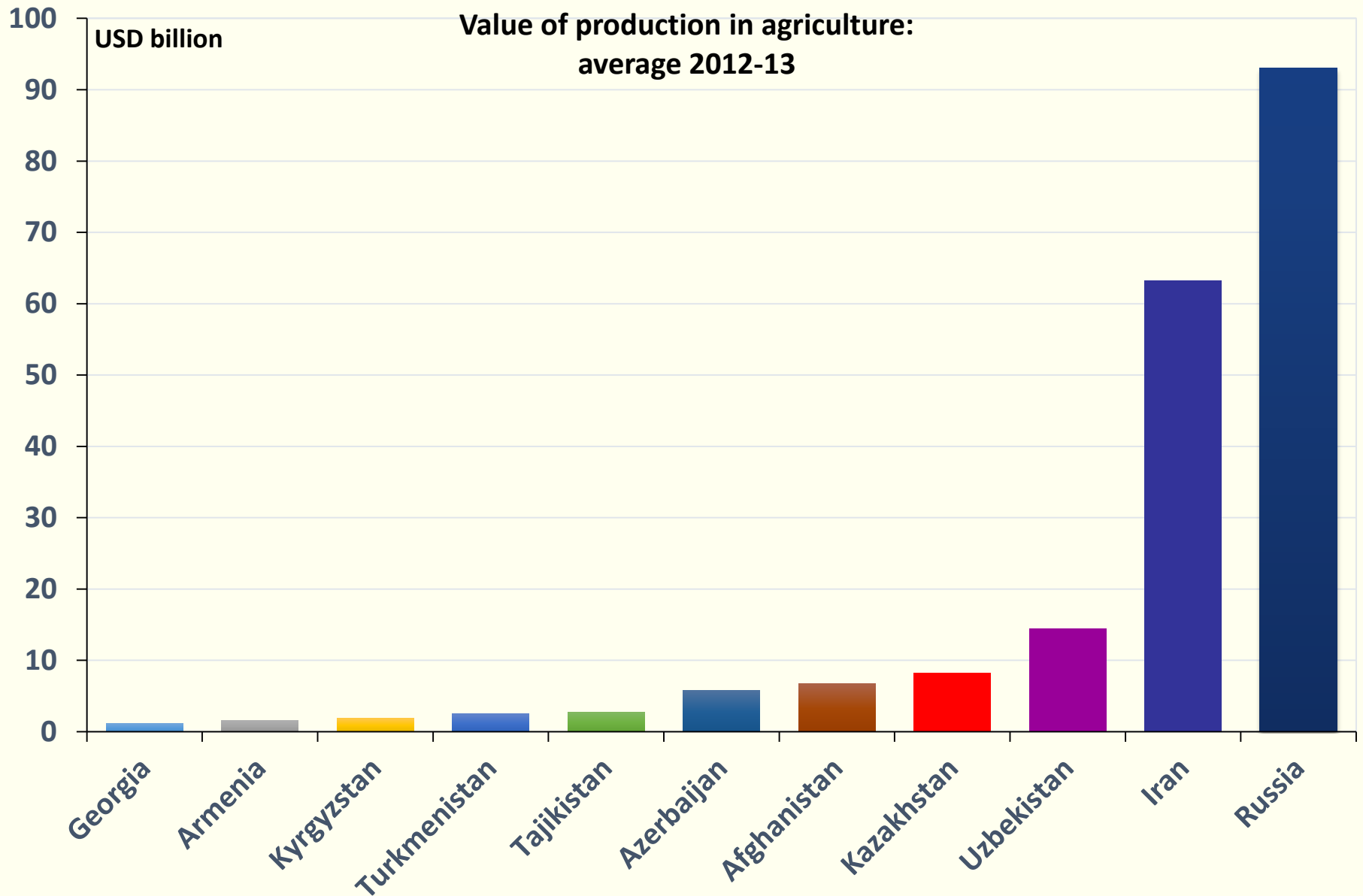
2-5 November 2016, Samarkand, Uzbekistan

