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Tel: +352661261668

e-mail: bulletin@email.lu

http://cers.eu/pn/bulletin.html

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Standards of the WTO in the Field of Subsidizing of Agriculture and their Influence on the Agrofood Sector of Kazakhstan

S.Zh. Aidarbayev

Al-Farabi Kazakh National University, Republic of Kazakhstan
e-mail: Sagingali.Aidarbayev@kaznu.kz

Z.M. Baimagambetova

Al-Farabi Kazakh National University, Republic of Kazakhstan
e-mail: zula_bai@mail.ru

A. Umirzakova

Al-Farabi Kazakh National University, Republic of Kazakhstan
e-mail: ainur_umirzakova@mail.ru

Abstract: In this article the author defines the main standards of the WTO in the field of subsidizing of agriculture and examines the question of influence of conditions accepted by Kazakhstan to the agriculture of country. The special attention is paid to description of the obligations of Kazakhstan in the sphere of agriculture subsidies accepted due to joining in the WTO. Differences between measures of amber, green and blue boxes established within the WTO are also considered by author. In general, the author analyzes the content of the main international agreements of the WTO affecting subsidizing of agriculture and their impact on the development of agrofood sector of Kazakhstan.

Keywords: agriculture, subsidies, subsidizing, the World Trade Organization, amber box, green box, blue box.

The process of negotiations for accession of Kazakhstan to the World Trade Organization (further – the WTO), lasting throughout 19 years, came to an end. On July 27, 2015 at a final meeting of the Working group in Geneva the Protocol of Accession of the Republic of Kazakhstan to the Marrakesh Agreement was signed, and in October of the same year Kazakhstan ratified this protocol. The full membership in the WTO began for Kazakhstan since November 30, 2015, that N.A. Nazarbayev solemnly declared in his speech. Due to this occurred important event in the economic life of the country discussions about benefits and possible expenses of the membership in this organization become more active. These obligations were discussed on four main directions of negotiations, and the fact that the agriculture sector was considered as one of these directions, already means the importance of this branch for the country. The special attention, paid to agriculture, is connected with its distortion by the subsidies and high level of trade barriers that influences on welfare of farmers around the world and on access to food products, fibers for clothes and other materials, except for products of forestry and fishery which within the WTO don't enter in this sector. Therefore volumes of subsidizing of agricultural branch and the right of rendering transport subsidies for export of grain are one of the “sensitive” for our economy questions, which was the most disputable in this sphere during negotiations. Importance of this question is defined by the carried-out analysis of the world practice of subsidizing which confirms the positive influence of subsidies on the development of agriculture of the country. Then, why Kazakhstan reduces the volume of subsidizing of agriculture to the detriment of its own interests? Whether this measure is justified and whether it is worth the accession to the World Trade Organization?

It is well known, that subsidies are the main tool of a state policy of economic regulation of structure of agrarian production and social maneuvering. Moreover, strengthening of a social and economic situation in the country, stability of the republican budget promoted financial prerequisites for expansion of various forms of the state support of the most significant sectors of economy in the form of the preferential taxation, crediting and assignment of funds through the budget subsidies provided to regions on an irretrievable basis. At the same time rather high level of subsidizing of this branch is established everywhere in such countries, as the USA, Japan and the European Union countries.

Data of the EU show that the share of direct payments and total amount of subsidies in agriculture for 27 EU Member States are about 27% and 40% respectively, and such countries as Australia, New Zealand and Canada – the world's largest exporters of agrarian production – render to landowners the assistance much less, than the American and European competitors receive [1, pp. 31-32].

As we can see, the countries pay much attention to questions of subsidies, because by this measure they protect the domestic farmers. However at the international level the bigger volume of subsidies for certain farmers in comparison with others creates competitive advantages, thereby, creating initially unequal situation on the common platform of the world market. Therefore one of the purposes of the World Trade Organization is creation of trade on the basis of fair competition and equal conditions for all farmers in agriculture sector. In this regard, before the joining of any country to the WTO, the last one seeks to coordinate all issues of subsidizing and to reduce volumes of the provided by the country subsidies to approximately equal to the volumes, distributed in other Member States of the WTO.

So, the WTO assigns the right to submit subsidies in strategic objectives of economic development to the governments, but at the same time fixes certain rules and restrictions for prevention of possible violations in international trade.

Questions of provision of subsidies are defined in general in the Agreement of the WTO on subsidies and countervailing measures, according to which the subsidy is defined as "a financial contribution or any form of income or price support by a government or any public body within the territory of a Member, as a result of which a benefit is conferred to its recipient" [2].

From this rather developed definition it becomes clear that the understanding of "subsidy" as a financial contribution allows to refer to itself the wide list of measures, including grants, loans, loans guarantees, equity infusion, fiscal incentives (tax credits), purchase of goods, etc.

Besides the definition of a subsidy, the categories of subsidies are also noted in the agreement. So, three main categories of subsidies are distinguished: forbidden, among which are export or import-substituting, and not forbidden which, in turn, divide on giving the grounds for judicial investigation in the WTO or application of countervailing measures and not giving the grounds for such actions. What is really necessary to note in this situation, it is that the law of the WTO forbids application of export subsidies.

