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TRADE POLICY MEASURES

BELARUS RESTRICTS POULTRY IMPORTS FROM POLAND AND GERMANY DUE TO AVIAN FLU

Belarus has restricted poultry imports from Lubusz Province (Poland) and Saxony-Anhalt (Germany) due to cases of highly pathogenic avian influenza (H5) outbreaks in these areas reported by the World Organization for Animal Health (OIE).

As a result, Belarus has introduced restrictions on the import of live birds, hatching eggs, wild, zoo and potential circus animals, poultry meat, egg powder and other food products from processed eggs, down and feather, hunting trophies (bird game), and other products from Lubusz Province since 3 April and from Saxony-Anhalt since 4 April.

All the previously issued permits to import the above-mentioned products from these two regions have been suspended.

Avian bird flu is a contagious disease severely affecting respiratory organs and digestion. The economic damage caused by the disease is immense due to mass mortality of diseased birds, the need to take quarantine and veterinary control measures, including the slaughter of diseased birds.

3 April 2020: Belta

RESTRICTIONS LIFTED ON IMPORT OF ANIMAL PRODUCTS TO AZERBAIJAN

The OIE has disseminated information on eliminating the threat associated with highly dangerous diseases detected in various animal species in several countries around the world.

In addition, the waiting period on the import of animal products has ended and the corresponding health status for several countries has been restored. As a result, there was a need to review the restrictions imposed on the import of livestock and animal products to Azerbaijan from various countries.

In this regard, it was decided to abolish a number of restrictions imposed by the relevant decisions of the agency in the field of veterinary science. Thus, based on the official information of the OIE, restrictions on the import of livestock and animal products from various countries introduced due to highly pathogenic avian influenza, Newcastle disease, nodular dermatitis, foot and mouth disease, flower disease of small cattle and bluetongue disease have been eliminated.

Entrepreneurs, as well as the relevant veterinary authorities of other countries, have been informed about the decision. The Food Safety Agency appealed to the State Customs Committee (SCC) for relevant measures.

17 April 2020: MENAFN

**BELARUSIAN DAIRY
COMPANIES CERTIFIED FOR
EXPORT TO VIETNAM**

The Belarusian Agriculture and Food Ministry in cooperation with the Belarusian Embassy in Vietnam have completed the certification process for Belarusian dairy companies in Vietnam.

Appropriate government authorities from the two countries have harmonized all the necessary documents to expand supplies of Belarusian milk and dairy products to the Vietnamese market. This step will enable Belarusian manufacturers to avoid the obligatory certification of every batch, which leads to substantial loss of time and financial resources.

It will also allow for more efficient use of opportunities granted by the Vietnam-EAEU free trade agreement and increase the export of Belarusian milk and dairy products to Vietnam.

21 April 2020: Belarus.by

**IMPORT DUTIES FOR MAIZE,
SORGHUM AND RYE UPDATED
AGAIN BY THE EUROPEAN
COMMISSION**

Sustained low prices for maize worldwide and ample supply have led to a second update of import duties by the European Commission. The automatic mechanism calculating import duties was triggered on 27 April, setting the import duty on maize, sorghum and rye at EUR 5.27 per tonne. The new calculation has led to a revised duty at EUR 10.40 per tonne.

The revised tariff, published on 5 May 2020 in the Official Journal of the European Union, is calculated according to EU regulation 642/2010. It explains that the import duty for the three cereals is based on the difference between a European reference price and the world benchmark for maize – the United States price, calculated as cif maize price (i.e. cost, insurance and freight included) at the port of Rotterdam.

The collapse of oil prices has led to a drop in bioethanol fuel demand in the United States as well as lower freight costs. In addition, a record global maize harvest is expected for 2020/2021. The combination of these factors has resulted in a United States cif market prices for maize at the port of Rotterdam at EUR 146.63 per tonne.

6 May 2020: EC

TRADE POLICY MEASURES

EAEU SIMPLIFIES RULES FOR TRANSPORTATION OF FOOD AND NON-FOOD PRODUCTS

The Eurasian Economic Union (EAEU) has simplified the requirements for the transportation of food and non-food products.

Earlier, during the monitoring of the situation of the domestic markets of the EAEU countries, the Department for Functioning of the EEC Internal Markets revealed that the Russian Federation side has additional requirements for the transportation of food products, which are the subject of regulation of the technical regulations of the EAEU «On Food Safety».

According to EAEU technical regulations, the transportation of various groups of goods at the same time is allowed.

However, it is necessary to ensure conditions that exclude their contact, impurity and changes in the organoleptic properties of food products. Consultations were held with representatives of departments involved in regulating the process of such transportation. The Russian Federation sanitary rules are currently harmonized with the EAEU technical regulations norms.

20 May 2020: 24KG

EAEU COMMON VETERINARY REQUIREMENTS AMENDED

The Board of the Eurasian Economic Commission (EEC) has amended three chapters of the Common Veterinary Requirements and relevant forms of veterinary certificates approved by Decision No. 607 of the Customs Union Commission dated 7 April 2011.

The practice of applying separate chapters of the Common Veterinary Requirements and forms of uniform veterinary certificates has made it clear that several standards fail to fully comply with international recommendations of the International Epizootic Bureau's Terrestrial Animal Health Code.

