

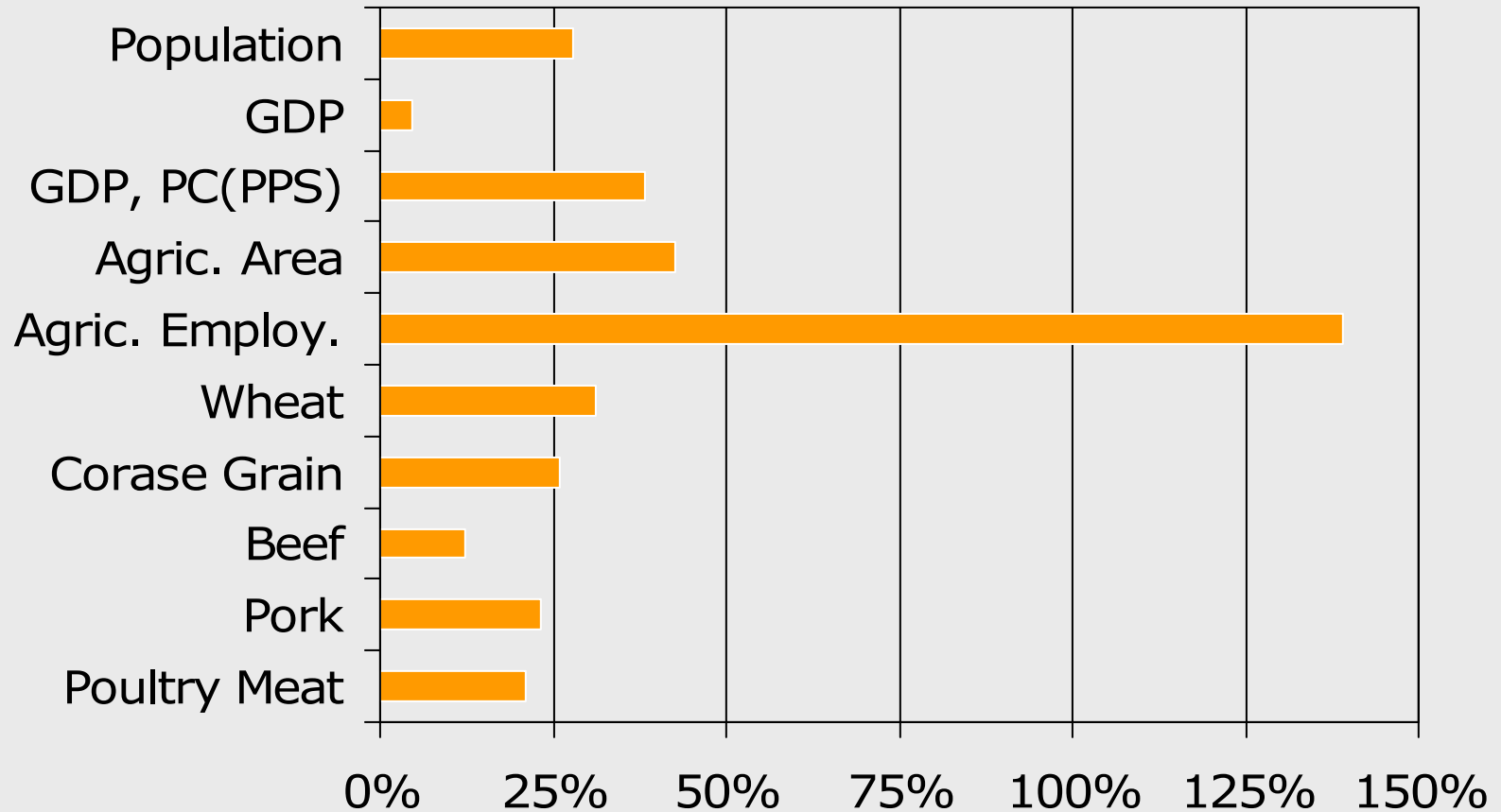
**WTO: Competing Trade Policy Issues and
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2003**

CAP and Enlargement

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Economic Relevance of Agriculture in the CEC and the EU, 2000, EU-15 = 100%



Source: Eurostat (2003) and FAO-Database (2003).