<https://samarkand.iamo.de/about-the-conference/>

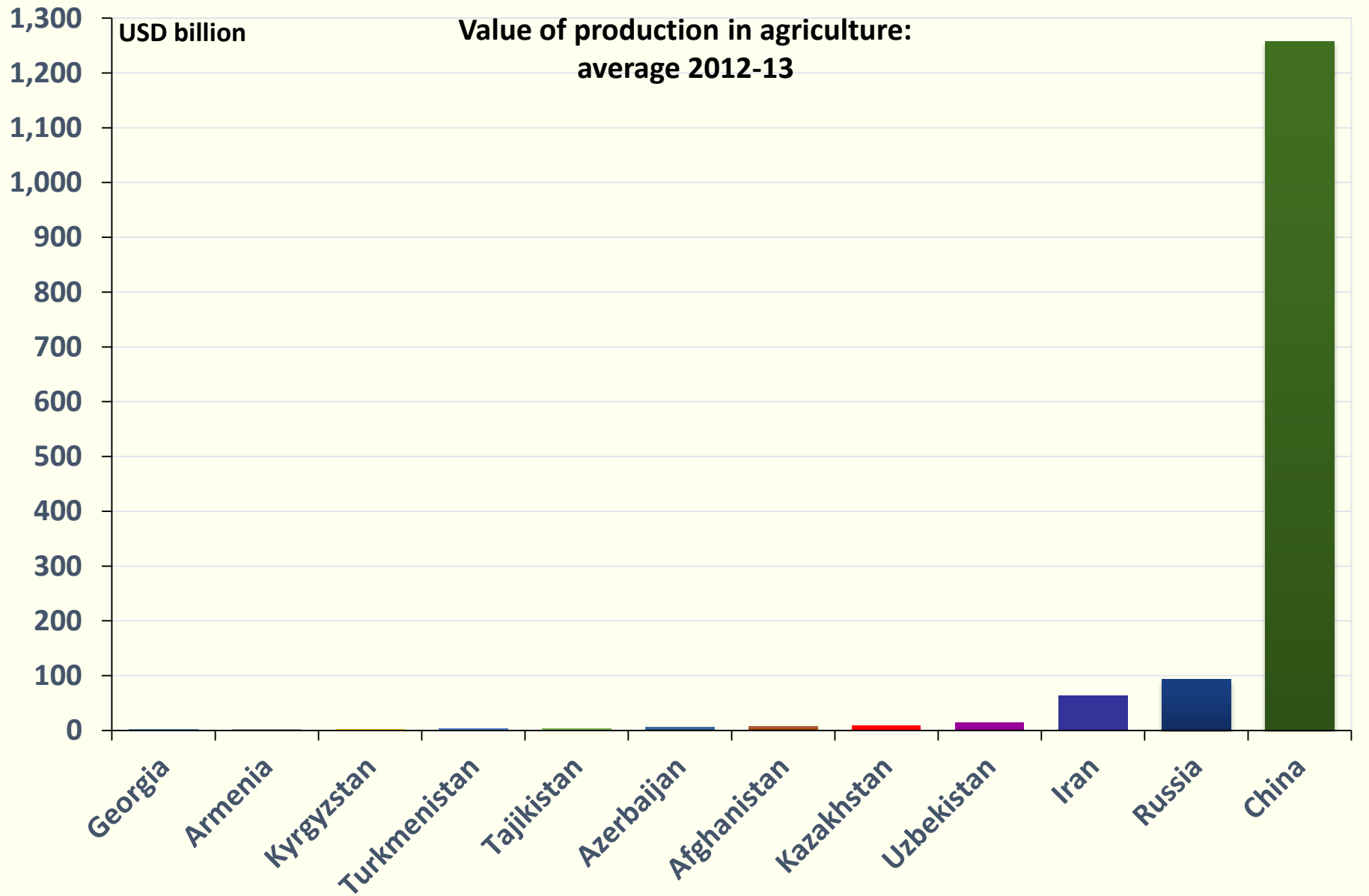
Lars.Brink@hotmail.com

Outline

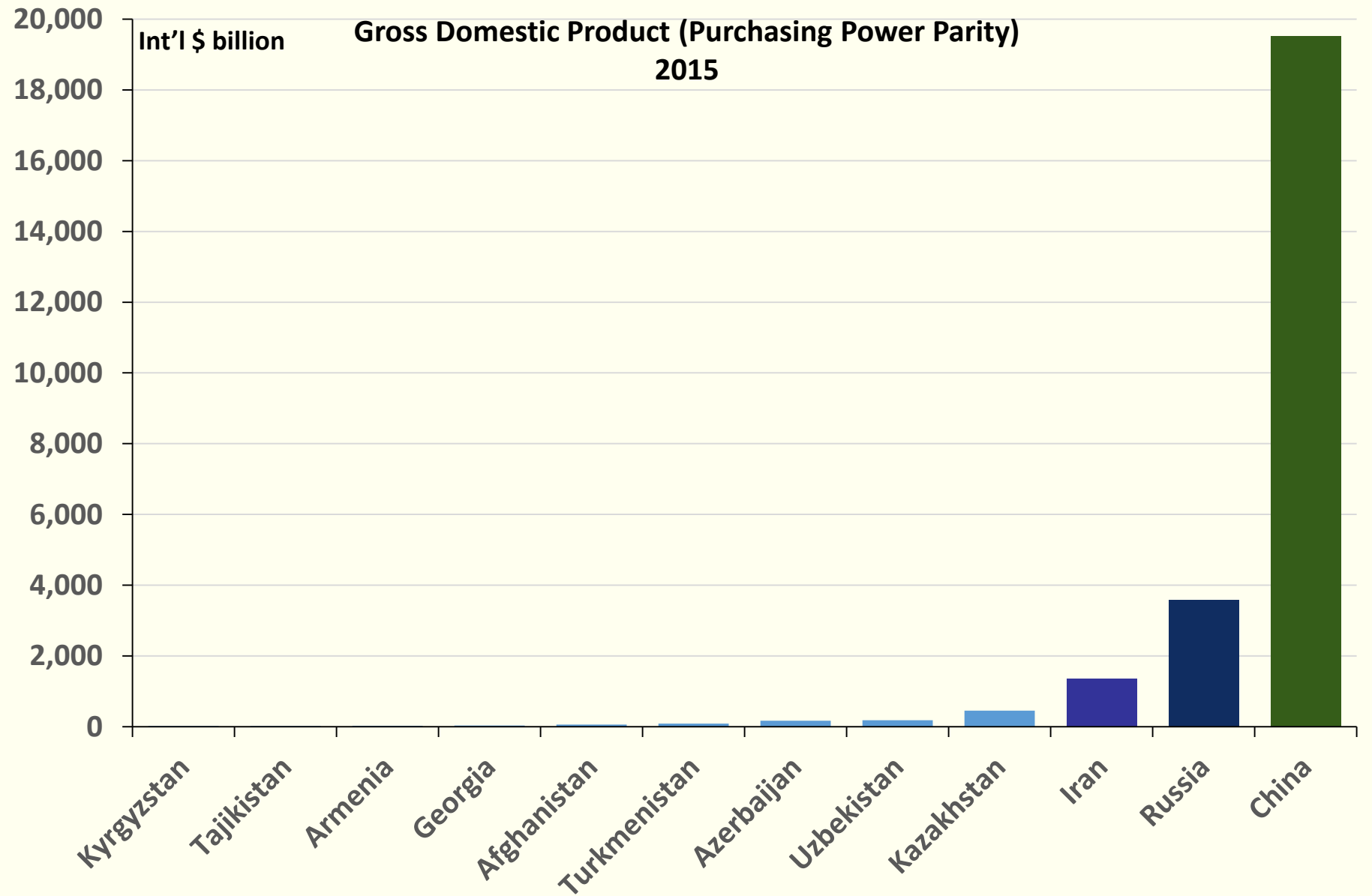
- **Context: CCA and neighbours; WTO system**
- **Market access in agriculture**
- **WTO domestic support rules and practice**
- **WTO participation**
- **Issues – landlocked, trade facilitation, unofficial payments**
- **Making economic analysis relevant for policy advice**



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



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Principles of the WTO trading system

- **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
