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## EVALUATION OF EFFECTIVENESS OF INTERNATIONAL REGULATION OF FOREIGN TRADE IN DAIRY PRODUCTS

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### Abstract

In this article, as one of the main criteria for the effectiveness of regulating foreign trade in dairy products at the international level, the dynamics of changes in the average values of customs duties on dairy products as a result of WTO accession is considered in relation to the largest players in the world dairy market, member countries of the European Union and Eurasian Economic Union.

The conducted analysis made it possible to conclude that as a result of joining the WTO there is both a decrease and increase in the level of tariff protection of imported dairy products.

**Keywords:** customs duty, tariff protection, World Trade Organization, foreign trade, dairy production.

## ОЦЕНКА РЕЗУЛЬТАТИВНОСТИ МЕЖДУНАРОДНОГО РЕГУЛИРОВАНИЯ ВНЕШНЕЙ ТОРГОВЛИ МОЛОЧНОЙ ПРОДУКЦИЕЙ

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### Реферат

В настоящей статье в качестве одного из основных критериев результативности регулирования внешней торговли молочной продукцией на международном уровне рассмотрена динамика изменения средних значений ставок таможенных пошлин на молочную продукцию в результате вступления в ВТО в отношении крупнейших игроков мирового рынка молочной продукции, стран-членов Европейского союза и Евразийского экономического союза.

Проведенный анализ позволил обосновать вывод о том, что в результате вступления в ВТО наблюдается как снижение, так и повышение уровня тарифной защиты импортируемых молочных продуктов.

**Ключевые слова:** таможенная пошлина, тарифная защита, Всемирная торговая организация, внешняя торговля, молочная продукция.

### Introduction

At the moment international regulation of foreign trade in dairy products is carried out within the framework of the World Trade Organization on the basis of the Agreement on Agriculture (hereinafter the Agreement), which entered into force on January 1, 1995 following the results of the Uruguay Round of negotiations. Some aspects of regulation are also addressed in other WTO regulatory documents, in particular in the Agreement on sanitary and phytosanitary measures; Agreement on technical barriers to trade; Agreement on subsidies and countervailing measures; Agreement on trade facilitation, etc.

The analysis of the peculiarities and evaluation of the effectiveness of international regulation of foreign trade in agricultural (including dairy) products based on the WTO Agreement on Agriculture has scientific and practical interest for the Republic of Belarus, which is at the stage of the negotiation process on accession to the WTO. The issues of market access for agricultural products are of key importance for Belarus. State support for agriculture is one of the key aspects of our country's WTO accession negotiations. Negotiations should fix a maximum allowable level of support for agriculture, with all instruments and measures broken down into existing "baskets" according to the WTO classification. In these circumstances, it is important to establish a truly effective system of protection for domestic producers that meets international standards and WTO principles.

### Main part. Effectiveness of international regulation of foreign trade in dairy products

The provisions of the WTO Agreement on Agriculture apply to a wide range of agricultural products, including all types of dairy products, the specificity of which is that, in agriculture, dairy products are the most distorted and supported sector in the world. Import restrictions due to high tariffs, combined with surplus production as a result of domestic support, contributed to the provision of huge amounts of export subsidies, which in turn led to lower prices on the world market. At the start of multilateral trade negotiations, trade liberalisation was expected to reduce policy-induced

distortions in the global dairy market. In practice, however, developed countries have found ways to circumvent WTO rules, thereby influencing international market prices [1; p. 66].

The WTO Agreement on Agriculture provides the following measures for a reduction in the level of state support [2]:

- increasing access to the domestic markets of WTO members by tariffing non-tariff measures (replacing all non-tariff restrictions with tariff equivalents) and progressively reducing the level of customs and tariff protection;
- reducing domestic support to agriculture by WTO members;
- increasing of export competition and reduction of export subsidies by WTO members.

As one of the main criteria for the effectiveness of international regulation of foreign trade in dairy products within the WTO framework, it seems appropriate to consider the dynamics of changes in the average values of customs duty rates on dairy products before and after WTO accession. Table 1 shows the results for the major players in the global dairy market.

Analysis of the data in Table 1 suggests that, as a result of WTO accession and compliance with the terms of the Agreement on Agriculture, there has been a reduction in the level of tariff protection for the dairy industry for all major players (except for the US, where the increase in the average customs duty rate for dairy products is mainly due to the tariffication of non-tariff regulatory measures as required by the WTO). The largest decrease is typical for the world's leading importers of dairy products – China and India (rates have decreased by almost 3 times or more than 27 %). The level of tariff protection of Australia and New Zealand has not changed and remains one of the lowest in the world. In Brazil, the average customs duty rate for dairy products has also remained almost unchanged over the last 25 years, at around 20 %.