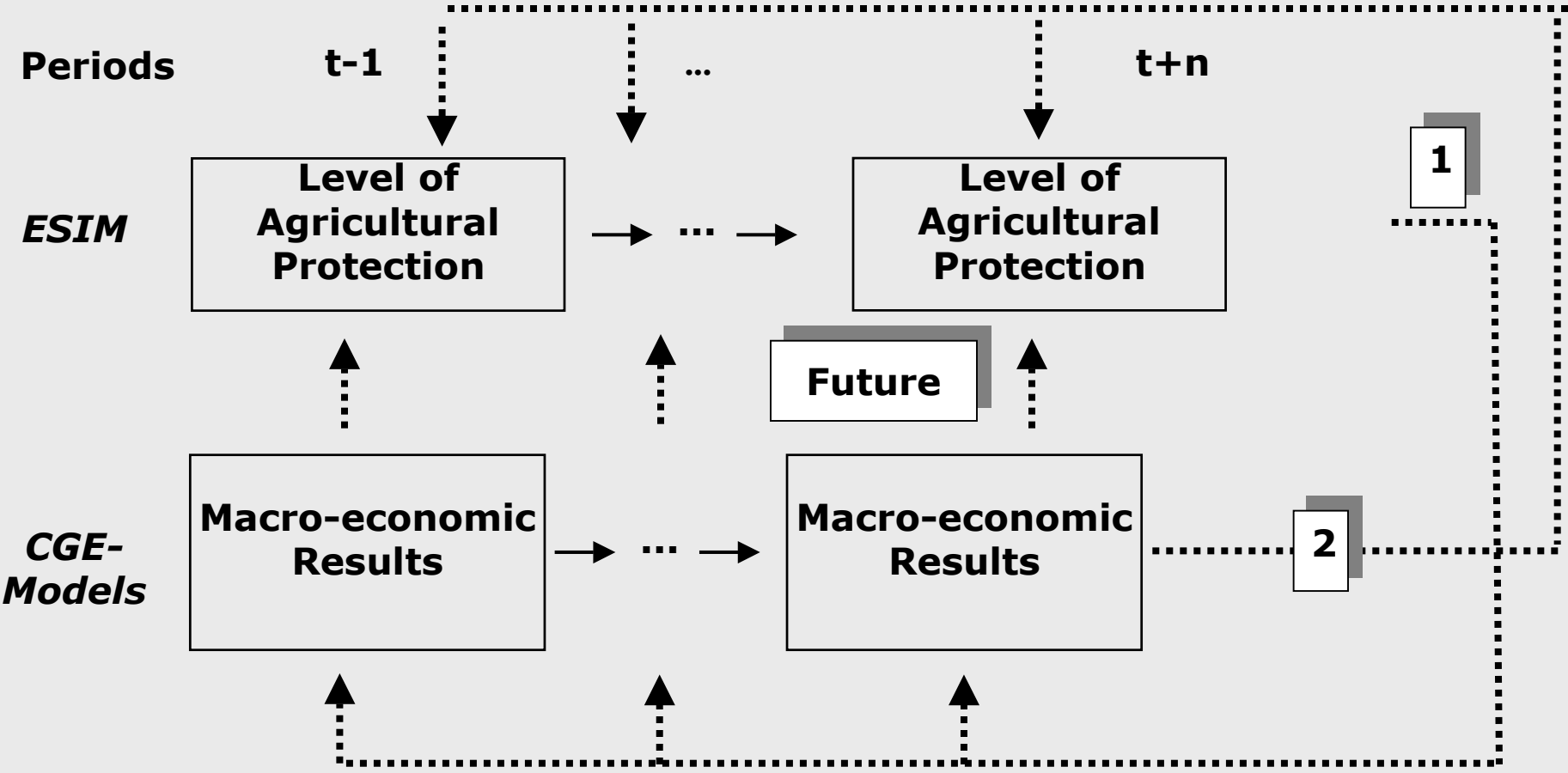
General Features of the General and Partial Equilibrium Models

	CGE-Models	Partial Model (ESIM)
Sectors	9	only agriculture
Agriculture	2 products	27 products
Food processing industry	1 product	
Relevant results	sectoral output, GDP, wage rate, exchange rate, imports / exports, investments, consumers' income, welfare	supply, human consumption, feed demand, prices, net-exports and budgetary effects
Assumption (exogenous variables)	fixed wage in non-agric. sectors, constant trade balance surplus/deficit	growth of income and population, real exchange rates, costs, rate of technical progress
Policy parameters	nominal protection rates	intervention and threshold prices, set aside, tariffs, export quotas, maximum payments for export subsidies, compensatory payments, integration into the Common Market
Accession parameters	contribution to EU-budget, structural aid, 'financial solidarity', FDI / X-efficiency	

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Links between ESIM and the CGE models



