Introduction

The simulations in this study were defined and carried out during the summer of 1999, before the Candidate Countries and the EU-15 defined their initial positions on the agricultural chapter. The policy assumptions on direct payments, cattle premiums, and quota quantities are broadly defined as in the Common Positions of the EU-15. Certainly, the position of the EU-15 would yield lower budgetary costs than those estimated in the present work. However, despite all the recent developments in negotiations, the identified general trends on agricultural markets and budget expenditure have remained valid.

Politically, the most sensitive outcome of the study is the estimate of budgetary expenditure. The reader should note that the largest part of the budgetary expenditure will be determined by the political agreements on direct payments and quotas, which surely will not be settled until the final hour of accession negotiations. Therefore, the study also reviews the sensitivity of budgetary expenditure concerning these important parameters.

In the early 1990s, membership in the European Union (EU) became a definite prospect for Central and Eastern European countries (CECs). Since then, the issues of EU membership and transition of the CECs to Western market economies have been a focal point for the creativity and imagination of the agricultural economic profession. This has led not only to a better understanding of the underlying economics, but also to development of powerful tools to assess the effects of CEC-EU accession on agriculture in general and agricultural markets in particular.

One of the major empirical and methodological questions of CEC-EU accession is the assessment of effects on agricultural markets. In methodological terms, such an analysis should take into account the characteristics of transition economies as well as the relative complexity of EU agricultural policies. In empirical terms, a number of markets, which are most affected by the CAP, should be included in such an analysis. Thus, this very relevant topic could be examined in detail.

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A large number of analyses have already been undertaken, which are referred to in detail in Chapter 1. For the present study, Tangermann and Josling (1994) laid the foundation in numerous respects. Their study marked a turning point in thinking; it demonstrated that the integration of the CECs into the EU is not similar to any previous EU enlargements thus far. They clearly demonstrated the complexity and enormity of the task and drew conclusions that are still valid. They also presented for the first time the application of a new modeling tool, which resulted from a cooperation with the USDA/ERS. This tool, the European Simulation Model (ESIM) was further developed for use in this analysis. Without those initial research projects this study would not have been possible. My special thanks, therefore, go to Stefan Tangermann for his continuous support and critical survey of the results.

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A network of ESIM users came together to contribute to the modeling work by supplying data, giving critical comments, and other highly useful contributions to the present work. This network of researchers and civil servants contributed to developing and, finally, delivering ESIM to ten CECs and the EU-15. Contributors were Wladislaw Piskorz, Jerzy Plewa, Andrezij Kwiesinki, Waldemar Guba, Jorge Nunez-Ferrer, Alan Buckwell, Dirk Ahner, Jens Schaps, Sandor Meszaros, Gyula Varga, Marian Boszik, Geeza Blaas, Maya Andreeva, Tomas Doucha, Tomas Ratinger, Susan Leetma, David Kelch, and Pete Liapis. Thanks to the USDA/ERS for making possible the first and only meeting of the network in Jablonna/Poland in 1998. The cooperation and help received through this network are much appreciated.

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A number of publications resulted from this research project in the form of working papers, articles, chapters in books, and contributions to conferences. The publications dealt not only with the modeling work, but also aspects of measuring competitiveness. The present study combines the various strands of my research work.

The work is organized as follows. A chapter describing the developments of agricultural policies and agricultural prices in the CECs and the EU serves as an extended introduction as well as an explanation of the developments and characteristics in the CECs. It includes a review of literature. The next chapter describes the ESIM and reviews the literature on modeling. The assessment of CEC-EU integration effects for agricultural markets follows in three chapters. Chapter 3 assesses results from accession simulation for ten CECs in a conventional partial equilibrium analysis, addressing market, budget, and welfare effects. The next chapter addresses the specifics of transition economies in macroeconomic developments by linking the partial equilibrium model to four Computable General Equilibrium Models for the Czech Republic, Hungary, Poland, and Slovenia. Chapter 5 deals with two case studies and sheds some light on the effects of downstream sector adjustment on agricultural production for Slovenia and on increased technical progress of Hungary's crop production. The study concludes with a summary and some interpretations.