



Food and Agriculture
Organization of the
United Nations

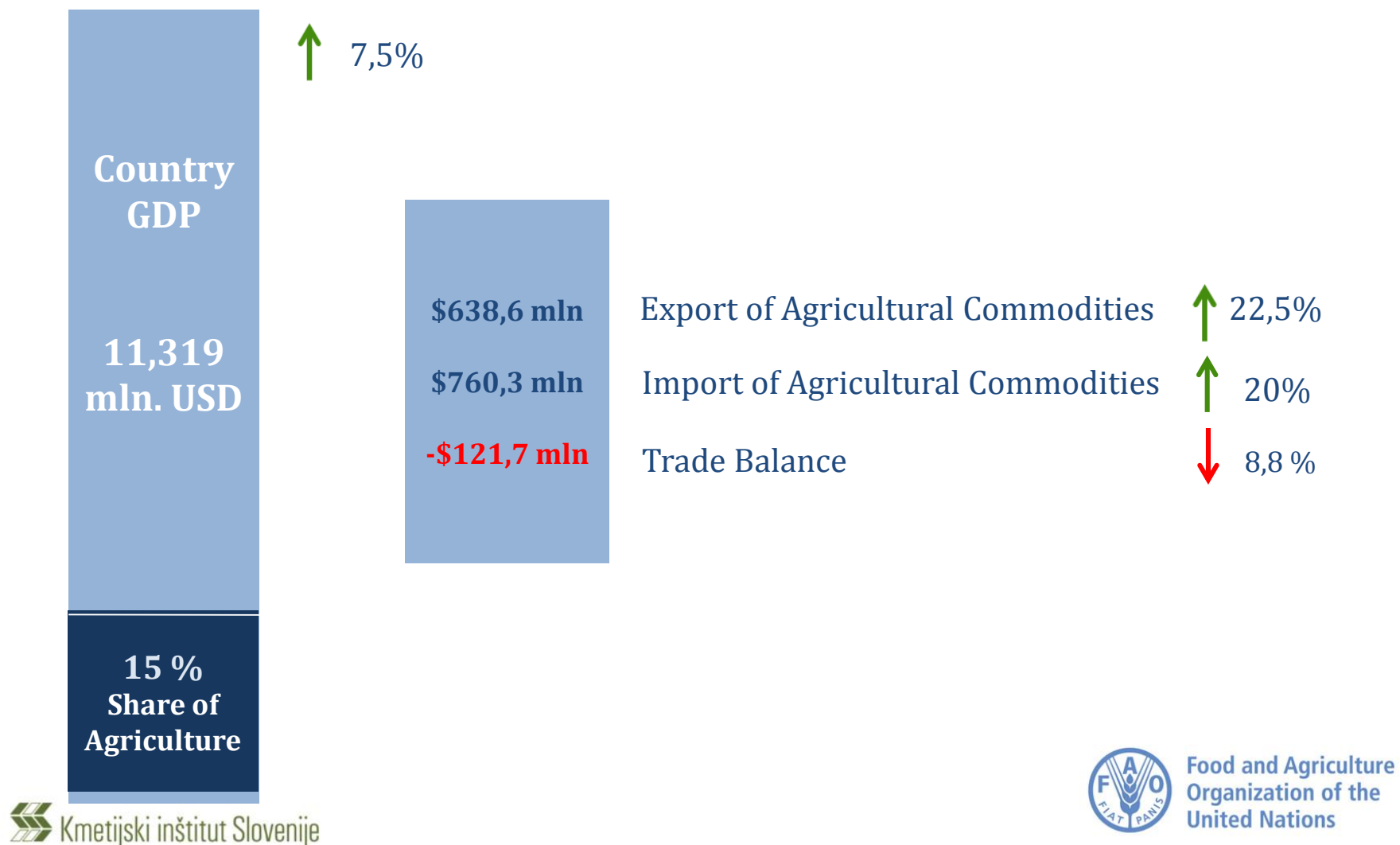
Recent developments in agricultural trade policies in Armenia

