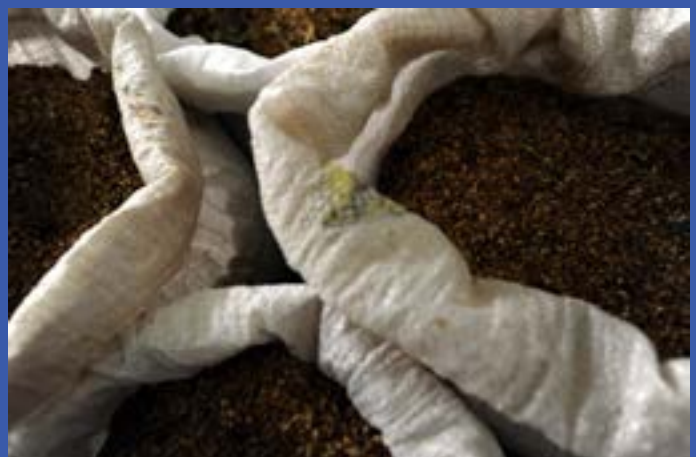


COUNTRIES IN THE COMMONWEALTH OF INDEPENDENT STATES:

AGRICULTURAL POLICY ISSUES IN THE CONTEXT OF THE WORLD TRADE ORGANIZATION



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Lars Brink

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1. INTRODUCTION

With the disintegration of the Soviet Union 15 new countries entered the world stage. This report examines the experience and main issues of twelve of these countries in the context of the rules and commitments in agriculture under the World Trade Organization (WTO).¹ The experience of the three Baltic countries – Estonia, Latvia, and Lithuania – has been very different from the experience of the rest of the new countries and is left aside in this report. By late 2013 seven of the twelve non-Baltic countries had acceded to the WTO, viz., in order of accession, the Kyrgyz Republic, Georgia, Moldova, Armenia, Ukraine, the Russian Federation, and Tajikistan. Four others were in the process of WTO accession, viz., in order of requesting membership, Belarus, Uzbekistan, Kazakhstan, and Azerbaijan. Turkmenistan had started to prepare for an eventual accession process (WTO 2013f).

For reasons of convenience, the twelve countries are all labelled here as “CIS countries”, referring to the Commonwealth of Independent States. Ukraine and Turkmenistan are thus included as CIS countries, in spite of not having ratified the CIS charter, as is Georgia, in spite of having withdrawn in 2009 (it was a CIS member when acceding to the WTO in 2000). These twelve CIS countries together have a population of some 280 million people.

This report pays particular attention to domestic support in agriculture, one of the three main areas under the WTO Agreement on Agriculture (WTO 1995a). This area is sometimes considered very complex, for which reason a brief primer is attached as Appendix A to introduce the concepts and terminology of the Agreement on Agriculture. The report discusses the other two main areas of market access and export subsidies but only with less depth, and it also touches on export restrictions in agriculture. It summarizes the scrutiny in the Committee on Agriculture of the CIS countries’ notifications and other issues raised in the Committee and introduces the WTO disputes involving CIS countries and agriculture. The report does not discuss issues in one area of large and growing importance in international trade in agriculture, viz., the WTO agreements on the application of sanitary and phytosanitary (SPS) measures and on technical barriers to trade (TBT).

¹ Contrary to WTO practice, this report generally refers to WTO members as countries.



2. PROCESS OF WTO ACCESSION

The Marrakesh Agreement Establishing the World Trade Organization was reached in 1994 through negotiations under the General Agreement on Tariffs and Trade (GATT). The Marrakesh agreement's Article XII allows for the accession of new members to the WTO. When the applicant government submits a request for accession, the WTO establishes a working party of members, which examines the request and ultimately submits its findings to the governing body of the WTO for approval. The working party can include all members of the WTO but tends to comprise only those members with the most interest in the accession of a particular candidate. The working party examines the trade and legal regimes of the acceding country and carries out the multilateral negotiations with it to determine the commitments with which it must comply under the WTO rules and disciplines and also any structural changes it has to carry out, possibly during a negotiated transition period. For technical issues the working party often operates in informal meetings, the results of which feed into the formal working party meetings. While the working party consists of WTO member countries, represented by delegations, it relies crucially on the WTO secretariat for process issues and the preparation of documents.

At the same time as the multilateral negotiations are carried out, the applicant government negotiates bilaterally with the individual members of the working party on market access in goods and services. The bilateral negotiations can result in, for example, one tariff rate on imports under a given tariff line being agreed with one exporter and a different tariff rate being agreed with another exporter. In such a situation the most-favoured-nation principle applies, and the eventual tariff schedule of the applicant government includes only the lowest of the two rates. Following the conclusion of all negotiations the working party prepares its report and a Protocol of Accession and finalizes the schedules of commitments in goods and services. Following the approval of these documents by the governing body of the WTO and a few steps involving signatures and ratification, the applicant government becomes a member of the WTO.

Several CIS countries started the process of accession already before the establishment of the WTO. Thus, the Working Parties for GATT accession that were established in 1993 for Armenia, Belarus, Moldova, the Russian Federation, and Ukraine and in 1994 for Uzbekistan were subsequently transformed into Working Parties for WTO accession shortly after the establishment of the WTO. Working Parties for WTO accession were established in 1996 for Georgia and Kazakhstan, in 1997 for Azerbaijan, and in 2001 for Tajikistan. Turkmenistan had not yet applied for WTO accession by late 2013.



3. WTO COMMITMENTS IN AGRICULTURE

3.1 Establishing commitments in agriculture

In agriculture, the procedures for negotiating market access commitments are no different from how market access in goods is generally negotiated, although the fact that several WTO members have tariff rate quotas in agriculture may have helped to open this possibility also in the case of some accession negotiations.² In domestic and export subsidies in agriculture, however, special procedures apply, modelled after those in the Uruguay Round negotiations (WTO 1996). These procedures require the acceding government to identify its domestic support policies in a base period, classify those policies in the same way as policies are classified under the rules of the Agreement on Agriculture in members' notifications to the Committee on Agriculture, and to measure support under the same rules as in that Agreement (WTO 1995a). Likewise, the applicant government needs to identify its export subsidies in a base period and report the quantities subsidized and the amounts of export subsidies. The base period for domestic support and export subsidy data is normally the last three years (WTO 1996). In practice this corresponds to the last three years for which data is available, and the period is usually updated as the accession process extends over several years. The applicant government provides the domestic support and export subsidy information to the working party, which often seeks, and obtains, further information from the applicant government in order to gain a better understanding of the support provided in the base period. The information submitted to the working party in the negotiations serves to establish the ceiling levels that will apply to certain domestic support and to export subsidies once the acceding country is a member, i.e., the bound commitment levels in its schedule of concessions and commitments.

In domestic support the ceiling level is referred to as the Bound Total AMS, where AMS stands for Aggregate Measurement of Support (see Appendix A to this report). It is established on the basis of the average actual support of certain kinds accounted for in the three-year base period, measured as the Current Total AMS for each of the three years. The applicant government provides its calculation of the Current Total AMS for those years, the three-year average, and supporting data and references to data sources to allow an interpretation of the calculation. This requires classifying domestic support policies according to the criteria of Annex 2 of the Agreement on Agriculture (green box), Article 6.5 (blue box) and Article 6.2 (development box), and as product-specific and non-product-specific AMS support.³ Policies meeting the criteria of the green box are not subject to the rules of the Agreement on Agriculture, which are designed to curb certain kinds of trade-distorting domestic support, and the corresponding support is exempted from the AMS calculations for the base period years. Support under policies meeting the criteria of the blue box and the development box is also exempted from the Current Total AMS. Further, the calculation of Current Total AMS allows the exemption of some amounts of otherwise non-exempt AMS support if they are small enough relative to the value of production of a particular product or to the total value of production in agriculture (*de minimis* exemptions). As the accession negotiations may proceed over many years, the base period is usually updated to represent the most recent three years, as required by the accession rules for domestic support.

Export subsidy information is required for each subsidized product in the base years. This information consists of the amount of subsidy and the quantity of subsidized product exported, if any. Specifically, the applicant government provides information on the budgetary expenditures and any revenue forgone, as well as the quantity of product exported that received such subsidies and a detailed description of the product, including tariff line references at least at the six-digit level. Data sources are also required information. The average expenditures and average quantities for each of the last three years in the accession process serve as the basis for establishing the ceiling commitments on export subsidies, often referred to as outlay and volume commitments.

² A tariff rate quota means that no or only a low tariff applies to imports up to the quantity of the quota, and a higher tariff rate applies to imports above the quota quantity.

³ Contrary to what many explanations of the domestic support provisions of the Agreement on Agriculture convey, the Agreement does not define boxes of particular colours or names. However, for ease of communication this report generally refers to the boxes rather than the relevant Annex and Articles. The development box as used here means only Article 6.2 and not the larger notions of a development box comprising all special and differential treatment provisions for developing countries that exist in the Agreement on Agriculture or have been proposed in negotiations.

4. CIS COUNTRIES' WTO COMMITMENTS IN AGRICULTURE

4.1 Domestic support

The Agreement on Agriculture's domestic support provisions for developed countries apply to six of the seven CIS countries that are WTO members, and the developing country provisions apply to the seventh (Tajikistan).⁴ This results from the six countries not having exempted any support under policies classified as meeting the development box criteria in their base periods, as well as having used a 5 percent de minimis percentage for exempting some support: the Agreement stipulates that members calculate their Current Total AMS in accordance with the constituent data and methodology of the supporting material used in the base period. Tajikistan exempted some support in the development box in its base period and is also entitled to using the 10 percent de minimis percentage of developing countries. Two of the acceding CIS countries obtained certain transition provisions for some years following accession. Armenia was able to use the 10 percent de minimis of developing countries for five years following accession, before using 5 percent from 2009 onwards. The Russian Federation enjoys an annual Bound Total AMS upon accession that is more than twice as large as its base period Current Total AMS, before it gradually declines to the final Bound Total AMS in 2018, six years after accession. However, the Russian Federation is also subject to a temporary restriction through 2017 on the relative amounts of product-specific and non-product-specific AMS support. Table 1 summarizes key data on domestic support and export subsidies for the CIS country accessions to the WTO.

In accessions, as in the Uruguay Round, a country may express its Bound Total AMS commitment in the currency of its choice, not necessarily its own currency. The commitments of the Russian Federation and Tajikistan are expressed in US dollars (USD), Moldova's in the Special Drawing Rights (SDR) of the International Monetary Fund, and Ukraine's in hryvnia (UAH).⁵ As a WTO member, a country is required to report yearly amounts of support in the same way as it reported support for its base period. Since the Bound Total AMS is a nominal or current amount, expressing it in US dollars introduces some protection against inflation, which otherwise would make it decline in real terms over time and become tighter. Some WTO members express their Bound Total AMS in euros, with a similar effect.

To the extent that the value of Ukraine's hryvnia declines relative to other currencies, such as the US dollar or the euro, Ukraine's Bound Total AMS in hryvnia becomes relatively more constraining than the US-dollar denominated commitment levels of the Russian Federation and Tajikistan and the SDR level of Moldova. On the other hand, the use of domestic currency by the Kyrgyz Republic and Georgia in their base data makes little difference compared to the use of US dollars by Armenia. These three countries have no Bound Total AMS commitment (their Total AMS entitlements are nil), and their effective limits on certain trade-distorting support are each year's de minimis thresholds, i.e., 5 percent of the current values of production calculated in the country's own currency. In Armenia's case both the support amounts and the values of production, or de minimis thresholds, are converted from local currency to US dollars using the same exchange rate.

4.2 Market access

Among the CIS countries that are WTO members (Armenia, Georgia, Kyrgyz Republic, Moldova, the Russian Federation, Tajikistan and Ukraine), the average bound tariffs in agriculture fall in a fairly narrow range between 11.0 percent for Ukraine and 14.7 percent for Armenia (Table 2). These average bindings in agriculture can be compared with or contrasted against the bindings of selected other WTO members, such as 15.7 percent for China, 113.1 percent for India, 13.8 percent for the European Union, and 4.9 percent for the United States. The CIS countries' bindings in agriculture are thus of the same order as those of China and the European Union, higher than those of the United States, and much lower than those of India.

However, a country does not necessarily apply the bound tariff rate at all times, with the result that the average applied tariff can be lower. As WTO members from before 2012, Armenia, Georgia, Kyrgyz Republic, Moldova and Ukraine applied tariffs in agriculture in 2012 that were from 1.5 (Ukraine) to 7.7 (Armenia) percentage points below their bound levels (Table 2). These five WTO members' applied tariffs, ranging from 6.7 percent for Georgia to 10.5 percent for Moldova, were also several percentage points below the applied

⁴ "There are no WTO definitions of "developed" and "developing" countries. Members announce for themselves whether they are "developed" or "developing" countries. However, other members can challenge the decision of a member to make use of provisions available to developing countries." (WTO 2014).

⁵ This report uses to the extent possible the currency abbreviations of ISO 4217.

TABLE 1 CIS COUNTRIES: ELEMENTS OF WTO DOMESTIC SUPPORT AND EXPORT SUBSIDY COMMITMENTS

Country	Total AMS			De mini. %	Special features	Export subsidies (XS)	
Currency	Base total AMS	Transition period	Final Bound Total AMS			XS in base years?	Bound XS commitments
Tajikistan							
Accession 2013; base years 2008-10							
USD mill.	182.7	-	182.7	10%	Used Article 6.2 exemption in base years	yes	0
Russian Federation							
Accession 2012; base years 2006-08							
USD bill.	4.4	2012-18	4.4	5%	Reduce from USD 9.0 bill. in 2012& 2013; rule on PS AMS through 2017	no	0
Ukraine							
Accession 2008; base years 2004-06							
UAH mill.	3,043	-	3,043	5%	-	no	0
Armenia							
Accession 2003; base years 1995-97							
USD	0	-	0	De minimis 10% through 2008, then 5%		no	0
Moldova							
Accession 2001; base years 1996-98							
SDR mill.	16	2001-04	13	5%	Reduce by 20% from Base Total AMS	no	0
Georgia							
Accession 2000; base years 1996-98							
GEL	0	-	0	5%	-	no	0
Kyrgyz Rep.							
Accession 1998; base years 1994-96							
KGS	0	-	0	5%	-	no	0

Source: Author's compilation from WTO members' schedules and supporting tables referenced therein.

tariffs of non-members Azerbaijan, Belarus, and Kazakhstan, which, remarkably, were all 13.4 percent in 2012. Moreover, the applied tariffs of the five before-2012 WTO members were below the applied tariffs in 2012 of the Russian Federation (13.3) and Tajikistan (10.8), a year when the Russian Federation was a member only for a few months and Tajikistan not yet a member. This relationship highlights the potential difference between the initial position of the countries in the process of accession and the possible landing zone for their mostly lower tariff bindings in agriculture as members.

The average bound tariffs in agriculture of the Russian Federation and Tajikistan as WTO members from their accessions in 2012 and 2013, respectively, were 11.2 percent for the Russian Federation and 11.4 percent for Tajikistan (Table 2). These two average bound tariffs are below the average bound tariffs of some of the other CIS countries as WTO members (Armenia, Georgia, Kyrgyz Republic, and Moldova) but somewhat larger than the 11.0 percent of Ukraine. The tariff profile for the Russian Federation in 2011 (not shown in the tables) indicates an average applied tariff in agriculture of 14.3 percent. The Russian Federation's average bound tariff of 11.2 percent from accession is thus 22 percent below the 2011 average applied tariff. The size of this reduction from 2011 is close to the 20 percent reduction from 2010 calculated by Kiselev and Romashkin (2012). However, year-to-year comparisons need to be viewed with caution, since tariff reductions for some tariff lines are phased in over several years to result in a final bound tariff that is less than the bound tariff in

TABLE 2 CIS COUNTRIES: AVERAGE TARIFFS IN AGRICULTURE (%)

	Member since	Average bound tariff	Average MFN applied tariff 2012	Trade weighted average 2011	Imports in billion USD 2011
Armenia	2003	14.7	7.0	7.5	0.8
Azerbaijan	-	na	13.4	10.9	1.4
Belarus	-	na	13.4	16.7	3.0
Georgia	2000	13.1	6.7	7.2	1.2
Kazakhstan	-	na	13.4	19.5	3.9
Kyrgyz Rep.	1998	12.6	7.4	5.5	0.7
Moldova	2001	13.9	10.5	10.9	0.6
Russian Fed.	2012	11.2	13.3	16.7	37.4
Tajikistan	2013	11.4	10.8	nd	nd
Turkmenistan	-	na	nd	nd	nd
Ukraine	2008	11.0	9.5	9.1	5.8
Uzbekistan	-	na	19.2	nd	nd

Notes: The average bound tariff and average MFN applied tariff is the simple average final bound tariff and the simple average most-favoured-nation applied tariff, respectively, in agriculture. na is not applicable. nd is no data.

Source: WTO Tariff profiles stat.wto.org/TariffProfile/WSDBTariffPFHome.aspx?Language=E (viewed 27 December 2013)

the first year of membership. Regarding Tajikistan, it appears its average bound tariff of 11.4 percent from accession is even somewhat larger than the average applied tariff of 10.8 percent in 2012, i.e., no reduction was required in Tajikistan's first year of membership.

The average tariff in all of agriculture as shown in Table 2 can hide significant variation in the average tariffs across product groups as well as variation in tariffs across tariff lines within a product group. Tables 3 and 4, on which the following country-by-country discussion is based, illustrate the extent of such variations for the seven CIS country that are WTO members. Table 3 shows the bound and applied tariffs for ten product groups, resulting from averaging across the tariff lines in the product group. Table 4 shows the maximum bound tariff in each product group.

The profile for Armenia is remarkably even, with essentially the same average bound tariff in all agriculture product groups and no tariff peak for any individual product. The applied tariffs for all product groups are considerably below their bound levels.

In contrast, *Georgia* shows the average bound tariff for oilseeds, fats and oils to be significantly below that of most other product groups, which is also to some extent true for cotton. The average bound tariff for beverages and tobacco, on the other hand, is several times larger than for the other product groups, and it also contains a tariff peak for at least one tariff line, calculated as an ad valorem equivalent of 418 percent. The applied tariffs for all product groups are considerably below their bound levels.

The *Kyrgyz Republic* has a fairly even distribution of average bound tariffs across product groups in agriculture, with a tariff peak for at least one line in beverages and tobacco, the product group with the highest average bound tariff. The applied tariffs for all product groups are considerably below their bound levels.

Similarly, *Moldova* has a tariff peak in beverages and tobacco, along with a significant peak also in sugar and confectionery, the product group with the highest average bound tariff. The applied tariffs of all product groups are at or below their bound levels, although for some groups the difference is small (animal products, dairy products, and fruit, vegetables and plants).

The profile for *Ukraine* indicates a diversity of average bound tariffs across product groups, ranging from 1 to 18 percent. The tariff peak is in the beverages and tobacco product group, with a secondary peak also in sugar and confectionery. The average applied tariffs for several of the product groups are the same as the average bound tariffs (dairy products, coffee and tea, cereals and preparations, and sugar and confectionery) and the applied tariffs for the other product groups are quite close to their bound levels. For beverages and tobacco the average applied tariff is several points larger than the bound level. It is not clear whether this is explained by the applied tariffs actually having exceeded the bound tariffs in 2012, by a feature in the tariff profile averaging process, or by a discrepancy in the underlying data.

The profile for the *Russian Federation* shows average applied tariffs that are larger than the average bound tariffs for all product groups except sugar and confectionery (and cotton). This includes the beverages and

TABLE 3 CIS COUNTRIES IN THE WTO: AVERAGE BOUND AND APPLIED TARIFFS, BY PRODUCT GROUP (%)

	Armenia		Georgia		Kyrgyz Rep.		Moldova		Ukraine		Russian Fed.		Tajikistan	
	Bound	App.	Bound	App.	Bound	App.	Bound	App.	Bound	App.	Bound	App.	Bound	App.
Animal products	15	8	12	8	10	8	17	15	13	11	23	24	9	10
Dairy products	15	10	12	5	12	11	15	15	10	10	15	18	13	13
Fruit, vegetables, plants	15	9	13	9	16	10	14	13	13	10	9	12	13	12
Coffee, tea	14	10	12	5	11	7	11	8	6	6	6	9	7	7
Cereals & preparations	15	6	14	7	12	8	13	10	13	13	10	13	11	10
Oilseeds, fats & oils	14	6	3	0	11	6	11	6	11	8	7	9	7	7
Sugars and confectionery	15	8	12	11	10	4	56	19	18	18	13	13	10	6
Beverages & tobacco	15	8	39	24	19	15	16	13	9	12	24	29	31	31
Cotton	15	0	9	0	10	0	0	0	1	1	0	0	20	15
Other agricultural products	15	3	11	0	10	2	9	5	8	6	5	6	7	7

Note: Tariffs have been rounded to integer values. Bound refers to final bound duties and App. refers to applied duties in 2012.

