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**THE ACCESSION OF CENTRAL EUROPEAN
COUNTRIES TO THE EUROPEAN UNION:
THE TRADE AND INVESTMENT EFFECTS ON
BELARUS, THE RUSSIAN FEDERATION AND
UKRAINE**

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Abbreviations, acronyms and explanatory notes

ACP	African, Caribbean and Pacific
CE-4	Czech Republic, Hungary, Poland and Slovakia
CEC	central European country
CEFTA	Central European Free Trade Agreement
CIS-3	Belarus, Russian Federation and Ukraine
CN	Combined Nomenclature
EC	European Commission
ECSC	European Coal and Steel Community
EFTA	European Free Trade Association
EU	European Union
FDI	foreign direct investment
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GNI	gross national income
GSP	Generalized System of Preferences
hl	hectolitre
IDP	investment development path
kg	kilogram
MFN	most favoured nation
MNC	multinational company
n.e.s.	not elsewhere specified
OJ	Official Journal (of the European Communities)
OLI	ownership, location and internalization
PCA	Partnership and Cooperation Agreements
SSG	special safeguard (of the WTO Agreement on Agriculture)
VAT	value added tax
WTO	World Trade Organization

The following symbols have been used throughout this publication:

..	= not available or not pertinent
–	= nil or negligible

In referring to a combination of years, the use of an oblique stroke (e.g. 1998/99) signifies a 12-month period (say, from 1 July 1999 to 30 June 2000). The use of a hyphen (e.g. 1999-2002) normally signifies either an average of, or a total for, the full period of calendar years covered (including the end-years indicated).

Unless the contrary is stated, the standard unit of weight used throughout is the metric ton. The definition of “billion” used throughout is a thousand million. The definition of “trillion” used throughout is a thousand billion. Minor discrepancies in totals and percentages are due to rounding.

References to dollars (\$) are to United States dollars unless otherwise specified.

Abstract

The coming enlargement of the European Union will have important economic consequences both for the EU member states (present and prospective) and for their trading partners, especially those at the new borders of the enlarged EU. This paper assesses some of these consequences, focusing on four acceding central European countries (CE-4, that is, the Czech Republic, Hungary, Poland and Slovakia) and three CIS economies bordering the enlarged European Union (CIS-3, namely, Belarus, the Russian Federation and Ukraine). In particular, it seeks to estimate how trade between the CE-4 and the CIS-3 will be affected by enlargement and what will be the likely consequences for the flow of FDI into the latter.

The assessment of trade effects is based on some of the standard approaches developed in the economics literature, namely those dealing with the distorting effect of tariffs and other protectionist measures on trade. The partial abolition of trade protection resulting from the expansion of a free trade zone (the case of the EU's eastward enlargement) affects trade both within the trade zone and with the rest of the world, resulting in trade creation and trade diversion. Using this conceptual approach and data about the present and expected levels of trade protection on both sides of the borders of the enlarged EU, estimates are provided of the expected trade creation and trade diversion effects. In addition, the effects of the application of EU technical standards in the new members on trade with third parties such as the CIS-3 are also analysed. The impact of enlargement on inward FDI in the CIS-3 is assessed in the context of the theory of international production, which seeks to explain the main determinants of the cross-border flows of direct investment. Applying this theoretical framework to the available statistical data allows some inferences to be drawn about the expected impact of enlargement on FDI in the CIS-3.

One of the main conclusions of the paper is that in the short term the economic impact of EU enlargement on the neighbouring CIS economies will be positive but negligible, both with respect to trade creation, and the diversion of FDI. Another conclusion is that in the longer run, due to positive dynamic effects, EU enlargement is likely to provide significant net benefits to both central Europe and the CIS region through mutual trade creation and the growth of FDI.

Introduction

The accession of central European countries (CECs) to the EU will affect economic links between them and the third countries, as well as those between the enlarged EU and third countries in a variety of ways. Among the third countries, the European CIS countries – Belarus, the Russian Federation and Ukraine (CIS-3) – are likely to be particularly affected, for several reasons. First, the elimination of remaining trade barriers and the extension of the EU-wide customs union to the CECs will further encourage trade and investment flows between the latter and the EU, probably involving some diversion from traditional partners in the former Soviet Union. Second, the full adoption of the *acquis communautaire* by the CECs will inevitably imply changes in some of the existing rules and practices concerning trade and investment flows between the CIS, the EU and the new members of the EU.

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The main purpose of this study is to evaluate the economic effects of EU enlargement on the CIS-3. The analysis focuses on two main areas. First, the effects of the adoption by the CECs of EU trade rules, including the common external tariff, on trade between the CECs and the CIS-3 are examined. Second, an evaluation is made of the impact of EU enlargement on the flows of foreign direct investment into the CIS-3. Because of data limitations the analysis is restricted to four central European countries – the Czech Republic, Hungary, Poland and Slovakia (CE-4). All four countries have traditionally had strong economic links with the CIS-3 (they account for more than 60 per cent of exports from the CIS-3 to central and eastern Europe) and all are among the new EU members.

The paper is organized in eight sections. It starts with a short presentation of the theoretical approach to the effects of integration, an approach which is later used to analyse some of the implications of enlargement on CIS trade with the CE-4. In the second section there is a brief discussion of the EU trade regime with respect to third countries, including special arrangements with CIS countries and the main characteristics of the EU common external tariff to be adopted by the CE-4 after accession. The third section compares the current levels of tariff protection in the CE-4 with the common external tariff of the EU on imports from the CIS-3, by individual CE-4 countries and the main products. Section four provides some estimates of the trade creation and trade diversion effects, based on the statistics in the previous section. In section five, the possible impact of other trade measures is discussed, including the implications of CE-4's adjustments to EU technical standards. The possible impact on foreign direct investment in the CIS after the CE-4's accession is examined in the sixth section. Other possible implications of EU enlargement for trade with the CIS-3 are discussed briefly in section seven. Section eight draws some conclusions.

The main finding of the study is that the immediate trade and investment effects of the CE-4's accession to the EU are likely to be very small, almost negligible. The negative implications of the extension of the EU common external tariff to particular imports from the CIS-3 to the CE-4 are likely to be more than offset by gains in many other imports, chiefly because of reduced tariff protection and the extension of the Generalized System of Preferences (GSP) to imports into the CE-4. In the longer run, the dynamic benefits from integration are likely to translate into increased trade with the CIS-3.

Although the analysis is formally restricted to the CIS-3, it is essentially applicable to all members of the CIS because of their similar status within the framework of EU trade policy. Detailed information, however, is presented only with regard to the three main partners in this grouping, i.e. Belarus, Russia and Ukraine. This limitation, while reflecting the relative availability of the necessary statistics for other CIS countries, is primarily justified by the fact that Belarus, Russia and Ukraine largely dominate CIS trade with the CE-4. The CIS-3 accounted for 97 per cent of total CE-4 imports from all CIS countries in 2000 (Russia alone accounting for almost 85 per cent).

Most of the analysis is based on trade and investment data, as well as customs tariffs, available for 2001.

I. The theoretical approach to the effects of integration

The impact of the accession of new member states to the European Union on third countries can be assessed with the standard approach to the analysis of effects of economic integration. In most general terms, these are typically separated into static and dynamic effects. Among the static effects, the two concepts most widely used in the context of trade liberalization are the trade creation and trade diversion effects.¹ Usually these concepts are used to analyse *ex ante* the effects of creating a customs union, i.e. the complete abolition of trade barriers among the union members, accompanied by the implementation of a common customs tariff on imports from countries not belonging to the customs union (the so-called third countries). The trade creation and diversion concepts can also be applied to assess the effects of partial liberalization, i.e. a reduction (not complete elimination) of trade barriers.² They focus on the implications for the levels and structure of trade flows of the elimination of trade barriers. Other static effects of trade liberalization include the increase of consumption as a result of lower import prices, the improvement of the terms of trade vis-à-vis third countries and the reduction of transaction costs due to the elimination of customs borders inside the customs union.

The dynamic effects of integration are usually considered to be far more important than the static effects. They include the positive effect of enlarged market size on investment, competitiveness and

growth, economies of scale and the effects of other common policies, such as regional policies. Unfortunately, the dynamic effects are also much more difficult to estimate than the simple static effects.³

As the focus of the present study is on the impact of EU enlargement on third countries, not all of the static and dynamic effects are relevant for the analysis: only those that have a bearing on third countries need to be examined. Thus, the effects of enlargement are explored only to the extent that they induce changes in output and trade in the CIS-3. The scope of the analysis is therefore restricted to the impact of replacing the national trade policy regimes in the new member countries by the common trade policy of the EU, including the imposition of the common external tariff. In addition, the possible impact of enlargement on foreign direct investment in the CIS-3 will also be examined.

In a classical customs union approach, the trade creation effect represents the additional imports from the preferred source as a result of a lowering of the import price (due to the elimination of a customs duty). This effect occurs when some domestic production in a country liberalizing its imports is replaced by lower-cost imports from another member of the union. Assuming that all economic resources are fully employed before and after formation of the customs union, this shift in output increases the welfare of all countries concerned because it leads to more specialization in production based on comparative advantage.⁴

The trade diversion effect represents the increase in imports from the preferred source at the expense of the non-preferred, third country suppliers following the abolition of the customs duty on imports from the preferred country of supply (in the customs union). The abolition of duty leads to a lowering of the prices of the preferred source in the market of the preference-giving country (member of the customs union), inducing a switch in imports from the non-preferred to the preferred country. In other words, trade diversion occurs when lower cost imports from outside the customs union are replaced by higher cost imports from a union member. This results from the preferential treatment given to members of the customs union. Trade diversion, by itself, reduces welfare because it shifts production from more efficient producers outside the customs union to less efficient production inside it. Thus, trade diversion worsens the international allocation of resources and moves the structure of production away from one based on comparative advantage.