Policy Scenarios

↪ **Accession in 2004**

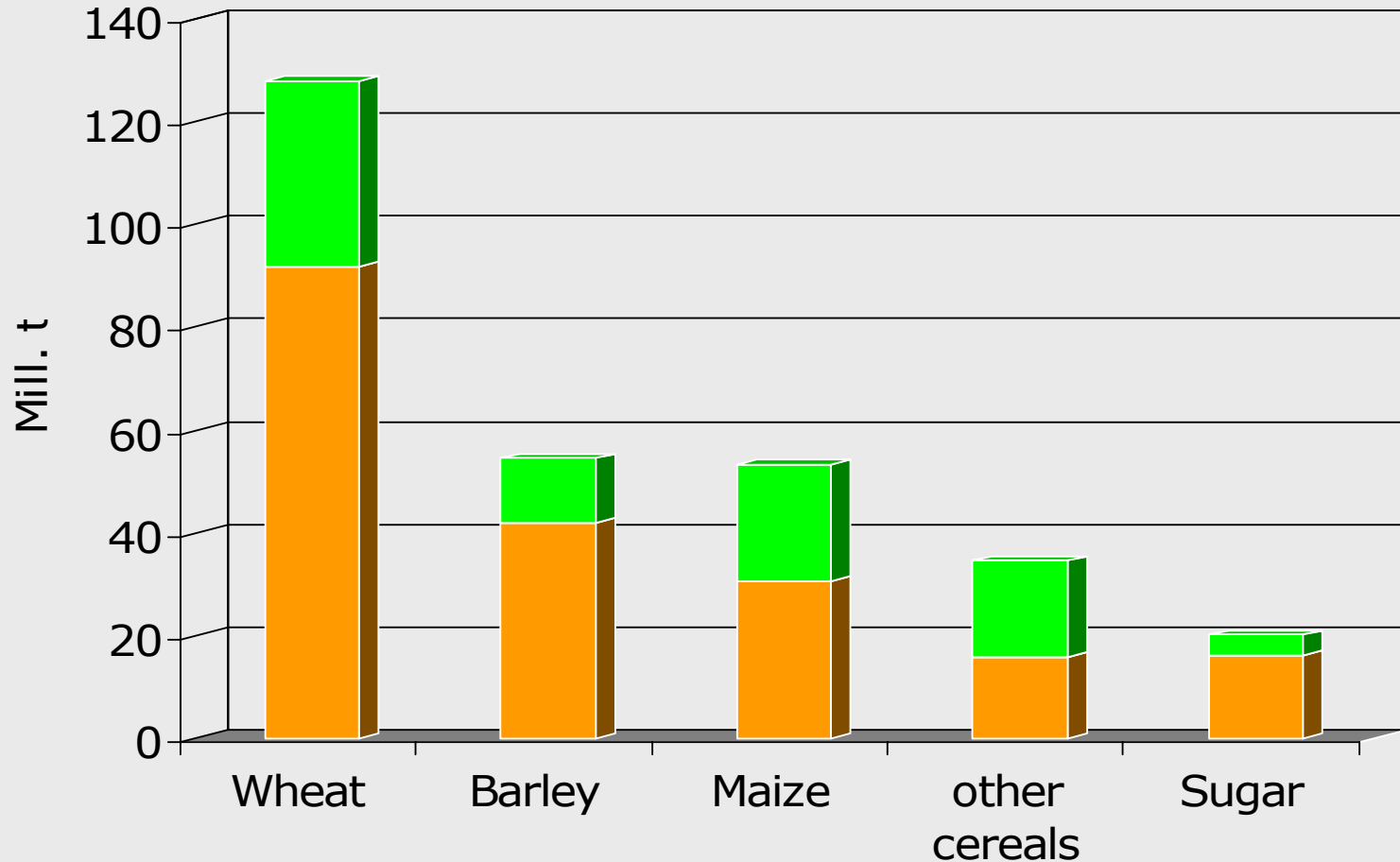
↪ **Reference Scenario: MEMBER / No CAP**

