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AGRICULTURAL TRADE POLICIES IN THE POST- SOVIET COUNTRIES

2014/15


A summary



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ACRONYMS AND ABBREVIATIONS

AMS	Aggregate Measurement of Support
CCT	Common Customs Tariff
CIS	Commonwealth of Independent States
CU	Customs Union
DCFTA	Deep and Comprehensive Free Trade Area
EAEU	Eurasian Economic Union
EEC	Eurasian Economic Commission
EU	European Union
EUR	Euro
WTO	World Trade Organization
RUB	Russian ruble
FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GSP	Generalized System of Preferences
HS	Harmonized (Commodity Description and Coding) System
IMF	International Monetary Fund
MFN	Most-favoured nation
SPS	Sanitary and phytosanitary measures
TQ	Tariff quota
USA	The United States of America
US	The United States
USD	United States Dollar
VAT	Value-added tax

1. A comparative review of the agriculture sector

The total population of the post-Soviet countries¹ under review was 284 million people in 2014. Of this total, some 35 percent (99 million) lived in rural areas. There is, however, considerable variation in this indicator by country: the share of the population living in rural areas ranges from 23 percent in Belarus and Ukraine to 74 percent in Tajikistan [1].

In the region, 19 million people are employed in the agricultural sector, which is equal to 15 percent of total employment. This indicator also differs greatly across countries. For example, in Georgia the share of agricultural employment is above 60 percent whereas it is only 8 percent in Belarus, 9 percent in the Russian Federation and 19 percent in Kazakhstan [1].

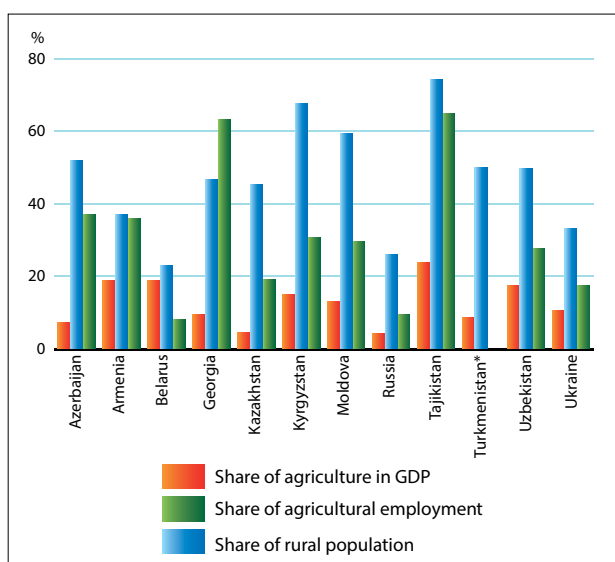
In 2014, the total share of agriculture in the region's gross domestic product (GDP) was about 12.4 percent, corresponding to USD 63 billion.² The share of agriculture in the GDP of individual countries varies from 4 percent in the Russian Federation to 24 percent in Tajikistan [1].

The average wage in agriculture in 2014 across all countries was USD 258 per month computed at official exchange rates, which is half the average wage in these economies. The lowest wage for agricultural workers was in Tajikistan at USD 51 per month [2].

In the 2013-2014 period, most countries in the region registered a negative foreign trade balance in agrifood products (HS codes 1-24). The largest deficit in this product category was recorded in the Russian Federation, which had an average annual deficit over the two years of USD 23.9 billion. A positive foreign trade balance was recorded in Belarus, Moldova, Ukraine and Uzbekistan. It should be noted that Ukraine is the largest net exporter of agricultural products in the region. Its trade balance in agrifood products was USD 10.5 billion in 2014. Total regional exports in this category reached USD 48.8 billion in 2014, while imports amounted to USD 63.6 billion. As a result, the region's trade deficit in agrifood products was USD 14.8 billion in 2014, which was 34 percent below the 2013 level [1].

The dramatic depreciation of the Russian ruble and the other currencies in the region vis-à-vis the

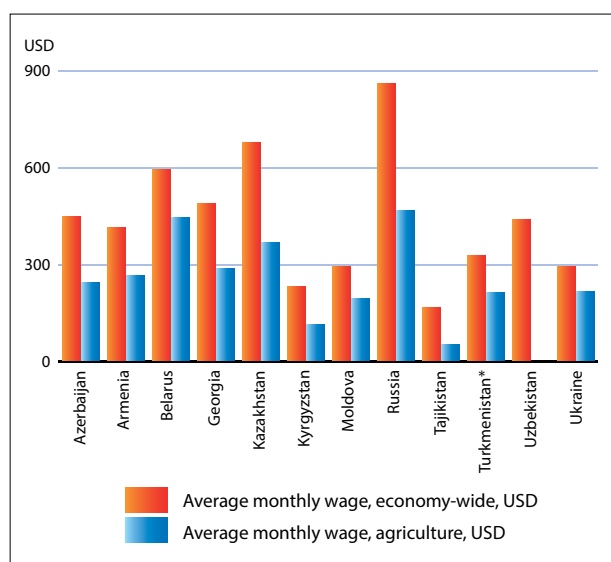
Graph 1. Share of agriculture in GDP by country, 2014 (%)



Source: *Review of Agricultural Trade Policies in post-Soviet countries 2014-15*. FAO, Rome.

* Data on the share of agricultural employment unavailable.

Graph 2. Average monthly wage in the post-Soviet countries, overall economy and agriculture, 2014 (computed at official exchange rate)

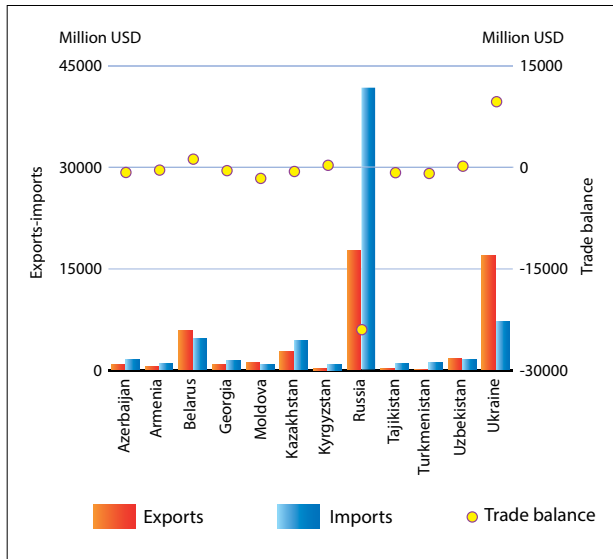


Source: *Review of Agricultural Trade Policies in post-Soviet countries 2014-15*. FAO, Rome.

¹ Twelve countries are covered by this review: Azerbaijan, Armenia, Belarus, Georgia, Moldova, Kazakhstan, Kyrgyzstan, the Russian Federation, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

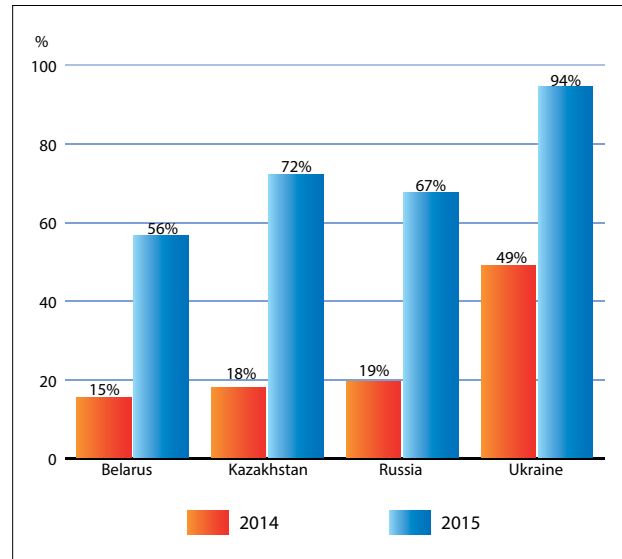
² Valued at the average annual official exchange rate, 2014.