Vardan Urutyan

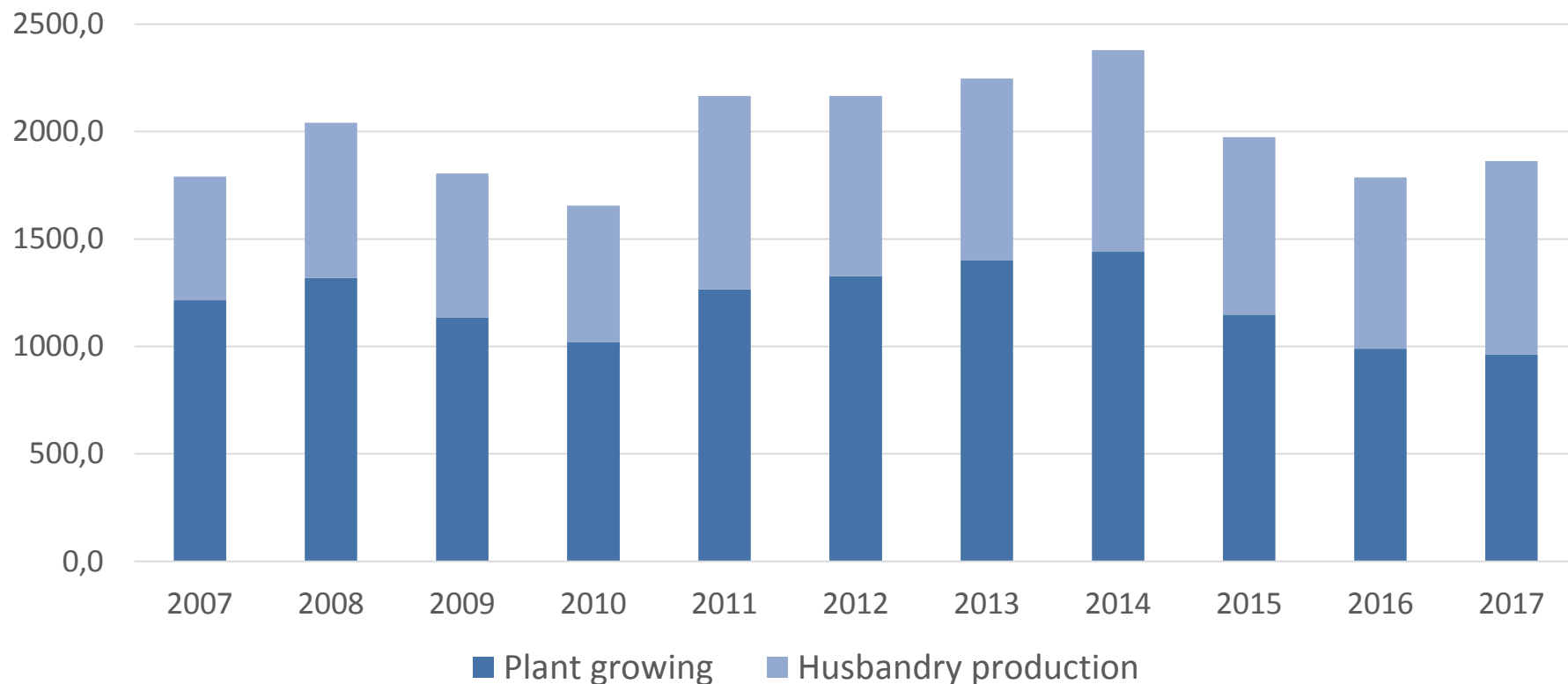
September 11-13, 2018

Odessa, Ukraine

Armenia - Macro indicators, 2017

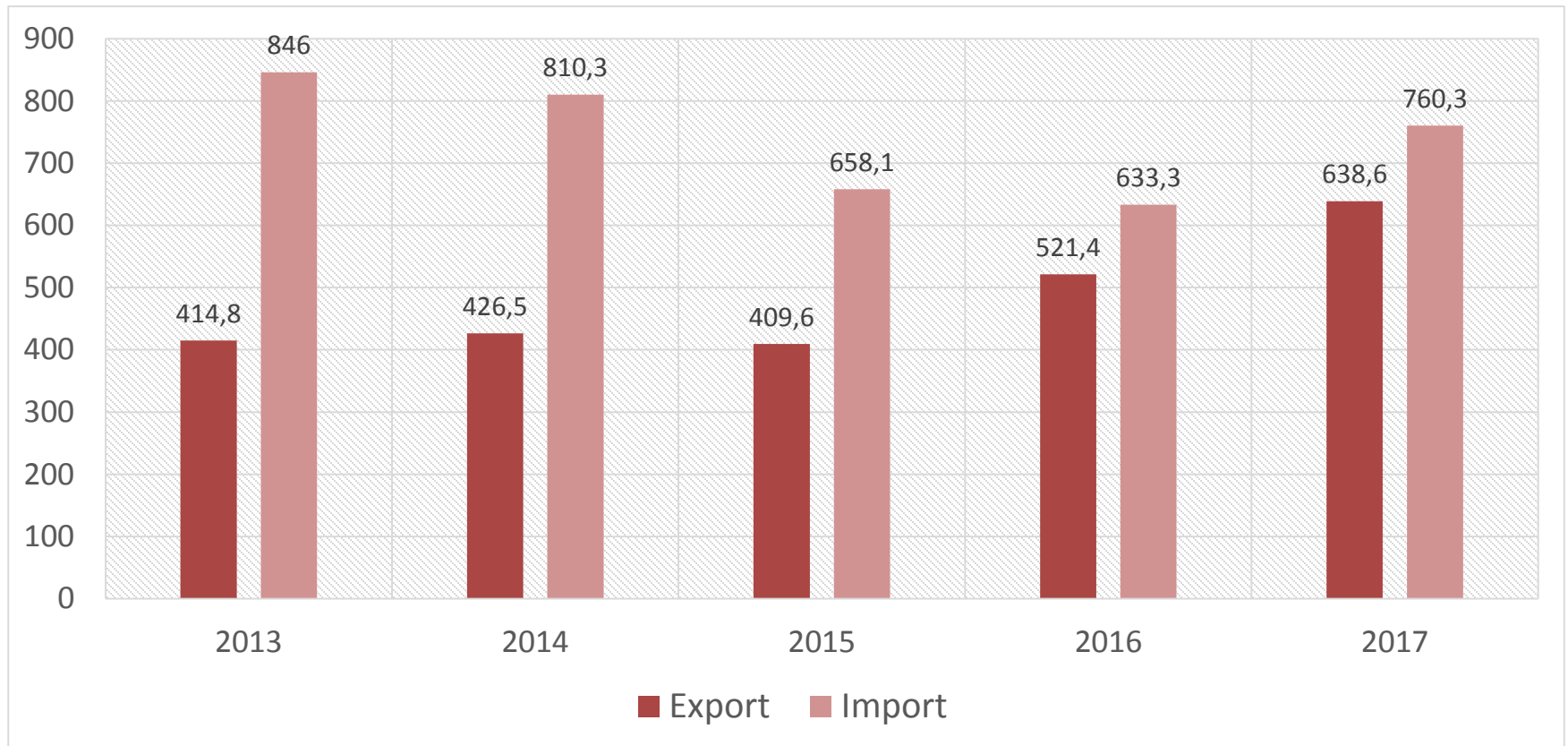


Distribution of agricultural output (mln USD)