The decisions adopted by the EEC Board will enable the elimination of unnecessary veterinary requirements while maintaining a high level of safety of goods of animal origin. Moreover, the EAEU legal acts are being harmonized with international standards, recommendations and guidelines.

2 June 2020: EEC

UKRAINIAN GOVERNMENT ADOPTS DECREE TO SIMPLIFY INTERNATIONAL TRADE IN GRAINS

On 3 June, the Government of Ukraine adopted a decree that provides the opportunity to reduce the financial burden on grain exporters, strengthen the competitiveness of Ukrainian products on the global market, and improve the protection of the territory from imports of certain dangerous organisms, as declared by the Ministry for Development of Economy, Trade and Agriculture.

The decree removes additional regulations for grain exporters by cancelling the obligation to use the grain fumigation recirculation system.

At the same time, the decree will harmonize the list of control objects (with regard to the movement of imports, exports and re-exports within the Ukraine), by shortlisting the organisms that can pose phytosanitary risks (mites, nematodes, fungi).

In addition, the document proposes the unification of procedures for inspection and sampling (the form of the act will be adjusted in accordance with the selection procedure).

4 June 2020: APK INFORM

THE EUROPEAN UNION HALVES IMPORT DUTIES FOR GRAINS

The European Union cut import duty for corn, rye and sorghum to EUR 4.65 (USD 5.27) per ton.

The import duty in the cereals sector was reduced 2.2x compared to the previous level of EUR 10.4 per ton, which was increased on 6 May.

The updated duties are applicable from 23 June 2020.

23 June 2020: Latifundist

LAW ON VINE GROWING AND WINEMAKING COMES INTO FORCE IN THE RUSSIAN FEDERATION

In Russia, on 26 June, the law on vine growing and winemaking entered into force.

It introduces the term “wine of Russia” as a wine made from grapes grown in Russia, and made without imported grapes.

The law protects the wine from counterfeit, substandard products by mandating the indication of grade, place of origin, and harvest year of the grapes used in wine production on the label.

26 June 2020: Black hawk jersey

MEASURES DUE TO COVID-19

GRAIN TRADERS AND UKRAINE'S ECONOMY MINISTRY SIGN A SUPPLEMENT TO THE MOU INDICATING A LIMIT OF WHEAT EXPORT IN 2019/20 UNTIL 30 JUNE

The American Chamber of Commerce in Ukraine, the Ukrainian Grain Association (UGA), the European Business Association (EBA), the Grain and Feed Trade Association (GAFTA), the All-Ukrainian Agrarian Forum and the Minister for Economic Development, Trade and Agriculture of Ukraine signed a supplement to the Memorandum of Understanding (MOU) which indicated a limit of wheat export from Ukraine in 2019/20, i.e. until 30 June 2020, at 20.2 million tonnes.

The agreement was aimed at ensuring export projections, the stability of the grain market in the country, as well as to prevent flour prices from rising.

The Grain Memorandum has been concluded annually since 2011.

The new MOU between the Ministry for Economic Development, Trade and Agriculture of Ukraine and grain market participants was signed on 1 July to ensure the projected grain export volume in the 2020/21 season.

31 March 2020: Latifundist

EEC COUNCIL EXPANDS THE LIST OF GOODS EXEMPT FROM IMPORT CUSTOMS DUTIES AND SIMPLIFIES REQUIREMENTS FOR CERTIFICATES OF ORIGIN

On 3 April, the Eurasian Economic Commission's (EEC) Council approved the list of critical imports to minimize the negative economic consequences of spreading COVID-19 coronavirus infection and to prevent a shortage of socially important goods in the EAEU countries. They are granted tariff preferences in the form of exemption from import customs duties when importing to the Eurasian Economic Union States from 1 April to 30 June of this year inclusive.

The list has been made on proposals submitted by the EAEU countries. It includes food, agricultural and medical goods for which increased demand or short-term shortages due to the current situation can be observed in the Member States. Most of these goods are manufactured in the EAEU.

The list includes certain agricultural and food products (potato, onion, garlic, cabbage, carrot, pepper, rye, long-grain rice, buckwheat, juices and ready-made baby food), certain finished pharmaceutical products and medical goods.

The EEC Council has decided to temporarily simplify the use of Certificates of Origin Form A issued by developing and the least developed countries. This will enable the use of paper or electronic copies of certificates for six months and the possibility of not submitting their originals during customs declaring procedures.

This measure will allow for the quick adaptation of the application of the EAEU's Common System of Tariff Preferences to the complicated environment created in light of the spreading COVID-19, which will undoubtedly support preferential trade with those countries in need of economic assistance and simplify the procedure for customs clearance of such goods.

3 April 2020: EEC

**BUCKWHEAT EXPORT FROM
UKRAINE BANNED UNTIL
1 JULY 2020**

The Cabinet of Ministers of Ukraine introduced a ban on buckwheat export until 1 July 2020.

The export ban on buckwheat groats is a temporary measure required to protect the domestic market. Ukraine’s Economy Ministry noted that Belarus, the Russian Federation and Kazakhstan temporarily ceased buckwheat exports.

The corresponding amendments have been introduced in Annex 1 to Resolution No. 1109 “Quotas for goods, the export of which are subject to licensing in 2020”.

3 April 2020: Latifundist

**THE RUSSIAN FEDERATION
IMPOSES GRAIN EXPORT
QUOTA**

The Russian Federation Government has introduced a quota for the export of wheat, rye, barley and corn during 1 April – 30 June. An order to this effect was signed by the Russian Federation Premier on 31 March.

