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Table of contents

Introduction	5
Degrees of Economic Integration for Achieving a Single Market for Agriculture	9
1. Abstract	9
2. Degrees of economic integration.....	9
3. The CAP system.....	11
4. The CAP and integration process	12
<i>Internal process</i>	13
<i>External process</i>	14
<i>Further integration</i>	14
5. Conclusions	16
Creating a Single Market for Agriculture in the European Union	18
1. Introduction	18
2. What is the EU Single Market?.....	18
3. The history of the EU single market.....	20
4. Monitoring and enforcing the EUSM.....	20
5. Special issues associated with single market and agriculture in the EU	21
<i>The Single Market and the Common Agricultural Policy</i>	21
<i>Food products, consumer protection and SPS issues</i>	24
6. Conclusion.....	25
Building an Integrated Seed Sector Market in the Customs Union	26
1. Introduction	26
2. Develop an appropriate and effective seed policy, law and regulatory framework	27
3. Establish and implement a system of plant variety rights and protection	27
4. Enhance seed quality control system.....	29
5. Develop a reliable and internationally acceptable seed certification system for seed movement across the borders	30
6. Facilitate the establishment and/or strengthening of National and Regional Seed Association	30
7. Conclusions	31
Establishing a Common Agricultural Market for the Customs Union and the Common Economic Space: Stages and Outlook	33
1. Agreement on Common Rules for the State Support for Agriculture.....	33
2. Agro-industrial policy of the Customs Union	37
<i>Characteristics of the coordinated agro-industrial policy</i>	37
<i>Characteristics of the single agro-industrial policy</i>	39
<i>System of measures to ensure the progressive development of the Eurasian Economic Union</i>	40

INTRODUCTION

David Sedik

The Eurasian Economic Commission (EEC) was formed in 2010 as the regulatory body to oversee the implementation of the single market within the Customs Union of Russia, Kazakhstan and Belarus. By 2013 the Customs Union had already laid much of the legislative basis for the operation of the single market. For instance, regulatory legislation has been set up in the following areas in order to realize the single market within the Customs Union countries:

1) *Harmonized agricultural support policy.* This is in accordance with the international agreement between the three governments of the Customs Union, the “Agreement on the Rules for State Support of Agriculture” (9 December 2010). This document sets limits for overall support to agriculture, as well as a schedule of reductions over time. The Eurasian Economic Commission is charged with collecting information on support and monitoring the implementation of the agreement.

2) *Harmonized macroeconomic policy.* The “Agreement on Harmonized Macroeconomic Policy” (9 December 2010) foresees coordinated macroeconomic policies in the main directions of economic development policy and sharing of information.

3) *Harmonized competition policy.* The “Agreement on Common Principles and Rules for Competition” (9 December 2010) foresees the formation of a common competition policy to facilitate the free movement of goods, freedom of economic activities and effective functioning of goods markets within the customs union.

4) *Harmonized trade policy, including for agricultural goods and food.* This principle is upheld through a number of agreements, including the “Agreement on a single tariff regime” (25 January 2008); “Agreement on common measures for non-tariff regulation in relation to third countries” (25 January 2008); and the “Agreement on the use of special protection, anti-dumping and compensation measures in relation to third countries” (25 January 2008).

5) *Mandatory technical specifications for goods.* A legal basis is being formed for mandatory technical specifications for goods based on the “Agreement on common principles and rules for technical regulation in Belarus, Kazakhstan and Russia” (18 November 2010). The technical specifications are set by the Customs Union.

6) *Common SPS, veterinary, quarantine and pesticide and agrochemical rules.* The Customs Union has several agreements aimed at ensuring a unified approach to veterinary issues, common principles and norms of veterinary control, quarantine rules, phytosanitary control and on the safe handling of pesticides, agrochemicals. The relevant agreements are the “Agreement of the Customs Union on Veterinary and Sanitary Measures” (11 December 2009) and the “Agreement of the Customs Union on Plant Quarantine” (11 December 2009).

A concept paper for the expansion of the nature of the Customs Union to one more resembling an economic union was issued by the Supreme Eurasian Economic Council in May 2013. The

“Concept of an Agreed (Coordinated) Agro-Industrial Policy of the Member Governments of the Customs Union and Single Economic Space” (Decision of the Supreme Eurasian Economic Council, no. 35, 29 May 2013) foresees further integration along the following lines.

1) *Unified policy on agricultural development.* This would involve the joint identification of priorities of development and indicative indicators (forecast indicators) for the Customs Union and Unified Economic Space as a whole, while taking into account national government priorities. As a first step, commodity demand and supply would be forecast for the three countries of the Customs Union using existing forecast tools. As a second step, forecasts would adopt a common forecasting methodology. The third step would involve joint forecasting using the common methodology. The EEC would put out occasional informational-analytical bulletins on the situation and outlook for commodity markets within the Customs Union.

2) *Harmonized state support of production and processing of agricultural products.* The legislation and goals of regulation for ensuring a harmonized agricultural support policy are in the international agreement between the three governments of the Customs Union, the “Agreement on the Rules for State Support of Agriculture” (9 December 2010). The EEC will be charged with

- monitoring and analysis of support measures, including the assessment of their consistency with legislation;
- preparation of reviews of state policy and support within the Customs Union, including checking the computation of state support submitted by member countries.
- Preparation of recommendations for increasing the effectiveness of state support of agriculture and for changes in legislation. These recommendations may be taken into account in the budget planning process of member governments, as well as in the legislation process in order to ensure the implementation of the “Agreement on the Rules for State Support of Agriculture”.

3) *Regulation of the single agrarian market.* In order to facilitate regulation of the single market by the EEC member countries of the Customs Union will:

- Monitor prices on commodity markets for an agreed set of agricultural goods. This will enable the EEC and governments to assess the economic situation in agriculture within the member states.
- Coordinate the use of regulatory measures in order to ensure a level playing field on commodity markets within the entire unified economic space of the Customs Union.
- Inform business about the possibilities of special protection anti dumping and compensatory studies and the implementation of appropriate measures as member states become members of the WTO. As members of the WTO member states will be more limited in adjusting tariffs for protecting their markets.

- Support modernization and construction of market infrastructure for the maintenance of an even playing field on commodity markets, for instance:
 - Storage centers, logistical centers, wholesale and specialized markets (including livestock exchanges)
 - Sea and river terminal complexes
 - Specialized transportation (including auto, sea and river transport, as well as train wagons)
- Construct unified market institutions. Member states should have unified rules on grain receipts and receipts for other commodities. They should create incentives for increasing the volume of non-exchange electronic trades, including for government needs. It would be useful to have a common commodity exchange for the three countries.
- Ensure the unification of train tariffs, according to the “Agreement on regulation of access to train transport, including pricing” (9 December 2010).

The commission will

- Produce situation and outlook reports for the member states. These will include information on prices for agricultural commodities produced within the customs union for export, including analysis of prices on all stages of production; world market price monitoring; comparative analysis of price competitiveness of agricultural products produced by member states; analysis of member government support measures; and recommendations for raising the effectiveness of support measures.
- Hold consultations on issues of regulation of agricultural markets within the customs union.

4) *Common technical specifications for agricultural products and their trade.* This involves the working out of common rules on food safety, on safe transportation of products, on safety of plant protection agents, fertilizers, feed supplements, veterinary medicines and supplies, common regulations on seeds, unified SPS zone, unified seed register, as well as unified register of pedigreed animals.

5) *Common sanitary, phytosanitary and veterinary measures.* Regulation of veterinary and SPS issues in the customs union should be transitioning towards a common veterinary, sanitary and phytosanitary zone within the countries of the Customs Union. This involves, common control and veterinary certification, common methodology of monitoring epizootic situation in the customs union, a common farm to fork traceability system for animals and plants, common system of laboratory control, etc.

6) *Common policy on development of agricultural exports.* Development of agricultural exports should proceed on the basis of an agreed export policy between the states. This should include sharing information on third country barriers to trade, use of an agreed system of

Geographical Indications, assistance between member governments on certification of production for export to third countries. The EEC will make proposals for implementation of a common agricultural commodity export policy.

7) *Common research and innovation policy.* The member countries should work out a coordinated and/or joint program of agricultural research to include all aspects of agricultural research.

8) *Integrated information system for agriculture.* Member governments should share information regarding statistics, situation and outlook analysis and other information on agriculture. The EEC will propose a methodological basis for a common database.

From the above description it is quite clear that the plans for the Customs Union extend considerably beyond the scope of an actual customs union. In fact, the goal seems to be nothing short of an economic and, to some degree, political union, at least in the sphere of agriculture. However, the integration process within the Customs Union appears to be a predominantly top-down process. Such an approach may create difficulties for real integration. We know already that implementation of the “Agreement on the Rules for State Support of Agriculture” (9 December 2010) has been less than satisfactory. Kazakhstan and Belarus have reported on levels of subsidies only sporadically and the methodology of reporting has not been consistent, which brings into doubt the feasibility of achieving the much more ambitious goals of the overall policy of economic and political integration within the Customs Union. It is partly as a reaction to the less than effective beginnings that the mandate of the EEC seems to be set to expand according to the “Concept of an Agreed (Coordinated) Agro-Industrial Policy of the Member Governments of the Customs Union and Single Economic Space” (Decision of the Supreme Eurasian Economic Council, no. 35, 29 May 2013).

