



REPORT OF THE SEVENTH ANNUAL MEETING OF THE AGRICULTURAL TRADE EXPERT NETWORK IN EUROPE AND CENTRAL ASIA

Background

The Seventh Annual Meeting of the Agricultural Trade Expert Network in Europe and Central Asia was held online on June 24-25, 2021. The **Agricultural Trade Expert Network (ATEN)** was established under the FAO *Regional Initiative on Transforming Food Systems and Facilitating Market Access in Europe and Central Asia*. This network was established to facilitate the generation and exchange of knowledge, and to ensure that appropriate capacity building solutions to issues related to agricultural trade are identified and applied in the countries of Europe and Central Asia. **ATEN** brings together professionals who conduct research in economics, carry out training programs and advise governments and the private sector on issues related to agricultural trade and trade policy, including regional and multilateral trade agreements. ATEN's outputs include seminars, e-learning courses, conferences and forums, research, bulletins and publications on current trade and economic topics.

One of the outputs is the biannual joint publication "Review of Agricultural Trade Policies in the post-Soviet countries", the progress in preparation of which was presented and discussed during the Seventh Annual Meeting. The 2021 publication of this review covers the policy changes in 2019-2020. The ATEN members discussed the impact of the COVID-19 pandemic on agricultural trade, changes in agri-food trade policies, as well as trade and economic measures and ways to overcome the negative impact of the pandemic on the economies and agriculture of countries of Eastern Europe and Central Asia. Country experts presented and discussed the main changes that had taken place in their countries.

Overall, the Seventh Meeting facilitated an exchange of information between the participants regarding the trade and economic measures adopted by different countries to overcome the negative economic consequences caused by the COVID-19 pandemic, as well as providing an opportunity to exchange expert opinions on the effectiveness of the measures adopted to support agricultural producers and consumers during the crisis. The further development of agri-food trade policies in the countries of Eastern Europe and Central Asia was also canvassed.

Trade flows and impact of COVID-19 on markets and trade and countries' policy responses

The meeting started with an opening address by the FAO economist, which was followed by presentations from FAO consultants on major trends in agri-food trade flows in the region in 2019-2020, as well as explanations of the impact of COVID-19 on trade and trade policies in the post-Soviet countries. It was noted that in 2020 countries of the region were severely affected by the spread of the COVID-19, with substantial GDP decrease across the countries. The largest decline of GDP compared to the previous year was recorded in Kyrgyzstan (-13 percent), followed by Armenia (-12 percent), Georgia (-10 percent) and the Republic of Moldova (-10 percent).

The agricultural GDP was less affected, with some notable improvement in some countries when compared to the year earlier, e.g. in Tajikistan (+5 percent) and Turkmenistan (+6 percent). It was reported that the agricultural sector was less affected by COVID-19 in all countries of the region. Overall, the smaller and more open economies of the region were more affected by the pandemic, compared to the rest of the region. At

the same time, the agricultural production in some countries, such as the Republic of Moldova, and to lesser extent Ukraine, was significantly impacted by a continuing drought.

The FAO consultant reported on the key trends in agri-food trade in the region. In 2020, after stable growth in previous years, there was a significant decline in total exports and imports in the post-Soviet region. However, when regional agri-food exports were isolated for analysis, the data demonstrated that food export had increased, and imports slightly declined.

There was notable improvement in agri-food exports in the Russian Federation because of the stimulus to export supported by the growth of global prices. However, the other major agrifood exporters of the region were unable to use this pricing momentum and increase their exports as well. It was suggested by experts that this could be due to the production shortage caused by drought, e.g., the Republic of Moldova and Ukraine, or due to the regional scope of trade in the key agri-food commodities, e.g., Kazakhstan's wheat is predominantly traded among the Central Asian countries.

Nevertheless, some countries of the post-Soviet region experienced a decline in agri-food trade due to global trends, such as lockdowns, a drop of demand due to the decrease in income, and other *ad hoc* policies implemented across the world and regionally. For example, the expert from Kyrgyzstan commented that Kyrgyzstan's agri-food trade was significantly impacted by the closure of borders with China.

The expert who made a presentation on impacts of the COVID-19 pandemic pointed out that due to a sharp fall in the number of air flights, and hence a drop in oil prices due to low demand for fuel, has triggered currency devaluation and high inflation rates in post-Soviet countries. The global market performance, coupled with currency devaluation in the region led to an increase of price indexes, with a higher growth rate for food prices.

The expert also reported that most post-Soviet countries provided substantial support to address the impact of the pandemic on their economies, including specific measures in the agri-food sector. To address the shocks related to the pandemic, and to maintain food security, the countries of the region undertook different agri-food trade-related measures, including imports support, export regulation measures, consumer and producer support. Nevertheless, it was highlighted that in 2020 post-Soviet countries were severely impacted by COVID-19, with substantial GDP decrease across the countries, whereas the agricultural sector was affected to a lesser extent across the region.