↪ **MTR with an phasing-in of direct payments**

↪ **RedDirPay**

- decoupled direct payments
- digressive reduction of direct payments until 2013

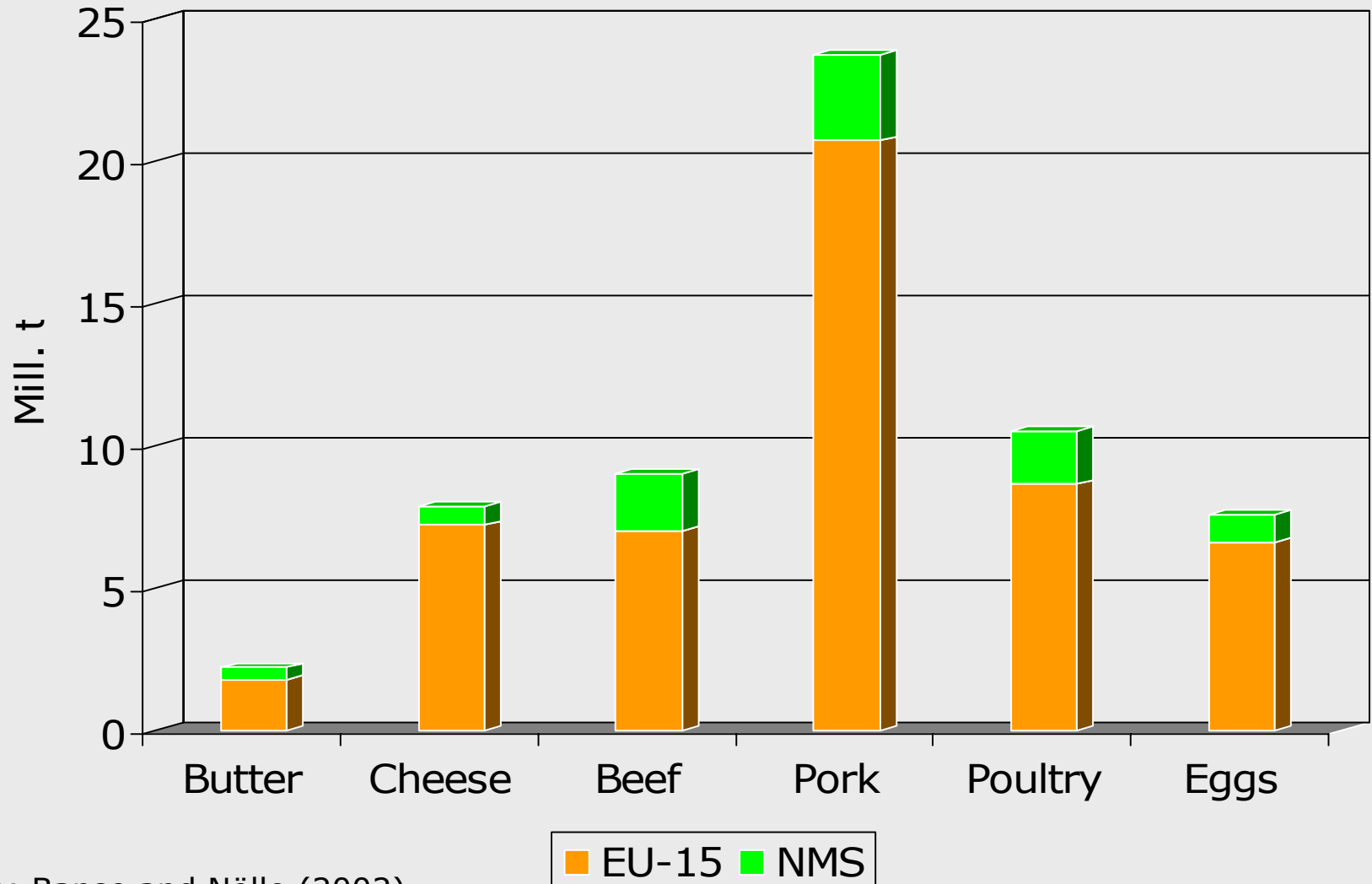
Arable Crop Production EU-25 (Scenario: MTR, 2007)



Source: Banse and Nölle (2002)