Source: <http://stat.wto.org/TariffProfile/WSDbTariffPExportFile.aspx?Language=E&Country=AM,AZ,BY,GE,KZ,KG,MD,RU,TJ,UA> (viewed 27 December 2013).

TABLE 4 CIS COUNTRIES IN THE WTO: HIGHEST BOUND TARIFF, BY PRODUCT GROUP (%)

	Armenia	Georgia	Kyrgyz Rep.	Moldova	Ukraine	Russian Fed.	Tajikistan
Animal products	15	12	15	27	20	80	15
Dairy products	15	25	15	35	10	21	15
Fruit, vegetables, plants	15	30	20	20	20	45	23
Coffee, tea	15	20	15	15	20	13	15
Cereals & preparations	15	25	20	20	20	77	20
Oilseeds, fats & oils	15	12	15	20	30	25	20
Sugars and confectionery	15	12	30	75	50	48	15
Beverages & tobacco	15	418	148	70	64	292	292
Cotton	15	12	10	0	5	0	20
Other agricultural products	15	15	20	20	20	10	20

Notes: Tariffs have been rounded to integer values. Tariffs are the highest ad valorem or calculated ad valorem equivalent tariff within the product group.

Source: <http://stat.wto.org/TariffProfile/WSDBTariffExportFile.aspx?Language=E&Country=AM,AZ,BY,GE,KZ,KG,MD,RU,TJ,UA> (viewed 27 December 2013).

tobacco product group, which also has tariff peaks. However, the bound tariffs are those applying only after the Russian Federation's accession in August 2012, while the applied tariffs for 2012 would include also those applied prior to accession. An analysis of the bound and applied tariffs in 2012 would thus require a more in-depth use of the full underlying data set than what is possible from the 2012 averages in Tables 2, 3 and 4. The fact that the Russian Federation's average bound tariff from accession in August 2012 for sugar and confectionery was the same as the 2012 average applied tariff may hint at the particular sensitivity in the sugar sector with regard to tariff reductions mentioned by Kiselev and Romashkin (2011).

Tajikistan's tariff profile reveals bound and applied tariffs that are identical or quite close for most product groups. Tariff peaks appear in beverages and tobacco. Since Tajikistan acceded only in 2013, the 2013 bound tariffs are not directly comparable to the 2012 applied tariffs. The pattern of the tariffs for several product groups being close to or the same as the bound tariffs does not contradict the above observation that Tajikistan's average bound tariff in agriculture as a whole is very close to the 2012 average applied tariff. However, the product group data does not explain the factors behind the average bound tariff from accession in March 2013 being slightly higher than the 2012 average applied tariff in agriculture.

One common feature of the profiles of the CIS countries is that beverages and tobacco along with sugar and confectionery tend to have the largest average tariffs, and tariff peaks also tend to apply to products in these groups. At the same time it should be noted that the underlying data shows significant shares of the tariff line products in some agricultural product groups being imported duty free. This is particularly the case for cotton, where only Tajikistan has a large bound tariff and also applies relatively a large tariff, albeit well below the bound level.

All tariff lines in agriculture of the seven WTO members shown in Table 3 are bound, which is a result of their WTO accessions. Moreover, none of these accession countries has access to the special safeguard in agriculture, a feature some of the original WTO members can use as a result of the conversion of non-tariff measures to tariffs undertaken in the Uruguay Round, and which also some non-CIS accession countries enjoy. Four of the seven WTO members in Table 3 have tariff commitments without any tariff rate quotas. Moldova, Ukraine and the Russian Federation apply tariff rate quotas on 0.9, 0.1 percent, and 3.2 percent, respectively, of their agriculture tariff lines.

The Russian Federation is by far the largest agricultural importer among the CIS countries: the value of the Russian Federation's agricultural imports is about twice as large as the value of agricultural imports of eight of the other countries combined (Table 2). Adding the missing import data for Tajikistan, Turkmenistan and Uzbekistan would not materially change the dominance of the Russian Federation as an agricultural importer. It is therefore pertinent to examine some details of the Russian Federation's market access commitments in agriculture.

The negotiations on the Russian Federation's accession resulted in the Russian Federation instituting bound tariff rate quotas on several products in agriculture, specifically on certain imports of beef, pork, poultrymeat and whey products (some details are in Table 5). They were negotiated to achieve a balance not only between the interests of the Russian Federation and a supplying exporter but also a balance among the supplying exporters of the same product. While most of these tariff rate quotas operate with a lower and a higher tariff rate for imports within or outside the quota, the quotas for two product categories (pork and pork trimmings) operate as pure tariff rate quotas with a zero tariff for within quota imports. These quotas will be eliminated by 1 January 2020, to be replaced with a 25 percent tariff. If the quotas for beef and poultry are eliminated in the future, a tariff of 27.5 percent will apply to beef and 37.5 percent to poultry.

Some of the Russian Federation's quotas are subject to member-specific allocations. This is the case for fresh and chilled beef (EU and other WTO members), frozen beef (EU, US, Costa Rica, and other WTO members), and boneless poultrymeat (EU and other WTO members) (Kiselev and Romashkin 2011, WTO 2011b). Regarding beef, the Russian Federation's schedule makes a distinction between high quality beef, facing a tariff of 15 percent, and other beef, facing a tariff of 55 percent, which makes the Russian Federation's tariff classification matter greatly for those who export what they consider to be high-quality beef. This necessitated a complicated set of notes in the Russian Federation's schedule to specify what constitutes high quality beef.

4.3 Export subsidies

Among the seven CIS countries that are members of the WTO, only Tajikistan showed any export subsidies in the data for its accession base period. Nevertheless, as a result of the multilateral negotiations in the working party, Tajikistan is bound to nil commitments on export subsidy expenditures and on quantities of subsidized exports. This is in line with those few non-CIS acceding countries that also showed export subsidization in their

TABLE 5 RUSSIAN FEDERATION: TARIFF RATE QUOTAS IN AGRICULTURE

Product	Specification	In-quota rate %	Over-quota rate %	Quantity of TRQ tonnes	
Beef	0201 fresh or chilled	15	55	of which: EU27 29,000 others 11,000	40,000
Beef	0202 frozen	15	55	of which: EU27 60,000 US 60,000 Costa Rica 3,000 Others 407,000	530,000
Pork	except 0203 29 550 2 and 0203 29 900 2	0	65		400,000
Pork trimmings	0203 29 550 2 and 0203 29 900 2	0	65		30,000
Poultry	0207 14 200, 0207 14 600 halves, quarters, legs	25	80		250,000
Poultry	0207 14 100 boneless	25	80	of which: EU27 80,000 Others 20,000	100,000
Poultry	0207 27 certain turkey cuts	25	80		14,000
Whey	0404 10 120, 0404 10 160 certain specifications	10	15		15,000

Note: "Others" refers to Other WTO Members

Sources: Kiselev and Romashkin 2012; WTO 2011a; WTO 2011b

base periods, e.g., Viet Nam and Lithuania, and which still acceded without any entitlement to provide export subsidies as members. The only countries ever to have acceded with an entitlement to provide export subsidies are Bulgaria and Panama, which acceded as early as in 1996 and 1997, respectively.

5. MAJOR ISSUES IN THE WTO ACCESSIONS OF CIS COUNTRIES

5.1 General issues

The function of the WTO “is to ensure that trade flows as smoothly, predictably and freely as possible” (WTO 2013a). One way to do this has been expressed as follows. “The opening of national markets to international trade, with justifiable exceptions or with adequate flexibilities, will encourage and contribute to sustainable development, raise people’s welfare, reduce poverty, and foster peace and stability. At the same time, such market opening must be accompanied by sound domestic and international policies that contribute to economic growth and development according to each member’s needs and aspirations” (Lamy 2013). Thus, the role of markets is seen as fundamental. Moreover, pursuing free trade is not necessarily the only way to achieve the benefits of more trade – those benefits can materialize also under rules that make the conditions for trade more stable, predictable and transparent.

The fundamental role of markets would generally be a key aspect for countries to consider when contemplating their accession to the WTO. Likewise, existing WTO members would assess the acceding country on how market-oriented are its economic institutions and structures. Of course, geopolitical concerns have played a role in decisions about accession to the WTO, as in decisions about membership in any international organization. This factor may have enabled some eastern European countries (Poland, Romania, and Hungary) to become contracting parties of the GATT while their economies were still centrally planned in the 1960s and 1970s. For the CIS countries the extent to which they have transformed themselves towards market based economies is nevertheless important for the speed of progress in their WTO accessions. An economy that has not replaced much of its central planning structures would need to undertake large reforms to comply with the rules and commitments of the WTO agreements, whereas the required reforms in a more market-oriented economy would be less overwhelming.

The Kyrgyz Republic was the first CIS country to accede to the WTO in 1998. The accession process went very fast, considering that the request for accession was lodged only in 1996. The reason for the smooth process was that the Kyrgyz Republic “was willing to sign on to existing WTO rules, and existing WTO members had no complaints about the speed and the extent of the Kyrgyz transition to a market-based economy” (Pomfret 2007). The fact that the Kyrgyz Republic is a small economy could also have played a role in making WTO members worry less about any economic reforms that were only planned and not yet carried out. The slower pace of the accession of the other small CIS countries would thus be explained in part by a less whole-hearted commitment to transition from centrally planned to market-based economies. Still, some of the other small CIS countries did not lag far behind the Kyrgyz Republic, with Armenia, Georgia and Moldova all acceding between 2000 and 2003. Moreover, Estonia, Latvia and Lithuania, which went through major and fast economic reforms, acceded only in 1999, 1998, and 2001, respectively. The influence on neighbouring countries of the economic crisis in the Russian Federation in 1998 could also have been a factor behind other small CIS countries acceding a few years later than the Kyrgyz Republic.

5.2 Issues in agriculture

Policy reform in the accession process

With agriculture not being the dominant economic sector in any of the CIS countries, it is to be expected that government decisions about the pace of accession negotiations would be taken on the basis of assessments of the costs and benefits for the economy as a whole. As their economies grow, agriculture declines in relative economic importance. It may also decline in some ways in absolute terms, such as number of people employed in agriculture. In any case, the adjustments that have taken place in the economic structure of agriculture in most CIS countries are large. In agriculture, for example, privatization of land would entail massive adjustments. There would be strong pressures on policy makers to help ease the necessary adjustments, which would influence the negotiating positions of governments in the WTO accession process and to the flexibility their negotiators would be able to show.

The reports of the working parties on accession touch on some of the areas where it has been difficult to reach agreement. However, they do not report the full course of discussions, questions and answers, submissions of papers, and informal meetings that the acceding government and the members of the working party go through over a period of several years. Through that process the acceding government can in many cases initiate and also implement changes in policies where working party members indicate they have concerns. Such steps will allow the acceding government’s negotiator to tell the working party that the government has changed

the questioned policy or that it will not institute certain policy measures that could be seen as not conforming to WTO rules. Indeed, the reports of the working parties on the accessions of CIS countries have numerous instances of the phrase “The Working Party took note of these commitments”. While it is not clear how the legal status of these reported statements may differ from the commitments inscribed in the new member’s schedule of concessions and commitments, they serve as a minimum to reassure working party members that the acceding government is serious about shedding policies that do not meet the requirements of the WTO agreements.

Common issues in agriculture

Privatization. One common motif in working party reports for all the CIS countries so far acceded (Armenia, Georgia, Kyrgyz Republic, Moldova, the Russian Federation, Tajikistan, Ukraine) is the privatization of land or industrial and trading enterprises, including agricultural land and food processing industry. This concerns such issues as liquidation of state farms and redistribution to individual farmers. While the acceding government demonstrates how far privatization has progressed over the years, members of the working party often have questions about the extent to which the acceding government would allow foreigners and foreign companies to participate in the process, the transparency of the processes involved, and the justification for particular exemptions or exclusions. The fact that these issues are raised even in the recent accessions in 2012 and 2013, some twenty years after the emergence of the CIS countries, attests to the difficulties faced by governments in these countries and to the length of time needed to carry out the economic restructuring that privatization and land reform entail.

State-owned or state-trading enterprises. Issues involving state-owned enterprises and state-trading enterprises have also been raised in several accessions. The concerns of working party members have focused on the particular rights and privileges of such enterprises and on their roles and conduct in intervening in domestic markets and in foreign trade, especially in light of the WTO rules on state-trading enterprises. Numerous of these enterprises have or have had roles in the purchasing, pricing, imports or exports of agricultural commodities, such as grains and oilseeds, and also in the supply of agricultural inputs and factors of production. While the acceding governments frequently outline a rapidly declining role of these enterprises in their economies, they also provide information about the remaining enterprises so as to counter or alleviate the concerns of the members of the working party.

Agricultural taxation. Another recurring theme is the treatment of agricultural land, agricultural enterprises, or farmers for purposes of taxation. This is often linked to issues arising in privatization and land reform. While the acceding government explains the provisions that are in place or are about to be eliminated or introduced, working party members sometimes express concerns about particular stipulations that seem to discriminate unfavourably against activities involving trade. Value-added taxes (VAT) have attracted attention reported in the working party reports of all seven CIS accessions. In most cases the attention has to do with working party members seeking information pertaining to any differential application of VAT to sales of domestically produced and imported products, although in the case of, for example, Ukraine, the use of special provisions in the VAT regime to support the incomes of agricultural producers also needed to be explained in some depth.

SPS and TBT. Both the Sanitary and Phytosanitary (SPS) Agreement and the Agreement on Technical Barriers to Trade (TBT) relate to trade in agriculture. Numerous issues arise for acceding governments in making their laws and regulations meet the requirements of these agreements as they are interpreted by members of the working party. Working party members would, for example, question the consistency of maximum residue levels with international standards approved by the Codex Alimentarius, or they would urge the applicant government to establish laws or procedures providing for prior publication of proposed SPS measures, notification to the WTO, and reasonable timeframes for comments from members. The responses from the applicant governments in some cases reveal ambitious programs of work being underway to bring the country’s laws and regulations into conformity with the agreements by the date of accession, while in other cases members’ questions allow the applicant government the opportunity to provide explanations to reassure working party members that such conformity is already in place.

Sugar. For two of the seven acceded CIS countries, one commodity sector in agriculture has attracted particular attention, while for the other five it attracted no attention at all. This is the sugar sector, for which the working party reports of the Russian Federation and Ukraine lay out highly detailed information sought by working party members and provided by the applicant government. The concerns of working party members focused on the border measures applied to sugar imports and, in the case of Ukraine, also on the policy instruments affecting domestic production and prices. Working party members’ concerns were in some cases conveyed in quite explicit terms, such as “Ukraine was requested to eliminate the internal quota, the

mandatory exportation requirement, and internal minimum prices on sugar” (WTO 2008a, para. 379). Some of these concerns were easily parried by Ukraine bringing the working party up to date, while for others it is not clear to what extent members’ concerns were allayed. Even if the concerns were allayed at the time, they may have been harbingers of the difference in view that would later manifest itself in connection with Ukraine’s calculations of support for sugar producers in its notification to the WTO Committee on Agriculture in 2012.

Export subsidies in agriculture

Export subsidies are generally a prohibited form of subsidization under the Agreement on Subsidies and Countervailing Measures (ASCM). The Agreement on Agriculture nevertheless allows export subsidies up certain bound limits in a member’s schedule, a result of the often large export subsidies provided in agriculture at the time of the Uruguay Round. WTO members have consistently since the late 1990s ensured that no acceding countries enter with the right to provide export subsidies in agriculture. If the applicant government has not provided any agricultural export subsidies in its base period, the case is clear: what is inscribed in the schedule is nil. However, if the applicant government has indeed provided such export subsidies in its base period, agreeing to forgo their use in the future can be a contentious issue. The fact that no acceded CIS country, nor most of the other acceded members, has scheduled export subsidy entitlements in agriculture demonstrates the importance WTO members attach to not opening the path to export subsidization in world trade further than what is already allowed under scheduled commitments in agriculture.

Technically two ways can be used to reach the nil entry in the acceding country’s schedule. One is to choose a base period of years when the country actually did not subsidize exports or, if the chosen base period includes such years, to not recognize the subsidies as export subsidies and thus avoid entering the subsidy data in the information submitted to the working party. Another way is to recognize the export subsidies in that information but, as a result of negotiations, nevertheless enter nil in the export subsidization schedule. The latter course was followed in Tajikistan’s accession, while the former course was followed in the accession of the other CIS countries. In most of the seven CIS accessions to date the working party report includes a statement about binding export subsidies in agriculture at zero level, in addition to a reference to the scheduled export subsidy commitment of nil.

The principles for recognizing and treating export subsidy information could be of some interest in the ongoing accession process of Kazakhstan. Kazakhstan provided a transport subsidy for wheat exports between 2009 and mid-2012 (OECD 2013a, OECD 2013b). If this period of time overlaps the base period for data used in Kazakhstan’s accession, which is likely, negotiators would face an important question. This concerns whether Kazakhstan’s export transportation subsidy would be recognized in the base data, and, if recognized, whether those working party members opposed to giving acceding countries the entitlement to use export subsidies in the future would, in the negotiating process, be able to exert enough leverage for Kazakhstan to take a zero export subsidy commitment in agriculture. Since the latter course was taken in the accession of Tajikistan, it sets a recent precedent, although each accession proceeds on its own merits in the context of the applicant government and the working party members.

5.3 Issues in domestic support in agriculture

Classification of support policies

The Kyrgyz Republic and Georgia were the first two CIS countries to accede to the WTO. Both countries have a nil commitment on Bound Total AMS, constraining them to provide no more than de minimis AMS support. However, the underlying data giving rise to these identical bindings differ distinctly between the two countries (WTO no date, WTO 1999). Georgia reported only green box expenditures for the base years of 1996-98, mostly in the form of general services for pest and disease control and infrastructural services. Georgia also explained the vast extent to which the production of tea and wine had been set back by wars in 1991-92 and 1993-94 with no recovery yet apparent by 1998. The Kyrgyz Republic, on the other hand, reported not only green box support in 1994-96, mainly through structural adjustment assistance in the form of investment aid during the course of privatization, but also product-specific AMS support for numerous crops and a variety of non-product-specific AMS support programs. The non-product-specific AMS consisted mainly of subsidies for fertilizers and fuel and credit support through rescheduling of arrears and preferential credit for agriculture. However, the amounts of product-specific and non-product-specific AMS support were small enough to fall below the de minimis thresholds of 5 percent of each product’s value of production and the total value of production in agriculture, respectively.

TABLE 6 KYRGYZ REPUBLIC: NON-PRODUCT-SPECIFIC AMS IN BASE PERIOD

	Non-product-specific AMS	Total value of production	Percent of value of production	<i>De minimis</i> status if using yearly data	<i>De minimis</i> if using three-year average data
	TJS million a	TJS million b	% a/b* 100		
1994	435	4,601	9.4	Not <i>de minimis</i>	
1995	198	6,5525	3.0	<i>De minimis</i>	
1996	420	10,464	4.0	<i>De minimis</i>	
Average	351	7,206	4.9		<i>De minimis</i>

Note: data are rounded

Source for a, b and c: WTO no date

The case of non-product-specific AMS support in the Kyrgyz Republic is interesting when compared to the much later accession of the Russian Federation. The Kyrgyz average non-product-specific AMS in 1994-96 amounted to KGS 351 million (Table 6). The average value of production in agriculture in 1994-96 was KGS 7,206 million, which resulted in the three-year average non-product-specific AMS of 4.9 percent falling below the *de minimis* threshold by as little as 0.1 percentage point. The Bound Total AMS is thus nil. If the Kyrgyz authorities had provided only KGS 7 million more of yearly policy expenditure, the three-year non-product-specific AMS would have exceeded the *de minimis* threshold, and the Kyrgyz Republic would have had additional future policy space in the form of a Bound Total AMS above the *de minimis* thresholds, amounting to KGS 358 million. An alternative calculation, also generating a non-zero but smaller Bound Total AMS, could have been equally valid: testing for *de minimis* individually for each of the three years in the base period, and not for the average, would have recognized the non-product-specific AMS of KGS 435 million in 1994 in the calculation of the 1994 Total AMS. However, it would then have been averaged with the two zero amounts for 1995 and 1996, generating a Bound Total AMS of KGS 145 million. A similar result of a non-zero Bound Total AMS could have obtained if the Kyrgyz Republic had erroneously classified some of its support as non-product-specific AMS instead of green box support, thereby raising the non-product-specific AMS above its *de minimis* threshold.

