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**TARIFF AND NON-TARIFF REGULATION OF AN AGRI-FOOD MARKET  
IN ENSURING SUSTAINABLE DEVELOPMENT:  
INTERNATIONAL EXPERIENCE AND UKRAINIAN PRACTICE**

In 2015 a resolution has been adopted by the General Assembly of the United Nations, aiming to end poverty and hunger everywhere; to combat inequalities within and among countries; to build peaceful, just and inclusive societies; to protect human rights and promote gender equality and the empowerment of women and girls; to ensure the lasting protection of the planet and its natural resources, as well to create conditions for sustainable, inclusive and sustained economic growth, shared prosperity and decent work for all by 2030. The provisions stated in that document came to be known formally and widely as Sustainable Development Goals and the agri-food sector of economy has a formidable part in reaching many of them, but its part is particularly strong in achieving the following two: №2 “End hunger, achieve food security and improved nutrition and promote sustainable agriculture” and №8 “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”.

It is hard to deny that the development of the agri-food sector is of critical value in its context, because it encompasses both agriculture – the fundamental source of raw food materials, and the food processing industry that provides the consumers with finished and semi-finished goods (Figure 1). Therefore, if a state desires to achieve the aforementioned goals of sustainable development, it has to concentrate its efforts on the effective regulation of the corresponding market and business processes, especially on the export-import activities that have obtained an important (and, in some countries, critical) part in forming supply and demand on agri-food market of a given state, for example – Ukraine [Deineko O, 2013].

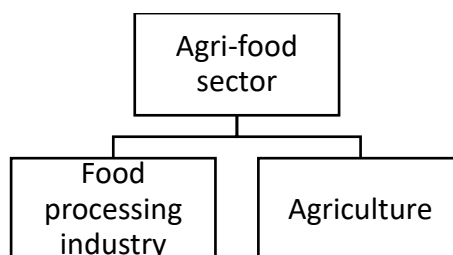


Figure 1. Author definition of the agri-food sector's structure

To achieve the desirable results on a national agri-food market through regulating international inflow and outflow of agri-food products, a state has a variety of instruments, usually classified as follows in the table below (see Figure 2).

Non-tariff measures	Technical measures	Sanitary and phytosanitary measures
		Technical barriers to trade
		Pre-shipment inspection and other formalities
	Non-technical measures	Contingent trade-protective measures
		Non-automatic licensing, quotas, prohibitions and quantity control measures other than for SPS or TBT reasons
		Price-control measures, including additional taxes and charges
		Finance measures
		Measures affecting competition
		Trade-related investment measures
		Distribution restrictions
		Restrictions on post-sales services
		Subsidies
		Government procurement restrictions
		Intellectual property
Rules of origin		
Tariff-measures	Import tariffs	
	Export tariffs	

Figure 2. Classification of tariff and non-tariff measures by United Nations Conference on Trade and Development

Let us see, how a state may employ these measures to achieve the Sustainable Development Goals №2 and №8.

First, let us talk about the Goal №2. It is composed of seven targets, sporting different deadlines and nature:

1. By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.

2. By 2030, end all forms of malnutrition, including achieving, by 2025, the internationally agreed targets on stunting and wasting in children under 5 years of age, and address the nutritional needs of adolescent girls, pregnant and lactating women and older persons.
3. By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.
4. By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.
5. By 2020, maintain the genetic diversity of seeds, cultivated plants and farmed and domesticated animals and their related wild species, including through soundly A/RES/70/1 Transforming our world: the 2030 Agenda for Sustainable Development 16/35 managed and diversified seed and plant banks at the national, regional and international levels, and promote access to and fair and equitable sharing of benefits arising from the utilization of genetic resources and associated traditional knowledge, as internationally agreed.
6. Increase investment, including through enhanced international cooperation, in rural infrastructure, agricultural research and extension services, technology development and plant and livestock gene banks in order to enhance agricultural productive capacity in developing countries, in particular least developed countries.
7. Correct and prevent trade restrictions and distortions in world agricultural markets, including through the parallel elimination of all forms of agricultural export subsidies and all export measures with equivalent effect, in accordance with the mandate of the Doha Development Round.