As a customs union can result in both trade creation and trade diversion, whether it increases or reduces the welfare of union members depends on the relative strength of these two opposing forces. The net result depends on a number of factors. A customs union is more likely to lead to trade creation and increased welfare under the following conditions:⁵

- The higher are the pre-union trade barriers of member countries. There is then a greater probability that formation of the customs union will create more trade among its members than it will divert trade from non-members;
- The greater is the number of countries forming the customs union and the larger their size. Under these circumstances there is a greater probability that low-cost producers fall within the union;
- The more competitive rather than complementary are the economies of member countries. There are then greater opportunities for specialization in production and trade creation after the formation of the customs union. Thus, a customs union is more likely to increase welfare if it is formed by two competitive industrial countries rather than by an industrial and an agricultural (complementary) country;
- The closer geographically are the members of the customs union. Then transportation costs are less of an obstacle to trade creation among members;
- The greater is the pre-union trade and economic relationships among potential members of the customs union. This leads to greater opportunities for significant welfare gains as a result of the formation of the customs union.

Static effects (first of all the creation and diversion effects)⁶ are important, but the dynamic effects are crucial. These relate to the numerous ways by which economic integration may accelerate the rate

of growth of GDP of the participating nations. The ways in which it may do this include the following:

- Economies of scale, which are made possible by the increased size of the market for firms and industries operating below optimum capacity before integration occurs;⁷
- Economies external to the firm and industry, which may lower both specific and general cost structures;
- Increased competition that results from the elimination of border barriers inside the customs union. In the absence of a customs union, producers (especially those in monopolistic and oligopolistic markets) are likely to become sluggish and complacent behind trade barriers. The formation of a customs union, i.e. the abolition of protection against products coming from other members of the customs union, means that producers have to become more efficient to meet competition from other producers within the union. If they fail to do so, they will have to go out of business. Increased competition is also likely to stimulate the development and utilization of new technologies. All these efforts will tend to cut costs of production;
- Increased incentives to invest in the bigger market. The formation of a customs union is likely to spur domestic and external investors to undertake production within the customs union and to take advantage of the enlarged market. An additional incentive for outsiders to set up within the union will be to avoid the (discriminatory) trade barriers imposed on non-union products.

The dynamic effects are estimated to be about five to six times larger than the static gains.⁸ Dynamic effects, however, are extremely difficult to calculate and are inevitably surrounded by large margins of error.

The concepts of static and dynamic effects can be used to calculate the trade implications for the CIS-3 of the CE-4's adjustments to the EU common customs tariff and EU trade preferences. For products where the rates of duty on imports from the CIS-3 will be lowered, an increase of imports can be expected, while in cases where the tariff increases, the opposite is likely to be the case.

Moving now from general analysis to the case of specific commodity categories, the effects will differ for agricultural and non-agricultural trade.

As regards non-agricultural products a free trade area has already been established between the CE-4 and the EU, meaning duties on EU products. Thus, the implications for imports from the CIS derive mainly from the adjustments of the CE-4's most favoured nation (MFN) tariffs to (a) the EU's common customs tariff and (b) to the EU's GSP system. The adoption of the EU common tariff will result exclusively in trade creation (a positive effect for CIS imports as long as the EU common external tariff is lower than the national tariffs of the CE-4, and a negative effect if the opposite is true). No trade diversion will occur, as imports from the EU are already duty-free in the CE-4, i.e. any diversion, as a result of the free trade agreements, had already occurred before enlargement.

The inclusion of the CIS into the GSP system will provide the CIS with improved access to the CE-4 markets and will thus result in trade diversion – to the benefit of imports from the CIS. CE-4 importers may switch from products coming from countries subject to MFN treatment to products coming from the CIS subject to the lower GSP tariffs.

As regards agricultural imports from the CIS-3 – apart from the changes resulting from (a) adoption of EU MFN tariffs and (b) adoption of the GSP – there will also be effects from the elimination of duties and other restrictions on agricultural products coming from within the EU as there is no free trade between the EU and the CE-4 in these products. Elimination of duties on EU products will divert imports from non-preferred (MFN) sources to EU suppliers as the latter's products will become cheaper than those from MFN sources. This will act against supplies from the CIS. Similarly, increases of external tariffs (MFN rates) on some agricultural products will act in

the same direction because some duties are at present lower in the CE-4 than in the EU (e.g. on cereals).

It should be remembered that tariff changes (affecting prices) are not the only factor influencing the direction of trade. Other important factors include: transport costs (especially important in the case of fresh products, and in this respect Belarussian, Ukrainian and some Russian products may have some advantage); the quality of products; the capacity to meet sanitary and veterinary requirements; and so on.

Another way of calculating the effects of liberalization is *ex post* analysis. The main problem with this approach, however, is isolating the effects of integration (liberalization) from the effects of other developments which occur in parallel, e.g. changes of output and demand, changes in prices, fluctuations of exchange rates, etc. The CIS-3 are also in the throes of a much more complex process of transformation from a command to a market economy. Econometric models attempt to address such issues but their results can only be considered as rough approximations, as they are typically based on a number of tenuous assumptions.

II. The EU trade regime with respect to third countries

A. EU regulation of trade with the CIS-3: Partnership and Cooperation Agreements

The present trade and economic relations between the EU and most CIS countries are governed by the bilateral Partnership and Cooperation Agreements (PCAs). All these agreements are similar in terms of their structure and content. The first such agreements were concluded with the Republic of Moldova, the Russian Federation and Ukraine in 1994 (see annex table 2.1). They replaced the Agreement on Trade and Economic Cooperation concluded in 1989 with the Soviet Union.

The PCAs provide for the parties to grant each other most favoured nation treatment and national treatment, subject to exceptions for regional trade agreements and preferences to developing countries. A party may not apply quantitative restrictions on imports from the other party, although special provisions are made for separate agreements on “sensitive” products (textiles and clothing, and iron and steel products). The other provisions are the following:

- CIS partners agree to apply the rules of the WTO in relations and trade with the EU;
- Any protective measure may be introduced only after prior consultation and only 30 days after the consultation;
- There are provisions for establishment of foreign enterprises on the respective territories;
- There are no restrictions on foreign direct investments;
- Rules for competition and the protection of property and intellectual rights have been introduced;
- Economic cooperation for mutual acknowledgement of standards should be developed;
- The EU has confirmed its commitment to financial assistance to the CIS through TACIS.⁹

Apart from issues of trade and economic cooperation, which are very important for the partners, the PCAs also regulate other areas of cooperation. They provide for:

- A political dialogue, i.e. summits at presidential level at least twice a year (between, for example, the Russian President and the President of the Commission);
- A Cooperation Council at a ministerial level, to meet at least once a year;
- A Cooperation Committee at an expert level with joint consultations;
- A Parliamentary Committee which assures dialogue between the respective CIS parliaments and the European Parliament.

The time-frame of these agreements is 10 years, after which they should be renegotiated. The term “transitional economy” was chosen rather than “market economy” or “state-planned economy” to describe the status of the CIS. The basis for changing this status is described in the agreements. Such a change would allow the elimination of the remaining discriminatory elements in trade (e.g. anti-dumping procedures) and generally create better conditions for trade.

PCAs are not association agreements and the question of a possible entry of any CIS country into the EU was never a part of them. Neither are PCAs preferential agreements, i.e. they do not provide for a reduction of customs duties. They do provide, however, the so-called evolutionary¹⁰ clause, which offers the possibility of further negotiations on free trade areas.¹¹ Moreover, they have created greater predictability in the mutual relations of the partners.

The provisions of the PCAs will apply to trade with the CE-4 as they are part of the EU external trade policy and have to be adopted by new members as part of the *acquis communautaire* (unless, of course, the agreements are changed or replaced by other rules, such as for example, those of the WTO by the time of the CE-4’s accession to the EU). They will refer mainly to exports from the CE-4 to the CIS-3 since imports from the CIS to the CE-4 will be regulated by EU rules – see below). They have no practical importance, however, because the provisions of these agreements – as already mentioned – are non-preferential and will not change the present, non-preferential status of products exported by the CE-4 to CIS markets.¹²

B. The EU common customs tariff to be adopted by the CE-4

1. The level of EU import tariffs

At present, customs duties in the EU are not high. The simple average tariff for non-agricultural products (excluding petroleum) in 2001 was 4.1 per cent.¹³ However, tariffs on sensitive products such as textiles and clothing are higher.

Agricultural products are generally subject to higher tariffs than non-agricultural products. In 2001 the simple average tariff on agricultural products was estimated at 16.7 per cent, although tariff quotas provided somewhat better access for high-tariff items.¹⁴

The simple average applied rate of duty on all products in 2001 is estimated at 6.4 per cent (see also annex table 2.2).

There are tariff peaks (triple the simple average or more) for meat, dairy products and cereals, and for textiles and clothing. One third of dutiable products are subject to low tariffs (up to 3 per cent), implying a low protective effect. The range of applied tariffs, in terms of the minimum and maximum rates, is also larger for agricultural products (from 0 per cent to 236.4 per cent) than for non-agricultural products (from 0 to 26 per cent).¹⁵

Since the EU maintains numerous preferential trade agreements and arrangements with many groups of countries, exclusively MFN treatment applies only to imports from a few countries and territories: Australia, Canada, Hong Kong Special Administrative Region of China, Japan, the Republic of Korea, New Zealand, Singapore, Taiwan Province of China and the United States. Although their number is small, the share of these partners in external EU trade is significant: in 2001 they accounted for 38 per cent of total imports into the EU.

