



CURRENT DEVELOPMENTS IN CENTRAL ASIAN AGRICULTURAL PRODUCTS TRADE

Agriculture remains a key sector for Central Asian economies in terms of food security, employment, and trade. In 2019, employment in agriculture (as % of total employment) in Central Asian countries remained high and varied from the lowest 15% in Kazakhstan to the highest 45% in Tajikistan. In terms of trade, the agricultural sector is an important source of export revenues. At the same time, the import of agricultural products provides regional food security. Therefore, this commentary aims to analyze volumes and patterns of trade in agricultural products during the pandemic. The commentary is based on calculations using data from the International Trade Centre (ITC). It identifies agricultural products as goods from the 1-24 chapters of the Harmonized System.

The pandemic led to significant changes in the agricultural sector of the region. The Central Asian countries closed the borders and imposed export restrictions. Moreover, the regional countries had to address regional issues such as disruption of internal value chains and migration. The negative shocks led to a surge in prices. All these factors affected the pattern of trade in food products.

Total exports of the region decreased from \$86.1 billion in 2019 to \$71.1 billion in 2020. Agricultural exports, in turn, experienced an insignificant reduction. During the reported period, the region's indicator declined from \$5.2 to \$5.1 billion. At the same time, the share of agricultural exports in total exports increased from 6% in 2019 to 7.2% in 2020. Total imports of the region decreased from \$71.5 billion in 2019 to \$67.9 billion in 2020. Despite the reduction in total imports, agricultural and food products imports in the region increased from \$7.8 billion in 2019 to \$8.1 billion in 2020. As a result, the share of imports of agricultural products in total imports of the region increased from 10.9% to almost 12%. Therefore, trade in agricultural products in the region changed from \$13 billion in 2019 to \$13.2 billion in 2020. Moreover, the share of trade in agricultural exports experienced growth. These changes show a critical role of agricultural products in regional trade.

Kazakhstan remains a key supplier of agricultural products for the rest of the Central Asian countries. The country's agricultural exports during the reported period experienced almost no changes. In 2019, its exports amounted to \$3.28 billion, while in 2020 it equaled \$3.27 billion. For the reported period, the share of agricultural exports in total exports increased from 5.7% to 7%. The country's total agricultural imports increased from \$3.9 billion in 2019 to more than \$4 billion in 2020. Consequently, the share of agricultural imports increased from 10.2% to 10.7%. It is important to note that

the trade balance in agricultural products for Kazakhstan widened. While in 2019 its trade deficit was equal to \$620 million, in 2020 it increased to \$730 million.

Kyrgyzstan's exports of agricultural and food products experienced almost no changes. It changed from \$251.1 million in 2019 to \$250.5 million in 2020. During the reported period, the share of agricultural exports in total exports remained the same and amounted to 12.8%. At the same time, agricultural imports of the country decreased from \$655 million in 2019 to \$594 million in 2020. Despite this reduction, the share of agricultural imports in total imports increased from 13.4% to 16.1%. Moreover, the trade deficit narrowed from \$403.9 million to \$343.5.

Agricultural exports of Tajikistan remain the lowest in the Central Asian region. In 2019, the country exported products worth \$33 million. In 2020, its exports of agricultural products exceeded \$35 million. However, despite this insignificant growth in the volume of exports, the share of agricultural exports in total exports decreased from 3% in 2019 to 2.7% in 2020. Tajikistan's imports of agricultural products remain substantial. In 2019, the country's agricultural imports amounted to \$757 million, while in 2020 it exceeded \$818 million. The share of agricultural and food imports in the country's total imports is significant. The indicator was equal to 22.7% in 2019 and increased to 26.1% in 2020. The trade deficit in agricultural products in Tajikistan remains substantial. In 2019, it amounted to \$724 million, while in 2020 it increased to \$783 million.