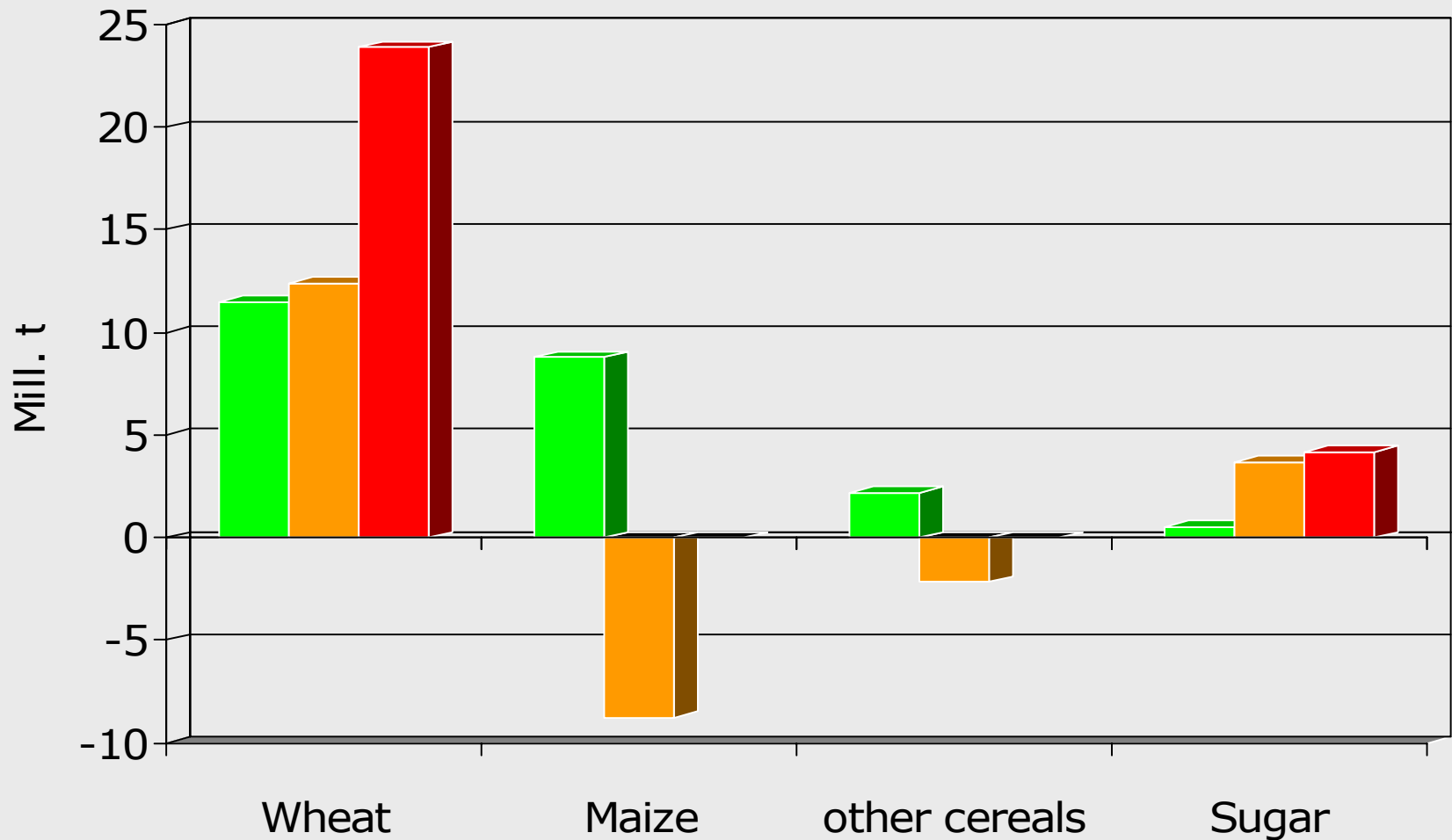
EU-15 NMS

Livestock Production EU-25 (Scenario: MTR, 2007)



Source: Banse and Nölle (2002)

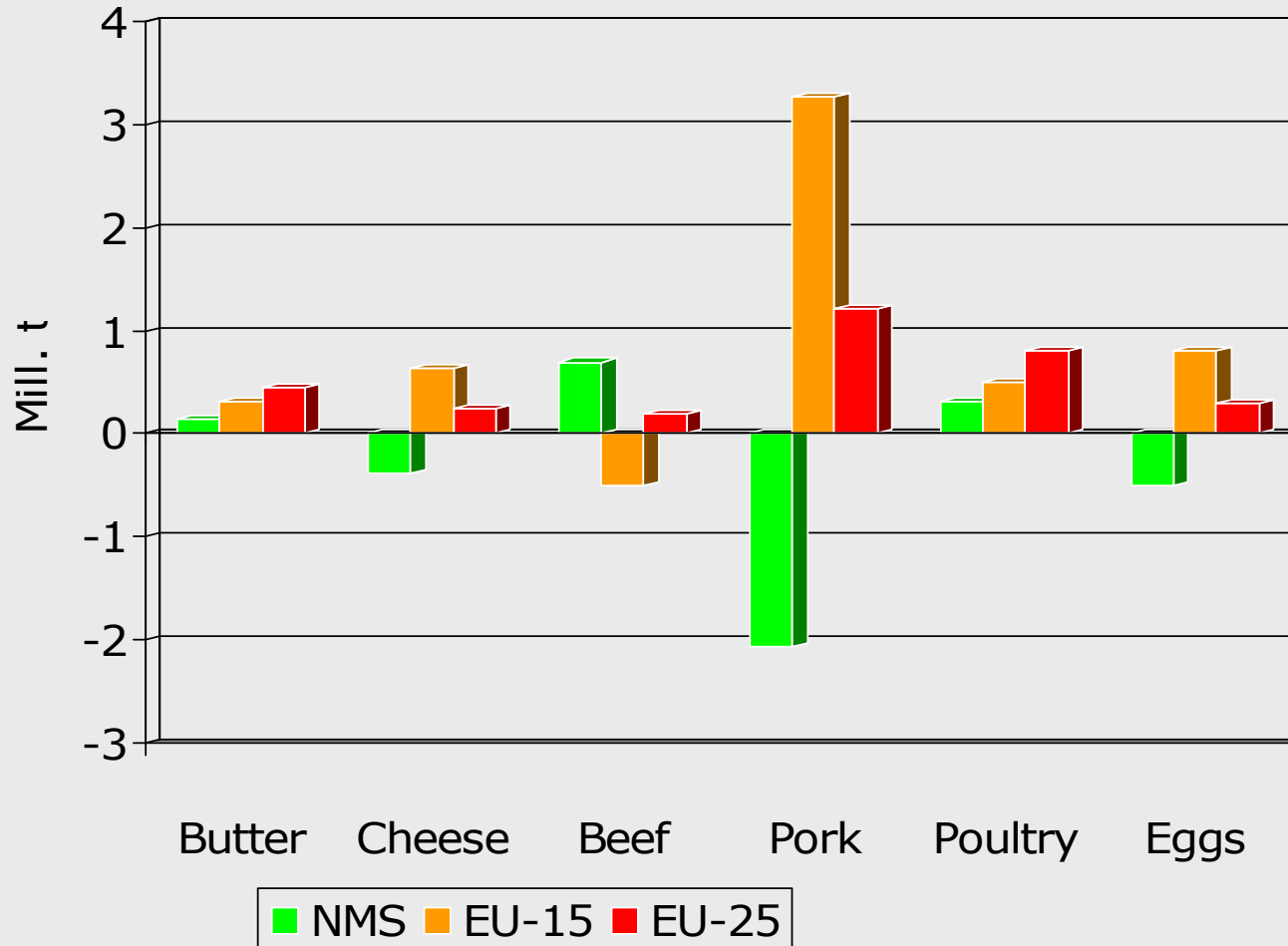
Net-Exports: Arable Crops EU-25 (Scenario: MTR, 2007)