Apart from the countries subject to MFN treatment, other trading partners are eligible for various preferential regimes.

The most beneficial treatment is granted to least developed and African, Caribbean and Pacific (ACP) countries (95 per cent of lines are duty free), followed by regional trade agreements (80 per cent), GSP beneficiaries (54 per cent) and countries subject only to MFN (20 per cent of product lines).¹⁶

The EU schedule has one tariff column covering “conventional” rates of duties, applied to imports from all countries (whether or not they are members of the WTO), unless the autonomous rate of duty, shown as a footnote, is lower.

2. The Generalized System of Preferences (GSP)

Since 1 July 1971 the European Communities have been applying the GSP to many products imported from developing countries. GSP tariffs are lower than MFN tariffs in order to facilitate imports from the beneficiaries and in this way to support their exports and economic development. At the beginning of 1993, after the collapse of the Soviet Union, the EU included the newly independent states into the GSP scheme with the aim of supporting their economic transformation.

The product coverage of the present GSP scheme (in force since 1 January 2002)¹⁷ includes mostly non-agricultural goods and a limited number of agricultural products. Preferences are differentiated according to the sensitivity of products. There are two product categories, non-sensitive and sensitive products. Tariff duties on non-sensitive products are suspended, while duties on sensitive products enjoy a tariff reduction. As far as *ad valorem* duties are concerned, the reduction is a flat rate of 3.5 percentage points of the most favoured nation duty rate. For textiles and textile products the reduction amounts to 20 per cent. Specific duties are reduced by 30 per cent. Where duties specify a minimum duty, that minimum duty does not apply. In the case of the CIS, two large product groups have been completely excluded from the GSP, namely, fishery products and many steel products covered formerly by the European Coal and Steel Community (ECSC) Treaty. Moreover, some products important for individual members of the CIS are also excluded from the GSP.

GSP beneficiaries may apply to receive the Community’s special incentives for countries demonstrating adherence to certain internationally recognized core labour standards or to certain standards set by the International Tropical Timber Organization. The applicant must provide details of its domestic legislation and the measures taken to apply and monitor the provisions effectively, which the Commission investigates to the extent possible, including in the country itself. According to the Commission, two applications have been received under the arrangement on core labour standards, from the Republic of Moldova and the Russian Federation, with the former being granted the special incentive in April 2000.

With the passage of time the significance of the GSP has been eroded by the general reduction of tariff levels throughout the world (the latest large reduction resulted from the Uruguay Round Agreements). Moreover, given the specific commodity pattern of Russian and other CIS exports, the GSP has been much less important. These exports are dominated by energy products and raw materials (petroleum and natural gas, i.e. products that face very low MFN tariffs (usually zero) in the EU). In this case preferences are simply redundant. In other words, given the small share of CIS exports benefiting from the GSP, the erosion of preferential margins has been of a relatively minor importance to these countries.

III. Possible changes in the level of tariffs on CE-4’s imports from the CIS-3 after accession to the EU

A. The present level of tariff protection in the CE-4 and the EU

After the dissolution of the Soviet Union the CE-4 concluded bilateral agreements with most of the successor states of the Soviet Union. These agreements provide for MFN status in their mutual relations. In a few cases where CIS countries are not covered by bilateral agreements (Tajikistan and Turkmenistan), they nevertheless enjoy MFN status in the CE-4 as a result of unilateral decisions by CE-4 governments.

These agreements continue to provide a contractual basis for mutual trade with most CIS partners and allow both sides to benefit from MFN treatment. Since the late 1990s several CIS countries have become WTO members,¹⁸ after which MFN treatment has been based on WTO rules.

MFN tariffs on CE-4 imports from CIS countries differ as they are set by the national authorities. In many instances these are higher than the EU tariffs, and in some cases they are lower. The arithmetic average level of tariffs on MFN imports, classified into agricultural and non-agricultural products, is given in table 1. The overall level of nominal MFN protection in the EU is much lower than in Hungary and Poland, but slightly higher than in the Czech Republic and Slovakia. If GSP rates are taken into account, the actual average level of protection in the EU is even lower. Tariff protection for agricultural products is generally much higher than for non-agricultural goods. Of course, simple arithmetic averages do not give a very precise picture of the real level of protection against imports, but data on weighted averages with respect to imports from particular countries and regions are not available.

The current level of customs duties on imports from the CIS will change after the adoption by the CE-4 of EU tariffs. The changes will result from the combined effect of two types of adjustment:

- 1) Adoption of the EU common customs tariff (MFN level). This adjustment will result in higher or lower tariffs in the CE-4, depending on the product;
- 2) Adoption of the EU GSP (margin of preference being calculated on the basis of MFN rates), which also includes – apart from the developing countries – CIS partners. In the majority of cases this adjustment will lead to a fall in the present level of tariffs in Poland.¹⁹

The data in table 1 support some preliminary observations. The figures suggest that a shift to the common external tariff after accession to the EU should have a strongly positive effect on imports into Hungary and Poland, as their level of tariff protection should fall significantly. In the Czech Republic and Slovakia, the expected effect will be a combination of a small increase of nominal tariffs to EU levels and a decrease due to the application of GSP. It is difficult to assess a priori the size and the sign of the final effect. On balance, we would expect the positive effect to largely outweigh the negative effect. This tentative hypothesis will be examined below in more detail.

TABLE 1

Level of nominal tariff protection in the CE-4 and the EU
(Per cent)

Coverage	Czech Republic				
	2001	1998	2000	2001	2001
Simple average MFN tariff (all products)	6.1	14.3	15.9	6.1	6.7
Agricultural products	12.0	37.1	32.8	11.8	16.7
Non-agricultural products	4.5	8.2	10.9	4.4	4.1

Source: WTO, *Trade Policy Review. Hungary*, WT/TPR/G/40, 26 June 1998; *Poland*, WT/TPR/G/71, 5 June 2000; *The Czech Republic*, WT/TPR/G/89, 19 September 2001; *Slovakia*, WT/TPR/G/91, 24 October 2001 (Geneva).

B. Practical problems involved in comparing tariff levels in the CE-4 and the EU

A number of practical problems are involved in comparing tariffs in the CE-4 and in the EU.²⁰ The first concerns the different ways of setting tariffs. Some 10 per cent of tariff lines are established on a non-*ad valorem* basis, and mainly concern agricultural products. Non-*ad valorem* rates are either specific (assessed on volumes), combinations of an *ad valorem* component with a specific component (compound rate), or mixed lines, where the duty is subject to minimum rate (MIN) and/or maximum rates (MAX), or lines where the rate is set by a technical formula.²¹ Estimating the tariff on such products requires the conversion of the duties to *ad valorem* equivalents, but every method of calculating such equivalents is subject to bias because it is not obvious what unit values should be used.

An additional source of bias in estimating the tariff rate on agricultural products arises from the nature of the tariff regime itself. For example, an entry price system applies to the regime for imports of fresh fruit and vegetables that are also produced in the Community, such as tomatoes, cucumbers, oranges and lemons. A band of entry prices is established for each period of importation during the year, climbing with the approach of the peak European harvest. For each particular price band, the tariff consists of an *ad valorem* component and a specific component, the latter set to ensure that the

importer always has an incentive to set this price at or above the price at the lower end of the band.²² There are also preferential tariff quotas, which mostly concern agricultural and fishery products. It is not practically possible to calculate an “average” tariff rate covering imports both in the framework of preferential tariffs and those which are out-of-quota.²³

C. Possible effects of the adoption by the CE-4 of the EU GSP on imports from the CIS-3

The CE-4 apply the GSP to imports from developing countries but these privileges do not extend to the CIS countries. Thus, adoption of this system will certainly improve access to the CE-4 markets for CIS goods. The size of this improvement will depend on a number of factors, including the commodity pattern of imports from the CIS, the sensitivity of those imports in terms of their eligibility for preferences and the share of imports that will benefit most from the GSP.

On the basis of the present pattern of imports from the CIS it is clear that most imports from Russia (in terms of value) will not benefit from the GSP. The reason is that the two largest import items, namely crude petroleum and natural gas, which account for about 85 per cent of the total, already have duty-free access to the CE-4 markets. The remaining 15 per cent of imports from Russia is divided between very different items, accounting for much smaller shares of the total. Some of them will be eligible for GSP, some not.

Some 50 per cent of total imports from Ukraine are already imported on a duty-free basis (mostly mineral products). Of the other half, 40 per cent are industrial products, many of which will benefit from the GSP.

Most agricultural imports will be excluded from GSP. This holds for agricultural imports from Belarus, Russia and Ukraine, which are obviously dominated by temperate zone products. Most of these compete directly with EU products and are excluded from the GSP or classified as “very sensitive” products (with very low margins of preference).

The GSP will be much more important for imports coming from Belarus, most of which (78 per cent) consist of industrial products eligible for preference.

IV. Possible changes in the level of tariff protection in the CE-4 and of imports from the CIS-3 as a result of EU enlargement

A. Previous adjustments resulting from the Europe Agreements

While analysing the effects of the CE-4’s integration into the EU on foreign trade it is important to remember that important adjustments in the CE-4 imports from the CIS have already taken place as a result of the Europe Agreements. In the CE-4, the commercial part of these Agreements entered into force on 1 March 1992 and provided for the gradual liberalization of CE-4’s imports from the EU. Since then, tariffs on industrial products originating in the EU have been completely eliminated and those on some agricultural products have been reduced. This process has increased the degree of competition on CE-4 markets for all non-EU suppliers, including those from the CIS. EU products have become cheaper for CE-4 consumers and some diversion from CIS countries (and other non-EU partners) has taken place. For some products the competitive pressure was considerable as the difference between the MFN tariff (imposed on CIS products) and the liberalized tariff (imposed on EU products) was large. This was the case for industrial goods, which were completely liberalized.