In January 2014 the FAO Regional Office for Europe and Central Asia held a seminar in the Eurasian Economic Commission on the issue of the single market for agriculture in the Customs Union and the European Union. The seminar consisted of presentations by experts on European integration and by Eurasian Economic Commission staff. Policy briefs on the single market in the EU were drawn up by experts on the European integration, while the EEC participant gave a presentation on the expanding mandate of the Customs Union and the EEC as its regulatory body.

DEGREES OF ECONOMIC INTEGRATION FOR ACHIEVING A SINGLE MARKET FOR AGRICULTURE

Katarzyna Śledziwska

1. Abstract

Progressive integration has been one of the most characteristic elements of economic development worldwide and the EU is both a prime and unique example. European integration, within the EU framework, has played a key role with respect to agriculture and was one of the major conditions that had to be addressed for the whole process to succeed. The Common Agriculture Policy (CAP) is one of the instruments that has been applied to achieve, develop and further deepen this integration. A straightforward policy of keeping agricultural prices high and stable plays a key role in the process.

This brief takes a closer look at the issue of European integration in the context of agriculture. First it reviews the concept of economic integration and discusses its nuances and stages of progression. Subsequently, it analyses the basic principles of the CAP. Finally, this brief analyses the potential relation of economic integration on the sustainable management of agriculture.

2. Degrees of economic integration

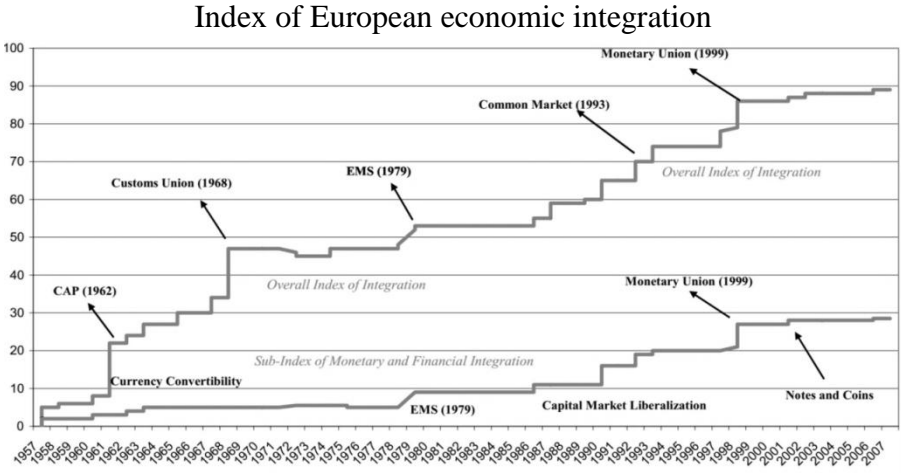
In general, the term “economic integration” refers to a process by which some countries enter into an agreement in order to enhance regional cooperation. The motivation can be economic or political, and the degree of integration can vary significantly. The most basic approaches involve framework agreements, which outline principles for dialogue on trade and related issues, usually between two countries. More formal economic integration can be classified into four stages (Machlup, 1977). First, there are free or preferential trade agreements (FTAs/PTAs) whereby the member countries eliminate tariffs and quotas on almost all goods and services traded between them. Second, customs unions augment FTAs by incorporating a common external tariff for member countries vis-à-vis non-member countries. Third, a common market extends customs unions to include free movement of the production factors (capital and labour) and common policies on product regulation. Fourth, there are economic and monetary unions which consist of a common market together with a common currency.

Furthermore, the literature classifies regional integration schemes as either “shallow” or “deep” (Lawrence, 1996; Hoekman, 1998). The former involves the removal of barriers to trade in goods, i.e. forming a free-trade area or a customs union. The latter moves beyond this form of simple economic integration, and demands the removal of internal barriers that disfigure the allocation of international production within the region; e.g. fair treatment of foreign direct investment (FDI) and the protection of intellectual property. The minimum requirement of any “deep integration” agreement is the provision of national treatment to business activities of other trading partners (i.e. the principle of giving others the same treatment as one’s own nationals). Usually, however, “deep integration” requires the countries involved to harmonize a variety of policies (fiscal and industrial) and adopt common standards in many fields (e.g. labour and health).

Research by economic historians allows the progress of European economic integration to be quantified.

The five main stages of the European Union’s regional integration are identified below.

1. In Stage 1: the EU 6 formed a Free Trade Area (FTA): i.e., an area where tariffs and quotas are abolished for imports from the members’ area, while national tariffs and quotas against third countries are retained. Tariffs were actually reduced in three steps starting in 1957 and ending in 1968;
2. In Stage 2: the EU 6 formed a Customs Union (CU): i.e., a free trade area setting up common tariffs and quotas (if any) for trade with non-members. The EU 6 have had a CU since 1968;
3. In Stage 3: the EU 6 formed a Common Market (CM): i.e., they abolished non-tariff barriers to trade (i.e., promoting the integration of product and service markets) as well as restrictions on factor movement (i.e., promoting the integration of capital and labour markets). This has been the case for the European Community since 1993 (with the launch of the European Single Market). In any case, the CM was already one of the objectives of the Treaty of Rome (i.e., the so-called “four freedoms”, although capital market integration remained low for a long time);
4. In Stage 4: the EU 6 formed an Economic Union (EUN): i.e., a common market with a significant degree of co-ordination of national economic policies and/or harmonization of relevant domestic laws. This is the case for the European Union today;
5. In Stage 5: the EU 6 pursued Total Economic Integration (TEI): i.e., an economic union with all relevant economic policies conducted at the supranational level, in compliance with the principle of subsidiarity. An example of TEI is the Eurozone with a single monetary policy, which can be currently classified somewhere between a EUN and a TEI. However, some supranational authorities and joint rule making were established at the Treaty of Rome in 1957, and have subsequently been enhanced.



Source: Mongelli et al. (2007)

The figure above shows that institutional integration has gone through the following phases: a rapid early growth driven by “real” economic integration; a period of modest increase over

the 1970s and part of the 1980s; and a period of surge driven by monetary and financial integration; and finally a period of modest growth again.

Main deepening phases:

- Customs Union formation 1958-68
- Single Market 1986-92
- Economic and Monetary Union 1993-2001

3. The CAP system

Discussions on the integration of agricultural policy in Europe began immediately after the Second World War ended. The talks took place at The Council of Europe and the OEEC (Organization for European Economic Co-operation) between seventeen nations, based on proposals from France, the UK and the Netherlands. There were two important issues regarding the agricultural policy. The first was to ensure the security of food supplies, and the second was the security of income for farmers. The former had many aspects. Production was low due to the effects of the war, and it was essential to increase productivity and the level of production. There were three reasons for this. Firstly, people were suffering as result of a decline in food consumption (Foreman-Peck, 1983 p. 270), next, the high level of dependency on food imports was seen as political weakness, and finally foreign currency and especially US dollars were a scarce resource (Hoffmeyer, 1958).

With the signing of the Treaty of Rome in 1957 and the establishment of the EEC on 1 January 1958, the common agricultural policy came into being. Agriculture was covered in articles 38 to 47 of the treaty, but there were no specific guidelines on operational policy. Article 39 of the Treaty specifies a set of objectives for the Common Agricultural Policy. The policy seeks:

- To increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilization of the factors of production, in particular labour;
- Thus to ensure a fair standard of living for the agricultural community in particular by increasing the individual earnings of persons engaged in agriculture;
- To stabilize markets;
- To ensure the availability of supplies; and
- To ensure that supplies reach consumers at reasonable prices.

Other important points are stated in articles 40 and 43. Article 40 says that the common agricultural policy would be implemented in stages during a five-year transition period starting in 1962. Article 43 places the responsibility for designing the actual policy with the Commission, and an explicit deadline of two years was set.

The establishment of a customs union for manufactured goods is simpler than for farm commodities. A customs union that deals solely with manufactured goods needs only an elimination of tariffs and quotas and NTBs on internal trade, and establishing the rules on competition as well as an introduction of the common external tariff. However, introducing a

similar arrangement for farm goods is a much more formidable task. This is not only because of the natural significance and character of the production process, but also because of the general need and political desire to keep a part of the population in the farm business.

The established system has three basic principles (European Commission, 1960):

- The existence of a common market organization for agricultural goods that may circulate freely in the EU (i.e. no barriers to trade in agricultural products between the member states), prices are the same throughout the EU and administrative and health standards are harmonized;
- The preference for Community produced farm goods over imported ones (i.e. suppliers from within the Community were to be given preference in the market over those from outside the Community);
- Financial solidarity regarding the cost of the CAP among the EU member countries (i.e. common financing: funding for the CAP would be through a European budget for all revenues and expenditures generated by the policy).

These principles were implemented, more or less, in the course of the 1960s. A tariff union was created to ensure a common market based on free trade for agricultural products between the six countries. All agricultural products were given their own market organizations with institutional prices. The market price on the internal market was to be stabilized through a system of intervention. In order to maintain (high) prices at all times, the market organizations were combined with a system of variable import levies and export restitutions. In connection with this system, a Community preference was introduced to further protect farmers in the six countries. The principle of common financing meant that all costs and benefits of the CAP were a matter of common interest and were to be handled through the Community budget. After a period of transition, the CAP was fully implemented in the late 1960s.

When the CAP set up in 1962 the price support was the main policy instrument; the six countries together were net importers of agricultural products and could thereby benefit from import levies. Price support was paid for by the consumers, and European consumers had been paying high prices for food for a long time. This, together with a high level of economic growth in Europe in the 1960s, made it easier for the governments to choose this policy rather than a policy based on direct payments financed by taxpayers that would have put pressure on the national fiscal budgets of the six countries.