Graph 3. Average annual value of imports, exports and trade balance of agrifood products (HS codes 1-24), 2013-2014, mln USD



Source: *Review of Agricultural Trade Policies in post-Soviet countries 2014-15*. FAO, Rome.

Graph 4. Deterioration of the average annual exchange rate of national currency to US dollar in Belarus, Kazakhstan, Russia and Ukraine, 2014 and 2015 (%)

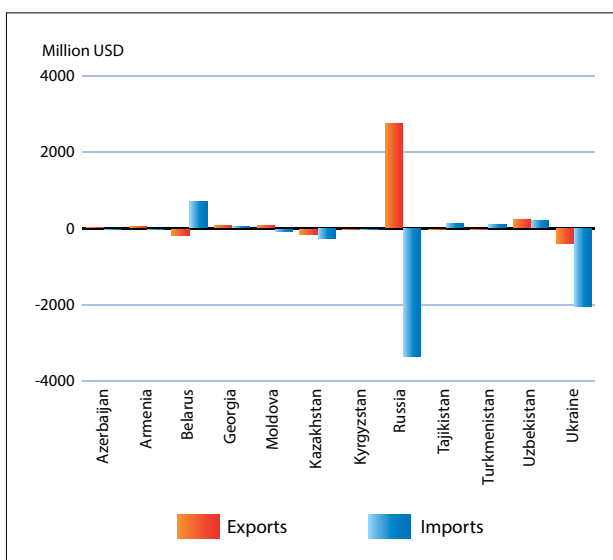


Source: *Review of Agricultural Trade Policies in post-Soviet countries 2014-15*. FAO, Rome.

US dollar in 2014 and 2015 (see Graph 4) resulted in a swift decline in agrifood imports in Kazakhstan, the Russian Federation and Ukraine in 2014 (see Graph 5).

For example, the Russian Federation saw a USD 3.3 billion decline in agrifood imports and a USD 2.7 billion increase in agrifood exports in 2014 relative to 2013, which can be explained by a weakened ruble and the introduction of the import ban in August 2014[3].

Graph 5. Changes in imports and exports of agrifood products (HS codes 1-24), 2014 to 2013, mln USD



Source: *Review of Agricultural Trade Policies in post-Soviet countries 2014-15*. FAO, Rome.

2. Policies affecting agrifood product trade flows in the region during 2014 and 2015

Key political and economic developments that have affected agrifood product trade flows in the region include:

- Russia's ban on the import of food products from the European Union, the United States and some other countries in August 2014;
- Association Agreements with the European Union were signed by Georgia, Moldova, Ukraine simultaneously in June 2014;
- the considerable weakening of most national currencies in the region, in particular the Russian ruble and the Ukrainian hryvnia, against the US dollar and the euro. Most currencies in the post-soviet region strengthened against the ruble and the hryvnia;
- Armenia and Kyrgyzstan's accession to the Eurasian Economic Union (EAEU) in 2015; and
- Kazakhstan's accession to the World Trade Organization (WTO) on 30 November 2015.

In the Russian Federation, the patterns of agricultural trade during 2014 and 2015 were affected by political events as well as by the dramatic weakening of the ruble in late 2014, which also triggered changes in the foreign trade flows of other countries in the region.

In particular, both the volume and geographical structure of Russia's trade flows have substantially changed due to the partial ban on food imports to the Russian Federation. As a consequence, a new priority has been added to the key objectives of Russia's agrifood policy: import substitution of fruits and berries, meat, milk, seed potatoes and vegetables. However, judging from the most recent data on foreign trade, rather than substituting imports with domestic production, the Russian Federation has changed the geographical sources of its imports. For example, the value of imports from the European Union, previously the largest exporter of food to the Russian Federation, decreased by half during the six months following the imposition of the import ban when compared to the same period of the previous year, while imports from Brazil grew by 28 percent [4]. In a parallel development, in the first half of 2015, Russia's exports to Kazakhstan and Kyrgyzstan increased due to the strengthening of these countries' currencies against the Russian ruble [3].

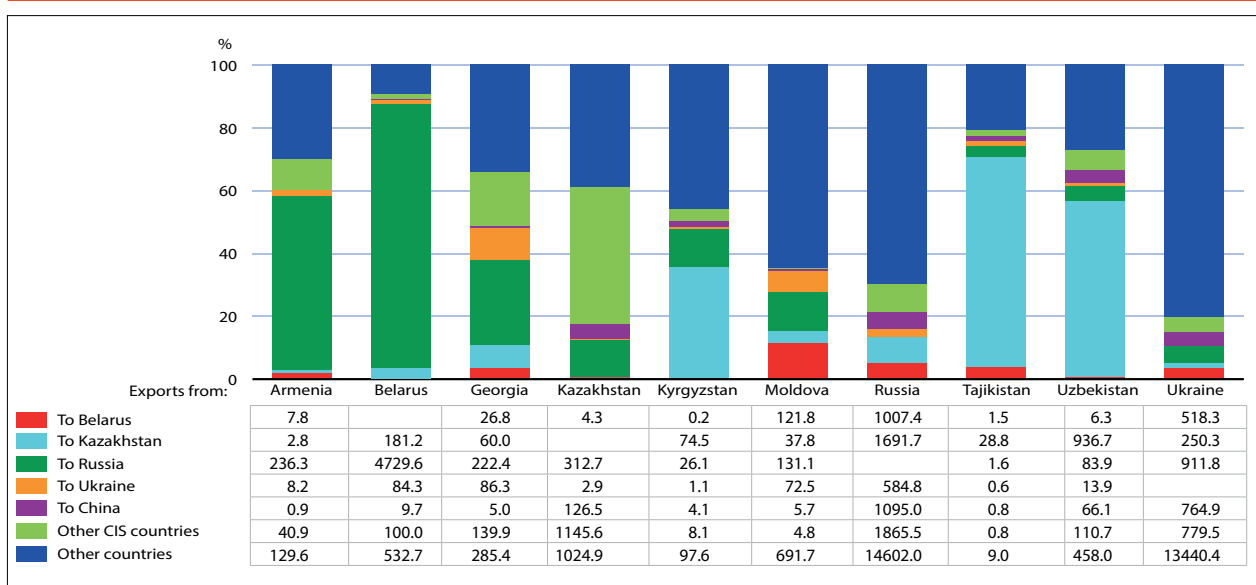
A considerable decline in foreign trade between the EAEU countries and Ukraine has been observed since

2014. At the same time, during 2014 agrifood product exports from Ukraine to the European Union grew by 5.7 percent. In addition to the restrictions imposed on Ukrainian goods by the Russian Federation, this increase was also the result of the European Union's autonomous trade preferences under the EU-Ukraine Association Agreement. As can be seen from Graphs 6 and 7, only about 20 percent of Ukraine's exports and about 8 percent of its imports of agrifood products corresponded to the Commonwealth of Independent States (CIS) and China as trading partners [1].