This is the obverse of the experience of the Russian Federation, which was able to establish a larger Bound Total AMS than would have been possible if the support it classified as non-product-specific AMS had been only slightly smaller in one year. The Russian Federation's non-product-specific AMS was by far the dominant kind of AMS support in its base years 2006-08. In 2007 the non-product-specific AMS amounted to 5.07 percent of the value of production in agriculture. Thus, if the non-product-specific AMS in 2007 had been only 0.08 percentage points smaller, it would have fallen below its *de minimis* threshold in 2007. That year's Total AMS would then have been minuscule, and the resulting Bound Total AMS, if based on the three-year 2006-08 average, would have been much smaller than the USD 4.4 billion actually calculated from the base data.⁶

The factors involved in these scenarios are highly technical and relate to the all-or-nothing nature of the *de minimis* provisions and also to interpretations of the green box criteria in the Agreement on Agriculture. The different outcomes nevertheless have large and real consequences for the amount of policy space the Kyrgyz Republic and the Russian Federation as WTO members can use in the future.

⁶ In contrast to most other WTO members with a Bound Total AMS, the Russian Federation's schedule of commitments does not show a Base Total AMS, only the annual and final Bound Total AMS levels.

The working party reports rarely give evidence of sharply divided views – they tend to report the information that members asked for and the applicant government provided. That said, the working party report for the Russian Federation does highlight in unusually tense wording an issue that could have consequences for the future. This relates to the Russian Federation’s classification of some support measures (subsidies) as providing non-product-specific AMS support and some working party members’ view that the measures, as described, actually provide product-specific AMS support (WTO 2011c, paras. 1177-83). The Russian Federation’s future notifications to the WTO Committee on Agriculture will reveal what the Russian Federation at that time considers to be the proper classifications of these support measures.

Developing country provisions

A frequent issue in the accession negotiations of CIS countries on domestic support has been whether or not the acceding country, once a member, would be able to use the developing country provisions to exempt some distorting support under Article 6.2 of the Agreement on Agriculture (the development box) and to use a 10 percent *de minimis* percentage instead of 5 percent.⁷ Until the accession of Tajikistan, the six earlier CIS countries acceded to the WTO with developed country provisions applying in domestic support in agriculture. They are thus not able to exempt development box support, and they use a 5 percent *de minimis*. Tajikistan acceded as a developing country, enabling it to exempt certain distorting support under Article 6.2 and to use a 10 percent *de minimis*. There is no definition of a developing country in the WTO and there are no criteria to identify which members are developing countries and which ones are not.⁸

Applying the rules of the Agreement on Agriculture as a developing country gives a member more space to provide distorting support, since there is no limit on the amount of certain input subsidies and investment subsidies that a developing country can exempt under Article 6.2. Keeping their right to use developing country provisions is therefore seen as desirable by many members, and obtaining it has been part of the aim of many acceding countries. That said, it is also possible for an acceding country to forgo the distorting policy space offered by the Article 6.2 exemption. China agreed in its accession not to use the Article 6.2 exemption, and it also agreed to a *de minimis* percentage of 8.5 percent, i.e., between the percentages of developed and developing countries. While some of remaining CIS countries may seek the policy space for distorting support that developing countries enjoy, their success in achieving it would be determined by negotiations.

Many CIS countries, apart from the Russian Federation, Ukraine and Belarus, started their accession negotiations with developing country provisions in domestic support in mind, as Kazakhstan, the Kyrgyz Republic, Georgia, and Armenia are reported to have done (OECD 2013b, Agritechno-AFC-ASA 2000, ESCAP 2001) and Tajikistan did. However, the absence of any mention of development box exemptions in the working party reports for the Kyrgyz Republic, Georgia, Armenia and also Moldova coincides with the fact that they did not exempt any development box support in their base periods. The report for Tajikistan refers to it having reported development box support in its base period, which is shown as exempted in its base data. Regarding the 5 or 10 percent *de minimis* percentage, the working party reports for the four countries do not mention any particular percentage or developing/developed status, while the report for Tajikistan mentions 10 percent.

While it is obvious from the reported base period data whether or not a development box exemption is used, it is not necessarily clear from that data what is the country’s *de minimis* percentage. The base data of the Kyrgyz Republic indicates the use of the 5 percent level. Georgia reported no AMS support, so there was no opportunity to use any *de minimis* percentage. Armenia’s base data includes a statement about using 10 percent through 2008 and then using 5 percent. It can be deduced from Moldova’s calculations that it used 5 percent. It is thus clear that, among the CIS countries having aimed for developing country provisions, only Tajikistan has achieved this aim.

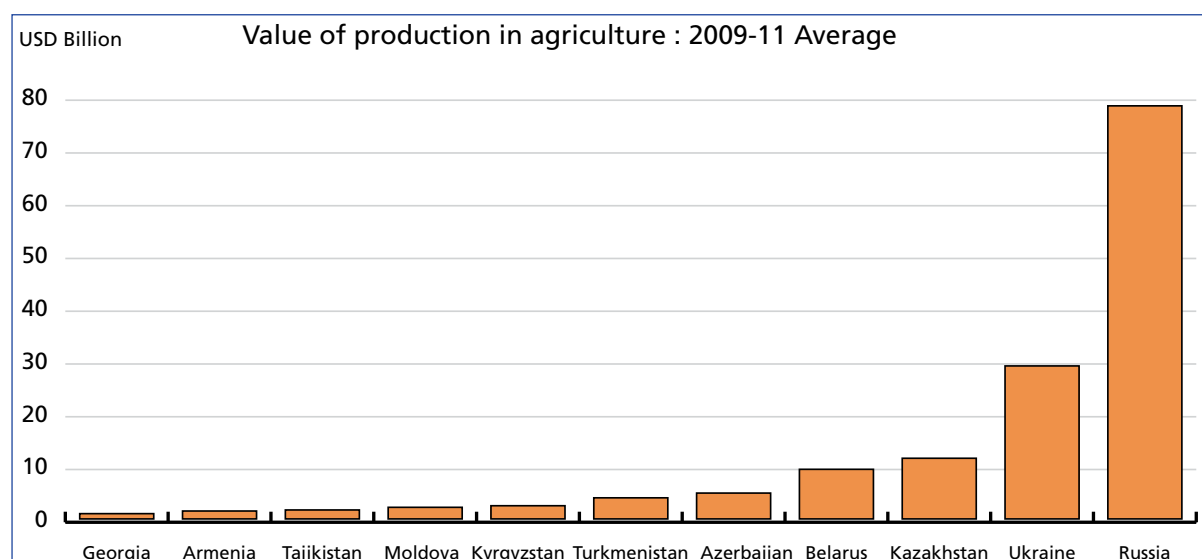
The use of the development box exemption (Article 6.2) and the larger 10 percent *de minimis* allowance in an acceding country’s base data can be a double-edged sword. As it turns out, this is not the case for the five CIS countries mentioned, since their amounts of support are very small relative to their value of agricultural production. However, if a large amount of support is exempted from the Total AMS calculations in the base period on grounds of meeting the criteria for the development box or being *de minimis*, the calculated Base Total AMS is correspondingly smaller. This means that the Bound Total AMS is also smaller, which can be important since this is the level that will constrain the country’s AMS support in the future as a WTO member.

⁷ The development box and the 10 percent *de minimis* percentage may be seen as “special and differential treatment” accorded to developing countries in the WTO context.

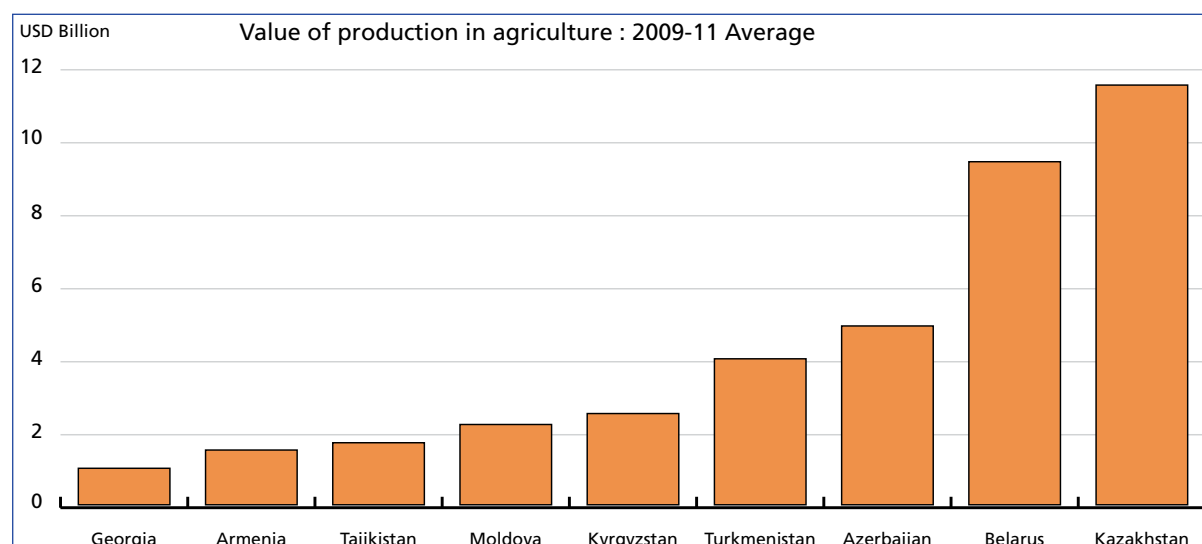
⁸ The WTO recognizes as least developed countries (LDC) those countries recognized as such by the United Nations. No CIS country is an LDC.

De minimis levels and Bound Total AMS

A key variable in assessing the importance of WTO constraints on domestic support is the value of production in agriculture as a whole and of individual products. The size of a country's agriculture sector affects, in combination with other factors, the size and nature of the country's agricultural trade flows, which makes it relevant for consideration in the WTO context. The Russian Federation and Ukraine are the two largest CIS countries in terms of value of production in agriculture (Figure 1).⁹ Russia's agriculture is about two and half times the size of Ukraine's. Ukraine's agriculture, in turn, is larger than that of all the other CIS countries together, save Kazakhstan. Leaving out the Russian Federation and Ukraine provides a clearer picture of the relative sizes of the smaller agricultural countries (Figure 2).

FIGURE 1 VALUE OF PRODUCTION IN AGRICULTURE: 12 CIS COUNTRIES

Source: FAOSTAT Gross Production Value

FIGURE 2 VALUE OF PRODUCTION IN AGRICULTURE: 10 CIS COUNTRIES

Source: FAOSTAT Gross Production Value

⁹ The data for Figures 1 and 2 are from FAOSTAT, not from national sources or as reported to the WTO in accessions or in notifications. No FAOSTAT data is available for Uzbekistan.

Discussions of domestic support in the WTO context naturally focus on the levels of support provided through measures of different types, such as green box support and AMS support. However, for the purpose of interpreting the role of the WTO rules and commitments in allowing or disallowing particular levels of AMS support, the *de minimis* levels are as important as the levels of support. The *de minimis* levels vary from year to year, as do support levels, and they determine how much AMS support can be provided in favour of the producers of individual products and in favour of agricultural producers in general. The *de minimis* levels are calculated directly from the year's values of production by applying the country's *de minimis* percentage, such as 5 or 10 percent. For a country that has Bound Total AMS, the *de minimis* levels are thresholds, since an AMS may exceed the *de minimis* level and be included in Current Total AMS, i.e., counted towards the Bound Total AMS. For a country that has no, or zero or nil, Bound Total AMS, the *de minimis* levels are limits on the AMSs, since if an AMS exceeds the *de minimis* level it counts in Current Total AMS, which must not exceed zero.

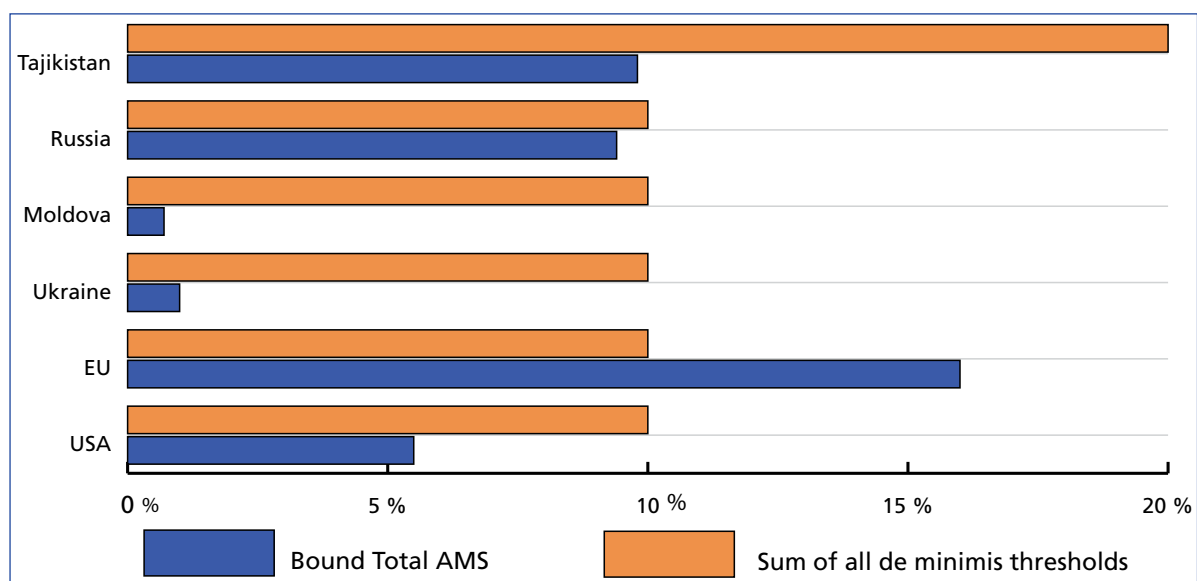
It is therefore surprising that data on value of production is so often left out when data on support levels is presented. The one situation in which support data and value of production data are presented in parallel is in notifications by WTO members to the WTO Committee on Agriculture, following the format laid down for such notifications. Since corresponding information is not publicly available for countries in the process of accession, analysis of countries' path to WTO accession and the size of their subsequent commitments as members can be complex. Value of production data as notified by members is sometimes found in countries' national statistical systems. In some cases, however, non-transparent adjustments are made so that what appears in the notification differs from national data. Moreover, the value of production shown in notifications is in many cases different from value of production data made available from other sources, such as the FAO and the OECD.

Data on value of production in the agriculture sector allows a comparison of a WTO member's Bound Total AMS and the sum of its *de minimis* thresholds, i.e., the amount that could be exempted from Current Total AMS if the Bound Total AMS was not "used" at all (Figure 3).¹⁰ The Russian Federation's Bound Total AMS of USD 9.0 billion, applicable in 2012 and 2013, was about the same as the sum of all its *de minimis* thresholds calculated from its 2011 value of production in agriculture as a whole. In other words, the sum of its 5 percent non-product-specific *de minimis* threshold and all its 5 percent product-specific *de minimis* thresholds amounted to almost USD 9 billion. In the future the Bound Total AMS declines until 2018 and stays fixed thereafter, and the value of production in agriculture is expected to increase. This means that over time the importance of the *de minimis* thresholds as an entitlement to provide AMS support increases relative to the importance of the Bound Total AMS.

In the case of Tajikistan, the *de minimis* thresholds calculated as 10 percent of the 2011 values of production sum to about twice as much as the Bound Total AMS of USD 183 million. While Tajikistan's Bound Total AMS stays fixed for future years, the values of production are expected to increase, such that their importance increases relative to that of the Bound Total AMS. The same of course holds true for Ukraine, which has already reached a stage where the Bound Total AMS is much less important than the *de minimis* thresholds as an entitlement to provide AMS support. Moldova is in an intermediate position, deriving possibly from it having had a relatively large Bound Total AMS to start with or having seen the value of production in agriculture increase only slowly from its base period until 2011.

In comparison, the relative importance of the Bound Total AMS of the European Union is very large, in spite of being based on a base period of as long ago as 1986-88. In other words, its Bound Total AMS was very large in relation to its value of production in that base period and/or the value of production has increased only slowly until 2011. The Bound Total AMS of the United States amounted to about half of the sum of its 2011 *de minimis* thresholds, which is a ratio moderately larger than what would have been shown for the Russian Federation if Figure 3 had used its 2018 Final Bound Total AMS of USD 4.4 billion instead of the USD 9 billion.

¹⁰ "Used" here means that the country reports at least one AMS that is larger than its *de minimis* threshold and thus is included in Current Total AMS, which much be contained within the Bound Total AMS. A country cannot, even theoretically, exempt on *de minimis* grounds the amount of support that corresponds to the sum of all its *de minimis* thresholds, including all product-specific ones and the non-product-specific one, if it also "uses" some of the Bound Total AMS (Brink 2006). This follows from the simple observation that an AMS cannot at the same time be smaller than and larger than its *de minimis* threshold, i.e., not counted towards the Bound Total AMS and counted towards the Bound Total AMS.

FIGURE 3 BOUND TOTAL AMS AND *DE MINIMIS* THRESHOLDS OF CIS MEMBERS, THE EU AND THE US

Source: calculated from FAOSTAT Gross Production Value and countries' Bound Total AMS (year 2012 for the Russian Federation).

Note: The sum of all de minimis thresholds adds all product-specific thresholds for all the products that together comprise the agriculture sector, as well as the non-product-specific threshold for the agriculture sector. The sum therefore corresponds to twice the de minimis percentage applied to the value of production of the agriculture sector. The *de minimis* thresholds are calculated regardless of whether or not AMS support was provided for the product or the sector in 2011.

6. NATIONAL POLICIES AND WTO CONSTRAINTS ON DOMESTIC SUPPORT

6.1 Base data, commitments and notified policy support

A WTO member's yearly commitment on agricultural domestic support consists of only one numerical figure: the Bound Total AMS. Two of the CIS countries had or have a Bound Total AMS commitment that declines over a transition period: Moldova, whose commitment level declined from 16 million SDR to about 12.8 million SDR between 2001 and 2004, and the Russian Federation, whose commitment level declines from USD 9.0 billion in 2013 to USD 4.4 billion in 2018. The member's Current Total AMS in a year must not exceed the Bound Total AMS. The rules of the Agreement on Agriculture determine how the Current Total AMS is to be calculated. However, members differ in their interpretation of the rules. This is manifest already in differences in the base data used in the accessions, which are perpetuated by the rule that yearly notifications to the Committee on Agriculture are to calculate each year's Current Total AMS in accordance "with the constituent data and methodology" of the base data used in the accession. Members introduce additional differences in their notifications by interpreting the rules in the most advantageous way, especially when new policies have been introduced since the base period.

The choices a member makes in calculating Current Total AMS, such as what policy measures to include and how to calculate the support components, are revealed only when its notification to the Committee on Agriculture is circulated. A member is required to submit its yearly notification to the WTO according to a time schedule decided by the Committee on Agriculture (WTO 1995b). In essence, members with a Bound Total AMS (Moldova, Ukraine, the Russian Federation, and Tajikistan) should submit a year's notification within 90 days of the end of the year. The year can be the calendar year, marketing year, fiscal year, etc., depending on how the base data were presented. Members without a Bound Total AMS (Kyrgyz Republic, Georgia, and Armenia) should submit the notification annually. In practice, almost all members, including the CIS countries, have lagged behind in submitting domestic support notifications, some severely so. Consequently, there is no up to date picture of how CIS countries have managed to keep their Current Total AMS within the constraint of the Bound Total AMS (Table 7). The most recent information is that of Armenia for 2011 and Georgia for 2012.

TABLE 7 STATUS OF CIS COUNTRIES' DOMESTIC SUPPORT NOTIFICATIONS (SEPTEMBER 2013)

WTO member	Required timing of notification	Member since	Available notifications
Tajikistan	90 days after year end	2013	Not yet applicable
Russian Fed.	90 days after year end	2012	-
Ukraine	90 days after year end	2008	2009, 2010
Armenia	Annually	2003	2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011
Moldova	90 days after year end	2001	2001, 2002, 2003, 2004
Georgia	Annually	2000	2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011
Kyrgyz Rep.	Annually	1998	1998

Source: Author's interpretation of WTO (1995b) and WTO Documents Online.

It is, however, possible to make some inferences for some of the CIS countries about the ease or difficulty with which their agricultural policy support is accommodated within the WTO domestic support rules and their respective commitments. The following analysis, presented in reverse order of WTO accession, draws on the base data on domestic support that CIS country members of the WTO submitted in the accession process, their notifications as members to the Committee on Agriculture, and some more up to date agricultural policy information.