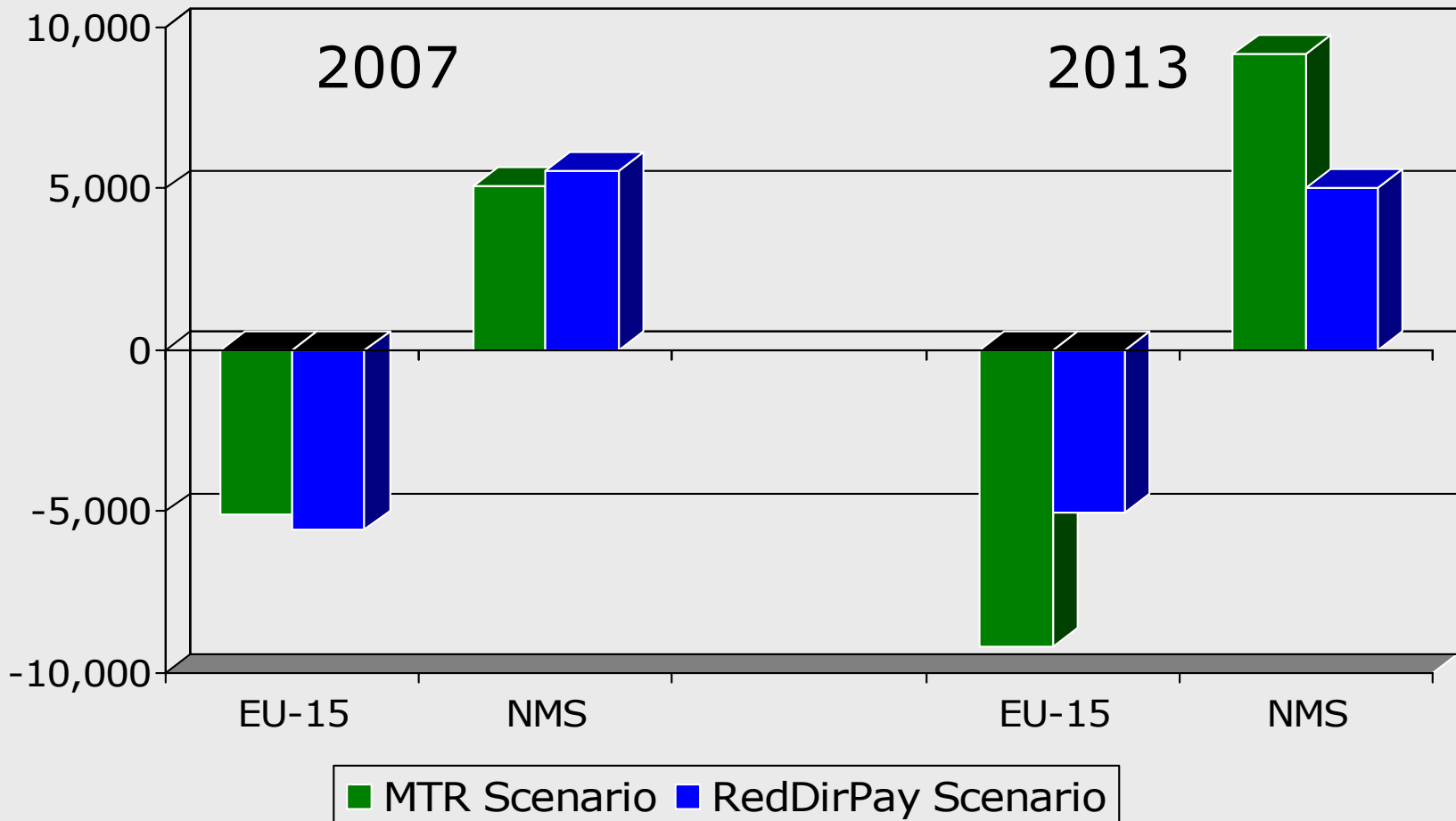
Quelle: Banse und Nölle (2002)

■ NMS ■ EU-15 ■ EU-25

Net-Exports: Livestock EU-25 (Scenario: MTR, 2007)