According to the order, the quota amounts to 7 million tons. The decision to limit grain export was taken in order to maintain sustainable economic development under COVID-19 outbreak conditions.

3 April 2020: Sea News

**TEMPORARY EAEU EXPORT
BAN ON SELECT FOOD ITEMS**

On 31 March 2020, the Eurasian Economic Commission (EEC), the regulatory body of the Armenia-Belarus-Kazakhstan-Kyrgyzstan-Russia Eurasian Economic Union (EAEU), issued EEC Collegium Decision No. 43, introducing a ban on exports from the EAEU regarding a few agricultural goods, most notably sunflower seeds and soybeans. The export ban came into effect on 12 April 2020, and lasted through 30 June 2020. The measure was introduced as part of the EAEU’s COVID-19 pandemic response.

3 April 2020: GAIN

**LEMON EXPORTS FROM
TURKEY TO REQUIRE
GOVERNMENTAL APPROVAL
UNTIL 31 AUGUST 2020**

Lemon exports will require government approval until 31 August 2020. The citrus fruit has become highly in-demand during the COVID-19 outbreak as consumers have hoarded the traditional Turkish alcohol-based lemon-scented cologne.

7 April 2020: Duvar.English

MEASURES DUE TO COVID-19

ROSSELKHOZNADZOR LIFTS BAN ON IMPORTS OF LIVE FISH FROM CHINA

The Rosselkhoznadzor, the Russian Federation's Federal Service for Veterinary and Phytosanitary Surveillance, removed restrictions on imports of living aquatic organisms from China into the Russian Federation, which had been introduced earlier this year against the backdrop of the COVID-19 pandemic.

The decision to remove temporary restrictions on the import of all types of exotic and decorative animals will be considered after the source of COVID-19 has been officially established.

In March, the Rosselkhoznadzor extended for an indefinite period a ban on the import of exotic animals from China to the Russian territory against the backdrop of the spread of COVID-19.

16 April 2020: Teller Report

BELARUS INTRODUCES STATE REGULATION OF PRICES FOR SOCIALLY SIGNIFICANT GOODS FOR 90 DAYS

This measure is aimed at preventing overpricing of socially significant goods and at maintaining conditions for the commodity security of the consumer market of the Republic of Belarus.

Decree of 15 March 2020 No. 30 in Belarus introduced state regulation of prices for certain socially significant goods for up to 90 days. The list of goods included meat and meat products, milk and dairy products, cereals, bread, and fish.

The regulation of prices for socially significant goods will be carried out by establishing: that the measure is aimed, first and foremost, at preventing overstatement of price increases for socially significant goods and maintaining conditions for the provision of goods to the consumer market of Belarus.

At the same time, Government Decision No. 184, which previously introduced restrictions on increasing prices (tariffs) for all goods (services), has been cancelled.

Please note that the pricing of socially significant goods is carried out by taking market conditions into account, until the restrictions established by the resolution.

This resolution comes into force after its official publication and is valid for 90 days.

21 April 2020: Agricultor

**RUSSIAN FEDERATION
SUSPENDS GRAIN EXPORTS
UNTIL 1 JULY**

According to the Ministry of Agriculture on 26 April the non-tariff quota for grain export from the Russian Federation of around 7 million tonnes, introduced on 1 April, was completely taken up .

Such a restrictive measure was applied to stabilize grain prices and to ensure the Russian Federation domestic needs for grain and its processed products. At the same time, according to the Ministry, this measure did not prevent the Russian Federation from achieving its goals under the state programs and the total volume of agricultural exports in 2020.

26 April 2020: TASS

**GEORGIA ANNOUNCES
USD 94 MILLION IN AID FOR
FARMERS TO OFFSET IMPACT
OF PANDEMIC**

The Georgian government has announced a GEL 300 million (USD 94 million) relief program to help Georgian farmers cope with the impact of the COVID-19 pandemic.

The proposed package – dubbed by the Prime Minister as “Taking Care of Village and Farmers” – combines a raft of measures, including direct payments to afflicted farm commodity producers, fuel subsidies, waiving of fees, and state support to secure easier access to funds.

The agriculture and food industry makes up around 10 percent of Georgia’s gross domestic product.

The package envisages direct payments to owners of small and medium-sized farms (0.25 – 10 hectares, or 0.6-25 acres) – GEL 200 (USD 63) per hectare overall, GEL 37 million (USD 11.6 million) has been earmarked for distributing compensations.

Additionally, the Government has promised to cofinance purchasing of agriculture-related goods and services to benefit small farmers: fertilizers and agricultural chemicals, seeds, and maintenance costs for farm machinery.

According to the package, the Government will offer hefty financial aid schemes to help farmers meet international food security standards, and bolster capacity of the fledgling sector of agricultural co-ops.

12 May 2020: Civil.ge

MEASURES DUE TO COVID-19

UKRAINE INTRODUCES STATE REGULATION OF PRICES

This regulation applies to goods of social significance and anti-epidemic purposes. A corresponding decree of the country's government entered into force on 18 May.

The list included buckwheat, granulated sugar, wheat flour of the highest grade, domestic pasta, pasteurized milk with a fat content of 2.5 percent, rye and wheat bread, chicken eggs, butter with a fat content of 72.5 percent, and mineral non-carbonated water.