Tajikistan

Tajikistan's base data for 2008-10 reported green box expenditures in general services amounting to USD 7.1 mill., mainly general services in the form of research, pest and disease control, and infrastructure for irrigation, drainage and roads. There were also green box investment aids for structural adjustment at an average of USD 0.8 million, for a total green box expenditure of USD 7.9 million. This was complemented with investment subsidies generally available to agriculture in the average amount of USD 4 million, which were exempted in the development box. In terms of policy direction it is somewhat surprising that the amounts exempted in the development box actually declined steeply from USD 5.3 million in 2008 to USD 2.0 million in 2010. AMS support in the form of free distribution of seed was reported for potatoes, corn, and wheat in very small amounts - less than 1 percent of the product's value of production - which were thus exempted from Current Total AMS.

Cotton was reported as being supported only in one year, 2009, but at a massive USD 548 million, resulting from debts of the cotton sector having been written off. This was large enough to generate a 2008-10 average cotton AMS of USD 183 million, which amounted to almost half of cotton's value of production. The non-product-specific AMS of USD 3.9 million, which was only 0.15 percent of the value of production and thus exempted, derived mainly from discounted electricity rates for water pumping in 2010, as well as value-added tax exemptions for imports of machinery and poultry feed. As a result of the one-year cotton sector debt write-off, Tajikistan's Bound Total AMS was thus USD 183 million, which is not being reduced over any transition period.

With a *de minimis* percentage of 10 percent, applied to a value of production in agriculture of some USD 2-3 billion, Tajikistan's non-product-specific AMS could at present go as high as USD 200-300 million without exceeding the *de minimis* threshold. In addition, a number of product-specific AMSs could exceed their respective *de minimis* thresholds and sum to USD 183 million. Additional product-specific AMS support could be provided below the respective *de minimis* thresholds of other products. As values of production increase over time, these *de minimis* thresholds also increase. Tajikistan can also increase both green box and development box support without limit. There is thus very large room for Tajikistan, within its Bound Total AMS and using the exemptions, to expand support and pursue, e.g., the kinds of policy priorities identified in FAO (2012). The challenge is rather one of whether there are sufficient resources to embark on any identified course of larger policy support.

Russian Federation

The Russian Federation's base data for 2006-08 reported an average Current Total AMS of USD 4.4 billion, which in this case was set as the Final Bound Total AMS level applying from 2018 after yearly reductions from the 2013 level of USD 9.0 billion. Although the Russian Federation's base data is not for particularly recent years, it can be combined with the detailed data and policy information of OECD (2013a) for a thorough discussion of the scope for the Russian Federation to provide distorting domestic support in the next several years. This discussion is in Appendix B of this report. The conclusion is that the Russian Federation, in spite of planned increases in federal and regional expenditures under the State Program 2013-20, runs little risk of exceeding its Bound Total AMS. The Russian Federation may by astute management of non-product-specific AMS support, such that it can be exempted on *de minimis* grounds, even be able to increase product-specific AMS support by large amounts. This could happen at least after the expiration in 2018 of the constraint on the ratio between product-specific and non-product-specific AMS support, which would also need to be taken into account with regard to the recently introduced payments based on a producer's planted area or milk production. The Russian Federation's 2006-08 AMS support did not include any positive price support using administered prices.

Administered prices were reported for wheat, rye, barley and corn in 2008, but they were below the reference prices so, in the absence of offsetting payments, the negative price gaps resulted in nil AMSs for these crops. This contrasts against the observation that as much as three-quarters of the OECD producer support estimate for the Russian Federation in 2006-08 consisted of price support, relying not on administered prices

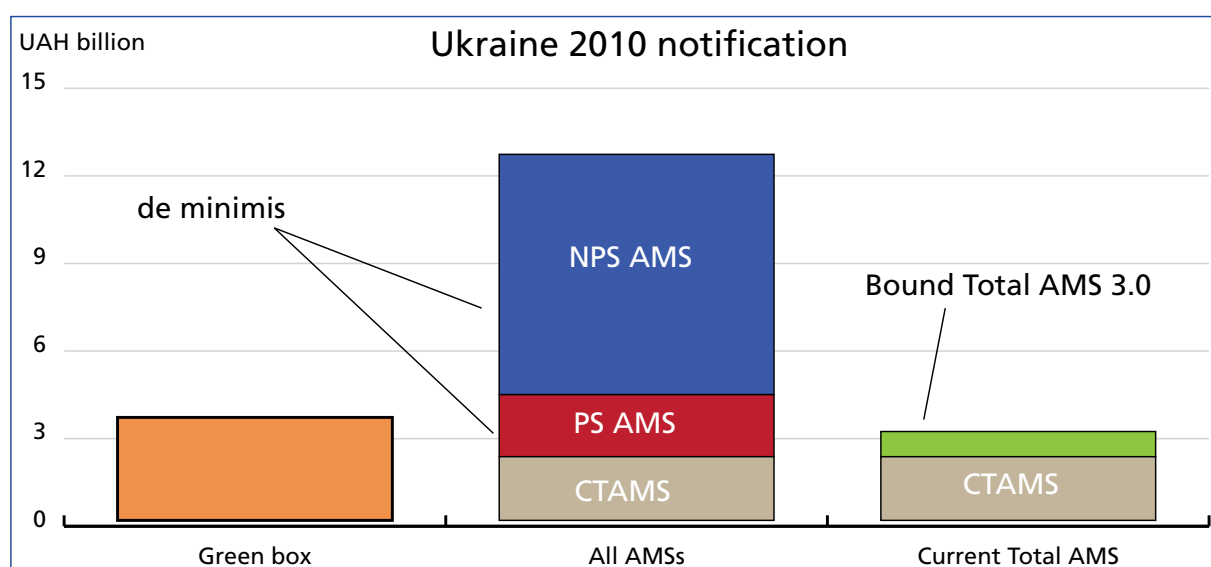
but on import protection only. With administered prices obviously not being unthinkable in the Russian Federation's policy making, it remains an open question whether the government would in the future resort to using administered prices, up to the level that is feasible behind the border protection against imports. If a government finds itself with very limited budgetary resources at the same time as it faces pressure to ensure stable revenue for agricultural producers, administered pricing is often seen as a solution in spite of the burden it imposes on domestic consumers. If the Russian Federation were to contemplate such a course of action for, say, some livestock sector, the consequent implications for product-specific AMSs would need attention. While Russia's reported intentions to increase support for farmers, such as the law on support for agricultural producers (FAO 2012k), would need to be managed with the WTO rules and commitments in mind, there is of course unlimited room to provide green box support.

Ukraine

Several development programs that touch on agriculture are in place, with expiration dates in 2014, 2015, or 2016 (FAO 2012m). With regard to the WTO, Ukraine's base data refers to the years 2004-06. The Current Total AMS in 2004, 2005, and 2006 averaged about UAH 3.0 billion, which is Ukraine's Bound Total AMS, corresponding to USD 375 million in 2013. Ukraine has notified for 2009 and 2010. The notified support of different kinds in 2010 is shown in Figure 4. Green box support amounted to UAH 3.5 billion, mainly in the form of inspection services and training services, along with smaller amounts for public stockholding and environmental payments. If Ukraine had not been able in 2010 to exempt its large non-product-specific AMS or a number of product-specific AMSs, such as for milk, it would have exceeded its Bound Total AMS by a large amount.

Ukraine's notifications for 2009 and 2010, in combination with the detailed data and policy information in OECD (2013a), allow a thorough discussion of the scope for Ukraine to provide distorting domestic support. This discussion is in Appendix B of this report. The conclusion is that Ukraine appears to have exceeded its Bound Total AMS in 2010 to 2012, with a possibility of doing so also in 2013. This results mainly from the rapid increases in the administered price of sugar produced from sugar beets. Ukraine claims that it calculates the market price support for sugar correctly, while several members have objected to Ukraine's method in the Committee on Agriculture and requested a revision. The increasing amounts of AMS support provided to agricultural producers in recent years under special provisions of Ukraine's value-added tax regime could, along with other AMS support, also have generated a Current Total AMS in excess of the Bound Total AMS, even without including the low amount of market price support for sugar suggested by Ukraine's calculation method. Legislative proposals concerning agriculture are numerous in Ukraine (FAO 2012m). This might facilitate the search for opportunities to modify those policy provisions providing support that is difficult to accommodate within the rules and commitments of Ukraine's WTO membership.

FIGURE 4 KEY ELEMENTS OF UKRAINE'S 2010 WTO NOTIFICATION



Source: WTO (2012). Notification. G/AG/N/UKR/13, Committee on Agriculture, 19 October.

Armenia

Armenia's base data for 1995-97 reported green box support as well as a product-specific AMS for wheat and the non-product-specific AMS, both of which were *de minimis*. Therefore, as a member with a Bound Total AMS of nil, Armenia's Current Total AMS must not exceed zero, which means it can only provide *de minimis* AMS support. Armenia has notified for the whole period 2003-11. In its notifications for 2008-11 Armenia reported varying amounts of green box support, the largest single item of which was marketing and promotion services. Total green box support in 2011 was AMD 2,300 million or about USD 6 million. There was no product-specific AMS support. The non-product-specific AMS comprised state support to agricultural land users in 2008-09, followed by another program with a similar name in 2011, apparently consisting of the government providing free seed to farmers. There was also a small amount of support in 2008-10 in the form of supplying farmers with livestock under certain conditions. The non-product-specific AMS in 2011 was AMD 371 million or about USD 1 million, thus only a fraction of a percentage point of the value of production in agriculture.

From 2009 Armenia has put in place support to agricultural producers, including seed development, plant protection, agricultural animal vaccination, state support to agricultural land users, and provision of agricultural animals on various payment terms (FAO 2012d). All of these initiatives seem to be recognizable in Armenia's 2008-11 notifications. Other programs mentioned in FAO (2012d), such as credit to agricultural enterprises and small-scale agricultural traders, do not seem to be recognized in the notifications. At a value of production in agriculture in 2011 of AMD 825,200 million, or about USD 2.2 billion, Armenia's non-product-specific *de minimis* limit in 2011 would be the equivalent of USD 110 million. Thus, in spite of not being able to exceed its yearly *de minimis* limits, the low levels and the green box classification of much of Armenia's present support mean that there is scope for significant increases in support. The government's capacity to provide support will therefore determine Armenia's future support levels, not the WTO commitment or levels. Even increases in AMS support up to the 5 percent *de minimis* limits would not generate large amounts of distorting support, seen in comparison to the support levels in many other countries.

Moldova

Moldova's base data for 1996-98 reported green box support, to a large extent in the form of general services under the headings education and environmental protection, as well as a much larger one-time payment in 1997 under the heading payments for relief from natural disasters. Product-specific AMSs were calculated for several products, with highly variable amounts of support from year to year. The AMSs for viticulture, milk, cereals and vegetables, sugar beet, and pig meat were on average large enough to exceed the 5 percent *de minimis* threshold. The non-product-specific AMS, comprising irrigation and credit arrears forgone, was below the *de minimis* threshold. In the notified years 2001-04 the pattern of support, both in the green box and in AMS support, is highly variable across years, across categories of support and across products. While the trend in Current Total AMS is clearly upwards, the 2004 Current Total AMS of SDR 7.6 million remained well below the Bound Total AMS of SDR 12.8 million. The most recent notification is only for 2004, which makes it difficult to confidently project a Current Total AMS for more recent years.

The budgetary expenditure on agriculture in Moldova increased in nominal terms from 2009 to 2011 and budget allocations for agriculture increased in 2012 (FAO 2012c, pp. 8 and 23). The strategic priorities of the Ministry of Agriculture and Food Industry for 2011-15 include headings such as a food safety strategy, developing modern market infrastructure and import substitution, conservation and low till agriculture, milk and meat production sector, developing renewable energy from agricultural raw materials, reorganizing the agricultural subsidy system to support the implementation of policies for modernization of strategic sectors, basic information systems to support the functioning of the food chain, and developing high value agricultural production (FAO 2012c, p. 22). Similar plans are identified in FAO (2012j). State budget support measures have been established to subsidize agricultural activities, stimulate lending to farmers, and support the tobacco and sugar industries and fruit plantations (WTO 2013b). Many of these measures involve subsidy payments for the acquisition of farm inputs and means of production.

While the titles of many of the measures envisaged suggest that the payments would need to be accounted for as domestic support in favour of agricultural producers, it is not obvious which measures might qualify for the green box and which ones would provide product-specific or non-product-specific AMS support. Moreover, since this information relates only to budgetary expenditures, any application of administered prices could generate additional market price support. At an assumed exchange rate of 0.65 SDR/USD, Moldova's Bound Total AMS corresponds to almost USD 20 million. With a 5 percent *de minimis* percentage and a value of agricultural production of USD 2.9 billion in 2011, that year's non-product-specific *de minimis* threshold would

be USD 145 million or SDR 94 million (MDL 1.1 billion).¹¹ The *de minimis* thresholds for product-specific AMSs would be of proportionate magnitudes. Thus, if Moldova has been increasing and might continue to increase its AMS support, it would need to be managed carefully within the limits for what can be exempted from Current Total AMS on *de minimis* grounds. If, on the other hand, the bulk of any increases in support were provided through green box compliant measures, the risk of Moldova's Current Total AMS exceeding the Bound Total AMS would be smaller.

Georgia

Georgia's base data for 1996-98 reported green box expenditures mainly in the general services categories of pest and disease control and infrastructural services. Georgia did not provide any AMS support at all, resulting in a Bound Total AMS of nil. In its notifications from 2000 through 2012, the longest period notified by any CIS country, Georgia continues to report only green box support and is the only CIS country to do so. A changing set of programs are reported over time, with a preponderance of infrastructural services, shifting in recent years from support for mechanization to support for rural development. A variety of direct payments are reported under the heading decoupled income support in the green box, often related to grapes and winemaking. As long as it provides exclusively green box support, Georgia of course has no problems meeting its zero Bound Total AMS even without invoking any *de minimis* exemptions. Some of the plans for support for the future seem to require careful classification of measures according to the green box criteria (FAO 2012g), but there is room in the *de minimis* exemptions for some support through measures that do not meet those criteria.

Kyrgyz Republic

The Kyrgyz Republic's base data for 1994-96 reported green box expenditures mainly in the form of structural adjustment assistance in the context of privatization. All the product-specific AMSs, mainly consisting of support for seeds in various years, were small enough to be *de minimis*, even as low as less than 1 percent of value of production. Most of the non-product-specific AMS consisted of rescheduling of debt and interest rate subsidies. When non-product-specific AMS support was averaged over the three years, it also fell below the *de minimis* limit.

The only notification received from the Kyrgyz Republic refers to 1998, i.e., fifteen years ago. Numerous policy priorities have no doubt been pursued since then, giving rise to continued green box and AMS support. More recently the government has set out an agriculture and food security strategy for 2009-19, which includes measures to increase the volume of agricultural and food products and reduce the country's dependence on imports of food, as well as a draft medium-term development program for 2012-14 (FAO 2012i). The latter program would have an estimated budget of KGS 10.4 billion, or USD 210 million. With an estimated value of production in agriculture of the order of KGS 143 billion (USD 3.1 billion) in 2011, the 5 percent non-product-specific *de minimis* limit amounts to some KGS 7 billion (USD 155 million).¹² The classification of support as green box compliant or not is of course crucial in assessing the country's potential to stay within its *de minimis* limits for AMS support, as does the distribution of any AMS support among products and as non-product-specific support. With relatively low bound tariffs in agriculture, there is little scope for introducing market price support, which means that the financial capacity of the government will be decisive for any increases in AMS payment support.

In recent years domestic support to Kyrgyz agriculture has taken many forms, including subsidized credit through numerous government-related agencies, machinery leasing facilities, livestock breeding, procurement and direct market intervention by the state, production grants, price controls and guarantees, provision of seeds, and subsidized crop insurance (WTO 2013g; 2013h). These forms of support tend to be accounted for as AMS support in most countries, since they rarely meet the criteria for exemption from the AMS calculations. The Kyrgyz agriculture sector was also supported through measures that, if they meet the proper criteria, might be exempted on green box grounds, such as veterinary, sanitary and phytosanitary services, and reserve stock maintenance.

¹¹ Value of production from FAOSTAT; average 2011 exchange rate 11.737 MDL/USD from National Bank of Moldova.

¹² The 2011 value of production is found in FAOSTAT (accessed 27 September 2011).

6.2 Assessment

The WTO domestic support rules and commitments impose little constraint on most of the CIS countries that are WTO members, such as Tajikistan, the Russian Federation, Armenia, Georgia, and the Kyrgyz Republic, at least in the short run. For the Russian Federation this is a result of its Bound Total AMS being large relative to its current level of AMS support and also large enough in the future to accommodate planned budgetary support levels, especially if support instruments are changed so as to allow a different classification in WTO terms. Tajikistan, Armenia, and the Kyrgyz Republic have not provided large amounts of support, especially not AMS support, and have been able to fit these support levels within their *de minimis* limits in the years for which information is available. They would thus be able to increase their AMS support levels if their budgetary situation were to allow it. The same holds for Georgia, which for many years has provided only green box support. Moldova and Ukraine, on the other hand, would be more challenged by the WTO Bound Total AMS. Ukraine would even appear to have exceeded its Bound Total AMS in 2010 and perhaps in later years as well, although Ukraine contends that its calculation method generates a Current Total AMS in compliance with its WTO commitment.

6.3 CIS countries in the process of accession or contemplating WTO accession

Azerbaijan

In the case of Azerbaijan, it appears that administered prices are not used for agricultural products (Mahmudov 2013), which would obviate the need to calculate market price support in the base data for the WTO accession. A large number of input subsidies and output subsidies are provided, including subsidies for fuel, fertilizer, seed, irrigation water, and credit (FAO 2012e). These policy instruments do not seem to meet the criteria for the green box. The wheat seed subsidy amounted to USD 8 million in 2010-12, but it is still small compared to the per-hectare subsidy of USD 31 million to producers of wheat and rice (Mahmudov 2013). The resulting AMS calculations would need to distinguish between product-specific and non-product-specific support, and apply the appropriate *de minimis* percentage.

If Azerbaijan as a member were to have a non-zero Bound Total AMS, Azerbaijan could continue the subsidy practices of recent years, but increases in non-product-specific AMS would be limited. As Azerbaijan's value of production in agriculture had grown to USD 6.2 billion in 2012 (Mahmudov 2013), the *de minimis* threshold for non-product-specific AMS would be USD 310 million. Such a threshold would in the future need to be compared to the amount of non-product-specific AMS in order to estimate any Current Total AMS. Corresponding calculations would be needed for product-specific support. While improved transportation infrastructure, along with market analysis, would increase the potential for Azerbaijan's agriculture to capitalize on market openings flowing from WTO membership (McNaught 2011), there is also unlimited room for green box support to enhance competitiveness.

Belarus

Belarus has many policies in place for agriculture until 2015, including some for specific sectors, such as dairy, poultry, pigs, potatoes, vegetables and fruit, and the grain sector enjoys support for grain cleaning and drying systems (FAO 2012f). Other forms of support include subsidized inputs, such as fuel and fertilizer, as well as energy for hothouses, investment support for agricultural producers, such as interest subsidies and loan guarantees, subsidies for a very large part (possibly 90-95 percent) of the premiums for mandatory crops and livestock insurance, and tax benefits. Regulated prices apply to that portion of crops that is grown on state order, of the order of 13 percent in 2013.¹³ The total value of support prior to 2011 may have been somewhat larger than 16 percent of the agriculture sector's value of production, since under the rules of the Single Economic Space (SES), Belarus agreed to reduce distorting support to 16 percent by 2011 (Eurasian Economic Commission 2013b; a subsequent section in this report discusses the SES). It is not clear how much of that support would be classified as non-product-specific AMS and how much as product-specific AMSs, or even how much market price support under WTO rules would be included in the product-specific AMSs.

Thus, depending on the classification of policies and measurement of support, the non-product-specific AMS in Belarus in recent years may well have been larger than the 5 percent *de minimis* threshold. The threshold

¹³ Calculated as 1.2 million tonnes of procurement out of 9 million tonnes of grain production, drawing on media reporting (Belarusian Telegraph Agency 2013).

would have been of the order of USD 470 million, based on an average 2009-11 value of production of USD 9.4 billion (using FAOSTAT data). The non-product-specific AMS by itself would thus have generated a sizeable Bound Total AMS, to which would be added any product-specific AMSs exceeding their respective *de minimis* thresholds. At the same time, budgetary support of agriculture in US dollar terms declined rapidly between 2009 and 2012 (FAO 2012b, Table 7). Belarus is also required under the rules of the SES to continue to reduce its distorting support from 16 percent of value of production in 2011 to 10 percent in 2016. The speed of the accession process and the consequent final determination of the base period for measuring support will thus be crucial for the size of Belarus's Bound Total AMS and its future entitlement to provide AMS support above the *de minimis* thresholds.