On the other hand, one element mitigating the negative implications of the liberalization of EU imports on the domestic market was the fact that tariff reductions were not implemented at once but over several years (following the so-called “asymmetry principle”).

The main conclusion is that most of the adjustment of foreign supplies to the liberalization of the CE-4’s industrial trade with the EU have already taken place. This applies to most of the group’s trading partners as all of them had to adjust to much cheaper industrial products coming into the CE-4 markets from the EU, CEFTA, EFTA and other countries, which had negotiated free trade agreements

with the CE-4. Their joint share amounted to between 75-85 per cent of total industrial imports into the CE-4 at the end of the 1990s.

It is difficult to assess the quantitative impact of regional and multilateral liberalization on imports from the CIS. In general we conclude that due to the deep and broad liberalization of non-agricultural imports from the main trading partners (EU, CEFTA, EFTA and a few others), the remaining partners had to adjust their exports to new conditions of access to the CE-4 markets. This means that adjustment to the consequences of CE-4 membership of the EU will be much easier for suppliers of industrial rather than agricultural products.

B. Methodology and data

The scope of changes in the imports of the CE-4 from the CIS-3 after EU enlargement will largely depend on the changes in the levels of import protection in the CE-4 before and after their accession to the EU. The actual level of MFN tariffs in the CE-4 differs from country to country. In the Czech Republic and Slovakia (which now form a customs union and have a common external tariff) the level of MFN tariffs is generally low and not much different from the EU tariff level. By contrast, in Poland and especially Hungary the level of protection is generally much higher and is likely to fall significantly after accession. In addition to the changes resulting from adoption of the common external tariff, the future level of protection will also be affected by the replacement of the current individual GSP schemes in the CE-4 by the EU-wide GSP.

In what follows, we examine the expected changes in the CE-4's imports resulting from their adoption of the common external tariff of the EU. The analysis is carried out in three steps. First, the 10 most important groups of imported products (by value) are identified for each of the CE-4 and the CIS-3 countries and for each of the three broad categories of products – agricultural, mineral and industrial products – corresponding to Combined Nomenclature (CN) classification chapters 1-24, 25-27, and 28-97, respectively. The individual product groups are identified at the CN 6-digit level (8-digit for Poland). The relevant data were obtained from national statistical services and cover trade in 2001 (2000 for Poland). In the second step, MFN and GSP rates of duty for individual product groups are determined, both for individual CE-4 countries and for the EU. In the final step, the impact on import volumes of the adoption of EU tariffs is estimated. The estimation starts with direct calculations of the trade creation effect for each of the specified product groups, and the results obtained are then extrapolated to total imports.

Detailed data on imports of individual product groups from the CIS-3 to the CE-4, divided into three broad product categories, with their respective tariff rates, are presented in annex 1. The entire database includes 36 tables (three exporting countries, four importing countries and three broad product categories), showing import values, the shares of individual product groups in total imports in each broad category, and rates of import duty for the CE-4 and the EU. Tables 2 and 3 present a summary of the figures.

Table 2 shows the total value of imports for the Czech Republic, Hungary, Poland and Slovakia, by broad product categories and by CIS country of origin (Belarus, the Russian Federation and Ukraine). Two observations can be made immediately. First, imports from Russia dwarf those from the other two CIS countries – the share of Russia in total imports from CIS-3 varies between 86 per cent in Hungary to 91 per cent in Slovakia. Imports from Ukraine amount to around 10 per cent, and those from Belarus account for only a tiny fraction (between 1.5 and 3.6 per cent).

Second, imports from Russia are dominated by minerals, mostly gas and oil. Mineral products (CN chapters 25-27) account for between 83 per cent (Czech Republic) and 89 per cent (Poland) of all imports. Industrial products, in contrast, account for the largest share of imports from Belarus and Ukraine, while agricultural products are marginal. This highly concentrated commodity structure of imports suggests that the possible gains from adopting a common EU tariff may be limited because the largest imports – mineral products – already enter CE-4 markets at zero rates in most cases.

TABLE 2

Total value of imports into the CE-4 from the CIS-3
(Thousand dollars)

Description	CN chapters	Imports from:			CIS-3, total
		Belarus	Russian Federation	Ukraine	
Czech Republic (2001)					
Total imports	CN 1-97	35 348	2 000 007	256 904	2 292 259
Imports of agricultural products	CN 1-24	499	2 492	2 553	5 544
Imports of mineral products	CN 25-27	216	1 658 704	163 803	1 822 723
Imports of industrial products	CN 28-97	34 633	338 811	90 548	463 992
Hungary (2001)					
Total imports	CN 1-97	100 105	2 369 515	295 215	2 764 835
Imports of agricultural products	CN 1-24	821	5 036	11 346	17 203
Imports of mineral products	CN 25-27	64 673	2 018 740	61 042	2 144 455
Imports of industrial products	CN 28-97	34 611	345 539	222 827	602 977
Poland (2000)					
Total imports	CN 1-97	153 682	4 619 448	475 374	5 248 504
Imports of agricultural products	CN 1-24	7 608	61 626	21 722	90 956
Imports of mineral products	CN 25-27	26 356	4 114 342	261 414	4 402 112
Imports of industrial products	CN 28-97	119 718	443 480	192 238	755 436
Slovakia (2001)					
Total imports	CN 1-97	26 843	2 180 611	194 142	2 401 596
Imports of agricultural products	CN 1-24	1	621	9 608	10 230
Imports of mineral products	CN 25-27	4 936	1 929 268	88 921	2 023 125
Imports of industrial products	CN 28-97	21 906	250 722	95 613	368 241

Source: Compiled from data provided by the national statistical services.

Table 3 shows the share of the 10 most important individual product groups (by value) in the total imports of each product category, for each exporting and importing country. The 10 largest import groups cover between 84 per cent and 100 per cent of all imports of agricultural and mineral products. For industrial imports, the sample generally accounts for between 60 and 87 per cent of total industrial imports; in Poland the share is lower (42-66 per cent), mainly because the analysis for Poland is based on disaggregated data (CN 8-digit). The large coverage of the 10 product samples allows for the results obtained on these to be extrapolated to total imports in the respective broad categories.

TABLE 3

Shares of the 10 largest product groups in total imports of each broad category of products into the CE-4 from the CIS-3
(Percentages)

Importing country	Broad product category (CN chapters)	Share in imports from:		
		Belarus	Russian Federation	Ukraine
Czech Republic	CN 1-24	100.00	88.73	87.70
	CN 25-27	100.00	99.97	98.89
	CN 28-97	70.04	63.41	60.33
Hungary	CN 1-24	99.87	99.20	97.81
	CN 25-27	100.00	99.89	97.54
	CN 28-97	85.15	68.20	74.12
Poland	CN 1-24	96.70	94.21	84.11
	CN 25-27	93.73	98.46	96.10
	CN 28-97	66.33	49.32	42.68
Slovakia	CN 1-24	100.00	94.52	98.97
	CN 25-27	100.00	100.00	98.60
	CN 28-97	87.26	71.47	64.62

Source: Calculated from data in annex I.

C. Methodological approach to quantitative estimates

It is important to distinguish between agricultural and non-agricultural imports. For the former, trade between the CE-4 and the EU is not yet fully liberalized and many tariff and non-tariff barriers to imports from the EU still exist. In this category EU accession will entail both trade creation and trade diversion effects that will be working in favour of imports from the EU and against those from non-EU members, including imports from the CIS. But these effects are likely to be small, both in relative and in absolute terms, because agricultural imports account for less than 1 per cent of total CE-4 imports from the CIS-3.²⁴

As for non-agricultural imports, trade between the CE-4 and the EU has already been fully liberalized and therefore no further trade diversion from non-EU imports can be expected. In contrast, some trade creation is likely for non-agricultural imports because of the replacement of CE-4's national tariffs by the EU common external tariff. But even here the effects are likely to be small, mainly because the large majority of non-agricultural imports from the CIS-3 (mostly oil and gas) already enter the CE-4 markets duty free.

In contrast, industrial products are likely to be affected more significantly, as tariffs in the CE-4 will in most cases be reduced on imports from the CIS-3. Here the standard trade creation effect can be calculated according to the following equation:²⁵

$$\Delta M = M_0 \cdot \eta \cdot \frac{t_1 - t_0}{1 + t_0}$$

where:

- M_0 = value of CE-4's imports from CIS-3 in a base period;
- η = price elasticity of CE-4's import demand; $\eta < 0$;
- t_0 = rate of duty in CE-4 before the adoption of the EU common customs tariff;
- t_1 = rate of duty after the adoption by CE-4 of the EU common customs tariff.

In the short term, the trade effect of adopting the EU common external tariff may not be very significant, given the current commodity pattern of imports from the CIS, which is dominated by raw materials on which import duties are already zero. But in the longer run these effects are likely to increase. Some CIS exporters no longer export to the CE-4 – or sell only small quantities – because of the high tariffs they face (especially in Hungary and Poland). In these cases reductions in the CE-4's external tariffs via adoption of the EU MFN rates will make exports to the CE-4 more profitable.

D. Estimates for non-agricultural imports

As a second step, the expected changes in imports of the 10 major product groups within each of the three broad categories have been calculated, for each importing and exporting country. Throughout, the price elasticity of import demand has been assumed to be 1.5. The summary results are shown in table 4. Next, the shares of the 10 largest products in total imports (as reported in table 3) have been extrapolated to estimate the expected changes in total imports from the CIS-3. These final results are shown in table 5.

