# The Compatibility ofthe GATT Commitments of the Czech Republic with those of the EU : Potential Accession Issues

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**List of the main acronyms used**

| | |
|---|---|
| AMS | Aggregate Measure of Support |
| AoA | Agreement on Agriculture |
| CAP | Common Agricultural Policy |
| CEEC | Central and East European Countries |
| CEFTA | Central Europe Free Trade Agreement |
| CET | Common External Tariff |
| CR | Czech Republic |
| CZK | Czech Koruna |
| EC | European Commission |
| ECU | European Currency Unit |
| EU | European Union |
| EU-12 | European Union before accession of Austria, Sweden and Finland |
| EU-15 | Current EU with 15 member states |
| EU-16 | EU-15 + Czech Republic |
| EU-20 | EU-15 + Visegrad-4 + Romania |
| GATT | General Agreement on Tariffs and Trade |
| GDP | Gross Domestic Product |
| GES | Gross Exportable Surplus |
| MISS | Model International Simplifié de Simulation |
| SEC | Subsidised Export Commitments |
| SMP | Skim Milk Powder |
| TRQ | Tariff Rate Quota |
| URA | Uruguay Round Agreement |
| VISEGRAD-4 | Czech Republic, Hungary, Poland, Slovakia |
| VUZE | Czech Agricultural Economics Research Institute (Acronym in Czech) |
| WTO | World Trade Organisation |

# Executive summary

1. The purpose of the study as defined by the PAU was to identify potential difficulties in the entry negotiations of the Czech Republic (CR) into the European Union (EU) arising from the amalgamation of the commitments made by the two parties in the World Trade Organisation (WTO) during the Uruguay Round.

2. The commitments cover three areas of policy:

- **domestic support** (which has to be reduced by 20 per cent from its base level);
- **import access** (which is to be improved by reducing tariffs by an average of 36 per cent from their base levels and granting preferential tariffs within quotas for a certain proportion of domestic consumption); and
- **export subsidies** (which in value terms are to be reduced by 36 per cent and the volume of exports affected are to be reduced by 21 per cent from the base level)

3. The analysis has therefore attempted to identify the issues raised in this amalgamation of the Czech and EU commitments and to provide a quantitative assessment of the extent to which the commitments may or may not be met under different scenarios, and what the implications for pre-accession policy are.

4. Three scenarios are considered for the Czech Republic:

- the base scenario (scenario 0) envisages a continuation of current Czech policies and levels of support;
- scenario 1 is where the CR adopts the current CAP prior to accession;
- scenario 2 is where the CR adopts a modified CAP in which unreformed sectors undergo cuts in price support and where the payments on cropped and set aside land are changed into decoupled or zero payments along with the elimination of remaining price support for those crops.

5. Two different CAP scenarios are considered because, even without enlargement, the EU is likely to face difficulties in keeping to its WTO commitments without further policy changes. For this reason, scenario 2 (a modified CAP) is considered more likely than scenario 1 as an indicator of future EU policy.

**Base scenario (scenario 0)**

6. Under the base scenario in which the CR continues with current support levels and policy instruments, it is possible that the CR's **domestic support** levels will exceed its WTO bound level in 2002. However, this will depend on the extent to which various commodities benefit from price support in the future. An assessment of the domestic support levels for 1995 when domestic price support (excluding export subsidies and import protection) was limited to wheat suggests that currently the CR is well within its commitment.

7. Regarding **import access**, the bound tariffs of the CR are, in general, much lower than EU tariffs, with some noticeable exceptions (such as ware potatoes and rapeseed). Harmonisation of the two tariff structures will therefore mean increases in many Czech tariffs.

8. There will no doubt be demands for compensation for these tariff increases from third countries under GATT articles XXIV and XXVIII. The most sensitive products seem to be bananas, tobacco, rice and citrus fruits/juices and the most likely source of requests for compensation (possibly in the form of other trade concessions) will be the US, Ecuador, Costa Rica, Brazil and Turkey:

- on 15 selected products, it was calculated that the compensation would potentially be in the region of CZK 1,000 million. These would be demands that the EU would have to face, not the CR, but they would be a factor in any EU-CR negotiations. Potential problems in other tariff lines are much less because the dominant trading partners of the CR are already EU states or Slovakia.

9. This conclusion is approximately true for all scenarios because tariff levels are unaffected by other policy, and supply and demand estimates. However, the level of compensation demanded could be less under the other scenarios because of lower import levels.

10. The **export subsidy** issue was examined by concentrating on the constraints on subsidised export quantities. It is likely that the calculation of the EU15 and CR subsidised export ceiling will involve the summation of their WTO commitments less the bilateral trade flows between the CR and the EU in a reference period.

11. The projections by VUZE suggest that the CR is likely to export more than its export subsidy commitments by the year 2002 in the grains, sugar and pigmeat sectors. The policy implication of this is that domestic prices will generally have to follow world prices unless supply limiting programmes are introduced. This would, however, affect the CR's domestic support commitment. These sectors have not benefited from export subsidies for some time, and there should be no future export subsidy problem (unless Government re-introduces export subsidies).

**Scenario 1**

12. The severe consequences for the CR of adopting policies similar to those of the CAP at an early stage in the pre-accession period are demonstrated by this scenario, which also assumes that the EU makes no changes to the existing CAP.

13. Much higher support prices in the CR would result in the **domestic support commitment** being greatly exceeded (by 400 per cent), even without any area payments. Since the EU itself would be facing problems in meeting its own domestic support limits (especially if area payments become incorporated in the AMS calculation after 2003), the accession of the CR would aggravate the problem.

- However, the contribution of the CR to this problem would be relatively small. Much larger threats would come from any simultaneous integration with fellow central and east European countries.

14. **Import access** issues are identical to those summarised under the base scenario (scenario 0).

15. With its **export subsidy commitments**, the CR would face large problems in all sectors except for dairying. The excess of exports over commitments would be significant for grains, grain-fed animal products and sugar. The supply of these products is expected to increase both because of efficiency gains and price increases. As regards milk products, however, the accession of the CR would help reduce the EU's own difficulties in this area of overproduction because the CR is not expected to fully utilise its subsidised export allowance.

16. Overall, both the EU and the CR will compound their difficulties in meeting WTO commitments if the former does not introduce suitable policy changes and the latter hastens to adopt CAP-like policies and support levels prior to accession.

**Scenario 2**

17. The major assumption behind this scenario is that the EU anticipates the problems of scenario 1 and adjusts its policies accordingly without making a radical overhaul of the CAP. This scenario was regarded as most likely in a previous PAU paper ("CAP Scenarios in the Year 2005"). The scenario here also assumes that the CR adopts these types of policy and levels of support in the pre-accession period.

18. Despite the fact that this scenario is a response to anticipated pressures on the part of the EU, the adoption of even moderated EU support levels by the CR results in a domestic subsidy position incompatible with its WTO commitments. **Domestic support** levels would be 200 per cent greater than the CR's WTO ceiling.

- This suggests that the CR has to be extremely careful in the type and scale of any domestic support that it introduces prior to accession.

19. Any WTO incompatibility problem automatically becomes the responsibility of the EU upon accession. Under this scenario, the EU15 should not have a problem in meeting its WTO domestic subsidy commitments, and it is likely to have a sufficient margin to be able to absorb the CR's 'problem':

- what is a large problem for the CR is a small problem for the EU;
- but any 'problem' which the EU has to solve will weaken the CR's case in negotiations for concessions elsewhere;
- and if the CR accedes to the EU at the same time as Poland and Hungary then it is doubtful whether the EU would have any margin at all to solve the Czech 'problem'.

20. **Import access** issues are identical to those summarised under the base scenario (scenario 0).

21. **Export subsidy** commitments are much less of a problem compared with scenario 1. For the EU, the export restrictions become less binding because grain and intensive animal products product prices in the EU are not supported any more. Also, because direct payments are decoupled from production there is less incentive for oversupplying the market.

22. For the CR, only sugar potentially poses a problem of compatibility as far as exportable surplus quantities are concerned. Grains and grain-fed animal products are not a problem area for the same reason as they are not an issue in the EU under this scenario.

- However, the export subsidy problem re-appears for certain products if the CR accedes to the EU simultaneously with other CEECs, because their exports of supported products will, in aggregate, be greater than the sum of their WTO commitments.

**General conclusions**

23. The general conclusion of the study is that the CR's accession will add to the problems of the EU in complying with its WTO commitments, rather than reduce them (with a possible exception in relation to subsidised exports of dairy products).

- The main reasons for this are both the low bound levels of support and subsidised exports in the CR's WTO schedule and the high potential for efficiency gains in the agricultural sector of the Czech Republic.

- These reasons apply also to the other CEEC candidates for EU membership and, consequently, any simultaneous enlargement embracing the CR and others would compound the WTO compliance problems.

24. However, on its own, the size of the CR's contribution to the EU's WTO compliance problem appears to be relatively small:

- this is in line with the small size of the agricultural sector of the Czech Republic relative to that of the EU15;
- the size of the problem is smaller, and the negotiating position stronger, the more the CR can adhere to world market prices and provide whatever support is deemed desirable in ways not linked to output;
- adoption of current CAP-like types and levels of support in the pre-accession period would not only create problems for the CR in terms of its WTO commitments (not to mention the budgetary implications which have not been considered in this paper), but would also exacerbate the EU's own compliance problem with WTO ceilings.

25. This suggests two main approaches for the Czech Republic in its accession strategy:

- **adopting an 'early bird' strategy**, if it is at all possible, in which the CR attempts to accede to the EU before the rest of the CEECs (and certainly ahead of the large agricultural exporting countries). It will be far easier for the EU to absorb the CR on its own than in conjunction with countries which bring a much larger set of agricultural problems;
- **avoiding imitating closely the current CAP** since at the time of accession (if not before) the CAP will have to be adjusted in a more market oriented manner both because of the impending enlargement to include other CEECs and also because of the EU15's own unlikely compliance with its WTO obligations.

26. Rather than concentrate on price support with the attendant WTO problems, policies geared towards the improvement of production and marketing efficiency, the modernisation of farm structures, the development of more competitive agro-industrial and food sectors, and the conservation of resources and the environment, are better suited to prepare the CR agricultural and food sectors for the forthcoming challenge of EU membership:

- agriculture in particular will need to adapt to a more diversified role based on supplying public goods such as particular ecosystems, landscapes and recreational space that society increasingly desires, as well as on the provision of quality food products that consumers demand.

# Introduction

At the Copenhagen summit of June 1993 the European Council agreed that the associated countries in the Central and Eastern Europe that so desire shall become members of the European Union. Accession will take place as soon as an associated country is able to assume the obligations of membership by satisfying the economic and political conditions required.

There are several economic issues raised in the process of integration of the CEEC countries into the EU, some of which are a matter of concern for the current EU Members and some of which concern the new entrants. The convergence of agricultural and food policies will be one concern for the latter. The enlarged Union will have to assume the international obligations resulting from the recent GATT/WTO agreements signed in Marrakech in April 1994 or, more likely, to the obligations resulting from the next round expected to start in 1999. This is the major concern for the current EU Members. The study is focused on this particular problem.

Several agreements signed in Marrakech are a matter of concern for trade in agriculture and food products. The better known are the "Agreement on Agriculture" (AoA) and the "Agreement on Sanitary and Phytosanitary measures". There are however several other agreements which are not specific to agriculture but which apply to trade in agriculture and food products as well. The main ones are the "Agreements on Technical Barriers to Trade", the "Agreements on Trade Related Intellectual Property Rights", the "Decision on Trade and Environment" and the "Understanding on Rules and Procedures Governing the Settlement of Disputes".

The present study will only deal with the first agreement (i.e. the AoA). The others are mentioned because they should become a matter of concern in the future, since they cover various forms of technical barriers to trade which tend to substitute for tariff measures when health and environment are at stake. Attention should also be given by the CEECs to these matters even though in the short run the main preoccupation are focused on the compatibility between the AoA and the CAP after the coming enlargements[1].

For the first time since the GATT was originally signed in 1947, the AoA includes firm commitments limiting agricultural policies on a world wide scale. These commitments are defined in general terms in the AoA itself and are specified in quantitative terms in the "Country Schedules" proposed at the end of 1993 and adopted at Marrakech in April 1994, after bilateral discussions on the contents between members in the mean time. The fact is that it is now the final offers made by the countries in the schedules which set their obligations with respect to WTO from 1995 to 2001. When several countries form a Custom Union, as will be the case with the accession of the CEECs to the EU, a new schedule of commitments must be established for the Union through an amalgamation of the schedules of the members of this Union. This has already happened as a result of the accession of Austria, Finland and Sweden.

These obligations reported in the schedules cover three areas of policy measures : "Domestic Support", "Import Access" and "Export Competition". Domestic Support commitments are specified in terms of an index called the AMS (Aggregate Measure of Support) which includes both budgetary expenditures corresponding to direct subsidies and an estimate of the income effects due

[1]Non-tariff barriers (NTB's) on imports take the form of technical standards, regulations and labeling requirements related to concerns about health, quality or environmental objectives pursued by national governments. These NTB's will undoubtedly become increasingly important in the future because trade in processed food products grows faster than trade in raw agricultural commodities and because consumers tend to value these concerns when income rises. In this respect there is a closer relation between the issues raised for the CEECs accession by the requirements of the EU internal single market and the rules on TBT recently set in the WTO than it may seem at a first glance (Mahé, 1996)

to price support measures. Some elements of support (termed "decoupled") are considered as not distorting producers incentives and are, under conditions defined in the AoA, eligible for the so-called "green box" and can accordingly be excluded from the AMS. After accession, the CR ceiling of AMS will be added to that of the EU and the actual AMS of the enlarged EU must stay below the new commitment.

The area of Import Access covers two different set of requirements. The first is "Tariffication" which implies the conversion of trade measures in the base period into Tariff Equivalents (TE) and progressive reduction of bound ceilings from 1995 to 2000. The second is the guarantee of a minimum access of imports by the opening of Tariff Quotas (or Tariff Rate Quotas, TRQ) at rates smaller than the Most Favoured Nation rates.

At the time of accession of the CR to the EU, the CR bound tariffs will be adjusted to those of the EU Schedule (or to some combination of the levels in the two schedules, but this is less likely). Some tariffs may be raised while others will have to be lowered. These changes will depend on the EU tariff levels at the time of accession which may take place after the end of the period covered by the recent AoA. Third countries which have export interests into the CR before accession will try to get compensation under the Article XXIV-6 of the GATT. An important task is therefore to analyse the harmonisation of the tariff structure and to identify countries potentially affected by the adjustment of the CR tariff structure to the EU Common External Tariff (CET).

With regards to the TRQ's opened under the Import Access obligations, the quantities of the CR could be added to those of the EU with account being taken of the bilateral trade flows. However, the method of amalgamation is uncertain at this stage. For this process and for tariff alignment, guidelines will be drawn from the experience of the recent enlargement of the EU to the three new Members. However the analysis and calculations are far from being mechanical since it appears that some bargaining with third parties concerned did take place to settle compensations through granting further preferential quotas to third parties concerned.

As regards the third area, namely Export Competition, limits on export subsidies and subsidised exports are reported in both the EU and the CR Schedules. They are a possible source of difficulties in the process of accession. To address this issue it is necessary to make projections of the exportable surplus of the CR under relevant policy scenarios and to compare them to the CR list of commitments. Further constraints on EU subsidised exports would result if the Czech Republic overshoots its own commitments unless the EU itself stays below its own ceilings by a sufficient margin. In this context, both the developments in the CAP and supply response to price changes in the CR are crucial factors.

The identification of potential problems related to the harmonisation of the Czech Republic and European Union schedules when the CR enters the EU, requires first an assessment of the distance between the tariff structures of the two entities and, second, an amalgamation of the TRQs. It also requires an evaluation of the possible gaps for both AMS and subsidised exports between the expected levels and the commitments of the enlarged EU at the time of accession.

The overall compatibility of the enlarged EU to her WTO commitments will clearly depend on the situation of markets and agricultural policies in both the EU and the CR at the time of accession. As regards the AMS and subsidised exports, the CR accession will not generate any compatibility difficulties for the EU if at least one of two following conditions is fulfilled: either (a) the CR does not overshoot its own commitments 'equivalents' when adopting the CAP, or (b) the EU-15 itself remains below its commitments and the corresponding gap or credit is large enough to take on board the possible discrepancy of the incoming country.

The study covers the specific analysis of the first condition and will mainly rely on existing information for the second condition. Some assumptions must be made on the commitments valid at the time of accession since it is not currently foreseen to take place before year 2000 which is the end of the period covered by the Marrakech Agreements. For that purpose it will be assumed that the new round of negotiations will be at least as restrictive as the Uruguay Round on agricultural policies. The scope of the study is also limited to the questions raised by the isolated accession of the Czech Republic and will not cover in detail the quantitative assessment of a simultaneous accession of several other CEECs, although such an eventuality would undoubtedly change the nature and the magnitude of the issues raised.

The first section further discusses several aspects of the questions raised by the compatibility of the policies of the enlarged European Union to its World Trade Organisation commitments and presents the envisaged scenarios. The three following sections cover respectively the results for three areas of commitments already mentioned, while the fifth section draws lessons for accession strategy from the findings.

# I. Issues of compatibility for the enlarged EU and scope of the study

The possible difficulties in the negotiations for accession of the CR to the EU arising from the commitments made in the Uruguay Round will depend on the compatibility of the agricultural policies of the enlarged EU to these commitments at the time of accession. This compatibility depends mostly on CAP developments but also on the situation of world markets and WTO rules at that time. The CR accession may contribute to an alleviation or worsening of these problems depending on policy and market developments. Policy scenarios will be considered to address these issues.

## (a) Circumstances of the accession

The time horizon is a major element to take into consideration. If accession were to take place before or in year 2000, that is, at the end of the validity of the Uruguay Round commitments, the "rules of the game" of harmonisation would be strictly based on the actual schedules and on the principles embedded in the Marrakech Accords. If accession occurs later, a new round of negotiations will have started and new rules will be under discussion or may already be agreed upon. In this case, we need to anticipate how the future WTO round will modify the principles set forth in the Uruguay Round. Last, the time horizon is also important for the projections of supply and demand developments and responses to policy changes. Time will allow for structural changes of the transition to be more comprehensive and therefore will increase supply and demand response to price adjustments to EU levels. We will consider as a working hypothesis that negotiations for accession start in 1998 and that accession takes[2] place around 2002, such that in the intervening 4 to 5 year period the CR agricultural sector may have a clearer vision of the relevant EU policies enforced at the time of accession.

The current WTO reduction commitments end in year 2000 and it is assumed in the present study that the final bound commitments are maintained at the same levels in 2002. The next round (which is supposed to start in 1999) is expected to be more strict as regards the criteria for eligibility of support measures to the green box. There are several reasons for this expectation. External pressure from agricultural exporters is not likely to recede. A strong signal has recently been given by the new Farm Act of the United States. Under this new legislation direct payments to farmers are decoupled from current production. It is therefore likely that in the next WTO round the US and some other exporters will maintain or increase their pressures to restrict further the criteria allowing payments to be eligible for the green box. The same players will also maintain or reinforce their claim for the strict discipline of subsidised exports. These prospects suggest that the constraints of the WTO on the CAP will at least be confirmed in the next round and will probably be made more restrictive for policies such as the compensatory payments of the reformed CAP which are only partly decoupled. It will therefore be assumed that the new CAP payments are no longer eligible for the green box after 2000. Although article 1(f) extends the validity of the peace clause (Art 13) over nine years, it is assumed that a new WTO round will remove this green box definition. The other commitments are kept at the same level although bound tariffs and allowed subsidised exports are likely to be driven further down in the next round.

The second major element of the circumstances of accession which makes the analysis conjectural relates to future changes in the CAP. These changes - or the lack of changes - will greatly affect the outcome of the quantitative estimation of the expected gaps between policies and commitments in both the EU and the CR. Without further decoupling of the compensatory payments, the AMS of the EU will get a lot closer to or above the allowed ceiling. The AMS equivalent of the CR under a

[2] Negotiations are not expected to start before the end of the Inter-Governmental Conference and the Commission does not seem to foresee accession of CEECs to occur before the year 2000 (Le monde, 15-16/09/1996).

CAP regime may overshoot the CR AMS allowance that the CR brings in to the EU due to both price support and direct payments. The exportable surplus of the CR will also depend upon the supply and demand response to the new policy environment. It is assumed that CR policy is trying to approximate the CAP expected at the time of accession, which is actually a moving and uncertain target. By way of simplification it will be assumed that at the end of negotiations in 1998 the sort of CAP effective at the time of accession by 2002 will be known. Although this new CAP is unlikely to be known with certainty because the Eastern enlargement and further CAP reform are interdependent processes[3], it is a necessary assumption to keep the analysis simple and to focus on the essentials. For this purpose, we will consider two scenarios of future CAP developments. In the first one, the CAP basically stays the same as it is in 1996 after completion of the 1992 reform process. In the second scenario, the CAP is moderately adjusted in the sectors untouched in 1992 and payments are reduced and decoupled.

We believe that scenario two is the more likely one. Reasons for that includes both internal and external pressures. Internal pressures can be better understood from a political economy perspective (Josling et al., 1996 ; Mahé and Roe, 1996). They will come first from the visibility of the compensatory payments in the public accounts which is likely to make the lobbying effort of the pressure groups in the crop sector more difficult than in the past. Of course the supranational nature of the CAP which leads farm ministers to defend producers interests disguised under national interests will still hinder the pressure for change, but the balance of political influence is also changing in the European Union due to increasing concerns about the environment and rural development and to the eroded influence of objectives of food security or so called "dynamic export policy". The concerns of the new entrants (Austria, Finland, Sweden) with environmental and rural issues has increased their importance in the enlarged EU. These changes will tend to favour payments which are better targeted to these new objectives and less coupled to production or to factor uses. There is also a growing frustration in several Member States regarding the financial contribution they make to the EU budget and the mood in favour of more subsidiarity is making rapid progress.