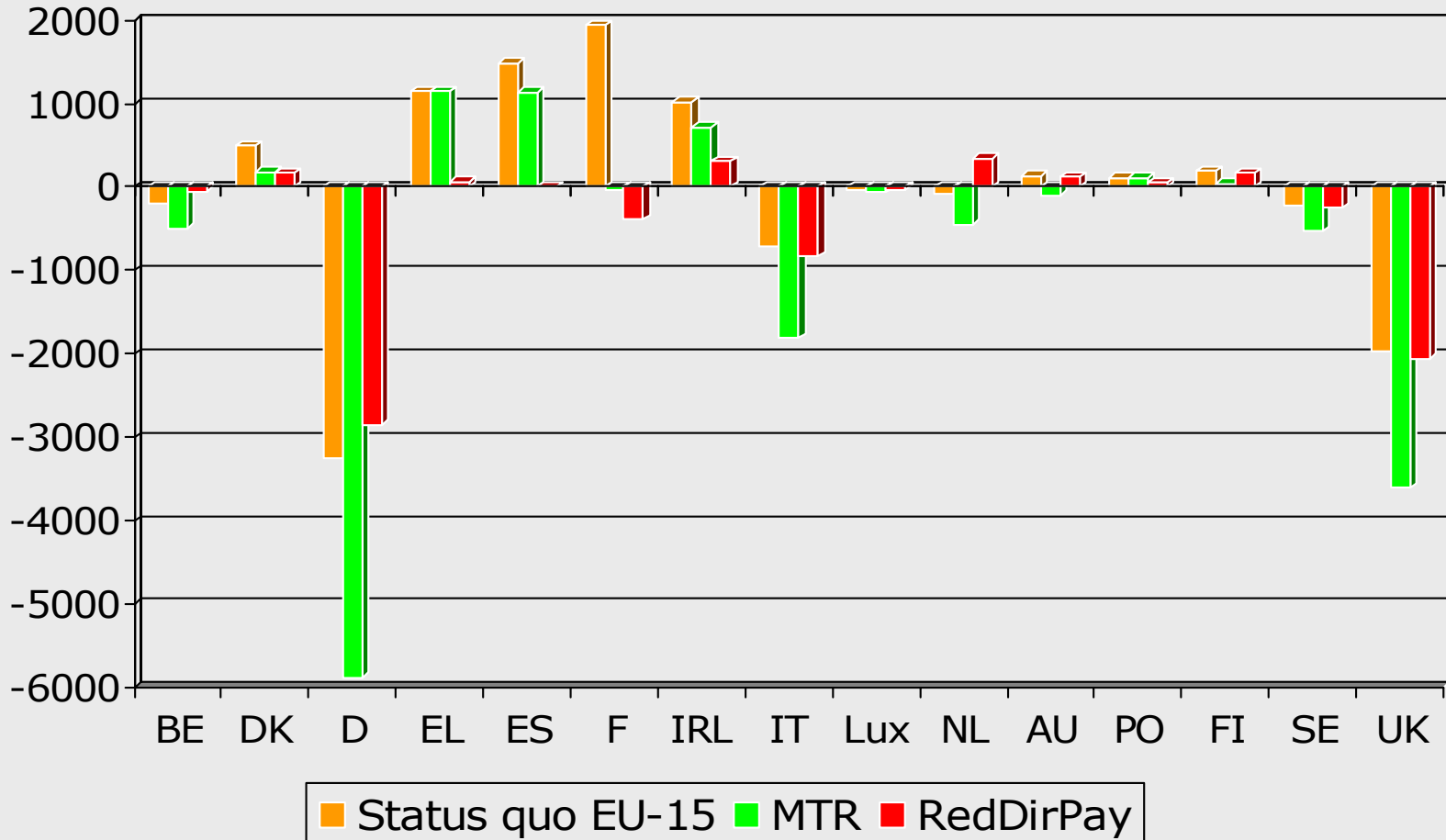


Financial Implications of Enlargement (CAP) EU-15 and NMS 2007 and 2013, in mill. €