Initially, the emphasis of the CAP was on internal market integration and protecting EU agriculture from world markets. Later on, when for several products the EU switched to becoming a net exporter and became more dependent on world markets for surplus disposal, issues of external integration (world trade relations and policies) became more prominent.

4. The CAP and integration process

Reviewing the evolution of the CAP from the integration perspective suggests that the aspects of internal and external integration should be distinguished.

- Internally: the CAP is to ensure a determined price level on the EU domestic market. If the price of a farm good falls below the intervention price, the excess must be purchased by the intervention agencies in unlimited quantities in order to keep the internal EU price of the good at the guaranteed minimum level.
- Externally: the CAP maintains the high level of tariffs for imports for farm goods. This threshold price protects the internal EU farm market both from foreign competitors and from fluctuation of prices in the external market. At the same time, the EU subsidizes exports of internal surpluses of farm goods abroad. This policy became a stumbling block in international trade negotiations and created a number of frictions in international trade. In fact, the CAP is the most obvious example of an inward-oriented sectoral integration arrangement that has resulted in trade diversion.

Internal process

The integration of the economies in Europe was also a means for achieving greater stability and peace. Germany and France believed that its comparative economic strength was in agriculture production. Post-war France could therefore only agree to join the integration policies provided that it could expand its markets for agriculture products in Europe in exchange for German industrial expansion. The second aim of the CAP proposed for the EEC was the price policy. The EEC member states were to give preferences to EEC agriculture products by creating an artificial price differences with the world market by means of imposing a levy on imports.

Within the EEC, France directed its political attention on warranting a watertight guarantee by attempting to secure detailed regulations for agricultural markets. Outside the EEC, trade policy was paramount for France; for example, during the Kennedy Round (1964-1967), when the EEC negotiated the issue of tariffs, mainly on industrial goods. France, however, was not prepared to accept an attractive deal in this area unless there was also an agreement about tariffs on agricultural products and thus also about the common price in the EEC.

The stand taken by France was extremely effective and the EEC countries also agreed on common prices (i.e. intervention price). This, combined with the detailed market regulations, gave almost complete common agricultural price policy. Of course, we now know that this policy has led to storage and over production. At first the necessary payments were made with the national treasuries. But France thought it would be safer if the payments of levies for restrictions and intervention were made at the European level; which led to the creation of the European Agricultural Guarantee Fund.

The receipts for this fund in the form of levies were originally high enough to guarantee the payments for refunds or intervention, but over the years this has changed completely – there were shortfalls in the fund, which were supplemented by payments from the EEC budget. Each member state had to contribute to this budget through a certain percentage of value-added tax. This percentage increased by 1.6 percent nearly every year. It also became an issue to change the basis of the contribution: instead of VAT some preferred national income to be the benchmark.

The overall result of the agricultural policies and development in European farming was an increase in production at guaranteed (quite high) price levels. This resulted in surpluses which created all kinds of problems: high budgetary expenses but not the desired level of income for farmers. In order to reduce these problems an attempt was made to bring about a complete modernization and restructuring of agriculture – the Manshold Plan (followed by others) was implemented.

External process

The introduction of the CAP had two consequences that led to conflicts in trade relations on multilateral (GATT/WTO) and regional (RTAs) levels of trade integration. First, it introduced domestic subsidies in the EU that artificially increased domestic production of farm goods and, hence, reduced imports. Second, excess domestic production of farm goods created surpluses that were exported with hefty export subsidies.

Protection of farmers' income in the EU is achieved, among other ways, by restricting competition from third countries within the EU market. This is done by the employment of an efficient and flexible system of variable levies on imports of agriculture products. None the less, the EU is also the largest importer of agricultural commodities in the world. On the export side, the EU is the largest exporter of farm goods. As such, it influences the quantity, location and structure of international production, prices and trade in farm goods.

The global trade in agricultural goods is riddled with tariffs, NTBs and distortions unknown to the trade in other goods since the Great Depression and protectionism of the 1930s. Even though their agricultural population is shrinking, developed countries spend about USD 300 billion a year on farming subsidies. The Uruguay Round (1986-1994) introduced agriculture into the WTO. The EU restricted the market access. The highest tariffs within these groups of goods are for meat, dairy products and cereals.

Prior to the Uruguay Round, the EU and other countries could continue with their policy in the field of agriculture as they chose to suit their own domestic interests. The principal achievement of the World Trade Organization during the Uruguay Round was to include agriculture in the scope of its coverage. However, the major constraints on the CAP were not, actually introduced.

The CAP has had a strong impact on the structure of regional integration through RTAs. The agreements that the EU offers to its external partners have several common features, but one is particularly striking. As a rule, the deals basically refer to liberal for manufactured goods. Agriculture goods are generally excluded from coverage, although there may be selected concessions.

Further integration

From the late 1960s to the beginning of the 1980s, CAP changes had a piecemeal character. The important element in this phase was making further progress with market and policy integration. A number of decisions preserved the unity of market and prices but had to cope with a lack of policy integration. This held in particular with respect to the divergent

monetary policies pursued by EU member states, which required several realignments between exchange rates.

The system became complicated due to additional rules for the solution of monetary problems and the problems that arose in relation to the substitutes and surpluses. The first complication arose as a result of the devaluation of the French franc (FF) in 1969 and the revaluation of the German mark (DM) which followed. The devaluation led to an increase in the price of agricultural products for French consumers and a higher income for French farmers. The French government did not consider this advisable. However, the maintenance of the old exchange rate against the EUA (European units of account) was not possible. The intervention price in EUA and in francs remained the same, but on exporting to Germany the picture was different. By offering the French wheat to the intervention boards in Germany, the old price in EUA and in DM could be obtained, and the marks were then exchanged at any bank for more francs than before. This made exports very worthwhile. Supplies could become dangerously low in France and the German intervention boards would be flooded with French produce. The market would be destabilized?

To avoid politically unacceptable consequences for farm incomes, inflation rates and unity of agriculture prices, the Community instituted a system of import and export payments in intra-Community trade in agricultural products. These payments were negative (levies) or positive (restitutions) according to whether products passed from a weak currency country to a strong currency country or vice versa. This was the system of monetary compensatory amounts (MCAs).

The level of the MCAs had to be continually readjusted. Prices in national currencies showed a different trend in each of the MS, and uniformity of market prices had thus been lost.

The MCAs had the effect of breaking the unity of the common market in agriculture, leading to distortions. The Community decided to dismantle it introducing the switchover mechanism with Regulation 855/84. This brought about an increase in prices in national currencies for farmers throughout the Community in order to keep prices stable in one or two of them where there had been a revaluation of currencies. The system also contributed to increased Community expenditure because of the increases in all prices, subsidies and the aid paid.

Since exchange rate variations continued and became more frequent, these MCAs remained in force, and were readjusted every week in periods of high currency unrest. With the establishment of the European Monetary System (EMS), the EUA was replaced by the green ECU. This was the equivalent of the ECU as defined in the EMS, plus 20.75 per cent. The percentage increase was the result of a re-alignment between the green ECU and the ECU_EMS which took place on 1 February 1995.

The removal of border controls at the end of 1992 was the consequence of the full implementation of the Single Market Programme; hence the impossibility for the continuation of MCAs. An agreement was reached in December 1992, at the last minute, how to proceed after the Single European Market was in place. The “green rates” continued to apply but the European Commission was authorized to change them as required to avoid the necessity of MCAs. In 1995 ministers of agriculture agreed to introduce a “dual green currency” system,

one for direct currency payments, and the other for the price support payments. This was intended to protect the income of farmers in the countries where currency revaluations endangered the value of CAP prices in national currencies. The principal components of the agreement included three items. First, in countries in which revaluations took place before the end of 1995, there was a freeze in the rates for payments of aid for reforms such as set-aside land, until the end of 1998. Second, the compensation payments for farmers in countries whose currency was revalued were limited to a period of three years and it was due to decline during that period. Third, member states were permitted to pay farmers a flat aid from the national budgets to compensate for the losses suffered because of the movements in the exchange rates in 1994 and 1995. Half of these payments came from the EU budget.

The introduction of the Euro got rid of all these complications. After 30 years there was a return to the normal situation existing prior to 1969. Since 1 January 1999, all agricultural payments have been made at the parities of the national currencies with the euro and no longer with the green ECU.

5. Conclusions

The CAP is a pillar of European integration and strongly affects its integration process. In no other field have so many competencies been transferred to the European level. The CAP gets a strong influence on the framework of both internal and external economic integration. However, it is also a beneficiary of the integration process especially due to the monetary integration.

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CREATING A SINGLE MARKET FOR AGRICULTURE IN THE EUROPEAN UNION

Stephan von Cramon-Taubadel

1. Introduction

With the adoption of the Single European Act in 1986, the EU committed itself to creating a single market based on the so-called *Four Freedoms*: free movement of goods, persons, services and capital. However, many elements of the EU Single Market were already in place prior to 1986. And while the completion of the Single Market was celebrated in 1992, it was in fact incomplete then, and despite impressive progress since it remains incomplete today.

The EU Single Market (EUSM) and the EU's Common Agricultural Policy (CAP) have evolved together but not always in harmony over the decades since the EU was established. This policy brief reviews the EU's experience with creating a single market in agriculture. It begins with a description of the EUSM, its history, and implementation and governance mechanisms. It then turns to issues specifically related to the EUSM and its interactions with the CAP.