The situation of the world markets for agricultural products will also influence the actual compatibility between the agricultural policy of the enlarged European Union and the WTO rules. The major impacts are likely to bear on subsidised exports commitments, particularly in the case of scenario one where the CAP is virtually unaltered. If exportable surpluses of the EU-15 exceed the ceiling, even by a fairly small magnitude, as most studies seem to suggest (e.g. Guyomard and Mahé, 1993 ; MAFF, 1994), then any further export surpluses occurring in the CR will increase the EU's problem of staying within the commitment limits, unless world prices stay at high levels, so that subsidies are no longer needed. First, the latter possibility seems relevant only to the grains and grain fed animal products, but not to the dairy, beef and sugar sector because of the existing large gaps between EU and world prices in the latter industries. Concerning grain and oilseed prices we will assume that the current boom will fade after a few years, as most cautious, careful and informed analysts do (Alexandratos, 1995, 1996 ; World Bank, 1993). Grain prices are expected to come back to levels closer to their secular trends or may be a little above. Among many arguments behind this assumption is that a large acreage of land set aside for conservation can be returned to cultivation in the United States under the new agricultural Act and that the rate of set aside in the EU can also be lowered from the 10 per cent level currently applied.

World prices may also have an indirect influence on the compatibility issue by the pressure they will put on further EU policy changes. If high grain prices prevail for some time, the compensatory payments on crops should appear less legitimate in the eyes of public opinion and policy makers. Commissioner Fischler has already made a statement along these lines and suggested that under the

[3] Since WTO commitments will be a firm constraint on the future CAP, the anticipated areas of non compatibility between the current CAP extended to the CEECs and these commitments, as studies such as the present one will help to unveil, will trigger pressures for adjustments of the CAP in order to comply with the commitments.

current situation the level of compensation was excessive. High world dairy prices may also increase the frustration of the EU dairy industry at being unable to participate in a growing world market for dairy products. Adjustments of the dairy policy would then become more likely and at least a two tier price system with a "C quota" as in the sugar regime may be introduced. Alternative reform projects including price cuts with compensatory payments have also been proposed.

Economic policies in the Czech Republic will also play a role on the compatibility issue. Needless to say, the price and trade policies followed until accession will make the final adjustment more or less easy. One risk of aiming at a moving target is to overshoot. In the present context for the CR this would mean approximating a current CAP with generally higher prices which may no longer prevail at the time of accession and then to have to adjust back to lower prices. Agricultural policies in the CR which tend to foster production will increase both the AMS and the exportable surpluses. A larger output will increase the price support component of the AMS that the EU will have to take on board at the time of accession since the price support policies of the EU will apply to larger quantities in the CR. Price supports which increase excess supply in sectors where the EU is already subsidising exports will clearly add an extra burden to the compatibility in this area. On the other hand, all institutional reforms contributing to ease the transition to an efficient market economy are needed to ensure the competitiveness of the CR agricultural and food industry at the time of accession, even if these policies are supply enhancing and if they accordingly restore and expand the agricultural potential of the country.

An important issue regarding the circumstances of accession of the CR is whether it will take place in isolation or simultaneously with other CEECs. Suppose that the other candidates have an economy which is more oriented towards agriculture and that their exports overshoot their own commitments. The magnitude of the potential gap of compatibility for the enlarged EU will then make adjustments of the CAP necessary even if the marginal contribution of the CR to the difficulties is small as we might expect, given the size of this country relative to EU. This could make CR accession more difficult given the political economy of the CAP, unless significant continuation of the 1992 reform process now under discussion takes place. Due to time limitations, this question will not be addressed through a full quantitative analysis which would amount to extend the present analysis to all CEECs. It will be discussed mainly in qualitative terms. If the CR enters the EU in isolation, then the issue is whether this happens before or after other candidates. The latter case is rather similar to the simultaneous enlargement and amounts to a scenario where the CR is integrating an EU with an adjusted CAP more likely. The former case which could be labelled "early bird strategy" corresponds closely to the context where the present study is particularly relevant, but it is important to keep in mind the broader issues in the design of the strategy of the CR for integration.

### (b) Three policy scenarios

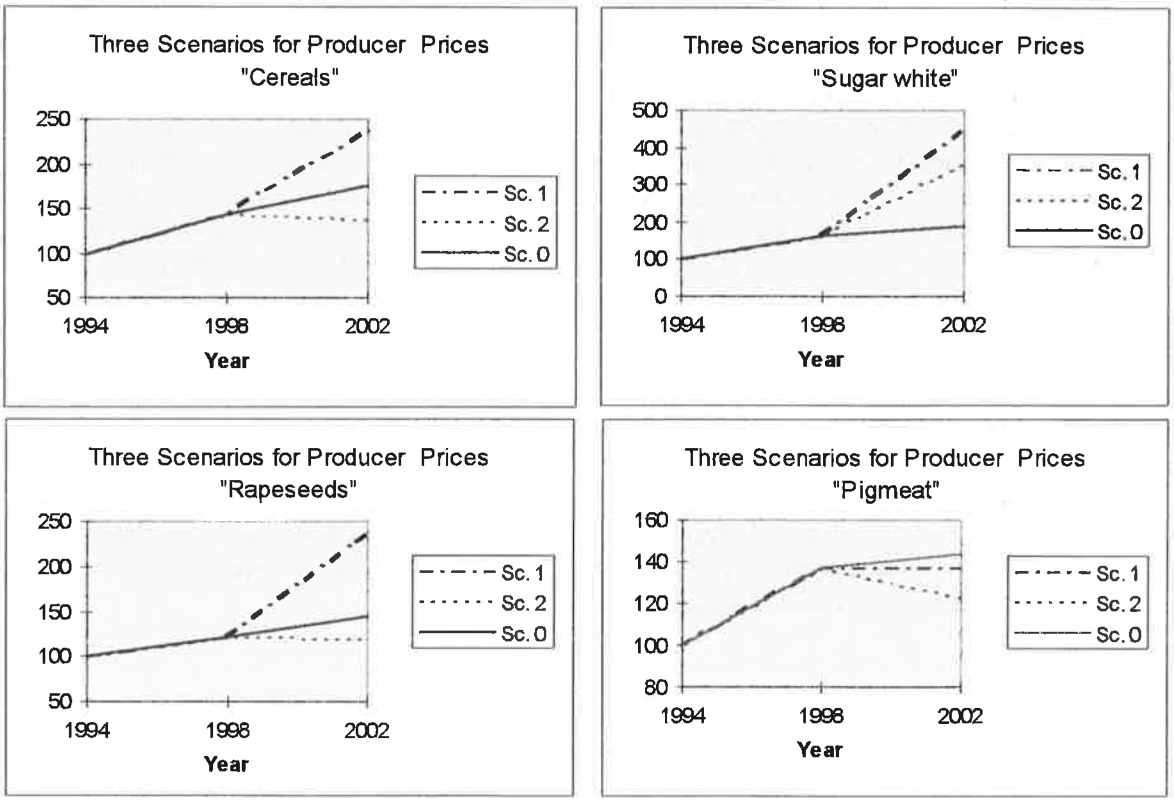
To clarify the sensitivity of the GATT/WTO constraints to policy developments in both the CR and the EU, it is appropriate to do the calculations under differentiated scenarios. While there are two CAP scenarios considered in this study, as far as the CR is concerned there are three possible scenarios:

Scenario 0 : Base scenario, in which existing policies are continued up to accession;
Scenario 1 : Current CAP, in which the CR adopts the policies of the current CAP prior to accession;
Scenario 2 : Adjusted CAP, in which the CR adopts prior to accession the expected future policies of the CAP

**Box 1. Agricultural price increases (1998-2002) under the three scenarios**

| | | 1994 | 1998 | 2002 | | |
|---|---|---|---|---|---|---|
| | | | | Sc. 0 | Sc. 1 | Sc. 2 |
| 1 | Wheat | 100.00 | 144.66 | 174.94 | 236.44 | 136.67 |
| 2 | Coarse grain | 100.00 | | | | |
| 3 | Rice | 100.00 | | | | |
| 4 | Rapeseed | 100.00 | 122.45 | 144.48 | 237.26 | 119.29 |
| 5 | Olive oil | 100.00 | | | | |
| 6 | Sugar white | 100.00 | 162.02 | 191.31 | 449.25 | 358.25 |
| 7 | Milk | | | | | |
| 8 | Butter | 100.00 | 126.65 | 145.68 | 173.01 | 137.98 |
| 9 | SMP | 100.00 | 122.56 | 162.64 | 173.97 | 136.32 |
| 10 | Cheese (Edam) | 100.00 | | | | |
| 11 | Other dairy products | 100.00 | | | | |
| 12 | Beef meat | 100.00 | 123.24 | 154.38 | 217.27 | 142.94 |
| 13 | Pig meat | 100.00 | 137.13 | 143.44 | 136.92 | 122.95 |
| 14 | Poultry meat | 100.00 | 137.13 | 143.44 | 133.21 | 119.89 |
| 15 | Eggs | 100.00 | 114.87 | 133.10 | 138.49 | 124.64 |
| | GDP Price Index | 100.00 | 136 | 184 | 184 | 184 |
| | Exchange Rate Index | 100.00 | 108 | 112.5 | 112.5 | 112.5 |

**Box 2. Price Developments under the three scenarios (selected products)**



The base scenario corresponds to assumptions based on advice from VUZE and used in projections. Scenario 1 corresponds to the first scenario for the CAP envisaged with a 20 per cent probability by Haynes and Avillez (1996) and is the extension of the present CAP as it stands after the 1992 reform to the CR, assuming that support prices and payments are kept constant in nominal ECU terms up to 2002. For the agricultural sector of the CR, assuming *a one per cent* per year rate of devaluation of the nominal exchange rate relative to the ECU as in box 1, it means a substantial increase of prices in nominal CZK from 1998 to 2002 for most commodities with pigmeat being the main exception (small increase). Price increases would be particularly large for beef meat, sugar, and oilseeds[4]. Nominal CR prices prevailing at the time of accession are sensitive to exchange rate assumptions. If an average rate of devaluation of the current exchange rate of 3 per cent would prevail[5] support prices in the CR would increase by about 8 per cent more from 1998 to 2002. For the purpose of projecting supply response the compensatory payments are assumed to be coupled in this scenario and therefore incorporated into prices for grains oilseeds and beef.

Scenario 2 corresponds to a continuation of the CAP reform started in 1992. It is fairly similar to scenario 3 of the Haynes and Avillez study, with the following price and subsidy assumptions. Grain prices are fully aligned on world prices by elimination of export refunds and intervention price above world price. Payments on arable crops are fully decoupled. Dairy and sugar support prices are reduced by 20 per cent. Any compensatory payment needed for implementing the reform of these sectors which was envisaged but forgone in 1992 would be decoupled, but quotas are maintained since complete overhaul of the policies is not viewed as politically feasible in these sectors before 2002. For the projections of supply of milk and sugar in the CR no quota has been implemented at this stage since it was considered preferable to first identify possible problems of overshooting of commitments by the CR before taking such an option. Support prices for beef are also cut by 20 per cent but the payments are kept coupled to production with conditionalities regarding individual ceilings of payments and extensification of rearing techniques. The consequence of this assumption is that even under scenario 2 the 'direct' payments to beef producers will not be in the green box and will have to be included in the AMS. Pig and poultry prices are no longer supported by export refunds and therefore are aligned on world prices because of the structural excess surplus of the EU.

The supply response of the CR agricultural sector to these price developments will not only depend on the quality of the incentives generated by the structural reforms in the agricultural sector occurring during the transition, it will also depend on macroeconomics factors and in particular on output/input price ratios. This is the rationale for displaying the last two rows in box 1 which provide the expected GDP price index and the nominal exchange rate derived from a parallel study (Lingard, 1996). These figures show how the actual supply incentives given to the CR agricultural sector can be sensitive to input price developments in the CR when nominal CR farm prices are aligned with EU prices. If input prices are closely related to the GDP price index, the increase in nominal prices in the CR due to the application of the current CAP (scenario 1) would translate into an increase in real prices (and in the output/input price ratios) only for cereals, sugar, rapeseed and beef. Increased price support for other products would be apparent only since their real prices would fall. If on the contrary input prices closely follow the exchange rate on the argument that inputs are imported or directly compete with imports, the alignment with EU prices in scenario 1 would mean quite large increases in real output prices. As input prices are assumed to be mostly influenced by macroeconomics factors and not by farm policies, it makes sense to distinguish scenarios according to nominal agricultural prices only.

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[4] The exercise rests upon assumptions concerning exchange rates and also on comparisons between EU and CR quoted prices. These comparisons have limitations due to differences in quality of product definitions. The evidence provided here could be refined. Moreover, in some instances market prices differ substantially from support prices to varying intensity of implementation of policy tools of the CAP such as intervention buying.

[5] as in scenario 2 of the study J. Lingard on macroeconomics and agriculture.

### (c) Supply and Demand projections under the three scenarios

The projections of VUZE as published in (EC, 1995a) and recently up dated are used for the base scenario (scenario 0). For scenarios 1 and 2, alternative projections were not available and, given time limitations, it was not possible to design a specific cross commodity model for the agricultural sector of the CR[6]. The approach used is rather *ad hoc* but it is meant to be transparent: in scenario 1, as prices are adjusted to current EU levels and as the compensatory payments are extended to the CR (which means a significant increase except for pigmeat) yields per hectare or cow are set at EU levels of 1993 (Agricultural Situation, EC, 1995b) or not less than their levels in the CR in 1989 as in the case of rye and barley. These yield assumptions are rather low if the difficulties of the transition are solved by 2002 and if increases of input prices are kept under expected inflation. Areas and herd size are based on VUZE projections and have not been adjusted. This is a further limitation of the analysis. For other animal products, a direct price elasticity of supply has been assumed. For dairy products, it was assumed that butter and SMP output had to fall if the outputs of cheese and other dairy products were to increase, since in the projection total milk does not increase much from 1994 to 2002.

For scenario 2, quantities were derived from those of scenario one by applying direct supply price elasticity of 0.3 to the relative price decreases from scenario 1 to scenario 2. A small supply elasticity is assumed in this case since only yields are supposed to respond to price changes.

Similarly on the demand side consumption per head is assumed to approximate EU standards for grains[7] while consumption habits for meat are assumed to get closer to patterns in Germany and Austria to account for the diversity of diets across Europe[8]. Quantities for scenario 2 are derived from scenario one by assuming explicitly a direct demand price elasticity of -0.4 applied to the price differentials between scenarios as reported in box 1. Detailed tables of projections are reported in Annex II.

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[6] Actually, the design of such a model could be done fairly quickly but the empirical calibration of the model would require time for gathering the necessary information, for expert consultation and for empirical validation on recent data of the transition period.

[7] As can be seen in the annex, total domestic use which includes both direct and indirect human consumption seems unusually high in the CR. Feed use per kilo of meat of pork and poultry is also much higher than in EU. Although different patterns of feeding and animal production may account for this, it was assumed that a large potential for efficiency gains in feed use exists.

[8] The study on the meat and livestock sector by Landells Mills was used in this calibration.

**Box 3. Supply and Demand projections under the three scenarios (summary tables)**

| | | | Scenario 0 | | Scenario 1 | | Scenario 2 | |
|---|---|---|---|---|---|---|---|---|
| | 1994 | 1994 | 2002 | 2002 | 2002 | 2002 | 2002 | 2002 |
| | Production | Domest. Use | Production | Domest. Use | Production | Domest. Use | Production | Domest. Use |
| Cereals | 7210 | 6793 | 8005 | 7450 | 8124 | 6216 | 7095 | 6614 |
| Oilseed rape | 585 | 539 | 675 | 580 | 700 | 640 | 596 | 640 |
| Sugar | 375 | 413 | 365 | 350 | 455 | 355 | 427 | 383 |
| Milk | 3197 | | | | 3211 | 0 | 3019 | 0 |
| Butter | 75 | 55 | 70 | 50 | 70 | 48 | 66 | 51 |
| Skim milk | 67 | 21 | 84 | 27 | 60 | 25 | 56 | 28 |
| Cheese | 68 | 63 | 85 | 75 | 86 | 95 | 81 | 102 |
| Beef | 184 | 165 | 215 | 176 | 259 | 210 | 232 | 229 |
| Pig | 465 | 480 | 535 | 525 | 523 | 504 | 507 | 524 |
| Poultry | 124 | 121 | 175 | 150 | 169 | 137 | 164 | 142 |
| Eggs | 150 | 146 | 171 | 163 | 174 | 145 | 169 | 151 |

Source : 1994 and Scenario 0 : EC(1995) and with advice from VUZE ; scenarios 1 and 2 : own calculations as described in Annex II.

In general terms levels of production increase moderately from the base scenario 0 to scenario 1. This is due to the fact that the agricultural sector of the CR is already fairly efficient in technical terms so that yields are not much lower than the EU average. It is likely that the corresponding estimates are fairly conservative as regards output growth after accession unless expected inflation directly impacts on input prices. Domestic consumption levels are also slightly higher in scenario 1 relatively to scenario 0 with the exception of butter and sugar. The exportable surplus is already positive for all products in scenario 0 even if the self sufficiency rate is barely greater than one in the case of pork and sugar which were below self sufficiency in 1994. In scenario 1 exportable surpluses increases markedly for all commodities while in scenario 2, a reduction in price support and/or decoupling tends to bring the CR back closer to more moderate excess supplies. Self sufficiency rates are one indication of potential difficulties regarding the WTO commitments but they are not sufficient since gross exports rather than net exports matter and have to be related to commitments and also to the EU's own constraint on subsidised export to provide the full picture of compatibility with WTO. The projections are also useful for the calculation of Domestic Support to which we can now turn.

## II. Domestic Support

The domestic support reduction commitments are defined in articles 1, 6 and 7 of the AoA. The annual and final levels of the commitments are specified in terms of total 'Aggregate Measure of Support' in part IV of the schedules of the signatories of the agreement. Annex 2 of the AoA defines the basis for exemption of measures from reduction commitments (i. e. the green box). The rules for calculating the AMS are described in Annex 3 of the AoA. It amounts essentially to the product of the volume of production and the gap between the administered price and a fixed border price average of the 1986-88 period for each commodity. Subsidies (not used for the implementation of the administered price to avoid double counting), foregone government income and non product specific payments which are not eligible for the green box should also be included in the AMS.

Concerning agricultural products for which the above method is not possible Annex 4 requires an estimate of an 'Equivalent Measure of Support', although with rather ambiguous guidelines. Articles 13 (Due Restraint also called 'Peace Clause') and 18 (implementation of commitments) are also relevant to the monitoring of the commitments.

The AMS therefore includes three components : price support, direct payments non eligible to the green box, and "Equivalent Support" as defined above.

*(i)* $AMS_t$ = (price support) + (subsidies) + (equivalent support)
$= (DP_t - BP_{t^o}) X_t + S_t + ES_t$

where, $DP_t$ is the domestic support price (in nominal terms), $BP_{t^o}$ is the border price at the reference period[9] (i.e. t° is the average of 1986-88), $X_t$ is the level of supply of the supported commodity ; $S_t$ is the amount of budgetary outlays not due to the implementation of price support and $ES_t$ is Equivalent Support relevant to products where price support cannot be calculated as in the first term. Of course this expression has to be summed over the commodities which are subject to the relevant measures to provide the Total AMS which is the amount subject to reduction commitments.

The AMS is specified in nominal terms and as regards the CR it was specified in domestic currency. One essential difference between the AMS and the PSE as calculated by the OECD is that in the former support is calculated in relation with a fixed reference border price and not with current world prices. Accordingly, inflation rates will influence the evolution of the AMS even though support in real terms defined for example as the ratio of price indexes of farm outputs to farm inputs may not change. The annual and final AMS commitments of the CR are displayed in box 4. To put these figures into perspective, it may be noted that the Gross Agricultural Output was 95 milliard CZK in 1993 and total net PSE was 24.4 milliard during the same year (OECD, 1995, p.254).

**Box 4. Total AMS commitments of the CR (in milliard CZK) and of the EU (in milliard ECU)**

| Year | 1986-88 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|---|---|
| CR (milliard CZK) | 17.0 | 16.4 | 15.9 | 15.3 | 14.7 | 14.2 | 13.6 |
| EU-15 (milliard ECU) | 80.9 | 78.7 | 76.3 | 74.1 | 71.7 | 69.5 | 67.1 |

For the CR two main issues are worth considering in this study : (a) will the level of the actual AMS of the CR be under or above its own allowed ceiling at the time of accession under the various scenarios? and (b), if it is above, has the EU a large enough spare margin of "unused "AMS reference such that the actual AMS will be compatible with the amalgamated ceiling of AMS for the enlarged EU at the time of the accession? The implications of agricultural policy developments within the CR on the level of the current AMS and its compatibility with the CR Schedule during the period before accession are also of interest.