The effectiveness of international regulation of foreign trade in dairy products in relation to the countries of the European Union and United Kingdom is presented in Table 2.

Table 1 – Dynamics of changes in average rates of customs duties on dairy products as a result of WTO accession

Country / Commodity item / HS Code of the EAEU	Year of accession to the WTO	Average customs duty rate in the last year before joining the WTO	Average customs duty rate in 2021
<b>Brazil</b>	1995		
Milk and cream, not condensed (0401)		30	12,83
Milk and cream, condensed (0402)		27,80	23,60
Buttermilk, yogurt, kefir (0403)		20	16
Milk whey (0404)		20	21
Butter (0405)		20	16
Cheeses and cottage cheese (0406)		11,68	18,40
<b>All dairy products (codes 0401-0406)</b>		<b>21,58</b>	<b>17,97</b>
<b>Australia</b>	1995		
Milk and cream, not condensed (0401)		0	0
Milk and cream, condensed (0402)		0	0
Buttermilk, yogurt, kefir (0403)		0	0
Milk whey (0404)		0	0
Butter (0405)		1,33	1,33
Cheeses and cottage cheese (0406)		16,65	15,72
<b>All dairy products (codes 0401-0406)</b>		<b>3,0</b>	<b>2,84</b>
<b>New Zealand</b>			
Milk and cream, not condensed (0401)		0	0
Milk and cream, condensed (0402)		3	3
Buttermilk, yogurt, kefir (0403)		2,5	3,33
Milk whey (0404)		3,33	3,33
Butter (0405)		0,83	0
Cheeses and cottage cheese (0406)		0	0
<b>All dairy products (codes 0401-0406)</b>		<b>1,61</b>	<b>1,61</b>
<b>China</b>	2001		
Milk and cream, not condensed (0401)		25	15
Milk and cream, condensed (0402)		35	10
Buttermilk, yogurt, kefir (0403)		50	15
Milk whey (0404)		28	13
Butter (0405)		50	10
Cheeses and cottage cheese (0406)		50	12,6
<b>All dairy products (codes 0401-0406)</b>		<b>39,67</b>	<b>12,6</b>
<b>India</b>	1995		
Milk and cream, not condensed (0401)		60	30
Milk and cream, condensed (0402)		60	42
Buttermilk, yogurt, kefir (0403)		60	30
Milk whey (0404)		60	40
Butter (0405)		60	40
Cheeses and cottage cheese (0406)		60	32
<b>All dairy products (codes 0401-0406)</b>		<b>60</b>	<b>35,67</b>
<b>USA</b>	1995		
Milk and cream, not condensed (0401)		3,18	15,57
Milk and cream, condensed (0402)		6,24	14,80
Buttermilk, yogurt, kefir (0403)		14,01	31,18
Milk whey (0404)		7,6	22,99
Butter (0405)		7,68	15,81
Cheeses and cottage cheese (0406)		12,48	19,44
<b>All dairy products (codes 0401-0406)</b>		<b>8,53</b>	<b>19,97</b>
<b>Israel</b>	1995		
Milk and cream, not condensed (0401)		172	50
Milk and cream, condensed (0402)		108,97	133,20
Buttermilk, yogurt, kefir (0403)		129,13	60
Milk whey (0404)		33,33	30
Butter (0405)		101,33	118,33
Cheeses and cottage cheese (0406)		114,65	50,54
<b>All dairy products (codes 0401-0406)</b>		<b>109,9</b>	<b>73,68</b>

Source: Own development based on [3]

**Table 2** – Dynamics of changes in the average values of customs duties on dairy products in the UK and EU countries as a result of WTO accession