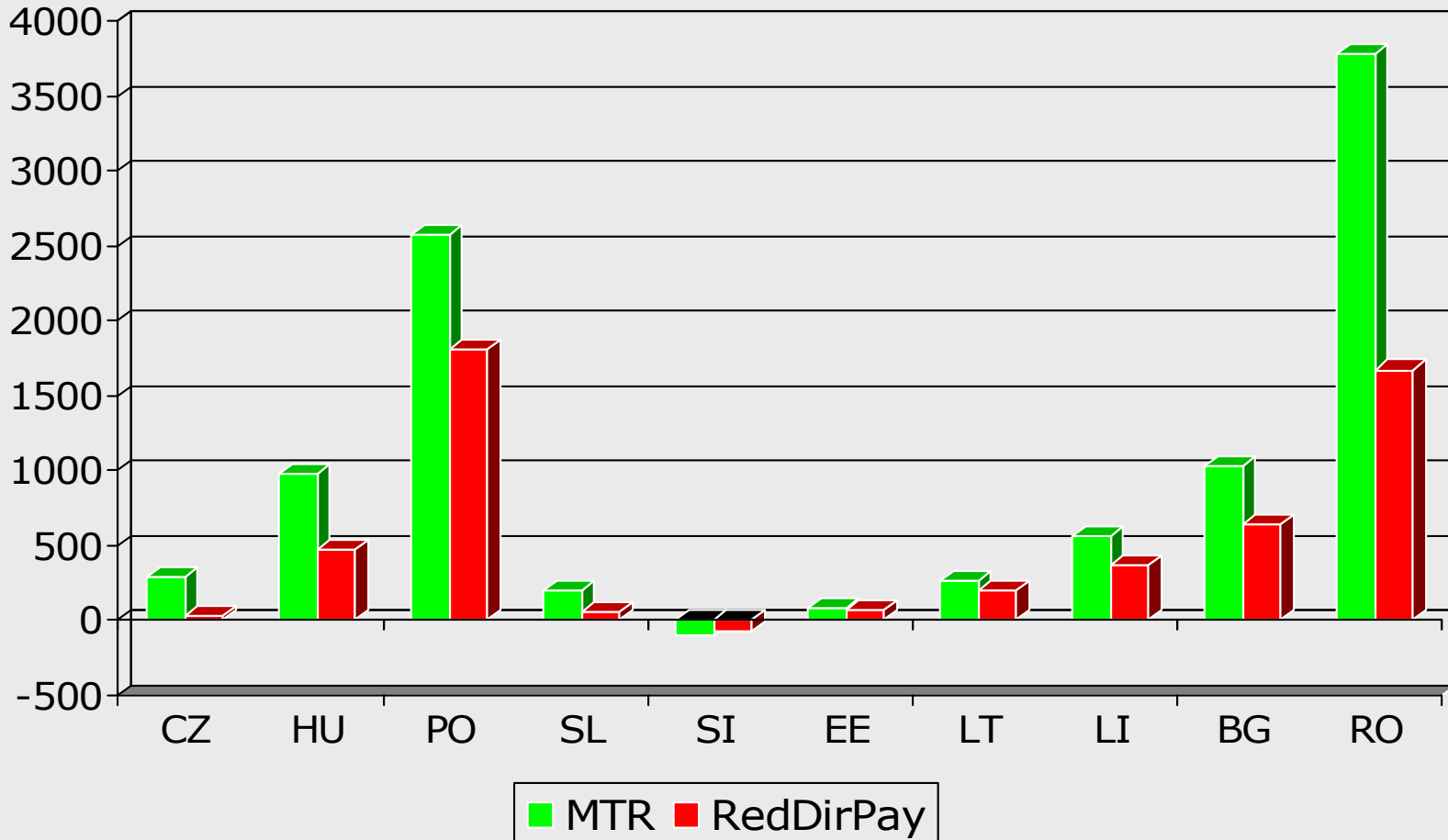
Source: Banse and Nölle (2003).

Financial Implications of Enlargement (CAP) for EU-15 2013, in mill. €



Source: Banse and Nölle (2003).

Financial Implications of Enlargement (CAP) for NMS 2013, in mill. €



GE Results: Impact of CAP Adoption on GDP and Exchange Rates relative to MEMBER/No CAP, in percent

Year	GDP		Exchange Rate	
	2007	2013	2007	2013
Czech Rep.	0.06	0.10	-0.38	-0.63
Hungary	0.11	0.92	-1.24	-1.46
Poland	0.04	0.14	-0.94	-1.90
Slovakia	0.10	0.16	-0.47	-0.52
Slovenia	0.03	0.04	-0.09	-0.20
Estonia	0.00	0.01	-0.44	-0.58
Latvia	0.10	0.17	-0.62	-0.93
Lithuania	0.40	0.51	-1.09	-1.07
Bulgaria	0.57	1.08	-1.82	-2.92
Romania	0.34	0.41	-1.41	-1.79

GE Results: Impact of CAP Adoption on Welfare in Private Households relative to MEMBER/No CAP, in percent

	Farm	Non-Farm
Czech Rep.	12.1	0.1
Hungary	15.8	0.6
Poland	8.4	0.2
Slovakia	24.9	0.2
Slovenia	7.1	0.3
Estonia	7.6	0.1
Latvia	30.8	0.2
Lithuania	12.1	0.6
Bulgaria	12.8	1.1
Romania	6.9	0.6

Conclusions

- ⇒ **EU-enlargement increases agric. land & work-force significantly**
- ⇒ **combined partial/general equilibrium approach**
- ⇒ **no dramatic effects on agric. markets after introduction of CAP in NMS**
- ⇒ **increase in CAP budget by about € 12 bill. (40%)**
- ⇒ **NMS accession and CAP introduction will have macro-economic effects on all sectors**
 - net trade position is crucial ('financial solidarity')
- ⇒ **future CAP-reforms in EU-25 even more difficult than today**