Data unavailability complicates the analysis of Turkmenistan's trade flows. For instance, the ITC data do not include information on live animals, meat, or dairy product exports. Therefore, the presented calculations on Turkmenistan's indicators may be biased due to a lack of reliable data. However, the existing data shows that in 2019 Turkmenistan exported agricultural and food products worth \$59.5 million. In 2020, the country's exports decreased to \$53.5 million. The share of agricultural exports in total exports was insignificant and correspondingly equaled 0.5% and 0.7% in 2019 and 2020. Turkmenistan's agricultural import in 2019 was equal to \$386.3 million, while in 2020 it decreased to \$356.4 million. It is important to note that while agricultural exports in Turkmenistan's total exports remained negligible, the share of imports in the country's total imports is significant. For instance, in 2019 the indicator amounted to 12.5%, while in 2020 it decreased to 11.7%. The country's trade deficit in agricultural products is also substantial. In 2019, the indicator amounted to \$326.8 million, while in 2020 it decreased to \$302.9 million.

Agricultural exports are one of the key sources of export revenues for Uzbekistan. In 2019, the country exported agricultural products worth \$1.6 billion, while in 2020 the indicator decreased to \$1.5 billion. The share of agricultural exports in the country's total exports amounted to 11% in 2019 and increased to 11.6% in 2020. At the same time, agricultural imports increased for the reported period. While in 2019 the country imported products worth \$2.1 billion, in 2020 its purchases increased to \$2.3 billion. The share of agricultural imports in total imports of the country increased from 9.5% in 2019 to 11.5% in 2020. The trade deficit of the country widened from \$500 million to \$800 million.

It is important to note that all Central Asian economies have a negative trade balance in agricultural products. During the pandemic, food demand increased substantially and the countries of the region experienced growth in agricultural trade flows while export of other products such as fuels dropped. This fact shows the importance of the development of the agricultural sector. Moreover, higher trade flows show high interdependence of the regional economies in terms of food trade. Therefore, the regional policymakers should consider the following recommendations. Firstly, the trade policy of individual countries should consider the interests of neighboring states to escape trade wars. Export restrictions or bans can cause a similar reaction and decrease total supply, which will cause an increase in prices. The surge in prices will have a negative impact on the well-being of all countries of the region. Secondly, regional policymakers should liberalize trade in agricultural products. This policy change may result in higher supply and lower prices. Thirdly, the policymakers should address the global and regional challenges, which will affect production and trade in agricultural products in Central Asia. In particular, they should focus on climate change as climate shocks lead to a significant reduction in output and crop yields, which will result in a decrease in supply pushing food prices up. The region is experiencing negative consequences of climate shocks. In 2021, almost all regions of Kazakhstan experienced drought, which led to a decrease in the yield of major crops in both foods and forages segments. This situation has led to an increased demand for grain products and contributed to the growth in prices.

Besides internal policies, the regional countries should strengthen their joint efforts to mitigate the consequences of climate change. Therefore, trade in agricultural products remains an important source of export revenues. Moreover, it stabilizes regional prices and significantly contributes to the improvement of food security.