- **Fair competition, development and economic reform**

Agreement on Agriculture: rules

Schedule: legally binding commitment levels

– Market access

- Bound maximum tariffs
- Tariff rate quotas for some countries and products

– Domestic support

- 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

Accession to the WTO of CCA countries and *Neighbours*

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

Outline

- Context: CCA and neighbours; WTO system

- **Market access in agriculture**
 - WTO, regional and bilateral trade agreements

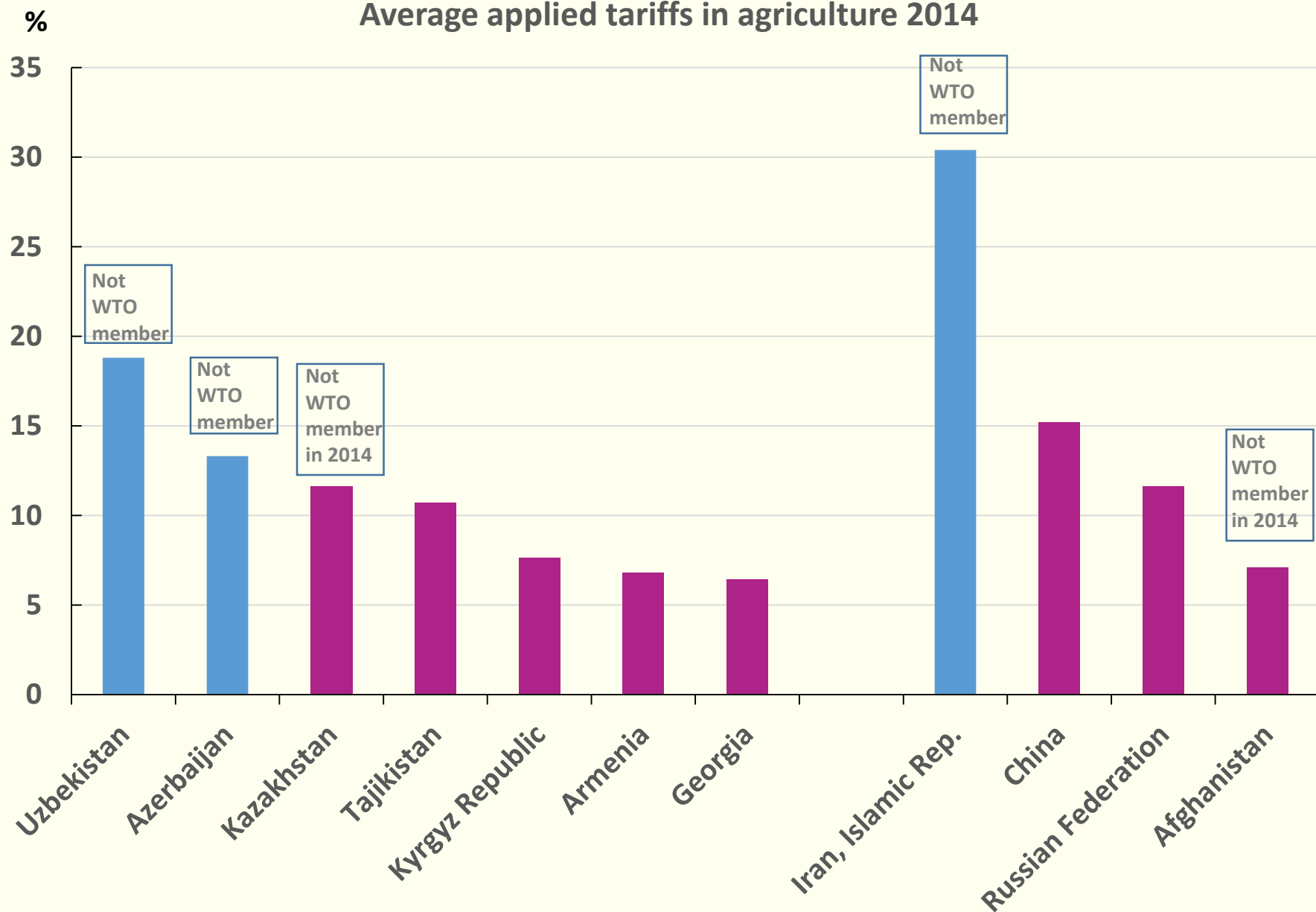
- WTO domestic support rules and practice