The last issue can first be considered briefly. Under scenario 0 the CR is assumed to pursue the same policies as the ones currently implemented and support prices do increase at least in nominal terms (which are relevant for the purpose of monitoring the AMS). It has already been noticed in other reports that the CR schedule does not include any price support element in the base period but only budgetary outlays (OECD, 1995b, p.175 and EC, 1995, p.29). The 1995 OECD report

[9] This is the main difference with respect to the PSE calculated by OECD which uses the current $BP_t$.

appears mistaken in stating - *en passant* - that the CR is in 1994 under her ceiling even if an estimate of price support is included in the AMS, as the reported price support component of the PSE is 22.5 milliard CZK. To elaborate this issue a tentative evaluation of the price support component of the AMS has been done under scenario 0 for the year 2000, assuming that all commodities benefiting from prices above border prices fall into the AMS reduction commitments even though they were not included in the base period.

If this interpretation of the AMS prevails in the monitoring of the commitments, the CR would overshoot her own final AMS ceiling (of about 424 million ECU) by a significant amount (about 500 million ECU). This calculation includes the current subsidies ineligible for the green box (evaluated with the assistance of VUZE at 118 million ECU). Which interpretation will be retained is uncertain yet but the issue should not be overlooked. First, there is the question of the interpretation of the 'administered price'. It is unclear at this stage whether a market support component of the AMS which did not exist in the schedule ought to be accounted for in the implementation period, when new market support policies have been introduced[10]. The Committee on Agriculture set up to monitor the AoA will have to settle these matters. On the one hand, Article 1(a) and (h) states that 'support provided during any year of the implementation period and thereafter [is] calculated .....taking into account the constituent data and methodology used in the tables of supporting material incorporated in part IV of the Member's Schedule'. This suggests that when budgetary outlays were only included as in the case of the CR, the monitoring would concern the same budgetary items as long as they do not meet the criteria for the green box specified in Annexe 2 of the AoA. On the other hand, Article 18.3 requires the notification of any new domestic support measure and Article 7 confirms that such new measures be included in 'the Member's calculation of its Current Total AMS'. Moreover, the 'Peace Clause' (Article 13.b ) allows measures that do not grant support to a specified commodity in excess of that decided during the 1992 marketing year to be exempt from countervailing duties. Therefore the text of the Agreement does not seem to guarantee that the support measures now implemented in the CR (particularly for wheat, beef and dairy up to recently and even for sugar and pork in 1993) can be safely expected to be excluded from the calculation of the Current AMS. Some flexibility may be given to CEECs in the reduction commitments of AMS due to exceptional inflation rates (Article 18.4). From a political standpoint the monitoring of AMS reduction could turn out to be less strict than the monitoring of export subsidy commitments which were the main target of the large agricultural exporters in the Uruguay Round, but from a legal view point the threat of WTO action on new support measures should not be overlooked.

We now turn to the evaluation of possibly increased difficulties for the enlarged EU to meet AMS reduction commitments due to the amalgamation of schedules at the time of accession. Domestic Support commitments of the CR have been set in national currency (CZK). The potential problems at accession arising from this area can be identified by the comparison of the final CR ceiling expressed in ECU with an appropriate exchange rate and the estimated actual AMS of the CR under scenarios 1 and 2. It will be assumed that the maximum allowed AMS in 2002 is the same as the final level allowed in 2000/1.

The support price assumptions result from the definition of the scenarios detailed above. The price support component of the AMS should be calculated for commodities with "administered prices" as the product of the gap between the latter prices and the border prices of the base period[11] and the quantities produced in the final year. This requires a projection of the level of supply for the relevant commodities in year 2002. The projections made for the analysis of exports will be used

[10] It is even more unlikely that the commitments be revised to account for existing but omitted market support in the base period.

[11] These prices for the 1986-88 period are reported in the EU "Supporting Tables" . Supporting tables are not published in all the Schedules (e.g. the Czech Schedule) but were supposed to be made available to other Contracting Parties during the consultation period.

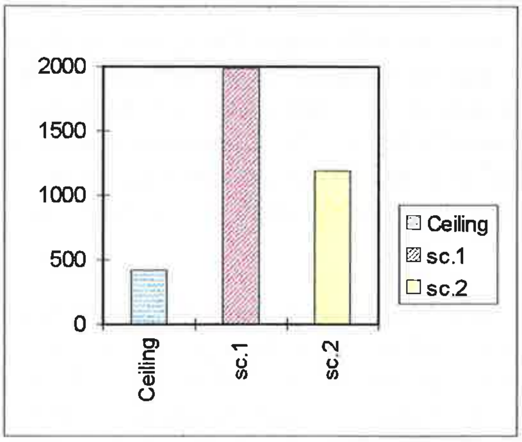
for the AMS as well (see below). Exchange rate developments will also affect the result of amalgamation of the CR and EU AMS as the ceiling of the CR has to be converted into ECU.

The direct payment component of actual AMS for the CR in 2002 follows the treatment of EU payments as regards the green box[12]. It is expected that the CAP compensatory payments willno longer be eligible for the green box due to tighter conditions for decoupling likely to result from the next round of negotiations[13]. Therefore in scenario 1 the CAP payments introduced in 1992 are included in the AMS, while in scenario 2 the payments if any are assumed to be further decoupled and therefore excluded from the AMS, except for the payments granted to beef which the EU is likely to keep linked with production in view of its location in less favoured areas and its favourable impacts on environment under low-input raising techniques. The results of the calculations are reported in box 5 as well as the commitments of the CR.

**Box 5. CR Aggregate Measure of Support projections and Commitments**

| in 2002 | | Scenario 1 | | | Scenario 2 | | |
|---|---|---|---|---|---|---|---|
| | units | pric.sup | payments | total | pric.sup | payments | total |
| Projected AMS | mill.ECU | 1145 | 842 | 1987 | 631 | 561 | 1192 |
| Ceiling AMS | mill.CZK | | | 13600 | | | 13600 |
| Ceiling AMS | mill.ECU | | | 424 | | | 424 |
| Overshoot (abs.) | mill.ECU | | | 1563 | | | 768 |
| Overshoot (relat.) | per cent | | | 369 | | | 181 |

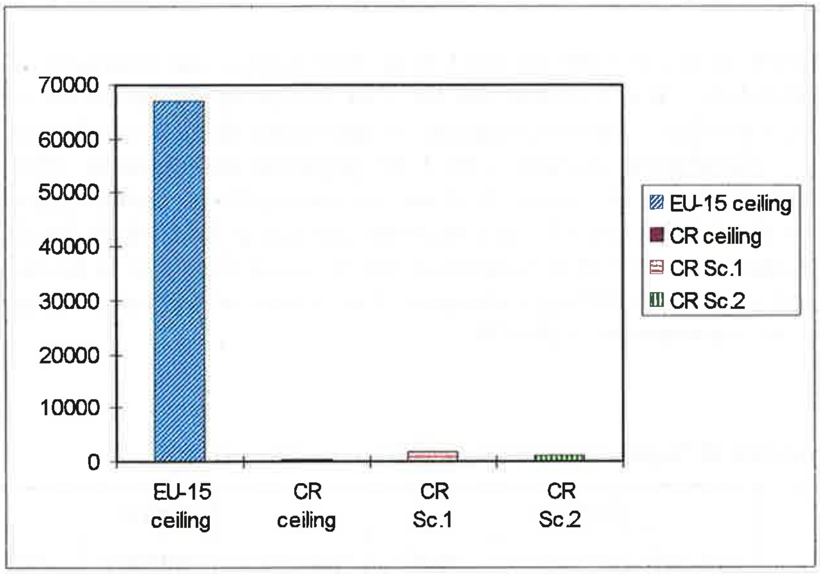
**Box 6. Czech Republic ceiling and projected AMS (million ECU)**




[12] Although Fischler (1996) has stated that there is no foundation for extending compensatory payments to CEECs, our opinion is the reverse.

[13] The eligibility of the compensatory payments for the green box has provided the EU with a large margin of "unused" AMS of at least 17 milliard ECU. If this rule were to persist the effect of CR accession even with EU policies would whatsoever be too small to matter.

**Box 7. EU-15 and Czech Republic Ceilings and Actual CR AMS in 2002 (million ECU)**




In the EU-12 Schedule the component of AMS called "Equivalent Support" mainly concerns fruit and vegetables[14] and amounted to 14.4 milliard ECU in the base period or 20 per cent of total AMS. Due to the time constraint this component will not be calculated for the CR and therefore not be included in the present study. The results of the calculations for the first two components are displayed in details in Annexes III and IV and summarised in box 5 - 7.

The main results are (i) in all scenarios the CR seems to exceed its ceiling by a significant amount and (ii) the absolute magnitude of the gap of the CR is fairly small in respect of the magnitude of the AMS of EU-15.

The CR overshoots its commitments by 1.5 milliard ECU in scenario 1 and 767 million ECU in scenario 2 and respectively 369 per cent and 181 per cent above the target. The reason for the result in scenario 1 is not surprising as both price support and direct payments are increased in the CR upon accession at least in nominal terms which is the only thing which matters for the AMS. It is worth noticing that whether the direct payments initiated by the 1992 CAP reform are included or not in the current AMS, the CR overshoots its ceiling in scenario 1. In scenario 2 the overshooting is mainly due to beef which accounts for more than half of the current AMS in year 2002[15] and to a lesser extent to dairy products and sugar (Annex V).

To summarise, domestic support limitations would generate potential difficulties when accession of the CR is considered *per se* and this would be the case whether or not direct payments of the CAP reform are excluded from the green box or not. However the problem created by the CR is not of a great magnitude. To refine the analysis it is necessary to evaluate the possible gap available in EU-15 commitments for offsetting the excess of incomers. Such a calculation was made by Slater and Atkinson (1995) for the final year of application of the URA i. e., year 2000. At that date the 1992 CAP payments will still be in the green box. Hence, he EU-15 does offer a margin of credit of AMS of about 20 milliard ECU (current AMS evaluated at 50 for a ceiling evaluated at 69 milliard). Such a margin is large enough to accommodate easily the enlargement to the CR. However, if enlargement is carried out simultaneously with Poland, Hungary and the Slovak Republic which are also expected to overrun their ceilings significantly, then the EU with 19 members is expected to have its actual AMS to be very close to the ceiling (box 8). Although this

[14] Details on this calculation is provided in the EU "supporting tables".

[15] The beef AMS in 2002 is composed of 222 million ECU of market support and about 550 million of direct subsidies assumed ineligible for the green box.

study corresponds to an accession in year 2000, it reveals the sensitivity of the conclusions concerning the compatibility with WTO commitments to the treatment of the CAP direct payments.

**Box 8. Final AMS ceiling and projected AMS for EU-15 and the Visegrad-4 (year 2000) in milliard ECU**

| | Final AMS Ceiling | projected AMS (static) | Projected AMS (dynamic) |
|---|---|---|---|
| Visegrad-4 | 3.3 | 11.9 | 20.1 |
| EU 15 | 69.0 | 49.9 | 49.9 |
| EU-19 | 72.3 | 61.8 | 70.1 |

Source : Slater and Atkinson (1995)

Under the conditions envisaged in this study with accession occurring after the end of validity of the URA, the direct payments kept partly coupled in scenario 1 are the source of the problem of compatibility between the CAP and WTO commitments. This leads to the conclusion that under scenario 1, the CR accession would make the compatibility issue more problematic. However the main cause of non compatibility is the EU itself, since it also overshoots its AMS ceiling. The simultaneous accession of the 3 other mentioned candidates would even make the existing difficulties with WTO commitments worse.

The results of scenario 2, on the contrary, show that further decoupling or phasing out of the payments (even with the exception of beef) does provide compatibility for the EU enlarged to the CR and also for an EU with 19 members.

The overall conclusion about the problems of compatibility with AMS commitments in WTO generated by the accession of the CR to the EU is that EU-15 itself can no longer sustain the current payments unless the next WTO round allows them to be still included in the green box, one perspective which we consider as quite unlikely. If the payments are to be included in the current AMS then the CAP must be adjusted itself and adjustments along the lines defined in scenario 2 would appear to be adequate. It should be stressed again that although the accession of the CR does contribute (as other CEECs) to make the problem of Domestic Support worse, it does so with a small magnitude relative to the gaps existing in the EU herself (and in other CEECs).

## III. Tariffication and import access

The second type of commitments included in the URA relate to the access of agricultural imports into any member of WTO. These commitments are now embedded in the country schedules and are supposed to follow the guidelines of Articles 4 and 5 and also Annex 5 of the URA. The schedules include two types of commitments under the heading of Import Access: Tariffication and Minimum access. Tariffication implies conversion of non tariff measures into Tariff Equivalents, calculated by following the rules in Annex 5. The TE are bound at decreasing levels down to 2001. The other type of commitments relates to the Minimum Access principle and appear in section I-B of part I of the schedules.

Both types of commitments need to be amalgamated when the CR accedes to the EU. The rules for carrying this amalgamations when a Custom Union is being formed between WTO members are defined in Article XXIV and Article XXVIII. The basic issue is that forming a custom Union implies a discrimination in tariff concessions by WTO members which are part of the Union against those who are not. This is in contradiction with an essential principle of the initial GATT agreement, namely the Most Favoured Nation principle included in Article I of the 1947 GATT.

Article XXIV-5 foresees that the GATT does not prevent the formation of a custom union, provided that : '*The duties....shall not on the whole be higher or more restrictive than the general incidence of the duties and regulations of commerce applicable in the constituent countries prior to the formation of such union...*'. If it is not the case a procedure of negotiations should take place as defined in Article XXVIII. Countries entering a customs union may modify the concessions included in their schedules but WTO members '*shall endeavour to maintain a general level of reciprocal and mutual advantageous concessions not less favourable to trade than the provided for in the Agreement prior to such negotiations*' . Otherwise, concerned third countries 'having principal interest' (in GATT/WTO terminology) are allowed to withdraw equivalent concessions.

The wording of the treaty is not precise enough to define the way to implement the principles. One could imagine that the EU adjusts its own schedule so that its duties shall not 'on the whole be higher' than those of the existing and new EU members. This would possibly involve fixing the new tariffs at some weighted average of EU and new member levels. This is however unlikely and we will assume that the tariff schedules of the CR are aligned with the EU-15 as in the case of the recent enlargement to the three Northern countries and that 'equivalent concessions are negotiated' with third parties. In this recent enlargement, bilateral negotiations with third countries resulted in concessions granted in the form of tariff quotas[16]. Accordingly, we shall compare the tariff structures of the EU and the CR and identify the discrepancies in order to point out sensitive tariff lines and concerned third countries interests with whom negotiations might be required under Article XXVIII.

### (a) Import access : Tariffication

As it is difficult to predict exactly on which tariff basis the EU and CR tariffs will be harmonised at the time of negotiations, the analysis of likely issues of harmonisation will be carried on the bound tariffs for 2000/1 as they appear in the CR and EU Schedules.

The analysis will aim to identify third countries likely to be affected by the CR membership into the EU. This depends first on the gaps between the tariffs of the CR and the EU and second on the magnitude of the CR imports from third countries susceptible to diversion. The main import flows of agricultural and food products into the CR are first identified. Then the tariff gaps for the corresponding tariff lines are reported after conversion of specific tariffs (frequent in the EU Schedule) into *ad valorem* tariffs (used in the CR Schedule). The EU border prices used for that purpose are the 1986-88 prices of the « Supporting Tables » of the EU schedule. Refinement of this calculation could be made later on the basis of more recent border prices. On the basis of these data an array of the most "sensitive" tariff lines is provided. Last, the largest exporters to the CR for the sensitive tariff lines are identified from the CR trade data base. The analysis was carried further by calculating for concerned third countries an indicator which measures the value of tariff increases on exports to the CR in order to identify the most likely pressures for compensations according to GATT Article XXVIII.

The first results presented deal with the staple agricultural products and then more narrowly defined sensitive tariff lines are identified. Supplementary information for Poland and Hungary is also provided in order to set the issues of the CR accession into perspective.

Boxes 9 and 10 provide evidence of large discrepancies between the CR and EU tariff structures for the main agricultural commodities. In general the level of protection of imports into the EU is

[16] Council Regulation (EC) N° 3093/95 and Council Decisions 95/591/EC and 95/592/EC published in OJEC L334 30/12/95.

higher than in the CR, but it is not always the case, so that alignment of the CR tariffs with those of the EU would also involve lowering some CR tariffs. As a consequence there is some room for compensation. However, the benefiting countries may not be the same as the ones that are hurt. The enlarged EU may therefore have to offer compensation for the increased tariffs of the CR upon accession without getting credit from other countries for the tariff lines which are adjusted downwards.

Tariffs in the CR would increase for grains even when the ceiling to the EU import price is accounted for[17]. Accession of the CR would also entail increases in tariffs for sugar, butter, skim milk powder, beef and cheese. The major exception of potential significant importance is rapeseed and sunflower (and oils). It may be worth noting *en passant* a potential problem in the CR schedule as the tariff is zero for soybean oil and olive oil and close to 30 per cent for domestically produced highly substitutable edible oils. This may create great opportunities for duty free imports of soybean oil into the CR to increase rapidly from now until the accession time which may then trigger demand for compensation by potential suppliers like the US or Brazil. The only solution to this problem compatible with WTO commitments would be a reduction in tariffs to zero for the edible oils which are also produced domestically.

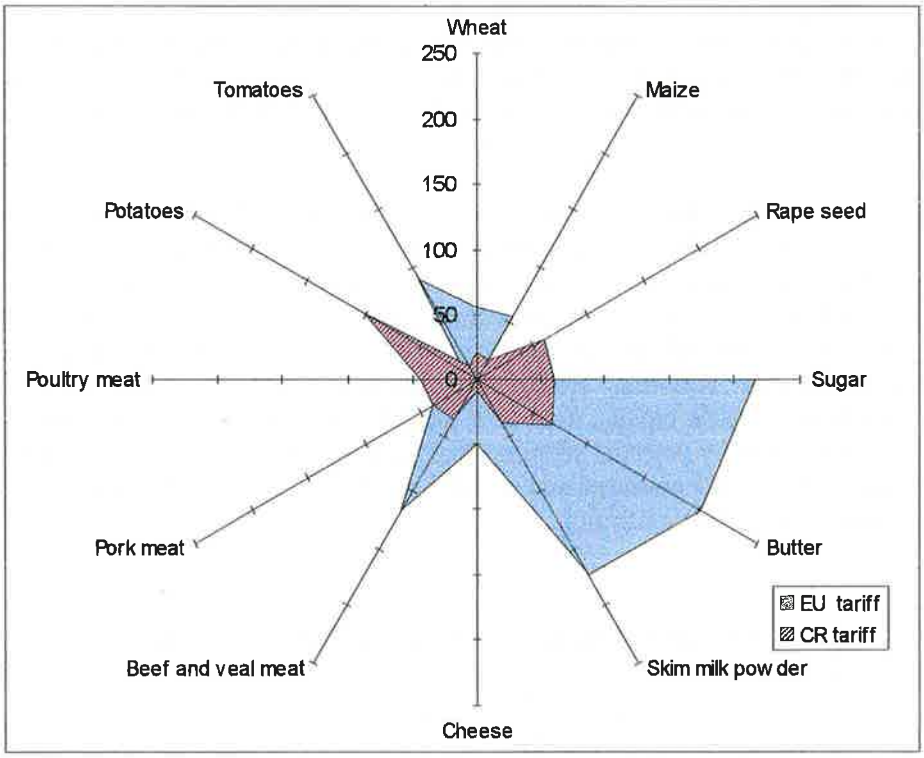
**Box 9. Comparison between EU and CR bound tariffs (*ad valorem* equivalent)**

| Item | EU tariff | CR tariff |
|---|---|---|
| Wheat | 55.0 | 21.2 |
| Maize | 55.0 | 17.0 |
| Rape seed | 0.0 | 60.0 |
| Sugar | 216.2 | 59.5 |
| Butter | 201.0 | 68.0 |
| Skim milk powder | 173.5 | 37.0 |
| Cheese | 50.0 | 9.0 |
| Beef and veal meat | 115.0 | 34.0 |
| Pig meat | 40.6 | 38.5 |
| Poultry meat | 30.1 | 43.0 |
| Potatoes | 11.5 | 100.0 |
| Tomatoes | 89.0 | 12.7 |

Source Annex X.

[17] The bound tariff of the EU is about 95 ECU per ton but following the Blair House Agreement the EU has agreed to apply the "duty at a level and in a manner so that the duty-paid import price will be not greater than the effective intervention price.increased by 55 per cent". (GATT, 1994, EU schedule)

**Box 10. Tariff structures of the EU and CR (major commodities)**




The discrepancies between tariff levels matter in as much as current imports (or rather expected imports into the CR at the time of accession) are likely to be diverted after the bound tariffs are raised up to the EU level. This is the purpose of the investigation of major trade flows presented in box 11 and 12 below and illustrated in associated boxes 13 and 14. Box 11 deals with high tariff lines (in either EU or the CR) and box 12 with low tariffs lines. With the exception of potatoes, the tariffs of which will fall upon accession, box 11 displays the list of agricultural imports into the CR which account for a significant share of total agricultural and food imports and for which tariffs will increase fairly dramatically as a result of accession due to an initial situation where low tariffs prevail in the CR and high tariffs in the EU.

