

VOLUME 2

ISSUE 3

2016

ISSN 2411-2461

Eurasian Journal of
Social Sciences
and **Humanities**



Al-Farabi Kazakh National University

Eurasian Journal of Social Sciences and Humanities

Journal of al-Farabi Kazakh National University

Volume 2

Issue 3

2016

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UDC 341.16(574):63

*Umirzakova A.D., Aidarbayev S.Zh.

Al-Farabi Kazakh National University, Almaty, Kazakhstan

*E-mail: ainur_umirzakova@mail.ru

The Report of the Working Party on the Accession of the Republic of Kazakhstan to the WTO: The Main Agricultural Policy Provisions

Abstract. This article provides legal analysis of provisions of the Report of the Working party on the accession of the Republic of Kazakhstan to the World Trade Organization in the part concerning subsidizing of agriculture. Authors determine primary obligations in the field of agriculture accepted by Kazakhstan in view of joining the World Trade Organization. In particular, special attention in the article is paid to research of content of the subsections «Imports», «Exports» and «Internal policies» which provide reducing the volume of aggregate measures of agriculture support, prohibition of all forms of subsidizing connected with export and import substitution, increase of the size of tariff rate quotas on certain types of meat and also other obligations, accepted by the country. Authors also note that reducing the volume of «amber box» aggregate measures of support will be filled with proportional increase of share of «green box» support measures in a total amount of financing of agriculture sector. At the same time the main emphasis will be placed on measures supporting long-term competitiveness of sector.

Key words: World Trade Organization, export subsidies, agriculture, import, export, tariff rate quota.

Introduction

Agriculture is one of the key factors, which are directly influencing national economy. Therefore, in case of joining of Kazakhstan the WTO it was necessary to understand what kind of difficulties this step will bring to agriculture. Taking any cardinal steps, it is necessary to foresee legal consequences that landowners of Kazakhstan will have.

It is rather difficult to foresee in advance exact consequences of the accession to the WTO because the positive effect will be directly proportionally depend on carrying out of additional measures of domestic policy of the country. It is also obvious that the effect of the introduction won't be notable in the short-term period that is why forecasts are made for a long-term transitional period, namely 5-6 years after decrease of all tariff rates and elimination of barriers in trade [1].

Nevertheless, the detailed analysis of the Report of the Working party on the accession of the Republic of Kazakhstan to the WTO is absolutely important for revealing of final parameters of joining of Kazakhstan the WTO concerning the field of subsidizing of agriculture and by that contributes more effective and exact modeling of consequences

of country's accession to the trade organization. In this regard, the research of provisions of the Report is relevant today.

Methods

The research is made by set of such methods of knowledge as a dialectic method, the analysis and synthesis, classification (systematization). In addition, descriptive, legalistic, comparative and legal methods and system approach were used. At the same time, comparative and legal method and system approach were played the major role in question of regulation of subsidizing of agriculture, which contributed to a qualitative research of this area in legislation of Kazakhstan.

Main body

The agriculture policy is presented in the section «C» of chapter IV «Policies affecting trade in goods» of the Report in the form of recording of the main statements of the representative of Kazakhstan concerning current situation in the field of agriculture, rules existing in this field before accession of the country to the WTO and also the arrangements made during negotiation process. Certain provi-

sions of the report have referential character in order to avoid duplication of content of norms. In the part concerning agriculture policy the report is divided on three sequential subsections – imports, exports and internal policies, each of which is followed by ascertaining of actual data and numerical indicators on import and export of certain agricultural products for a certain period of time, and also causal conditionality of application by the country of subsidies in the field of agriculture.

Provisions of the subsection «Imports» concern questions of tariff quoting introduced by Kazakhstan in 2010 for import to customs area of EEU of meat (beef, pork and poultry) coming from the third countries and refer to the section «A» of the same chapter according to which agreements on increase of size of the tariff rate quotas on this meat are reached. According to the legislation of RK the tariff rate quota is understood as the measure of regulation of import to the territory of the Republic of Kazakhstan or export from its territory of certain types of goods providing application during the certain period of lower rate of import or export customs duty at importing or exporting certain quantity of goods (in natural or value term) in comparison with current rate of import or export customs duty [2]. The key moment of this determination is exactly the quantity of goods which called the volume of tariff rate quota and distributed only between certain suppliers whose list is fixed by the legislation.