- WTO participation

- Issues – landlocked, trade facilitation, unofficial payments

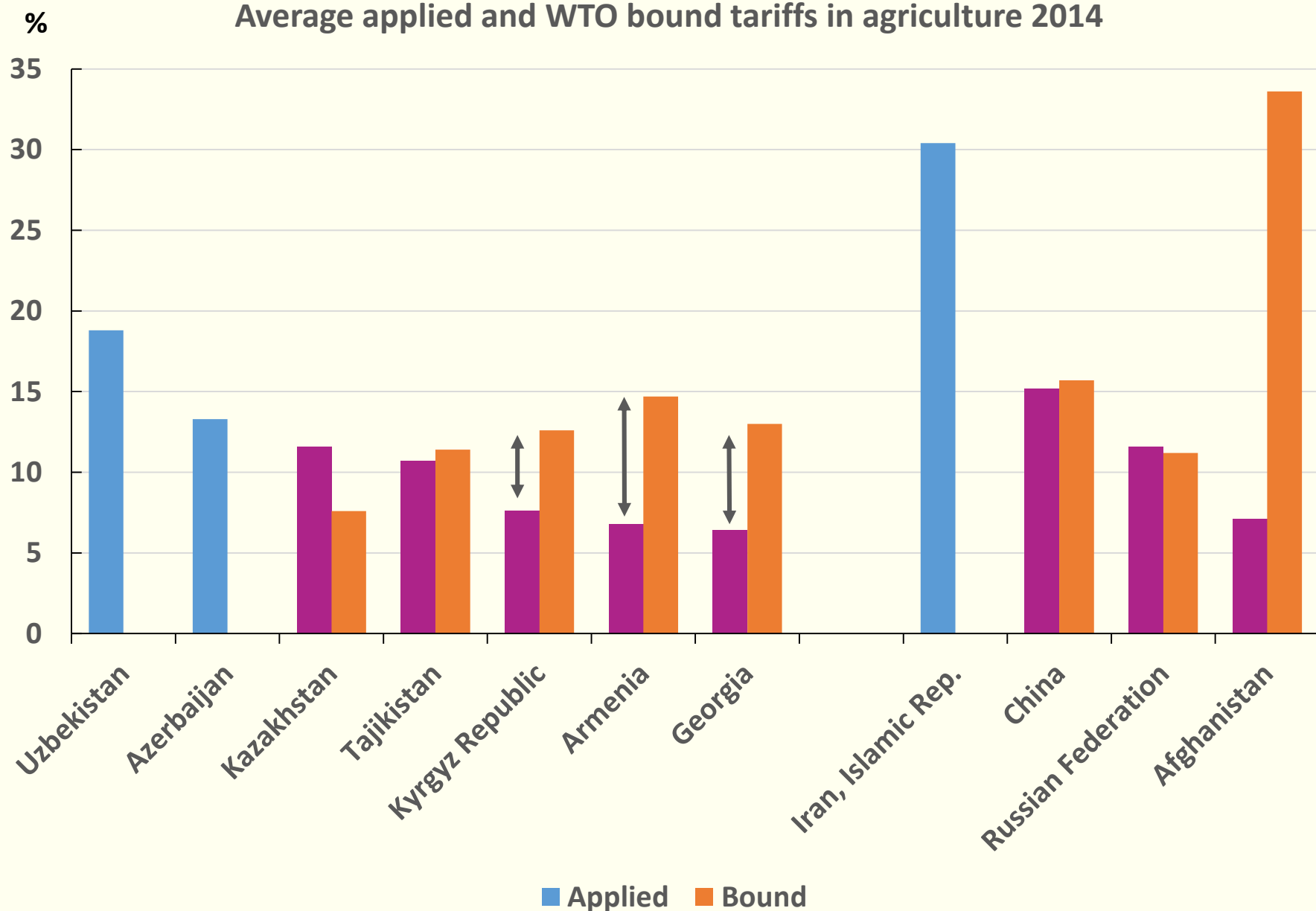
- Making economic analysis relevant for policy advice