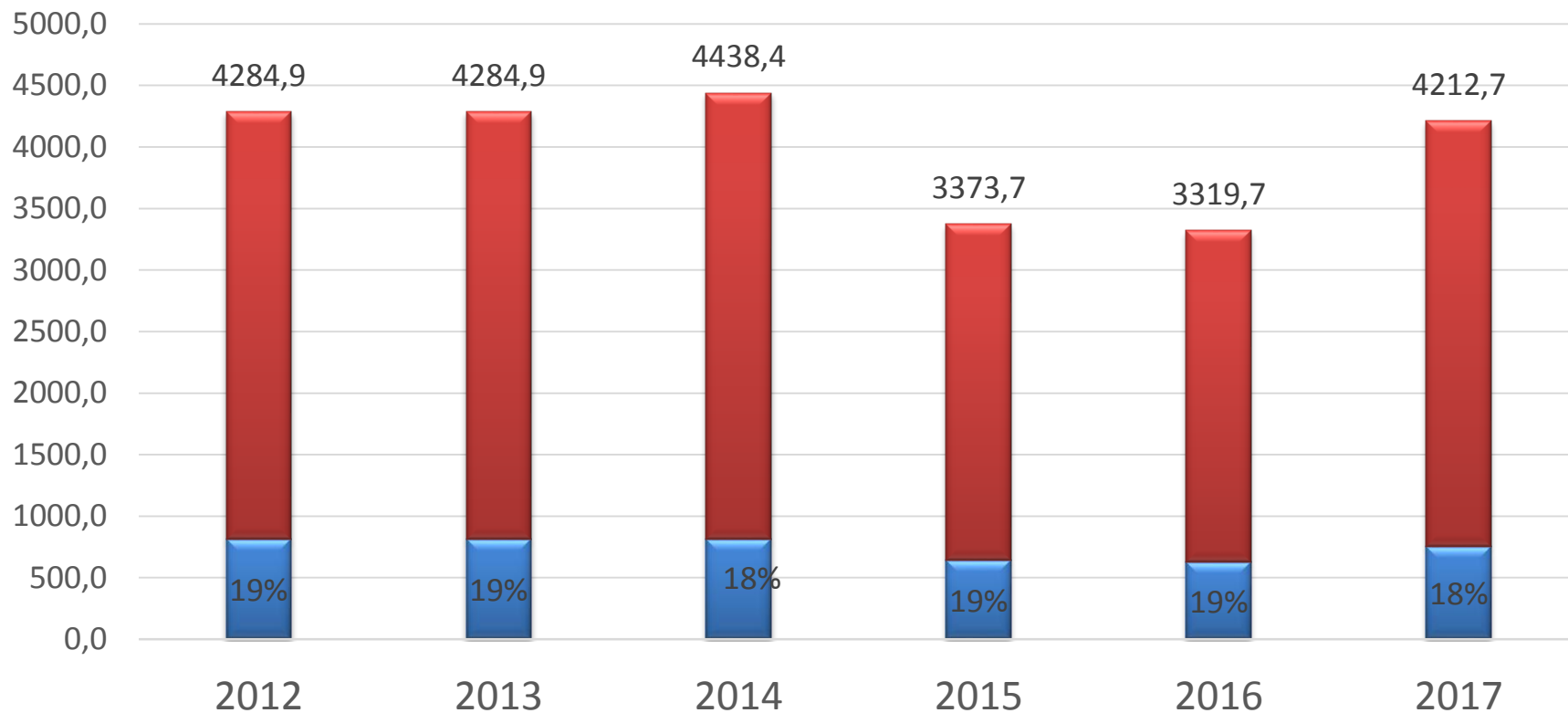


Gross agricultural output in 2017 was 1.8 bln USD, out of which about 52% is attributed to plant growing , and 48% to animal husbandry.