18 May 2020: News.ru

SUBSIDY PROGRAM FOR WHEAT IMPORTS ENDS

The term of the wheat subsidies' program expired 20 May 2020.

Therefore, a total of 40 000 tonnes of wheat were imported even though the application was for 52 000 tonnes. The purpose of this program was to preserve existing retail prices for first-quality flour. The program beneficiaries were to sell a 50 kg sack of first quality flour at no more than 51 GEL. All six tender-participant companies imported 40 000 tonnes of wheat and guaranteed a stable price. The subsidy was a maximum of USD 40 per ton of imported wheat.

The Georgian Ministry of Environment Protection and Agriculture allocated 5 200.000 GEL from the 2020 budget for the wheat import subsidy.

20 May 2020: Report News Agency

GOVERNMENT OF UKRAINE APPROVES THE ECONOMIC STIMULUS PROGRAM TO OVERCOME THE CONSEQUENCES OF COVID-19

On 27 May 2020, the Government of Ukraine approved the Economic Stimulus Program for overcoming the consequences of COVID-19, subject to its completion.

The program considers initiatives in the following areas: access to finance, access to markets, deregulation, modernization and development, and access to infrastructure. An important part of the program will be the systematic and thorough support of domestic producers. The main priority is job creation and tax collection in Ukraine.

The program provides for a wide range of support tools: export promotion assistance; available loans, grant programs; and expanding the participation of small and medium-sized businesses in public procurement.

28 May 2020: Gov.ua

**KAZAKHSTAN REMOVES
RESTRICTIONS ON
AGRICULTURAL EXPORTS**

All restrictions on the export of agricultural products in Kazakhstan were lifted as of 1 June.

A new order to abolish export restrictions came into force on 1 June 2020.

Earlier, in connection with the introduction of a state of emergency and the instruction of the President of Kazakhstan on preventing a shortage of socially important foodstuffs in the domestic market, the Ministry of Agriculture introduced temporary regulation of agricultural exports to maintain enough stocks until a new crop is harvested.

29 May 2020: UZ.DAILY

**EEC LIFTS PROHIBITION ON
SOYBEAN EXPORTS FROM THE
EAEU BEFORE EXPIRY**

On 2 June, the Eurasian Economic Commission decided to eliminate soybeans from the list of agricultural products banned for export from the EAEU during 12 April to 30 June. The decision came into effect on 13 June.

10 June 2020: APK INFORM

EXPERT OPINION

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FOOD SECURITY ISSUES IN POST-SOVIET COUNTRIES UNDER COVID-19

(BASED ON DISCUSSIONS OF THE FAO-UNITAR ONLINE TRAINING COURSE)

The Food and Agriculture Organization of the United Nations (FAO) and the United Nations Educational and Research Institute (UNITAR) recently conducted an online training course “**Trade, Food Security and Nutrition**” for government officials, researchers and specialists from post-Soviet countries (11 May – 12 June 2020). Seventy people from eleven countries in the region participated in this course. The training included both theoretical material, as well as a moderated discussion with participants from the FAO-UNITAR online course. The training focused on the most urgent issues in the international trade of agricultural products in relation to the problems of maintaining food security and nutrition in the countries of the region¹. The discussion was rich in the breadth and depth of the empirical material on the situation and current state policy in all countries represented in the course.

Since the course was conducted during the COVID-19 pandemic, it is not surprising that most of the interactions were devoted to responses of various post-Soviet countries to the serious food security challenges brought on by the pandemic. The article provides an overview of the key outcomes from this discussion.

The impact of the pandemic on food security. The discussion participants analysed the current situation in terms of the pandemic’s impact on all four main components of food security: availability, access, utilization and stability.

In terms of **food availability**, participants of online discussions agreed that agricultural production in countries in the region was not significantly affected by the pandemic. The quarantine, introduced in most of these countries, had almost no effect on the progress of agricultural work or on the production process in the food industry. At the same time, there were still some problems: in some places local food markets were closed, which made it difficult to access necessary inputs or finances. For example, for livestock breeders in Kyrgyzstan, the spring sale of livestock is a traditional way of financing spring field work. In some places, there were internal roadblocks that made it difficult to enter large cities, which also affected the production and delivery of food. More serious problems arose in some segments of agriculture

that depend on imports of inputs needed for agricultural production. Part of the external borders were completely closed for the movement not only of people, but also goods. Some types of transport stopped functioning (e.g. air transportation) or suffered delays, for example, freight vehicles stood idle for a long time at the borders due to the limited number of open checkpoints. Accordingly, imports were suspended or slowed down. In several countries, fisheries have been affected due to their dependence on the import of juvenile fish and other resources. Participants from the Russian Federation reported a shortage of imported plant protection products for potatoes and vitamin supplements in poultry farming. The limited number of open checkpoints also negatively impacted the export-import of finished products, for example, deliveries of early cabbage from the south of Kazakhstan to the Russian Federation or the export of vegetables from Kyrgyzstan to Kazakhstan and the Russian Federation were impacted.

Temporary restrictions on open-air markets has led to a shift in food sales to retail chains. This has created certain advantages for large agricultural producers, for example, meat suppliers, mainly serving retail chains, and created significant difficulties for small producers, who sell their products at the open-air markets. If this trend consolidates, it could lead to long-term changes in the structure of agriculture in the countries of the region.