8. Adopt measures to ensure the proper functioning of food commodity markets and their derivatives and facilitate timely access to market information, including on food reserves, in order to help limit extreme food price volatility<sup>1</sup>.

As of the targets 1 and 2: hunger and malnutrition may be caused by several interconnected reasons, such as inability of the consumers/potential consumers to pay for food products or for the food baskets with enough nutritional qualities because of low income or absence of such; high prices on the food products that do not allow to form healthy diets<sup>2</sup>; underproduction of food products by the national manufacturers; excessive export of the food products; insufficient food import.

Part of the problems may be solved by effectively employing tariff and non-tariff measures. Both tariff and non-tariff measures may be viewed as trade costs, or barriers in trade. Even legitimate nontariff measures with objectives not directly related to international trade can have a significant impact on inflow or outflow of food products. Even more, an analysis conducted by the United Nations Commission on Trade and Development shows that the contribution of non-tariff measures to restricting market access is more than twice that of tariffs, and the relevant impact is particularly striking in sectors of high relevance for developing countries [UNCTAD, 2013]. Therefore, while a state can easily regulate the level export and import tariffs, regulation outflow and inflow of food products respectively, the development potential of trade is usually still significantly impaired by trade costs caused by non-tariff measure, elimination of which cannot always be possible: for example, non-tariff measures in the shape of sanitary and phytosanitary measures and technical barriers to trade (measures referring to technical regulations, and procedures for assessment of conformity with technical regulations and standards,) are directly linked to several pillars of food security. Sanitary and phytosanitary measures protect the health of human beings, animals and plants; they also offer crop protection against pests and diseases. Technical barriers to trade allow countries to regulate food for consumer protection, e.g. labelling of fat or sugar contents. Non-tariff measures or technical barriers to trade regulate the safety of imported pharmaceutical products and hazardous substances that may have adverse effects on human health.

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<sup>1</sup> [http://www.undp.org/content/dam/undp/library/corporate/brochure/SDGs\\_Booklet\\_Web\\_En.pdf](http://www.undp.org/content/dam/undp/library/corporate/brochure/SDGs_Booklet_Web_En.pdf) [access: 14 December, 2017]

<sup>2</sup> <http://www.un.org/sustainabledevelopment/blog/2017/11/unhealthy-diets-could-undo-progress-on-food-security-in-asia-pacific-warns-un-report> [access: 14 December, 2017]

Yet, United Nations Commission on Trade and Development Policy Brief №37 (September 2015) proposes a solution of negating the negative trade cost effects of the non-tariff measures without violating their functions.

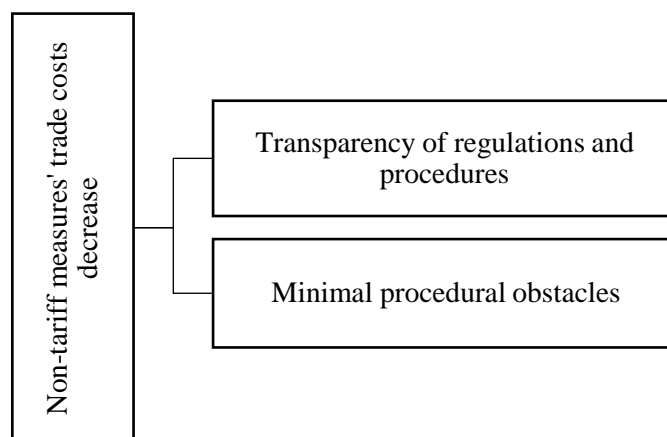


Figure 3. Principal means of bringing down trade costs related to non-tariff measures without violating their main goals

Despite the widespread use of non-tariff measures, the level of their transparency is not always sufficient. This presents a major problem for the developing countries especially, as they have to assess the implications of non-tariff measures with limited resources. To combat this, United Nations Commission on Trade and Developments and several of its partners are spearheading an international initiative to collect comprehensive data of mandatory regulations currently in force in many countries, with detailed data that includes information sources, measures, and products and countries affected. Huge hopes are also placed into The World Trade Organization's Agreement on Trade Facilitation that entered into force on 22 February of 2017: it is deemed that that Agreement has the potential to drastically reduce procedural obstacles and delays at the border.