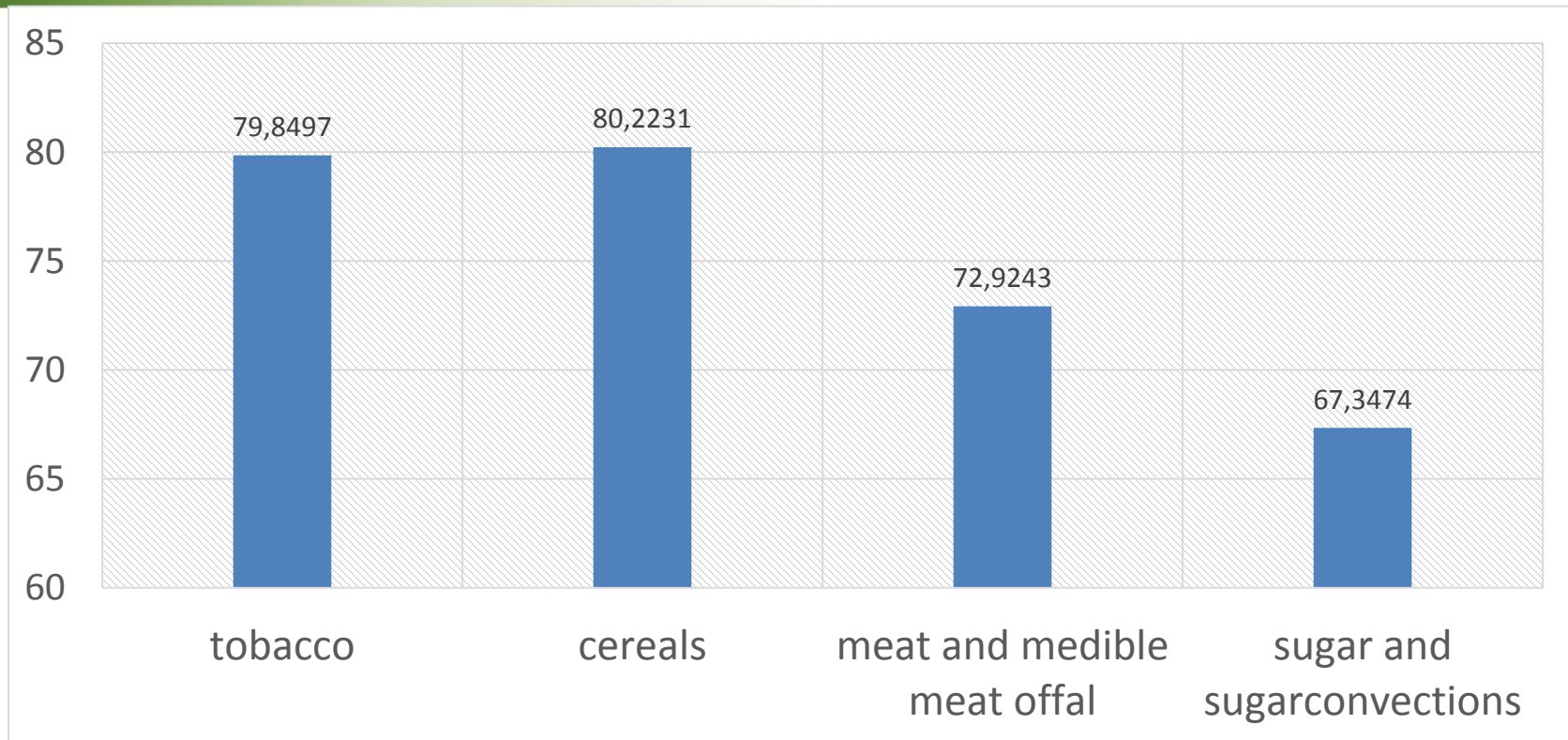
Agri-Food Trade, (mln. USD)



Share of agricultural products in total import (thsd. USD)



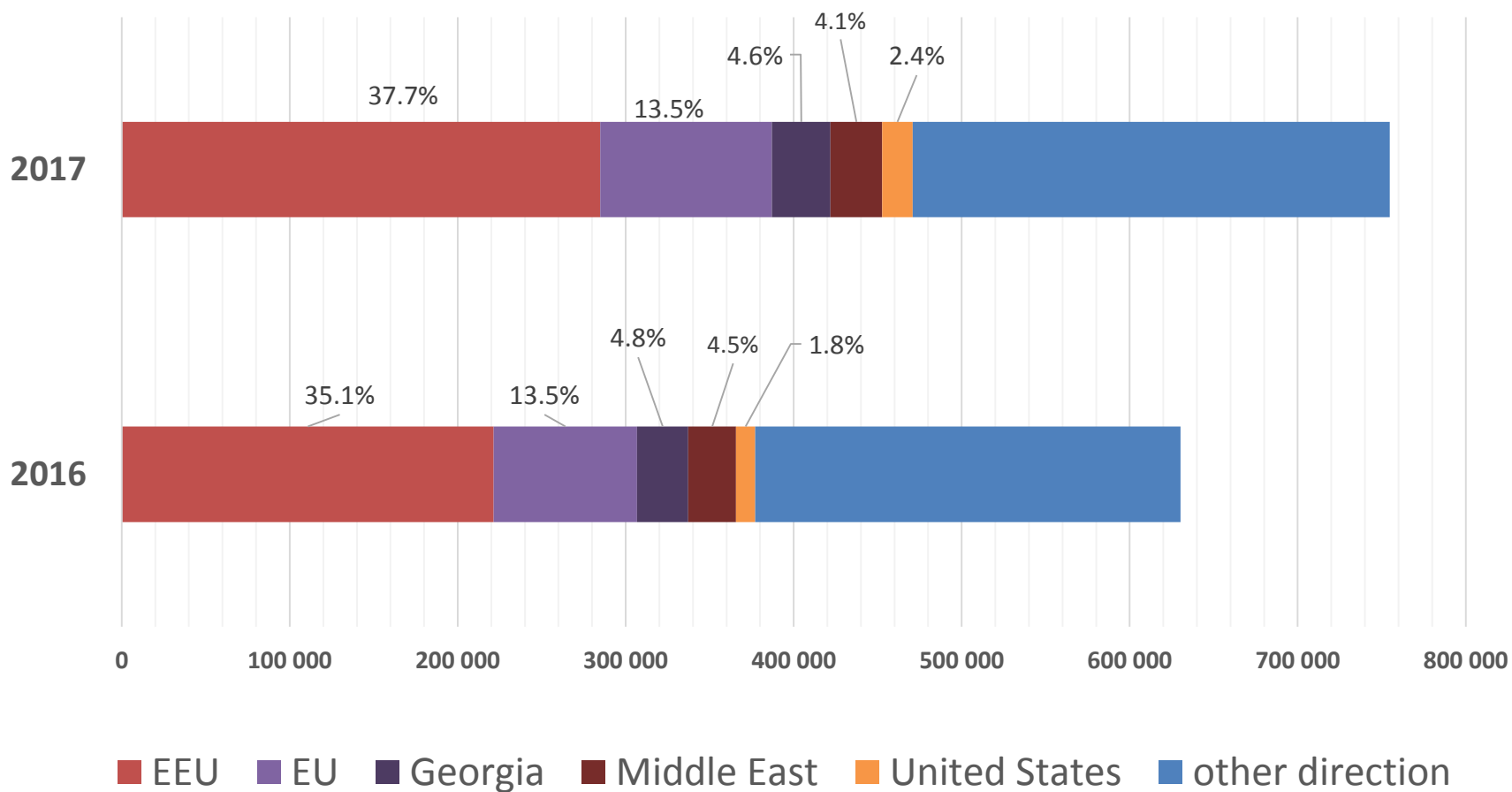
Import of main commodities 2017, (mln USD)