In terms of **food access**, the main problem with the pandemic is the rise in consumer prices. This price increase was, in part, due to consumer panic-buying, as well as a result of the devaluation of currencies in several countries of the region². It was also caused by the supply issues discussed above and the transfer of trade to retail chains and delivery services, where prices are usually higher than in open markets. At the same time, due to a drop in demand in all countries of the region following a decrease of consumer income, as well as the closure or restrictions on cafes, restaurants and hotels, food prices are unlikely to rise sharply in 2020.

Regarding **food utilization**, it was noted that the pandemic and the topic of immunity to infection have increased the importance of proper micronutrients in food such as vitamin D, zinc, and

¹ The moderators of the discussion and the teachers of the course were Irina Kobuta, Economist of FAO’s Trade and Markets Department (Rome, Italy), Sergey Kiselev, Head of the Department of Agroecomics, Faculty of Economics, Lomonosov Moscow State University (Moscow, the Russian Federation) and Roman Mogilevskii, Associate Director of the Institute of Public Policy and Administration, University of Central Asia (Bishkek, Kyrgyzstan).

² This devaluation is also associated with the pandemic, as global energy consumption has fallen, which has led to a decrease in international prices and, consecutively, a drop in the export earnings of oil and gas exporting countries and countries receiving remittances from the first group of countries.

selenium. In a pandemic, the issue of nutrition and food quality is becoming a critical category.

Food stability was also affected. In some countries in the region that depend on food imports the stability of food supplies has been called into question. This is to some extent due to export restrictions on key food products that were introduced by a number of countries. Although these restrictions have not yet had a significant impact on food supplies, they have created uncertainty about the supply sources, which may have long-term consequences for food systems in the region.

Agri-food policy measures in response to the pandemic.

The national measures in the agri-food policy of post-Soviet countries aimed at maintaining food security in the face of shocks caused by the epidemic can be divided into the following groups: 1) support to food producers; 2) regulation of the foreign trade of agricultural goods; 3) support to food demand; and 4) regulation of food consumer prices.

Although, as noted above, food production is not among the most affected sectors of the economy, agriculture and the food industry were included in entrepreneurship support programs implemented in almost all countries of the region. These programs include preferential loans to producers and provision of deferrals for the loans previously taken, a certain reduction in the taxation and regulatory burden (for example, exemption from taxes, rents and tax penalties in time of quarantine where it was introduced, reduction in the number of business inspections or a moratorium on such checks), subsidization of certain expenses (for example, transport services), state guaranteed purchases of agricultural products (for example, in Kazakhstan). During the discussion on the requirements to access these policies different opinions were expressed on whether to provide support only to enterprises with a good tax and credit history or to all without exception. The first approach seems fair, but means artificially lowering the coverage by support measures and slowing down the support process. The second approach, obviously, is more clearly anti-crisis, with a focus not on strengthening the system as such, but on preserving the maximum number of jobs and preventing any reduction in food production in the short-term.

In the foreign food trade, many countries of the region initially imposed various export restrictions, such as the export ban on certain food commodities introduced by the EAEU (including sunflower seeds, soybeans, onions, garlic, rye, rice, buckwheat, millet, cereals, wholemeal and granules from cereals), restrictions on the export of ethyl alcohol from Ukraine or quantitative quotas on wheat exports introduced by Kazakhstan. Some of these measures were more psychological in nature because they affected goods for which countries do not have export potential, for example, a temporary ban on the export of wheat from Kyrgyzstan, which this country does not export but imports in large quantities. At the same time, a measure such as restricting wheat exports from Kazakhstan could cause a serious blow to importing countries. In connection with this, the discussion participants immediately remembered 2010, when the cessation of wheat exports from countries in the region led to a sharp deterioration of the economic situation and market destabilization in Egypt and several other countries. However, in Kazakhstan, the originally planned export ban was replaced by quantitative quotas, and, starting 1 June 2020, these quotas

were completely abolished.

Along with measures to limit exports, steps were taken to facilitate food imports. For example, the EAEU temporarily (from 1 April to 30 June 2020) reduced import duties on several food products (potatoes, vegetables, and others); similar actions were introduced by the Republic of Moldova and Uzbekistan. Other measures include information support on changes in the market situation in the context of a pandemic.

International organizations called upon countries to refrain from introducing export restrictions. FAO Director-General, speaking at a G20 meeting on 26 March 2020, said that measures should minimize uncertainty and ensure that, together with national food markets, the world market continues to be a transparent, stable and reliable source of food supply³. On 31 March 2020, in a joint statement, FAO, WHO and WTO Director-Generals, called on countries to ensure that any trade-related measures not disrupt the food supply chain, and prevent the repeat of export restrictions⁴.

To provide social protection to vulnerable groups, but also to support food demand, a number of countries in the region introduced or increased child allowances (Armenia, the Russian Federation), allowances to unemployed or self-employed who lost income during the pandemic (Kazakhstan), additional payments to pensioners (Ukraine), assistance in the form of food packages (Kyrgyzstan, Ukraine). In the discussion of these issues, opinions were also expressed about the need for a compromise between the desired targeting of social assistance and the ability to provide it quickly and without high administrative costs (identifying and checking the need, preparing the lists, etc.). The lack of adaptability of social and food assistance systems in many countries in the region to rapid deployment in times of crisis is one of the important lessons that government bodies and public circles could learn from the current crisis.