Kazakhstan

In Kazakhstan support as measured by the OECD increased in both 2011 and 2012. More than two-thirds of this support was provided as market price support resulting from interventions in the grain sector, especially wheat, and border protection in the livestock sector (OECD 2013a, OECD 2013b). Other forms of support included per tonne payments for livestock, particularly poultry and eggs, and per hectare payments differentiated for by crop and technology. Many kinds of support were provided for inputs, including fixed low interest rates on loans for sowing, harvesting and state-selected investment projects, with a shift underway from fixed interest rates towards interest subsidies. Subsidies were provided for fertilizer, chemicals, elite seeds, pedigree livestock breeds, livestock feed purchase, and delivery of irrigation water, while the price of diesel fuel was regulated. Plans are being implemented to increase subsidies to the "agro-industrial complex", which includes not only primary agriculture but also processing industry, by 4.5 times between 2013 and 2020 (FAO 2012h).

While support from border protection alone is not represented in the measurement of AMS for WTO purposes, intervention in grain markets, such as purchases of wheat or other crops by a state agency, might require the calculation of WTO market price support. The crucial factor is whether or not the purchase prices are administered prices as referred to in the Agreement on Agriculture. Thus, depending on the specific parameters of the instruments Kazakhstan uses to provide support to agricultural producers and how they are interpreted in relation to the Agreement on Agriculture, the calculation of AMSs may generate larger or smaller amounts of AMS support in the base period. The support through purchases of wheat by the government agency at prices above market prices was moderated by the poor infrastructure, which increased the cost of transportation (OECD 2013a).

Many of the instruments for delivering input subsidies, such as those for fuel, water and credit, appear to benefit agricultural producers in general, which would result in such support being accounted for in the non-product-specific AMS. If the non-product-specific AMS is larger than the *de minimis* threshold in the base period, it contributes to the size of Bound Total AMS. This threshold would have been about USD 640 million, assuming Kazakhstan's 2010-12 value of production in agriculture for WTO purposes is the same as that used by the OECD (calculated from an average 2010-12 value of production of USD 12.8 billion, using OECD (2013b)). A much larger non-product-specific AMS in the base period would contribute to a correspondingly larger Bound Total AMS, along with any product-specific AMSs that exceed their respective *de minimis* thresholds in the base period.

The size of the Bound Total AMS depends on the *de minimis* percentage applied in the base period, whether it is 5 or 10 percent, or perhaps even something in between, such as the 8.5 percent applied in China's accession to the WTO. If Kazakhstan's Bound Total AMS is derived from support in a recent base period, such as 2010-12, the scope to increase AMS support in future years from base period levels would be circumscribed to some extent. The sum of non-de-minimis AMSs could not exceed the Bound Total AMS, although there would of course be room to increase some AMSs up to their respective future *de minimis* thresholds. Green box support could also be provided without constraint.

Turkmenistan

Turkmenistan is a special case since it has not initiated the process of accession to the WTO, but it is discussed here in the context of agricultural policy developments in the CIS countries. Some of the Turkmen government activities reveal an interest in eventually acceding to the WTO (WTO 2013f). The country's progress from central planning and dirigisme to a market economy has been very slow. Several important agricultural production sectors, such as grain, cotton, rice and sugar beets, are almost unreformed from Soviet days, while the livestock sector operates on a more private basis (FAO 2012a). Crop farmers in Turkmenistan who produce under state orders receive low prices for their production - lower than world market prices -

which is to some extent offset by subsidies on inputs. This makes for a strongly negative rate of protection (an economic indicator), which nevertheless increased from what could be called extremely negative to only very negative between 2005 and 2009 for major crops.

Turkmenistan's effective taxation of agricultural production, which is the opposite of the positive support registered for agricultural production in some major CIS countries, was reduced in a relatively recent period. State support for investment in agriculture has been provided in several forms. The role of state control in international trade makes more transparent instruments, such as tariffs, relatively unimportant in affecting trade flows. Altogether, the established policy environment and the slow pace of reform in Turkmenistan's agriculture make it unlikely that its support to agricultural producers will be constrained by WTO rules and commitments for some time yet.

Uzbekistan

Numerous programs are in place through 2015 to support the development of agriculture in Uzbekistan (FAO 2012n). Much of the support is directed towards the processing industry, but primary production is also supported in several ways. Extensive subsidies on inputs, such as fertilizer, pesticides, water, machinery services and credit are reported to have been in place in some years in the 2000s at least for cotton (see MacDonald (2012) for references). Many input subsidies are likely to have extended also to other crops, although cotton and wheat are the country's two major crops. The government intervenes in the cotton sector in many ways, such as setting quotas on production and on area planted, directing fertilizer application, procuring cotton at below world prices, and managing exchange rates, which affects the more than 75 percent of cotton production that is exported (MacDonald 2012). The net economic effect of subsidization and other government intervention has been found to be negative as far as the cotton sector is concerned, i.e., cotton production has been subject to taxation.

Overall, it appears that Uzbekistan still has considerable steps to take towards the market orientation that underpins membership in the WTO. Nevertheless, in terms of measuring support under WTO rules, much of the input subsidization would appear to be of a non-product-specific nature and thus to be accounted for in the non-product-specific AMS. Product-specific subsidies, whether on inputs or output, would be offset by the negative market price support that might be calculated under WTO rules using administered prices and eligible production. This calculation would need to be transparent with regard to the exchange rate used in establishing the external reference price. If calculations of support under WTO rules under the recent or current policy support regime were carried out, they could result in product-specific AMSs below their respective *de minimis* levels. Given the difficulty in ascertaining the amounts of input subsidies and the absence of data on value of production in agriculture, it is not possible to conjecture whether the non-product-specific AMS would be below its *de minimis* level or above it, generating a Bound Total AMS.

6.4 Assessment

Two of the CIS countries in the process of WTO accession seem to have made more progress than the others towards reforming their economies, including the agriculture sector, namely Kazakhstan and Azerbaijan. Partly as a result of oil and gas revenues their government finances have been in a favourable enough position to allow them to increase support to the agriculture sector, including support in forms that would not meet the criteria for green box exemption, such as input subsidies. Both countries may thus accede to the WTO with a Bound Total AMS, although its size would depend on how much support was provided in their respective base periods and the corresponding values of production that determine the *de minimis* thresholds. Belarus is in a unique position by virtue of having provided generous budgetary support to agriculture in earlier years but finding itself now in a position of reducing certain kinds of support under the rules of the Single Economic Space. Economic restructuring seems to have progressed only at a slow pace, so it is unclear by when the WTO accession process will settle on Belarus's base period for measuring support and values of production in order to establish any Bound Total AMS applying to it as a future member. The economic restructuring in Uzbekistan and Turkmenistan has proceeded even more slowly than in the other countries mentioned. It is thus meaningless at this point to hypothesize about the commitments they would enter into as WTO members, especially so for Turkmenistan which has not yet sought to initiate its WTO accession process.

7. SCRUTINY IN THE WTO COMMITTEE ON AGRICULTURE

The Committee on Agriculture has the mandate to review members' implementation of their commitments. The Committee meets formally three or four times per year. Informal meetings, often arranged in conjunction with the formal meetings, allow discussion of particular issues. One of the tools the Committee uses in its review is the notifications that members submit according to a timetable decided by the Committee in 1995 (WTO 1995b). Before Committee meetings members submit written questions to each other on the notifications the Committee has received. The member to whom the question is posed is expected to respond, although there are a number of questions that have never seen a reply. Members can also raise any matter relevant to the implementation of commitments and the compliance with the rules of the Agreement on Agriculture. These matters are often called "18.6 questions", referring to the article in the Agreement that provides for the opportunity to ask such questions. The following summarizes first the 18.6 exchanges and then those relating to individual notifications to the extent they involve CIS countries.

7.1 Questions and responses under Article 18.6

The first CIS country facing a question in the 18.6 process was Moldova in 2004. This concerned the apparent application of higher tariffs than the bound tariff on poultry meat imports and the use of a non-automatic licensing procedure acting as a quantitative restriction. Moldova replied that certain measures had been temporary and had been rescinded and that no quantitative restrictions applied on poultry imports.

Several years passed before another 18.6 question was directed to a CIS country, which was to Ukraine in 2010. This concerned the apparent proposal to introduce a 10 percent fee on imports of meat, fish and fish products and plant protection products, a "temporary agricultural fee". Ukraine clarified that while the Ministry of Agriculture had drafted a law stipulating the introduction of a "temporary agricultural fee", the Government of Ukraine had not submitted any such law to the Parliament.

Ukraine again faced an 18.6 question in March 2011 concerning the administration of tariff rate quotas for raw cane sugar. Ukraine explained that its tariff rate quota administration was consistent with the relevant WTO provisions. Several sugar exporters, however, posed follow-up questions on this matter.

Ukraine faced an 18.6 question in September 2012 concerning its proposed modification of 371 tariff lines, of which 224 are reported to concern agriculture. Ukraine explained that it could only discuss this issue bilaterally. Ukraine faced another 18.6 question in November 2012 on the same matter, with its origin shared by an additional member. Ukraine reasserted the legitimacy of its proposed changes.

Ukraine faced an 18.6 question in November 2012 from four members concerning its reported export ban on wheat, beginning in November 2012. Ukraine stated that it had not imposed a ban on wheat exports. In follow-up comments the four members, echoed by a fifth member, requested additional information from Ukraine. One member praised Ukraine for recently having submitted a series of five notifications on export restrictions.

Ukraine faced an 18.6 question in September 2013 concerning the possible abolition of minimum prices for sugar beets in the sugar sector. The minimum price is used as the applied administered price in Ukraine's calculation of market price support for sugar for a September-August year (for the relevance of this issue, see discussion of Ukraine in the section "Base data, commitments and notified policy support" above and in Appendix B). Ukraine explained that a draft law had been prepared in April 2013 aiming to abolish the minimum prices for sugar beets, and the answer could be interpreted to say that the same applied also to sugar. Ukraine said nothing about the timing for the eventual passing into law, and it appeared by December 2013 that such a law had not yet been passed.

7.2 Review of notifications in the Committee on Agriculture

The following summarizes the Committee's treatment of the CIS countries' notifications, i.e., those of Ukraine, Armenia, Moldova, Georgia, and the Kyrgyz Republic, in reverse order of their accessions.¹⁴ It is too early (October 2013) for Tajikistan to have notified, and possibly too early also for the Russian Federation to have notified for 2012, its first partial year of membership. The Committee's review of the CIS countries' domestic

¹⁴ The review covers notifications with the following ending parts of the WTO notification symbols: UKR/9, UKR/13, ARM/2, ARM/3, ARM/5, ARM/6, ARM/8, ARM/9, ARM/11, ARM/12, ARM/14, ARM/15, ARM/16, ARM/20, ARM/22, MOL/4, GEO/2, GEO/5, GEO/7, GEO/8, GEO/10, and KGZ/1.

support notifications are covered first, followed by the market access notifications of Ukraine. Ukraine is the only CIS country to have submitted market access notifications. All the five earliest WTO members have submitted export subsidy notifications stating that they did not provide export subsidies in agriculture in the years concerned. Members are also required to notify the Committee on Agriculture about their export restrictions and taxes. These measures are covered in the subsequent section, along with the relevant notifications from CIS countries to the Committee.

Domestic support

Ukraine has notified for 2009 and 2010. Several members have posed many questions and comments on Ukraine's two notifications.

- One concern centers on Ukraine's calculation of market price for sugar produced from sugar beets, not using the fixed external reference price from its base data in the access documents but a price that is increased by the full extent of inflation from its base period. Ukraine would have complied with its Bound Total AMS in 2009 without making the adjustment but would have exceeded it in 2010 without making the adjustment. Several members inquired about Ukraine's calculations and some requested Ukraine to submit a revised notification. Ukraine contended that its reading of the Agreement on Agriculture allows it to adjust the reference price unilaterally and this by the full extent of inflation,¹⁵ not just by the effect of excessive inflation. (Appendix B of this report includes a discussion of these issues).
- A member asked for clarification of the differences between two measures relating to value-added taxes in 2009 and 2010. There appears to be no response to the question.
- A member asked about Ukraine's partial reimbursement of the price of agricultural machinery, which is reported as being limited to domestically produced machinery. There appears to be no response to the question.
- A member asked for clarification of Ukraine's generous support in favour of producers of hops and another member has asked about subsidies for producing grape products. There appears to be no response to either question.
- A member asked about the reasons for the fairly large increases between 2009 and 2010 reported for several programs claimed as green box exempt, including research and inspection services. There appears to be no response to the question.
- A member asked about the reasons for the increase between 2009 and 2010 reported for public stockholding and for environmental programs, both claimed as green box exempt. Ukraine explained that the costs of public storage had increased both from larger volume and from higher per tonne storage costs, while the costs for environmental programs, including enforcement costs, had increased.
- A member asked about the significant increases in values of production between 2009 and 2010. Ukraine explained that both volumes of production and prices of individual products had increased.

Armenia has over the course of several years submitted numerous domestic support notifications of the two stipulated kinds. Some report the annual calculations of support, and some respond to the Committee on Agriculture's requirement to provide information on new or modified programs to support claims for exempting programs from AMS calculations, in Armenia's case claims for green box exemptions.

- Regarding the annual notifications, members asked Armenia whether support for certain infrastructural services meet the green box criteria and whether they are related to agriculture or forestry. This resulted in Armenia submitting a slightly revised notification.
- Members asked about Armenia's classification of programs placed under the green box heading relief from natural disasters, giving Armenia the opportunity to provide some detail in support of its green box claim but also prompting a further question on the same subject.
- A member's question about classifying artificial insemination measures as green box infrastructural services apparently went unanswered.
- Asked by a member about the justification for classifying AMS support under certain programs

¹⁵ At the September 2013 meeting of the Committee on Agriculture, Canada made a submission regarding the transparency of calculations and high rates of inflation (WTO 2013e).

(supplying farmers with livestock and supporting agricultural land users) as non-product-specific, Armenia explained that the measures did not support any specific grain or animal husbandry product, respectively. Armenia also informed that the land user support had been terminated after 2009.

- A question on the specifics of similar-sounding but perhaps different programs on support to agricultural land users operating in 2007, 2009 and 2011 was asked at two meetings of the Committee on Agriculture but remains without Armenia's response so far (October 2013), as does a question about supplying farmers with livestock in 2008-11.
- A member asked about co-financing of programs by international or foreign donors, and Armenia responded with information on the respective shares of financing of several programs by the Armenian government and by donors.
- Regarding Armenia's notifications of new or modified measures claimed as green box exempt, a question whether a program classified as general services in the green box actually involved direct payments to producers - which would have disqualified it for the green box - drew a negative answer.
- A member's question about the characteristics of a capital rebuilding program shown in the green box prompted a correction of the notified program description.
- The placement of a seed farming development program in the general services category of the green box triggered requests for explanation, allowing Armenia to elaborate somewhat on the government's involvement in seed improvement.

Moldova's domestic support notifications for 2001-04 were received and reviewed in 2012.

- Questions about the external reference price in calculating market price support for wheat and about not claiming *de minimis* exemptions appear to have gone unanswered.
- Other questions related to the continued maintenance of state reserves of wheat and their objectives, requests for more information about support and credit stimulation for agricultural producers, and clarification of terminology. Moldova's brief answers go some way towards providing the information sought, although more complete answers would have enabled members to better understand the characteristics of the measures involved.
- In response to a member's question, Moldova listed support measures currently in place.
- In response to a member's concern about the missing notifications for more recent years than 2004, Moldova only held out the promise that information will be submitted in due course, apparently disregarding the timing laid out in the Committee's notification requirements (90 days after the end of the year, etc.).

Georgia's notifications for the years 2000-06 did not attract any questions, but the subsequent 2007-11 notifications triggered several questions. The 2012 notification of November 2013 has not yet (December 2013) been reviewed in the Committee.

- Georgia showed only support under measures claimed in the green box. These measures drew numerous questions from members seeking additional information about the measures, particularly with regard to meeting the green box criteria in Annex 2 of the Agreement on Agriculture. While some of Georgia's answers went some way towards providing the information sought, other answers fell short of providing the information members need to assess the conformity of a measure with the relevant criteria.
- One way for the notifying country to provide such information is in the form of a notification in a given format, designed to address members' need for certain kinds of information about new or modified programs. Georgia was invited to submit such a notification and undertook to do so once the new program is planned (the meaning of this is not clear).

The *Kyrgyz Republic* has submitted a domestic support notification only for 1998, in 1999, and there has been no question on it.

Market access

Georgia, Moldova and Armenia have submitted no agricultural market access notifications, consistent with their fairly simple market access conditions for agricultural products.

Ukraine submitted seven notifications between 2009 and September 2013 concerning the administration of tariff rate quotas and four yearly notifications concerning in-quota imports (Table 8). All of these

market access notifications related to raw cane sugar. While Ukraine's in-quota imports of raw cane sugar in 2009-2010 filled more than half and in 2011 all of the quota quantity, Ukraine reported no in-quota imports of raw cane sugar in 2012. In the Committee on Agriculture members raised questions on three distinct issues.

- One was about Ukraine's practice of allocating quota to individual members of the European Union rather than the European Union itself, allowing Ukraine to explain its practice by referring to the wording of its accession documents.
- A second one related to Ukraine's formalities and requirements laid down for importers when seeking import licenses, which allowed Ukraine to provide a very detailed listing of the necessary procedures.
- A third one concerned the absence of in-quota raw cane sugar imports in 2012, which Ukraine explained by demonstrating that the import price of raw cane sugar in 2012 exceeded the price of sugar produced from sugar beets in Ukraine. The answer prompted comments relating to the cross-link between the in-quota import question and a question in domestic support about Ukraine's calculation of market price support for sugar produced from sugar beets, and also to members' explanations of low in-quota fill rates more generally.

Export subsidies

Georgia, Moldova, Armenia, and Ukraine have all submitted notifications stating that they have not provided any export subsidies in agriculture in their years as WTO members.

7.3 Assessment

While Moldova and Ukraine are the only CIS countries to have faced questions in the Committee on Agriculture under Article 18.6, only one of those questions was directed to Moldova, and several were directed to Ukraine. The questions to Ukraine concerned a variety of issues, including certain media reports, export restrictions, and the policy instruments used in the sugar sector. Members were particularly interested to learn more about Ukraine's 2012 proposal to renegotiate hundreds of tariffs, of which many in agriculture. The 18.6 questions gave opportunities for a useful information exchange on some issues, although perhaps not to the

TABLE 8 UKRAINE: MARKET ACCESS NOTIFICATIONS

Type	Notification	Product and year	Calculated fill rate
MA:1 <i>i.a.</i> , administration of tariff-rate quotas			
	UKR/1	Raw cane sugar 2009	
	UKR/1/Add.1	Raw cane sugar 2009	
	UKR/3	Raw cane sugar 2010	
	UKR/3/Rev.1	Raw cane sugar 2010	
	UKR/8	Raw cane sugar 2011	
	UKR/8/Rev.1	Raw cane sugar 2011	
MA:2 <i>i.a.</i> , in-quota imports			
	UKR/2	Raw cane sugar 2009	54%
	UKR/7	Raw cane sugar 2010	89%
	UKR/12	Raw cane sugar 2011	100%
	UKR/15	Raw cane sugar 2012	0%

Source: WTO docsonline (fill rates calculated by author) docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S005.aspx

extent hoped for by those who posed the questions. The number of different questions addressed to Ukraine paint an image of this country having been more active than the other CIS countries with regard to introducing and changing policies that WTO members worry will negatively affect trade.

Many WTO members submit domestic support notifications only with severe delays. Among the CIS countries, the Kyrgyz Republic and Moldova stand out as having fallen behind by many years. Although their farm support policies have been changing, there have not even been any notification of new or modified support measures from these countries. Armenia and, especially, Georgia are more up to date, although still not quite meeting the timetable of the Committee on Agriculture. Ukraine is late by a couple of years, which is not particularly different from the status of some other large agricultural producers and traders.

Armenia and Ukraine are the CIS countries that have faced the largest number of questions on their domestic support notifications. The questions for Armenia in general and for Ukraine in a few cases have addressed members' needs for more information, sometimes on fairly minor issues. However, Ukraine's notifications for 2009 and 2010 have met with very serious concerns, expressed by numerous members, about its market price support calculation. The concerns are about more than information gathering and put into question a member's (Ukraine) reading of the Agreement on Agriculture. The implications extend not only to Ukraine but to the calculation of many members and to the apparent emasculation of what many observers regard as actual constraints on how much support of the most distorting kind members can provide. This loosening would open up much room for all members to increase trade distorting support, not just those with a Bound Total AMS.