2. What is the EU Single Market?

A *single market* is an economic integration arrangement in which participating countries establish free trade in goods and services among each other, set common external tariffs vis-à-vis third countries, and also allow for the free mobility of labour and capital among each other. Hence, a single market is an intermediate stage of economic integration that falls between the *customs union* (free trade in goods and services internally, plus a common external tariff) and *economic union* (in which responsibility for fiscal and other economic policy is delegated to a supra-national authority).

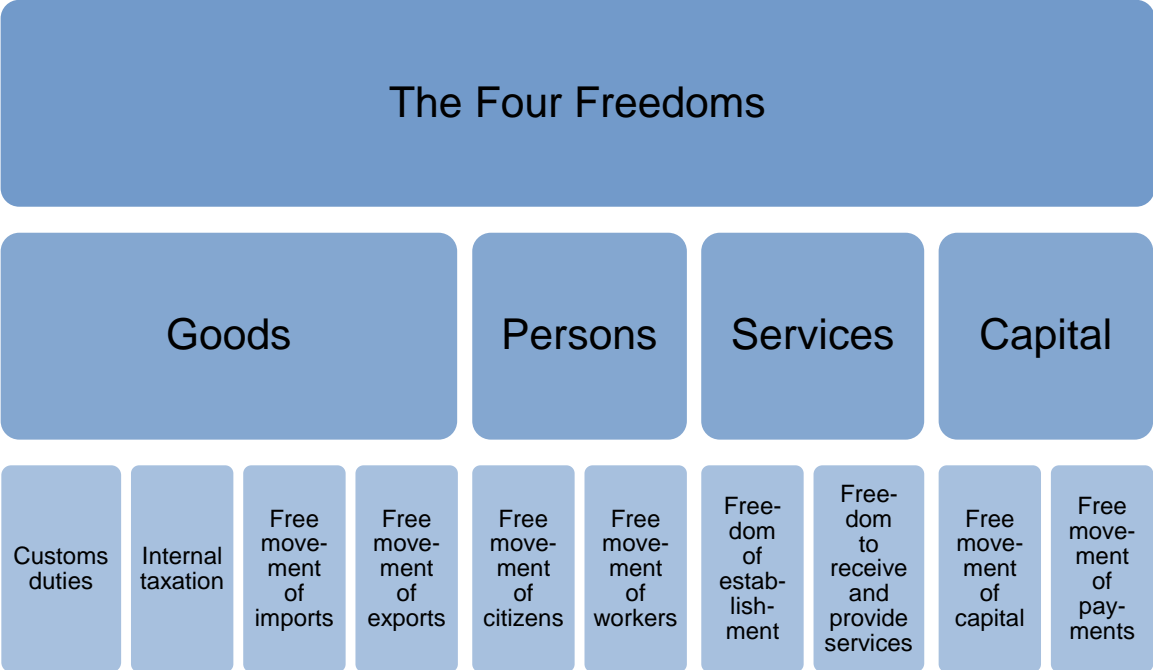
The EUSM is enshrined in the Treaties of the European Union. Article 26(1) of the Treaty on the functioning of the European Union (TFEU - originally the Treaty of Rome which has been in effect since 1958) stipulates that the EU will "adopt measures with the aim of establishing or ensuring the functioning of the internal market". Article 26(2) TFEU then defines the EUSM as "an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured". Articles 28 through 66 TFEU contain provisions that describe these Four Freedoms in detail. Figure 1 outlines the Four Freedoms and the treaty articles that underlie them.

The EUSM is complex, but can be summarised as the result of two main types of action by EU authorities. First, various articles in the EU Treaties establish general principles that restrict the Member States' ability to establish barriers to the Four Freedoms. For example, Article 34 TFEU forbids quantitative restrictions on imports between Member States. This is

referred to as *negative integration* as it is based on preventing the creation of new barriers to the Four Freedoms.

Second, the EU Treaties empower the EU to make laws that remove existing barriers to the Four Freedoms that result from legislation in the Member States. These laws can take the form of so-called *Regulations* that, once passed, automatically become national law in the Member States. Alternatively, they can take the form of so-called *Directives* that Member States are required to implement into national laws. For example, the Services Directive (Directive 2006/123) establishes the conditions under which any person or company that is appropriately registered in one Member State is allowed to provide services in another Member State. As a result of the Services Directive, some Member States' legislation that limited the rights of service providers from other Member States has had to be amended or rescinded. This second type of action by EU authorities, which eliminates existing barriers to the Four Freedoms, is referred to as *positive integration*.

Figure 1: Schematic depiction of the EU Single Market's Four Freedoms



Source: HM Government: Review of the Balance of Competences between the United Kingdom and the European Union - The Single Market. London, July 2013.

The immediate goal of a single market such as the EUSM is to make the movement of goods, services, persons and capital as easy between participating countries as it is within each of these countries. This goal is not pursued for its own sake, however; it is pursued because it can contribute to improving the welfare of the citizens of the participating countries. For citizens of the EU Member States, the free movement of persons means that they are free to live, work and study anywhere within the EU. The free movement of goods, services and capital increases also competition within the EU, which lowers prices and increases the range of choices available to consumers. Finally, all of these freedoms contribute to a more efficient allocation of productive resources within the EU, which increases total production and economic wealth.

As outlined above, however, these benefits come at the cost of reductions in national sovereignty. An EU Member State cannot choose its own trade policy: it is not permitted to establish any trade barriers to imports from other Member States and it must coordinate its trade policy vis-à-vis third countries with all of the other Member States (subject, at a yet higher level, to the EU's WTO commitments). As a result, Member State governments cannot resort to certain measures that they might otherwise wish implement. The German government, for example, is not able to protect its dairy industry by blocking imports of French cheese, just as the French government is not able to block imports of German cars to protect its domestic automobile industry.

3. The history of the EU single market

As described above, the EUSM was an important element in the original Treaty of Rome, now the TFEU, which was signed by the EU's original 6 Member States and came into effect in 1958. However, the terms *common market* or *internal market* were used more often than *single market* at that time.

By 1968 the customs union had been established and duties and tariffs on trade between the Member States were abolished. But considerable non-tariff barriers to inner-EU trade remained, for example in the form of national packaging and certification requirements. Further progress towards the EUSM was limited until the mid-1980s, a time when many in the EU were concerned about economic stagnation, often referred to as *Eurosclerosis*.

In 1985 the European Commission submitted a White Paper entitled "Completing the Internal Market" (COM(85)310) which outlined plans for revitalising progress towards the EUSM. These plans included 279 legislative measures to be implemented by 1992 as well as several changes to the Treaties - in particular an article which would make it possible to adopt most of the above-mentioned legislative measures by majority vote rather than unanimity, which had been required so far. The Single European Act, which modified the Treaties and was adopted in 1986, included many of these proposed changes and committed the EU to establish a functioning single market by the end of 1992.

By this deadline, most of the proposed 279 measures had been passed, and the completion of the EUSM was formally celebrated on December 31, 1992. The 1986-1992 period saw an increased emphasis placed on mutual recognition of national standards by the Member States rather than explicit harmonisation of standards in EU legislation.

Despite the considerable progress made by 1992, the EUSM was not complete. In particular the free movement of services lagged behind goods and persons. The two decades since 1992 have been spent deepening and completing the EUSM. In a 2012 Communication "Single Market Act II" (COM(2012)573) the European Commission proposes a set of priority actions to further develop the EUSM including, for example, measures to further integrate transport, energy and digital networks in the EU.

4. Monitoring and enforcing the EUSM

As the guardian of the Treaties, the *European Commission* is responsible for ensuring that the Member States comply with the legislation that provides for the EUSM. To this end the EU

Commission compiles Single Market Scorecards for each Member State that present information on performance with respect to a number of indicators.¹ These indicators include: the so-called transposition deficit (the difference between the number of single market laws that have been adopted by the EU and the number that have been translated or "transposed" into domestic law); the number of single market laws in the Member State that have been waiting two years or more for transposition; and the so-called compliance deficit which measures the number of single market laws that have been transposed incorrectly.

The EU also maintains services such as SOLVIT, which enables individuals or enterprises to submit complaints if they feel that they are not being permitted to exercise their rights under the EUSM in another Member State. If, for example, an individual feels that her professional qualifications are not being recognised appropriately in another Member State, SOLVIT provides a platform that seeks a solution without legal proceedings. If such a solution cannot be found, individuals and enterprises can take legal action or lodge formal complaints with the European Commission. If the European Commission is concerned that EU laws are not being applied properly in a Member State, it can initiate infringement proceedings against this Member State. The final instance in all cases is the European Court of Justice, which ultimately rules whether a breach of EU law on the EUSM has taken place.

5. Special issues associated with single market and agriculture in the EU

Agriculture does not receive any special treatment in the EUSM. The Four Freedoms apply to agricultural inputs and outputs, to persons employed in agriculture and to firms that provide services such as consulting or marketing in agriculture. However, two factors have created unique challenges for the implementation of the EUSM in agriculture. The first of these factors is the fact that agriculture in the EU, as in many other countries, is subject to extensive regulation and support policies. The second factor is the fact that food is a necessity that has a direct impact on consumer health and safety. In the following these two factors are discussed in greater detail.

The Single Market and the Common Agricultural Policy

Early in the history of the EU, the decision was made to establish a Common Agricultural Policy (CAP) that would apply in all Member States. This policy was to be based on three fundamental principles that were established in 1962. These principles are:

- i. *Market unity*, which calls for the free exchange of agricultural products among the Member States without any barriers.
- ii. *Community preference*, according to which EU consumers should purchase domestic agricultural products in preference to imported agricultural products in order to protect the EU market against low and fluctuating world market prices.