During this crisis, state authorities in the countries in the region were not keen on price regulation, realizing that in the face of psychological stress due to the epidemic and general uncertainty, inaccurate pricing measures could lead to shortages, consumer panic and destabilization of the consumer market (some episodes of such a panic could not be avoided, though). Nevertheless, in a number of countries, such as Kyrgyzstan and Ukraine, restrained measures of this kind were introduced, which most likely also had a greater psychological effect than a real impact on the market situation.

In summary, in the context of the COVID-19 pandemic state authorities of the countries in the region demonstrated the wide range of policy measures at their disposal and the ability to quickly modify them in the face of uncertainty, as well as the presence of feedback in the system. This has so far allowed the authorities to avoid major complications in food security both at the country and the regional levels during the pandemic.

3 <http://www.fao.org/director-general/speeches/detail/en/c/1273995/>

4 <http://www.fao.org/news/story/en/item/1268719/icode/>

EXPERT OPINION

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OPPORTUNITIES AND CHALLENGES FOR AGRIFOOD TRADE BETWEEN KYRGYZSTAN AND PAKISTAN

CURRENT SITUATION AND TRENDS

Kyrgyzstan and Pakistan are rather close neighbours (the distance between these two countries' capitals is about 1 000 km). Despite their geographical proximity, economic ties between the two countries are weak, and bilateral trade flows are very small (Figure 1); in 2018, the turnover of trade between both countries was below 0.1 percent of total trade turnover for both Kyrgyzstan and Pakistan. This reflects a more general situation in trade between adjacent Central Asia and South Asia. Both Kyrgyzstan and Pakistan aspire to diversify their product and geographical trade structure, and neighbours in South/Central Asia seem obvious candidates to be new important trade partners. In addition to the significant opportunities in bilateral trade between Pakistan and Central Asian economies, there are also important transit opportunities for both parties as Kyrgyzstan could become a gateway for Pakistan to the markets of Russia and other Eurasian Economic Union members, while Pakistan offers the services of its sea ports (e.g. Karachi) which are geographically the closest sea ports for Kyrgyzstan as well as for some other Central Asian countries.

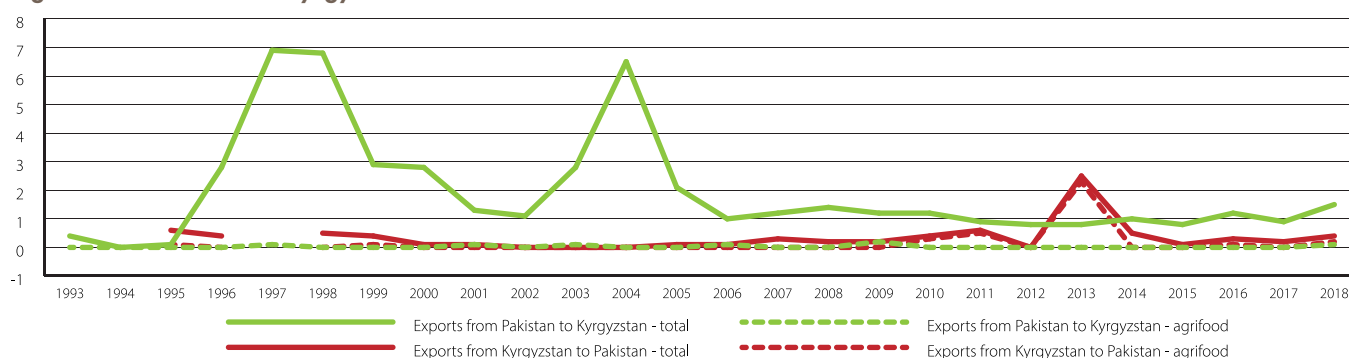
In both countries, agriculture is one of the largest sectors of the economy (11.6 percent of GDP in Kyrgyzstan and 22.9 percent of GDP in Pakistan in 2018, source: WDI). Agrifood products constitute a significant part of total exports (21 percent

and 13 percent of total exports of goods in Pakistan and Kyrgyzstan, respectively, source: UN Comtrade). As of 2018, the specializations of agrifood exports in the two countries were quite complimentary: three key agrifood exports for Pakistan are rice, sugar and wheat, while for Kyrgyzstan these include kidney beans, cotton fiber, and pastry. Each key product for one is imported by the other. Thus, there is potential room for mutual trade in agrifood products. However, as Figure 1 suggests, such trade is currently almost non-existent.¹

The apparent lack of bilateral trade under conditions when there is interest by both countries and considerable potential for it is addressed in this study. The analysis in the paper is based on the legislation of both countries, official statistics as well as on interviews with trade and logistics companies and agricultural producers in both countries including their capitals and provinces which are similar to those in the other country (i.e. Naryn in Kyrgyzstan and Gilgit Baltistan in Pakistan).

¹ These statistics might not be fully accurate. For example, markets of Bishkek and other Kyrgyz cities and towns are full of Pakistani mandarins while neither country reports any significant amounts of this fruit's export/import to/from the other country.