Changes in agricultural trade policies in post-Soviet countries in 2019-2020

During the country experts' presentations various policy changes in 2019-2020 were highlighted. Overall, in 2019-2020, all countries in the region, to varying degrees, continued to develop and implement export promotion programs, in particular those aimed at stimulating the export of agricultural goods. Most country experts highlighted a continuing process of the digitalization of agri-food trade transactions, e.g. web-platforms for export-import procedures, single window services, remote video-inspections of the goods at customs, all of which were particularly beneficial during the COVID-19 restrictions and uncertainty. At the same time, export duties continued to apply on several agricultural goods (e.g. some vegetables and vegetable oils, hide skins, and other) in Azerbaijan, Belarus, Kazakhstan, the Russian Federation, Tajikistan, Turkmenistan, Uzbekistan and Ukraine. Also, due to the growth of the global demand for oilseeds, wheat, rye and other key staples, export quotas and temporary bans were introduced by the EAEU member-states and Tajikistan. These measures negatively affected the long-term policies aimed to improve exports, according to the opinion of country experts from some countries.

On the import side, most countries reported further liberalization of the trade transactions by introducing lower or zero import tariffs. This was particularly noticeable in Uzbekistan, where, the country expert noted,

the country experienced such a rapid liberalization of its trade policies that some difficulties were experienced in staying up-to-date with new regulations. There were significant reductions in import tariffs, some of which were set at zero. The expert from Armenia reported that the country continued harmonizing its import tariffs with the unified tariff levels of the Eurasian Economic Union.

Trade agreements and their impacts on agri-food trade in post-Soviet countries in 2019-2020

In 2019-2020 Belarus continued its negotiations on WTO accession. In 2020, Turkmenistan and Uzbekistan received WTO observer status. While Uzbekistan is already actively engaged in preparation for WTO accession, Turkmenistan is just about to start the process. In 2020, Georgia, Ukraine, and the Republic of Moldova signed an agreement with the United Kingdom based on the EU Association Agreement.

The Eurasian Economic Union has deepened its integration with Asian countries. During 2019-2020, the implementation of the free trade agreements with Vietnam, Singapore and Serbia continued. Negotiations began on the creation of a free trade zone (FTA) with the Islamic Republic of Iran, on the conclusion of FTA agreements with Egypt, Israel and India. However, it was noted by the experts that the trade among the EAEU members remained not as free as it should be under such an agreement. For example, the expert from Kyrgyzstan pointed to the fact that the country continuously experienced impediments at the border with Kazakhstan and control-points were introduced at the border of the two countries. Moreover, the experts from Belarus, Kazakhstan and Kyrgyzstan confirmed that additional checks at the border from the Russian Federation that were introduced in 2017 to prevent the movement of sanctioned goods remained place during 2019-2020.

Changes to domestic support to agricultural producers

Most countries in the region had reviewed their agricultural support with the goal of improving agricultural productivity. For example, Kazakhstan approved new rules for subsidizing an increase in yield and quality of crop production. In addition, subsidizing in agriculture was transferred to a digital platform. In Belarus, in 2020, a number of regulatory acts were adopted aimed at increasing the efficiency of the work of organizations in the agri-food sector of Belarus. This led to a decrease in the number of unprofitable agricultural entities.

The expert from Azerbaijan explained a support mechanism unique to the region whereby farmers were provided with bank plastic cards through which 25 percent of the subsidized amount can be cashed by a farmer who has 10 hectares of wheat, while the remaining 75 percent can be used for mutual settlements in the production process only in non-cash form. The hectares are confirmed through the use of satellites. A challenge with such an approach is that not all farmers are able to lodge the application by the deadline. Thus, training is being provided through the special agricultural centers to eliminate such issues and provide assistance with the application.

In Georgia, to address seasonal cash shortages, a new sub-component for working capital financing “Preferential Agricultural Credit” was added. Also, the agricultural insurance program was introduced to support farmers to insure their perennial crops for three years (premium subsidy: 50 percent for grapevine; 70 percent for other crops).

The expert of the Republic of Moldova reported that, apart from the regular support to agriculture, an additional USD 17 million had been committed to mitigate the impact of the drought on the 2020 crop, whereas there were no specific programs aimed at addressing the negative consequences of the COVID-19 pandemic in the agri-food sector. In Ukraine, in 2020, amendments were made to the legislation. The priority of providing state support to small farms, including family farms, which own or use up to 100 hectares of agricultural land was enshrined in law.

Uzbekistan, with the 2020 harvest, began a phased cancellation of the practice of producing grain crops based on a state order. Also, starting with the 2020 harvest, the practice of setting purchase prices for raw cotton has been cancelled.

ATEN's achievements and directions for 2021

The results and the goals of the Agricultural Trade Expert Network and expected outcomes and further directions of the ATEN work were presented by the FAO economist. Moreover, the ATEN experts discussed a work plan for the development of the forthcoming joint publication on agri-food trade policy developments in the post-Soviet countries, thematic chapters for this publication and the network achievements and its plans for 2021.

Prepared by ATEN Secretariat