Average applied tariffs in agriculture 2014



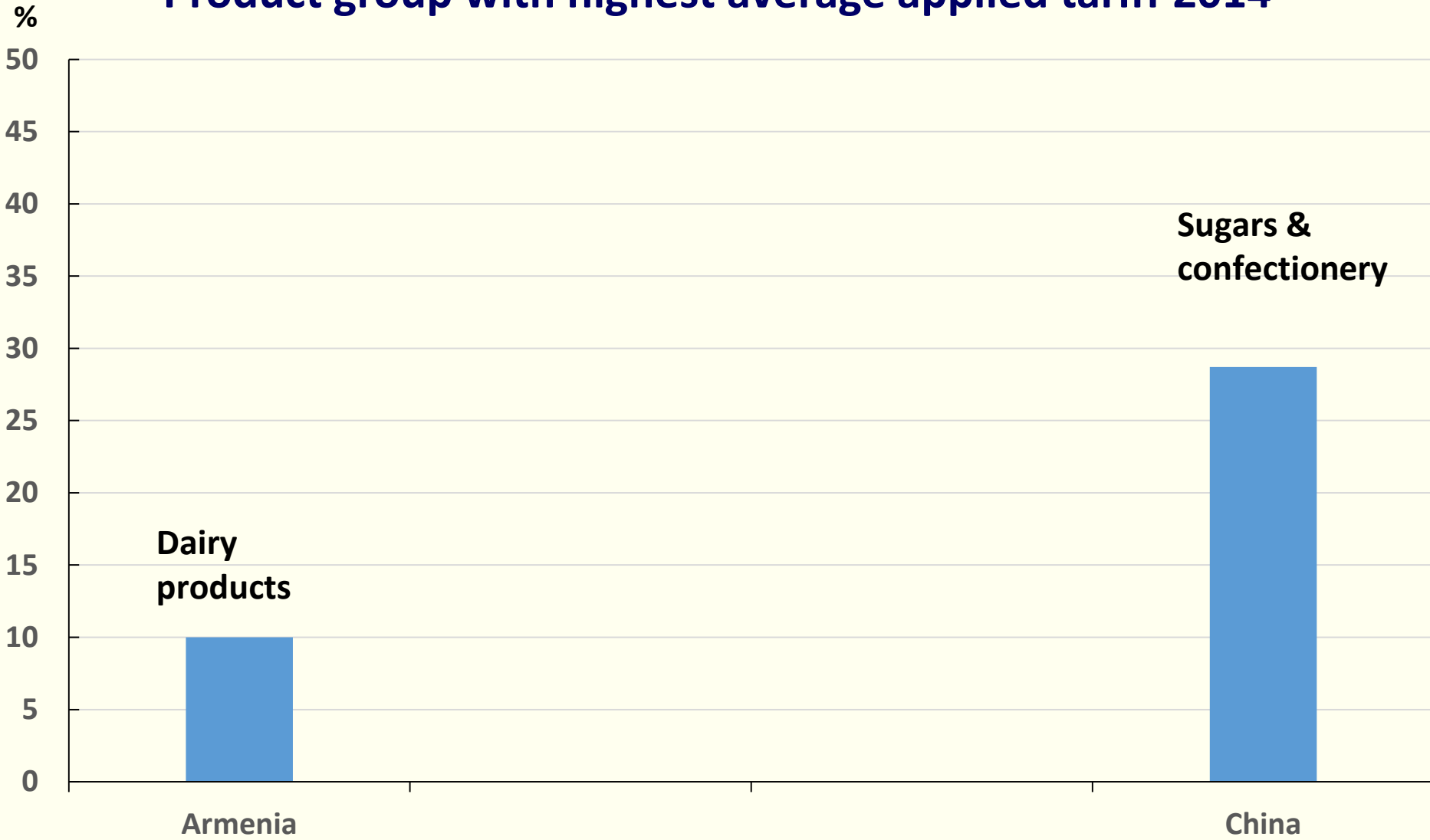
Source: WTO, ITC and UNCTAD (2016). No data for Turkmenistan.