Figure 1: Trade between Kyrgyzstan and Pakistan



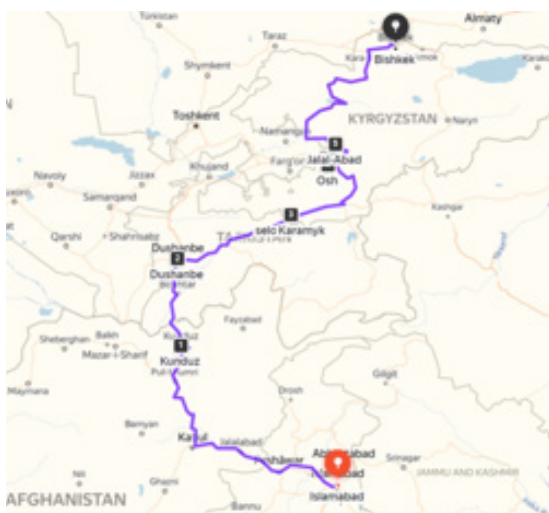
Source: UN Comtrade database

One of the explanations for the above-mentioned unsatisfactory bilateral trade performance is insufficient market knowledge on both ends. Historically, Pakistan mainly traded with Europe, and Kyrgyzstan traded in agrifood products with Russia and other former Soviet republics and, later, with Turkey. So today, Central Asian states have little or no traditional knowledge of the consumer preferences in South Asia nor do they have established and trustworthy business contacts or the capacity to assess the benefits and costs of trade with their South Asian neighbours, and vice versa. Major trading companies orient themselves towards traditional markets, so the exploration of new markets is left to smaller and less capacious traders. There is also a language barrier: few Pakistani business people know Kyrgyz/Russian enough to operate in Kyrgyzstan and Central Asia; while the same is true about Kyrgyzstani business people's knowledge of Urdu/English. Trade also suffers from missing economies of scale. For small size and low frequency consignments, fixed trade costs (market research, compliance with the importing country's technical, labour and other regulations, etc.) consume a large part of trade margins. In a way, the insufficient market knowledge and lack of economies of scale reinforce each other and form a vicious circle.

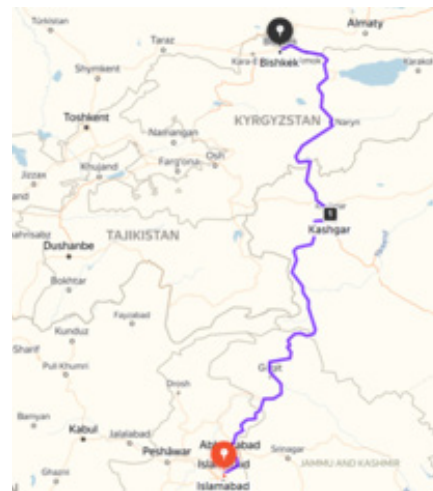
Another major challenge for trade between Pakistan and Kyrgyzstan is logistics. Existing transportation routes between South and Central Asia are at present far from quick and straightforward. The landlockedness of all Central Asian economies means that the sea is excluded as the main transportation mode. Moreover, there are no railways connecting these two regions. The main transportation mode available for trade in this area is automobile roads. The most frequently used route between Pakistan and Kyrgyzstan goes through the territory of conflict-affected Afghanistan and then through Tajikistan (Figure 2a). Other automobile road routes go via Afghanistan, Iran, Turkmenistan, Uzbekistan and only then to Kyrgyzstan. Some interviewed logistics companies indicated multimodal routes such as Karachi (Pakistan) to Shanghai (China) by sea, then to Urumqi (Xinjiang Uygur Autonomous Region (XUAR), China) by rail, and then to Kyrgyzstan by road. Obviously, any of these routes implies high to very high transportation costs.

Figure 2: Trade routes between Pakistan and Kyrgyzstan

a) Existing route via Afghanistan and Tajikistan



b) Potential route via China



Source: Yandex Maps, Corresponds to United Nations World Map, 2020.

An interesting potential alternative route is emerging now because of the implementation of automobile road construction/rehabilitation projects in Central Asia, XUAR (China) and Pakistan. The rehabilitation of the Bishkek-Naryn-Torugart road² (an automobile road within the framework of CAREC transport corridor development agenda) has dramatically improved transport access to/from Kyrgyzstan from/to XUAR, China. The development of intra-XUAR roads coupled with the works on the China-Pakistan Economic Corridor (CPEC), part of which is the Karakoram Highway, allow for arguably the shortest possible unimodal route from Pakistan to Kyrgyzstan via the territory of China (Figure 2b). Until very recently, transit through the territory of China was legally impossible for both Kyrgyz and Pakistani trucks. The accession of China to the International Road Transport Union with its TIR international customs transit and guarantee system (Kyrgyzstan and Pakistan had joined this system earlier) creates opportunities for the fastest possible automobile transit on the way between Central and South Asia. The actual implementation of these opportunities depends on the progress in equipping all border crossing points in all three countries with necessary information systems, establishing smooth customs clearance practices, and the efforts of all three governments and business communities to resolve remaining issues and make this transit technically possible and economically viable.

GOVERNMENT POLICIES

The governments of both countries promote a trade development agenda and see trade expansion and diversification as important policy goals. Meanwhile, both countries are WTO members. Their applied most favorable nation (MFN) import tariffs are not very restrictive: the applied simple average MFN tariff rate for agricultural goods is 9.1 percent in Kyrgyzstan and 13.5 percent in Pakistan³ (source: WTO). Both countries are

2 Border crossing point on the Kyrgyz-Chinese border.

3 The simple average final bound (WTO) tariff rate for this category of goods is a bit higher in Kyrgyzstan (12.8 percent) and much higher in Pakistan (96.2 percent).

active participants in different regional preferential trade agreements. Kyrgyzstan is a member of the Eurasian Economic Union (EAEU) (together with Kazakhstan, the Russian Federation and two other countries). One of the integral parts of the EAEU is its customs union. Kyrgyzstan also has a free trade regime with some other former Soviet republics (including Tajikistan and Uzbekistan) within the framework of the Commonwealth of Independent States (CIS) Free Trade Area. Pakistan is a member of the South Asian Free Trade Area (together with seven other South Asian economies) and has several free trade agreements with other countries including China.

