

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
http://ageconsearch.umn.edu
aesearch@umn.edu

Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.



Economic Transition in Central and East Europe, and the Former Soviet Union: Implications for International Agricultural Trade

Von Witzke, H. and S. Tangermann, eds.

1998

International Agricultural Trade Research Consortium Symposium Proceedings Issue June 12-14, 1997 Berlin, Germany

ECONOMIC TRANSITION IN CENTRAL AND EAST EUROPE, AND THE FORMER SOVIET UNION: IMPLICATIONS FOR INTERNATIONAL AGRICULTURAL TRADE

Proceedings of a Conference of the International Agricultural Trade Research Consortium

June 12 – 14, 1997 Berlin, Germany

Edited by Harald von Witzke and Stefan Tangermann

November 1998

von Witzke, Harald and Stefan Tangermann, editors (1998). <u>Economic Transition in Central and East Europe</u>, and the Former Soviet Union: <u>Implications for International Agricultural Trade</u>. Humboldt University of Berlin, College of Agriculture and Horticulture

Additional copies available from the International Agricultural Trade Research Consortium

Preface

The International Agricultural Trade Research Consortium (IATRC), an association of academics and government officials from many countries working on agricultural trade issues, holds a public symposium every summer on varying topics of current interest. The 1997 symposium was devoted to the agricultural trade implications of economic transition in Central and Eastern Europe and the Former Soviet Union. Though most IATRC members are from North America, the decision was appropriately taken to hold the symposium on this particular topic in Europe. The location chosen was Berlin, a city that is unique in being at the cross-roads of East-West relations. The conference was held June 12-14, 1997. The composition of participants nicely reflected both the topic and the location of the symposium that successfully allowed economists from the West to meet their colleagues from the East and made it possible for analysts to get together with representatives of political institutions.

The present volume, in which most of the papers presented at the symposium are collected, provides a good, though necessarily selective, survey both of the issues most relevant in agricultural and more general trade relations between the transition economies in the East and their partner countries in the West, and of the types of analysis that economists can bring to bear on these issues. The issues covered range all the way from the fundamental questions raised by the need to reintegrate the formerly centrally planned economies into market-oriented international trade, to the trade implications of agricultural transition in individual countries in Central and Eastern Europe and the Former Soviet Union. Trade relations between East and West in Europe receive particular attention, with a perspective on the impending integration of the countries of Central and Eastern Europe into the European Union. Given the particular location of the symposium, the rapid transition process in East German agriculture since 1990 was, of course, a topic of specific interest.

As far as the nature of analytical approaches is concerned, the spectrum of the papers collected in this proceedings volume ranges all the way from research on economic systems ("Wirtschaftsordnungspolitik"), through empirical studies on political economy to quantitative modeling, in both partial and general equilibrium frameworks. It is therefore probably fair to say that the papers presented in this volume are an excellent demonstration of the wide-ranging nature of issues that interest economists when they deal with current East-West relations in agriculture, and of the state of the art of the analytical tools that they can apply to studying these issues.

Given the wide range of issues covered in the symposium, there is, of course, not one single comprehensive message conveyed by the papers presented in this volume. However, a number of joint concerns emerge from several of the papers. First, the process of agricultural transition in Central and Eastern Europe and the Former Soviet Union is taking longer than originally expected (and hoped). Second, the transition economies have a considerable potential in agriculture, which, however, has not yet been fully exploited because of the lags in the transition process. Third, because of their large potential in agriculture, the countries in

Central and Eastern Europe and the Former Soviet Union can significantly affect the situation on world markets for agricultural products and food once their transition process bears full fruit. Fourth, policies are extremely important in shaping developments on agricultural markets, both in the transition economies and in international trade. Fifth, after a period of strongly market-oriented policies at the start of the transition period, the countries in Central and Eastern Europe are about to make similar mistakes in their agricultural policies as Western countries have made in the past. Sixth, integration of Central and Eastern Europe into the European Union will fundamentally change the co-ordinates of both overall economic development and agricultural markets in the enlarged Union. Finally, in the light of all this there is strong need for further policy adjustments, both in the East and in the West.

In summary, the transition of agriculture in Central and East Europe and the Former Soviet Union represents one of the central changes in world agriculture in several decades. As the organizers of this IATRC symposium we are grateful that so many excellent analysts were prepared to shed light on the nature of these changes, through their written contributions and their participation in the discussions in Berlin.

We wish to acknowledge financial support by the Federal Ministry of Food, Agriculture and Forestry of Germany, Humboldt University of Berlin, United States Department of Agriculture, and Agriculture and Agri-Food Canada.

Special thanks to Laura Bipes who provided leadership in organizing the conference, and to Élizabeth Birmingham and Ulrike Marschinke who prepared the manuscript for publication.