After having found out the general aspects of internal subsidies within the law of the WTO, it should be noted about the establishment of special rules on agricultural subsidies concerning the access to the market, internal support and the export competition, which are fixed in the separate Agreement of the WTO on agriculture. This agreement is one of the most contradictory agreements of the WTO, containing some exceptions from the general rules due to existing in many developed countries policy of agrarian protectionism, on the basis of which all severity of rules of the international system of the competition doesn't spread on agriculture at the same measure as on other branches. One of the most important exceptions, for example, is elimination of total ban on export subsidies, on quantitative restrictions on import in agrarian sector. This exception extends only on those Member States of the WTO which reserved for themselves the right for its application and promised to reduce them step by step.

Also the Agreement divides forms of internal support and export subsidies according to the character on measures of green, amber and blue boxes: a green box – the allowed measures or measures, which aren't distorting or minimum distorting trade and not influencing on production; the amber – the measures, which are distorting trade or manufacture and in this regard being subject to reduction, and a blue box – the subsidies, connected with programs of restriction of manufacture due to reduction of trade distortion.

The green box covers, as a rule, the measures, which aren't aimed at separate products or maintenance of the prices, and includes services of the general character, such as scientific researches, control of wreckers and diseases, marketing, veterinary and phytosanitary services, etc. Measures of a green box can be applied without financial restrictions, that is why they are actively used by developed countries.

Subsidies of a blue box mean direct payments to producers of agricultural products for the purpose of restriction of manufacture, and also the programs of development for the developing Member States. In comparison with measures of a green box, measures of a blue box can be directly connected with the operating manufacture, but at the same time the only one condition is that this production has to be limited.

The amber box covers measures of price support, subsidies for capital investments, incentives for transportation, or subsidies, directly connected with volume of production.

Any domestic support, which isn't included in exceptions, has to be within the total Aggregate Measurement of Support ("Total AMS") and/or a minimum level, properly reflected in obligations of the Member States of the WTO [3]. It means that exactly measures of the amber box are subject to gradual reduction in volume and to detailed settlement during negotiations of the country in terms of accession to the WTO.

As for Kazakhstan, during negotiation process concerning subsidizing of agriculture within a amber box was defined that the volume of the aggregate measures of agriculture support 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, shouldn't exceed 10%. In general, possibility of granting subsidies according to the Agrobusiness-2020 program will remain in full. And incentives on the VAT for domestic agricultural manufacturers and agricultural refiners have to be eliminated till January 1, 2018 [4].

It should be noted that in practice reduction of measures of support of "amber" box is, as a rule, filled on the basis of parallel increase of measures of "green" box. Of course, volumes of support of Kazakhstan in agricultural branch within measures of a green box can't be compared to indicators of other countries. Therefore in such conditions it is difficult to speak about competitiveness of domestic agricultural production both at internal, and at external markets.

However, according to the economic aspect, scientists in this area note that export subsidies, on the contrary, only harm to the state, giving them. So, it becomes more profitable to the producers, receiving subsidies, to export goods, than to sell them in domestic market. At the same time, because of export growth

less goods arrive on domestic market, so the internal price on it increases. Growth of the price causes increase of offer and reduction of demand [5, p. 36].

It is possible to say that as a result, consumers sustain losses, and manufacturers receive an additional profit. To estimate consequences of export subsidizing for the country in general, it is necessary to take into account expenses on subsidies, which will have the state. As many economists note using simple economic calculations, even in conditions of a normal and stable demand in the world market losses of the state will be more, than real benefit from subsidies.

Thus, the question of subsidizing of agricultural branch is extremely important for national economy. Following the results of previous year, the agriculture of Kazakhstan was about 6,8 percent of gross domestic product of the country, and this indicator every year steadily grows. In this regard, it is difficult to do any forecasts about future condition of agriculture in connection with the joining of Kazakhstan to the WTO, and it isn't known whether the vector of its development will change. However for now foreign experience of other countries allows to note that many countries didn't achieve considerable success in this area. In the countries, where this success takes place, according to data of OECD, considerable funds for subsidies are annually allocated. As regards to Kazakhstan, it is necessary to hope that during 19 years of negotiations these questions after all were considered, and the effective agrarian policy of the government and skillful application of measures of a green box will be able to restore considerable reduction of subsidies within a amber box.

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Стандарты ВТО в области субсидирования сельского хозяйства и их влияние на агропродовольственный сектор Казахстана

Айдарбаев С., e-mail: Sagingali.Aidarbayev@kaznu.kz.

Казахский Национальный университет имени Аль-Фараби, Республика Казахстан

Баймагабетова З., e-mail: zula_bai@mail.ru,

Казахский Национальный университет имени Аль-Фараби, Республика Казахстан

Умирзакова А., e-mail: ainur_umirzakova@mail.ru

Казахский Национальный университет имени Аль-Фараби, Республика Казахстан

Аннотация: в статье определяются главные стандарты ВТО в области субсидирования сельского хозяйства и исследуется вопрос о влиянии условий, принятых Казахстаном, на сельское хозяйство страны. Особое внимание уделено описанию обязательств Казахстана в сфере сельскохозяйственных субсидий, принятых в связи с участием в ВТО, исследуются различия между мерами «желтой», «зеленой» и «голубой» корзин, установленных в рамках ВТО. Проанализировано содержание главных международных соглашений ВТО, затрагивающих вопросы субсидировании сельского хозяйства, и их воздействие на развитие агропродовольственного сектора Казахстана.

Ключевые слова: сельское хозяйство, субсидии, субсидирование, Всемирная Торговая Организация, желтая корзина, зеленая корзина, голубая корзина.