8. OTHER AGRICULTURAL ISSUES IN COMPLYING WITH WTO RULES AND COMMITMENTS

8.1 Export restrictions and taxes in agriculture

The run-up in the prices of many food commodities, particularly cereals, in 2008 and again in 2011 generated a keen interest in the role of export restrictions and export taxes or duties in adding to the amplitude or frequency of world price fluctuations. Many exporting countries instituted a diverse array of such measures, often intended to make prices at home increase less than in world markets or to be more stable. While the WTO Agreement on Agriculture has certain rules on what members must do when they institute export prohibitions or restrictions on foodstuffs, there is no scheduled commitment that constrains a member's use of such prohibitions or restrictions. The rules require a member to give due consideration to the effects on importing members' food security when it puts in place an export prohibition or restriction. They also require the member to give advance notice to the Committee on Agriculture with information on the nature and duration of the measure and to consult with interested importing members and provide them with information.

Several CIS countries have a history of using export restrictions and taxes in agriculture (Tables 9, 10 and 11).¹⁶ The Russian Federation and Ukraine used such measures on exports of mainly cereals and oilseeds from 2006 onwards. Upon acceding to the WTO in 2008, Ukraine agreed to eliminate quotas on exports of wheat and rye, having already in 2007 eliminated quotas on exports of barley and corn (WTO 2008a). Ukraine agreed to reduce export duties on certain oilseeds (linseeds, sunflower seeds, false flax seeds) from 16 percent at accession to 10 percent over a period of six years, on live bovine animals and live sheep and goats from 50 percent at accession to 10 percent over a period of eight years, and raw hides and skins from 30 percent at accession to 20 percent over a period of ten years (WTO 2008a). The Russian Federation undertook upon accession to the WTO to eliminate quantitative restrictions on exports of goods and not to introduce such restrictions (WTO 2011c). Regarding export duties, the Russian Federation scheduled bound rates in a compound form for certain oilseeds, declining over three years (soybeans, rapeseed), four years (sunflower seeds), or one year (mustard seeds), as well as ad valorem bound rates declining over five years for hides and skins (WTO 2011b). It has been observed that these bindings of Ukraine and the Russian Federation may be considered more restrictive than the provisions applying generally to WTO members (Anania 2013). Tajikistan agreed to abolish upon accession its temporary export prohibition on wool and raw hides (WTO 2012).

Ukraine is as a WTO member required to notify its measures to the WTO Committee on Agriculture, and in 2010 and 2011 it submitted five such notifications. Ukraine is the country appearing most frequently in the listings of CIS countries in Tables 9, 10 and 11, which can be a function of the measures often having been changed. Disregarding whatever the effects of Ukraine's export restrictions and taxes on wheat were in world markets and on importing members' food security, it has been found that the multiple and unpredictable steps taken by the government substantially increased market uncertainty, which led to pronounced additional price volatility in Ukraine (Götz et al. 2013a). The Russian Federation's use of export taxes on wheat also increased domestic market instability (Götz et al. 2013b).

Kazakhstan and Belarus also used export restrictions or taxes and, according to their notifications to the WTO, the Kyrgyz Republic and Moldova instituted temporary export restrictions after their accessions (Table 11). The 2008 Kyrgyz imposition of export duties on a number of products was unusual in that it included also livestock feeds in addition to foodstuffs. Moreover, the Kyrgyz Republic imposed export duties on mineral fertilizers for some time in 2012 as a measure to aid farmers (WTO 2013g). Between October 2012 and April 2013 the Kyrgyz Republic applied a ban on exports of wheat and meslin (WTO 2013g).

8.2 Safeguards and agricultural products

The CIS countries are not entitled to using the special agricultural safeguards under the Agreement on Agriculture in case of import surges, a right that some original members have inscribed in their tariff schedules. However, the CIS countries are, as are all WTO members, entitled to using the regular WTO safeguards under the WTO Agreement on Safeguards. Following certain procedures and under certain conditions a government

¹⁶ The WTO Agreement on Agriculture refers to export prohibitions and restrictions in the sense of quantitative constraints. Analysis of export restrictions often includes duties, tariffs, charges, and taxes on exports as export restrictions, since they can have effects equivalent to the effects of quantitative constraints. This wider concept is used here.

TABLE 9 RUSSIAN FEDERATION: EXPORT RESTRICTIONS AND TAXES

Wheat and Barkley	
2007	
November	Export tax of 10 percent on wheat and barley
December	Raised tax to 40 percent on wheat and 30 percent on barley and kept till May 2008
2008	
February	Export tax on wheat and barley by 40 percent and 30 percent respectively
April	Ban on wheat exports to Belarus and Kazakhstan (customs union- fearing deflection)
2009	
2010	
August	Export ban announced for grains (wheat and flour, maize, barley, rye and flour) until end December
2011	
January	Export ban lifted for flour
February	Reports that the ban for grains may be extended beyond July 2011
March	Ban to remain until September 2011
June	Ban lifted
Rapeseed, soybeans, sunflower seeds	
2001-12	Subject to export duty since 2001 to encourage domestic processing and adjusted from time to time (15-20 percent range).
2010	
August	News that duty may be lifted as crushing industry growth is saturated.

Source: 2001 - March 2011: adapted from Sharma (2011) and Liapis (2013); June 2011: OECD (2013)

can temporarily restrict imports of a good. One of the necessary steps is to investigate the situation in which a safeguard action is contemplated. The initiation of an investigation is one of the steps to be notified to the Committee on Safeguards.

Armenia, Georgia and Tajikistan have not notified any such investigations. Moldova notified the initiation of investigations on sugar in 2003 and 2007. The Kyrgyz Republic have notified the initiation of investigations on sugar (2009), wheat flour (2009, 2010) and eggs (2010). Ukraine has initiated investigations on numerous goods but not on any agricultural products. The Russian Federation initiated an investigation on the imports of harvesters in 2012. This makes for a somewhat mixed policy picture, since impeding farm machinery imports by a safeguard measure could make machinery more expensive than it otherwise would be, while the Russian Federation's government at the same time subsidizes the availability of farm machinery to agricultural producers.

TABLE 10 UKRAINE: EXPORT RESTRICTIONS AND TAXES

Wheat and other grains	
2006	
September	Export licensing introduced for wheat and wheat-rye mix
October	Export quotas introduced (wheat, maize, barley, rice) until December 2006
December	New quotas for January-June 2007 (wheat sharply reduced)
2007	
February	Quotas cancelled for maize and barley
May	Quotas cancelled for wheat
June	Quotas re-introduced for January-October 2007, but very small amounts (exports quasi-banned)
Sep-Oct	Quota regime extended to end 2007
November	Quotas announced for January-March 2008, substantially raised (wheat, maize, barley)
2008	
March	Quotas extended to April for wheat and barley
March	Quotas abolished for maize from April (but license required)
April	Quotas for maize and barley substantially raised (until July 2008)
2009-10	Marketing year: grain policies without export bans or restrictions
2010	
May	Removed quota restrictions on grain exports
August	Announced export quotas after the Russian Federation announced export bans
October	Quotas set until end 2010 for wheat, corn, barley, rye, buckwheat and notified to the WTO
December	Wheat quota doubled
2011	
January	Quota extension to March 2011 notified to the WTO
March	Increased maize quota
March	Debates about replacing quotas with export tax
April	Quota extension to June 2011 and maize quota change notified to the WTO
May	Exclusion of maize from quota requirement notified to the WTO
June	Exclusion of wheat and barley from quota requirement notified to the WTO
July	Export duties replaced export quotas: wheat 9% but not less than 17 euros/tonne; barley 14% but not less than 23 euros/tonne; maize 12% but less than 20 euros/tonne
October	Export duties abolished for wheat and maize
October	Established "agreed" export quantities
2012	
January	Export duties abolished for barley
July	New "agreed" quantities: wheat 5.0 million tonnes; maize 12.4 million tonnes; barley 3.0 million tonnes
October	"Agreed" quantities exceeded
October?	Official statements about possibility of wheat export quotas, export tax, increased "agreed" quantity

Sources: 2006 - March 2011: adapted from Sharma (2011); July 2011-January 2012: OECD (2013); some entries from Table ER:1 notifications to the WTO.

TABLE 11 BELARUS, KAZAKHSTAN, KYRGYZ REPUBLIC, MOLDOVA: EXPORT RESTRICTIONS AND TAXES

Belarus	
2008	
June	Export tax on wheat and meslin
2009	
2010	
July	Variable export duty on rapeseed
September	Export ban on rapeseed , rapeseed oil , and flax
2011	Export ban on rapeseed , rapeseed oil , flax , and linseed
Kazakhstan	
2008	
April	Export ban on wheat
May	Suspended transportation subsidy for fruits and vegetables
September	Export ban lifted
September	Transportation subsidy reactivated
October	Ban on exports of soybeans , sunflower seeds and oils of these and rape
2010	Ban on exports of soybeans , sunflower seeds and cotton seeds and oils of these and of rapeseed
2012	
February	Grain export licensing requirement abolished
Kyrgyz Republic	
2008	
July	WTO notification of export duties: wheat and meslin ; flour ; sunflower seeds ; sunflowerseed , safflowerseed , cottonseed oil
2009	
January	Notified end of export duties
2010	
November	WTO notification of export duties: oats , maize , certain livestock feeds
2011	
May	Notified end of export duties
Moldova	
2011	
February	WTO notification of export ban: wheat and meslin Notified end of export ban
May	Notified end of export ban
Tajikistan	
2011	Ban on exports of various hides and skins and wool

Sources: Belarus, Kazakhstan, Tajikistan: adapted from Sharma (2011) and Liapis (2013); Kazakhstan 2012: OECD (2013); Kyrgyz Republic, Moldova: Table ER:1 notifications to the WTO

TABLE 12 WTO DISPUTES INVOLVING CIS COUNTRIES

Case	Member and role	Title	Began	Status
DS411	Ukraine Complainant	Armenia - Measures Affecting the Importation and Internal Sale of Cigarettes and Alcoholic Beverages	2010	Establishment of panel deferred
DS411	Armenia Respondent	Armenia - Measures Affecting the Importation and Internal Sale of Cigarettes and Alcoholic Beverages	2010	Establishment of panel deferred
DS421	Ukraine Complainant	Moldova - Measures Affecting the Importation and Internal Sale of Goods (Environmental Charge)	2011	Panel not yet composed
DS421	Moldova Respondence	Moldova - Measures Affecting the Importation and Internal Sale of Goods (Environmental Charge)	2011	Panel not yet composed
DS423	Moldova Complainant	Ukraine - Taxes on Distilled Spirits	2011	Panel not yet composed
DS423	Ukraine Respondent	Ukraine - Taxes on Distilled Spirits	2011	Panel not yet composed
DS434	Ukraine Complainant	Australia - Certain Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging	2012	Panel not yet composed
DS462	Russia Respondent	Russia - Recycling Fee on Motor Vehicles	2013	In consultations (9 July 2013)
DS463	Russia Respondent	Russia - Recycling Fee on Motor Vehicles	2013	In consultations (23 July 2013)

Source: WTO www.wto.org/english/tratop_e/dispu_e/dispu_by_country_e.htm

8.3 CIS countries and WTO dispute settlement

The CIS countries as members of the WTO have been involved in only few disputes under the WTO Dispute Settlement Understanding (Table 12). Ukraine has been the most active, initiating disputes against Armenia, Moldova and Australia. Moldova has also initiated a dispute against Ukraine. Russia is the respondent in two disputes initiated by the European Union and Japan on similar issues. None of the disputes has advanced through the stage of a report by the panel, with one being stalled even before the establishment of a panel (the sequence in a dispute is consultations, establishment of panel, composition of panel, report by panel). This can be a sign that agreement was reached without needing to proceed through the full sequence of settlement steps, an outcome that is encouraged in the WTO, or the parties may have other reasons for going slow. In addition to the disputes directly involving themselves as a complainant or respondent, Moldova engaged as third party in one dispute and the Russian Federation engaged as third party in eight disputes.

The disputes involving Armenia, Moldova and Ukraine relate to processed products from agriculture, including tobacco products, cigarettes, alcoholic beverages, and distilled spirits. They do not, however, raise issues under the Agreement on Agriculture but rather with regard to fundamental articles of the GATT itself. In fact, only 74 out of a total of 466 WTO disputes have concerned the Agreement on Agriculture, few have touched on domestic support issues, and only two have concerned an alleged violation of Bound Total AMS under the Agreement on Agriculture.

8.4 Modification of tariff schedules

In an unprecedented step in September 2012, Ukraine proposed to renegotiate its bindings on as many as 371 tariff lines, 224 of which concern agricultural market access (OECD 2013a). A total of 130 WTO members have opposed Ukraine's extraordinary proposal on both systemic and commercial grounds (Inside US Trade 2013),

some going as far as asking Ukraine to abandon the renegotiation. While the WTO rules make it possible to renegotiate tariffs, this provision has been used only for minor technical changes involving a few of a member's tariff lines. It is not clear what Ukraine would offer in exchange for the proposed increases in so many tariffs, although Ukraine has suggested country-specific compensation to be negotiated bilaterally (WTO 2013c).

8.5 Assessment

Several of the CIS countries have become important suppliers of grains and oilseeds in world markets. Their revealed readiness to use export restrictions, whether quantitative or in the form of export taxes, has been a cause of concern among importing countries. The requirement to notify quantitative export constraints to the Committee on Agriculture has added some transparency to the practice, which makes it easier for world market participants to evaluate the effects of such measures. However, some measures with effects equivalent to export restrictions are taken without needing to notify the Committee, which works against transparency in agricultural trade policy. Moreover, analysis has shown that the effects in the domestic market of restraining exports are not necessarily those used to justify the restrictions in the first place, especially if uncertainty and frequent changes characterize the restrictions.

The CIS countries do not stand out as having initiated many safeguard investigations – in fact, some have initiated none – nor as having pursued disputes under WTO rules. That said, Ukraine has been the most active CIS country in WTO disputes. Ukraine has attracted very much attention in international trade policy circles, including agriculture, by its 2012 proposal to renegotiate as many as 371 tariffs, of which 224 in agriculture. WTO delegations have been confused by this initiative, partly because of the scarcity of information surrounding the move and its follow-up.

9. REGIONAL AND BILATERAL INTEGRATION

9.1 General picture

Individual CIS countries are parties to numerous international agreements intended to advance integration in the region, including economic integration and trade. They include both bilateral agreements between CIS countries and plurilateral ones with three or more CIS partners. The rules of many of these agreements have rarely been effectively applied, so any resulting increases in integration and trade have been at most modest. As just one example, Azerbaijan has bilateral free trade agreements with Georgia, Kazakhstan, Moldova, the Russian Federation, Turkmenistan, Ukraine, and Uzbekistan. It has joined regional agreements involving trade with the Economic Cooperation Organization, with the Black Sea Economic Cooperation Organization, with the Economic Union of the CIS, and with Georgia, Ukraine, Azerbaijan, and Moldova as a group (an agreement that at one time also included Uzbekistan). Inconsistent rules of origin under these agreements have created trade barriers, not only because of the increased scope for corruption but also because uncertainty about the rules has given rise to trade disputes, retaliation, and a climate of distrust among the members of the regional groupings (Lord and Ahmadov 2008, footnote 18, drawing on Tumbarello (2005)).

9.2 The Customs Union, the Single Economic Space, and the European Union

Evolution of the Customs Union and the Single Economic Space

A convoluted and evolving sequence of international arrangements involving various CIS countries has been pursued from 1996 onwards with Russian leadership. The following outline draws on Eurasian Economic Commission (2013). Belarus, Kazakhstan, the Russian Federation, Kyrgyzstan, and Tajikistan agreed in 1999 on the formation of a customs union and a single economic space, although these entities were not actually formed at that time. The five countries established the Eurasian Economic Community in 2000, which Uzbekistan joined in 2006. In 2004 Belarus, Kazakhstan, the Russian Federation and Ukraine agreed to establish the Single Economic Space, a project from which Ukraine subsequently withdrew. In 2007 Belarus, Kazakhstan and the Russian Federation entered into a treaty to form the Customs Union, and it was enacted from 2010. These three countries moved in 2010 to establish the Single Economic Space on the basis of the Customs Union, which could after some years lead to the creation of a Eurasian Economic Union. In January 2012 the Single Economic Space became operational. In February 2012 the Eurasian Economic Commission began work, as agreed by Belarus, Kazakhstan and the Russian Federation, as the permanent supranational regulatory body of both the Single Economic Space and the Customs Union.¹⁷

The Customs Union (CU) means that Belarus, the Russian Federation and Kazakhstan implemented a single external customs code in 2010, and customs checks at their internal borders were abolished in 2011 and transferred to their external borders (Eurasian Economic Commission 2013). Kazakhstan applies special rates on some products during a transition period. This may include the special provision that allows Kazakhstan to maintain a zero import duty on raw cane sugar until 2019, with the obligation not to redirect raw sugar or white sugar to Belarus or the Russian Federation (OECD 2013a).

The Single Economic Space (SES) means that the countries seek to coordinate their economic policies in order to achieve free movement of goods, capital, services and people. A package of 17 basic SES agreements to accomplish this came into effect in January 2012. The CU cooperates economically with the CIS countries under the rules of a new CIS free trade agreement from 2011.

Issues in expanding the Customs Union and the Single Economic Space

The Kyrgyz Republic started negotiations in 2012 to join the CU, and as of October 2013 it appeared CU membership might be a reality in 2014. As of September 2013 Armenia had plans underway to join the CU (Armenia 2013). There are media reports that Ukraine is under pressure from members of the CU also to join. Åslund (2013) and Giucci (2013) discuss the considerations behind such a development, including the obstacles put in place by the Russian Federation in 2012 and 2013 to imports of cheese and confectionery (chocolate) from Ukraine. Given the timing of these obstacles, they could perhaps be interpreted as pressure on Ukraine not to

¹⁷ The usual abbreviation for the Eurasian Economic Community is EurAsEC (sometimes the Euro-Asian Economic Community and sometimes EAEC) and for the Eurasian Economic Commission it is EEC.

align itself closer with the European Union, which would make the closer economic integration of Ukraine and the Russian Federation more difficult. The Russian Federation's action on cheese and confectionery imports seem related to the kind of concerns that would be addressed under the WTO SPS Agreement, and with both the Russian Federation and Ukraine being WTO members there could be avenues to resolving the Russian Federation's concerns under WTO rules.

The WTO has rules for the processes a member is to follow when joining a regional or preferential trade agreement, since the member effectively extends more favourable treatment to the countries in that agreement than to other WTO members. The CU consists of one WTO member (the Russian Federation) and two non-members (Belarus, Kazakhstan). This may complicate the potential enlargement of the CU with WTO members, such as the Kyrgyz Republic, Armenia and Ukraine. The existence of the CU itself caused a delay in the process of the Russian Federation's WTO accession, since expectations had at one time been formed to the effect that the CU as a whole would be the acceding party, a plan that proved unworkable.

In Kazakhstan's WTO accession delays are being incurred because of its membership in the CU. The bilateral agreements Kazakhstan had earlier negotiated with WTO members on market access would have included reductions from the various tariffs Kazakhstan at that time applied to imports from WTO members. In forming the CU Kazakhstan was obliged to raise many of its tariffs, some substantially, and to introduce tariff rate quotas for meat imports (OECD 2013a). Such changes would follow from the common external tariff of the CU apparently being changed so as to accommodate the results on market access from the Russian Federation's accession to the WTO (Tarr 2012). It is plausible that, while some CU tariffs were reduced to achieve this accommodation, the reduction would still leave them higher than Kazakhstan's earlier applied tariffs. The resulting tightening of import access to Kazakhstan, after some bilateral negotiations with as many as 29 WTO members had already been completed and while the country is still negotiating its WTO accession, would obviously very much complicate the accession negotiations (OECD 2013b).¹⁸ One part of the solution may come from the difference between the Russian Federation's WTO bound tariffs and its lower applied tariffs and how such differences were represented in the tariffs of the CU (Tarr 2012).

Integration with the European Union

All CIS countries cooperate to a varying extent with the European Union. Trade relations are in the process of being advanced in several ways. According to the European Commission, free trade agreements were being negotiated with Armenia, Georgia, Moldova and Ukraine in September 2013 (European Commission 2013). The Georgia and Moldova talks were advanced to the point that the texts were undergoing legal scrubbing, while the process for the next steps following the recent completion of technical talks with Armenia was being assessed in light of Armenia's possible membership in the CU. The EU continues negotiations in 2013 with Azerbaijan on an association agreement, parts of which would concern trade. No ongoing negotiations are listed with Belarus. The EU is negotiating with Kazakhstan and the Russian Federation to update partnership and cooperation agreements, which include trade-related provisions. The negotiations with the Russian Federation have been made more complex by the EEC having acquired several legal authorities in the area of trade. The European Council decided in March 2014 to suspend the bilateral talks on a new agreement.