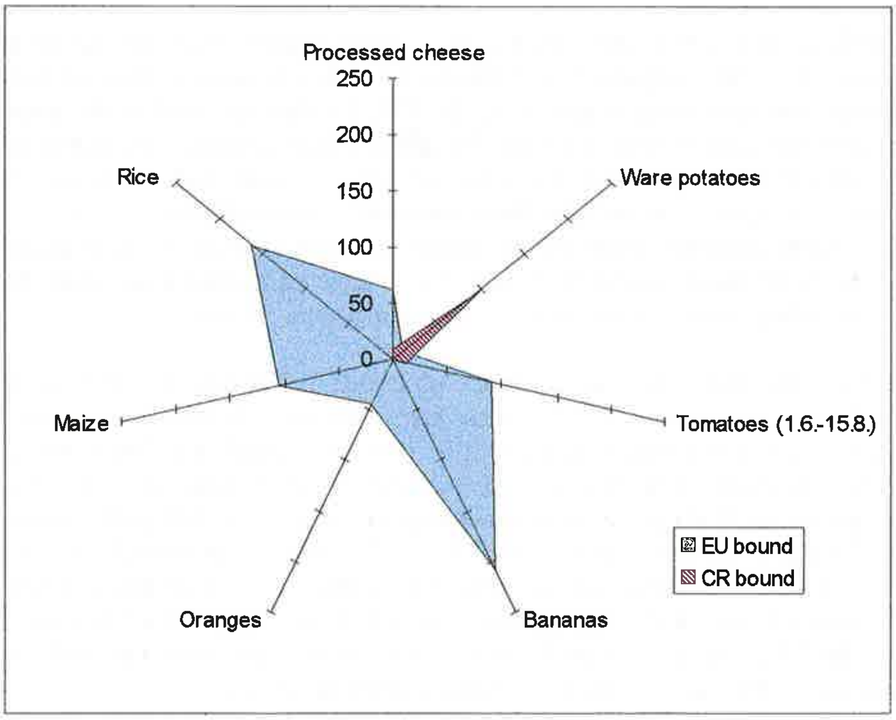
**Box 11. Comparison of bound tariffs for major agricultural and food imports to the Czech Republic**

| | CR bound tariff (%) | EU bound tariff (%) | CR imports (million CZK) | share in import (%) | compensation (million CZK) | rank of importance |
|---|---|---|---|---|---|---|
| Tariff line | a | b | c | d | e=(b-a)*c | |
| Bananas | 0 | 209 | 1772 | 3.83 | 3704 | 1 |
| Rice | 0 | 162 | 387 | 0.84 | 627 | 2 |
| Maize | 17 | 104 | 541 | 1.17 | 471 | 3 |
| Edam & pr. cheese | 9 | 62 | 573 | 1.25 | 304 | 4 |
| Oranges | 0 | 45 | 613 | 1.32 | 273 | 5 |
| Tomatoes | 13 | 89 | 255 | 0.55 | 194 | 6 |
| Ware potatoes | 100 | 12 | 471 | 1.02 | -417 | 16 |

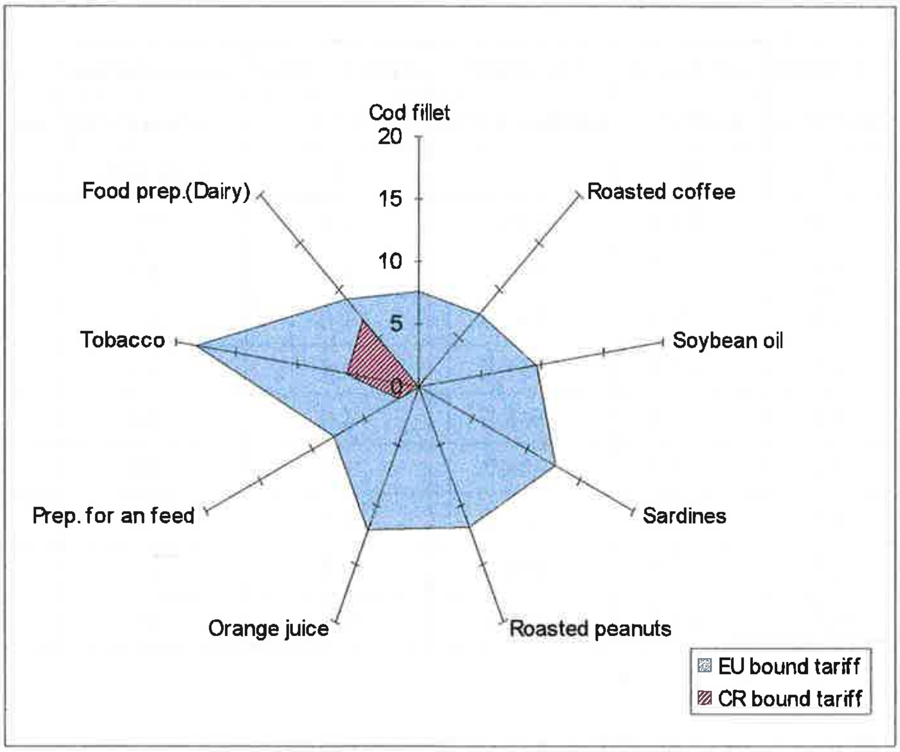
**Box 12. Comparison of bound tariffs for major agricultural and food imports to the Czech Republic**

| Tariff line | CR bound | EU bound | CR imports | share in import | compensation | rank of |
|---|---|---|---|---|---|---|
| | tariff (%) | tariff (%) | (million CZK) | (%) | (million CZK) | importance |
| | a | b | c | d | e=(b-a)*c' | |
| Tobacco | 6.0 | 14.8 | 1416.5 | 2.4 | 125 | 7 |
| Orange juice | 0.0 | 12.2 | 465.3 | 1.0 | 57 | 8 |
| Soybean oil | 0.0 | 9.6 | 443.9 | 1.0 | 43 | 9 |
| Roasted peanuts | 0.0 | 12.0 | 351.7 | 0.8 | 42 | 10 |
| Food prep.(Dairy) | 6.9 | 9.0 | 1868.6 | 4.0 | 39 | 11 |
| Prep. for anim. feed | 2.0 | 8.0 | 498.7 | 1.1 | 30 | 12 |
| Cod fillet | 0.0 | 7.5 | 326.1 | 0.7 | 24 | 13 |
| Roasted coffee | 1.0 | 7.5 | 346.4 | 0.8 | 23 | 14 |
| Sardines | 0.0 | 12.5 | 155.8 | 0.3 | 19 | 15 |

**Box 13. Tariff structures of the EU and the CR (high tariffs)**



**Box 14. Tariff structures of the EU and the CR (low tariffs)**




The group of high tariffs point to commodities such as rice, maize, oranges, bananas and tomatoes for which tariff increases of a great magnitude will compound with a significant share of trade to create potential demand from traditional exporters to the CR. To illustrate further the potential magnitude of the compensations likely to be requested by affected third countries, the higher duties payable were estimated (i.e., the product of the extra *ad valorem* tariff and the value of the corresponding imports). This value is presented in the penultimate column of boxes 11 and 12. The results show that, as is to be expected, trade volume matters at least as much as tariff increases. Bananas are by far the most likely source of request for a large equivalent concession. Other important tariff lines according to the measure are rice, maize and some cheeses.

For sensitive tariff lines, the trade data were further processed to identify the affected third countries likely to make representations to the EU regarding trade interests when the negotiations for accession do start. It turns out that bananas (which concern Central and South American countries) may be the most sensitive tariff line as a "banana war" is already going on. Since the EU banana regime is already under WTO pressures with pending panels, the Czech Republic accession is expected to foster international tensions between the EU and the banana exporters of the so called dollar zone which do not have preferential access to the EU markets. It will further increase the existing tensions between EU members such as Germany which imports "dollar" bananas and France (and possibly the UK) which grant preferential access to overseas territories and former colonies. However, the entire issue may be resolved before the CR accession.

The United States which generally watches closely its trade outlets would be expected to be concerned mainly about tobacco and rice. As there has already been a disagreement between the EU and the USA over the implementation of tariffication on wheat and rice by the EU, there is room for further tension in this area as well. Other commodities do not seem to raise serious potential problems as the related trade flows occur either with current EU members or with non WTO members such as China or with the Slovak Republic which might join the EU at about the same time.

**Box 15. Main third countries affected by CR tariff schedule alignment (a) (on the basis of 1995 CR trade data)**

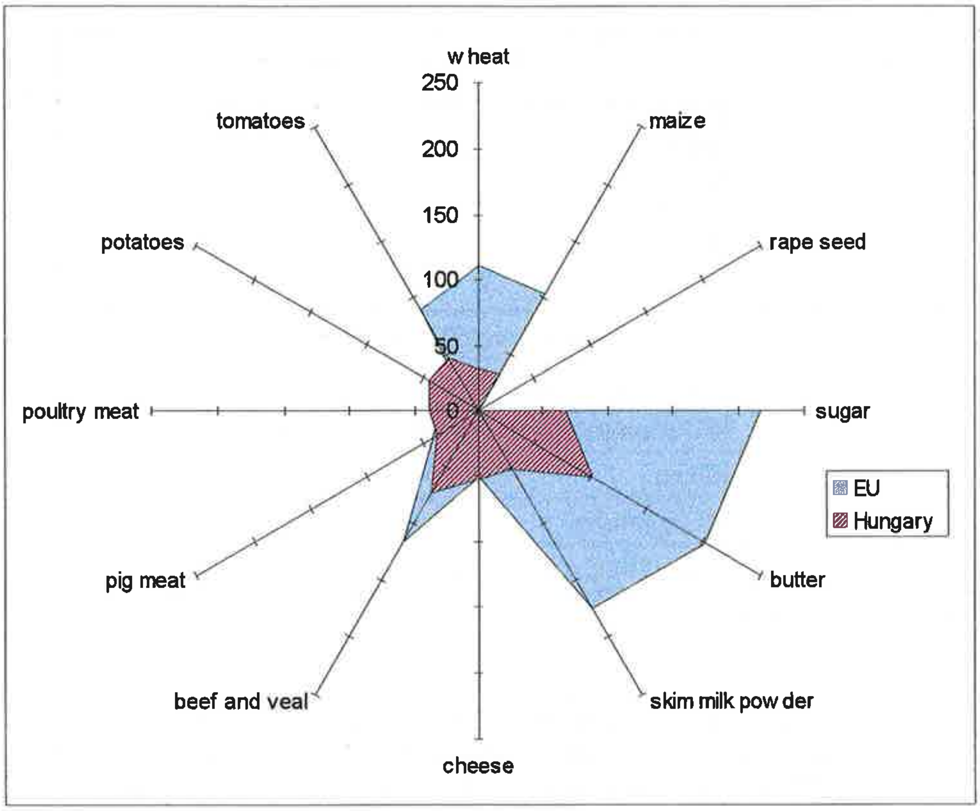
| Commodities | rank | Main concerned countries |
|---|---|---|
| Bananas | 1 | Ecuador (533); Costa Rica (519); Columbia (406); |
| Rice | 2 | USA(125); Thailand (110); |
| Maize | 3 | Slovakia (483) |
| Oranges | 5 | EU countries |
| Tomatoes | 6 | Slovakia |
| Tobacco | 7 | United States of Am.(501); Brazil (151); Turkey (244) |
| Orange juice | 8 | EU countries (Germany, Austria) |
| Soybean oil | 9 | EU countries (Germany and Netherlands) |
| Roasted peanuts | 10 | China |
| Animal feeds | 12 | EU countries |
| Frozen cod filet | 13 | Peru (108); Argentina (44) |

(a) figures in parentheses are the values of imports into the CR in million CZK

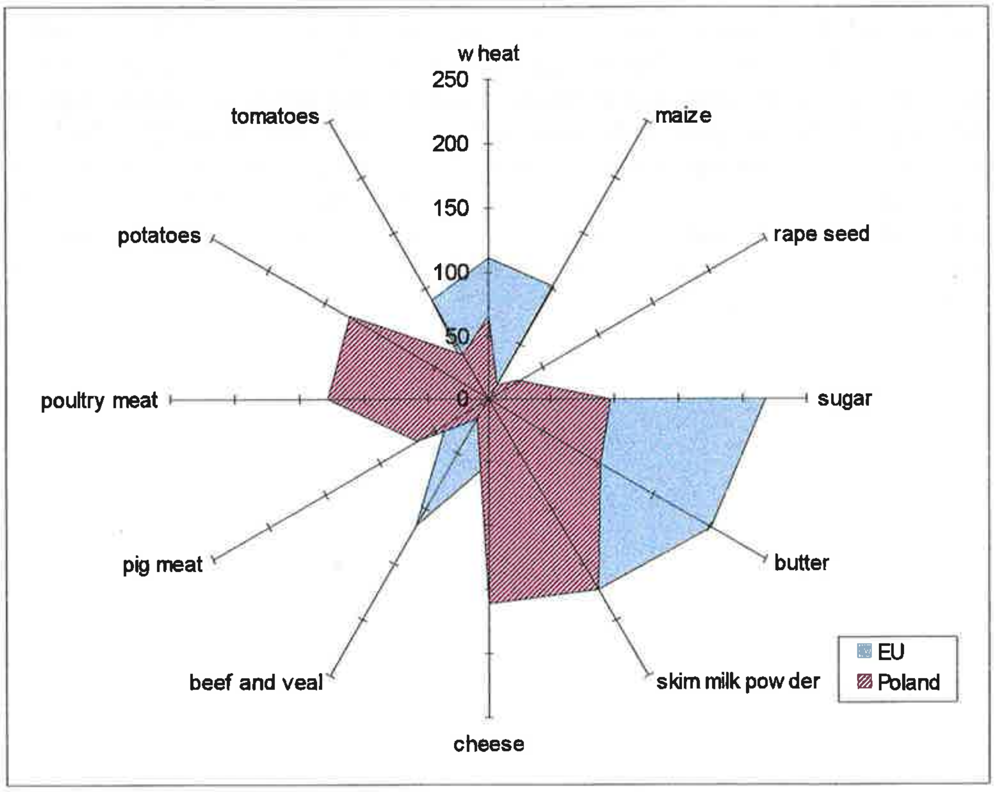
To summarise, it appears that the bound tariffs of the CR are in general lower than the EU tariffs with some noticeable exceptions such as ware potatoes and rapeseed. The accession will imply increases in tariffs for the CR and potential demand for equivalent concessions from third countries. The most sensitive products seem to be bananas, tobacco and rice and the most likely source of complaints or request for compensations will be from the US, Ecuador, Costa Rica, Brazil and Turkey. The potential problems for other tariff lines is eased because the trade partners of the CR are EU members or Slovakian.

In order to supplement the evidence shown above in the case where several CEECs would join simultaneously, the tariff structure of Poland and Hungary for the main commodities was also briefly analysed. The results are illustrated in boxes 16 and 17. The tariffs for cereals, sugar, beef and veal and dairy products also appear to be lower in these countries than in the EU. Poultry and pork and again potatoes are more highly protected in the East European countries. Poland seems to have higher tariffs for dairy products and particularly for cheese than other CEECs. The evidence shows overall that for the farm products which were not subject to reform in 1992, price alignment is likely to increase producers incentives in Eastern Europe and to further burden the balance of markets for sectors with structural surpluses.

**Box 16. Tariff structures of the EU and Hungary (selected commodities)**




**Box 17. Tariff structures of the EU and Poland (selected commodities)**



### (b) Import access : Minimum access

Regarding Minimum Access, the Tariff Rate Quotas included in the Schedules according to the Marrakech Agreements include the bilateral quotas opened under the Association Agreements. After accession of the CR and other CEECs the new levels of TRQ's of the enlarged EU will be derived from the amalgamation of the TRQ's included in the individual country Schedules. It may be expected that the rule followed will be similar to that of the recent enlargement. In the exchange of letters with third countries (OJ EC, 1995) the procedure of "netting out" was agreed by which the reciprocal quotas of EU and incomers are subtracted from the TRQ's registered in the Schedules before carrying out the aggregation. Since the analysis is focusing on the CR accession in isolation. the CR list of TRQ's should be netted out by the TRQ's granted by the CR to the EU-15. As the information was not easily available, this investigation is left for later work. A preliminary step in this direction is made in Annex XI. where beneficiaries of quotas are listed without quantity allocation.

## IV. Subsidised Export Commitments

While the harmonisation of tariff structures examined above has to abide by rules which existed in the original GATT, both the commitments on minimum import access and subsidised export reductions result from the recent URA (Articles 8 to 11) which requires that budgetary outlays and quantities benefiting from export subsidies (defined in article 9) do not exceed in 2001 respectively 64 per cent and 79 per cent of the 1986-90 base period levels. Due to the time constraint, the budgetary outlays side of the issue will not be covered since it would require even more information to be taken into account such as domestic and world price projections. Constraints on quantities of subsidised exports have in other studies proved to be the more binding. When the CR accedes to the EU, commitments will have to be fulfilled jointly. The problem is to define what "jointly" means in this context since GATT Article XXIV does not provide guidelines. To assess the possible difficulties for the EU after the accession of the CR the approach should draw from the experience of the recent enlargement, particularly with respect to the treatment of bilateral trade in the "aggregation" of commitments. The present case is however more difficult to deal with since, besides the uncertainty about the levels of commitments in 2002 and the need to project exportable surpluses, trade flows between the CR and the EU which will be taken into account in the amalgamation are very unlikely to be those of the reference years used in the recent enlargement.

In the latter case, the commitments on subsidised exports of the new EU-15 schedule have been set as the sum of the commitments of EU-12 and of the three incomers minus the bilateral exports of the two parties for the base periods. It is likely that in the present case the bilateral trade flows between the CR and the EU that will be used in the netting-out of subsidised exports commitments will be based on a reference year closer to accession. The spread sheets in Annexes XIII to XXI have actually been designed to allow for various options of bases for the netting out[18].

It is first assumed that URA rules still apply in 2002 with possibly different levels and base years. To assess potential difficulties in this area, it would be necessary to compare the projected Gross Exportable Surplus (later designated as GES) of the enlarged EU in 2002 to the ceiling of allowed subsidised exports at that time for the enlarged EU as well. For purpose of clarity, let us call EU-16 the enlarged EU after accession of the CR to EU-15 and let us assume again that the CR accedes in isolation. Gross Exportable Surplus ($X^t$) is defined as,

[18] These annexes are printouts from excel spreadsheets which contain the formulae and links for testing different scenarios.

*(ii)* $X^t = (Y^t - Q^t - S^t) + M^t$

where $Y^t$ is domestic production at time t, $M^t$ is import, $Q^t$ is domestic utilisation (final and derived demand), $S^t$ is stock increase. Let $x^t$ be the commitments of EU-16 for subsidised export to third countries. The new EU will overshoot her export commitments if $X^t$ is greater than $x^t$. In equation *(ii)* the three variables corresponding to supply, utilisation and imports must be projected to 2002 for EU-16.

Given the time limits for the study, it was not possible to do full justice to the issue at hand which would require not only access to detailed information to achieve proper amalgamation of schedules but also careful projections for the CR and EU-15 under the two scenarios. One component of the possible constraint is elaborated further albeit in a simplified manner, namely the potential overshoot of the CR of her own commitments. To show more clearly the effect of enlargement on the compatibility with WTO commitments, the netting out approach procedure is presented analytically in Annex XII. The conclusion is summarised below and can be stated as : *a necessary and sufficient condition for compatibility to obtain is that Gross Exportable Surplus (defined as excess supply plus imports from third counties) of EU-16 does not exceed her commitments of subsidised exports to third countries.* The condition can be written (dropping the time superscript) as :

*(iii)* $E_g + M_{gr} = E_e + E_i + M_{er} + M_{ir} < x_{er} + x_{ir}$

where, subscripts g refers to EU-16 (« global »), e to EU-15 (« Europe »), i to the CR ("incomer") and r to rest of the world (third countries) ; M is actual imports, x stands for export ceiling commitments. Notations imply that $M_{er}$ are imports of EU-15 from the rest of the world and $x_{er}$ are export commitments of EU-15 to the rest of the world i.e., after netting out the exports to the CR in the chosen reference year. Excess supply E is defined as Y-Q-S as reflected in equation *(ii)*. A sufficient but not necessary condition to ensure *(iii)* is that it holds for both the EU-15 and the CR, i.e., that

*(iv)* $E_e + M_{er} < x_{er} = x_e - x_{ei}$
*(v)* $E_i + M_{ir} < x_{ir} = x_i - x_{ie}$

### (a) The CR accession may make EU compliance with WTO obligations on limited subsidised exports more difficult

Here we shall mainly explore the second condition which relates to the CR and consider the first only very briefly. However, as it is particularly difficult to project the trade flows $M_{ir}$ for various disaggregated products, condition *(iii)* is further simplified by replacing projected actual flows of imports M by the minimum access commitments. Annex XII explains the nature of the simplification made which can be characterised as an optimistic view since the trend of imports to CR and CEECs in general has been strongly positive[19]. This bias is somehow corrected however by the fact that total TRQ's of the CR were not netted out of those granted to EU-15 as they should have been, because the detailed information was not published or readily available (see Annexes XIII to XXI) and because total CR commitments $x_i$ instead of only $x_{ir}$ were used for the same reason[20]. The allowed ceilings in 2002 will be assumed to be the same as the final commitments for 2000/1. There are a number of other practical difficulties such as differences between the EU and

[19] Although CR trade increases mainly with the EU these bilateral flows cancel themselves out in the compliance condition (Annex XI.)

[20] the information on TRQ's granted by the EU to the CR under the Association agreements could be used to make this correction. The compatibility condition actually used here instead of formula *(v)* is $E_i + m_i < x_i$, where $m_i$ is total TRQ's of the CR and $x_i$ is the ceiling of total CR export commitments.

the CR in the definition of aggregates of products (tariff lines) for which the export commitments are bound. *Ad hoc* assumptions had to be made[21].

The results of the calculations are summarised in boxes 18-19 and boxes 20-21 which show both the ceilings of commitments and estimates of gross exportable surpluses (GES) for nine major commodity groups under the three scenarios. GES is defined as mentioned above i.e., as the sum of excess supply derived from the projections (box 3) and total TRQ's. Alternative options for assessing the CR contribution to EU-16 compliance along the lines of Annex XII are left for later work.