Target 3 may be partly achieved through the stimulation of organic food production. The main obstacle here are sanitary and phytosanitary measures and technical barriers to trade imposed by the importing countries. While farmers constitute an important part of the agri-food sector in many developing countries, external markets are closed to them because they cannot comply with technical and safety standards of their production due to the lack of funds or discrepancy of national and international standards – due to their size, it may be very hard

to comply simultaneously to both. Therefore, the easiest way to go for a country that lacks funds to directly support farmers is to harmonize their legal frameworks with the relevant legal frameworks of their desired trade partners, implementing national standards identical to international ones. It is especially relevant to the countries similar to Ukraine that traditionally have a lot of agricultural land and farmers/small agricultural producers. It is forecasted that Ukraine may enter the Top-5 of the organic food producers by acting like recommended above (in the context of the Association Agreement with the European Union), increasing its economic growth by addition [Deineko et al., 2016]. Though, it has to be noted that developing countries have to be careful when choosing the priorities of the standards reforms – the scientists already note that the multilateral international system is confronted with a growing “spaghetti bowl” of bilateral and regional agreements that also increasingly aim at recognizing or harmonizing requirements relating to sanitary, phytosanitary and technical barriers to trade. Studies show that adopting science-based international standard guidelines is generally good for developing countries. However, their participation in international standard-setting bodies needs to be strengthened. Regional and bilateral harmonization also creates trade, but with potential trade diversion effects. Unilaterally adopting more stringent standards from developed markets and imposing them as domestic production requirements may increase exports to the North, but this also carries risks. For example, rising product prices can have a negative impact on domestic consumers and South–South trade, as noted by UNCTAD.

Targets 4-6 are mainly subjects to sanitary and phytosanitary measures and technical barriers to trade, due to their nature. In achieving the Target 7 the role of tariff and non-tariff regulation is also obvious – they fully constitute said trade restrictions and distortions in world agricultural markets, including export subsidies and export measures with equivalent effect.

In achieving the Target 8, it is important to facilitate the automatization of customs formalities that may constitute an additional barrier to trade. A state should aspire to automatize administrative measures and processes that seek to monitor the import value or volume of specified products, therefore eliminating the human factor and increasing the speed of information exchange between authorities responsible for gathering and dispensing the statistical data..

Now let us shift our attention on the Goal №8 «Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all». It contains 12 targets:

1. Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries.
2. Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.
3. Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.
4. Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-Year Framework of Programmes on Sustainable Consumption and Production, with developed countries taking the lead.
5. By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.
6. By 2020, substantially reduce the proportion of youth not in employment, education or training A/RES/70/1 Transforming our world: the 2030 Agenda for Sustainable Development 20/35.
7. Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.
8. Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment
9. By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products.
10. Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.
11. Increase Aid for Trade support for developing countries, in particular least developed countries, including through the Enhanced Integrated Framework for Trade-related Technical Assistance to Least Developed Countries.

12. By 2020, develop and operationalize a global strategy for youth employment and implement the Global Jobs Pact of the International Labour Organization.

In this case, Targets 1-3 are of interest, being directly related to the agri-food sector, while others are touched through the general impact of this sector on economic growth.

First, let us review the impact of tariff and non-tariff regulation of the agri-food sector on the Target 1 that concern sustaining per capita economic growth in accordance with national circumstances and domestic product growth per annum in the least developed countries. As in the context of strengthening of the international economic integration the economic growth is largely determined by the place of a country in international production and value chains, it is important to ensure that country exports consist mainly of products of high value added (highly processed goods). In the context of the agri-food production that means that it is desirable to a state to stimulate the export of finished and semi-finished food products, putting emphasis on improving the food industry.