The European Union's negotiations with Ukraine are more advanced than for other CIS countries but still in need of some technical steps and a political process (European Commission 2013). The pressures on Ukraine to join the CU, mentioned above, obviously play a role in the further steps and processes, both for the EU and Ukraine. It is reported that Ukraine faces an average tariff of 7.42 percent on exports to the European Union, while EU exports to Ukraine face an average tariff of 6.41 percent (Giucci 2013). The respective average tariffs on manufactures are much lower. As agricultural products constitute a large part of Ukraine's exports, the possibility of obtaining duty free access to the European Union would be significant for Ukraine, compared to the status quo.

¹⁸ As the WTO puts it: "Tariff adjustment involves resolving discrepancies between bilateral market access agreements negotiated by Kazakhstan with WTO members, Russia's schedule of commitments and the common external tariff of the customs union of Belarus, Russia and Kazakhstan. WTO members have reacted negatively to the methodology for adjustment proposed. This has emerged as the principal hurdle in completing Kazakhstan's market access negotiations." (WTO 2013d).

9.3 Assessment

Altogether the ongoing efforts to integrate the agricultural economies of the CIS countries through trade show a mixed picture. Belarus, Kazakhstan and the Russian Federation are among the largest producers, consumers, importers and exporters of agricultural products among the CIS countries. The formation of the CU and the SES of Belarus, Kazakhstan and the Russian Federation have resulted in tangible changes in the tariffs of Belarus, often downwards, and Kazakhstan, often upwards. The tariffs of the Russian Federation have subsequently been changed downwards as a result of its WTO accession, with corresponding repercussions for the tariffs of its partners in the CU. Membership in the SES also has consequences for the maximum level of certain trade-distorting support to agriculture each of the three countries can provide, with reductions from a relatively high level being undertaken by Belarus (see next section).

Ukraine, as the other large agricultural producer, consumer, exporter and importer, faces a quandary in whether to pursue further integration with the European Union or to join the CU and the SES, a generally smaller economic actor than the European Union. Ukraine's unprecedented initiative in 2012 to propose renegotiations of many of its tariffs, about two-thirds of them in agriculture, could be seen as a step in a process of obtaining higher WTO bindings on those products where the CU tariff is higher than Ukraine's present WTO bindings, so as to facilitate Ukraine's inclusion in the CU and SES. However, in the absence of information on what Ukraine has proposed on this issue, it is impossible to validate or refute such a hypothesis.

Among the smaller CIS countries, Moldova is a net exporter of food and beverages, destined mainly to Russia and to Romania in the European Union. Moldova's opportunities to trade more either with the CU and the SES or with the European Union would seem to be influenced by what direction Ukraine follows. This is simply because Moldova is such a close geographical neighbour of both Ukraine and the European Union. On the other hand, because of its proximity to the European Union, Moldova does not need to follow Ukraine's route. Moldova could, for example, expand opportunities for agricultural trade with the European Union in products associated with particular characteristics – Moldova is the largest producer of organic agro-food products among the CIS countries.

The smaller CIS countries conduct much or most of their trade in agriculture with the Russian Federation and Ukraine. This is the case, for example, with Armenia, Azerbaijan, and Georgia, all net food and beverage importers, and exporters of similar complements of products, including wine and fruit and vegetables as major components. The Kyrgyz Republic's main export destination for food and beverages, mainly dairy products, is Kazakhstan. According to the data available, most of Tajikistan's food and beverage exports go to Algeria, which seems peculiar, given that Tajikistan's food and beverage exports consist mainly of fruits, vegetable and nuts. Disregarding Algeria as an export destination, most such exports would be destined to Kazakhstan and the Russian Federation. Another large export commodity is cotton. Uzbekistan is also a net importer of food and beverages and its exports of such products comprise mainly fruit and vegetables and this primarily to the Russian Federation and Kazakhstan. However, its main exported agricultural product as well as its main export overall is cotton. Turkmenistan, having possibly shifted from net exporting to net importing status in agriculture, exports mainly cotton, hides and wool to Turkey and the Russian Federation.

The trading patterns in agriculture of the smaller CIS countries are thus diverse, in spite of the nearby Russian Federation being such a relatively large economy. The desirability of channelling more of their agricultural exports to the Russian Federation, Kazakhstan, and Belarus would need to be weighed against the desirability of enhancing the opportunities for access to markets elsewhere when these smaller CIS countries consider their stance regarding the CU and the SES.

9.4 Agreement on state support to agriculture in the Single Economic Space (SES)

Overview of the agreement

With regard to support in agriculture the SES, involving Belarus, Kazakhstan and the Russian Federation through the Eurasian Economic Commission, applies an Agreement on Unified Rules for State Support to Agriculture, along with a similarly named agreement on industrial subsidies (Eurasian Economic Commission 2013, USDA 2011). The SES agriculture agreement, dated 9 December 2010, sets out the terms and conditions of state support for producers of agricultural products, one of which is that the level of support must not exceed 10 percent of the gross value of agricultural products. The presence of this agreement is possibly unique in the administration of free trade agreements in the world. Trade agreements may have rules to restrict the use of

export subsidies among the parties involved, but they usually have little to say about support to agricultural producers in the sense of the WTO Agreement on Agriculture's domestic support.¹⁹

The SES agreement consists of twelve articles and four appendices. The first two articles are about the agreement itself, and Article 3 introduces a classification of measures of support to agriculture into three kinds: measures that do not distort trade, measures that severely distort trade, and measures that distort trade. The trade that would be subject to distortions is the trade between the SES countries. Appendix 1 identifies the traded products concerned in a list that is very similar or perhaps even identical to the product coverage in Annex 1 of the WTO Agreement on Agriculture: chapters 1 to 24 less fish and fish products plus a number of specified products and product groups.

Articles 8 to 12 deal with the consequences of not following the rules with regard to distorting and severely distorting support, the resolution of disputes, the powers of the EurAsEC, the possibility of amendments, and entry into force. In terms of rules for measures and support, the substance of the agreement is found in Articles 4 to 7 and the associated appendices.

Non-distorting measures

The support measures that are said not to distort trade are listed in the agreement's Appendix 3. It mirrors closely the basic criteria and policy-specific criteria and conditions of the green box (Annex 2) of the WTO Agreement on Agriculture. Thus, it lists the same kind of programs as in the green box general services category, followed by programs that include public stockholding, domestic food aid, and the same set of headings as in the green box for direct payment programs. SES countries can apply these measures without restriction.

Severely distorting measures

Measures that severely distort trade are not allowed. The illustration of such measures in the agreement's Appendix 4 seems to describe measures like those that are prohibited measures, such as export subsidies, in the WTO Agreement on Subsidies and Countervailing Measures (ASCM). Appendix 4 is even called an "illustrative list", reminiscent of the illustrative list of export subsidies in the ASCM.

Distorting measures and support

The agreement's Appendix 2 lays out the rules for how to calculate support under measures that distort agricultural trade, i.e., those measures that are neither non-distorting nor severely distorting. It thus serves the same purpose as Annex 3 of the WTO Agreement on Agriculture, which is also about the calculation of support. Indeed, the SES rules for calculating support adopt some of the same techniques as used in the WTO context, referring, for example, to the difference between the market price for an input and the price actually paid by the producer. Perhaps as a result of the large share of input subsidies in the farm support in SES countries, the calculation rules of the SES agreement are in some ways more detailed than in the WTO agreement. The SES rules include provisions for calculating market price support for products, but they are not as specific as the WTO rules. The SES rules seem to refer to the use of administered prices, similar to the WTO rules, which could result in smaller amounts of support being accounted for than under economics-based procedures, which do not rely on administered prices. For example, agricultural producers in the Russian Federation enjoy very large amounts of market price support as calculated by the OECD but none in the Russian Federation's base years as calculated for its WTO accession.

A key component of the SES agreement is Article 6, which establishes a ceiling on the level of support under the allowed measures that distort trade. This ceiling is set at 10 percent of the value of agricultural production. The agreement also lays down special provisions for Belarus, where the level of support at the inception of the agreement was higher than 10 percent: Belarus is required to reduce its support to 16 percent of the value of agricultural production in 2011, then in equal steps to 12 percent in 2015 and then to 10 percent in 2016. An important clause concerns what happens when an SES member becomes a member of the WTO, i.e., a clause that in 2010 foresaw the Russian Federation and eventually Belarus and Kazakhstan becoming WTO members. In this case the SES member's obligations with regard to measures that distort trade shall be those applying to it as a WTO member, which would thus override the rules of the SES agreement itself.

¹⁹ The 1987 free trade agreement between Canada and the United States had provisions for comparing support levels in order to trigger certain steps in market access in agriculture.

The SES agreement on agriculture support sets out rules for the notification of measures and support, which picks up on the notification requirements of the WTO Agreement on Agriculture and the Committee on Agriculture. The SES requires its members to notify not only last year's support but also to notify in advance such information as is needed to evaluate the level of support in the coming year, which goes beyond the requirements of the WTO.

9.5 Assessment

Overall the SES agreement on state support to agriculture is a comprehensive set of rules. It incorporates elements corresponding to the rules laid out in several different WTO texts, such as the WTO Agreement on Agriculture itself, including its articles and its Annexes 1, 2 and 3, the Committee on Agriculture's decision on notification requirements, the ASCM, and perhaps even concepts from the WTO dispute settlement understanding. However, the document is not a copy of the WTO rules, so a complete overlap of disciplines is not to be expected. For example, the procedures in the agreement's Appendix 2 for calculating distorting support do not fully coincide with those of Annex 3 of the Agreement on Agriculture. Another difference is the SES agreement's focus on state support to agriculture, which could include support to agricultural processors, whereas the Agreement on Agriculture confines itself to domestic support in favour of agricultural producers, and includes support directed at agricultural processors only to the extent that it benefits the producers of basic agricultural products, i.e., farmers.

10. POLICY RECOMMENDATIONS

The twelve CIS countries are very different in size, economic structure and agricultural profile. The same is true even for the smaller group of seven CIS countries that are members of the WTO. The individual CIS countries have proceeded at different speeds and even along different paths from a fairly common institutional and political starting point at the disintegration of the Soviet Union. These differences underlie the different ease or difficulty with which they are able to comply with the rules and commitments of the WTO. They even underlie the differences in the agriculture commitments the seven countries have taken as WTO members (Kyrgyz Republic, Armenia, Moldova, Georgia, Ukraine, the Russian Federation, Tajikistan) and which the remaining four (Belarus, Kazakhstan, Azerbaijan, Uzbekistan) are and the fifth (Turkmenistan) perhaps will be negotiating.

10.1 Importance of meeting WTO rules and commitments

Legal obligations

Yet, one thing the seven WTO members now have in common is that they have obligations that are binding under international law. Potentially in the future also the five not-yet members will have such obligations. Not abiding by the WTO rules and commitments can have consequences that are inimical to the achievement of a country's other policy priorities. Compliance with the WTO rules and commitments thus needs to be a policy priority in its own right.

Costs of defending non-compliance

A country may shelter an agricultural sector against import competition in a way that its trading partners perceive as deviating from its scheduled commitments. They may seek to bring about a change in the non-conforming import protection through, e.g., diplomacy, questions in the Committee on Agriculture, adoption of critical remarks in the course of the WTO trade policy review, and eventually the threat or reality of the alleged violation being part of a dispute under WTO rules. Resisting and managing the pressures for change comes at a cost to the government, which increases with the intensity of resistance. The cost of fending off a trading partner's quest for legal redress mount quickly if legal expertise is required. The steps involved in dispute resolution proceedings can be particularly costly, although such proceedings would follow only a last resort after other means have failed. The pecuniary costs can be significant for a small country, relative to the perceived benefits that motivated the non-conforming protection in the first place.

Potential adjustment costs of non-compliance

The country may be imposing additional economic costs on itself by first defending and then eventually changing the practice in question anyway. Uncertainty about the size, nature and timing of policy changes in the product sector concerned can be costly for the sector itself. The policy-based economic incentives in that and in other sectors may need to be changed in unforeseen ways. The transparency and predictability of the conditions for trade that are grounded in meeting the WTO rules and commitments are valuable not only for a country's trading partners but for the country itself. Such considerations underscore the importance of putting a priority on not only taking advantage of but also complying with the WTO rules and commitments.

10.2 Functions of WTO rules and commitments in domestic support in agriculture

Resisting domestic pressures for support

In the area of support to agricultural producers, the WTO rules and commitments put ceilings on the amounts of certain support that can be provided each year – not all support but support that does not meet the criteria or conditions specified in the Agreement on Agriculture. This can be seen as an unwelcome constraint on what a government can do to support its agricultural producers. On the other hand, the government may face domestic pressures to increase support while also wanting for sound economic reasons not to advantage one economic sector more than others. The necessity to abide by the WTO rules and commitments in domestic support can be a powerful tool in resisting the pressure to increase policy support by large amounts.

Green box criteria as a policy filter

If large amounts of support nevertheless are to be provided, the necessity to abide by the WTO rules and classify policy measures in certain ways can help to channel the additional support into measures that are more efficient in transferring income to agricultural producers or are more likely to strengthen the competitiveness of the sector in the long run. Many policy measures that meet the green box criteria are of the kind that economic analysis finds are more conducive to increasing productivity than are, for example, input subsidies or price-related remuneration of production.

The green box uses criteria to identify several kinds of policies that are not subject to WTO constraint. The policies include general services, such as government expenditures on research, education, inspection, and infrastructure, as well as some direct payments to agricultural producers, such as decoupled income support, government participation in income insurance, income safety-nets, and relief from natural disasters. They also include several kinds of structural adjustment assistance as well as certain payments under environmental and regional assistance programs. Keeping or shifting to a policy emphasis that supports agriculture through green box conforming measures is likely to foster a resilient and adaptive agricultural sector poised to take advantage of future trading opportunities. It also makes it easier to observe the WTO constraints on certain support. Designing green box conforming measures goes beyond the mere statement that the policy has a purpose or objective that corresponds to a heading in Annex 2 of the Agreement on Agriculture – the country needs to be able to show that the policy meets each and every criterion under the chosen heading. Some green box headings require concurrent compliance with as many as six criteria. Green box compliance is therefore a kind of policy filter that needs attention already at the preliminary design phase of policy reform and also in an ongoing manner as new policies are being developed.

10.3 Meeting the need for economic data and analysis

Analysis for policy design

In terms of WTO constraints on certain agricultural support, only four of the seven CIS countries in the WTO (October 2013) have a Bound Total AMS different from nil: Moldova, the Russian Federation, Ukraine, and Tajikistan. The other four are required to provide no more domestic support of certain types than can be accommodated within each year's *de minimis* exemptions. This requires a more careful approach to the provision of domestic support, compared to those countries that can to some extent exceed their *de minimis* thresholds and calculate a positive Current Total AMS. Support measures need to be designed such that they meet, and can be shown to meet, the criteria of the green box. Non-green box support needs to be managed so as to avoid generating a larger-than-nil Current Total AMS for some countries, or a Current Total AMS that exceeds the Bound Total AMS for some countries. In either case, complying with the rules and limits of the Agreement on Agriculture relies crucially on understanding the functioning of proposed policies in relation to the Agreement's criteria and the consequences in terms of measured support.

Estimating de minimis thresholds

Astute management of a country's AMS support within the *de minimis* allowances in a given year requires management that draws on certain economic and statistical information. Value of production data must be available for the current year. To be clear, this is data on value of production, such as the value of gross output, and not the data on value-added that is more routinely generated in internationally coordinated national accounts systems. Producing reasonable estimates for the current year requires good and up to date information on the many factors that go into the estimation, such as yields, harvested areas, livestock numbers, and prices. This information may seem easily generated in a few advanced countries, where statistics-generating institutions have evolved over a long time, whereas countries in the course of developing their institutions can find it a challenge. Providing support to agricultural producers in line with a country's WTO obligations is therefore not only a matter of setting the policy parameters to influence the amounts of support, but it goes hand in hand with other government functions, such as developing the data needed to estimate economic variables. Having access to solid and up to date economic and policy data on the agriculture sector is crucial both for designing and implementing policies and for meeting WTO obligations. This makes the development of agricultural and economic data a policy priority.

Meeting requirement for WTO notifications

Good economic and policy information also facilitates the preparation of the notifications that need to be submitted to the WTO Committee on Agriculture. This may sound like a mundane activity, but the advantage of having a reliable data base when a notification is to be prepared cannot be overstated. The data is of course essential also for internal analysis and assessment of the support policies that have been put in place. Tracking down data on the government's expenditures some years after the fact has its own challenges, and obtaining also enough policy information to enable a correct classification of policies according to WTO rules can be even more difficult. Still more difficulty is added if sub-central governments in regions or territories are responsible for delivering policy support, possibly even using their own resources along with funding from the central government. Governments therefore need to put a priority on the shaping of their economic and agricultural data bases in such ways that they adequately meet the need to report support under WTO rules.

10.4 Participating in and influencing WTO processes

Contributing to the functions of the Committee on Agriculture

Being a WTO member is not only about conforming to particular constraints. It also gives an opportunity to make sure other countries follow the rules and their respective constraints. Several processes of different levels of formality and legal heft are open to WTO members to exercise these rights. They can be used to reduce the negative effects resulting from the actions taken by other members. However, doing so effectively requires familiarity both with the WTO processes, the policy actions taken by trading partners, and the factors that motivated the other country's actions. Such insights are gained from participating in the work of the Committee on Agriculture. The review of notifications in the WTO Committee on Agriculture is driven to an inordinate extent by the questions raised by only a handful of members. The field is wide open for more participation there in constructive roles, not just responding to questions posed by others but contributing to the transparency that helps making the WTO effective. For these reasons countries that have acceded to the WTO can do well by giving a certain priority to being an active participant in WTO processes.

Participating in negotiations

The WTO rules and commitments in agriculture are, as in other areas, subject to change under agreed processes. The current process is that of the negotiations of the Doha Development Agenda. Although the round started in 2001 much of the negotiating momentum has been lost for some years. The countries that have acceded to the WTO since 1995 of course participate as members in the negotiations and can influence the rules and commitments to apply in the future to themselves and to others. As a group they are recognized in the agriculture negotiations as "recently acceded members", which includes all WTO members that are CIS countries and several others (WTO 2008b). It has been proposed in the negotiations that members in this group should be able to enjoy special flexibility in the rules and commitment applying to them, not only in domestic support but also in other areas under the Agreement on Agriculture. This flexibility would be similar or in some cases identical to the flexibility available to developing countries.

Moreover, a small group of named countries labelled as "very recently acceded members", which includes Ukraine, was identified in 2008 as possibly seeing even more flexibility than the other recently acceded members. However, with time having passed and more members having acceded, it has become unclear what criteria would be used to identify members of this group. With the negotiations in agriculture in any case by 2013 making only minimal progress, the significance of these designations and the associated flexibility is perhaps that they show that WTO members are willing to contemplate that having recently acceded to the WTO merits special consideration when rules and commitments are being changed.

11. LESSONS LEARNED FOR THE WTO ACCESSIONS OF REMAINING CIS COUNTRIES

11.1 Process of accession and evolution of agricultural policy

Continuity and communications

In the process of WTO accession the information on agricultural policy to be provided in given formats to members of the working party may seem forbidding, particularly so if the acceding government has not experienced, for example, the kind of agriculture policy reviews carried out by the OECD for the Russian Federation, Ukraine and Kazakhstan. At the same time, the selection of information, the classification of policy measures, the measurement of support, and the presentation formats for the WTO submission differ greatly from OECD procedures. The complexity is reinforced if the acceding government has changed policy frequently, and even more so if the accession is protracted over many years, virtually guaranteeing that policies will have changed. Moreover, the delegations of WTO member governments often consist of individuals who stay on the file only for a certain number of years, and some of them are more familiar with trade policy in the form of border measures than with domestic agricultural policy concerns. This can make communication difficult between the acceding government and members of the working party. The difficulties can to some extent be alleviated by the acceding government itself by ensuring that at least its own representatives in the negotiations bring continuity to the file even if it is extended over numerous years, and by developing an understanding of the rationale behind the questions asked and the views expressed by working party members.