The volume of tariff rate quota is understood as the amount of goods determined by the decision of the Eurasian economic commission of EEU and approved by the decision of authorized body in the field of regulation of trade activity for one calendar year, import of which is imposed by inside quote rates of import customs duties of the Common customs tariff of the Customs union [3]. Thus, though rather low customs duty is established for these goods, an obstacle for trade in the context of standards of the WTO is exactly quantitative restriction of goods. In addition, certain problem in the process of negotiations on joining consisted in distribution of quotas among suppliers, which is performed according to the principle of «historical suppliers». According to this principle, the volume of quotas is calculated from the volume of goods delivered by these suppliers for the previous year. Therefore, this formula of distribution of quotas does not cover new suppliers who will appear after joining of Kazakhstan the WTO. In this regard, Kazakhstan undertook obligation to provide a possibility of access to the tariff rate quotas for new participants, and to provide distribution of the tariff rate quotas in com-

mercially profitable quantities as it is stipulated by the Agreement of the WTO on agriculture.

In spite of the fact that introduction of new trade restrictions in the form of the tariff rate quotas is contrary to the general principle of non-use of trade restrictions within the WTO and represents a step backwards on the way to trade liberalization, Kazakhstan managed to defend the right to their application. In order to explain the necessity of their application it was noted in the Report that production of meat, in particular, poultry is one of the key segments of an agriculture branch of Kazakhstan providing with thousands of workplaces the population of the rural area. Thus, it was important to Kazakhstan to preserve the right to apply the tariff rate quotas on this type of goods.

The analysis of the subsection «Exports» shows that a necessary condition of joining of the country the WTO is the prohibition of all forms of subsidizing connected with export and import substitution.

At the same time it is noted in the Report that the need of application of export subsidies before accession of Kazakhstan to the WTO was conditioned on its geographical arrangement, lack of an outlet to the sea, the big extent of the territory, remoteness from the main markets of agricultural products and a high share of the transportation costs which are sharply reducing competitiveness of Kazakhstan's agricultural products. For example, delivery of wheat at the foreign markets from the place of shipment to the nearest Russian port, distance to which is 1200 km, costs 130 US dollars per ton. Taking into account the volume of the transported wheat these transportation expenses are incommensurably high that can affect its main price. These deliveries of wheat through the territory of the Russian Federation are significantly important for the Government of Kazakhstan for the purpose of maintenance of domestic agricultural producers in the form of cost reduction on high transportation expenses on deliveries to the world markets.

The last subsection «Internal policies» concerning the policy of subsidizing of agriculture contains a list of regulatory legal acts in this field. Among them the special attention is paid to the List of concessions and commitments on Goods attached to the draft of the Kazakhstan protocol on accession to the WTO which contains obligations of Kazakhstan on internal support and export subsidies. In this subsection, it is also noted that reducing volume of aggregate measures of agriculture support within the «amber box» will be proportionally filled with expenses within «green basket». So, the support share of «green basket» was increased in a total amount

of financing of sector according to the «Agribusiness-2020» program. The main emphasis at the same time is placed on the following measures of «green basket» supporting long-term competitiveness of sector:

1) improvement of access to key resources and services for producers of agricultural products in the following spheres: production of plant cultivation products, development of cattle breeding, granaries, financial services, investment projects, educational services;

2) improvement of phytosanitary and veterinary security systems;

3) development of water supply systems;

4) improvement of quality of fertilizers and efficiency of classification and enhancement of information services;

5) agricultural researches and consulting services [4].

Besides, in connection with risk of drought, land users and cattle breeders strongly depend on artificial water systems. For the solution of the existing problems, the «Agribusiness-2020» program provides a construction of irrigational systems for

the remote cattle breeding and development of the corresponding regulatory framework.