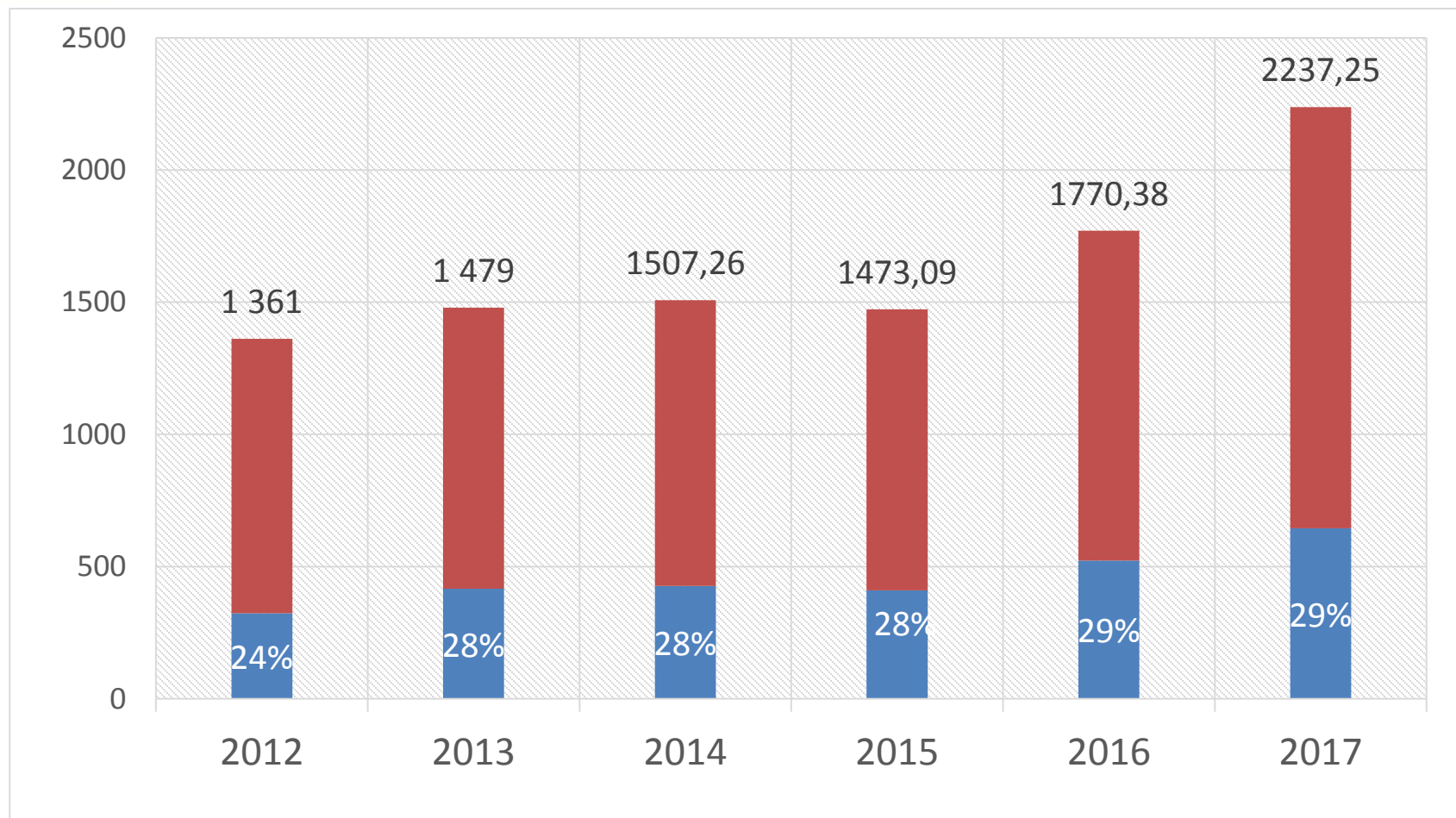
Russia - 36%

EU - 13.5%

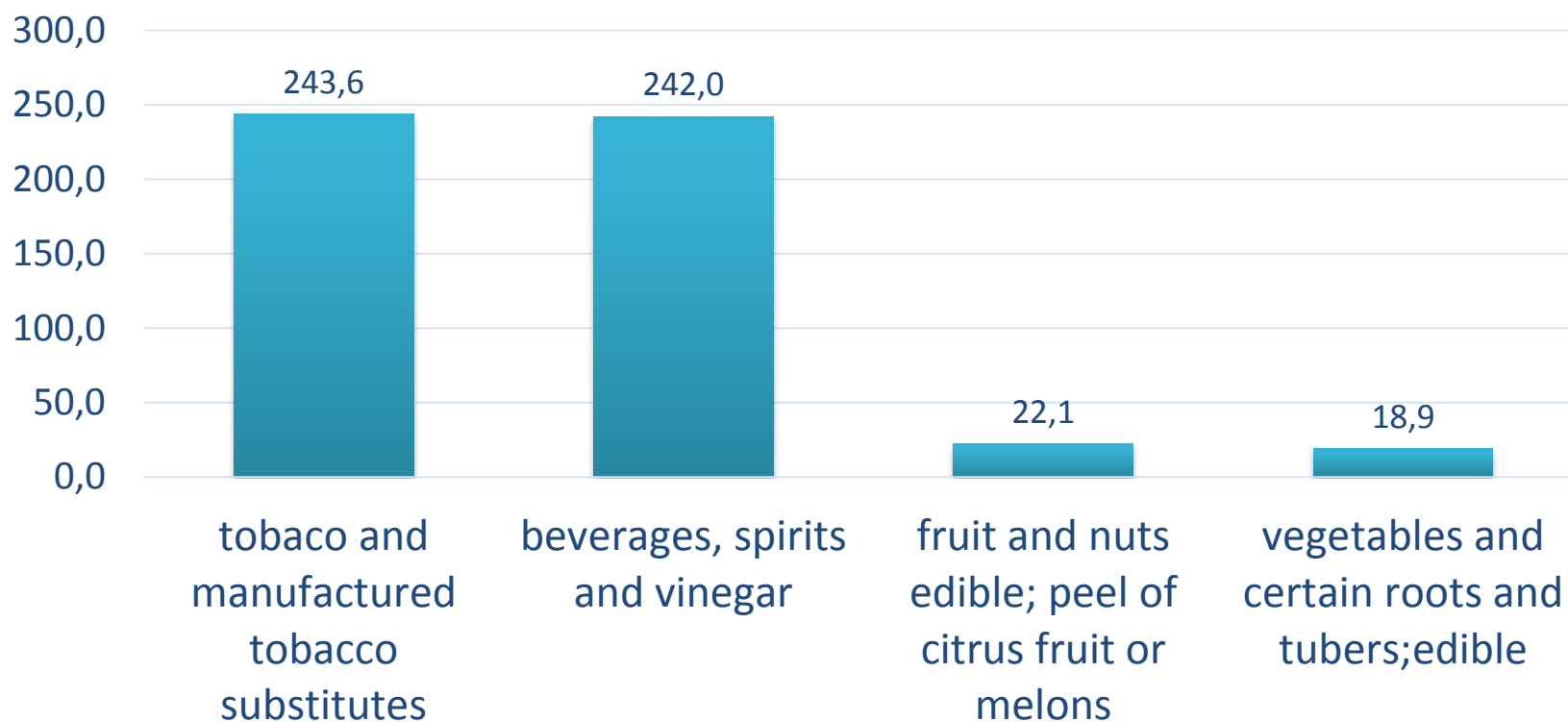
Main import directions for agricultural products