¹ See http://ec.europa.eu/internal_market/top_layer/monitoring/governance_en.htm for the full set of individual Member State Single Market Scorecards. For a summary of the Member States' performance, see http://ec.europa.eu/internal_market/scoreboard/performance_by_governance_tool/transposition/index_en.htm.

- iii. *Financial solidarity*, according to which the Member States are jointly liable for the financial consequences of the CAP - i.e. all revenue that is raised by the CAP (e.g. from common tariffs on agricultural imports) accrues to a joint budget, and all expenses that arise from the operation of the CAP are paid for from this budget.

The first principle, market unity, is equivalent to a single market for agriculture, although the term *common market* was used more often in the EU when referring to agriculture. The third principle, financial solidarity, implies that the EU aimed to proceed beyond the stage of a single market and to become, at least in agriculture, an economic union with shared policies and corresponding fiscal responsibility. The second principle, community preference, could have been achieved by means of a common external tariff alone, i.e. within the bounds of a customs union. However, this is where the CAP and the EUSM began to interact and create difficulties for policy makers.

To begin with, the Member States had to agree on a specific amount of community preference, i.e. on a common support price level for agricultural products. Member States such as Germany, which had relatively high prices before they joined the EU, wanted a higher common support price level than other Member States, and the ensuing negotiations were very difficult and protracted. In the end, the Member States agreed on common support prices that more in line with German wishes. That fact that these common prices were higher than the average of the prices that had previously prevailed in the individual Member States (Table 1) violated Article 24(5) of the GATT².

As a consequence the EU was required to offer compensation to other GATT members, and ended up agreeing to import oilseeds (such as soybeans) and cereal substitutes (such as tapioca) duty free. At the time the EU did not import significant quantities of these products, so this appeared to be a harmless concession. However, EU livestock producers quickly realised that imported oilseeds and cereal substitutes were a low-cost alternative to high-priced domestic cereals and, therefore, oilseed and substitute imports began to replace domestic cereals in EU feed troughs.

Table 1: Domestic and common agricultural prices in the EU

Product	National prices in 1966/67						Common EU price in 1967/68
	Belgium	France	Germany	Italy	Holland	Average	
Wheat	9.3	8.5	10.5	11.7	10.2	10.0	10.6
Barley	8.3	7.7	10.6	8.6	9.0	8.8	9.1
Milk	9.8	8.4	10.1	9.6	9.6	9.5	10.1

Source: C. Ritson and DR. Harvey (1997): *The Common Agricultural Policy*. CAB International, p. 24.

This accelerated the EU's evolution into a net exporter of cereals by the early 1970s. Since its common support prices were higher than world market prices, the EU was obliged to pay export subsidies to dispose of its rapidly growing export surpluses. As a result, the CAP rapidly became both very expensive and highly unpopular with competing exporters worldwide. Ultimately, this imbalance between high support prices for most agricultural

² The GATT is the General Agreement on Tariffs and Trade, the precursor institution to today's WTO (World Trade Organisation). See http://www.wto.org/english/tratop_e/region_e/regatt_e.htm for details on GATT Article 24.

products, and duty free imports of oilseeds and cereal substitutes - sometimes referred to as the *open flank* of the CAP – became untenable and forced the EU to fundamentally reform the CAP beginning in 1993.

The open flank and the resulting imbalances were not caused by the single or common market for agricultural goods in the EU. It arose because when EU policy makers said "common market" they meant not only a single market in the sense of free movement of agricultural products, they *also* meant a common price policy for these products, with common support prices that were not compatible with the EU's GATT commitments. This experience shows that it is important to clearly distinguish between the concepts of a single market and a common price support policy. It also underlines the importance of fulfilling GATT (now WTO) commitments. Finally, it highlights the dangers of underestimating producers' and consumers' reactions to economic incentives (such as duty-free imports of oilseeds and cereal substitute) and how quickly and dramatically markets can change as a result.

A fundamental contradiction between the CAP and the EUSM also emerged towards the end of the 1960s. When the CAP was established and the first common prices negotiated, the so-called *Bretton Woods* system of fixed exchange rate parities was in place. The Member States decided that they would define common CAP prices in a unit of account (UA) that was equivalent to the US dollar, and that that these common prices would then be translated in to national currencies (such as the German mark or the French franc) using the Bretton Woods parities. The Bretton Woods system began to fall apart in the late 1960s, however, and Member State currencies had to be re- and devalued with respect to the UA. The German mark, for example, had to be re-valued. As a result, the German mark equivalent of a fixed support price in UA (equal to the price in UA multiplied by the German mark/UA exchange rate) should have fallen.

This was politically unacceptable to farmers and the government in Germany. To avoid this price reduction in national currency (and analogous price increases in Member States whose currencies had devalued vis-à-vis the UA), it was decided to implement a special set of so-called *green exchange rates* exclusively for the conversion of agricultural prices. This effectively meant that support prices began to differ across the Member States of the EU, and that a set of special tariffs and subsidies on agricultural trade between Member States – the so-called *monetary compensatory amounts* – had to be introduced to avoid artificial agricultural trade flows.

This special green exchange rate system was highly complex and had to be modified several times in the 1970s and 1980s. The key implication of this system was that there was no EUSM for agriculture. Despite all of the rhetoric and references to a common market in EU agriculture, price levels differed across Member States and agricultural trade remained subject to tariffs at borders within the EU. Indeed, at one point in 1977 the gap between the highest agricultural prices in the EU (in Germany) and the lowest (in the UK) reached 50%, and gaps of 20% and more were common throughout the 1970s and 1980s. Not until the Euro was introduced on January 1, 1999, was the EU finally able to eliminate the green exchange rate system and introduce a truly single market for agricultural goods.

This experience highlights again the crucial distinction between a single market and a common price support policy. It also illustrates the important implications of exchange rate movements for prices within a single market. Even if there is no common price support policy, exchange rate movements inevitably lead to shifts in relative prices for agricultural products and other goods between the members of a single market. These shifts generally benefit producers in devaluing countries and harm producers in re-valuing countries (although the overall impacts are complex and depend on the underlying causes of the exchange rate movements). The resulting changes in competitiveness on the single market are viewed as unfair by those who lose (in the re-valuing members) and often lead to political pressure for measures that - as was the case with the EU's green exchange rate system - compromise the single market.

Food products, consumer protection and SPS issues

Agriculture has also played a special role in the EUSM because free movement of agricultural goods requires agreement on common quality and safety standards for these goods, or at least mutual recognition by the members of each others' standards. At stake are important issues such as animal and plant health and the control of epidemics within the single market. Furthermore, since agricultural goods are for the most part destined for human consumption, quality and safety standards also have a direct bearing on the highly sensitive issue of human health. While Articles 34 and 35 TFEU prohibit quantitative restrictions on imports and exports of goods within the EU, Article 36 states that measures restricting the free movement of goods can be justified for reasons of public interest.

What makes these issues especially challenging within a single market is the fact that it is often difficult to determine whether a member government wishes to maintain or impose a technical barrier to the free movement of goods because it is legitimately attempting to protect its consumers (e.g. from imports with potential negative health impacts) or its agricultural producers. For example, if there is an outbreak of an animal disease such as swine fever in one Member State, neighbouring Member States will understandably want to immediately block all imports of pigs and pork products from that Member State so as to protect their domestic herds and pork sectors. However, in some cases a Member State might impose a technical barrier simply to protect domestic producers against competition from other Member States, or to apply political pressure to other Member States in connection with some other trade or diplomatic conflict.

An important decision on how food standards and the EUSM interact was provided by the so-called Cassis de Dijon case, which was decided by the European Court of Justice in 1979. A German food retailer brought this case to the Court because the German authorities had forbidden it to import a French fruit liqueur called 'Cassis de Dijon'. The German authorities based their decision on the fact that Cassis de Dijon contained only about 15% alcohol, whereas German law required fruit liqueurs to contain at least 25%. The Court ruled that even though this German technical standard applied to both domestic and imported liqueurs it was nevertheless equivalent to a quantitative restriction on imports and therefore in contravention of Article 34 TFEU.

This watershed decision by the European Court of Justice established the principle of *mutual recognition* of national product standards within the EUSM. Mutual recognition means that a product that is lawfully marketed in one Member State must be allowed to be marketed in any other Member State, even if this product does not fulfil all of the technical rules of the importing Member State. Exceptions to this rule are only permitted if they are strictly necessary, for example to protect human or animal safety, to protect the environment, to prevent tax evasion, or to protect national treasures of artistic or historical value. Furthermore, later regulations have both established that the burden of proof when claiming an exception to mutual recognition is on the importing Member State, and set strict deadlines within which such proof must be provided.³ Mutual recognition does not apply in all areas of food standards; in some areas such as the evaluation and authorisation of genetically modified foods, the Member States have agreed instead to *harmonise* their standards.

6. Conclusion

Agriculture in the form of the Common Agricultural Policy has played a multi-faceted role in the establishment and evolution of the EU single market, sometimes leading and even going beyond (towards economic union), and sometimes lagging behind (as was the case when green exchange rates divided the EU into a set of separate agricultural markets). Concerns about animal, plant and consumer health and safety lead to special challenges for the establishment and ongoing management of the EU single market in agriculture. In the final analysis, the EU has successfully evolved into a large single market for almost 500 million citizens, in which the Four Freedoms prevail, largely if not entirely.

³ See http://ec.europa.eu/enterprise/policies/single-market-goods/free-movement-non-harmonised-sectors/mutual-recognition/index_en.htm for details on the principle of mutual recognition and how it is applied in the EU.