A successful example of sunflower and sunflower oil may be found in recent Ukrainian history. In 1998 the production volume of sunflower oil was around 500 thousand tons, constituting a relatively minor part of export and was superseded by the export of cheaper sunflower seeds. Today the sunflower processing industry has one of the most important parts in Ukrainian export of highly processed goods. In 2013 export of fats and vegetable oil constituted 5,6% of the national export, in 2014 – 7,1%, in 2015 – 8,7%, in 2016 – 10,9% and in 2017 – 10,65%; sunflower oil constitutes around 90-91% of aforementioned export yearly and, because of that, by 2017 Ukraine hold the first place in top sunflower oil exporters in the world.

Such a success may seem strange, considering the general depression of processing industries after the fall of Soviet Union, but the gradual revival of sunflower processing industry has been made possible by the Law of Ukraine “On export tariffs on some of the oil cultures” since 1999. By deploying a 23% export tariff on sunflower seeds, the government transferred the national production of cheap sunflower seeds from external markets to national processors, allowing for continuous work of food industry in that sector and competitiveness of the Ukrainian sunflower oil in the foreign markets (Figure 4). Particularly, more than 20 new sunflower processing plants have been built in the last 15 years, mainly based around the former exporters of sunflower seeds. The productive capacities of sunflower seeds processing has increased from 2,6 million tons in 1998 to more than 13 million tons by 2015; the utilization of said capacities has increased from 30% to 90% during the same period; the production – from 511 thousand tons to 4,26 million tons by 2015 (Figure 4). Today the



production of sunflower oil remains one of the few processing industries of Ukraine has not only reached the numbers of 1990, but exceeded them – by 4 times.

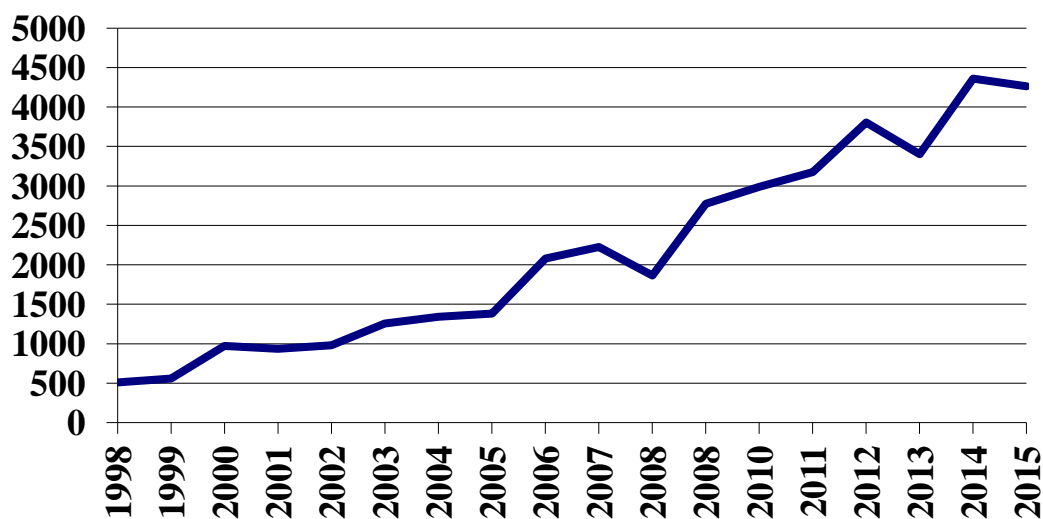


Figure 4. Sunflower oil production in 1998-2015, thousand tons.

As the example above shows, such policies may ensure the achievement of the Tasks 2 and 3, focusing the economy on high-value added and labour-intensive sectors. The growth of micro-, small- and medium-sized enterprises may similarly ensured by stimulating import and export through tariff and non-tariff measures.

### Literature

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**Abstract.** *The role of tariff and non-tariff regulation of an agri-food market in ensuring sustainable development in Ukraine and in the other country is highlighted in this paper, as well as the best practices in this sphere. Particularly, the experience of the late participants of the Euro-integrational processes is researched, together with the correlated transformations in production and export-import structure at their agri-food markets. Potential ways to decrease and avoid the negative agri-food market's deformations, that may appear as a result of integration processes' strengthening and trade liberalization, are discussed.*

**Keywords:** *tariffs, agri-food, agrarian. integration, export, import, customs regulations, Ukraine*