Average applied and WTO bound tariffs in agriculture 2014



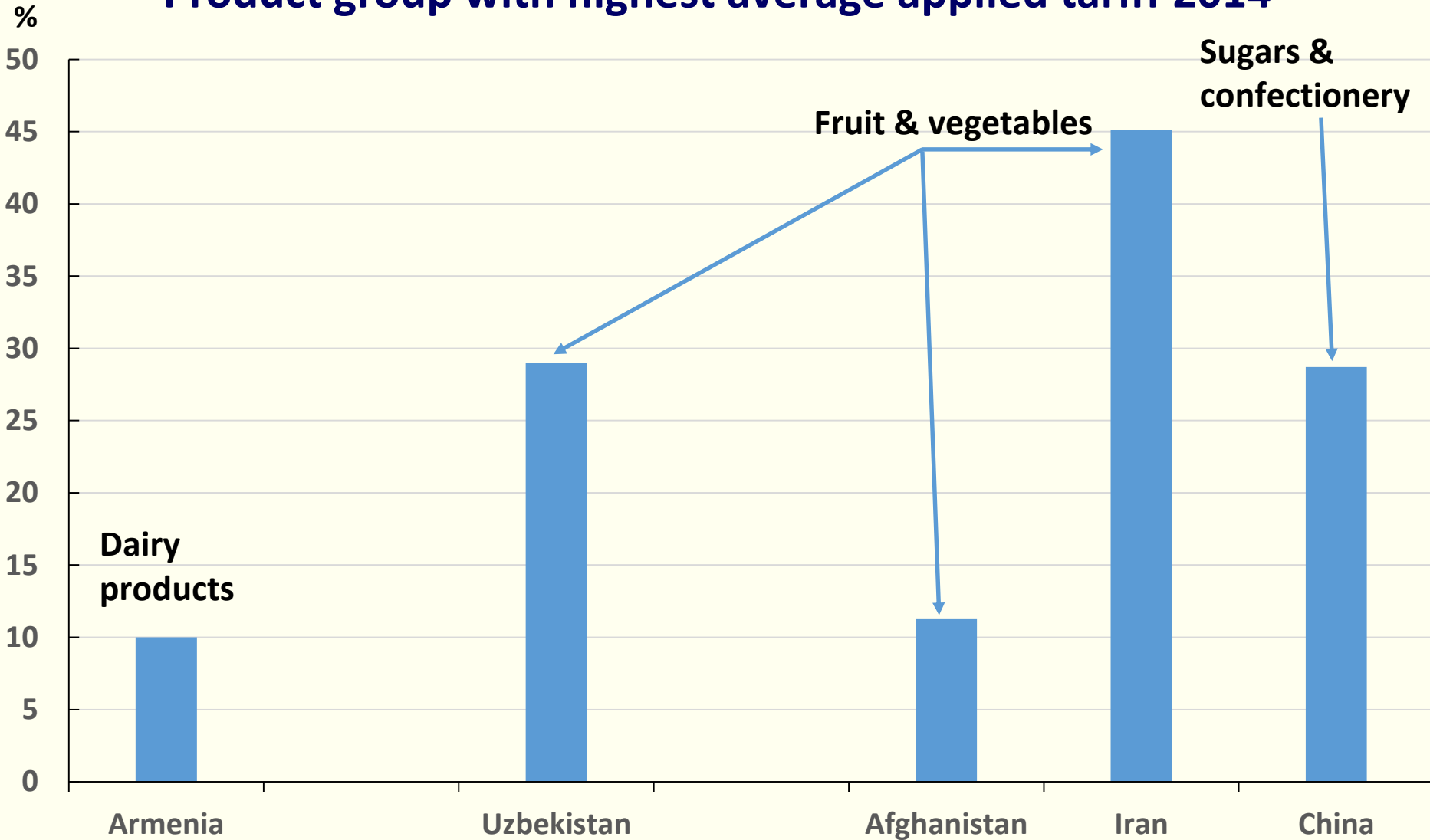
Source: WTO, ITC and UNCTAD (2016). No data for Turkmenistan.