In 2015, however (based on the results of the January to August 2015 period), Ukraine's agrifood exports to the European Union dropped by 32 percent as compared to the same period of 2014 [5]. The most significant reason for the decline was a decrease in the world prices of the raw agricultural materials that make up the bulk of Ukraine's agrifood exports [5].

As a consequence of the Russian bans on imports of agricultural goods from Moldova in 2014 and 2015, direct compensatory payments were disbursed by the government to Moldovan farmers, which, due to a limited state budget, were partially paid through September 2015. Although Moldovan farmers suffered from the loss of the Russian market, the Russian ban on Moldova's pork imports had an effect for consumers in Moldova as it resulted in decreased domestic pork prices, which resulted in a reduction of supplies of more expensive pork from Brazil. In

Graph 6. Main destinations for agrifood product exports (HS codes 1-24), mln USD in 2014



Source: *Review of Agricultural Trade Policies in post-Soviet countries 2014-15*. FAO, Rome.

addition, by virtue of EU's trade preferences (Deep and Comprehensive Free Trade Area, DCFTA), there has been an increase in mutual trade between the European Union countries and the Republic of Moldova [1].

Despite a DCFTA between Georgia and the European Union, the CIS countries and Ukraine were Georgia's largest trade partners in terms of exports in 2014.

Due to Ukraine's deteriorated balance of payments and reduced gold and foreign exchange reserves, the country imposed, from 25 February 2015 until 1 January 2016, a temporary import surcharge of 10 percent on the goods classified in HS codes 1-24 and 5 percent on the goods classified in HS codes 25-97.³ Countries have the right to apply such measures in accordance with Article XII: Restrictions to Safeguard the Balance of Payments [6].

In response to these measures, on 1 July 2015 Uzbekistan put into effect additional 10 percent import duties on Ukrainian-made agricultural products (codes 1-24) for 12 months [1].

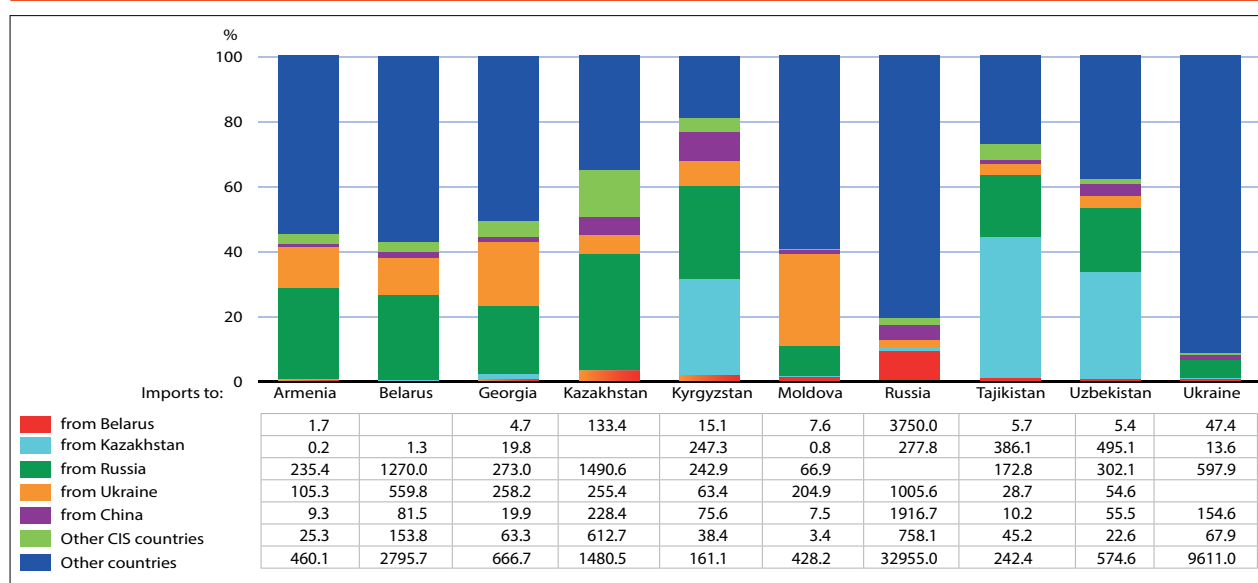
³ On 28 December 2014, the Verkhovna Rada of Ukraine passed a law introducing a temporary import surcharge. The law entered into force on 25 February 2015.

3. Anticipated tariff effects of integration processes on trade in agrifood goods in the region

There were three processes of trade integration taking place across the post-Soviet region in 2014-2015. The first was the expansion of the Eurasian Economic Union of the Russian Federation, Belarus and Kazakhstan to include Armenia and Kyrgyzstan in 2015; the second was the accession of Kazakhstan to the WTO in late 2015; and the third was the agreements between the EU and Georgia, Ukraine and Moldova on preferential trade regimes, the so-called "Deep and Comprehensive Free Trade Areas"

As part of the accession process, the governments of Kyrgyzstan and Armenia pledged to adopt the so-called Common Customs Tariff (CCT) of the EAEU. For both countries this will involve an increase in agrifood tariff rates for some products above 2014 applied rate levels. By 2020, the simple averages of ad valorem agricultural import tariffs in Kyrgyzstan and Armenia should be at the level of Russian tariffs or 11.2 percent. This is considerably higher than the average of applied most favored nation tariff levels in 2014, which were 6.8 percent in Armenia and 7.6 percent in Kyrgyzstan [7, 8]. Both Armenia and Kyrgyzstan have filed notifications with the WTO on the reconsideration of

Graph 7. Main destinations for agrifood product imports (codes 1-24), mln USD in 2014



Source: Review of Agricultural Trade Policies in post-Soviet countries 2014-15. FAO, Rome.

market access obligations in order to harmonize their WTO commitments with their tariff commitments under the CCT.

In contradistinction to EAEU accession, WTO accession for Kazakhstan should result in a general lowering of tariff rates for agrifood goods. Under its WTO accession agreement Kazakhstan agreed to final bound tariff rates in 2020 for 3,081 tariff positions that are less than those in the EAEU CCT (27 percent of all tariff lines in the EAEU CCT). This includes 826 final bound tariff positions for food and agricultural goods, about 31 percent of all tariff positions for food and agriculture.⁴ Eventually, however, the government of Kazakhstan has indicated that it intends to seek to align its WTO tariff commitments with the EAEU CCT, though no sooner than 3.5 years after the implementation of its final bound tariff rates in 2020. At that time the government of Kazakhstan will file a notification with the WTO for reconsideration of its market access obligations [9].

In accordance with article 42 of the EAEU Treaty, Kazakhstan is obliged to make efforts to prevent the re-export of goods imported at rates less than the EAEU CCT, or to ensure that re-exporters pay an additional top-up tariff to the customs service of other member governments equal to the difference in tariff rates between Kazakhstan and the EAEU CCT [10].

In order to deal with the plethora of goods for which Kazakh duties are less than that of the EAEU CCT the EAEU Member States agreed on a protocol for handling Kazakh import and trade in goods [11]. Under this agreement, goods imported into Kazakhstan are divided into two categories: (1) goods for which Kazakh tariffs are in line with those of the CCT and (2) goods for which Kazakh tariffs are lower than those of the CCT. Category (1) goods are free to be re-exported to the rest of the Union, while category (2) goods can be exported only when the higher CCT tariff is paid. Otherwise, these goods are allowed to be resold only within Kazakhstan, and the government of Kazakhstan is obliged to take measures to prevent the export of these goods to the territories of other member states.