The net trade creation effect for non-agricultural imports (table 5) is estimated to be negative, but very small both in absolute terms and in relation to total imports. The adoption of the EU common external tariff and – in the case of certain goods – the extension of the GSP to the CIS-3, is likely to reduce non-agricultural imports into the CE-4 from the CIS-3 by about \$3 million, which reflects an increase of mineral imports by \$18 million and a reduction in industrial imports by about \$21 million. These gains and losses represent 0.17 per cent and -0.92 per cent of total imports in the respective categories. The trade creation effect is positive for non-agricultural imports from Ukraine (\$15 million) and from Belarus (\$6 million), but negative for imports from Russia (\$24 million). Looking

TABLE 4

Possible changes in the 10 largest groups of non-agricultural imports from the CIS-3 to the CE-4 following adoption of the EU common customs tariff
(Million dollars, 2001 prices)

Importing country/product category	CN chapter	Changes in imports from:			Change in total imports from CIS-3
		Belarus	Russian Federation	Ukraine	
Czech Republic					
Mineral products	CN 25-27	-	0.09	1.99	2.08
Industrial products	CN 28-97	0.80	-8.72	0.23	-7.69
Hungary					
Mineral products	CN 25-27	2.24	-0.39	0.22	2.07
Industrial products	CN 28-97	-	-12.88	-4.94	-17.82
Poland					
Mineral products	CN 25-27	1.91	10.69	0.99	13.59
Industrial products	CN 28-97	1.19	4.84	7.97	14.00
Slovakia					
Mineral products	CN 25-27	0.38	0.09	-0.26	0.21
Industrial products	CN 28-97	0.71	-8.09	-1.41	-9.44

Source: Authors' calculations.

at individual CE-4 countries, the net effect is positive only for imports into Poland (\$44 million),²⁶ while in the others the likely negative effect varies between \$10-\$12 million for the Czech Republic and Slovakia, and \$23 million for Hungary.

TABLE 5

Estimates of the changes in total non-agricultural imports from the CIS-3 to the CE-4 following adoption of the EU common customs tariff
(Million dollars, 2001 prices)

Importing country/ product category	CN chapter	Changes in imports from:			Change in total imports from CIS-3	Change in total imports from CIS-3 (per cent of total imports)
		Belarus	Russian Federation	Ukraine		
Czech Republic						
Mineral products	CN 25-27	-	0.09	2.01	2.10	0.12
Industrial products	CN 28-97	1.14	-13.75	0.38	-12.23	-2.64
Hungary						
Mineral products	CN 25-27	2.23	-0.39	0.22	2.06	0.10
Industrial products	CN 28-97	-	-18.89	-6.66	-25.55	-4.24
Poland						
Mineral products	CN 25-27	2.04	10.86	1.03	13.93	0.32
Industrial products	CN 28-97	1.79	9.81	18.67	30.27	4.01
Slovakia						
Mineral products	CN 25-27	0.38	0.09	-0.26	0.21	0.01
Industrial products	CN 28-97	0.81	-11.32	-2.18	-12.69	-3.45
Total CE-4						
Mineral products	CN 25-27	2.42	10.65	4.86	17.96	0.17
Industrial products	CN 28-97	3.74	-34.15	10.21	-20.20	-0.92

Source: Authors' calculations.

These results may be somewhat surprising both with respect to the sign of the expected changes (negative rather than positive) and to their size (very insignificant). After all, the CE-4 countries with relatively high tariffs – Hungary and Poland – might be expected to increase their imports from the CIS-3 considerably, while in the other two – the Czech Republic and Slovakia – the trade effects should be close to zero, given the small difference between their current tariffs and the EU tariff (after accounting for GSP rates). There are several explanations for this apparent paradox. First, as noted earlier, imports of mineral products, accounting for 80-90 per cent of all imports from the CIS-3, already enter the CE-4 duty free, and therefore there will be no trade creation effect at all for the large

majority of imports. Second, for the remaining imports, duty rates in the CE-4 are relatively low, partly as a result of reductions following GATT/WTO rounds of multilateral trade negotiations. For low nominal tariff levels, the magnitude of the tariff-induced changes in trade is rather limited. Third, among the industrial products imported from the CIS-3, by far the most important is aluminium and aluminium products that together account for almost one quarter of all industrial imports. These products now enter CE-4 markets duty free (except for Poland) but in the EU the rate of duty is 6 per cent, so a negative trade creation effect can be expected after accession. If aluminium and aluminium products are excluded from the calculations, the trade creation effect for industrial imports turns from a negative of \$20.2 million into a positive of \$14.4 million (or 0.66 per cent of total industrial imports).

It should be noted that these estimates refer to only one component of the static effects of tariff changes.²⁷ The reduction in the overall degree of tariff protection after accession, especially in Hungary and Poland, will most probably allow many new imports from the CIS-3 to emerge and expand.

E. Expected changes in agricultural imports

Trade creation and trade diversion should also occur in agricultural trade. Trade diversion away from imports originating in the CIS-3 is very likely because the removal of trade barriers in the CE-4 after accession will lead to at least some substitution of duty-free imports from the EU for agricultural imports from the CIS. Moreover, tariffs on some imports into the CE-4 will rise after accession to the EU (e.g. on cereals, tobacco and tobacco products, which are more highly protected in the EU than in the CE-4, except in Hungary), implying a negative trade creation effect on imports from the CIS-3. These higher tariffs will protect CE-4 markets against imports from all non-EU countries. At the same time, imports from the EU (and the other new members) will become much cheaper in the CE-4 due to the complete elimination of the present tariffs.

It is probably impossible to calculate such effects precisely (not only in trade with the CIS but with any other partners), given the numerous methodological problems (see subsection 3.2). The levels of tariff and non-tariff protection are likely to increase for imports such as fish and fish products, fresh fruits and vegetables, and processed cheese. On the other hand, important protection is expected to be reduced for bread, pastry and cakes, ice cream, fresh cheese, animal feed and preserved vegetables. But the relative importance of these products will vary from one importing country to another. One very rough method of estimating the scale of expected changes in agricultural imports is to compare the simple average nominal tariffs as reported in table 1 and to use them to calculate the trade creation effect. If the tariff-equivalent level of agricultural protection in the EU is 16.7 per cent, the adoption of this level will certainly lead to expansion of imports from the CIS-3 to countries such as Hungary and Poland, where the current nominal levels of protection are 37.1 per cent and 32.8 per cent, respectively. In contrast, imports to the Czech Republic and Slovakia can be expected to decline because their current levels of protection are 12 per cent and 11.8 per cent, respectively. Applying the equation above to all agricultural imports suggests an overall positive trade creation effect of \$12.89 million, or 2.33 per cent of total agricultural imports from the CIS-3.

As regards trade diversion, establishing a free trade area between the CE-4 and the EU would in theory lead to replacement of some imports from the CIS-3 by imports from the EU. However, this will not necessarily be the case. At present, agricultural imports from the EU to the CE-4 are artificially competitive because of massive export subsidies paid under the Common Agricultural Policy. After accession, agricultural prices in the EU and the CE-4 will be equalized and export subsidies discontinued. This may actually lead to a reduction, rather than an increase, of agricultural imports from the EU. Therefore, the final outcome of EU accession for agricultural imports from the CIS-3 may well be positive.

F. Changes in textile trade

In 1993 the Community negotiated a number of new bilateral agreements on textiles and clothing with the CIS which replaced earlier unilateral measures. Some of these new agreements provided for quantitative restrictions (Belarus, Russia, Ukraine and Uzbekistan), while others provided only for

double-checking surveillance without any quantitative restrictions (Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, the Republic of Moldova, Tajikistan and Turkmenistan).²⁸ In subsequent years these agreements were renegotiated. In 1998 quotas were eliminated on imports from Russia, and later from other CIS partners.

V. Possible impact of other measures

A. Anti-dumping measures

Until 1998 the European Commission (EC) applied different rules for setting “normal value” in anti-dumping proceedings against imports from market and non-market economies. In the latter case, the normal value of imported products was estimated on the basis of prices or costs of production of a like product in a third market economy country. Under the rules for non-market economies it was slightly easier to implement anti-dumping measures than under the general rules for market economy countries applied to WTO members. In 1998 this legislation was amended to grant exporters from Russia (and China) “market economy treatment” (subject to several conditions) on an ad hoc basis for the purpose of anti-dumping investigations.²⁹ In this way the Community expressed its approval of the reform process in China and Russia. In practice, however, only a few Russian companies have managed to meet the criteria listed in the relevant Regulation in order to be subject to the market economy anti-dumping rules.³⁰ In 2000 the Community extended the new rules to Kazakhstan and Ukraine as well as Georgia and Kyrgyzstan – two countries that were soon to become WTO members.³¹ Other CIS partners are still treated as non-market economies for the purpose of calculating normal value in anti-dumping investigations. In November 2000 Russia was unequivocally recognized as a market economy country subject to general anti-dumping rules.

The number of anti-dumping proceedings against products originating in Russia is significant: in 1992-1999 they numbered 22 (see annex table 2.3). Russian officials estimate the losses due to anti-dumping restrictions at \$2.24 billion. The temporary self-restraint by Russian exporters of some steel products (pipes and transformer steel) has prevented additional anti-dumping proceedings. Out of a total of 192 anti-dumping measures in force in the EU at the end of 1999, Russia accounted for 7 per cent, the products most affected being iron and steel, and chemicals.