**Box 18. Absolute compatibility: ceiling of CR subsidised exports and projected exportable surplus in 2002**

| | | (1) | (2) | (3) | (4) |
|---|---|---|---|---|---|
| | units: 1000 t. | Ceiling | Sc. 0 | Sc. 1 | Sc. 2 |
| 1 | Cereals | 322.00 | 558.20 | 1910.80 | 484.61 |
| 2 | Sugar | 4.90 | 16.40 | 101.50 | 45.46 |
| 3 | Butter | 42.00 | 22.78 | 25.11 | 17.04 |
| 4 | SMP | 66.90 | 58.90 | 36.49 | 30.36 |
| 5 | Cheese+Oth. | 21.00 | 16.67 | -1.63 | -14.36 |
| 6 | Beef | 49.80 | 50.12 | 59.92 | 14.04 |
| 7 | Pigmeat | 10.10 | 34.72 | 43.56 | 7.40 |
| 8 | Poultry | 11.40 | 28.47 | 35.73 | 25.20 |
| 9 | Eggs | 11.40 | 7.20 | 29.05 | 18.03 |

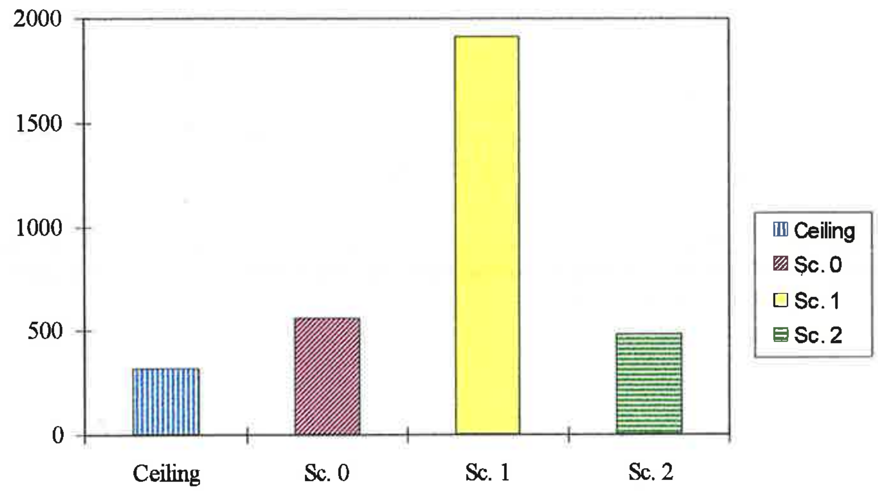
Source: col.1, CR GATT schedule ; col. 2,3,4, own calculations from Annex XIII to XXI.
Notes : rows 3, and 5 : the CR schedule includes two lines for dairy product export commitments. One is milk powder of all kinds, while the EU has a separate commitment for SMP. The second line covers all other products including butter, cheese, ice cream. In the schedule, meat and eggs are aggregated. Here, the export ceiling is divided equally between them.

[21] see in particular the notes under table 18.

**Box 19. Relative compatibility: ceiling of CR subsidised exports and projected exportable surplus in 2002**

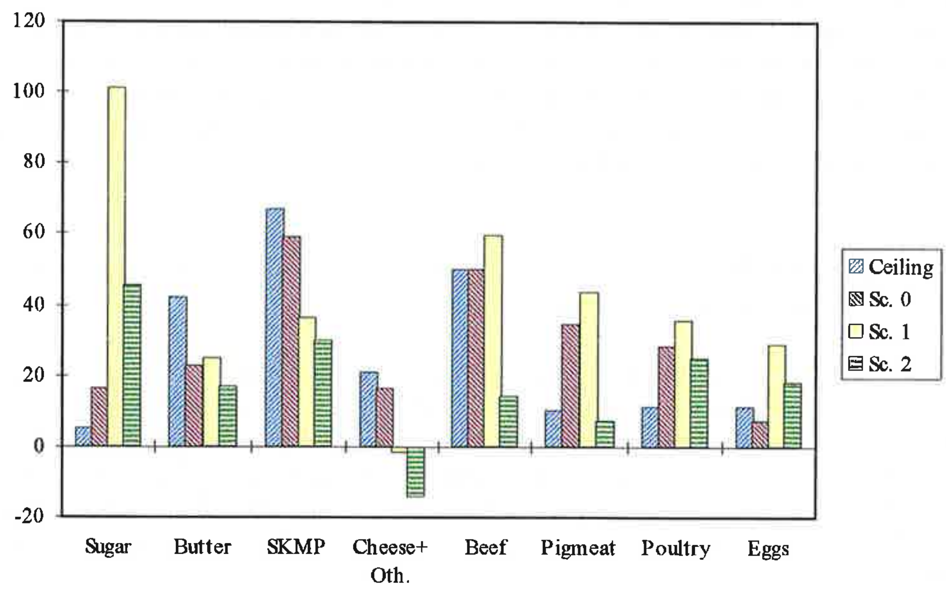
| | unit: ratios | Ceiling | Sc. 0 | Sc. 1 | Sc. 2 |
|---|---|---|---|---|---|
| 1 | Cereals | 1.00 | 1.73 | 5.93 | 1.51 |
| 2 | Sugar | 1.00 | 3.35 | 20.71 | 9.28 |
| 3 | Butter | 1.00 | 0.54 | 0.60 | 0.41 |
| 4 | SMP | 1.00 | 0.88 | 0.55 | 0.45 |
| 5 | Cheese | 1.00 | 0.79 | -0.08 | -0.68 |
| 6 | Beef | 1.00 | 1.01 | 1.20 | 0.28 |
| 7 | Pigmeat | 1.00 | 3.44 | 4.31 | 0.73 |
| 8 | Poultry | 1.00 | 2.50 | 3.13 | 2.21 |
| 9 | Eggs | 1.00 | 0.63 | 2.55 | 1.58 |

**Box 20. Absolute compatibility of the CR with export commitments (cereals)**




Source : Box 18

**Box 21. Absolute compatibility of the CR with export commitments (selected products)**




Source : Box 18

The general impression is that except for beef and for dairy products (butter, skim milk powder and cheese), the CR is likely to overshoot her commitments by a significant extent in most sectors under scenarios 0 and 1 and also in some sectors under scenario 2. In scenario 0 (continuation of CR policies) only grains, sugar and pigmeat seem to raise difficulties of significant magnitude as far as quantities are concerned. Poultry is uncertain since meat and eggs commitments can be aggregated while the CR is not a member of the EU. Exports of grains, sugar and pigmeat are likely to require subsidies. However, export subsidies will not be necessary for exports to the EU because of the higher prices in the EU and also because of the preferential treatment under the Association Agreements. Since, currently, very few export subsidies are given and most exports are not affected by the commitments, it is presumed that the VUZE scenario 0 is based on CR prices being maintained higher than world prices. As the analysis shows, this is not a sustainable policy even for just the pre-accession period.

In scenario 1 the CR overshoots her commitments in all sectors except for dairy. This applies particularly to cheese and other dairy products for which the CR would be an importer and therefore alleviate any EU binding constraint in this area. The absolute value of the excess of GES over commitments are significant for grains, grain fed animal products and sugar. The supply of these products is expected to increase because of efficiency gains (grain fed animal products, sugar) and/or of price increases resulting from accession under conditions of a maintained CAP (grains, sugar). As regards milk products the projected output is not up to the pre-1989 level which was 56 per cent above the 1994 level. This is probably too pessimistic if cow herd size is increased . In this eventuality, the expected credit of subsidised exports brought to the EU-15 by the CR accession might just evaporate. For assessing the sensitivity of the conclusions it may be appropriate to recall that the projected consumption of cheese has been supposed to stay far below the EU average (9 kilo *per caput.* versus 15 in the EU). Scenario 1 would then add to the EU-15 problems of compliance with its own WTO commitments in all sectors covered by the study except possibly for dairy with the qualifications just mentioned. In general, the accession of the CR to the EU without CAP reform would make it more difficult for the EU to comply with its WTO obligations, unless the EU has otherwise unused 'allowances' which we shall briefly consider below.

Scenario 2 (CAP reform continued) reduces the excess of exports over commitments quite significantly. Only sugar potentially poses a problem of compatibility as far exportable surplus quantities are concerned. Grains and grain fed animal products do not do so because in this scenario grain and poultry product prices in the EU are not supported any more and remaining direct payments are decoupled. Sugar would pose a problem as the 20 per cent cut in support prices is not enough to export without subsidies. By and large, from the CR view point, it appears that CAP developments along the lines of scenario 2 would make the accession of the CR to the EU much more resilient to pressures coming from the GATT.

### (b) Compatibility of the EU-15 and of the EU enlarged to several CEECs with WTO export commitments.

In this section we attempt to set the results of the previous subsection into a broader perspective by relating the positive and negative gaps of compatibility arising in the CR to the 'allowances' of the EU herself in order to identify potential offsetting effects (expected in condition *(iii)* rather than in *(iv-v)*) or cumulative effects which would put a burden on the accession. This is done in a fairly crude manner, using first one scenario developed with an augmented version of the MISS model for EU-15 + five CEECs (CR, Hungary, Poland, Romania, Slovakia). Supplementary evidence is also drawn from other studies.

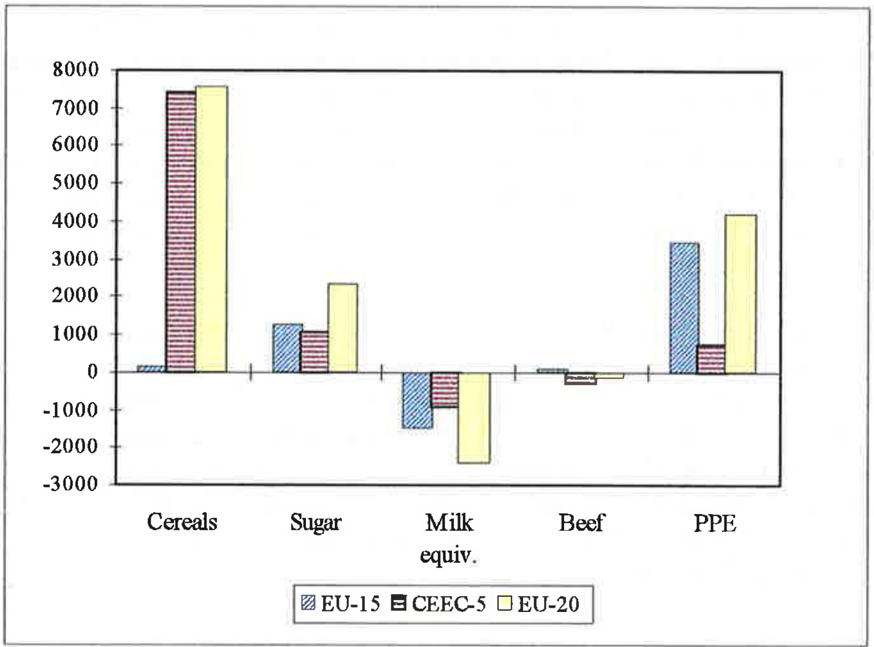
Projections were made for EU-15 and the 5 CEECs under various assumptions, fairly optimistic for food demand developments in third countries and in the CEECs (alignment on EU patterns), fairly modest on output growth in the CEECs , and continued CAP as it stands with a 15 per cent set aside. This can be considered as the best case scenario to make easier the compliance of the enlarged EU with WTO obligations. Moreover the EU-15 commitments on both TRQ's and export ceilings are drawn from the new EU-15 schedule and have therefore been netted out of the bilateral trade flows in the reference periods. This was not possible for the 5 CEECs for the same reasons as the ones applying to the CR case (data difficulties encountered). The synthesised results are presented in box 22 based on Annex XXII and on box 23 which applies to EU-15 and EU-20, and box 24 which highlights the marginal contribution of the CR to the compliance or the non compliance for selected sectors.

**Box 22. EU-20 Compatibility with subsidised export commitments (optimistic scenario with the MISS Model)**

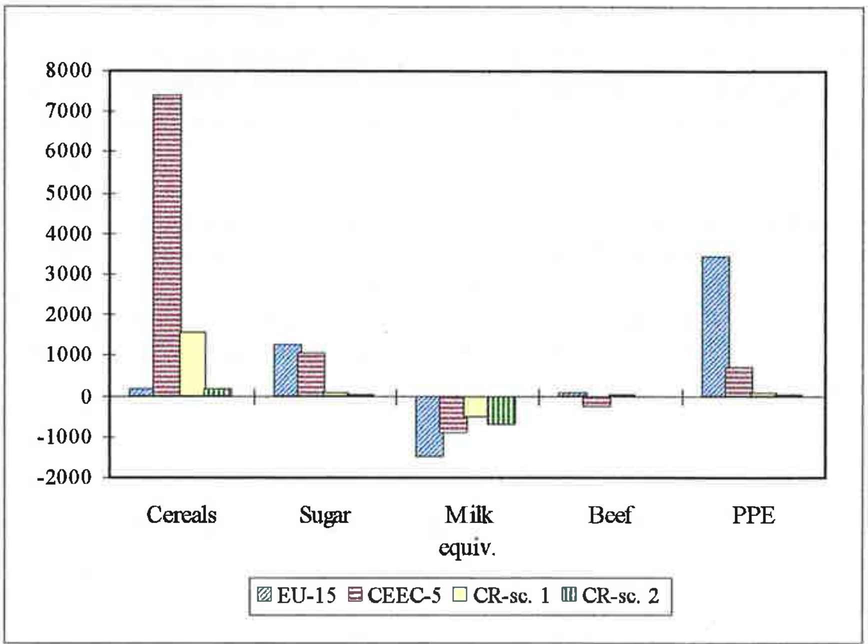
| | EU-15 | | | CEEC-5 | | | EU-20 | CR Sc. 1 | CR Sc.2 |
|---|---|---|---|---|---|---|---|---|---|
| 1000 t | GES | SEC | Excess Exports | GES | SEC | Excess Exports | Excess Exports | Excess Exports | Excess Exports |
| Cereals | 25435 | 25280 | 155 | 9115 | 1720 | 7395 | 7550 | 1588.8 | 162.6 |
| Sugar | 3675.4 | 1273.5 | 1277 | 1346 | 300 | 1046 | 2323 | 96.6 | 40.6 |
| Milk equiv. | 15498.7 | 17017.3 | -1518.6 | -273 | 644 | -917 | -2435,6 | -490.5 | -736.2 |
| Beef | 900.3 | 821 | 79.3 | 78 | 333 | -255 | -175,7 | 10.1 | -35.8 |
| PPE | 4287.5 | 828.3 | 3459.2 | 1146.8 | 404 | 742.8 | 4202 | 75.4 | 17.7 |

PPE = pig, poultry and eggs
GES: gross exportable surplus
SEC: Subsidised export commitments
Excess Exports: Excess exports over commitments

**Box 23. Excess exports of EU-15 and EU-20 over export commitments (in 1000 tonnes, 2002)**




**Box 24. Excess exports of EU-15, CEECs and CR over commitments (in 1000 tonnes, 2002)**




Under these optimistic assumptions the EU-15 does not fulfil her commitments in 2001 under a maintained CAP. This is true for all sectors even if the magnitude of the overshoot on quantities is small in the case of cereals, dairy and beef. The gap is much more significant for sugar which is bound to create problems due to price gap between EU and world markets. It is also large for grain fed animal products but this is a less acute problem as EU prices are fairly close to border prices. Eggs should be a sensitive issue as TRQ's had to be separated from the meats for which the EU had already large import quotas before the Uruguay Round. These results are in general consistent in direction with those of Slater and Atkinson (1995) and to those obtained for EU-12 by Guyomard and Mahé (1993), which emphasised the sensitive group of cheese and "other dairy products" likely to be very constraining as they should rapidly hit their respective ceilings.

The CEEC-5 do seem to alleviate the constraint on EU exports for dairy products and to a lesser extent for beef, but they overshoot their global target as a group for cereals, sugar, and pork and poultry. They are therefore likely as a group to make the compliance of the EU-20 with WTO obligations more difficult to achieve without further changes in agricultural policies. These results are also consistent with those of Slater and Atkinson who foresee that the Visegrad-4 will exceed their export ceilings, save for milk. The milk 'credit' found in our simulations may reflect the slow progress in yields and cow herds and the rapid alignment on EU patterns of consumption of dairy products assumed in the projections.

Box 23 also shows that EU-20 exceeds its commitments on exports in this scenario by a significant amount except for the dairy and beef sectors. The incremental contribution of the CR appears to be smaller than the CEEC-5 contribution but both work in the same direction (box 24). This suggests that simultaneous accession of CEEC countries does not bring any benefit in terms of offsetting positive and negative gaps of individual compliance. As these results are based on a set of assumptions concerning the economic outlook which are fairly optimistic in the sense that they ease the compliance of the European Union with her commitments on subsidised exports, the pressure to pursue the CAP reform arising from is likely to increase.

# V. Concluding comments

The assessment of the potential difficulties in the negotiations for accession of the Czech Republic to the European Union raises a number of practical and theoretical difficulties as the context of the accession is not yet clear even if the time horizon becomes less uncertain. Given the limit on time, the study was focused on the identification of the issues and on providing some preliminary quantitative assessments.

In spite of the many limitations, the major impression arising from the results is that even in the most optimistic scenario, the extension of the current Common Agricultural Policy to the Czech Republic will aggravate the difficulty of the European Union in complying with its WTO obligations in almost all sectors. However this contribution is small with regards to the magnitude of the EU commitments, essentially because of the size of the country. However, the other Central and East European Countries will tend to contribute to EU problems in a similar direction but with a larger impact.,

The main choice for the Czech Republic pre-accession strategy is between adopting a CAP-like policy which will expand production at some cost) and a more sound strategy for promoting efficiency and competitiveness. Apart from the cost, the first approach also has the problem of identifying what the future CAP will be.

The Common Agricultural Policy is bound to be further adjusted if the new World Trade Organisation Round maintains or further restricts commitments on allowed support of prices, incomes and exports. Given the existing agricultural potential in the CEEC, the eastern enlargement will increase the problem of EU compliance with WTO and make adjustments more likely.

The CR would therefore be better off aiming to develop a farm policy based on market forces while enhancing resource conservation and farm structure modernisation. The latter objectives already seem to receive increasing attention and financial resources in the agricultural policy of the Czech Republic.

Further work on the joint commitments of the EU, the CR and other CEFTA countries is desirable to test the conclusions of this work. Our intuition is that the main conclusions should not be contradicted by such a more extensive research. An improvement of projection tools making transparent the contribution of relative prices, technical change, and macroeconomics factors to supply and demand developments in the CR and in other CEECs would be appropriate to enable alternative scenarios to be constructed in a consistent manner.

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# ANNEXES

## List of Annexes

**Annex I.** **Assumed agricultural prices in the CR under the three scenarios**

| | | 1994 | 1995 | | 1996 | 1998 | 1998 | 2002 | 2002 | 2002 | 2002 | 2002 | 2002 | 2002 | 2002 | 2002 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | CR prices | CR prices | CR prices | EU prices | CR prices | CR prices | CR prices | CR prices | EU prices | CR prices | EU prices | CR prices | Price increase/1998 | | |
| | | CZK/t | CZK/t | ECU/t | ECU/t | ECU/t | CZK/t | ECU/t | CZK/t | ECU/t | CZK/t | ECU/t | CZK/t | in nominal CZK | | |
| | | | | | | Sc. 0 | Sc. 0 | Sc. 0 | Sc. 0 | Sc. 1 | Sc. 1 | Sc. 2 | Sc. 2 | Sc. 0 | Sc. 1 | Sc. 2 |
| | | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (g') | (h) | (i) | (j) | (k) | (l) | (m) | (n) |
| 1 | Wheat | 2 637 | | | | 110 | 3 815 | 128 | 4 613 | 173 | 6 235 | 100 | 3 604 | 1.210 | 1.634 | 0.945 |
| 2 | Coarse grain | 2 563 | | | | | | | | - | | | | | | |
| 3 | Rice | | | | | | | | | - | | | | | | |
| 4 | Rapeseed | 5 438 | 5 482 | | | 192 | 6 659 | 218 | 7 857 | 358 | 12 902 | 180 | 6 487 | 1.181 | 1.938 | 0.974 |
| 5 | Olive oil | | | | | | | | | | | - | | | | |
| 6 | Sugar white | 5 030 | | | 955 | 235 | 8 150 | 267 | 9 623 | 627 | 22 597 | 500 | 18 020 | 1.182 | 2.773 | 2.211 |
| 7 | Milk | | | | | | | | | | | | | | | |
| 8 | Butter | 67 910 | 74 740 | | | 2 480 | 86 006 | 2 745 | 98 930 | 3 260 | 117 490 | 2 600 | 93 704 | 1.151 | 1.366 | 1.090 |
| 9 | SMP | 42 302 | 46 557 | | | 1 495 | 51 847 | 1 909 | 68 800 | 2 042 | 73 594 | 1 600 | 57 664 | 1.328 | 1.419 | 1.112 |
| 10 | Cheese (Edam) | | 76 890 | | | 2 594 | 89 960 | 3 108 | 112 012 | - | | | | 1.246 | | 0.000 |
| 11 | Other dairy products | - | - | | | | | | | - | | - | | | | |
| 12 | Beef meat [3] | 63 032 | 64 505 | 1 897 | 3 800 | 2 240 | 77 683 | 2 700 | 97 308 | 3 800 | 136 952 | 2 500 | 90 100 | 1.254 | 1.763 | 1.160 |
| 13 | Pig meat [4] | 38 693 | 41 523 | | 1 470 | 1 530 | 53 060 | 1 540 | 55 502 | 1 470 | 52 979 | 1 320 | 47 573 | 1.047 | 0.998 | 0.897 |
| 14 | Poultry meat [5] | 32 467 | 37 378 | 1 100 | 1 200 | 1 284 | 44 522 | 1292 | 46 571 | 1 200 | 43 248 | 1 080 | 38 923 | 1.047 | 0.971 | 0.874 |
| 15 | Eggs [6] | 26 024 | 24 831 | 730 | | 862 | 29893 | 961 | 34 639 | 1000 | 36 040 | 900 | 32 436 | 1.160 | 1.206 | 1.085 |
| 16 | Wine | - | - | - | - | | | - | | - | - | - | - | | | |
| 17 | Fruit & Vegetables | | | | | | | | | | | | | | | |

(3) 1993 market price (EC 1994, p. 257) only 2636 ECU/t; (4) 1993 market price (EC 1994, p. 260) only 1040 ECU/t; (5) 1993 for EU, market price; source EU, 1994; CR source Landell Mills (Union of Poultry Processors). For lack of better evidence, expected prices of poultry in 2002 in scenario 0 are supposed to move in parallel with pig prices. (6) source VUZE figures in million units; one egg = 55g (note that implicit weight in OECD 's PSE tables is 66g for quantities and 56g for prices ).