Though the EAEU raises the expectation of a common external customs tariff for member countries in the future, conflicting commitments of countries between WTO and the EAEU have greatly complicated tariff issues in this

area of the world. At this point the actual attainment of common tariffs seems to be a long way off.

The Deep and Comprehensive Free Trade Areas between the EU and Georgia, Ukraine and Moldova do not seek to raise tariffs between the parties to the agreements and third countries. Rather, they seek the progressive removal of customs tariffs and quotas between the EU and Georgia, Ukraine and Moldova, as well as an extensive harmonization of laws, norms and regulations in various trade-related sectors. The combination of tariff reductions and harmonization with EU and world standards should create conditions for more competitive exports from the three countries.

While the three trade integration policy processes promise changes for the future, in the immediate run currency depreciation and macroeconomic shocks throughout the region in 2014 and 2015 had perhaps stronger impacts on economies, including in the agrifood sectors.

4. Trade bans and restrictions in the region in 2014-15

Russian food import ban. In response to the sanctions approved by the United States, the European Union (EU) and other countries and international organizations, the Government of the Russian Federation issued Resolution No. 778 of 7 August 2014 “On measures for implementation of the Decree of the Russian Federation President No. 560 of 6 August 2014 On the application of certain special economic measures to ensure security of the Russian Federation.” The Resolution introduced a one-year ban on imports to the Russian Federation of meat, sausages, fish and sea products, dairy products, fruits and vegetables from the United States, European Union, Canada, Australia and Norway. Russian Federation Government Resolution No. 625 of 25 June 2015 extended these measures for one more year and imposed an additional ban on the importation of lactose-free dairy products supplied not for diet, therapeutic or protective nutrition, and food or ready-to-use products made according to cheese production technologies and containing 1.5 percent or more milk fat [1].

Russia-Belarus conflict on re-exports. The 2014 Russian ban on food imports prompted a renewed

⁴ Ministry of National Economy of the Republic of Kazakhstan.

trade conflict between Belarus and Russia. After Russian authorities accused Belarusian food producers of re-exporting European food to Russia, Rosselkhoznadzor found numerous further phytosanitary violations in Belarusian imports resulting in import bans of meat and dairy products [12]. Belarusian food safety controllers were not able to confirm these findings [13]. Rosselkhoznadzor then issued field instructions to its regional offices, which effectively banned the transit of goods of plant and animal origin subject to Russia's 2014 import ban, through the territory of the Republic of Belarus. Transit of such goods to third countries, including Kazakhstan, were allowed only through checkpoints located at the Russian part of the external border of the Customs Union [14].

Russia suspends free trade agreement with Ukraine. After the entry into force of the DCFTA between Ukraine and the European Union since 1 January 2016, a decree was signed in Russia to suspend Russia's free trade provisions (under CIS FTA) with Ukraine as from the same date [6].

Belarus-Ukraine food conflict. A further example of trade barriers concerns agrifood trade between Belarus and Ukraine. Resolution No. 666 of the Council of Ministers of the Republic of Belarus took effect on 27 August 2015, and provided for mandatory certification of imported goods even if they have quality documents from the country of origin. Manufacturers of confectionery, starch and concentrated food products from Ukraine, one of the main exporters of food products to Belarus, believed that this resolution discriminated against importers because it does not apply to domestic manufacturers. In response to the measures taken by Belarus concerning Ukraine's confectionery and brewing industries in November 2015, Ukraine decided to introduce an import duty amounting to 39.2 percent of the customs value on some Belarusian-produced goods, including all types of cheese, chocolate and products thereof, some fish products, milk and dairy products, malt beer, salt, sugar-containing confectionery and bread and bakery products, vodka and some other commodity items from January 2016 [15]. Later, after bilateral talks with Belarus to settle the trade barriers problem, Ukraine cancelled its intention to introduce additional import duties.



A review of country agrifood trade policies

ARMENIA

The share of agriculture in the structure of Armenia's gross domestic product (GDP) increased considerably—it was about 20 percent on average in the last few years [16]. Of all those employed in the country, some 36.3 percent work in agriculture. The growth rate in the agricultural sector amounted to 8 percent on average in the last four years, which was higher than that of the national economy. Gross agricultural output increased by 14.5 percent in the first half of 2015 compared to the corresponding period of 2014. The value of plant production in 2014 amounted to Dram 605.73 billion, or 61 percent of gross agricultural output, with the remaining 39 percent provided by animal husbandry (Dram 387.63 billion) [17].

Armenia acceded to the Eurasian Economic Union (EAEU) on 2 January 2015 and accepted its foreign economic policy principles. The customs regulation measures taken in relation to Armenia's accession to the EAEU include import duties and import tariff quotas. Importation of goods to Armenia is charged with import duties according to the EAEU Common Customs Tariff (CCT). The average rate of import duties on agricultural goods is equal to 11.2 percent. Before joining the EAEU, Armenia had applied ad valorem import duties at rates of 0 and 10 percent. The government of Armenia has filed a notification with the WTO on the reconsideration of its market access obligations [18].

Since Armenia's accession to the EAEU, trade among Union members has been exempt from the payment of import duties. The list of goods to which Armenia applies import duties other than the EAEU CCT rates includes 752 goods. This list includes baby food, meat and prefabricated meat products, milk and dairy products, rice and sunflower oil, as well as cattle fodder [19].

Armenia grants some preferences to exporters. For example, companies that have an own export programme approved by the Armenian government can take advantage of certain preferences. Profit tax for such companies is reduced ten times if their exports

exceed Dram 50 billion (about USD 105 million), or four times if their exports vary between Dram 40 and 50 billion (about USD 84 million to US\$ 105 million).

Armenia mainly exports cigarettes, cognac (brandy), fresh fruits and vegetables, grapes, jam and fruit juices. Exports of crawfish, fish and live sheep have increased substantially over the last few years.

Armenia has been a member of the World Trade Organization (WTO) since 2003, and thus has assumed commitments concerning more liberalized market access, bound domestic support for agricultural producers and no export subsidies. According to Armenia's WTO notifications for 2013, Dram 2.09 billion (about USD 5.1 million) was spent on green-box support measures. In the official notification to the WTO, the non-product-specific Aggregate Measurement of Support (AMS) for 2013 was equal to Dram 4.7 billion (about US\$ 11.6 million) [20].

Armenia has a preferential trade regime (GSP+) with the European Union allowing it to export more than 7 000 commodity items to European Union countries with preferences. In particular, a zero rate applies to 3 300 commodity items, and a reduced rate applies to 3 900 items [21]. Armenia also has a free trade regime with member countries of the Commonwealth of Independent States (CIS) and a free trade agreement with neighboring Georgia.

Regarding domestic support measures in Armenia, the state partially reimburses agricultural producers for the interest paid on bank credits and provides partial or full compensation of expenses for the purchases of diesel fuel, fertilizers, mixed fodders, plant protection agents and seeds.

AZERBAIJAN

The total value of agricultural production in 2014 amounted to USD 5.2 billion, or 5.7 percent of gross domestic product (GDP). Despite agriculture's minor share in GDP, this sector plays an important role in employment. According to official 2014 statistics, 36.7 percent of the employed population worked in the agricultural sector [22].

Azerbaijan's agricultural exports in 2014 amounted to USD 840 million. Imports were USD 1.5 billion [22].

The import of agricultural goods to Azerbaijan is regulated by the Law on the Rates of Customs Duties on the Import of Goods to the Territory of the Republic of Azerbaijan (No. 80 of 12 April 2001).

