IN DEFENSE OF ARMENIA'S FARMERS

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By Ted Tourian, Los Angeles, 24 November 2009

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He prepared and helped the ANCA Western Region with several memoranda to defend against alleged violations of Internal Revenue Code pertaining to charitable organizations. These allegations were dropped by US Secretary Pam Gavin. Tourian's article discusses "the ramifications to Armenian farmers ....if the borders are opened, without adequate tariffs or tax incentives to protect Armenian farmers." He can be reached at tedtourian@hotmail.com

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The recent protocols signed between Armenia and Turkey have divided Armenians throughout the Diaspora, and Armenia itself. Provisions (or lack thereof) that caused much debate include: recognition of mutual borders; "implement a dialogue on the historical dimension with the aim to restore mutual confidence between the two nations, including an impartial and scientific examination of the historical records and archives to define existing problems and formulate recommendations (in other words, a truth commission to re-examine claims whether the Armenian genocide occurred) ; as well as not addressing the issue that Turkish implementation of the protocols are directly tied to Armenia's appeasement and rapprochement with Azerbaijan on issues from Karabagh, to the possible surrender of Meghri province in order for Azerbaijan to have a direct border with Nakhichevan. The goal of this article

is not to rehash these discussions.

Rather, the purpose of this article is to discuss the ramifications to Armenian farmers (and Armenian society at large) if the borders are opened, without adequate tariffs or tax incentives to protect Armenian farmers. This article is divided into the following sections: a) Why tariffs and tax credits matter to Armenian farmers; and b) Why the survival of Armenian farmers is necessary for the survival of Armenia, especially considering Turkey's "good-neighbor" policy.

a) Why tariffs and tax credits matter to Armenian farmers

The case for protectionist measures is best illustrated by comparing the protectionist measures of first-world countries as opposed to third world countries. Generally speaking, developed countries normally engage in a game of feeding developing countries carrots by promising to lower tariffs on food stuffs in the future if developing countries immediately lower tariffs on industrial goods and services.This point is illustrated where the United States is subject to claims that they unfairly subsidize over $23 billion per annum to their agricultural sector, and an organization like the World Trade Organization has been unable to adequately mediate such conflicts.

In addition to trade tariffs the United States imposes on foreign countries, the United States Internal Revenue Code is littered with provisions delaying recognition of income, as well as providing tax credits to small-sized farmers.

The United States is not the only industrialized country to engage in these practices. For example, Japan levies a 490 percent tariff on rice imports, and has opposed tariff-lowering proposals in ongoing global trade negotiations on agricultural products. The European Union has also engaged in these types of tariff regimes, where, the World Trade Organization has argued that such tariffs should be removed to help developing countries compete. These concerns have fallen on deaf ears, as the reality of the matter is that each nation is concerned about their own survival rather than a foreign one.

So why do industrialized countries engage in these practices?

By 2050, the global population is expected to exceed 9 billion. In order to meet these demands, global food supply needs to increase by 70 percent, according to the United Nations Food and Agriculture Organization. This fact makes it necessary that each country ensure that their food security is protected in the long-run. A country's bread-basket is always protected, irrespective of the empty rhetoric espoused by certain idealist economists, English PhD students, architectural graduates, or just about anyone that feels they know something about economics.

If Armenia opens the Armenian-Turkish border without any of these protectionist measures, its farmers should expect to see fierce competition that will most certainly, and not without a cruel sense of irony, cause these very farmers to starve.

The first point of analysis should be directed to how Turkey treats its farmers. The OECD estimates that Turkish government support for the farm sector amounted to 4.4 per cent of GDP in 2003. Furthermore, Turkey (like the EU) is gradually moving away from setting prices and intervening in markets and towards paying direct support to farmers. This point is important because the EU and Turkey are both WTO members, where the WTO requires member nations to stop interfering by setting tariffs and other forms of subsidization.

What this means is that the Turks recognize the importance of food security for their own country, and are willing to spend money to keep its farmers afloat, and producing, despite the fact that its farm industry is characterized as inefficient, and backwards.

Furthermore, since Armenia joined the WTO, it will also face these same restrictions. However, unlike the EU and more importantly Turkey, the Armenian government will not be able to pay its farmers directly due to constraints on its own financial resources. Furthermore, since joining the WTO, Armenia will have a clear disadvantage in propping up its farmers where Armenia is left with the following commitments with respect to agricultural export production support, as a result of Armenia's failure to procure developing nation status or negotiate separate advantages with respect to domestic support,

1) Almost all import restrictions have been tarrified, and tariffs are bound at a rate of 15% for import of all agricultural products, with the exception of a few lines;

2) Export subsidies are bound at zero level, Armenia will not be allowed to apply any support subsidies for the export of agricultural products;

3) Armenia's is allowed minimum subsidization support for their farmers such as low-interest rate loans, and Value Added Tax exemptions.

Clearly, the importance of this is that Armenia must find other ways to support its farmers, whether it is through tax incentives or other measures for its farmers. It seems as though the west and Turkey have conspired to bring Armenia in line by giving accession to the WTO, and then force Armenia to remove any protectionist measures for its farmers.

Second, Turkey has the capacity to produce huge amounts of agricultural products that have the potential of flooding the Armenian market. Around 32% of total employment in Turkey is in agriculture sector, and total exports of agricultural products passes 8 billion USD
(as of 2005).

Armenia on the other hand, is boasting that as of 2005, its agricultural exports rose to just over $100 million (approximately 1% of Turkish exports). However, Armenia imports $300 million worth of agricultural products. This is approximately the same percentage that it imported in 1991.

These figures clearly show that the Turkish agricultural sector can envelope the Armenian agricultural sector, with little Turkish interference, thereby completely, and possibly eradicating the Armenian agricultural sector.

b) Why the survival of Armenian farmers is necessary for the survival of Armenia, especially considering Turkey's "good-neighbor" policy

Since 1991, the percentage of agricultural products Armenia has imported has roughly stayed the same. However, the total volume has more than tripled. As such, the necessity of Armenia's agricultural sector is necessary in order to provide Armenia with food security over the long-run.

However, opening the border with Turkey (especially with the new trade obstacles imposed by the WTO) is problematic, especially considering Turkey's neighborly relations.

Ignoring the continued denial that the Armenian Holocaust took place, Turkey has a long list of poor neighborly conduct; from the invasion of Syria to retake the French-mandate of Cilicia; occupying Northern Cyprus; the illegal blockade of Armenia; systematic killings of its Kurdish minority; sending military personnel to Northern Iraq during the recent American-Iraqi war; preventing the Americans (their staunchest supporters) from using Incirlik airbase; to even the recent cooling relationship with Israel over the Palestinian cause. This pattern clearly shows that Turkey answers to no one, without any sense of loyalty to friend or foe, alike.

As such, it is entirely possible that Turkey could be willing to use a new type of warfare with Armenia through economic trade, by flooding Armenia with goods, destroying Armenia's agricultural sector, and then, when Armenia becomes dependant on Turkish goods in order to feed itself, changing the rules of the game to Armenia's detriment.

If Armenia fails to take the necessary steps to protect its farmers, it should expect to be conquered by its far larger neighbor, without a shot ever being fired.

The Armenian-Turkish Protocols can be found at http://www.anca.org/assets/pdf/misc/protocols_explained.pdf

http://www.cacianalyst.org/?q=node/5214

http://www.armeniapedia.org/index.php?title=Meghri:_The_Pan-Turkish_Superhighway_and_Other_Wrong_Turns

http://www.cbc.ca/world/story/2008/07/21/wto-doha.html

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