Product group with highest average applied tariff 2014



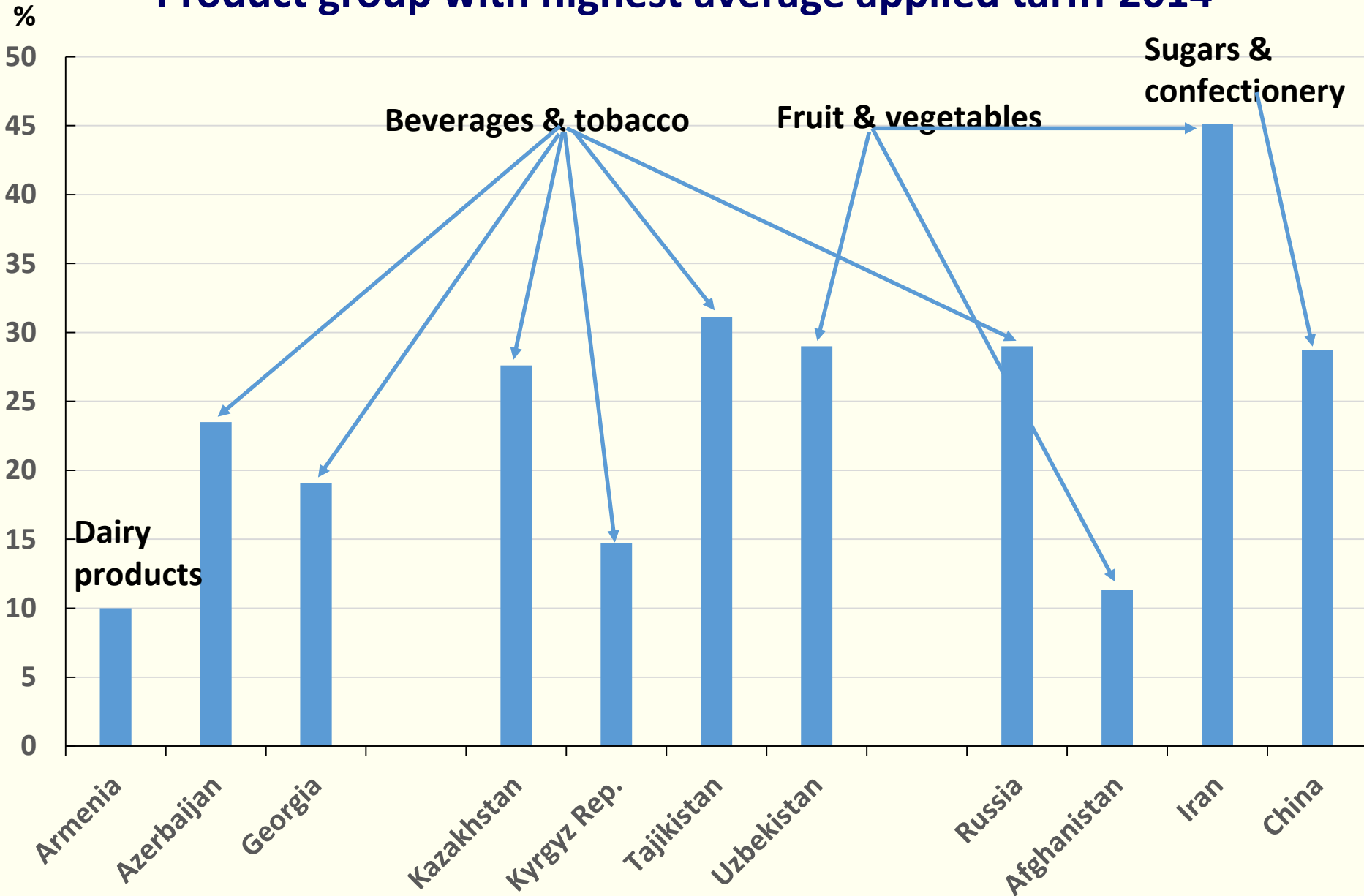
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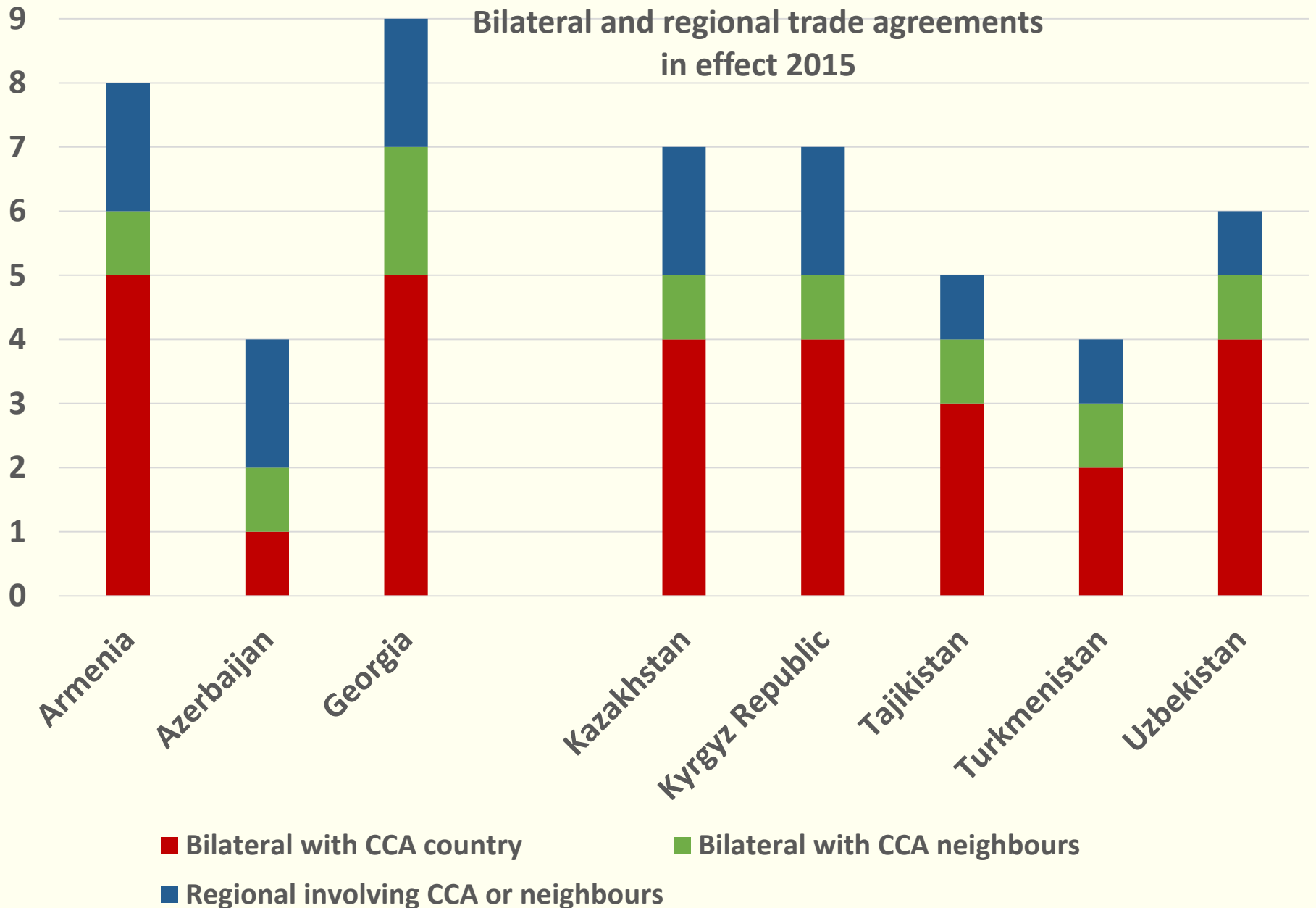