For wheat, a commodity of strategic importance to the country, the import duty is set at zero. Import duties on other cereals vary between 0.5 percent and 15 percent. Grain and grain processing products imported to replenish the State Grain Fund of the Republic of Azerbaijan are exempt from import duties and value-added tax.

Dairy products, eggs, honey, live cattle, meat and other meat products, and other animal products are subject to a 15 percent import duty. Plant products are subject to a 15 percent import duty, except for seed and sowing roots and bulbs, for which the import tariff is 0.5 percent.

For some products, import duties are charged per kilogram (between USD 0.09 and USD 0.25 per kg).

Azerbaijan does not apply any export subsidies, including transport subsidies. To encourage export growth, the state established special institutions that provide support to logistical and cargo handling centres to facilitate the exportation of perishable food products abroad. Nevertheless, no major progress has been observed in terms of an improvement in the organization of agricultural product marketing and export. Most policymakers believe that the main reason for the present situation is the small number of medium-size and large agricultural enterprises in Azerbaijan as well as the concentration of a bulk of production in semi-subsistence family farms.

The agricultural sector in Azerbaijan is supported by the state. Agricultural producers are exempted from all taxes for five years, except for the land tax. In addition to the tax preferences, state support includes financial assistance via the leasing of equipment and cattle and import preferences on the border for the purchase of agricultural machines. Along with the tax preferences, the state provides some preferences to agricultural producers for the purchase of fuel, engine oils and mineral fertilizers. Private and state-owned seed-producing farms are paid subsidies for seed growing.

BELARUS

During 2010-2015, the share of agriculture in gross domestic product (GDP) remained at 7-8 percent whereas the share of the rural population to the total population has been around 22 percent. Belarus has a positive foreign agricultural trade balance, namely USD 727 million in 2014 for groups 1-24 [23]. The value of agricultural exports has grown fourfold over the past ten years. Belarus occupies a significant position in the world volumes of agricultural production and exports in certain goods: it ranks third in exports of flax fibre, seventh in exports of dairy products, and is among the top 20 exporters of sugar, rapeseed oil and beef.

Belarus is a member of the Eurasian Economic Union (EAEU), the countries of which provide the main sales markets for Belarusian agricultural products. The provisions of tariff preferences to third-party countries by Belarus (as in all Union member states) are specified by the EAEU Treaty and by the Customs Union Commission's Decision No. 130 of 27 November 2009. In 2014-2015, changes in import duties applied to agricultural goods occurred in accordance with the tariff schedule for the implementation of Russian commitments to the World Trade Organization (WTO).

Negotiations on the accession of Belarus to the WTO have been underway since 1997. There have been seven official meetings of the Working Group and 31 rounds of bilateral negotiations with Working Group member countries. During 2014 and 2015, discussions with WTO members continued on the prospects of market access for goods from WTO member countries to the Belarusian market as well as

on the approaches to resume detailed negotiations on market access for services.

Belarus applies export duties to some goods, including to rapeseeds at EUR100 per 1 tonne. At the same time, Belarus has established a necessary legislative framework and institutional basis for the operation of an export support system. In particular, the decision-making process for government-backed issuance of export credits has been simplified since 18 December 2014. Exporter support institutions are active. However, no export subsidies were paid by Belarus in 2014 and 2015.

Domestic support is provided to agriculture through both direct and indirect measures. Direct budget transfers are granted to agricultural producers and other organizations (banks, service centres, product suppliers, etc.) creating more favourable economic conditions for agriculture. The amount of direct budget support was equivalent to USD 1.5 billion in 2014 [24]. The largest shares of this support were: compensation for banks' losses from concessional loans to agricultural producers - 39 percent; reduction of costs for production asset purchases - 20 percent; price premiums - 16 percent; and implementation of state and regional support programmes - 8 percent.

In the agreement on the establishment of the Customs Union with the EAEU countries, Belarus undertook to reduce support to 10 percent of the aggregate value of agricultural production by 2016. However, the Treaty on the EAEU provides for the assumption of new commitments that should be developed and documented by 2025 at the latest.

GEORGIA

The share of agriculture in Georgia's gross domestic product (GDP) has been on the rise since 2011, reaching 9.4 percent in 2013 and 9.2 percent in 2014. Agriculture provides the largest quantity of jobs in the country. About 42.6 percent (as of 2014) of the entire population resides in rural areas [25].

Georgia has a liberal trade policy and has been a member of the World Trade Organization (WTO) since 14 June 2000. At present, its applied tariffs generally fall into three bands: 0, 5 and 12 percent. Georgia has no quantitative restrictions on imports and exports, export bans, import tariff quotas, or any other import restriction.

In June 2014, Georgia signed the Association Agreement, including the Deep and Comprehensive Free Trade Area (DCFTA) with the European Union. Georgia has bilateral free trade agreements (FTAs) with the Commonwealth of Independent States (CIS). Georgia has eight bilateral FTAs with: Armenia, Azerbaijan, Kazakhstan, the Republic of Moldova, the Russian Federation, Turkmenistan, Ukraine and Uzbekistan.

Georgia's FTA with Turkey provides a free trade regime for a considerable part of imported commodity groups and envisages importation of these goods to Georgia at a reduced or zero import duty rate. As for imports from the CIS countries, a zero import duty rate applies to all agricultural products. In addition, Georgia

also enjoys trade preferences provided under the Generalized System of Preferences (GSP) by a number of major trading partners such as Canada, Japan, Norway, Switzerland and the United States.

In 2012, the Georgian government declared the development of agriculture a key priority for the national economy, and budget allocations for this sector were considerably increased. In 2011, the share of the state budget allocated by the government to agriculture amounted to about 1 percent of the total national budget. In 2015, the total agricultural budget amounted to 3 percent of the national budget, or Lari 291 million (USD 127.5 million) [26].

Georgia has not implemented any amber-box measures of domestic support for agriculture in recent years. In 2014, the total state budget for green-box programmes amounted to USD 92 million, and the Georgian Ministry of Agriculture financed the implementation of a number of major programmes for the development of agriculture, including a preferential loan programme for agricultural producers and an insurance programme under which the government finances the reimbursement of some insurance premiums for small farmers. In addition, a support programme for small farmers is in force, providing farmers that own up to 1.25 hectare of land with mechanized assistance in land cultivation and/or with inputs for agricultural production (fertilizers, pesticides, etc.).

KAZAKHSTAN

Kazakhstan's agricultural sector has demonstrated an average annual growth rate of 8-9 percent in recent years, reaching Tenge 1.72 trillion (about USD 9.6 billion) in 2014, which is equal to 4-5 percent of the country's gross domestic product (GDP). Despite the minor share in the national economy, agriculture has high socio-economic significance because about 45 percent of the population lives in rural areas, and about 20-25 percent of the economically active population is engaged in agriculture [27].

Within the framework of the Eurasian Economic Union (EAEU) Common Customs Tariff (CCT), ad valorem rates of import duties apply to a large portion (more than 80 percent) of commodity items. Maximum import tariffs for agricultural products as per ad valorem rates is 30 percent and the average level of import tariffs is 17 percent. An exception is provided for a number of products, including beef, pork and poultry meat in relation to which EAEU member states apply tariff quotas. According to the commitments assumed by Kazakhstan at its accession to the World Trade Organization (WTO), import tariffs for meat products will amount to 15 percent within the tariff quota (TQ) and 40 percent above the TQ [28].