(a) source: PSE table, OECD, 1995
(b) CR statistics except as indicated
(c) = (b)/34; 1 ECU = 34 CZK
(d) normal ECU = green ECU * 1.20; include compensatory payments
(e) and (g) source VUZE projections
(f) =(e) * 34 * 1.02 (exchange rate increase by 1% per annum)
(h) include the acreage payments; beef: 0.94 intervention price * 1.20 * 1.15 (premium)
(i) =(h) * 34 * 1.06 (exchange rate increase by 1% per annum);note that premium are included in EU price. e.g. grain price=119+53.6; oilseed=180+173
(j) grain and oilseeds prices = expected world prices; dairy and sugar prices = nominal Sc.1 * 0.8; pigmeat, poultry meat and eggs = 1995 prices * 0.910; beef meat = Sc.1 * 0.80 * 0.85
(k) = (j) * 34 * 1.06 (exchange rate increase by 1% per annum);note that premium are decoupled
(l) = (g / e) * 1.04
(m) = (i) / (f)
(n) = (k) / (f)

| Coarse grain | (a) | (b) | (c) | (d) | (e) | (f) | (g) | | (h) | (i) | (j) | (k) | | (l) | (m) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Malt barley | | | | | 116 | 4 023 | 134 | | | | | | | | |
| Feed barley | | | | | 84 | 2 913 | 104 | | | | | | | | |
| Maize | | | | | 128 | 4 439 | 140 | | | | | | | | |

**Annex II. Detailed Supply and demand projections (1994-1998-2002)**

| **Annex II.a Scenario 1** | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Commodities | Area or No. of heads | Yields | CR Production | EU yields in 1993 | CR yields in 1989 | EU dom. use. per cap. | CR dom.use per cap. | CR dom.use per cap. | CR dom.use total |
| units | '000 ha | ton./ha or ton./cow | 000t | ton./ha or head | ton./ha or head | kg 1993 | kg 1993 | kg 2002 | 000t |
| Wheat | 840.00 | 5.50 | 4620.00 | 6.00 | | | | | |
| Rye | 90.00 | 3.90 | 351.00 | 3.70 | | | | | |
| Oats | 60.00 | 3.50 | 210.00 | 3.30 | | | | | |
| Feed barley | 632.00 | 4.30 | 2717.60 | 4.20 | | | | | |
| Maize | 30.00 | 7.50 | 225.00 | 7.99 | | | | | |
| cereals | 1652.00 | 4.92 | 8123.60 | 5.10 | 4.69 | 390.00 | 640.00 | 592.00 | 6216.00 |
| Oilseed rape | 250.00 | 2.80 | 700.00 | 2.80 | 2.80 | | | | 640.00 |
| Crops | 2000.00 | | | | | | | | |
| Sugar | 65.00 | 7.00 | 455.00 | 8.30 | 4.50 | 33.80 | 41.50 | 33.80 | 354.90 |
| Milk | 626.00 | 5.13 | 3211.38 | 5.13 | 4.06 | | | | |
| Butter | | | 77.00 | | | 4.54 | 5.30 | 4.54 | 47.67 |
| Skim milk | | | 85.20 | | | 3.30 | 2.42 | 2.42 | 25.41 |
| cheese | | | 86.20 | | | | 6.10 | | 0.00 |
| Beef | 1607.00 | | 258.80 | | | 22.20 | 17.70 | 20.00 | 210.00 |
| Pig | | | 522.84 | | | 42.20 | 47.50 | 48.00 | 504.00 |
| Poultry | | | 168.76 | | | 18.90 | 11.50 | 13.00 | 136.50 |
| Eggs | | | 173.95 | | | 13.40 | 13.80 | 13.80 | 144.90 |

## Annexe II. Detailed Supply and demand projections (1994-1998-2002)

| Annexe II.b Scenario 2 (direct method) | | | | Annexe II.b Scenario 2 (elasticity method) | | | |
|---|---|---|---|---|---|---|---|
| Commodities | Area or Num of heads | Yields | | Price change | Production | Consumer price change | Consumption |
| | | | | (pr sc2/sc1-1) | total | (pr sc2/sc1-1) | total |
| units | '000 ha | ton./ha or ton./cow | 000t | % | 000t | % | 000t |
| Wheat | 840 | 4.90 | 4116 | -0.42 | 4038 | -0.16 | |
| Rye | 90 | 3.90 | 351 | -0.42 | 307 | | |
| Oats | 60 | 3.50 | 210 | -0.42 | 184 | | |
| Feed barley | 632 | 4.30 | 2718 | -0.42 | 2375 | | |
| Maize | 30 | 3.80 | 114 | -0.42 | 197 | | |
| Cereals | 1652 | 4.55 | 7509 | -0.42 | 7095 | -0.16 | 6614 |
| Oilseed rape | 250 | 2.30 | 575 | -0.50 | 596 | 0.00 | 640 |
| Crops | 2000 | | | | | | |
| Sugar | 65 | 5.90 | 384 | -0.20 | 427 | -0.20 | 383 |
| Milk | 626 | 4.70 | 2942 | -0.20 | 3019 | | |
| Butter | | | 74 | -0.20 | 72 | -0.20 | 52 |
| Skim milk | | | 79 | -0.22 | 80 | -0.22 | 28 |
| Cheese | | | | -0.20 | 81 | -0.20 | 0 |
| Beef | 1204 | | 255 | -0.34 | 232 | -0.23 | 229 |
| Pig | | | | -0.10 | 507 | -0.10 | 524 |
| Poultry | | | | -0.10 | 164 | -0.10 | 142 |
| Eggs | | | | -0.10 | 169 | -0.10 | 151 |

**Annex III. Tentative estimate of the AMS of the CR in 2002 (Scenario 0)**

| Commodities | Area | Number of heads | Yields ton./ha or | Production CR | Price CR 2002 | 1986-88 world price | Gap | Price support | Area/head payment | Set aside payment | Compens. payment | total AMS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Units | 000 ha | 000 | ton./cow | 000t | ECU/t | ECU/t | ECU/t | 000ECU | ECU/ha (head) | ECU/ha | or levy | 000ECU |
| Column No. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| Wheat | 840 | | | 4057 | 128 | 91 | 37 | 151083 | | 0 | | 151083 |
| Malt barley | | | | 699 | 135 | 102 | | 0 | | | | 0 |
| Feed barley | | | | 2094 | 105 | 68 | | 0 | | | | 0 |
| Maize | | | | 136 | 140 | 95 | | 0 | | | | 0 |
| Oilseed rape | 250 | | | 675 | 218 | 165 | 53 | 35775 | | | | 35775 |
| Sugar | | | | 517 | 267 | 194 | 73 | 37793 | | | | 37793 |
| Butter | | | | 76 | 2745 | 1860 | 885 | 67260 | | | | 67260 |
| Skim milk | | | | 80 | 1909 | 1000 | 909 | 72720 | | | | 72720 |
| Beef | | 626 | | 172 | 2470 | 1692 | 778 | 133505 | | | | 133505 |
| Pig | | | | 497 | 1540 | 925 | 615 | 305655 | | | | 305655 |
| Total | | | | | | | | 803790 | | | 117647 | 921437 |

Source : based on data from VUZE

**Annex IV. Detailed calculation of the AMS of the CR in 2002 (scenario 1)**

| Commodities | Area | Number of heads | Yields ton./ha or | Production CR | Price EU 2002 | 1986-88 world price | Gap | Price support | Area/head payment | Set aside payment | Compens. payment | total AMS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Units | 000 ha | 000 | ton./cow | 000t | ECU/t | ECU/t | ECU/t | '000ECU | ECU/ha (head) | ECU/ha | or levy | 000ECU |
| Column No. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| Wheat | 840 | | 5.50 | 4620 | 119 | 87 | 33 | 150150 | 252 | 0 | 201096 | 351246 |
| Rye | 90 | | 3.90 | 351 | 119 | 67 | 52 | 18147 | 252 | | 21546 | 39693 |
| Oats | 60 | | 3.50 | 210 | 119 | 113 | 7 | 1365 | 252 | | 14364 | 15729 |
| Feed barley | 632 | | 4.30 | 2718 | 119 | 67 | 52 | 140500 | 252 | | 151301 | 291801 |
| Maize | 30 | | 7.50 | 225 | 119 | 92 | 27 | 6098 | 252 | | 7182 | 13280 |
| cereals | 1652 | | 4.92 | 8124 | | | | | | | | |
| Oilseed rape* | 250 | | 2.80 | 700 | 165 | 165 | 0 | 0 | 465 | | 110438 | 110438 |
| Crops | 2000 | | | | | | | 0 | | 319 | 31900 | 31900 |
| Sugar*** | 65 | | 7.00 | 455 | 627 | 194 | 433 | 197015 | | | -17117 | 179898 |
| Milk | | 626 | 5.13 | 3211 | | | | | | | | |
| Butter | | | | 70 | 3260 | 943 | 2317 | 162190 | | | 0 | 162190 |
| Skim milk | | | | 60 | 2042 | 685 | 1357 | 81420 | | | 0 | 81420 |
| Beef** | | 1607 | | 259 | 3230 | 1730 | 1500 | 388194 | 200 | | 321400 | 709594 |
| Sheep | | | | | | | | | | | | |
| Other(a) | | | | | | | | | | | | |
| Total | | | | | | | | 1145079 | | | 842109 | 1987188 |

Under scenario 1 projections assume that yields in CR become equal to EU or no less than CR levels in 1989
*no price support in the EU ;
**cattle number : non cow cattle in 1989-projected dairy cows in 2002
***B quota levy of 40% on 15% of production
Set aside rate = 5%
(a) note that the EU has introduced an equivalent AMS of about 12 milliard ECU for other commodities.(see supporting table 9)

## Annex V. Detailed calculation of the AMS of the CR in 2002 (scenario 2)

| Commodities | Area | Number of heads | Yields ton./ha or | Production CR | Price EU 2002 | 1986-88 world price | Gap | Price support | Area/head payment | Set aside payment | Compens. payment | AMS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| units | 000 ha | 000 | ton./cow | 000t | ECU/t | ECU/t | ECU/t | 000ECU | ECU/ha (head) | ECU/ha | or levy | 000ECU |
| Column No. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| Wheat | 840 | | 5 | 4038 | 10 | 87 | 14 | 54511 | 0 | 0 | 0 | 54511 |
| Rye | 90 | | 4 | 307 | 10 | 67 | 33 | 10032 | 0 | | 0 | 10032 |
| Oats | 60 | | 4 | 184 | 10 | 113 | -13 | -2294 | 0 | | 0 | -2294 |
| Feed barley | 632 | | 4 | 2375 | 10 | 67 | 33 | 77668 | 0 | | 0 | 77668 |
| Maize | 30 | | 4 | 197 | 10 | 92 | 8 | 1593 | 0 | | 0 | 1593 |
| Cereals | 1652 | | | 7095 | | | | | | | | |
| Oilseed rape | 250 | | 2 | 596 | 16 | 165 | 0 | 0 | 0 | | 0 | 0 |
| Crops | 2000 | | | | | | | 0 | 0 | | 0 | 0 |
| Sugar*** | 65 | | 6 | 427 | 50 | 194 | 306 | 130770 | 0 | | | 130770 |
| Milk**** | | 626 | 5 | 3019 | | | | | 0 | | | |
| Butter | | | | 66 | 260 | 943 | 1657 | 108945 | 0 | | 0 | 108945 |
| Skim milk | | | | 56 | 160 | 685 | 915 | 51335 | 0 | | 0 | 51335 |
| Beef** | | 1402 | | 232 | 258 | 1730 | 854 | 198329 | 400 | | 560800 | 759129 |
| Sheep | | | | | | | | | | | | |
| Other(a) | | | | | | | | | | | | |
| Total | | | | | | | | 630889 | | | 560800 | 1191689 |

set aside = 0 % In general supply is adjusted down without precise assumption on supply elasticity.

**numbers adjusted down and similar to sc. 0 ;

***B quota levy suppressed.

****same yields as in sc ;

(a)note that the EU has introduced an equivalent AMS of about 12 milliard ECU for other commodities.(see supporting table 9)

## Annex VI. Detailed calculation of the AMS of the EU in 2002 (Scenario 1)

| **Scenario 1** | | | | | **Year: 2002** | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Commodities | Area | Number of heads | Yields in t/ha or | Production EU | Price EU 2002 | 1986-88 world price | Gap | Price support | Area/head payment | Set aside payment | Compens. payment | total AMS |
| units | 000 ha | 000 | l/cow | 000t | ECU/t | ECU/t | ECU/t | 000ECU | ECU/ha (head) | ECU/ha | or levy | 000ECU |
| Column No. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| Durum | | | | | | | | 0 | | | 0 | 0 |
| Rice | | | | | | | | 0 | | | 0 | 0 |
| Olive oil | | | | | | | | 0 | | | 0 | 0 |
| Forage+peas | 4,500 | | | 4,412 | | | 68 | 300,016 | 374 | | 1,598,850 | 1,898,866 |
| Wheat | 15,634 | | 6 | 85,990 | 119 | 87 | 33 | 2,794,675 | 252 | 0 | 3,742,780 | 6,537,455 |
| Rye | 1,300 | | 4 | 5,070 | 119 | 67 | 52 | 262,119 | 252 | | 311,220 | 573,339 |
| Oats | 2,000 | | 4 | 7,000 | 119 | 113 | 7 | 45,500 | 252 | | 478,800 | 524,300 |
| Feed barley | 10,172 | | 4 | 43,740 | 119 | 67 | 52 | 2,261,358 | 252 | | 2,435,177 | 4,696,535 |
| Maize | 3,960 | | 8 | 29,700 | 119 | 92 | 27 | 804,870 | 252 | | 948,024 | 1,752,894 |
| Oilseed rape* | 3,739 | | 2 | 8,600 | 165 | 165 | 0 | 0 | 465 | | 1,651,703 | 1,651,703 |
| Crops | | | | | | | | 0 | | 319 | 0 | 0 |
| Sugar | 2,420 | | 7 | 16,940 | 627 | 194 | 433 | 7,335,020 | | | -637,283 | 6,697,737 |
| Milk | | 20,370 | 5,130 | 104,500 | | | | | | | | |
| Butter | | | | | 3,260 | 943 | 2,317 | 0 | | | 0 | 0 |
| Skim milk | | | | | 2,042 | 685 | 1,357 | 0 | | | 0 | 0 |
| Beef | | 30,856 | | 8,480 | 3,230 | 1,730 | 1,500 | 12,720,000 | 109 | | 3,363,304 | 16,083,304 |
| Sheep | | | | | | | | | | | | |
| Other | note that the EU has introduced an equivalent AMS of about 12 milliard ECU for other commodities.(see supporting table 9) | | | | | | | | | | | |
| Total | | | | | | | | | | | | 38,517,267 |

Set aside rate : 5%

*no price support in the EU

## Annex VII. Detailed calculation of the AMS of the EU in 2002 (Scenario 2)

| **Scenario 2** | | | | | | **Year: 2002** | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Commodities | Area | Number of heads | Yields in t/ha or | Production EU | Price EU 2002 | 1986-88 world price | Gap | Price support | Area/head payment | Set aside payment | Compens. payment | AMS |
| units | 000 ha | 000 | l/cow | '000t | ECU/t | ECU/t | ECU/t | '000ECU | ECU/ha (head) | ECU/ha | or levy | '000ECU |
| Durum | | | | | | | | | | | | |
| Rice | | | | | | | | | | | | |
| Olive oil | | | | | | | | | | | | |
| Veg.Proteins | | | | | | | | | | | | |
| Wheat | 18,393 | | 6 | 101,162 | 100 | 87 | 14 | 1,365,680 | 0 | 0 | 0 | 1,365,680 |
| Rye | 1,530 | | 4 | 5,965 | 100 | 67 | 33 | 195,059 | 0 | | 0 | 195,059 |
| Oats | 2,353 | | 4 | 8,236 | 100 | 113 | -13 | -102,944 | 0 | | 0 | -102,944 |
| Feed barley | 11,967 | | 4 | 51,458 | 100 | 67 | 33 | 1,682,680 | 0 | | 0 | 1,682,680 |
| Maize | 4,659 | | 8 | 34,941 | 100 | 92 | 8 | 283,022 | 0 | | 0 | 283,022 |
| Oilseed rape | 3,739 | | 2 | 8,600 | 165 | 165 | 0 | 0 | 0 | | 0 | 0 |
| Crops | | | | | | | | 0 | 0 | 319 | 0 | 0 |
| Sugar | 2,420 | | 7 | 16,940 | 500 | 194 | 306 | 5,183,640 | 0 | | | 5,183,640 |
| Milk | | 20,370 | 5,130 | 104,500 | | | | | 0 | | | |
| Butter | | | | | 2,600 | 943 | 1,657 | 0 | 0 | | 0 | 0 |
| Skim milk | | | | | 1,600 | 685 | 915 | 0 | 0 | | 0 | 0 |
| Beef | | 30,856 | | 8,480 | 2,584 | 1,730 | 854 | 7,241,920 | 0 | | 0 | 7,241,920 |
| Sheep | | | | | | | 0 | | 0 | | | |
| Other | note that the EU has introduced an equivalent AMS of about 12 milliard ECU for other commodities.(see supporting table 9) | | | | | | | | | | | |
| Total | | | | | | | | | | | | 15,849,057 |

set aside = 0 % In general supply is adjusted down without precise assumption on supply elasticity.

## Annex VIII. Detailed calculation of the AMS of the CEEC's in 2002 (Scenario 1)

| Scenario 1 | | | | | | Year: 2002 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Commodities | Area | Number of heads | Yields in t/ha or | Production EU | Price EU 2002 | 1986-88 world price | Gap | Price support | Area/head payment | Set aside payment | Compens. payment | total AMS |
| Units | 000 ha | 000 | l/cow | 000t | ECU/t | ECU/t | ECU/t | '000ECU | ECU/ha (head) | ECU/ha | or levy | '000ECU |
| Column No. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| Durum | | | | | | | | | | | | |
| Rice | | | | | | | | | | | | |
| Olive oil | | | | | | | | | | | | |
| Veg.Proteins | | | | | | | | | | | | |
| Wheat | 5,840 | | 6 | 32,122 | 119 | 87 | 33 | 1,043,972 | 252 | 0 | 1,398,180 | 2,442,15 |
| Rye | 1,813 | | 4 | 7,071 | 119 | 67 | 52 | 365,576 | 252 | | 434,044 | 799,62 |
| Oats | 758 | | 4 | 2,652 | 119 | 113 | 7 | 17,238 | 252 | | 181,391 | 198,62 |
| Feed barley | 3,036 | | 4 | 13,056 | 119 | 67 | 52 | 674,980 | 252 | | 726,866 | 1,401,84 |
| Maize | 1,113 | | 8 | 8,345 | 119 | 92 | 27 | 226,156 | 252 | | 266,368 | 492,52 |
| Oilseed rape* | 1,517 | | 2 | 3,490 | 165 | 165 | 0 | 0 | 465 | | 670,311 | 670,31 |
| Crops | | | | | | | | 0 | | 319 | 0 | |
| Sugar | 711 | | 7 | 4,920 | 627 | 194 | 433 | 2,130,360 | | | -185,090 | 1,945,27 |
| Milk | | 4 | 5,130 | 22,950 | | | | | | | | |
| Butter | | | | | 3,260 | 943 | 2,317 | 0 | | | 0 | |
| Skim milk | | | | | 2,042 | 685 | 1,357 | 0 | | | 0 | |
| Beef | | 16,501 | | 1,700 | 3,230 | 1,730 | 1,500 | 2,550,000 | 109 | | 1,798,609 | 4,348,60 |
| Sheep | | | | | | | 0 | | 0 | | | |
| Other | note that the EU has introduced an equivalent AMS of about 12 milliard ECU for other commodities.(see supporting table 9) | | | | | | | | | | | |
| Total | | | | | | | | | | | | 12,298,961 |

*no price support in the EU
Set aside rate = 5%

## Annex IX. Detailed calculation of the AMS of the CEEC's in 2002 (Scenario 2)

| Scenario 2 | | | | | | Year: 2002 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Commodities | Area | Number of heads | Yields in t/ha or | Production EU | Price EU 2002 | 1986-88 world price | Gap | Price support | Area/head payment | Set aside payment | Compens. payment | AMS |
| units | 000 ha | 000 | l/cow | 000t | ECU/t | ECU/t | ECU/t | '000ECU | ECU/ha (head) | ECU/ha | or levy | '000ECU |
| Durum | | | | | | | | | | | | |
| Rice | | | | | | | | | | | | |
| Olive oil | | | | | | | | | | | | |
| Veg.Proteins | | | | | | | | | | | | |
| Wheat | 6,871 | | 5 | 33,668 | 100 | 87 | 14 | 454,518 | 0 | 0 | 0 | 454,518 |
| Rye | 2,133 | | 4 | 8,319 | 100 | 67 | 33 | 272,031 | 0 | | 0 | 272,031 |
| Oats | 891 | | 4 | 3,120 | 100 | 113 | -13 | -39,000 | 0 | | 0 | -39,000 |
| Feed barley | 3,572 | | 4 | 15,360 | 100 | 67 | 33 | 502,259 | 0 | | 0 | 502,259 |
| Maize | 1,309 | | 4 | 4,974 | 100 | 92 | 8 | 40,291 | 0 | | 0 | 40,291 |
| Oilseed rape | 1,517 | | 2 | 3,490 | 165 | 165 | 0 | 0 | 0 | | 0 | 0 |
| Crops | 17,150 | | | | | | | 0 | 0 | 319 | 273,543 | 273,543 |
| Sugar | 711 | | 6 | 4,197 | 500 | 194 | 306 | 1,284,404 | 0 | | -125,922 | 1,158,482 |
| Milk | | 4 | 4,700 | 21,009 | | | | | 0 | | | |
| Butter | | | | | 2,600 | 943 | 1,657 | 0 | 0 | | 0 | 0 |
| Skim milk | | | | | 1,600 | 685 | 915 | 0 | 0 | | 0 | 0 |
| Beef | | 16,501 | | 1,700 | 2,584 | 1,730 | 854 | 1,451,800 | 0 | | 0 | 1,451,800 |
| Sheep | | 4,318 | | 584 | 925 | 925 | 0 | | 0 | | | |
| Other | note that the EU has introduced an equivalent AMS of about 12 milliard ECU for other commodities.(see supporting table 9) | | | | | | | | | | | |
| Total | | | | | | | | | | | | 4,113,924 |

set aside = 0 % In general supply is adjusted down without precise assumption on supply elasticity.