Berlin and Göttingen, November 1998

Harald von Witzke

Stefan Tangermann

Table of Contents

Preface Harald von Witzke, Stefan Tangermann	i
Table of Contents	iii
List of Contributors	. v
◆ The Transition Processes	
Reintegrating the Reform Countries into the World Economy Horst Siebert	. 1
Privatization and Liberatization and the Transition to a Market Economy: The Former Soviet Union D. Gale Johnson	17
Agricultural Transition in Central and Eastern Europe Allan Buckwell	32
Challenges of the World Trading System for CEE Countries and the FSU Ken Ash and Lars Brink	55
The Political Economy of Agricultural Transition Johan F.M. Swinnen	71
♦ Transition and the European Union	
Integration of the Central and East European Countries into the European Union: Implications for the CEECs Joseph F. Francois	94
Agricultural Implications of EU Eastern Enlargement and the Future of the CAP Stefan Tangermann	14
Agricultural Trade between Central Europe and the EU Judit Kiss	41
Will Baltic Agriculture Survive after EU Accession? Klaus Frohberg and Monika Hartmann	86

Transition and Trade

Effects of Market Reforms in the Former Soviet Union on World Grain Trade: Results from a Multi-Market Wheat Trade Model Susan E. Leetmaa	201
Economic Reform on the Newly Independent States of the Former USSR: Effects on Agricultural Production and Trade to 2005	·
David J. Sedik, William M. Liefert and Peter Liapis	210
♦ Rapid Transition: East Germany	
Agricultural Transition in the New Federal States of Germany Ulrich Koester and Karen Brooks	232
Agricultural Transformation in the New Federal States of Germany Philip L. Paarlberg	266

List of Contributors

- Dr. Ken Ash Policy Branch Agriculture and Agri-Food Canada Policy Analysis Division Rm. 6109, Sir John Carling Bldg. 930 Carling Ave. Ottawa, ON K1A 0C5 Canada
- Prof. Dr. Klaus Frohberg
 Institute of Agricultural Development in Central and Eastern Europe
 Magdeburger Str. 1
 06112 Halle/S.
 Germany
- Dr. Lars Brink
 Policy Branch
 Agriculture and Agri-Food Canada
 Policy Analysis Directorate
 Rm. 6109, Sir John Carling Bldg.
 930 Carling Ave.
 Ottawa, ON K1A 0C5
 Canada
- Prof. Dr. Monika Hartmann Institute of Agricultural Development in Central and Eastern Europe Magdeburger Str. 1 06112 Halle/S. Germany

- 3. Dr. Karen Brooks
 The World Bank
 H 30 79
 1818 H Street, N.W.
 Washington, D.C. 20433
 USA
- 8. Prof. Dr. D. Gale Johnson The University of Chicago Dept. of Economics 1126 East 59th Street Chicago, IL 60637 USA
- Prof. Dr. Allan Buckwell
 Wye College
 University of London
 Dept. of Agricultural Economics &
 Business Management
 Wye, Ashford, Kent, TN25 5AH
 United Kingdom
- Dr. Judit Kiss Institute for World Economics of the Hungarian Academy of Sciences P.O. Box 936 1535 Budapest Hungary
- 5. Prof. Dr. Joseph F. Francois Faculty of Economics, H8-23 Erasmus University of Rotterdam Burg. Oudlaan 50 3062PA Rotterdam The Netherlands
- Prof. Dr. Ulrich Koester
 University of Kiel
 Institute for Agricultural Economics
 Olshausenstr. 40
 24098 Kiel
 Germany

- Dr. Susan E. Leetmaa
 U.S. Dept. of Agriculture
 Economic Research Service
 1800 M Street NW, Rm. 5065
 Washington, D.C. 20036-5831
 USA
- 12. Dr. Peter Liapis
 U.S. Department of Agriculture
 Economic Research Service
 Rm. 5079
 1800 M Street, NW
 Washington, D.C. 20036-5831
 USA
- 13. Dr. William M. Liefert
 U.S. Department of Agriculture
 Economic Research Service
 Rm. 5079
 1800 M Street, NW
 Washington, D.C. 20036-5831
 USA
- 14. Prof. Dr. Philip L. Paarlberg
 Purdue University
 Dept. of Agricultural Economics
 1145 Krannert Bldg.
 West Lafayette, IN 47907-1145
 USA

- 15. Dr. David J. Sedik
 U.S. Department of Agriculture
 Economic Research Service
 Rm. 5079
 1800 M Street, NW
 Washington, D.C. 20036-5831
 USA
- 16. Prof. Dr. Horst Siebert Institute of World Economics Düsternbrooker Weg 120 24105 Kiel Germany
- 17. Prof. Dr. Johan F.M. Swinnen
 Dept. of Agricultural Economics
 Katholieke Universiteit Leuven
 Kardinaal Mercierlaan 92
 3001 Leuven
 Belgium
- 18. Prof. Dr. Stefan Tangermann
 University of Göttingen
 Institute for Agricultural Economics
 Platz der Göttinger Sieben 5
 37073 Göttingen
 Germany