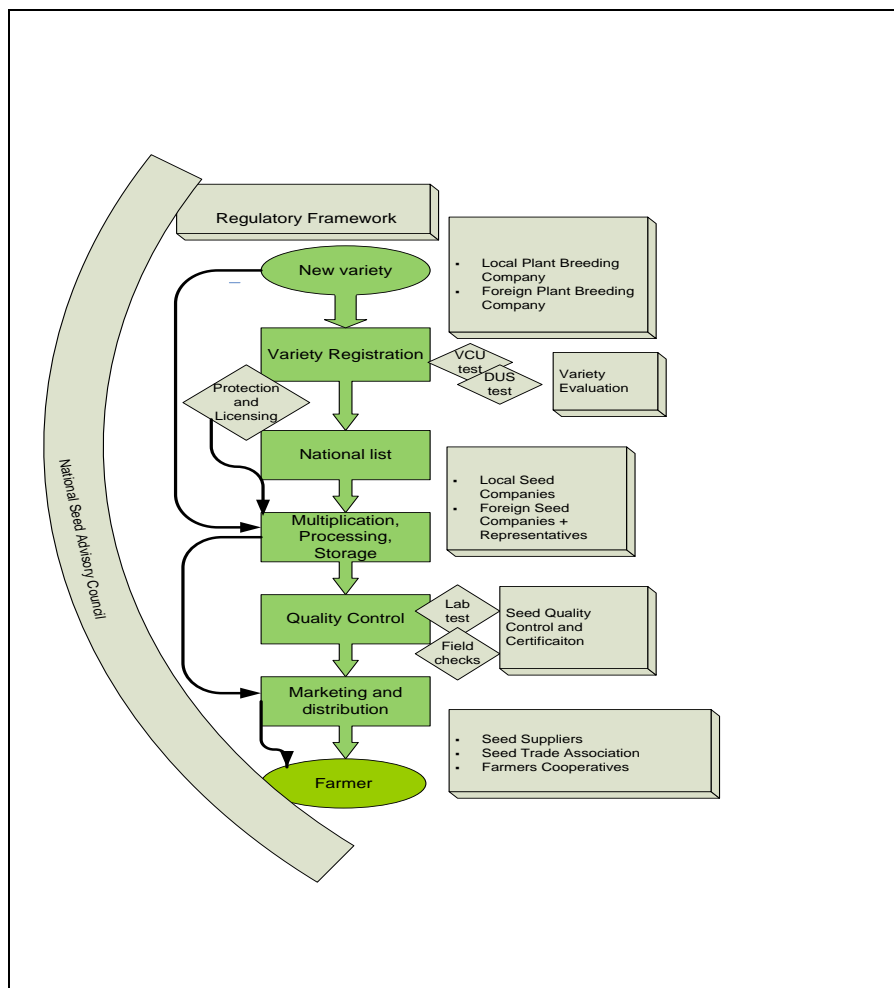
BUILDING AN INTEGRATED SEED SECTOR MARKET IN THE CUSTOMS UNION

Rutger Persson

1. Introduction

The importance of seed in agriculture and its ability to play an important role in technology transfer and improving crop production has led to governments' interest in the organisation of the whole integrated seed system. This has led to public investment in plant breeding and quality control institutions that has played an important role in the public-private partnership in building an integrated and sustainable seed industry.

The illustration below outlines all the essential elements which are dependent on each other in order to function fully, irrespective where in the world the model is applied.



Source: Rutger Persson, Svalöf Consulting AB, organizer of Sida's International Training Program in "Plant Breeding and Seed Production" (2005-2010)

The legal framework are similar in most countries with regard to their organisation and focus, but there are important differences in the application of the seed law and regulations, which have a direct impact on the domestic seed supply, regional and international seed trade.

Based on my experience, the following areas and references are of importance in building an integrated seed sector market in a customs union like the Eurasia Economic Integration:

1. Develop an appropriate and effective seed policy, law and regulatory framework (with EC and individual member's legal framework as a model)
2. Establish and implement a system of plant variety rights and protection (in line with the UPOV convention and future accession)
3. Enhance seed quality control system (with ISTA as a model and possible future membership and accreditation of laboratories)
4. Develop a reliable and internationally acceptable seed certification system for seed movement across the borders (in line with OECD's seed certification schemes)
5. Facilitate the establishment and/or strengthening of National and Regional Seed Association, facilitating the growth of EEC's seed market, ensuring farmers' access to improved varieties and seeds (with the option to apply for membership in the global ISF and/or adjacent Regional Seed Associations)

2. Develop an appropriate and effective seed policy, law and regulatory framework

The Directives on seeds and propagation materials (agriculture, vegetables, vine, forestry, ornamentals, fruit), based on international standards since the 1960's are being revised and amalgamated into one overall directive for seeds, which is planned to come into force in 2016.

The new package will provide more simplified and flexible rules for the marketing of seeds and other plant reproductive material with the aim to ensure productivity, adaptability and diversity of Europe's crop production and forests and to facilitate their trading.

The aim of the legislation is to introduce a broader choice for the user thus including new improved and tested varieties, material not fulfilling the variety definition (heterogeneous material), traditional varieties and niche market material.

The new rules, in line with the Commission's regulation agenda, will in a better way take into account the type of material, production conditions and the size of the business involved. Thus for old traditional varieties and for heterogeneous material, there are only light registration rules. Such categories are exempted from the testing and other requirements of the legislation.

3. Establish and implement a system of plant variety rights and protection

The legal system for variety protection forms the basis for a competitive seed industry, where new varieties are being developed, by both plant breeding institutes and private companies. With the system of protection, licensing and royalty collection in place the incentive for breeding, introduction and marketing of new superior varieties becomes very strong.

The Union for Protection of Varieties (UPOV) provide and promote an effective system of plant variety protection with the aim of encouraging the development of new varieties of plants, for the benefit of society.

The 1991 Act is most frequently selected provision of the UPOV Convention, with the following requirement when a State or Intergovernmental Organization wish to become a member:

- ⇒ Have a law which conforms to the UPOV Convention
- ⇒ Ask advice of the Council of UPOV
- ⇒ If advice positive: deposit instrument of accession

Among the EEC members, Russia and Belarus have been granted accession of UPOV (1991 Act) since 1998 and 2003, respectively, while Kazakhstan has not yet fulfilled the requirements. The latest communication was in on November 28, 2008, when the Office of the Union provided comments on the Law of the Republic of Kazakhstan on the Protection of Selection Achievements of 1999 (the Law) in relation to the UPOV Convention. Consequently, the full impact on protection of varieties will not be visualised until all countries in the EEC have the same system of variety protection in place.

The European Community became the first intergovernmental organization to join UPOV when it deposited its instrument of accession in 2005.

The Community Plant Variety Rights within the EU are administered by the Community Plant Variety Office (CPVO). It receives more requests for variety protection than any other member of UPOV. The CPVO provides for one application, one examination and one title of protection that is valid and enforceable in all members of the European Union.

The CPVO is a model to be more closely examined and followed by a Customs Union like EEC.

The Community Plant Variety Right acquis:

- Provides uniform, harmonised EU-wide intellectual property protection for new plant varieties;
- Strikes a reasonable balance between breeders, growers and consumers;
- Can be considered an appropriate EU regime, enabling grant of intellectual property rights and coexisting with national systems;
- Incentivises breeders to invest in research and develop new plant varieties, and enables their exchange for breeding and experimentation;
- Meets environmental, social and economic sustainability objectives through a system that encourages the creation of new varieties.

In a recent survey, stakeholders in the EU are happy with the system of plant variety rights and wish to retain it in its current form, but with some adjustments.

The UPOV Office has confirmed that they will be pleased to assist the Eurasian Economic

Community in the process of developing legislation in accordance with the UPOV Convention and becoming a UPOV member.

4. Enhance seed quality control system

A unified seed certification system aims at providing the user with good quality seed in respect of Varietal identity and purity, germination capacity, specific purity and seed health.

The development of seed testing, as well as the international harmonization of seed testing procedures has been achieved to a various extent with the EEC. Russia is a member of ISTA and has accredited seed laboratories, while Belarus and Kazakhstan is not. A laboratory in Astana, Kazakhstan was a member of ISTA for 1 year, but has not been communicating with ISTA since 2005. They asked for ISTA Proficiency Test, but without any record of applying for ISTA Accreditation. The ISTA membership expired in December 2007 and no further payment has been made. A laboratory in Minsk, Belarus applied for ISTA membership in February 2010, with the objective of becoming an ISTA-accredited laboratory. However, there has been no communication since 30th March 2010.

Founded in 1924, with the aim to develop and publish standard procedures in the field of seed testing, ISTA is inextricably linked with the history of seed testing. With member laboratories in over 70 countries/ distinct economies worldwide, ISTA membership is truly a global network.

ISTA members work together to achieve their vision of 'Uniformity in seed quality evaluation worldwide'. Our Association produces internationally agreed rules for seed sampling and testing, accredits laboratories, promotes research, provides international seed analysis certificates and training, and disseminates knowledge in seed science and technology. This facilitates seed trading nationally and internationally, and also contributes to food security.

Only seed laboratories having fulfilled the requirements of the ISTA Accreditation Standards are entitled to issue ISTA Certificates providing the confidence in the truth and reproducibility of the reporting test results.