Kazakhstan officially became the 162nd member of the WTO on 30 November 2015. As part of its accession to the WTO, Kazakhstan assumed a number of commitments to liberalize access to its domestic market. No export duties are applied in Kazakhstan, except (1) on hides and skins, amounting to 20 percent but not less than EUR 200 per tonne; and (2) on wool, amounting to 10 percent but not less

than EUR 50 per tonne. No import bans, quantitative restrictions, quantitative quotas, minimum export prices or licensing rules were applied to agricultural products in 2014 and 2015.

State support for the agricultural sector is regulated by the Agricultural Development Programme 2013-2020 (Agribusiness 2020). The Programme's total budget envisages funding in the amount of Tenge 3.12 trillion (about USD 13 billion) for eight years. The subsidies under the Programme include direct payments to agricultural producers to compensate them for the costs of plant and animal production. The plant growing subsidies are used for partial reimbursement of the costs of seeds, fuel and lubricants, irrigation water supply, and fertilizers and herbicides used per hectare of sown area. The subsidies in animal husbandry provide for partial reimbursement of costs for the purchase of pedigree cattle, selection and breeding work, and maintenance of cattle.

An investment subsidy instrument is being implemented in Kazakhstan, assuming compensation of up to 50 percent of private capital investments in priority area projects such as: large-scale milk and meat production, industrial fish breeding, intensive gardening and high-level processing of agricultural products. In addition, subsidies are envisaged to reduce interest rates on commercial bank loans issued to agricultural producers, from annual rates of 14 percent to 7 percent. A preferential taxation system for agricultural producers and processors is also in force in Kazakhstan. However, according to Kazakhstan's WTO commitments, any taxation preferences will be abolished by 1 January 2018.

KYRGYZSTAN

Agriculture is one of the most important sectors in the economy of the Kyrgyz Republic. It provides about 15 percent of the country's gross domestic product (GDP). More than 30 percent of all the persons employed in the national economy are employed in this sector. Gross agricultural output (including forestry and fishing) was Som 194.3 billion in 2014 [29]. Agricultural exports have steadily amounted to 12-14 percent of total goods exports in 2010-2014. The share of imports of these goods varies between 15 and 18 percent of total goods imports. In US dollar terms, the value of exports remained at about the same level whereas the value of imports tended to increase.

An important external factor having great influence on the country's foreign trade is the fluctuation of the Kyrgyz som's exchange rate against the currencies of its key trade and economic partners, which resulted in a decline in the price competitiveness of Kyrgyz-produced commodities in these export markets. The situation has become more favourable for imports from Russia and Kazakhstan. Meanwhile, imports to Kyrgyzstan from China, the European Union and countries that have their national currency exchange rates pegged to the US dollar have become more expensive.

Kyrgyzstan's accession to the Eurasian Economic Union (EAEU) in 2015 is the most important change in state policy that has occurred in recent years. EAEU membership assumes the realization of a package of measures to harmonize legislation, modernize and expand the spectrum of existing quality laboratories, and ensure their accreditation with the authorized EAEU structures. Russia provides technical assistance to Kyrgyzstan in re-equipment of the laboratories and in other reforms to quality infrastructure.

The expected consequences of Kyrgyzstan's entry into the EAEU for agrifood trade include an increase in import tariffs for imports from third countries, including China, the European Union and Turkey (and except

the Commonwealth of Independent States with which duty-free trade will remain). In addition, Kyrgyzstan's applying of the EAEU Common Customs Tariff (CCT) meant that it had to abandon the simplified regime for individuals that acted as a primary channel of cheap imports from China and some other countries. These changes can lead to variations in trade flows in the form of decreased imports from these countries and increased imports of the same goods from the EAEU countries. Meat imports from China, previously arriving to Kyrgyzstan under simplified regime conditions, may be affected especially strongly. The abandonment of temporary import duties on flour from Kazakhstan has resulted in increased flour imports and in a reduction in domestic production.

Domestic support measures for agriculture in Kyrgyzstan include state budget programmes to finance the activities of plant and animal protection bodies, support for selection and breeding work, development of agricultural mechanization, monitoring of pastures, and maintenance and development of irrigation infrastructure. A considerable share of these measures is realized under the Programme of State Investments that includes projects implemented by international development organizations. Total public expenditure for these purposes amounted to Som 2.1 billion (USD 39 million) in 2014, or slightly more than 1 percent of that year's gross agricultural production. Medium-term forecast budget for 2016-2018 for Kyrgyzstan [30]. State budget funds for reform of the veterinary and phytosanitary safety system are not envisaged in the package of EAEU accession measures so far.

In March 2015, the plan to develop exports for 2015-2017 was approved by the Government of the Kyrgyz Republic. The plan specifies traditional agrifood export products (dairy products, fresh and processed vegetables, fruits and nuts, wool and animal skins, and cotton) as priorities as well as meat products and bottled water.

MOLDOVA

About 29 percent of Moldova's population is employed in agriculture whereas the sector's contribution to the country's gross domestic product (GDP) has averaged 12-13 percent in recent years. The average value of agricultural exports from 2010 through 2014 amounted to USD 922 million. Export markets include some 112 countries, the top five of which (the Russian Federation, Romania, Belarus, Ukraine and Italy) account for 54 percent of Moldova's agrifood exports. The average annual value of imports over the same period was USD 705 million [31].

The state's foreign trade policy is implemented through customs tariff regulation and non-tariff regulation and by the introduction of specific duties (special, anti-dumping and countervailing) in foreign trade activities according to Moldova's legislative framework and any international treaties it has signed. The same excise rates are applied to both domestic and imported goods.

Moldova applies import licensing to a number of goods. Export duties are not applied by Moldova but, depending on the domestic market situation, restrictions on the export or import of some goods may be imposed. Import duties on agricultural goods are 12 percent on average, with the average rate of import duties for all goods being 5 percent. Non-tariff measures essentially boil down to the requirements on product labelling in the state language.

Moldova has been a member of the World Trade Organization (WTO) since 2001. Moldova has a free trade regime with its Commonwealth of Independent States partners, that is, a zero import duty is applied. Meanwhile, exceptions to the free trade regime, as agreed upon at the intergovernmental level, are applied to the import of some commodity items.

Trade relations between the European Union and Moldova are an important driver of the country's economic growth. The European Union's decision to open its market on a unilateral basis for Moldova in 2008 through so-called 'autonomous trade preferences' led to an increase in mutual trade turnover. This trend will continue due to the recent conclusion of the Association Agreement between the European Union and Moldova that includes a Deep and Comprehensive Free Trade Area. The agreement, which has created new and closer political and economic relations between the parties, began to be applied on 1 September 2014.

State budget support for Moldova's agricultural sector varies greatly from year to year, reaching its peak of USD 75 million in 2009. In 2012-2013, total budget expenditures on agriculture amounted to USD 57 million [32]. As from 2011, domestic support for agriculture only includes measures envisaged by the green box such as general services, where almost two-thirds of budget funds are disbursed for food safety and pest and disease control. In 2014-2015, state budget transfers amounted to about 4 percent of the total value of agricultural production.

RUSSIA

The Russian Federation's agricultural sector employed 9.2 percent of the country's economically active population and produced 4 percent of its gross domestic product in 2014. The value of agricultural production amounted to RUB 4,225.6 billion, including RUB 2,155.7 billion in plant growing and RUB 2,069.9 billion in animal husbandry. The share of employment in agriculture, forestry, fishing and fish breeding decreased from 49 percent to 23 percent of the total employment in rural areas between 2000 and 2013[33].