Politics, Foreign Affairs, and Security

- The President of Kazakhstan Kassym-Jomart Tokayev participated in the opening ceremony of the 4th China International Expo in an online format. In his video message, the President congratulated the participants of the event and emphasized the importance of the strategic partnership of Kazakhstan and China. President Tokayev mentioned that in 2020 alone the bilateral trade turnover rose by 5% and exceeded \$15 billion (Kazinform, 05.11.2021).
- The Minister of Foreign Affairs of Austria Michael Linhart paid a visit to Kyrgyzstan to participate in the First European Union (EU)-Central Asia (CA) Economic Forum. Minister Linhart had a meeting with his Kyrgyz counterpart Ruslan Kazakbaev. During the meeting, Kazakbaev mentioned that the EU-CA platform would become a permanent operating mechanism in the interaction of the Central Asian countries with the European Union in the future. During the meeting, a cooperation program was signed between the ministries of Kyrgyzstan and Austria for 2022-2023 (Kabar, 05.11.2021).
- Uzbekistan and Pakistan signed a historic agreement to form a multidimensional Joint Security Commission that would aid in the unfolding of the region's geo-economic paradigm shift. The agreement covers a wide range of security-related issues of mutual concern, and it will establish a coordination mechanism between Pakistan's National Security Division and Uzbekistan's Security Council under their respective leaders. Uzbekistan remains a key country for Pakistan to shift its geo-economic paradigm (UzReport, 03.11.2021).
- The Foreign Minister of Russia Sergey Lavrov held a phone call with his Azerbaijani counterpart Jeyhun Bayramov and discussed bilateral ties and issues surrounding the Karabakh region. The sides also discussed the implementation of trilateral statements, including the activities of the working group on the opening of transport and communications. The sides also emphasized the importance of "developing a cooperation platform in the 3 + 3 format," including Armenia, Azerbaijan, Georgia, Russia, Turkey, and Iran (Anadolu Agency, 02.11.2021).
- Kyrgyzstan signed a deal to purchase Turkish drones Bayraktar, becoming the first Central Asian country to do so. The quantity of the purchased drones is unknown. Turkey has gradually been deepening its ties with Kyrgyzstan over the last decade, becoming the fourth-largest investor in the country with more than \$500m in trade revenues. The Turkish Cooperation and Coordination Agency (TIKA) spent nearly \$25m in 2019 alone for the country's development (Middle East Eye, 05.11.2021).
- Bashkan (governor) of the southern Moldovan autonomous region of Gagauzia, Irina Vlah met with the Acting Chairman of Justice and Development Party of Turkey Binali Yildirim on the sidelines of the Forum "The World after COVID-19" held in Baku. Irina Vlah thanked the Turkish leadership for the consignment of COVID-19 vaccines, medical equipment and consumables provided to Moldova. Noting the development of bilateral relations, she also mentioned the beginning of the construction of the Industrial College, which is financed by Turkey (Infotag 05.11.2021).

Economy, Finance, and Energy

- Minister of National Economy of Kazakhstan Asset Irgaliyev stated that the country plans to launch five new petrochemical plants in the next four years. As a result, the production of oil products will increase from 40 thousand to two million tons. Moreover, the share of imports will decrease from 87% to 72%, while exports can increase ninefold. The minister added that in 2025, 418 industrial projects will be implemented and more than \$26 billion of investments in fixed assets will be attracted (Qazaq TV, 05.11.2021).
- The Japanese government has allocated almost \$2 million to modernize the cotton and fertilizer sectors in Uzbekistan through two projects. The first project aims to improve cotton-growing practices, while through the second project the government will attract international private investment in the sustainable chemical industry. According to the Ambassador of Japan to Uzbekistan Yoshinori Fujiyama, Japan hopes that there will be an opportunity to attract more foreign investment and revive trade in these sectors (UzReport, 04.11.2021).
- The Minister of Economy and Commerce of Kyrgyzstan Daniyar Amangeldiev and Minister of Foreign Economic Relations and Foreign Affairs of Hungary Peter Szijarto recently opened the Kyrgyz-Hungarian Development Fund. The agreement on the opening of the fund was reached in April 2021. The fund will become a platform for attracting investments and implementing projects in Kyrgyzstan. The authorized capital of the fund is \$16 million and it is expected that the capital will be increased to \$50 million in the future (Kabar, 05.11.2021).
- The President of Uzbekistan Shavkat Mirziyoyev signed a decree approving the agreement on the establishment of the Uzbek-Kyrgyz Development Fund, signed in March 2021 in Tashkent. The fund will be an international organization with an authorized capital of \$50 million, which is contributed by Uzbekistan with the subsequent increase of the authorized capital to \$200 million. The Fund will finance projects in Kyrgyzstan by providing loans and participation in the capital (Kabar, 04.11.2021).
- Vice-Premier of Turkmenistan Serdar Berdimuhamedov participated in the 26th session of the UN climate conference. Addressing the participants, Berdimuhamedov welcomed the Global Methane Commitment initiative and mentioned that Turkmenistan would study the possibility of participating in its implementation. He added that Turkmenistan, at the national level, paid special attention to reducing methane emissions. The corresponding process will be implemented at a rapid pace and both state funds and money allocated by international financial institutions will be used for this (Turkmenportal, 04.11.2021).
- The Minister of Finance of Tajikistan Faiziddin Qahhorzoda recently presented the draft new Tax Code to lawmakers. Minister Qahhorzoda noted that the new Tax Code provided for reducing the number of taxes from ten to seven and cutting the income tax rate from 13% to 12%. Moreover, the rate of the value-added tax will be reduced from 18% to 15% from January 1, 2022. Tajikistan's parliament has already endorsed the draft new Tax Code (Asia-Plus, 03.11.2021).