Another interesting trend in seed testing within EU and internationally, in order to become sustainable, there is a gradual change from almost exclusively government owned laboratories to:

1. Seed testing laboratories that remain part of a government organisation and receive varying amounts of taxpayer support (e.g. much of Eastern Europe)
2. Laboratories which are still designated as “governmental” but receive no taxpayer support and must be financially self sustaining (e.g. Denmark, Netherlands)
3. Private Independent laboratories operating as a commercial business (e.g. Australia, USA)
4. Seed company laboratories testing proprietary seed lots (e.g. Denmark, Hungary)

Consequently, a harmonized and sustainable seed testing and certification system is of great importance to be established, in order to assure that the benefits from the breeding will be transferred to all farmers in the EEC member states.

5. Develop a reliable and internationally acceptable seed certification system for seed movement across the borders

The main objectives of the OECD Schemes is to encourage the use of seed of consistently high quality in participating countries and to authorise the use of labels and certificates for seed produced & processed for international trade according to agreed principles.

The OECD Seed Schemes are open to OECD countries as well as other U.N. Members. [58 countries](#) participate today. The OECD certification is applied to varieties satisfying Distinction, Uniformity and Stability conditions, having an agronomic value, and published in official lists. [The annual List of Varieties eligible for OECD Certification](#) includes about 49 000 varieties from 200 species.

The Seed Schemes deal with the following species: Grasses and Legumes, Crucifers and other Oil or Fibre species, Cereals, Maize and Sorghum, Sugar and Fodder Beet, Subterranean clover and similar species, Vegetables.

Among the EEC member states, only Russia is participating in four of the Schemes of the OECD, while Belarus and Kazakhstan has not yet applied and fulfilled the requirements for any of the OECD seed schemes.

The technical requirements are comprised in the [Rules and Regulations](#) of the OECD Seed Schemes. All Schemes aim at seed certification (the Vegetable Scheme provides also for "Standard Seed" which are not certified but only controlled).

The Schemes ensure the varietal identity and purity of the seed through appropriate requirements and controls throughout the cropping, seed processing and labelling operations. Ex: Generation control (Pre-basic, Basic and Certified seed), isolation distances, purity standards, field inspections, lot sampling, post-control plots, compulsory official laboratory analysis for each certified seed lot.

It is highly recommended that all EEC member states will become members of the OECD Schemes due to the OECD certification provides for official recognition of "quality-guaranteed" seed, thus facilitating international trade and contributing to the removal of technical trade barriers.

Similar principles and technical requirements are also widely used for national seed certification.

Consequently, it is the combination of issuing ISTA orange certificates and the OECD labels that will facilitate regional and international seed trade.

6. Facilitate the establishment and/or strengthening of National and Regional Seed Association

A National and Regional Seed Association can play a significant role in strengthening the Public-Private Partnership in Plant Breeding- Seed Production-Seed Processing-Seed Marketing and Distribution.

A Seed Association is the voice of the National or Regional seed industry representing the interests of its members towards the National/Regional institutions and their representatives.

The Seed Associations are working for effective IP protection for plants and seeds; fair and proportionate regulation of the National/Regional seed industry; freedom of choice for consumers.

The members of a Seed Association come from all over the country/region e.g. associations, companies, related companies, institutes, academies etc.

The International Seed Federation (ISF) represents the interests of the mainstream of the seed industry at a global level through interaction and dialogue with public and private institutions that have an impact on international seed trade. The ISF Seed Congress, held annually, is a major event where plant breeding and seed companies around the world meet, exchange information and foremost trade seed.

The European Seed Association (ESA) is very active in defending the system of PBR through UPOV protect varieties with specific IP, tailored to the needs of the plant breeding sector.

ESA is in favour of the Community Plant Variety Rights (CPVR) with a single title in whole of EU, which benefits all, breeders, farmers and the wider public. The plant breeders are particularly very satisfied with the system.

In the EEC, Russia has one government supported Seed Association, housed in the Ministry of Agriculture, which is a member of ISF. There are also a few other seed associations in Russia, however not yet members of ISF. Neither Kazakhstan nor Belarus has a Seed Association, which is an ISF member, not yet known or active in regional or world seed trade events.

7. Conclusions

Harmonisation of a Regional Seed Regulatory Framework is an on going process and there are always areas and needs for improvement.

The EU Seed Regulator Framework works well and is well appreciated by its users and consequently is a beneficial model to follow.

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ESTABLISHING A COMMON AGRICULTURAL MARKET FOR THE CUSTOMS UNION AND THE COMMON ECONOMIC SPACE: STAGES AND OUTLOOK

V. M. Kazakevich

Extract from presentation

The Eurasian Economic Union has three main objectives; namely to:

1. Establish a single market for goods, services and labour;
2. Develop an integrated infrastructure; and
3. Harmonize national legislation.

This requires three conditions:

- Coherent and unified economic policies including coordinated industrial and agricultural policies;
- Implementation of the “four freedoms” (goods, persons, services and capital) and
- Implementation of other measures that are necessary for the functioning of the economic union.

1. Agreement on Common Rules for the State Support for Agriculture

On 9 December 2010 the Member States signed the agreement on Common Rules for the State Support for Agriculture. According to the agreement, the Parties shall not apply support measures such as export and import substituting subsidies that have a distorting effect on trade between them.

The Parties shall limit the level of support measures that distort trade ("yellow" box by the international classification) at the amount of 10 percent of the gross value of agricultural production, or in accordance with the Party's obligations under the WTO accession. The Republic of Belarus has a transitional period; until 2016 support should be reduced from 16 percent to 10 percent. The government reported about reaching the rate of 11 percent in 2011.

	Republic of Belarus	The Russian Federation
Enforcement of the rules under the agreement	Reduction of the volume of distorting state support over 6 years from 15% in 2012 to 10% in 2016	Reduction of the volume of aggregate measures of state support from USD 9 billion to USD 4.4 billion in 2018 under the WTO obligations

The agreement also developed and approved the regulations on the procedures for monitoring and comparative legal analysis of the legislation of the Member States of the Customs Union and the CES Agreement for compliance.

Main findings of the report of State Support Measures in Agriculture (2012)

	Republic of Belarus	Republic of Kazakhstan	The Russian Federation
Level of trade-distorting measures	8.7% (15% is allowed)	4.2% (10 % is allowed)	USD 5 billion (USD 9 billion is allowed)
Level of trade-distorting measures as a percentage of volume of state support for agriculture	88.1% (USD 2.21 billion)	27.7% (USD dollars)	75.7% (USD 5 billion)
State support per 1 ha of the cultivated area	USD 434	USD 947	USD 87

The main supporting measures for agriculture in the Member States in 2012 are summarized in the table below.

	Republic of Belarus		Republic of Kazakhstan		The Russian Federation	
	Measure	%	Measure	%	Measure	%
Non-trade distorting measure	Training of personnel	38.6	Support of structural changes through stimulating investments	42.4	Infrastructure services	48.5
	R&D	15.5	Infrastructure services	22.2	Training of personal	29.2
	Environment protection	15.3	Fighting against pests and diseases	16.9	Creating the state reserves	13.9
Trade distorting measures	Financial costs for servicing loans	31.8	Budget compensation of the energy costs	30.6	Financial costs for servicing loans	54.5
	Providing guarantees	16.5	Subsidies for animal husbandry	25.8	Other	25.8
	Other	12.3	Other	21.8	Budget compensation	6.0

Economic indicators of the Customs Union and Common Economic Space Member States

Indicator	Year			2005-2012 %
	2010	2011	2012	
GDP in billion USD	1728.9	2142.1	2271.7	131
Belarus	54.9	53.0	63.0	117
Kazakhstan	148	188.1	201.7	136
Russia	1526.0	1901.0	2007.0	131
GDP of agriculture billion USD	74.3	98.5	90.9	122
Belarus	5.3	5.1	5.3	100
Kazakhstan	7.0	10.2	8.3	119
Russia	61.0	81.7	78.3	128
The share of agriculture in gross value added %	4.3	4.6	4.0	-0.3
Belarus	9.7	9.6	8.4	-1.3
Kazakhstan	4.7	5.4	4.1	-0.6
Russia	4.0	4.3	3.9	-0.1

Agricultural indicators of the Customs Union and Common Economic Space Member States

Indicator	Year			
	2010	2011	2012	
Gross Agricultural Output				
Belarus (<i>billion RUB</i>)	36 131	55 642	100 785	
Belarus (<i>production rates of gross agricultural output %</i>)	102.5	106.6	106.1	
Belarus (<i>share of livestock/crop products, %</i>)	44/56	47.4/52.6	53/47	
Kazakhstan (<i>billion KZT</i>)	1 442.6	2 286.0	1 938.8	
Kazakhstan (<i>production rates of gross agricultural output %</i>)	88.3%	126.8%	82.2%	
Kazakhstan (<i>share of livestock/crop products, %</i>)	45/55	41.5/58.5	52.7/47.3	
Russia (<i>billion RUB</i>)	3 190.4	3 261.7	2 587.7	
Russia (<i>production rates of gross agricultural output %</i>)	88.7%	123.0%	95.3%	
Kazakhstan (<i>share of livestock/crop products, %</i>)	54/46	47.8/52.2	53.8/46.2	
Gross Agricultural Output per one worker				
Belarus	32.9	33.6	25.9	
Kazakhstan	4.3	7.1	6.0	
Russia	13.1	16.9	16.0	
Gross Agricultural Production (million USD)				(2012/2011)
Belarus	12 132.2	12 034.7	12 090.5	106.1
Kazakhstan	9 791.2	15 498.6	13 002.8	82.2
Russia	86 993.4	111 131.2	102 634.7	95.3

Trade indicators of the Customs Union (CU) and Common Economic Space (CES) Member States