Interdependency of length of process and level of support commitment

The length of the accession process can have important effects on the acceding country's commitment level in domestic support. As policy evolves over time, the nature of the policy instruments changes, the amounts of yearly support are likely to change, and the values of production in agriculture certainly will change. Both the contents of the different categories of policies for WTO purposes (green box or AMS) and the *de minimis* levels will therefore change. The effect on each year's Current Total AMS in the base period will determine the resulting Bound Total AMS, if any. If AMS support has been replaced by green box support, or if values of production have increased, the calculated Current Total AMS may be nil. This would preclude the provision of more than *de minimis* AMS support in the future as a WTO member. If AMS support increases over time during the accession process, and values of production increase only moderately, the acceding country may be able to secure a larger Bound Total AMS if accession is delayed by some years and the base period is updated. Of course, the timing of the conclusion of an accession negotiation would not be decided by what in the overall accession after all is a fairly minor issue, i.e., the size of the Bound Total AMS in agriculture, but it is an issue that may be considered in the larger picture.

11.2 Contents issues in accessions: contrasting interests

Future capacity to provide support

Azerbaijan, Belarus, Kazakhstan, and Uzbekistan are participating in the formal WTO accession process and Turkmenistan may eventually do so. The experience of the seven CIS countries that have acceded can be of interest for the remaining accessions, although of course each country is different and starts from a different situation. Kazakhstan is a major agricultural producer and trader, especially in grains and oilseeds. However, while Belarus and Uzbekistan are smaller participants in world agricultural trade, they share Kazakhstan's interest in securing rules-based access to markets, as does Azerbaijan for its exports of, for example, wine, fruit and vegetables. Kazakhstan and Azerbaijan are recognized as having great potential to see government revenues increase as a result of exploiting oil and gas deposits. These governments' future financial capacity to provide generous support to agricultural producers are therefore more of a concern to WTO members than in the case of Belarus, Uzbekistan and Turkmenistan.

The first six CIS countries to accede to the WTO did so with the rules of developed countries for calculating Current Total AMS: no development box exemption under Article 6.2 and a 5 percent *de minimis*. Tajikistan exempted development box support and used a 10 percent *de minimis* and would be entitled to using the same provisions in the future. Since the development box allows the provision of certain distorting support without limit, many working party members would put a priority on curbing future exemptions of distorting support

in the development box. A larger than 5 percent *de minimis* percentage allows more distorting support to be exempted from Current Total AMS, but even 10 percent or 8.5 percent is nevertheless a limit or a threshold, in contrast to the open-ended development box exemption. The small size of Tajikistan's agricultural sector and its limited capacity to provide budgetary support to agricultural producers may have made it easier for working party members to countenance the future exemption of distorting support on development box grounds in the case of Tajikistan than in other accessions.

Export subsidization

Regardless of any flexibility working party members have shown regarding domestic support in Tajikistan's accession, they showed no flexibility at all on the issue of export subsidies. In spite of Tajikistan having reported export subsidies in the base period, Tajikistan has an export subsidy commitment of nil, the same as all other CIS countries that have acceded and the same as all other countries that have acceded since 1997. It is hard to conceive of any factors that would change this resolve among working party members, all the more so since the major developed countries that were known for using large export subsidies decades ago now hardly use any. The accession of Kazakhstan may test this resolve, since the country in recent years (2009 – mid-2012) provided transport subsidies for wheat exports (OECD 2013a). Nil commitments on export subsidies in Kazakhstan's schedule would prove the resolve strong, non-zero commitments would prove it less so.

11.3 Concluding observation: competition among neighbours

The CIS countries in process of WTO accession conduct much of their agricultural trade with neighbours, who are already WTO members. If a CIS country in the process of accession were to pursue a large Bound Total AMS as an entitlement to provide much distorting support in the future, its neighbours would likely seek, in the negotiations, to make the acceding country's Bound Total AMS smaller. The producers in those neighbouring countries would not want to compete in the future against more generously supported producers in a nearby country. Such a desire to rein in distorting support in nearby countries is apparent in the agreement of the SES to limit state support in agriculture to a certain percentage of value of production and even to impose reductions in that percentage over a transition period on relatively high-support Belarus. The CIS countries now in the process of acceding to the WTO may face the corresponding stance from those CIS neighbours who are in the working party on the accession. That scenario hinges of course on these CIS countries in the WTO being prepared and willing to play an active and constructive role in the working parties on the accessions of Azerbaijan, Belarus, Kazakhstan and Uzbekistan. The incentive for the CIS countries in the WTO to actively engage in the accession working parties – as well as in the Committee on Agriculture – would seem to be large, as it would help to shape the environment for agricultural trade with their close or regional neighbours under the rules of the WTO.

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APPENDIX A

THE WTO RULES ON DOMESTIC SUPPORT

In agriculture the provisions of the WTO Agreement on Agriculture (“the Agreement”) govern members’ policies concerning market access, domestic support, export competition, and export prohibitions and restrictions (WTO 1995a). The rules of the Agreement apply along with the commitment levels on, e.g., tariffs, tariff rate quotas, export subsidies and certain domestic support inscribed in the member’s schedule of concessions and commitments. In domestic support the scheduled commitment level, or the Bound Total AMS (Aggregate Measurement of Support), is the legally binding ceiling for the yearly amount of support provided through certain kinds of policies and calculated in the prescribed way.

The Agreement’s provisions in domestic support concern policies, or measures, that are domestic in the sense of not being applied at the border. For example, import duties and export subsidies are border measures and not domestic support measures, although the implementation of a domestic measure in some cases relies on also implementing a border measure. Based on the Agreement’s rules for classifying policies and measuring support, a member calculates for each year its Current Total AMS. This measurement must not exceed the Bound Total AMS. An acceding country calculates a Current Total AMS for each year in its negotiated base period, and these measurements are the basis for its eventual Bound Total AMS. Certain policies can be excluded from the measurement of support if they meet the requirements and criteria specified in the Agreement’s Annex 2, designed to allow the exclusion of policies with no or at most minimal effects on production or trade (the “green box”). Support under a second set of policies must be excluded from Current Total AMS if they meet certain other conditions and criteria: direct payments under production-limiting programs where the basis for payment is fixed or partial, as per the Agreement’s Article 6.5 (the “blue box”). A developing country may exclude support under a third set of policies from Current Total AMS if they meet conditions and criteria relating to, for example, general availability, low-income or resource-poor producers, or diversification from growing certain crops, as per Article 6.2 (the “development box”). The classification of policies and the measurement of support under WTO deviate in some ways from more economics-based practices, an issue discussed in some depth in Orden et al. (2011).

Support through policies that do not meet the criteria of Annex 2, Article 6.5 or Article 6.2 is measured through a number of AMSs. One AMS is calculated for each basic agricultural product (product-specific AMSs), and one non-product-specific AMS is calculated for support provided in favour of producers in general. An AMS aggregates the support provided through all policies that are not excluded and includes, e.g., price support through administered prices, direct payments, and input subsidies. The Current Total AMS is calculated by summing all the AMSs while observing the so-called *de minimis* rules, which allow any AMS that is small enough to be exempted from the summation. An AMS can be exempted if it is no larger than 5 percent of the product’s value of production or, for the non-product-specific AMS, of the value of production of the agriculture sector. Developing countries use 10 percent (China 8.5 percent) instead of 5.

When a country accedes to the WTO, its Bound Total AMS is established on the basis of the support provided in an agreed base period. As the accession negotiations proceed over time, a succession of base periods can come under consideration. Ukraine’s eventual base period was 2004-06 and the Russian Federation’s was 2006-08, and they presented their data in formats like those used for members’ notifications to the WTO Committee on Agriculture (WTO 1996). The classification showed which policies the country put in the green box and which policies it labelled as providing product-specific and non-product-specific AMS support. Not being developing countries, neither Ukraine nor the Russian Federation claimed any Article 6.2 exemption, and neither reported any blue box policies. The measurements of AMS support made it possible to calculate Current Total AMS for the base period years, net of *de minimis* AMSs.

The three-year average of Current Total AMS for each year of the base period became the basis for the Bound Total AMS. Ukraine’s Bound Total AMS of UAH 3,043 million is simply that average (corresponding to USD 375 million in 2013). As a result of negotiations, the Russian Federation’s Bound Total AMS was set at USD 9.0 billion for 2012 and for 2013, then declining in equal steps to settle in 2018 at USD 4.4 billion, which was the average Current Total AMS in the 2006-08 base periods. (The Russian Federation showed its data in both RUB and USD and scheduled its commitment level in USD). The Russian Federation also undertook to keep, in each year up through 2017, the sum of its product-specific AMSs at a level no higher than 30 percent of its non-product-specific AMS. Tajikistan’s Bound Total AMS of about USD 183 million is the average Current Total AMS in its 2008-10 base period, albeit resulting from a very high amount of support for one product in only one of those years.

APPENDIX B

DOMESTIC SUPPORT COMMITMENT AND APPLIED SUPPORT IN UKRAINE AND THE RUSSIAN FEDERATION²⁰

Ukraine

In its 2004-06 base period Ukraine reported budgetary policies that differed greatly across the three years. Market price support (MPS) was reported only for sugar, suggesting that an administered price did not apply to any other product. Ukraine's value-added tax (VAT) regime provides major benefits to agricultural producers through two special features, which Ukraine reported as AMS support.

"Accumulation of VAT for purchasing of inputs for agricultural production" is part of the non-product-specific AMS. In Ukraine the difference between an agricultural producer's VAT revenue on sales and VAT expense on purchases is not delivered to the government but is placed in a special account held by the producer. The producer can use some of the funds accumulated in this account only to pay VAT on purchased inputs and use some for any other production purpose. This does not apply to sales of milk and meat, which are subject to their own special VAT provisions. The AMS entry does not make it explicit that the non-product-specific nature of the subsidy is compromised by excluding the sales of milk and meat. The other VAT-related item in Ukraine's base data, called "Subsidies using VAT", is reported only for milk, cattle, pigs and poultry. Processing enterprises that buy milk, cattle, pigs and poultry determine the amount of VAT payable to the government on their sales of processed milk and meat products. However, instead of paying to the government they accumulate the funds in separate bank accounts and transfer the funds to producers of milk, cattle, pigs, and poultry as price top-ups on their sales to the processors.

Ukraine has notified domestic support to the WTO Committee on Agriculture for 2009 and 2010. While the livestock subsidies for meat using VAT fell from the 2004-06 period, the livestock subsidies for milk using VAT increased considerably. Yet, the largest increase was that of the input subsidy based on VAT accumulation, which climbed fourfold between 2006 and 2010 to become the by far largest single support entry.

The MPS for sugar remained close to base period levels in 2009, but in 2010 it soared to become the second largest AMS item as a result mainly of a 36 percent increase in the administered price. The MPS for sugar would have been even larger in 2009 and 2010 if Ukraine had used what some members of the Committee on Agriculture consider to be the correct interpretation of the rules of the Agreement on Agriculture. Ukraine did not use the fixed external reference price required by Annex 3 of the Agreement but increased the average external reference price from 2004-06 by a factor corresponding to the increase in the consumer price index since 2006. This reduced the price gap considerably. If Ukraine had used the fixed external reference price without adjustment, it would still have complied with its Bound Total AMS commitment in 2009. However, in 2010 the MPS for sugar would have been large enough for Ukraine to exceed its Bound Total AMS.

Under the Agreement's Article 18.4, members of the Committee on Agriculture shall, in the review process, "give due consideration to the influence of excessive rates of inflation on the ability of a member to abide" by its commitment. This is not the same as authorizing a member to unilaterally adjust its fixed external reference price in its notification, even if it is done to appear to stay within the Bound Total AMS. There is no definition of "excessive" rates of inflation, which leaves the determination of "excessive" to the Committee. Neither is there a definition of "due consideration" - it may mean that the Committee can allow an excess over the Bound Total AMS commitment if the exceeding member argues this was because of excessive inflation. In the case of Ukraine, some members requested Ukraine to submit a revised notification with MPS for sugar calculated without inflating the fixed external reference price. Even if it did not change the facts, it would increase the transparency by showing the difference between MPS for sugar with and without adjusting the fixed external reference price for all inflation. This would also have clarified what the Committee considered to be "excessive" rates of inflation, as opposed to Ukraine's implied claim that any inflation was excessive.

Ukraine has argued that using a fixed external reference price for the price gap in MPS does not estimate support correctly. However, the Agreement's method of calculating MPS uses only variables controlled by the government - the administered price and eligible production - combined with the fixed external reference price. The WTO MPS is thus designed as a policy variable that the government controls, not as an economic measurement of support. If there is no administered price, the domestic price can still be kept higher than the international price with the help of border measures only.

²⁰ Brink (2014) discusses these issues in more detail.

In addition to the increase in sugar MPS in 2010 and the consequent effect on Current Total AMS, Ukraine also increased non-product-specific AMS in 2010. At UAH 8.2 billion in 2010 it was much larger than in 2009 as a result of increased support through the special VAT regime. The non-product-specific *de minimis* threshold was UAH 9.6 billion in 2010 and could be about UAH 12.5 billion in 2011 and UAH 10 billion in 2012. A large increase in some item in the non-product-specific AMS, such as support through the special VAT regime, could make it exceed its *de minimis* threshold in 2011 or 2012. The whole non-product-specific AMS of more than UAH 10-12 billion would then be included in Current Total AMS, which would greatly exceed the Bound Total AMS of about UAH 3 billion. The excess in such a situation in 2011 or 2012 would be even larger if the administered price for sugar was also raised, generating a still larger AMS for sugar beets.

Ukraine might seek to invoke Article 18.4 for the scenario contemplated here for 2011 or 2012 and argue it exceeded the bound commitment level because of excessive inflation. The reaction of the Committee to such a move would test the strength or lack thereof of the whole set of provisions in the Agreement designed to constrain large amounts of distorting support.

Russian Federation

Russia reported a stable set of green box policies in the 2006-08 base period, generating support of USD 2 billion or more in each year, and a more variable set of AMS policies, generating an average Current Total AMS of USD 4.4 billion. Direct payments in the green box were minor. Most of the product-specific AMSs, including milk and meat, were *de minimis*. Contrary to the practice of many WTO members, meat was not shown as meat from identified species, such as beef or poultry. The Russian Federation did not calculate market price support (MPS) in 2006 or 2007 but did so for wheat, rye, barley and corn in 2008. The administered price for each of these crops was below the external reference price, generating negative MPS levels. As there were no product-specific AMS payments for these crops, their AMSs were nil. The Russian Federation's data for 2006-08 showed both a federal and a regional component of budgetary support. Market price support was calculated only at the federal level.

The Russian Federation reported as much as 91-94 percent of all AMS support as non-product-specific AMS, dominated by a variety of input subsidies. They included soft credit and subsidies for fertilizer, chemicals, fuel, lubricants, and livestock feed. Smaller production subsidies and output subsidies were also reported as non-product-specific AMS. The classification of these subsidies as non-product-specific, i.e., support in favour of agricultural producers in general, occasioned discussions in the accession process (WTO 2011b). Some members expected the Russian Federation to classify these policies differently in future notifications, while the Russian Federation explained that the reason for the non-product-specific classification was that the policies covered a wide range of products.

In the period 2009-12 the order of magnitude of several items in the non-product-specific AMS was the same as in the Russian Federation's 2006-08 base period or smaller. However, there was a large increase in soft lending, i.e., interest subsidies, in 2009 to a level that was maintained in 2010, 2011, and 2012. The *de minimis* threshold for non-product-specific AMS, which depends on the value of production in agriculture, increased considerably from 2008 to 2012. Nevertheless, as a result of the large and increasing interest subsidies in this period, in combination with increased subsidies for fuel and machinery, and also regional subsidies for fixed costs in crop and livestock farming in 2012, the non-product-specific AMS likely remained above the *de minimis* threshold in 2009-12.

The Russian Federation's 2008 support was delivered mainly through the State Program for Development of Agriculture 2008-2012, along with support through electric power benefits and preferential railway cargo rates. It is unclear whether the Russian Federation will provide data for the years 2009-11, and whether a notification will be provided for the full year 2012, the year of the Russian Federation acceded to the WTO. China in similar circumstances provided data for the two years following its base period and also for its first partial year of membership.

Information about the State Program for Development of Agriculture and Regulation of Agricultural Commodities Markets 2013-2020, or State Program 2013-20 for short, gives some insight into the structure and level of support after the completion in 2018 of the Russian Federation's reduction of its Bound Total AMS to USD 4.4 billion. Support from 2013 may be shifted more towards direct payments to producers rather than the traditional subsidization of interest, seeds, fuel, fertilizer, and chemicals (USDA 2012a, 2013b). They would be paid per hectare of sown area and, for milk producers, per liter of milk with some adjustment to take account of animal numbers. In WTO terms, such a shift could reduce non-product-specific AMS and increase product-specific AMSs. The payments appear to be referred to as "decoupled" payments by Russian officials, and they may be viewed as not being AMS support (USDA 2013b). It is not clear on what basis the payments

would meet the criteria for the green or blue boxes in general and the green box criteria for decoupled income support in particular.

Under the Russian Federation's 2013-20 State Program a number of budgetary projections have been made. In one such projection from 2013 it was expected that the budgetary support from the federal and regional budgets combined in 2013 would amount to RUB 111.4 billion as green box support and RUB 170.3 billion as AMS support (Ministry of Agriculture 2013). At an exchange rate of 32 RUB/USD, these 2013 amounts correspond to USD 3.5 billion as green box support and RUB 5.3 billion as AMS support. It was in 2013 also projected that green box support would decline slightly to RUB 107.4 billion in 2014 and AMS support would decline sharply to RUB 129.3 billion in 2014 as a result of a reduction in budgetary AMS support at the federal level. However, all categories of support (green box, AMS, federal, regional) would then start to follow increasing trajectories until 2020, with green box support, especially that with regional funding, increasing the fastest. At the end of the program in 2020, green box support would reach RUB 169.1 billion, while AMS support at RUB 169.6 would be at about the same level as in 2013. Most of the AMS support would continue to be provided by the federal budget. While the 2013 data does not separate product-specific AMS support from non-product-specific AMS support, there has been, as mentioned elsewhere in this report, a tendency to shift away from non-product-specific to product-specific AMS support.

The *de minimis* exemptions would make the Current Total AMS in each year smaller than the full budgetary AMS support, particularly if the shift away from subsidies for interest subsidies and various inputs makes the non-product-specific AMS less than 5 percent of value of production. The Russian Federation has taken steps to increase the support to agriculture provided through favourable tax provisions (USDA 2012b). If this move presages a larger or ongoing shift to such forms of support, and given that tax benefits are usually overlooked in WTO notifications, lower AMS support may be notified in the future. While there may be no trend over time to replace AMS support with green box support, the share of green box support is projected to increase as AMS support is essentially kept constant in the 2013-202 State Program projections.

If administered prices apply in the future for some products, MPS would increase the products' AMSs. Larger direct payments could also raise the product-specific AMSs. Such changes could make one or more product-specific AMSs become larger than the product's *de minimis* threshold and thus increase Current Total AMS (Brink et al. 2013). However, the 2013 Current Total AMS is likely to stay below the Bound Total AMS of USD 9 billion. Depending on how much AMS support is exempted from Current Total AMS as *de minimis*, there may or may not be a problem in staying below the future Bound Total AMS of USD 4.4 billion from 2018. If non-product-specific AMS becomes *de minimis* plenty of room opens up to increase product-specific AMSs from 2018 onwards. If values of production of individual commodities and of agriculture as a whole were to increase faster than AMS support levels, the potential for exempting AMSs from the Current Total AMS would rise. These considerations underscore the crucial roles that the potential market price support and the *de minimis* exemptions play in projecting future compliance with the Bound Total AMS. These roles are often overlooked when focusing on the amount of budgetary support alone.

With the disintegration of the Soviet Union 15 new countries entered the world stage. The CIS countries are very different in size, economic structure and agricultural profile. The same is true even for the smaller group of seven CIS countries that are members of the World Trade Organization (WTO). By late 2013 seven of the twelve non-Baltic ex-Soviet countries had acceded to the WTO: Armenia, Georgia, the Kyrgyz Republic, Moldova, the Russian Federation, Ukraine and Tajikistan. Four others were in the process of WTO accession: Azerbaijan, Belarus, Kazakhstan and Uzbekistan. Turkmenistan had started to prepare for an eventual accession process.

This report examines the experience and main issues of twelve of these countries in the context of the rules and commitments in agriculture under the World Trade Organization (WTO). Three main areas under the WTO Agreement on Agriculture are examined: Market access, domestic support and export subsidies, with special focus on issues in fulfilling domestic support obligations in the member countries. The report also touches on export restrictions in agriculture. It summarizes the scrutiny in the Committee on Agriculture of the CIS countries' notifications and other issues raised in the Committee and introduces the WTO disputes involving CIS countries and agriculture. Finally, it offers some policy recommendations and outlines lessons learned for the accessions still underway.