Source: WTO, ITC and UNCTAD (2016). No data for Turkmenistan.

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*
 - Expect to continue to increase?

Bilateral and regional trade agreements in effect 2015



Source: Asia Regional Integration Center (2016)

Outline

- Context: CCA and neighbours; WTO system
- Market access in agriculture

- **WTO domestic support: rules and practice**
 - Domestic support: policies not applied at the border

- WTO participation
- Issues – landlocked, trade facilitation, unofficial payments
- Making economic analysis relevant for policy advice

Domestic support: exemptions from limits

- **Limits on support provided through some policies**
 - But many exemptions from limits
 - Support through exempted policies 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

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

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
Afghanistan	No	10%	Yes
China	No	8.5%	No
Iran	Negotiations	Negotiations	Negotiations
Russia	USD 4.4 billion	5%	No

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Table x. Applied support by WTO category (Agreement on Agriculture) and country

	Armenia	Georgia	Kazakhstan	Kyrgyz Rep.	Tajikistan	Russia	Afghanistan	China
	ARM	GEO	KAZ	KGZ	TJK	RUS	AFG	CHN
	2013	2015	2012	1998	2010	2014	2011	2010
	%	%	%	%	%	%	%	%
<i>Services: Research</i>	1	5	1	0	8	1	4	3
<i>Services: Pest & disease, inspection</i>	27	15	6	70	7	8	21	3
<i>Services: Infrastructural</i>	0	43	4	13	11	3	11	17
<i>Payments: Natural disasters</i>	0	3	0	0	0	0	31	9
<i>All other services, exp. & payments</i>	18	34	0	17	9	25	33	49
Green box exempted (sum above)	46	100	12	100	36	36	100	81
Article 6.2 exempted	0	0	0	0	9	0	0	0
AMS support	54	0	88	0	55	64	0	19
Sum domestic support	100	100	100	100	100	100	100	100

Notes: Data from latest available WTO document. AMS support comprises all AMSs, whether *de minimis* or not.

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- Context: CCA and neighbours; WTO system
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- WTO domestic support: rules and practice

- **WTO participation**
 - Post-accession priorities

- Issues – landlocked, trade facilitation, unofficial payments
- Making economic analysis relevant for policy advice

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
- **Non-membership is risky: easy target for protectionism**

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**

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• **Issues – landlocked, trade facilitation, unofficial payments**

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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
- **TFA needs 110 ratifications**
 - Has almost 100 ratifications
 - Uzbekistan, Turkmenistan, Azerbaijan, Iran not in WTO
 - » Implications for effectiveness of TFA in and for CCA?

“Unofficial payments” and analysis of trade in agriculture

- Extra payment to a government official to
 - do what he should do anyway
 - not do what he should do
- E.g., mis-recording of flows and values of trade
 - Sparse evidence but many oblique mentions, such as
 - “The share of Central Asia countries in Uzbekistan’s exports and imports is most likely larger than official statistics suggest because a large proportion of trade with neighbouring countries goes unrecorded.” *
- How useful is trade data for analyzing trade and policy?

* Ganiev, B. and Y. Usupov (2012). Uzbekistan: Trade regime and recent trade developments. Working Paper No. 4, Graduate School of Development, University of Central Asia.

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



Sources: World Bank (2016). Doing Business 2016: Measuring Regulatory Quality and Efficiency (Trading Across Borders); Transparency International (2016). Corruption Perception Index 2015.

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- **Making economic analysis relevant for policy advice**

What makes economic research relevant for policy advice?

- Sample of researchers and policy advisors in agriculture
- Articulated key points for researchers*
 - Understand the policy making context
 - Understand that advice and decisions use input from many sources
 - Timing
 - Do high quality research
 - (Yes, of course)
 - Communicate out
 - Know how to convey to those who are not researchers

* Reported in Brink (2013).

Thank you!

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