Indicator	2011				2012			
	CU&CES	Belarus	Kazakh.	Russia	CU&CES	Belarus	Kazakh.	Russia
Mutual trade of the CU and CES countries (billion USD)								
Export	19.4	3.9	1.8	13.6	25.4	4.9	3.1	17.5
Import	49.8	3.2	4.0	42.6	50.6	3.6	4.2	42.8
Balance	-30.4	0.7	-2.2	-29.0	-25.2	1.3	-1.1	-25.3
Internal regional trade (billion USD)								
Export	5.8	3.4	0.1	2.3	7.0	4.1	0.2	2.7
Import	5.7	0.7	1.7	3.4	7.0	0.9	1.9	4.2
Balance	X	2.8	-1.6	-1.1	X	3.2	-1.7	-1.5
Foreign regional trade (billion USD)								
Export	13.6	0.5	1.7	11.3	18.4	0.7	2.9	14.8
Import	44.0	2.5	2.3	39.2	43.6	2.7	2.4	38.6
Balance	-30.4	-2.0	-0.5	-27.9	-25.2	-1.9	0.5	-23.8
Share of interregional trade in total trade volume (%)								
Export	30.1	86.8	7.0	16.7	27.6	85.0	7.0	15.3
Import	11.5	20.9	43.0	7.9	13.9	26.3	44.2	9.9

Product structure of foreign and mutual trade in food products of the Member States in 2012

Export from member states		Import from member states		Mutual deliveries of the member states	
Grain	42.4%	Meat	17.7%	Dairy products	28.8%
Fish	13.8%	Fruits	16.0%	Meat	15.7%
Fats and oils	12.0%	Alcoholic and non-alcoholic beverages	7.7%	Meat and fish products	9.9%
Tobacco	4.4%	Vegetables	6.2%	Sugar and confectionary	5.2%
Flour and grain	4.1%	Dairy products	5.4%	Cereals	5.1%
Oil seeds	3.4%	Cocoa and chocolate	3.5%	Cacao and chocolate	4.5%

Others	19.9%	Coffee and tea	3.1%	Alcoholic and non-alcoholic beverages	3.7%
		Fish	6.0%	Fats and oils	3.5%
		Others	34.3%	Different food products	2.7%
				Others	16.3%

2. Agro-industrial policy of the Customs Union

Agreed (coordinated) agricultural policy of the Member States of the Customs Union (CU) and the Common Economic Space (CES) is a set of tools and mechanisms to regulate the common agricultural market in order to:

- To further develop integration;
- To remove the barriers to free movement of goods;
- To ensure food security and sustainable rural development.

The agricultural policy is implemented by the Parties on the basis of agreed goals, objectives, economic indicators for the progressive harmonization and unification of legislations of the Member States under the coordination and control (where granted) of the Eurasian Economic Commission.

Coordinated and single agro-industrial policies

We differentiate coordinated and single agro-industrial policies. In the case of **coordinated** agro-industrial policy shared competence is a CES competence aimed at supporting, coordinating or supplementing activities of the Members States while not replacing national competences in these areas.

In the case of **single** agro-industrial policy, an exclusive competence is transmitted by the Parties at the CES level in accordance with international agreements.

Characteristics of the coordinated agro-industrial policy

The coordinated agro-industrial policy is based on the Treaty on Establishing the Eurasian Economic Union (draft).

Main directions of coordinated agro-industrial policy:

- Forecasting in agribusiness
 - o Main mechanisms (instruments):
 1. Joint identification of development priorities and performance indicators based on national priorities
 2. Development of joint supply and demand forecasts for the main agricultural products
 3. Monitoring, assessment of achievements by performance indicators and food security
- State support for the production and processing of agricultural products
 - o Main mechanisms (instruments):

1. Improve the mechanism of preventing violations of obligations of the Parties regarding state support
 2. Development of recommendations to improve efficiency of state support for agribusiness
- Regulation of the common agricultural market
 - o Main mechanisms (instruments):
 1. Price monitoring and comparative analysis of the competitiveness of products
 2. Coordination of the applied and planned measures of the state regulation of the agricultural market
 3. Development of market infrastructure
 4. Stimulating of the OTC e-commerce
 5. Business support in initiating protective, antidumping and countervailing investigations
 - Uniform requirements to the production and sales of products
 - o Main mechanisms (instruments):
 1. Further unification of requirements for production and sales of agricultural products
 2. Uniform requirements for the safe management of plant protection products and other resources
 3. Unified system of integrated control of animals and animal products “from field to fork”
 4. Single estimate of breeding farm animals, etc.
 - Provision of sanitary, phytosanitary and veterinary (animal health) measures
 - o Main mechanisms (instruments):
 1. Unified control and veterinary certification of products
 2. Common methodology for monitoring of the epizootic situation on the CU countries
 3. Implementation of the general principles for the prophylactics, diagnostics and elimination of communicable diseases
 - Development of export of agricultural and food products
 - o Main mechanisms (instruments):
 1. Coordination of marketing policy on foreign markets
 2. Organizing sales fairs oriented to external markets
 3. Protection of geographical indications
 4. Assistance in product certification during access to foreign markets, etc.
 5. Identification of barriers to trade with third countries and preparation of proposals for their elimination.
 - Scientific and innovative development of agribusiness
 - o Main mechanisms (instruments):
 1. Coordination of plans for promising fundamental and applied research and development
 2. Implementation of intergovernmental programs and projects for scientific support and innovative development of agribusiness

3. Joint research in the field of genetics, biochemistry, etc.
 4. Exchange of scientists, etc.
- Integrated information support of agribusiness
 - o Main mechanisms (instruments):
 1. System for the collection, processing, and dissemination of information on the state of agricultural production, markets for agricultural and food products, and agricultural inputs
 2. Development of electronic trading platforms, etc.

Characteristics of the single agro-industrial policy

The single agro-industrial policy is based on the agreement on Common Rules for State Support for Agriculture (9 December 2010) that requires CES Member States to report regularly the amount of state support for agriculture on a notification form.

The single agro-industrial policy creates uniform rules of the common market. Main fields:

- Common policy on tariff and non-tariff regulation;
- Common principles and rules of technical regulation;
- Common principles and rules of competition;
- Equal access of companies to public procurement;
- Equal access to services of natural monopolies.

Main mechanisms (instruments) of the single agro-industrial policy are:

1. Monitoring and conducting comparative legal analysis of the legislation in the field of state aid;
2. Harmonization and unification of the state aid laws of the Member States;
3. Preparation of annual reports on compliance by the Parties.

Legal framework of the single agro-industrial policy:

1. Agreement on the joint customs tariff regulation;
2. Agreement on the joint non-tariff regulation measures against third countries;
3. Agreement on circulation of products subject to mandatory assessment (confirmation) of compliance in the customs territory of the CU;
4. Agreement on common principles and rules of technical regulation in Belarus, Kazakhstan and Russia;
5. Agreement on common principles and rules of competition;
6. Agreement on the state (municipal) procurement;
7. Agreement on common principles and rules of regulation of the natural monopolies.

Legal and regulatory framework ensuring the implementation of the main directions of agricultural policy:

- The calculation procedure for joint forecasts of demand and supply for the main products,

- Uniform methodology for calculating the amount of government support for agribusiness;
- Regulation of the procedure of creating and maintaining a single register of breeding achievements;
- Uniform rules for the treatment of warehouse receipts for grain and other agricultural products;
- Agreement on the organization of the common stock trading platform,
- Common principles of system identification, registration and traceability of farm animals and animal products;
- Uniform rules for interaction of the Parties in the prevention, containment and elimination of centres of animal diseases.

System of measures to ensure the progressive development of the Eurasian Economic Union

1. Stage

- Cancellation of tariff and non-tariff restrictions in the mutual trade of goods;
- Application of a harmonized system of levying indirect taxes in mutual trade for separate commodities or commodity groups.

2. Stage

- Creation of a single customs territory and uniform procedure for regulating foreign trade;
- Common customs tariffs and common trade regimes in respect to third countries;
- Implementation of a unified customs policy, harmonization of customs legislation;
- Consistent application of the mechanism of protection of domestic markets during the trade with third countries;
- Harmonization of legislation in the sphere of technical regulation;
- Synchronization of insurance of export-import operations.

3. Stage:

- Elimination of exemptions and barriers to free trade in mutual trade;
- Unification of the non-tariff regulation measures in the trade with the third countries;
- Adjustment of antidumping, countervailing and protection measures to the common rules in the field of competition and subsidies for mutual trade;
- Synchronization and harmonization of changes carried out by member states in the economy, joint efforts to conduct a coherent economic policy;
- Ensuring interaction of the countries to participate in other regional and international bodies;
- Creation of a common statistical framework;
- Substantiation of forecast parameters for the functioning of major commodity markets, development and implementation of the overall development policy for agricultural industries.

4. Stage:

- Elimination of all, including administrative, technical and fiscal barriers for the free movement of goods, persons, services and capital ("four freedoms");

- Formation of the system of measures and mechanisms to target the movement of goods and services between countries;
- Creation of the conditions for the implementation of joint investment and innovation projects, and the adoption of appropriate legal documents;
- Creation of public and private funds to support export-import;
- Creation of a unified system of services between EAEU Member States, as well as the third countries;
- Development of a coherent system of price regulation, financial, credit, tax and insurance policies;
- Development and adoption of measures aimed at harmonizing legislation in the area of training, retraining and advanced training;
- Creation of general funds to promote social and regional development;
- Harmonization of economic legislation, including in the field of intellectual property rights, labour protection, environmental protection, etc.

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