Some improvement has been recorded in the balance of foreign trade in agricultural goods. The Russian Federation's agrifood trade policy has undergone substantial changes in 2014-2015 caused by political events as well as by the weakened rate of the ruble. In particular, in response to sanctions imposed by the European Union countries and Australia, Canada, Norway and the United States because of the political events in Ukraine, Russia introduced a ban on the import of some agricultural products from these and other countries. Following the imposition of the so-called anti-sanctions, food supplies from Australia, Europe and the United States were replaced with deliveries from Belarus, Brazil, Israel, Kazakhstan, Pakistan, Turkey and other countries.

Owing to the devaluation of the Russian ruble and a good harvest, Russia increased grain exports in 2014-2015. To deter exports and encourage supplies for the domestic market, the Russian Government applied an export duty and non-tariff measures (for example, the Federal Service for Veterinary and Phytosanitary Surveillance, Rosselkhoznadzor, complicated the issuance of phytosanitary certificates required to export grain). The export duty on wheat, which was introduced on 1 February 2015 and remained in force until 15 May 2015, amounted to 15 percent plus EUR 7.5 per tonne but not less than EUR 35 per tonne [34].

Russia generally complies with the import tariff schedule reduction and its commitments to the World

Trade Organization (WTO) regarding domestic support for agricultural producers. In meeting its commitments, import duties decreased by 1.5-2 percent on average for all commodity groups during 2014-2015. Import duties vary from a zero rate (cake) to 25 percent (tobacco-free cigars). The simple average applied tariff of import duties on agricultural goods is 11.3 percent, which is not higher than the bound average import tariff in the WTO [35]. At the same time, the country fails to meet the commitments it assumed at accession to the WTO as regards bound tariffs for some goods, for example for palm oil.

Meanwhile, many questions regarding sanitary and phytosanitary measures still remain. For example, on 8 April 2014 the European Union requested WTO consultations to settle disputes with Russia concerning restrictions on the import of live pigs, pork and pork products of EU origin because of the emergence of African swine fever in limited areas in Lithuania and Poland close to the border with Belarus. The consultations produced no results and the WTO Dispute Settlement Body met on 22 July 2014.

Domestic support for agriculture is determined by the State Programme for the Development of Agriculture and Regulation of Agricultural Product Markets for 2013-2020. Financing for the Programme amounted to RUB 170.1 billion in 2014 and RUB 187 billion (about USD 3.2 billion) in 2015. Partial reimbursement of interest rates on commercial credits provided to agricultural producers account for 40 percent of total state support for agriculture. Major adjustments were made to the Programme because of the imposition of food anti-sanctions. The list of main objectives of Russia's agrifood policy were supplemented by expedited import substitution for fruit and berry products, meat, milk, seed potatoes and vegetables. However, 'import replacement' has taken place instead of the expected import substitution that is, the geographical sources of imports have changed.

TAJIKISTAN

Tajikistan's agriculture forms 23.5 percent of the country's gross domestic product. Average annual growth rates of gross agricultural output during the implementation of the National Strategy for the Development of Tajikistan for 2010-2015 amounted to 8.6 percent. Some 73.5 percent of Tajikistan's population lives in rural areas [36]. Animal husbandry products account for one-third of total agricultural production. Only 20 percent of agricultural products are processed inside the country. Annual foreign trade turnover in all goods has been USD 4.8 billion on average over the last five years [37]. It should be pointed out that the balance was negative in 2014, with exports of all goods being 4.4 times lower than imports. Exports are dominated by raw materials and energy commodities: base metals, cotton lint, electricity and plant products, mainly fruits and vegetables. Imports include mostly chemical products (alumina), plant products (grain, flour and cereals), machines and equipment.

Tajikistan's trade policy conforms to its commitments to the World Trade Organization (WTO). The country acceded to the WTO in 2013. Based on the results of WTO negotiations, the average final rate of bound import tariffs for agricultural goods is 10.4 percent. Strategic national documents defining the country's agrarian policy in light of its WTO membership, include the Programme for the Adaptation of the Economy due to WTO Membership, adopted by the Government of Tajikistan on 31 October 2015. In addition, the Government adopted on 2 September 2014 a resolution to simplify import and export procedures on a 'single window' principle. On 6 May 2015, the Parliament of Tajikistan ratified the WTO Trade Facilitation Agreement aimed at expediting movements across borders and customs clearance of goods, including the transit of goods.

At its accession to the WTO, Tajikistan undertook not to apply export subsidies, so the country does not provide export subsidies for agricultural products. A system of export credits and insurance is also not applied in Tajikistan at present. Pursuant to Article 214 of the Tax Code of the Republic of Tajikistan, exports of goods (except for raw cotton, cotton lint and cotton yarn, primary aluminum, and jewelry made of precious stones and precious gems) are subject to a value added tax rate of zero.

Tajikistan does not currently provide any substantial tax preferences either to agricultural producers or to agricultural product processing enterprises. The Tax Code does envisage certain preferences for newly established enterprises engaged in a full cycle of cotton lint processing into end products (from cotton yarn to cotton goods). These preferences are minor, however, and do not provide stimulating conditions for the development of the country's agro-industrial complex.

At its accession to the WTO, Tajikistan assumed a commitment to 'bind' the total Aggregate Measurement of Support (AMS) of amber-box subsidies at USD 182.7 million [38]. Product-specific amber-box subsidies were provided to such products as honey, maize, potatoes and wheat. Nevertheless, the amount of subsidies provided for these products did not exceed the de minimis level of 10 percent of the total value of agricultural production.

TURKMENISTAN

About 48 percent of the country's population lives in rural areas [2]. Due to industrialization and the restructuring of economy, the share of agriculture in the country's gross domestic product tended to decrease from 40 percent at the beginning of the independence period to 10 percent in recent years. About 58 percent of the total value of agricultural production is generated by animal husbandry [39] Turkmenistan is self-sufficient in grain and has also become a grain exporter.

Agricultural goods accounted for less than 33 percent of the total value of imported goods in Turkmenistan in 2014. The import value of agricultural goods in 2014 grew by 6.5 percent as compared to 2013. Agricultural products were imported mainly from Russia (about 19 percent), Iran (17 percent), Turkey (9 percent), Ukraine (8 percent), Kazakhstan and India (7 percent each).

Foreign economic activities in the country are regulated by the Law of Turkmenistan on Foreign Economic Activities. According to the law, the following can be applied in accordance with international agreements and pursuant to the procedures specified by the legislation of Turkmenistan: 1) special countervailing and anti-dumping duties on some imported goods; and 2) temporary quantitative restrictions on the import of some commodity types. This law also defines general rules for the regulation of import and export trade operations: application of export and import customs duties and excises on some goods that move across the national customs border. A license is required to carry out activities concerning the import and sale of alcohol, alcohol products and tobacco products. Export duties are applied to most agricultural commodity items. Import of most agricultural commodity items is charged with a zero-rate duty. The average rate of customs duties is 5 percent on exports and 2 percent on imports [39].

Turkmenistan concluded bilateral agreements on trade and economic cooperation with 24 countries, free trade agreements with 7 countries, agreements on promotion and mutual protection of investments with 21 countries, and agreements on avoidance of dual taxation with 13 countries. Early in 2013, there was a statement on Turkmenistan's intention to join the World Trade Organization (WTO), however the country has not lodged an official application with the WTO as of 2016.