**Annex X.** **Comparison of EU and CR bound tariffs for major commodities**

| EU tariff line | CR tariff line | Item | EU bound tariff | | EU border price | Bound tariffs Ad valorem | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | ad valorem component | specific component | | EU | CR | Poland | Hungary | Slovakia |
| | | | | ECU/t | | | | | | |
| 10019095 | 10019099 | Wheat | | 95 | 86.5 | 109.8 | 21.2 | 64 | 32 | 21,2 |
| 10059000 | 10059000 | Maize | | 94 | 91.9 | 102.3 | 17 | 12.8 | 32 | 17 |
| 12050090 | 12050090 | Rape seed | 0 | 0 | 188.7 | 0 | 60 | 27 | 0 | 60 |
| 17011290 | 17011290 | Sugar | | 419 | 193.8 | 216.2 | 59.5 | 96 | 68 | 29.5 |
| 4050010 | 4050011 | Butter | | 1896 | 943.3 | 201 | 68 | 102 | 101.8 | 68 |
| 4021019 | 4021019 | Skim milk powder | | 1188 | 684.7 | 173.5 | 37 | - | 51.2 | 37 |
| 4069032 | 4069023 | Cheese | | 1510 | | 50 | 9 | 160 | 52.5 | 9 |
| 2011050 | 2012020 | Beef and veal meat | 12.8 | 1768 | 1729.8 | 115 | 34 | 19 | 71.7 | 34 |
| 2031110 | 2031110 | Pork meat | | 536 | 1320.0 | 40.6 | 38.5 | 64 | 37.5 | 20 |
| 2071019 | 2071019 | Poultry meat | | 325 | 1080.0 | 30.1 | 43 | 128 | 39 | 43 |
| | | Potatoes | | | | 11.5 | 100 | 128 | 44.2 | 100 |
| | | Tomatoes | | | | 89 | 12.7 | 40 | 46.1 | 12.7 |

Sources GATT Schedules of concerned countries ;
EU conversion into ad valorem based on base period border prices(supporting tables)

## Annex XI. Tariff Quotas for agricultural products of the Czech Republic

| Description of products | Tariff item number(s) | Initial quota quantity*) (tonnes) | Initial quota tariff rate (%) | Final quota quantity*) (tonnes) | Final quota tariff rate (%) | TRQ 1995 (tonnes) | Preferential tariff | |
|---|---|---|---|---|---|---|---|---|
| Live bovine animals, meat of bovine animals | | 6675.0 | | 11125.0 | | 7500 | | |
| | 0102.90 | | 30.0 | | 30.0 | | CEFTA | |
| | 0201 | | 30.0 | | 30.0 | | " | |
| | 0202 | | 30.0 | | 30.0 | | " | |
| Live swine, meat of swine | | 14832.0 | | 24720.0 | | | CEFTA+EU | |
| | 0103.92 | | 25.0 | | 25.0 | | | |
| | 0203 | | 30.0 | | 30.0 | | | |
| Live sheep, meat of sheep | | 370.2 | | 370.2 | | | CEFTA | |
| | 0104.10 | | 5.0 | | 5.0 | | | |
| | 0204 Ex | | 20.0 | | 20.0 | | | |
| Meat of poultry | | 2085.0 | | 3471.0 | | | CEFTA | |
| | 0207.10 Ex | | 24.0 | | 24.0 | | | |
| | 0207.21 Ex | | 24.0 | | 24.0 | | | |
| | 0207.39 Ex | | 24.0 | | 24.0 | | | |
| | 0207.41 Ex | | 24.0 | | 24.0 | | | |
| Meat offal, salted, in brine, dried | | 410.1 | | 410.1 | | | CEFTA | |
| | 0210.20 Ex | | 30.0 | | 30.0 | | | |
| | 0210.90 Ex | | 24.0 | | 24.0 | | | |
| Milk and cream | | 1146.0 | | 1910.0 | | | CEFTA+EU | |
| | 0402.10 | | 30.0 | | 30.0 | | EU : 1000t | |
| | 0402.21 | | 30.0 | | 30.0 | | | |
| | 0402.29 | | 35.0 | | 35.0 | | | |
| Yoghurt | 0403.10 | 6670.4 | 10.0 | 6670.4 | 10.0 | | CEFTA+EU | Hungary: 400t |
| Butter | 0405.00 | 1668.6 | 32.0 | 2781.0 | 32.0 | | CEFTA+EU | 320t |
| Potatoes | | 25556.1 | | 33583.3 | | | CEFTA+EU | EU: 15000t |
| | 0701.90.10 | | 50.0 | | 50.0 | | | Hung.:10000t |
| | 0701.90.90 | | 50.0 | | 50.0 | | | |
| Grapes, fresh | | 2357.8 | | 3929.7 | | | CEFTA+EU | |
| | 0806.10.91 | | 28.0 | | 28.0 | | | |
| | 0806.10.99 | | 28.0 | | 28.0 | | | |
| Wheat starch, corn starch, potato starch | | 3216.7 | | 3216.7 | | | | |
| | 1108.11 | | 53.2 | | 53.2 | | | |
| | 1108.12 | | 55.6 | | 55.6 | | | |
| | 1108.13 | | 63.4 | | 63.4 | | | |
| Rape seeds | 1205.00.90 | 9720.0 | 20.0 | 16200.0 | 20.0 | | CEFTA | |
| Sunflower seeds | | 1701.2 | | 1701.2 | | | CEFTA | |
| | 1206.00.91 | | 10.0 | | 10.0 | | | |
| | 1206.00.99 | | 10.0 | | 10.0 | | | |

| Description of products | Tariff item number(s) | Initial quota | | Final quota | | TRQ 1995 | Preferential tariff | |
|---|---|---|---|---|---|---|---|---|
| | | quantity*) | tariff rate | quantity*) | tariff rate | | | |
| | | (tonnes) | (%) | (tonnes) | (%) | (tonnes) | | |
| Sunflower oil | | 7705.1 | | 7705.1 | | | CEFTA+EU | |
| | 1512.11 | | 18.0 | | 18.0 | | | |
| | 1512.19 | | 19.0 | | 19.0 | | | |
| Rape oil | | 3693.8 | | 4750.0 | | | CEFTA | |
| | 1514.10 | | 20.0 | | 20.0 | | | |
| | 1514.90.10 | | 20.0 | | 20.0 | | | |
| Margarine, edible mixtures of fats or oils | | 17181.4 | | 17181.4 | | | EU | |
| | 1517.10 | | 20.0 | | 20.0 | | | |
| | 1517.90 | | 10.0 | | 10.0 | | | |
| Glucose and glucose syrup | | 1421.9 | | 1421.9 | | | CEFTA | |
| | 1702.30 | | 50.0 | | 50.0 | | | |
| | 1702.40 | | 50.0 | | 50.0 | | | |
| Pasta | | 4783.1 | | 4783.1 | | | CEFTA | |
| | 1902.11 | | 12.0 | | 12.0 | | | |
| | 1902.19 | | 12.0 | | 12.0 | | | |
| | 1902.20 | | 12.0 | | 12.0 | | | |
| | 1902.30 | | 10.0 | | 10.0 | | | |
| Ice cream | 2105.11 | 1289.3 | 11.0 | 2075.0 | 11.0 | | CEFTA | |
| Waters containing added sweetening matters | 2202.10 | 450946 hl | 11.0 | 450946 hl | 11.0 | | CEFTA | |
| Wine of grapes | 2204 | 91905 hl | 25.0 | 91905 hl | 25.0 | | CEFTA | |
| Undenatured ethyl alcohol (>=80% vol) | 2207.10 | 15903 hl | 70.0 | 26505 hl | 70.0 | | - | |
| Undenatured ethyl alcohol (<80% vol) | 2208.90 | 126203 hl | 56.0 | 126203 hl | 56.0 | | CEFTA | |
| Dextrines and other modified starches | 3505.10 | 3211.8 | 52.0 | 3211.8 | 52.0 | | | |

Source CR GATT Schedule and Informations from VUZE

*) Including trade covered by arrangements in the context of Article XXIV of GATT

## Annex XII. Amalgamation of subsidised exports commitments in the context of accession to the EU: the implication of netting-out bilateral trade from the schedules on the compliance of the enlarged EU with commitments.

When the three Northern countries have acceded to EU, the GATT schedules of concerned parties have been amalgamated by a procedure of "netting out". This procedure has been applied to both TRQ's and to subsidised exports commitments[1]. This annex is an analytical interpretation of the netting-out procedure. Notations are as follows :

$X_{lk}$ = exports from country $l$ to country $k$

$M_{lk}$ = imports of country $l$ from country $k$

$Y$ = production ; $Q$ = domestic use ; $S$ = stock increase

Subscripts are :

| | |
|---|---|
| $e$ | refers to EU-15, |
| $i$ | refers to CR («°incomer »), |
| $r$ | refers to "Rest of the World", |
| $g$ | refers to EU-16, i.e., EU-15+CR. |

**1) Bilateral trade and gross exports of EU-16 to the rest of the world.**

For any year (the year superscript $t$ is omitted to alleviate notations), total (gross) exports are :

(1) $X_e = X_{ei} + X_{er} = Y_e + M_{ei} + M_{er} - Q_e - S_e$ , for the EU and,

(2) $X_i = X_{ie} + X_{ir} = Y_i + M_{ie} + M_{ir} - Q_i - S_i$ , for the CR.

The excess supply is defined as :

$$E_l = Y_l - Q_l - S_l \qquad ; \qquad l = e, i$$

Then (1) and (2) can be written as :

(3) $X_{ei} + X_{er} = M_{ei} + M_{er} + E_e$

(4) $X_{ie} + X_{ir} = M_{ie} + M_{ir} + E_i$

The gross exports of EU-16 (to third countries) can be simplified for bilateral trade since :

(5) $M_{ei} = X_{ie} \qquad ; \qquad M_{ie} = X_{ei}$

Gross exports of the enlarged EU-16 to the rest of the world are defined as :

(6) $X_{gr} = X_{er} + X_{ir}$,

They are therefore given by

$$X_{gr} = M_{ei} + M_{er} + E_e - X_{ei} + M_{ie} + M_{ir} + E_i - X_{ie}$$

[1] Council Regulation (EC) N° 3093/95 and Council Decisions 95/591/EC and 95/592/EC published in OJEC L334 30/12/95.

using (5) this simplifies into :

$$X_{gr} = E_e + E_i + M_{er} + M_{ir}$$

(7) $$X_{gr} = E_g + M_{er} + M_{ir}$$

where, $E_g = E_e + E_i$

This shows that bilateral trade will not affect the condition of compliance but imports of EU-16 from the rest of the world will matter.

**2) The condition for compliance of EU-16 with commitments on subsidised exports.**

Commitments are based on exports in a reference period reduced by 21% in the final year of implementation. Let $x$ be this final commitment. Before integration of the two parties the commitments are defined as follows :

(8) $$x_e = x_{ei} + x_{er}$$

(9) $$x_i = x_{ie} + x_{ir}$$

In the aggregate commitment for EU-16 bilateral trade is netted out.

Hence,

$$x_{gr} \equiv x_{er} + x_{ir} = (x_e - x_{ei}) + (x_i - x_{ie})$$

Compliance of enlarged EU requires the following necessary and sufficient condition :

$$X_{gr} \leq x_{gr} \quad \text{, or :}$$

(10) $$E_g + M_{er} + M_{ir} \leq x_{er} + x_{ir}$$

A sufficient (but not necessary) condition is that exportable surplus remains below the commitments in both parties.

(11.a) $$E_e + M_{er} \leq x_{er} = x_e - x_{ei}$$

(11.b) $$E_i + M_{ir} \leq x_{ir} = x_i + x_{ie}$$

This two conditions are sufficient and not necessary (i.e., too strong) since some offsetting between overshoot and undershoot can occur in condition (10). In the case of CR accession the netting out of commitments on subsidised exports may be based on a year between now and 2000. Expression (10) and (11) show that bilateral trade in the reference year will affect the level of global commitments.

**3) Implication of the netting out of minimum access.**

With the same notations, minimum access conditions require actual imports to be at least equal to the TRQ's (designated by m).

(12) $$M_e = M_{ei} + M_{er} \geq m_e = m_{ei} + m_{er}$$

(13) $$M_i = M_{ie} + M_{ir} \geq m_i = m_{ie} + m_{ir}$$

The procedure of netting out implies a global minimum access for EU-16 of imports from the rest of the world such that :

(14) $$M_{gr} = M_{er} + M_{ir} \geq m_{er} + m_{ir}$$

In terms of exports commitments for enlarged EU-16, the minimum access condition requires that actual imports be at last equal to the TRQ's of EU-15 from the rest of the world. Therefore the least constraining subsidised export commitment is :

$$E_g + m_{er} + m_{ir} \leq x_{er} + x_{ir} \tag{15}$$

A sufficient but not necessary condition for (15) to be satisfied is that both parties satisfy :

$$E_e + m_{er} \leq x_{er} \tag{16}$$

$$E_i + m_{ir} \leq x_{ir} \tag{17}$$

The condition (15) is the weakest condition for compliance with export subsidies commitments for EU-16 whenever imports of EU-16 from the rest of the world stay (below or) equal to minimum access. If actual imports are greater, then condition (10) shows that excess supply should be kept lower.

In the current study we have analyzed only condition (17) which has further been simplified into $E_i + m_i \leq x_i$. Using the minimal condition (15) requires detailed information on TRQ's in a period of reference. A comprehensive publication of these data for the CR was not available. For the EU a detailed examination of the Association Agreement between the EU and the CR is required to complete the study.

## Annex XIII. Subsidised Export Commodity Group[a]: CEREALS and products

Comments: (excl. rice, incl. starch, malt)

| | | units | base period | 1994 | 1995 | 1996 | 2002 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Sc. 0 | Sc. 1 | Sc. 2 |
| 1 | EU-15 Net Com., quantity | 000 tonnes | | | | | | | |
| 2 | EU-15 Com. expenditures | mill. ECU | | | | | | | |
| 3 | CR Net Com.quantity | 000 tonnes | | | | | | | |
| 4 | CR Com. expenditures | mill. ECU | | | | | | | |
| 5 | CR Domestic Consumption | 000 tonnes | | 6793 | | | 7450 | 6216 | 6614 |
| 6 | CR Imports (b) | 000 tonnes | | 81 | 1139 | | | | |
| 7 | CR Tariff quota non EU-15 | 000 tonnes | | | | | na | na | na |
| 8 | CR Minim access (5%Cons) | 000 tonnes | | | | | | | |
| 9 | CR Stocks increase | 000 tonnes | | | | | | | |
| 10 | CR Supply | 000 tonnes | | 7210 | | | 8005 | 8124 | 7095 |
| 11 | CR Exportable Surplus | 000 tonnes | | | | | 558 | 1911 | 485 |
| 12 | CR qty gap (11) - (3) | 000 tonnes | | | | | | | |
| 13 | CR total exports (c) | 000 tonnes | | | 1451 | | | | |
| 14 | CR Export Subsidies Costs (d) | milliard ECU | | | | | | | |
| 15 | CR Expo Surp/EU exp com. | ratio | | | | | | | |

a) Commodity group as defined in the EU Schedule Part IV, section II, pages 16957 to 16965. Note that the group hopseeds in the CR schedule includes coarse grains (also appearing under grains) ; sources (b) : OECD ; (c) : PAU.(OECD has a different number may be because of different aggregation).

| | Annex Table | units | base period | 1994 | 1995 | 1996 | 2002 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Sc. 0 | Sc. 1 | Sc. 2 |
| 1 | EU-15 Ceiling Tot. Comm., qty | 000 tonnes | | | | | 25 281 | 25 281 | 25 281 |
| 2 | Imports from EU-15 into CR (2) | 000 tonnes | | | | | | | |
| 3 | CR Ceiling Total Comm., qty | 000 tonnes | | | | | 322 | 322 | 322 |
| 4 | Exports of CR to EU-15 | 000 tonnes | | | 284 | | | | |
| 5 | EU Tariff quota import from CR | 000 tonnes | | | | | | | |
| 6 | CR Tariff quota import from EU | 000 tonnes | | | | | 74 | 74 | 74 |
| 7 | CR Tot. Tariff Quota (3) | 000 tonnes | | | | | 3 | 3 | 3 |

(1)Source : Ministry ; there seems to be a TRQ of 69300+5000 tonnes of maize from EU to CR, although it is not reported in the CR WTO schedule ;
(2) source : extracted from trade data (PAU)
(3)does not include pasta of which CR has 4783 tonnes while EU does not seem to have any except for stuffed with pigmeat.