The CE-4 has used anti-dumping provisions much less than the EU. For example, in Poland there were only two anti-dumping proceedings against CIS goods at the end of 2000. Both of them concerned products imported from Belarus: synthetic fibers and polyester tow. Anti-dumping measures have not been widely used in transition economies, partly because of their relatively high level of competitiveness in products that are typically affected by anti-dumping measures, such as steel products, textiles, footwear and chemicals, and partly because of the weakness of their national trade administrations. This situation will certainly change after EU enlargement. The CE-4’s accession can be expected to lead to an increase in the number of products originating in the CIS-3 and affected by anti-dumping measures. Not only will the CE-4 have to implement measures already in force in the EU, but anti-dumping procedures can be initiated by other EU producers who export to CE-4 markets and will face competition from CIS producers. Also, in the future, the CE-4 – as EU member states – will have to adopt common EU measures in force (if any) against unfair imports (at dumped prices).

B. Other safeguard measures

In addition to anti-dumping measures, several other types of safeguard measures may be applied, both by the CE-4 and the EU. These include, first of all, measures against excessive growth of imports that cause, or threaten to cause, injury to domestic producers of like products (under Article XIX of GATT 1994 and the WTO Agreement on Safeguards). The EU legislation provides for additional rules against excessive imports from non-market economy countries that are easier to apply than the general safeguard rules available to WTO members.³² In practice, however, these rules have seldom been applied.

In the late 1990s the CE-4 implemented safeguard measures against some products coming from CIS. Among the imports affected were: coal, ammonium nitrate, tractors from Russia, refractory-clay and steel plates from Ukraine, tractors from Belarus, steel plates from Kazakhstan, and a number of other products treated on an *erga omnes* basis.³³

There is also a special safeguard mechanism of the WTO Agreement on Agriculture noted as a “SSG” (special safeguard). The SSG system permits the imposition of “snap-back” tariffs, which the EU (and all other WTO members) may invoke either when import prices fall below trigger prices, or when import volumes rise above trigger volumes. The EU has invoked the price-based SSG since 1995 for a number of products: poultry meat, dried egg yolks, and certain sugar products for the marketing year 1995-1996. In subsequent years the range of products covered by SSG has increased to include some vegetables and fruits.³⁴ In Poland, for example, the special safeguards for agricultural products were invoked several times in 1999 for cut flowers, beef meat, sugar and flour.³⁵

The SSG was in force under the Uruguay Round Agreements until 2002. Since then it has been applied under informal arrangements. The EU is interested in its extension but this requires the agreement of other WTO members. The new WTO round of multilateral negotiations, that started at the beginning of 2002 on the basis of the Doha Agenda of November 2001, is supposed to deal with these issues. However, even if the SSG is maintained, its practical effects will not be important because of the very low value and shares of agricultural exports from the CIS to the CE-4.

A special regime applies to imports from three CIS partners of certain iron and steel products covered by the ECSC Treaty (WTO members are not covered by these rules). In 1997, the EU concluded bilateral agreements renewing a number of quantitative restrictions on imports of iron and steel products from the Russian Federation and Ukraine; these were first introduced in 1995. In 1999 the EU concluded a similar agreement with Ukraine.³⁶ Quotas on steel imports from Russia will be binding until 2005, and from Ukraine until 2004. Some of the products covered by current EU quotas are at present imported into the CE-4 without any restrictions. Accession to the EU is likely to change this situation. It will restrict access to the enlarged EU market for exporters from Russia and Ukraine if EU quotas are simply extended to include the CE-4. Alternatively, EU-wide quotas could be increased to accommodate supplies from Russia and Ukraine to the CE-4 at roughly current levels. In the latter case, the effect of CE-4 accession on Russia and Ukraine would be neutral as far as the present level of quantitative restrictions is concerned (although there would still be an adverse impact on future trade). A third option is to remove quotas altogether. Earlier removal of such restrictions would be a natural consequence if the countries affected accede to the WTO (Russia, for example).

C. Subsidies of agricultural exports from the EU

The CIS, which are net importers of agricultural products, benefit from the export subsidies provided by the EU. As the market prices of subsidized products have tended to fall, for many years the EU has subsidized its exports of agricultural products, including cereals, beef and dairy products.

Among the CE-4, only Hungary provides subsidies to exports of agricultural products on a large scale. The other candidate countries, mainly because of budgetary problems, maintain export subsidies on only a few products (e.g. Poland subsidizes exports of sugar and potato starch).³⁷

Although all WTO members have been reducing export subsidies for several years (following the Uruguay Round Agreement on Agriculture) they will nevertheless continue to exist for the near future. So, after joining the EU, the CE-4 will be eligible to resort to such subsidies when prices in the Union are above those on world markets. Thus, CIS consumers will probably continue to benefit from cheap, subsidized agricultural imports. The issue, however, is much more complex and a number of other elements need to be taken into account, such as changes in the demand and supply of agricultural products in the CIS, in world prices, in the direction of the common agricultural policy reform and the results of the new round of WTO negotiations.

D. Technical standards

1. EU rules

Industrial products and foodstuffs placed on the EU market, whether of EU or imported origin, are subject to legislation that obliges them to satisfy certain standards and technical specifications. This legislation is necessary for various reasons, such as safeguarding the safety of workers, protection of the health of consumers, reduction of environmental pollution and the rationalization of industrial production. The problem for the EU single market was not that individual countries maintained national regulations on norms and standards, but that these regulations differed widely across the region and, as a result, could be used to protect the national market from products from other member states.

The present EU framework for product and product-related regulations is based on three main pillars. The fundamental rule under the EC Treaty is the free movement of goods between member states. Member states, however, may introduce exceptional measures to protect legitimate public interests (in health and safety, the environment, public morality and security), provided that the measures are not discriminatory and are not disguised barriers to trade.

The second principle is mutual recognition of member states' legislation that has the same objectives in terms of the level of protection; this principle is based on the 1978 "*Cassis de Dijon*" ruling of the European Court of Justice.³⁸

The third principle is harmonization of member states' legislation, when differences between them are too great to permit the principle of mutual recognition to operate effectively.

New barriers to trade, which result from the adoption of diverging national technical standards and regulations, can be prevented through a procedure laid down by Directive (EC) 98/34 as amended. Member states are obliged to notify draft technical regulations and standards to the Commission and to the other member states. During a standstill period these measures may not be adopted, which leaves the Commission and the other member states with time to react.

The removal of technical obstacles to trade started in the Community with the harmonization of national regulations and the creation of Community laws agreed upon by the Council. This was the so-called "old approach" to different technical requirements in individual EC member states. It provided for product-specific laws that laid down detailed technical requirements to be implemented by member states. These requirements applied in particular to motor vehicles, chemicals, foodstuffs and pharmaceuticals, all particularly sensitive areas. Technical requirements were very detailed. Such an approach was very time-consuming and made it difficult to reach agreement, especially after the EEC enlargement in 1986 to 12 member states.

In May 1985 a "new approach" to technical harmonization and standards was adopted.³⁹ This is now the most popular way to align national standards and it established the following principles: legislative harmonization is limited to essential requirements (of a general character), which have to be met by all products placed on the Community market. Specific technical solutions are left to the market (e.g. to voluntary standards or manufacturers' decisions). It means that the technical specifications of products meeting the essential requirements set out in the directives are laid down in harmonized standards.⁴⁰ Application of harmonized or other standards remains voluntary, and the manufacturer may always apply other technical specifications to meet his or her requirements. However, products manufactured in compliance with harmonized standards benefit from a presumption of conformity with the corresponding essential requirements.

The operation of the new approach requires that the standards offer a guaranteed level of protection with regard to the essential requirements established by the directives, and that the national authorities carry out their responsibilities for the protection of safety and other interests covered by the directive.⁴¹

Such rules apply to a large number of areas. They include among others: low voltage equipment, simple pressure vessels, the safety of toys and construction products; electromagnetic compatibility, machinery, personal protective equipment, non-automatic weighing instruments, active implantable medical devices, and so on.

“New approach” directives apply to products placed on the Community market for the first time. They cover new products of Community origin as well as new or used imported products. Those placing the product on the market – the manufacturer or the importer (in the event the manufacturer is not established in the Community and has no authorized representative in the Community) – assume responsibility for possible threats to health or safety.

The manufacturer must affix the “CE” mark to the product upon compliance with essential requirements, established by the prescribed conformity assessment procedures, without which the product may not be placed on the market. In many cases, the manufacturer’s declaration is sufficient, but in the event of a sizable risk, the intervention of a third party (a notified body) is required. Notified bodies are designated by the member states. Such bodies can be established in or outside the Community, they may also offer the manufacturer the possibility of using quality assurance systems.

In the absence of specific legislation, whether at the level of the Community or a member state, a general Product Safety Requirement applies to any consumer product (food or non-food) placed on the market, to be enforced by the member states mainly by market surveillance. Other general requirements include protection against misleading advertising and dishonest provisions in contracts with consumers,⁴² liability for defective products, including for primary agricultural products,⁴³ and circulation of accurate price information among the member states in the event of a serious and immediate risk to the health and safety of consumers. A similar system applies to foodstuffs.

Due to all those principles and regulations, the free movement of goods on the single European market has been operational since 1 January 1993.

2. Effects of the adoption of the EU standardization system in the CE-4

For several years EU candidate countries have been adjusting their own systems of standards, testing and certification to EU requirements. Under the European Conformity Assessment Agreement of 1997, the candidate countries agreed to introduce an EC-compatible certification system. The CE-4 agreed, *inter alia*, to gradually align their regulations and certification procedures with the EU; to remove from mandatory certification those products which are free from certification in the EU; and to automatically provide national safety certificates to EU products subject to mandatory certification. While the list of products requiring mandatory certification in the CE-4 has already been significantly reduced, some delays have occurred in implementing the Agreement.