Share of agricultural products in total export (000 USD)



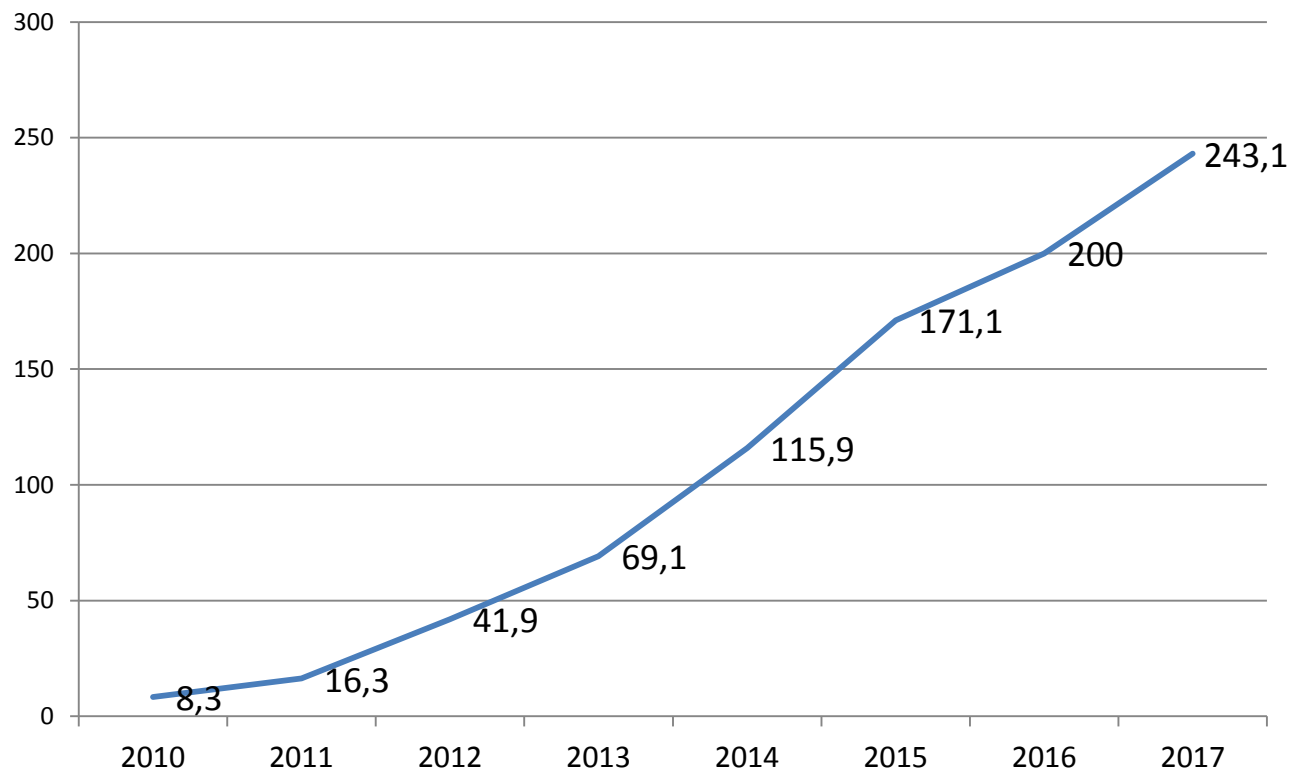
Export of main commodities, 2017 (mln USD)