Country / Commodity item / HS Code of the EAEU	Year of accession to the WTO	Average customs duty rate in the last year before joining the WTO	Average customs duty rate in 2021
<b>Italy</b>	1995		
Milk and cream, not condensed (0401)		62,81	56,31
Milk and cream, condensed (0402)		83,03	67,89
Buttermilk, yogurt, kefir (0403)		103,38	57,07
Milk whey (0404)		185,39	100,58
Butter (0405)		83,66	50,68
Cheeses and cottage cheese (0406)		43,08	41,61
<b>All dairy products (codes 0401-0406)</b>		<b>93,56</b>	<b>62,36</b>
<b>France</b>	1995		
Milk and cream, not condensed (0401)		62,81	56,31
Milk and cream, condensed (0402)		83,03	67,89
Buttermilk, yogurt, kefir (0403)		103,38	57,07
Milk whey (0404)		185,39	100,58
Butter (0405)		83,66	50,68
Cheeses and cottage cheese (0406)		43,08	41,61
<b>All dairy products (codes 0401-0406)</b>		<b>93,56</b>	<b>62,36</b>
<b>United Kingdom</b>	1995		
Milk and cream, not condensed (0401)		62,81	53,94
Milk and cream, condensed (0402)		83,03	65,60
Buttermilk, yogurt, kefir (0403)		103,38	54,09
Milk whey (0404)		185,39	96,38
Butter (0405)		83,66	38,58
Cheeses and cottage cheese (0406)		43,08	40,33
<b>All dairy products (codes 0401-0406)</b>		<b>93,56</b>	<b>58,15</b>
<b>The Netherlands</b>	1995		
Milk and cream, not condensed (0401)		62,81	56,31
Milk and cream, condensed (0402)		83,03	67,89
Buttermilk, yogurt, kefir (0403)		103,38	57,07
Milk whey (0404)		185,39	100,58
Butter (0405)		83,66	50,68
Cheeses and cottage cheese (0406)		43,08	41,61
<b>All dairy products (codes 0401-0406)</b>		<b>93,56</b>	<b>62,36</b>
<b>Poland</b>	1995		
Milk and cream, not condensed (0401)		18,33	56,31
Milk and cream, condensed (0402)		20	67,89
Buttermilk, yogurt, kefir (0403)		22,5	57,07
Milk whey (0404)		22,5	100,58
Butter (0405)		10	50,68
Cheeses and cottage cheese (0406)		18	41,61
<b>All dairy products (codes 0401-0406)</b>		<b>18,55</b>	<b>62,36</b>
<b>Lithuania</b>	2001		
Milk and cream, not condensed (0401)		20	56,31
Milk and cream, condensed (0402)		19,2	67,89
Buttermilk, yogurt, kefir (0403)		20	57,07
Milk whey (0404)		20	100,58
Butter (0405)		45	50,68
Cheeses and cottage cheese (0406)		30	41,61
<b>All dairy products (codes 0401-0406)</b>		<b>25,7</b>	<b>62,36</b>

Source: own development based on [3]

It follows from the data in Table 2 that as a result of joining the WTO and fulfilling the conditions of the Agreement on Agriculture, there is both a decrease (Italy, France, Great Britain and the Netherlands) and an increase (Poland, Lithuania) in the level of tariff protection of imported dairy products. The same average customs duty rates in 2021 can be explained by the Common Agricultural Policy of the European Union (CAP), which sets uniform import duties for all member states. Countries such as Italy, France, Great Britain, the Netherlands in the 1990s had even higher rates of customs duties on the import of dairy products, therefore, in relation to

these countries, there was a decrease in the level of tariff protection. Poland and Lithuania had significantly lower customs duties, and as a result of unification and transfer of regulation after joining the EU from the national to the supranational level, there was an increase in the average level of tariff protection of dairy products.

In general, the European Union is characterized by one of the highest levels of agricultural protectionism in accordance with the CAP. Thus, in respect of imports of goods from third countries, the EU member states apply uniform tariff and non-tariff measures to protect the domestic food

market. The arsenal of non-tariff methods of regulation (intervention prices, export subsidies, tariff quotas, technical barriers, etc.) is widely used, which, when converted into tariff equivalent, gives high values of ad valorem customs duties [4]. In connection with the above, the average level of tariff protection of dairy products in Lithuania has increased more than 2

times (from 25.7 % in 2000 to 62.36 % in 2021) and more than 3 times in Poland (from 18.55 % in 1994 to 62.36 % in 2021).

The dynamics of changes in the average rates of customs duties on dairy imports as a result of WTO accession in the countries of the Eurasian Economic Union and Ukraine is presented in Table 3.

**Table 3** – Dynamics of changes in average rates of customs duties on dairy products in the EAEU countries and Ukraine as a result of WTO accession