The CE-4 will also have to transpose to their domestic legislation all the directives that are mandatory in the EU. Upon the day of accession, most probably all products made in the CE-4 will have to meet EU requirements, i.e. to comply with the EU directives of “old” and “new” approaches to technical requirements.⁴⁴ Also, products imported into the CE-4 (as a part of the single European market) from the third countries will have to comply with those requirements. Certainly, this condition will also apply to goods coming from the CIS.

A negative aspect of this change will be that CIS products (as with CE-4 products), which have to be adjusted to meet EU technical requirements will involve some additional costs and time. However, such costs should be modest in practice because most products imported from the CIS do not fall into the area of mandatory certification (as they consist mostly of raw materials and by-products). In the longer term this situation may change if the structure of CIS exports becomes more differentiated to include products covered by compulsory EU technical specifications.

In the long run, the adjustment of CIS products to the new technical rules (which of course will be the same in the CE-4 as in the whole of the EU) should benefit their exports. The reason is that, at present, CIS exporters, have to meet two types of technical requirements and related certificates when they sell on CE-4 and on EC markets, namely, national CE-4 requirements and those of the EU. After

the CE-4's accession to the EU there will be only one type of requirement, which should make exporting to the enlarged market much easier.

3. Other EU requirements

The CE-4 will have to adopt not only the technical requirements in force in the EU but also many other rules, including standards for social and environmental protection. Such adjustments are likely to affect the CE-4's relations with third countries in a variety of ways.

Such adjustments will increase the competitive pressure on CE-4 producers as meeting the more demanding requirements regarding social standards, technologies, etc., which will increase costs (including those of labour). The short-run effect will be to make CE-4 producers less competitive relative to CIS producers who will not have to adopt such laws. Higher social standards may also make the CE-4 less attractive to western investors who may contemplate moving further east to the CIS where labour costs will be lower (provided other conditions remain unchanged). Labour cost advantages are not usually the main factor behind foreign direct investment decisions, but in some areas they still count.

A similar situation arises with many environmental requirements. As long as they refer to product characteristics, they have to be observed by all producers (domestic or foreign). Many environmental rules, however, relate to production technologies in order to protect clean air, water, etc. As long as the CIS producers do not have to install new equipment to meet such standards, their products will be cheaper.

Summing up, EU standards, which are usually higher than those in the CE-4, present both a challenge and an opportunity for CIS exporters. At present, CIS producers exporting to the CE-4 and to the EU have to meet the standards of both partners. After EU enlargement they will have access to a larger, single market with uniform requirements, which should provide opportunities to increase the efficiency of exporting and to exploit economies of scale in production.

E. Export duties and taxes

No export taxes, charges or other fees are levied by the CE-4. Exports of goods and services are zero-rated for VAT purposes or exempted from VAT. Exporters can also claim a tax credit for VAT paid on inputs. However, no rebate of excise duties paid on inputs, such as petroleum products, is available to exporters.

VI. The impact of CE-4 accession to the EU on inflows of foreign direct investment to CIS-3

A. Theoretical underpinnings

Since the beginning of transition in 1989 foreign direct investment (FDI) in central and eastern Europe has been growing steadily, although some countries have been able to attract much more than others. In particular, the EU candidate countries have been especially successful in this regard: thus, the cumulative value of all FDI in the CE-4 in 2000 was more than 60 per cent of all FDI in the whole region, i.e. \$18.6 billion.⁴⁵ This suggests that the prospect of EU accession may have been important in stimulating inflows of FDI. Can their actual accession be expected to further increase FDI? And to what extent would such an increase be at the expense of third countries – that is, as a result of diverting FDI away from those countries, including the CIS-3?

There is a large body of economic literature that offers several theoretical explanations as to why and under what conditions a firm decides to establish a productive presence in another country. At a general level, the most widely recognized theory of international production⁴⁶ explains the evolution of FDI with a number of microeconomic factors and places the whole process in an economic

development context. According to this framework, a multinational company (MNC) will decide to invest in a foreign country provided that the following three conditions are simultaneously fulfilled:

- 1) The MNC should have a competitive advantage arising from ownership of a technology or a new product, which would allow it to start production in the target foreign country and successfully compete with local firms, despite the additional costs of starting the activity in a different environment;
- 2) FDI should be judged to be more profitable for the MNC than simply exporting goods to the target country, or selling its “competitive advantage” (technology, new product) to another company, e.g. through licensing; this means that “internalization” of the advantage by starting production in MNC’s own affiliate in the target country should emerge as the best alternative;
- 3) The target country must have its own competitive – locational – advantages that can attract foreign companies (e.g. specific mineral resources, large domestic market, inexpensive manpower, low taxes, etc.).

The three conditions reflect the three key factors determining an FDI decision – ownership, location and internalization, hence the acronym OLI. As these factors are different in nature, both macroeconomic and microeconomic, the theory is also known as the “eclectic paradigm”. If these three conditions are met (or are believed to be met), a decision by a parent company to establish a foreign affiliate would generally be economically justified (in terms of the parent company’s objective function). The third condition referring to the locational advantage of the target country can be further examined in the light of the three main motives that typically drive FDI to a foreign country. The first motive is simply to supply the domestic market of the target country, displacing fully or partly previous – or potential – exports. The second motive is to take advantage of lower wages, lower taxes or other items that reduce overall production costs and thereby increase efficiency and overall competitiveness. The third motive is to acquire special assets, e.g. in the form of a commercial brand or a license. Accordingly, it is customary to distinguish FDI that is local market oriented, cost – or efficiency – oriented, and asset oriented, respectively.⁴⁷

All three categories of FDI have been observed in central and eastern Europe. Local market-orientation is likely to favour the larger central and east European countries or those with higher purchasing power – which implies a preference chiefly for Poland, and to a lesser extent for Hungary and the Czech Republic. Cost-oriented (or efficiency-oriented) FDI tends to exploit primarily the advantage of inexpensive and relatively well-trained labour forces in the region, although the advantage can be offset by an underdeveloped infrastructure, higher taxes or administrative barriers. Cost-oriented FDI is typically found at the same time as domestic market-oriented FDI, but it generally requires more stable and predictable economic conditions in the host country. The third type of FDI aims at the acquisition of a unique type of resource or asset. Targeting mineral resources has dominated FDI in Kazakhstan and Russia, especially in the oil and gas industries but also the extraction of precious stones and metals. Targeting other assets, in particular those determining strategic competitive advantage, such as a recognized commercial trade mark, an industrial patent or unique technical skills, is characteristic of FDI in countries at higher levels of development and of larger, more internationally-oriented firms. This type of consideration may be the key motive in MNC strategies to build international production networks. However, strategic, asset-oriented FDI seems to be less frequent in the region than the other two types of FDI.

EU accession may be regarded in this context primarily as a factor strengthening both the local market and the low production cost motives. In the first case, an FDI project in a candidate country will, after EU accession, automatically enjoy free access to the enlarged EU market, thus adding this extra market potential to that of the local market. In the second case, non-wage costs are likely to fall in the new member countries because of a reduction of transaction costs, the harmonization of laws, norms and standards, and because of reduced macroeconomic and sovereign risk. Both sets of factors can be expected to attract additional FDI, beyond that already in central and eastern Europe.

Addressing more specific issues of FDI in developing and transition economies, the recent literature emphasizes the importance of the overall business environment, including tax and other fiscal and quasi-fiscal burdens, trade integration, labour costs and the nature of the privatization process.⁴⁸ Also the size of a country's economy in explaining the level and directions of FDI flows has been stressed, as well as the importance of purely firm-specific factors.⁴⁹ The studies indicate that in the transition countries, as in other developing economies, political and economic factors, privatization policies and some transition-specific factors, such as the prospects of EU accession, have been the principal determinants of FDI. Policy-dependent and institutional factors are responsible for large variations in FDI stocks and flows among different transition economies that have similar levels of per capita income. As FDI complements, and grows in parallel with, exports and imports, it will also tend to be higher in countries with more intensive trade links.

In a more formal setting, FDI can be modelled as being determined primarily by expected profitability, which depends on demand (level of GDP) and cost (wages, taxes, transaction costs) factors as well as risk, which itself may be measured by the host country's investment and credit rating. The credit rating in turn is determined by a number of economic and non-economic variables, such as the share of the private sector in the economy, the degree of international openness, the budget balance, the quality of public institutions, the scale of corruption, the degree of political stability, etc. As suggested in some studies⁵⁰ announcements concerning EU membership are found not to influence a country's credit rating, but to affect FDI directly. The political decisions about timetables on EU accession and advancing to full membership can increase FDI for the reasons given earlier, thereby improving the overall economic performance of the candidate countries. This process has the potential to reinforce itself, thus establishing a virtuous circle and further improving the country's investment ratings and stimulating more FDI. In contrast, non-EU candidate countries can be expected to receive less FDI not only because they have little or no prospect of becoming EU members but also because that they are generally less advanced in the transition process and their economic performance is relatively poor.

In light of the above, a possible diversion of FDI away from the CIS-3 to the CE-4 cannot be excluded but it is unlikely to be significant. The key factor is the enormous difference in the level of risk associated with FDI in the two groups of countries. International credit ratings, published periodically by international investment agencies, gauge the difference in the risk levels between individual countries. The ratings for the CIS-3 are far below those of the CE-4; in fact, the two groups of countries belong to quite different categories. Table 6 shows Standard & Poor's foreign currency sovereign debt ratings. The best of the CIS-3 – Russia – currently has a rating that is three notches

TABLE 6

Standard & Poor's long-term sovereign debt risk ratings for the CE-4 and the CIS-3, 2001 and 2002
(Per cent)

Country	Local currency May 2001	Local currency November 2002	Foreign currency May 2001	Foreign currency November 2002
CE-4				
Czech Republic	AA-	A+	A-	A-
Hungary	A+	A	A-	A
Poland	A+	A	BBB+	BBB+
Slovakia	BBB+	A-	BB+	BBB-
CIS-3				
Belarus	SD	SD	SD	SD
Russia	B-	BB-	B-	BB-
Ukraine	SD	B	SD	B

Source: Standard & Poor's, *Credit Weekly* (various issues).