## Annex XIV. Subsidised Export Commodity Group[a]: SUGAR + ISOGLUCOSE

| | | units | base period | 1994 | 1995 | 1996 | 2002 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Sc. 0 | Sc. 1 (e) | Sc. 2 |
| 1 | EU-15 Net Commit., quantity | 000 tonnes | | | | | | | |
| 2 | EU-15 Commit., expenditures | mill. ECU | | | | | | | |
| 3 | CR Net Commitments, quantity | 000 tonnes | | | | | | | |
| 4 | CR Commitments, expenditures | mill. ECU | | | | | | | |
| 5 | CR Domestic Consumption | 000 tonnes | | | | | 350 | 355 | 383 |
| 6 | CR total Imports (b) | 000 tonnes | | 94.7 | 28.4 | | | | |
| 7 | CR Tariff quota non EU-15 | 000 tonnes | | | | | na | na | na |
| 8 | CR Minimum access | 000 tonnes | | | | | | | |
| 9 | CR Stocks increase | 000 tonnes | | | | | | | |
| 10 | CR Supply | 000 tonnes | | | | | 365 | 455 | 427 |
| 11 | CR Exportable Surplus | 000 tonnes | | | | | 16 | 102 | 45 |
| 12 | CR qty gap (11) - (3) | 000 tonnes | | | | | | | |
| 13 | CR total exports(c) | 000 tonnes | | | 34.0 | | | | |
| 14 | CR Export Subsidies Costs | milliard ECU | | | | | | | |
| 15 | CR Export Surplus/EU export com. | ratio | | | | | | | |

a) Commodity group as defined in the EU Schedule Part IV, section II, pages 16957 to 16965 ; (b) OECD data base ; (c) source PAU extraction from trade database ; OECD reports 13067 tonnes in 1995.

| | Annex Table | units | base period | 1994 | 1995 | 1996 | 2002 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Sc. 0 | Sc. 1 | Sc. 2 |
| 1 | EU-15 Ceiling Tot. Comm., qty | 000 tonnes | | | | | 1273 | 1273 | 1 273 |
| 2 | Imports from EU-15 into CR (1) | 000 tonnes | | 8 | 18 | | | | |
| 3 | CR Ceiling Total Comm., qty | 000 tonnes | | | | | 4.9 | 4.9 | 4.9 |
| 4 | Exports of CR to EU-15 | 000 tonnes | | | | | | | |
| 5 | EU Tariff quota import from CR | 000 tonnes | | | | | | | |
| 6 | CR Tariff quota import from EU | 000 tonnes | | | | | 0.0 | 0.0 | 0.0 |
| 7 | CR Tot. Tariff Quota (schedul.) | 000 tonnes | | | | | 1.4 | 1.4 | 1.4 |

(1) source : extracted from trade data (PAU)

**Annex XV. Subsidised Export Commodity Group[a]: BUTTER AND BUTTER OIL**

| | | units | base period | 1994 | 1995 | 1996 | 2002 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Sc. 0 | Sc. 1 | Sc. 2 |
| 1 | EU-15 Net Commit., quantity | 000 tonnes | | | | | | | |
| 2 | EU-15 Commit., expenditures | mill. ECU | | | | | | | |
| 3 | CR Net Commitments, quantity | 000 tonnes | | | | | | | |
| 4 | CR Commitments, expenditures | mill. ECU | | | | | | | |
| 5 | CR Domestic Consumption | 000 tonnes | | 55.00 | | | 50.00 | 47.67 | 51.48 |
| 6 | CR total Imports (b) | 000 tonnes | | 19.80 | 25.40 | | | | |
| 7 | CR Tariff quota non EU-15 | 000 tonnes | | | | | na | na | na |
| 8 | CR Minimum access | 000 tonnes | | | | | | | |
| 9 | CR Stocks increase | 000 tonnes | | | | | | | |
| 10 | CR Supply | 000 tonnes | | 75.00 | | | 70.00 | 70.00 | 65.75 |
| 11 | CR Exportable Surplus | 000 tonnes | | | | | 22.78 | 25.11 | 17.04 |
| 12 | CR qty gap (11) - (3) | 000 tonnes | | | | | | | |
| 13 | CR total exports (b) | 000 tonnes | | 0.19 | 8.70 | | | | |
| 14 | CR Export Subsidies Costs | milliard ECU | | | | | | | |
| 15 | CR Export Surplus/EU export com. | ratio | | | | | | | |

a) Commodity group as defined in the EU Schedule Part IV, section II, pages 16957 to 16965; (b) Source OECD Data Base. Moreover the supply utilisation balance for butter in 1994 seems strange in view of domestic surplus. Also OECD (1995, p.131) reports subsidised exports of 18000 tonnes in 1994.

| | Annex Table | units | base period | 1994 | 1995 | 1996 | 2002 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Sc. 0 | Sc. 1 | Sc. 2 |
| 1 | EU-15 Ceiling Tot. Comm., qty | 000 tonnes | | | | | 399.00 | 399.00 | 399.00 |
| 2 | Imports from EU-15 into CR (1) | 000 tonnes | | 0.03 | 0.15 | | | | |
| 3 | CR Ceiling Total Comm., qty | 000 tonnes | | | | | 42.00 | 42.00 | 42.00 |
| 4 | Exports of CR to EU-15 | 000 tonnes | | 10.70 | 17.37 | | | | |
| 5 | EU Tariff quota import from CR | 000 tonnes | | | | | | | |
| 6 | CR Tariff quota import from EU | 000 tonnes | | | | | | | |
| 7 | CR Tot. Tariff Quota | 000 tonnes | | | | | 2.78 | 2.78 | 2.78 |

(1) source : extracted from trade data (PAU)

**Annex XVI. Subsidised Export Commodity Group[a]: SKIM MILK POWDER**

| | | units | base period | 1994 | 1995 | 1996 | 2002 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Sc. 0 | Sc. 1 | Sc. 2 |
| 1 | EU-15 Net Commitments, quantity | 000 tonnes | | | | | | | |
| 2 | EU-15 Commitments, expenditures | mill. ECU | | | | | | | |
| 3 | CR Net Commitments, quantity | 000 tonnes | | | | | | | |
| 4 | CR Commitments, expenditures | mill. ECU | | | | | | | |
| 5 | CR Domestic Consumption | 000 tonnes | | | | | 27.00 | 25.41 | 27.65 |
| 6 | CR Imports | 000 tonnes | | na | na | na | | | |
| 7 | CR Tariff quota non EU-15 | 000 tonnes | | | | | | | |
| 8 | CR Minimum access | 000 tonnes | | | | | | | |
| 9 | CR Stocks increase | 000 tonnes | | | | | | | |
| 10 | CR Supply | 000 tonnes | | | | | 84.00 | 60.00 | 56.10 |
| 11 | CR Exportable Surplus | 000 tonnes | | | | | 58.90 | 36.49 | 30.36 |
| 12 | CR qty gap (11) - (3) | 000 tonnes | | | | | | | |
| 13 | CR total exports (b) | 000 tonnes | | | 53.10 | | | | |
| 14 | CR Export Subsidies Costs | milliard ECU | | | | | | | |
| 15 | CR Export Surplus/EU export comm. | ratio | | | | | | | |

a) Commodity group as defined in the EU Schedule Part IV, section II, pages 16957 to 16965 ; (b) Source PAU extraction from trade data.

| | Annex Table | units | base period | 1994 | 1995 | 1996 | 2002 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Sc. 0 | Sc. 1 | Sc. 2 |
| 1 | EU-15 Ceiling Tot. Comm., qty | 000 tonnes | | | | | | | |
| 2 | Imports from EU-15 into CR (1) | 000 tonnes | | 0.01 | 0.02 | | | | |
| 3 | CR Ceiling Total Comm., qty | 000 tonnes | | | | | 66.90 | 66.90 | 66.90 |
| 4 | Exports of CR to EU-15 | 000 tonnes | | | | | | | |
| 5 | EU Tariff quota import from CR | 000 tonnes | | | | | | | |
| 6 | CR Tariff quota import from EU | 000 tonnes | | | | | | | |
| 7 | CR Tot. Tariff Quota (2) | 000 tonnes | | | | | 1.90 | 1.90 | 1.90 |

(1) source : extracted from trade data (PAU) ;
(2) Source : CR schedule note that contrary to EU this includes also fat milk powder

## Annex XVII. Subsidised Export Commodity Group[a]: CHEESE and other Dairy Products

| | | units | base period | 1994 | 1995 | 1996 | 2002 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Sc. 0 | Sc. 1 | Sc. 2 (e) |
| 1 | EU-15 Net Commitments, quantity | 000 tonnes | | | | | | | |
| 2 | EU-15 Commitments, expenditures | mill. ECU | | | | | | | |
| 3 | CR Net Commitments, quantity | 000 tonnes | | | | | | | |
| 4 | CR Commitments, expenditures | mill. ECU | | | | | | | |
| 5 | CR Domestic Consumption | 000 tonnes | | 63.00 | | | 75.00 | 94.50 | 102.06 |
| 6 | CR total Imports (b) | 000 tonnes | | 16.20 | 11.60 | | | | |
| 7 | CR Tariff quota non EU-15 | 000 tonnes | | | | | 6.67 | 6.67 | 6.67 |
| 8 | CR Minimum access | 000 tonnes | | | | | | | |
| 9 | CR Stocks increase | 000 tonnes | | | | | | | |
| 10 | CR Supply | 000 tonnes | | 68.00 | | | 85.00 | 86.20 | 81.03 |
| 11 | CR Exportable Surplus | 000 tonnes | | | | | 16.67 | -1.63 | -14.36 |
| 12 | CR qty gap (11) - (3) | 000 tonnes | | | | | | | |
| 13 | CR total exports(b) | 000 tonnes | | 8.70 | 12.87 | | | | |
| 14 | CR Export Subsidies Costs | milliard ECU | | | | | | | |
| 15 | CR Export Surplus/EU export comm. | ratio | | | | | | | |

a) Commodity group as defined in the EU Schedule Part IV, section II, pages 16957 to 16965 ; (b) Source OECD Data Base

| | Annex Table | units | base period | 1994 | 1995 | 1996 | 2002 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Sc. 0 | Sc. 1 | Sc. 2 |
| 1 | EU-15 Ceiling Tot. Comm., qty | 000 tonnes | | | | | 321.00 | 321.00 | 321.00 |
| 2 | Imports from EU-15 into CR (1) | 000 tonnes | | 5.90 | 9.50 | | | | |
| 3 | CR Ceiling Total Comm., qty | 000 tonnes | | | | | 21.00 | 21.00 | 21.00 |
| 4 | Exports of CR to EU-15 (1) | 000 tonnes | | 5.00 | 0.69 | | | | |
| 5 | EU Tariff quota import from CR | 000 tonnes | | | | | | | |
| 6 | CR Tariff quota import from EU | 000 tonnes | | | | | | | |
| 7 | CR Tot. Tariff Quota (2) | 000 tonnes | | | | | 6.67 | 6.67 | 6.67 |

(1) source : extracted from trade data (PAU)
(2) Tariff line Yoghurt

## Annex XVIII. Subsidised Export Commodity Group[a]: BEEF and VEAL

| | | units | base period | 1994 | 1995 | 1996 | 2002 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Sc. 0 | Sc. 1 | Sc. 2 |
| 1 | EU-15 Net Commitments, quantity | 000 tonnes | | | | | | | |
| 2 | EU-15 Commitments, expenditures | mill. ECU | | | | | | | |
| 3 | CR Net Commitments, quantity | 000 tonnes | | | | | | | |
| 4 | CR Commitments, expenditures | mill. ECU | | | | | | | |
| 5 | CR Domestic Consumption | 000 tonnes | | 165.00 | | | 176.00 | 210.00 | 229.32 |
| 6 | CR total Imports (b) | 000 tonnes | | 1.13 | 1.69 | | | | |
| 7 | CR Tariff quota non EU-15 | 000 tonnes | | | | | na | na | na |
| 8 | CR Minimum access | 000 tonnes | | | | | 12.70 | 12.70 | 12.70 |
| 9 | CR Stocks increase | 000 tonnes | | | | | | | |
| 10 | CR Supply | 000 tonnes | | 184.00 | | | 215.00 | 258.80 | 232.24 |
| 11 | CR Exportable Surplus | 000 tonnes | | | | | 50.12 | 59.92 | 14.04 |
| 12 | CR qty gap (11) - (3) | 000 tonnes | | | | | | | |
| 13 | CR total exports | 000 tonnes | | 3.00 | 11.72 | | | | |
| 14 | CR Export Subsidies Costs | milliard ECU | | | | | | | |
| 15 | CR Export Surplus/EU export comm. | ratio | | | | | | | |

a) Commodity group as defined in the EU Schedule Part IV, section II, pages 16957 to 16965 ; (b) Source OECD Data Base

| | Annex Table | units | base period | 1994 | 1995 | 1996 | 2002 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Sc. 0 | Sc. 1 | Sc. 2 |
| 1 | EU-15 Ceiling Tot. Comm., qty | 000 tonnes | | | | | 821.70 | 821.70 | 821.70 |
| 2 | Imports from EU-15 into CR | 000 tonnes | | na | na | | | | |
| 3 | CR Ceiling Total Comm., qty | 000 tonnes | | | | | 49.80 | 49.80 | 49.80 |
| 4 | Exports of CR to EU-15 | 000 tonnes | | na | na | | | | |
| 5 | EU Tariff quota import from CR | 000 tonnes | | | | | | | |
| 6 | CR Tariff quota import from EU | 000 tonnes | | | | | | | |
| 7 | CR Tot. Tariff Quota (schedul.) | 000 tonnes | | | | | 11.12 | 11.12 | 11.12 |

**Annex XIX. Subsidised Export Commodity Group[a]: PORK**

| | | units | base period | 1994 | 1995 | 1996 | 2002 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Sc. 0 | Sc. 1 | Sc. 2 |
| 1 | EU-15 Net Commitments, quantity | 000 tonnes | | | | | | | |
| 2 | EU-15 Commitments, expenditures | mill. ECU | | | | | | | |
| 3 | CR Net Commitments, quantity | 000 tonnes | | | | | | | |
| 4 | CR Commitments, expenditures | mill. ECU | | | | | | | |
| 5 | CR Domestic Consumption | 000 tonnes | | 480.00 | | | 525.00 | 504.00 | 524.16 |
| 6 | CR total Imports (b) | 000 tonnes | | 4.65 | 0.10 | | | | |
| 7 | CR Tariff quota non EU-15 | 000 tonnes | | | | | 18,5? | 18,5? | 18,5? |
| 8 | CR Minimum access | 000 tonnes | | | | | | | |
| 9 | CR Stocks increase | 000 tonnes | | | | | | | |
| 10 | CR Supply | 000 tonnes | | 465.00 | | | 535.00 | 522.84 | 506.84 |
| 11 | CR Exportable Surplus | 000 tonnes | | | | | 34.72 | 43.56 | 7.40 |
| 12 | CR qty gap (11) - (3) | 000 tonnes | | | | | | | |
| 13 | CR total exports(b) | 000 tonnes | | 11.70 | 6.57 | | | | |
| 14 | CR Export Subsidies Costs | milliard ECU | | | | | | | |
| 15 | CR Export Surplus/EU export comm. | ratio | | | | | | | |

a) Commodity group as defined in the EU Schedule Part IV, section II, pages 16957 to 16965 ; (b) Source OECD Data Base

| | Annex Table | units | base period | 1994 | 1995 | 1996 | 2002 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Sc. 0 | Sc. 1 | Sc. 2 |
| 1 | EU-15 Ceiling Tot. Comm., qty | 000 tonnes | | | | | 443.50 | 443.50 | 443.50 |
| 2 | Imports from EU-15 into CR | 000 tonnes | | | | | | | |
| 3 | CR Ceiling Total Comm., qty | 000 tonnes | | | | | 10.00 | 10.00 | 10.00 |
| 4 | Exports of CR to EU-15 | 000 tonnes | | | | | | | |
| 5 | EU Tariff quota import from CR | 000 tonnes | | | | | | | |
| 6 | CR Tariff quota import from EU | 000 tonnes | | | | | | | |
| 7 | CR Tot. Tariff Quota (schedul.) | 000 tonnes | | | | | 24.72 | 24.72 | 24.72 |

## Annex XX. Subsidised Export Commodity Group[a] : POULTRY

| | | units | base period | 1994 | 1995 | 1996 | 2002 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Sc. 0 | Sc. 1 | Sc. 2 |
| 1 | EU-15 Net Commitments, quantity | 000 tonnes | | | | | | | |
| 2 | EU-15 Commitments, expenditures | mill. ECU | | | | | | | |
| 3 | CR Net Commitments, quantity | 000 tonnes | | | | | | | |
| 4 | CR Commitments, expenditures | mill. ECU | | | | | | | |
| 5 | CR Domestic Consumption | 000 tonnes | | 121.00 | | | 150.00 | 136.50 | 141.96 |
| 6 | CR total Imports (b) | 000 tonnes | | 4.97 | 5.25 | | | | |
| 7 | CR Tariff quota non EU-15 | 000 tonnes | | | | | | | |
| 8 | CR Minimum access | 000 tonnes | | | | | | | |
| 9 | CR Stocks increase | 000 tonnes | | | | | | | |
| 10 | CR Supply | 000 tonnes | | 124.00 | | | 175.00 | 168.76 | 163.69 |
| 11 | CR Exportable Surplus | 000 tonnes | | | | | 28.47 | 35.73 | 25.20 |
| 12 | CR qty gap (11) - (3) | 000 tonnes | | | | | | | |
| 13 | CR total exports(b) | 000 tonnes | | 4.82 | 8.59 | | | | |
| 14 | CR Export Subsidies Costs | milliard ECU | | | | | | | |
| 15 | CR Export Surplus/EU export comm. | ratio | | | | | | | |

a) Commodity group as defined in the EU Schedule Part IV, section II, pages 16957 to 16965 ; (b) Source OECD Data Base

| | Annex Table | units | base period | 1994 | 1995 | 1996 | 2002 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Sc. 0 | Sc. 1 | Sc. 2 |
| 1 | EU-15 Ceiling Tot. Comm., qty | 000 tonnes | | | | | | | |
| 2 | Imports from EU-15 into CR | 000 tonnes | | | | | | | |
| 3 | CR Ceiling Total Comm., qty | 000 tonnes | | | | | 11.40 | 11.40 | 11.40 |
| 4 | Exports of CR to EU-15 | 000 tonnes | | | | | | | |
| 5 | EU Tariff quota import from CR | 000 tonnes | | | | | | | |
| 6 | CR Tariff quota import from EU | 000 tonnes | | | | | | | |
| 7 | CR Tot. Tariff Quota (schedul.) | 000 tonnes | | | | | 3.47 | 3.47 | 3.47 |

* CR commitments are for meat and eggs

## Annex XXI. Subsidised Export Commodity Group[a]: EGGS

| | | units | base period | 1994 | 1995 | 1996 | 2002 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Sc. 0 | Sc. 1 | Sc. 2 |
| 1 | EU-15 Net Commitments, quantity | 000' tonnes | | | | | | | |
| 2 | EU-15 Commitments, expenditures | mill. ECU | | | | | | | |
| 3 | CR Net Commitments, quantity | 000' tonnes | | | | | | | |
| 4 | CR Commitments, expenditures | mill. ECU | | | | | | | |
| 5 | CR Domestic Consumption | 000' tonnes | | 145.90 | | | 163.30 | 144.90 | 150.70 |
| 6 | CR total Imports | 000' tonnes | | 4.80 | 3.75 | | | | |
| 7 | CR Tariff quota non EU-15 | 000' tonnes | | | | | | | |
| 8 | CR Minimum access | 000' tonnes | | | | | | | |
| 9 | CR Stocks increase | 000' tonnes | | | | | | | |
| 10 | CR Supply | 000' tonnes | | 149.80 | | | 170.50 | 173.95 | 168.73 |
| 11 | CR Exportable Surplus | 000' tonnes | | | | | 7.20 | 29.05 | 18.03 |
| 12 | CR qty gap (11) - (3) | 000' tonnes | | | | | | | |
| 13 | CR total exports | 000' tonnes | | 1.29 | 0.60 | | | | |
| 14 | CR Export Subsidies Costs | milliard ECU | | | | | | | |
| 15 | CR Export Surplus/EU export commitments | ratio | | | | | | | |

a) Commodity group as defined in the EU Schedule Part IV, section II, pages 16957 to 16965

| | Annex Table | units | base period | 1994 | 1995 | 1996 | 2002 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Sc. 0 | Sc. 1 | Sc. 2 |
| 1 | EU-15 Ceiling Tot. Comm., qty | 000 tonnes | | | | | | | |
| 2 | Imports from EU-15 into CR (2) | 000 tonnes | | | | | | | |
| 3 | CR Ceiling Total Comm., qty | 000 tonnes | | | | | 11.40 | 11.40 | 11.40 |
| 4 | Exports of CR to EU-15 | 000 tonnes | | | | | | | |
| 5 | EU Tariff quota import from CR | 000 tonnes | | | | | | | |
| 6 | CR Tariff quota import from EU | 000 tonnes | | | | | | | |
| 7 | CR Tot. Tariff Quota (schedul.) | 000 tonnes | | | | | 0.00 | 0.00 | 0.00 |

(a) commitments are for meat and eggs

## Annex XXII.

### Projected exportable surpluses (2002): EU and CEEC-5

| | EU-15 New schedule | | | | CEEC-5 (a) (not netted out) | | | |
|---|---|---|---|---|---|---|---|---|
| | Net export projection | TRQ | GES | Sub.Exp.Com | Net export projection | TRQ | GES | Sub.Exp.Com |
| 1000 t. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Cereals | 22660.0 | 2775.0 | 25435.0 | 25280.0 | 7800.0 | 1315.0 | 9115.0 | 1720.0 |
| Sugar | 3590.0 | 85.4 | 3675.4 | 1273.5 | 1250.0 | 96.0 | 1346.0 | 300.0 |
| Milk equiv. | 13780.0 | 1718.7 | 15498.7 | 17017.3 | -1100.0 | 827.0 | -273.0 | 644.0 |
| Beef | 680.0 | 220.3 | 900.3 | 821.0 | 10.0 | 68.0 | 78.0 | 333.0 |
| PPE | 4030.0 | 257.5 | 4287.5 | 828.3 | 960.0 | 186.8 | 1146.8 | 404.0 |
| Pig | | 71.0 | | 443.5 | | 124.6 | | 210.0 |
| Poultry | | 29.0 | | 286.0 | | 39.5 | | |
| Eggs | | 157.5 | | 98.8 | | 22.7 | | |
| Butter | | 76.7 | | 399.3 | | 20.8 | | 15.6 |
| SMP | | 69.0 | | 272.5 | | 189.7 | | 118.9 |
| Cheese | | 18.0 | | 321.0 | | 8.8 | | 13.6 |
| Oth.Dairy Pr. | | 0.0 | | 958.0 | | 48.2 | | 85.2 |

PPE = Pork, poultry and Eggs
GES = gross exportable surplus
(a) CR, Poland, Hungary Romania, Slovakia
Sugar excludes C-quota and ACP reexports

### Projected exportable surpluses of the CR in relation to subsidised export commitments

| | Sub. Exp.Com. | GES Sc1 | GES Sc2 |
|---|---|---|---|
| | 1 | 2 | 3 |
| Cereals | 322.0 | 1910.8 | 484.6 |
| Sugar | 4.9 | 101.5 | 45.5 |
| Milk equiv. | 1008.0 | 517.5 | 271.8 |
| Beef | 49.8 | 59.9 | 14.0 |
| PPE | 32.9 | 108.3 | 50.6 |
| Pig | 10.1 | 43.6 | 7.4 |
| Poultry | 11.4 | 35.7 | 25.2 |
| Eggs | 11.4 | 29.0 | 18.0 |
| Butter | 42.0 | 25.1 | 17.0 |
| SMP | 66.9 | 36.5 | 30.4 |
| Cheese | 21.0 | -1.6 | -14.4 |
| Oth. Dairy Prod. | 0.0 | 0.0 | 0.0 |