Society and Culture

- A documentary called "Sea Tomorrow" was released, becoming the first Kazakh documentary to premiere on the Netflix streaming platform. The film directed by Katerina Suvorova describes the lives of people who live by the Aral Sea after its depletion. "Sea Tomorrow" was translated into eight languages and is available on Netflix for the European audience and on the Amazon platform for viewers in the U.S. Negotiations are underway to allow access for viewers from the CIS countries to local streaming services (The Astana Times, 01.11.2021).
- The President of Kazakhstan Kassym-Jomart Tokayev signed the Protocol for the Protection of the Caspian Sea against Pollution from Land-based Sources and Activities. The main goal of the protocol is to prevent, reduce, control and eliminate marine pollution from land sources to achieve and maintain an ecologically healthy marine environment of the Caspian Sea. By signing the document, Kazakhstan commits to use and promote the best available technologies and environmental practices when conducting economic activities in the sea area or its coastal zone (The Astana Times, 01.11.2021).
- The Parliamentary Assembly of Turkic-Speaking Countries (TURKPA) organized an international conference entitled "The Turkic world: history, modernity, future". The event was attended by high-ranking officials, diplomats, representatives of international organizations, diplomatic missions, scientific and academic communities of Kazakhstan and Turkey. The participants discussed the processes of reviving the historical, cultural and spiritual heritage of the Turkic civilization (Turkpa.org, 05.11.2021).
- Speaking at the High-Level Panel Meeting on Water and Climate, the President of Tajikistan Emomali Rahmon noted that more than 1,000 of Tajikistan's 14,000 glaciers have completely melted. Over the past few decades, the total volume of glaciers in the country, which comprise more than 60% of the water resources of the Central Asian region, has decreased by almost a third. He also noted that given the serious consequences of continuing this process, Tajikistan had previously proposed proclaiming 2025 as the International Year for Glaciers Preservation and setting a date for World Glaciers Day (ASIA-Plus, 03.11.2021).
- A UN plane carrying 33 tons of humanitarian aid arrived in Kabul. The plane brought 33 tons of insulation kits to be used in the coming winter months. It is expected that two more similar consignments of humanitarian aid will be delivered to Kabul via this route soon. It is reported that 11.5 million people in Afghanistan received food under UN programs this year, of which 4.7 million - only in October (Rbc.ru, 03.11.2021).
- The UNICEF launched an international educational program UniSat aimed at increasing the interest of girls in space exploration in Uzbekistan. The selected 20 participants in the program will design, assemble and launch a real nanosatellite into the stratosphere. After selection from November 2021 to February 2022 at the preliminary stage, participants from Uzbekistan, Kazakhstan and Kyrgyzstan will be sent for 10 days to Almaty, to the Kazakh National University named after Al-Farabi (Twnews.nl, 03.11.2021).