In general, the analysis of the Report allows to conclude that the volume of the aggregate measures of agriculture support («amber basket» on qualification of the WTO) is established at the level 8,5% of the gross volume of agricultural production of Kazakhstan. For comparison, within the EEU the volume of the state support, distorting trade, should not exceed 10% [5]. The set restrictions at the same time don't affect the measures realized since 2012 within the «Agribusiness-2020» program which concern granting subsidies. Thus, this possibility for agricultural manufacturers will remain in full.

According to the «Agribusiness-2020» program, the target indicators concerning volume of the state support of agriculture can reach 10% of GDP of agriculture [6]. That in principle doesn't contradict the changes made by joining of the country the WTO.

The total expenses provided in republican and local budgets on a program realization are also remained and in 2013 - 2020 will be equal to 2 986, 9 billion tenge, from them (Table 1):

Table 1 - The total expenses on «Agribusiness-2020» program realization [6]

№	Year	Quantity of the allocated subsidies, tenge
1	2013 year	328,3 billion tenge
2	2014 year	471,6 billion tenge
3	2015 year	281,6 billion tenge
4	2016 year	310,7 billion tenge
5	2017 year	359,4 billion tenge
6	2018 year	389,1 billion tenge
7	2019 year	403,7 billion tenge
8	2020 year	442,5 billion tenge

Thus, the overview of the primary obligations accepted by the country in the field of agriculture allows drawing several conclusions. First, fears concerning displacement from the Kazakhstan market of noncompetitive domestic goods are in vain, as there is a rather high level of tariff protection in the form of quoting in the country. Nevertheless, the average level of customs duties for agricultural goods decreased from 17 % within the Common customs tariff of the CU (CCT) to 10,2 %. For comparison,

in the Russian Federation before accession to the WTO the average arithmetic rate of CCT CU was at 18,6 %. Now it is equal to 18,3 %. For Kazakhstan, it appears to be a serious decrease.

Secondly, reduction the volume of measures of agriculture support will not create risks and threats of collapse of domestic agri-industrial complex because it does not assume complete cancellation of the state support to agriculture, and means the maximum reduction the measures distorting prod-

ucts price, in particular “amber basket” measures. “Amber basket” includes all measures of state support having influence on a competitive environment, that is directly or indirectly influencing on prime cost value or market price of output. However, what to consider as a direct impact, what – as an indirect, - is a conventional. For example, privileges on the VAT for domestic agricultural producers and agricultural processors do not directly effect on prime cost and to a large extent concern the profit. In this part, the next requirement is imputed to Kazakhstan – until January 1, 2018 to refuse from this measure as well as from export subsidies. Meanwhile, within the WTO there are other measures of state support, so-called measures of “green basket”, in respect of various compensations of the similar half-received income. Thus, reducing measures of “amber basket” will be filled with increase of the measures of “green basket” which are not distorting the total market of agricultural products. That will not affect significantly a condition of agriculture in the country.

Other aspect of the analysis, which caused certain doubts, is the refusing export subsidies. Certainly, these subsidies obstruct a fair competition

and an effective trade activity. However, it is known that for today some members of the WTO have this export subsidy, in particular, Australia. However, it states that it does not use export subsidies, but at the same time, there are not any prohibitions on their use in case of need. Thus, there is a situation when the meaning of a prohibition of export subsidies is lost in view of disparity and creation of preferable conditions only organization members. The positive result of introduction of such measures will be observed only in case of ubiquitous denying of such subsidies.

Conclusion

In general, the analysis of the Report of the Working party on the accession of Kazakhstan to the WTO in the part concerning policy of agriculture allows concluding that in spite of the fact that the threat of crash of domestic agro-industrial complex isn't observed, there is a probability of braking in development of agriculture. As, even considering recovery of the state support at the expense of measures of “green basket”, the sizes of these measures in Kazakhstan in comparison with the developed countries are significantly small, and they will be not enough for full development of agriculture sector.

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