As part of the implementation of the Programme for the Development of the Agricultural Sector of Turkmenistan for 2012-2016, reforms are being conducted in order to boost agricultural product outputs and ensure food independence and security in the country. Preferential terms have been created for the production of such agricultural crops as cotton plants, rice, sugar beets and wheat under state procurement contracts. The state subsidizes 50 percent of the total costs of their production. The list of main and subsidiary inputs and services required for the growing of these crops includes: fertilizers, seeds, water and transport services; machines and aviation services; and plant protection; among others. In addition, seed growing farms receive 25 percent more mineral fertilizers at preferential prices than other farms do. There is also a concessional credit programme for purchases of agricultural machines, equipment, water-saving technology and irrigation pipelines.

UKRAINE

Agriculture forms 7-9 percent of Ukraine's gross domestic product whereas the share of employed in agriculture, forestry and fishery amounted to 17 percent in 2014. Since Ukraine's accession to the World Trade Organization (WTO) in 2008, gross agricultural production in Ukraine has grown by 25 percent [6].

Ukraine is a net exporter of agricultural products. The value of agricultural exports in 2014 was 2.75 times higher than that of imports. At the same time, substantial changes occurred in agricultural foreign trade, influenced by the devaluation of the national currency, falling consumer demand and trade restrictions imposed by the Russian Federation against Ukrainian goods. The value of agricultural exports in 2014 decreased by 15 percent and agricultural imports dropped by 16 percent. The value of agricultural exports to the Eurasian Economic Union (EAEU) countries over that period decreased by 38 percent and these losses were only partially compensated by exports to other destinations [5].

Ukraine has a tariff quota (TQ) for the importation of raw cane sugar amounting to 267 800 tonnes with a 2 percent import duty rate within the TQ, which has actually not been used since 2012 because of high domestic stocks. Imports of white sugar and raw cane sugar (out of TQ) to Ukraine are charged with a high import duty rate of 50 percent.

The simple average final bound tariff for Ukraine in the WTO is 10.1 percent for agricultural goods and 4.85 percent for non-agricultural goods [6].

Ukraine also complies with its commitments to the WTO regarding the reduction of export duties on oil crops, live cattle and skins and hides. Since 2012, Ukraine's Ministry of Agricultural Policy and Food has concluded annual memoranda with grain exporters and retained the right to initiate additional regulation measures if actual grain exports substantially differ from the indicators of exports fixed in the memoranda.

In February 2015⁵, Ukraine made use of the GATT provisions permitting special measures to stabilize the balance of payments: it introduced surcharges to import tariffs at the rate of 5 percent for industrial goods and 10 percent for agricultural goods; this measure applied to all goods imported to Ukraine and was valid for 12 months. It was cancelled on 1 January 2016.

The free trade agreement between Ukraine and the EFTA States (Iceland, Liechtenstein, Norway, and Switzerland) was entered into force on 1 June 2012.

On 16 September 2014, the Parliaments of Ukraine and the European Union ratified their Association Agreement, including a Deep and Comprehensive Free Trade Area provisions. Ukraine obtained duty-free access to the European Union market within the tariff quotas, as well as the right to use safeguard measures and additional trading conditions such as entry prices. The European Union gave up using export subsidies for agricultural products exported to Ukraine.

Domestic support for agricultural producers via budget programmes was considerably limited in 2015. Funding of the support programme for hop growing, vegetable growing, establishment of new orchards, vineyards and berry fields was stopped whereas planned funding of the support programme for animal husbandry was substantially reduced by 3.5 times in 2015 as compared to 2014 [6]. Budget funds were allocated to compensate for the expenses of the Agrarian Fund of Ukraine on storage, transportation, processing and exportation of the goods subject to state price regulation of the state intervention fund. Funds were also allocated to purchase equipment and machinery with subsequent delivery on financial leasing terms and to credit programmes for private farms.

⁵ On 28 December 2014, the Verkhovna Rada passed a law introducing a temporary import surcharge. The law entered into force on 25 February 2015.

The special taxation regime for agricultural producers (VAT accumulation) is under threat of cancellation according to the conditions of the memorandum of cooperation with the International Monetary Fund.

This special regime secures considerable support for producers and possible cancellation thereof will require the development of new approaches to the state policy of support for agriculture in the future.

UZBEKISTAN

In Uzbekistan, there has been a gradual decrease in the share of agriculture in the country's gross domestic product (GDP), from 26.3 percent in 2005 to 17.2 percent in 2014 [40]. The reduction of the agricultural sector's share in GDP has occurred amid average annual growth of agricultural production: 6.3 percent over 2005-2014 [40]. The sector is of great importance to the country because its share in overall employment is 27.5 percent. Growth in agrifood exports was 13.2 percent in 2014. Agrifood imports increased by 13.1 percent in 2014, but when looking at an average indicator over the last five years, their growth is less intensive as compared to exports: 15.3 percent versus 32.2 percent per year. Exports of cotton lint, Uzbekistan's key agricultural commodity export, have declined by 33.4 percent between 2010 and 2014 due to the growth of processing volumes inside the country [40].

New import duties and excise taxes on some goods imported to Uzbekistan, including food products, have been set since 1 September 2015. Import duties on a number of meat and dairy products, fruits and some food products were transformed from ad valorem to specific rates per kilogram. Since 1 July 2015, Uzbekistan put into effect additional 10 percent duties on imports of agricultural goods from Ukraine for 12 months, in response to the Ukraine Government's adoption of the Law on Measures to Stabilize the Balance of Payments of Ukraine according to GATT Article XII and the imposition of an additional surcharge on agricultural imports at the rate of 10 percent.

Uzbekistan has a list of goods for which export is banned. The list includes bread and bakery products, cattle, cereal crops (barley, buckwheat, maize, oats, rice, rye and wheat), flour, meat and edible meat by-products, poultry and sugar. Since 1 September 2015, a ban has been imposed on the export of fruit and vegetable products, melons, potatoes, watermelons and grapes delivered by road transport.

At the same time, the export of other commodities is stimulated through various preferences. In particular, income tax and property tax rates for exporting companies (except for sales of primary commodities) are reduced depending on the share of exports of goods of own production sold for freely convertible currency in total sales: if the share of exports is from 15 to 30 percent: by 30 percent; if the share is 30 percent or more: two times.

Uzbekistan submitted its application for accession to the World Trade Organization as far back as December 1994, but no progress has been recorded since 2005 in terms of the country's accession. Late in December 2013, Uzbekistan ratified the Commonwealth of Independent States free trade area agreement. The Agreement between the Government of the Republic of Uzbekistan and the Government of Brazil on economic and trade cooperation came into force in August 2015.

State support for agriculture in Uzbekistan is provided through agricultural producers' access to concessional loans, inputs, infrastructure, modern technologies and equipment. For example, commercial banks opened special credit lines to issue credits at an interest rate not higher than the Central Bank's refinancing rate, for the modernization of agricultural equipment and machinery, construction of greenhouses, and implementation of drip irrigation systems. In addition, the State Fund to Provide Agricultural Equipment to Rural Areas has been active since 2000; it provides annual funding for deliveries of modern equipment and machines to agricultural producers on leasing terms.

The government regulates the prices of raw cotton and grain procured for state needs. State procurement prices for raw cotton are set by the Ministry of Finance of the Republic of Uzbekistan not later than 15 days prior to the commencement of harvesting, based on the average cotton fibre price projected in the world market for the period of raw cotton harvesting and on the Central Bank's forecast currency exchange rate.

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