Country / Commodity item / HS Code of the EAEU	Year of accession to the WTO	Average customs duty rate in the last year before joining the WTO	Average customs duty rate in 2021
<b>Ukraine</b>			
	2008		
Milk and cream, not condensed (0401)		–	10
Milk and cream, condensed (0402)		4,74	10
Buttermilk, yogurt, kefir (0403)		7	10
Milk whey (0404)		2,95	10
Butter (0405)		9,05	10
Cheeses and cottage cheese (0406)		3,43	10
<b>All dairy products (codes 0401-0406)</b>		<b>5,43</b>	<b>10</b>
<b>Russia</b>			
	2012		
Milk and cream, not condensed (0401)		13,89	14,17
Milk and cream, condensed (0402)		24,2	14,6
Buttermilk, yogurt, kefir (0403)		15	15
Milk whey (0404)		15	14,62
Butter (0405)		15	15
Cheeses and cottage cheese (0406)		15	14,94
<b>All dairy products (codes 0401-0406)</b>		<b>16,35</b>	<b>14,72</b>
<b>Armenia</b>			
	2001		
Milk and cream, not condensed (0401)		10	14,17
Milk and cream, condensed (0402)		10	14,6
Buttermilk, yogurt, kefir (0403)		10	15
Milk whey (0404)		10	14,62
Butter (0405)		10	15
Cheeses and cottage cheese (0406)		10	14,94
<b>All dairy products (codes 0401-0406)</b>		<b>10</b>	<b>14,72</b>
<b>Kazakhstan</b>			
	2015		
Milk and cream, not condensed (0401)		14,17	14,17
Milk and cream, condensed (0402)		18,64	14,6
Buttermilk, yogurt, kefir (0403)		15	15
Milk whey (0404)		14,74	10
Butter (0405)		18,25	15
Cheeses and cottage cheese (0406)		17,17	14,92
<b>All dairy products (codes 0401-0406)</b>		<b>16,33</b>	<b>13,95</b>
<b>Kyrgyzstan</b>			
	1998		
Milk and cream, not condensed (0401)		10	14,17
Milk and cream, condensed (0402)		10	14,6
Buttermilk, yogurt, kefir (0403)		10	15
Milk whey (0404)		10	14,62
Butter (0405)		10	15
Cheeses and cottage cheese (0406)		10	14,94
<b>All dairy products (codes 0401-0406)</b>		<b>10</b>	<b>14,72</b>

Source: own development based on [3]

The experience of our partners in the EAEU has shown that as a result of joining the WTO, it is possible both to reduce (Russia, Kazakhstan) and increase (Armenia, Kyrgyzstan) the overall average level of tariff protection of dairy products. In Russia, the result of joining the WTO in 2012 was a decrease of 1.6 %, Kazakhstan's accession to the WTO in 2015 predetermined a decrease of 2.4 %. There was an increase of 4.7 % in Armenia and Kyrgyzstan.

Russia, the largest trading partner of Belarus, has opened its dairy market to a lesser extent after joining the WTO in 2012. The average import duty rate for dairy products is almost unchanged (16.35 % in 2011 and

14.72 % in 2021), although Russia has separately negotiated the possibility of applying tariff quotas to the import of certain dairy products. Thus, for whey (EAEU HS codes 0404 10 120 and 0404 10 160), a tariff quota of 15,000 tons was established, the intra-quota rate of customs duty was 10 %, the non-quota rate was 15 %. The most significant opening of the Russian food market as a result of WTO accession occurred in terms of imports of inexpensive foreign cheeses competing with domestic analogues (the price bar, after which no duty is charged, was almost halved on them), duties on milk powder were reduced from 25 % to 15 % [5].

The average level of the bound tariff of Ukraine after joining the WTO decreased for food products and increased for non-food products. Moreover, the non-food sector in Ukraine is more protected by non-tariff barriers than the food sector. These facts indicate that Ukraine, after joining the WTO in 2008, has great opportunities to protect producers and exporters of non-food products, while agricultural products (including dairy) are subject to stronger competition from imported analogues [6]. The average level of tariff protection of agricultural products as a whole after joining the WTO decreased from 13.8 % to 9.1 %, despite its increase in relation to dairy products from 5 % in 2007 to 10 % in 2021.

### Conclusion

In that way the assessment of the effectiveness of international regulation of foreign trade in dairy products by analyzing the dynamics of changes in the average level of tariff protection of dairy products after joining the WTO allowed to come to the following conclusions.

Firstly, as a result of WTO accession, a number of countries experienced a decrease in the average level of tariff protection for dairy products (China, India, Israel, France, Great Britain, Italy, the Netherlands, Russia, Kazakhstan), while some countries faced an increase in the average rates of customs duties on dairy imports products (USA, Poland, Lithuania, Armenia, Kyrgyzstan, Ukraine).

Secondly, taking into account the negative experience of Ukraine, in the process of negotiations on the accession of the Republic of Belarus to the WTO it is necessary to consider a higher level of tariff protection in relation to agricultural (including dairy) but not industrial products.

Thirdly, taking into account the experience of China, India, Russia and other countries, it seems quite reasonable to maintain the possibility of applying tariff quotas for certain types of dairy products (in particular, for some types of cheeses and fermented milk products) within the framework of the negotiation process on Belarus' accession to the WTO. This tool allows to perform a flexible customs and tariff policy, when within the established tariff quota there are some rates of import customs duties, and outside the quota there are other, higher values of import customs duty rates.

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