Russia is the destination for 49% of total export and Middle East 38%

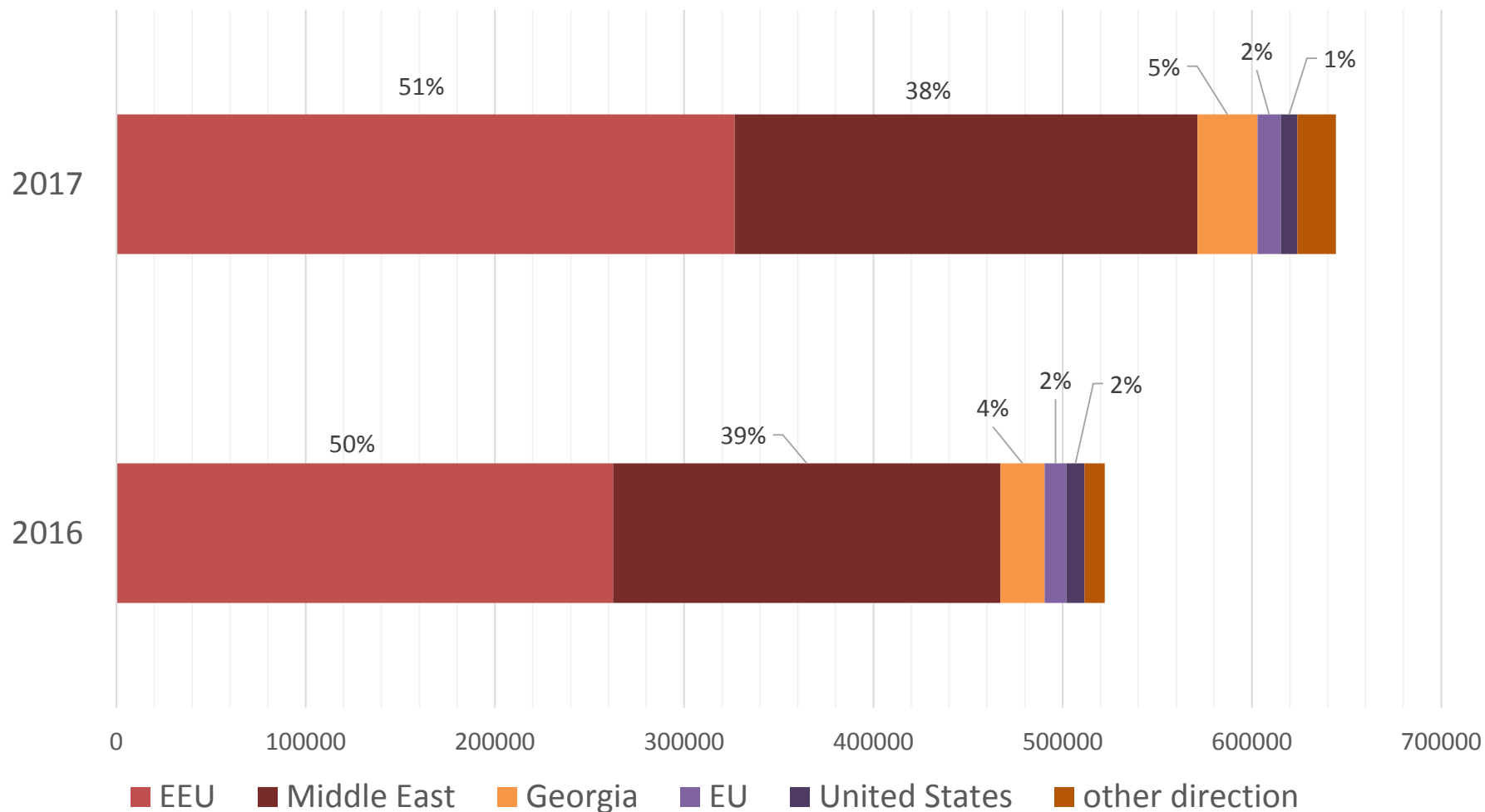
70% of beverages exported to Russia

Export of Tobacco, mln USD



More than 92% of tobacco was exported to Iraq, Syria, and UAE

Main export directions for agricultural products



Agricultural Policy Outline in Armenia



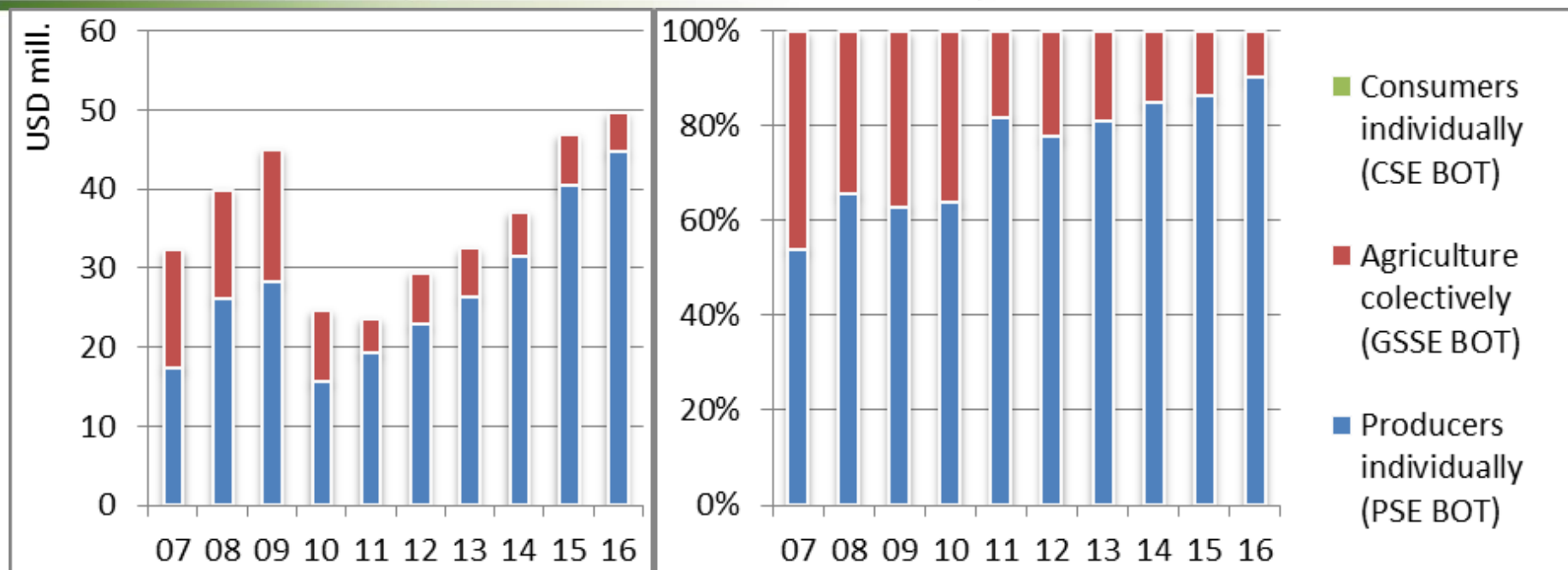
Agriculture sector support in 2017 was about **25 mln. USD**, which is 9% lower compared to 2016 support. Support for 2018 is about 34 mln. USD (without forestry and irrigation, source - Law on State Budget)

Largest share of support is aimed at producer subsidies (some shift in the policy was made towards supporting small family farms)

Subsidized credit – as a result the following interest rates apply for borrowers:

- 3-5% for agricultural loans
- 2% leasing rate for agricultural machinery and equipment
- 2% on loans provided for installing drip irrigation and hail nets
- 3% on loans to processing plants for procurement
- Direct payments to farmers, around USD 125 per hectare (will start soon, pilot)

Armenia: Budgetary and other transfers to agriculture; 2007-2016



- **Low support**; about 2% of the total value of agricultural production (2.6% in 2015-16). Consumer budgetary support is not implemented.
- In 2017 Green Box Support in % to GAO – **1.6%**
- In 2017 Amber Box Support in % to GAO – **0.61%**

Trade Agreements

- In 2017 Armenia signed **Comprehensive and Enhanced Partnership Agreement** with EU which includes but not limited to Trade, Investments, Agriculture and Rural Development as well as Food Safety.
- Agreement with Vietnam ratified at the end of 2016. **Agreement on creation of Free Economic Zone was signed with Iran**. The FEZ is to be established in Syunik region that is bordering FEZ «Aras» on the territory of Iran.
- Armenia has **GSP+** regime with EU allowing to export about 7000 products with preferential tariffs. GSP regime with USA and Canada.
- Armenia doesn't apply technical barriers. Export enjoys zero taxes and customs.



Privileges and support mechanisms

- Transition period to use lower tariffs for about **752 imported products till 2022.**