A legal basis for transit trade between Central Asia and Pakistan via China has been established with the conclusion of the Quadrilateral Traffic in Transit Agreement between China, Kazakhstan, Kyrgyzstan and Pakistan signed in 1995. Later, a few additional protocols to the agreement were adopted. Tajikistan also expressed an interest in joining the agreement.

The governments of Kyrgyzstan and Pakistan invest massively in transport and border crossing infrastructure development. Kyrgyzstan rehabilitated and continues to construct several strategic roads (including the above-mentioned Bishkek-Naryn-Torugart road) connecting the country with all its neighbours. These road projects were financed by concessional loans provided by the Asian Development Bank, China and other bilateral and multilateral donors. In cooperation with China, Pakistan is now developing the CPEC which includes also the new port of Gwadar on the Arabian Sea.

While investing heavily in hard infrastructure development, the governments of the two countries do not seem to make any comparable effort in terms of establishing and enforcing appropriate soft infrastructure for trade including customs and other trade facilitation systems, visas for truck drivers, or creating an enabling environment for businesses which are supposed to operate the trade between Pakistan and Central Asia.

RECOMMENDATIONS

The above analysis of the opportunities for and barriers to trade between Kyrgyzstan and Pakistan allows for the formulation of the following recommendations for the governments and business communities of the two countries as well as for international development stakeholders.

- Continue the development of the transport infrastructure connecting the two countries and provide the necessary resources to maintain it fully operational.
- Work with China authorities on making the TIR facility fully operational and the transit of foreign trucks via the territory of China possible, including the issuance of entry/transit visas for truck drivers.
- Facilitate the opening of direct flights between Pakistan and Kyrgyzstan.
- Consider the conclusion of a free trade agreement between Pakistan and the EAEU (including Kyrgyzstan).
- Work on the softening/elimination of the visa regime between the two countries.
- Facilitate the opening of Pakistani trade houses in Bishkek and Osh, Kyrgyzstan, and at least one Kyrgyz trade house in Pakistan.
- Improve access to essential trade and market information on Kyrgyzstan (customs and technical regulations, sanitary and phytosanitary measures, food safety measures, consumer preferences, appropriate packaging and labeling, etc.) for traders and agrifood producers in Pakistan and vice versa.
- Provide tax and other incentives for private investments in TIR-compliant trucks, refrigerated containers, logistical centers/warehouses with cold storage facilities, etc. and encourage investments in personnel training in logistics and trade companies.
- Build capacity of traders and agrifood industry stakeholders in international trade matters.
- Provide better treatment of traders (meaning no delays, transparent business processes on the borders, clear and predictable security requirements) in both countries and work with the transit countries on establishing and maintaining proper transit standards.
- Include all the transit routes between Pakistan and Kyrgyzstan into the Asian Development Bank's (ADB) Corridor Performance and Measurement and Monitoring mechanism, and regularly publish the monitoring reports on these routes.

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NEW PUBLICATION

REVIEW OF AGRICULTURAL TRADE POLICIES IN THE POST-SOVIET COUNTRIES 2017-2018



This review is devoted to the analysis of agricultural trade policies in the post-Soviet countries. The aim of the review is to monitor the latest changes in trade policies of these countries, affecting the dynamics and structure of trade. The publication also includes a chapter reviewing the prospects of expansion of the agricultural trade of some Central Asian countries with China and the Russian Federation. Another chapter of the publication examines the impact of climate change on agricultural trade in Eastern Europe and Central Asia.

This publication is available here: <http://www.fao.org/economic/est/international-trade/europe-and-central-asia/cispubs/en/>

 **UPCOMING EVENTS****QUANTITATIVE AGRICULTURAL POLICY MONITORING IN EIGHT POST-SOVIET COUNTRIES****ONLINE WORKSHOP,
7-8 OCTOBER 2020**

This online workshop will present the results of a new study (2020), which is a continuation of a pilot study on monitoring agricultural and trade policy changes in Eastern Europe and Central Asia, conducted in 2018 by the FAO Trade and Markets Division in collaboration with the Agricultural Institute of Slovenia (AIS). The study will update data, indicators and expand coverage of countries. Policy indicators are calculated for a set of six to ten key agricultural commodities in different countries for the period 2005-2019. The budgetary and other support to agriculture are analysed in line with the Organisation for Economic Co-operation and Development (OECD) producer support estimate (PSE)/consumer support estimate (CSE) classification scheme. Two countries, Tajikistan and Uzbekistan, have been added to the 2020 study. The workshop is intended for the government focal points and country experts in the post-Soviet countries that were studied and other interested parties (e.g. international and national trade and agricultural policy experts, policymakers, academia, and representatives of international organizations).

To register for the online workshop, please contact by email: Iryna.Kobuta@fao.org or Alla.Saranina@fao.org

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