- Profit tax is **10 times lower** for exporters if the volume of export is more than **105 mln USD.**
- **Export insurance agency of Armenia:** export insurance, pre-export financing insurance and multiple shipment insurance.

Opportunities and challenges ?

- Improvements are necessary to further facilitate trade procedures, meaning minimizing bureaucracy.
- **Trade with EEU countries, other than Russia is negligible.**
- Currently, EEU is considering to widen free trade arrangements with non member states.
- Due to gradual increase of import tariffs for 3rd country products, import to Armenia will be gradually replaced imports for EEU member states.

Opportunities and challenges ?

- Long-term benefits of EEU will be non-commercial. Free movement of labor and capital, unified government procurement system may open new perspectives for Armenia for attracting investments.
- **Create new economic opportunities and become representative of the EEU in regional arena.**
- Further harmonization and approximation of some EEU and EU legislation in the field of Food Safety and Veterinary will require investments in infrastructure and human capital development.
- **Armenia and the Armenian companies must work harder and longer to get the most out of EEU membership to capitalize all the potential opportunities that may be available within EEU.**

Positive transformation in 2018 Velvet Revolution



Post revolution comparisons

- Economic activity index is up by 8.9% during the 1st half of 2018 compared to the same period in 2017. Agriculture is up by 5.5%
- During the 1st half of 2018, the net arrivals to Armenia were up by 21,400.
- Foreign trade volume was up by 29%.
- Export was up by about 21%.
- FDI growth during 1st half compared to last year same period was 150%
- Number of tourists visiting Armenia increased by 10.2%
- Shadow economy is shrinking: 2017 volume of taxes were collected in 7 months in 2018
- Introduction of “one window” system at Armenian-Georgia and Armenia-Iran customs point, as well as e-registration at Food Safety Agency.
- Efficient and Unprecedented Fight Against Corruption, Preferential Treatment, Monopolies.

Thank you for your attention!

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