Note: SD: substandard.

below the lowest in the CE-4 – Slovakia; Ukraine is five notches below, and Belarus is substandard. The differences in local currency debt ratings are even larger. Clearly, the CIS-3 and the CE-4 do not seem to be even imperfect substitutes as locations for potential FDI. This suggestion is supported by the present profile of FDI in CIS-3 – it is generally much smaller than in the CE-4 and

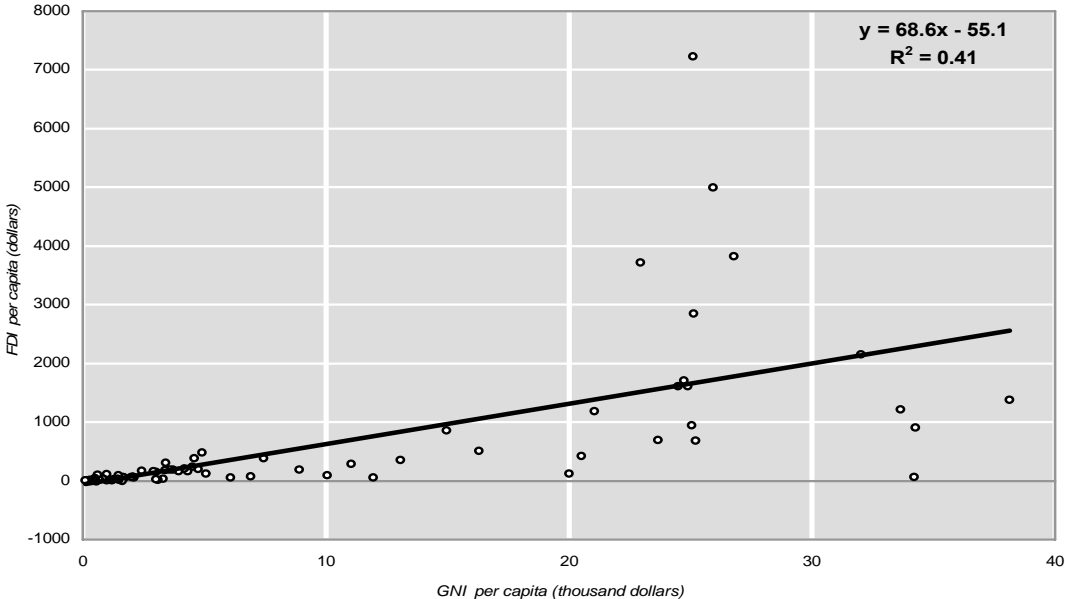
is concentrated chiefly in the mining and energy sectors, with very few ventures in manufacturing. This specific pattern has not been affected by the much lower production costs, especially of wages, in the CIS-3, or by the large and untapped domestic market in Russia. This suggests that the key obstacles to increased FDI in the CIS-3 are still the high levels of economic and political risk that arise from domestic factors, such as slow progress in market reforms, an imperfect rule of law, inefficient public administration, corruption and high transaction costs.

B. FDI in the CE-4 and the CIS-3: some statistical observations

In a broader macroeconomic context, the levels of inward FDI depends on the overall development levels of the home country and the target country relative to the rest of the world, and on a number of policy variables that jointly determine the level of expected profitability adjusted for risk. According to the OLI framework the relationship takes the form of an investment development path (IDP) model, which suggests that inward FDI tends to increase in parallel with the level of economic development.⁵¹ Initially, these are relatively simple ventures extracting mineral resources for export on ventures addressing some segments of the domestic consumer market. As per capita income increases, the rate of growth of inward FDI first increases and then gradually decreases, and at the same time the structure of FDI shifts towards more sophisticated products, services and operations that are part of international production networks.

CHART 1

Cross-country regression analysis: the relationship between FDI per capita (y) and GNI per capita (x), 1998-2000 (Dollars)



Source: The FDI figures are taken from issues of UNCTAD's, *World Investment Report, 2000* and *2001* (United Nations publications, Sales Nos.: E.00.II.D.20 and E.01.II.D.12) and gross national income figures for most countries are taken from World Bank, *World Development Report, 2000/2001* (Washington, D.C.), except for the central and east European countries for which gross domestic product per capita figures are taken from EBRD, *Transition Report, 2001* (London).

Note: Annual averages 1998-2000; 88 countries.

Empirical data seem to broadly support the theoretical predictions of the IDP model. Chart 1 shows the relationship between the level of development, measured by the level of gross national income per capita, and FDI inflows per capita, for the panel of 87 countries for which the relevant data are available. The average annual level of outward FDI per capita tends to be higher in countries with higher levels of GNI per capita. The trend line suggests that an increase in per capita income of \$1,000 can be expected to attract an additional FDI inflow of \$68 per capita. The value of the R²

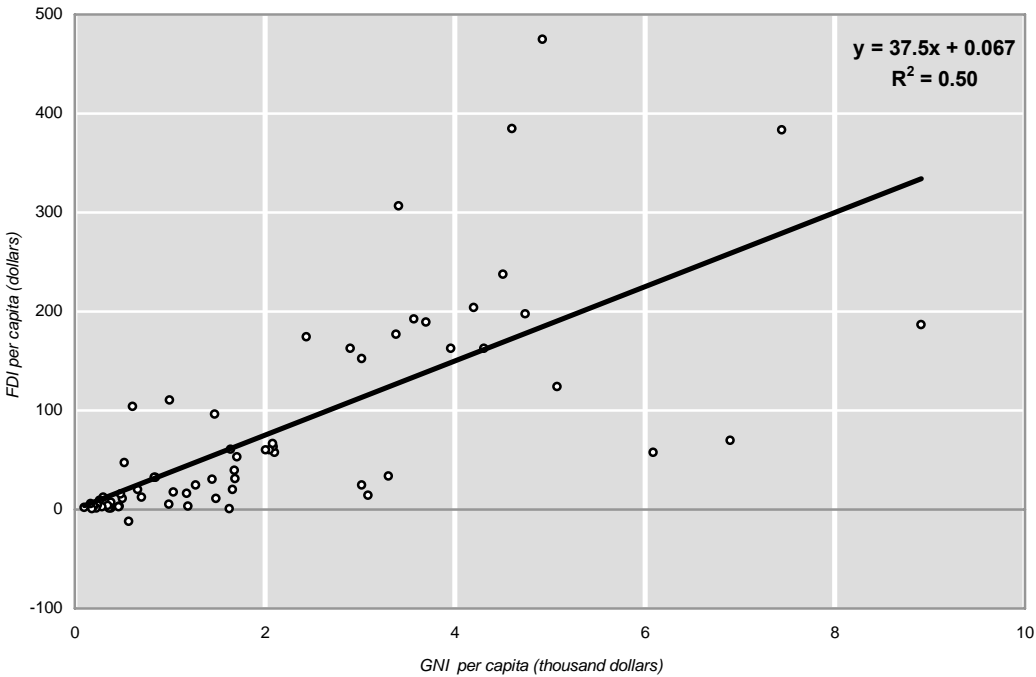
coefficient (0.41), although statistically significant, suggests that other country-specific and firm-specific factors are important in explaining FDI. These include domestic policy and institutional variables that are important in determining the level of risk associated with FDI in individual countries.

Chart 2 shows the relationship between per capita income and FDI inflows per capita, but only for a smaller group of countries where income per capita is not more than \$10,000. The relationship is broadly similar, although the slope coefficient is smaller, which suggests that the effect of an increase in per capita income in poorer countries in attracting FDI is only half of that for the entire sample of countries. Again, individual cases may deviate from the trend line due to other, country-specific factors.

The two trend equations have been used to calculate the hypothetical levels of FDI inflows to the CE-4 and the CIS-3, as functions of their respective per capita income levels. The results are in the last two columns of table 7. Actual FDI inflows into the CIS-3 are generally much lower than the hypothetical levels (except for Ukraine under the first equation). In contrast, actual FDI into the CE-4 is broadly in line with the hypothetical levels obtained from equation 1, and are much larger than the hypothetical levels derived from equation 2.

CHART 2

Cross-country regression analysis: the relationship between FDI per capita (y) and GNI per capita (x), 1998-2000 (Dollars)



Source: As for chart 1.

Note: Annual averages 1998-2000; 63 countries with GNI per capita of at most \$10,000.

It is clear that the negative deviations from the trend in the CIS-3 are caused by other factors that have worked in favour of FDI in the CE-4. As FDI in the CIS-3 is much below the trend level, this shortfall cannot be explained by factors that are specific to the CE-4 – such as the prospect of EU accession – but rather by factors specific to the CIS-3, such as high degrees of risk. It follows that the accession of the CE-4 to the EU can only have a marginal effect, if any, on FDI in the CIS-3, and that the main constraints on FDI in the latter are to be found in domestic policies and the institutional environment.

C. The impact on the CIS-3 of increased FDI in the CE-4

Whatever the negative direct effects of a possible diversion of FDI away from the CIS-3 to the CE-4 after EU enlargement, they are likely to be more than offset by the positive indirect effects arising from the dynamic spillovers from increased FDI and enhanced competition in the CE-4. As suggested by earlier enlargements (Ireland, Portugal, Spain), FDI inflows into the new member countries can easily more than double in a few years after their accession.⁵² Assuming that FDI in the CE-4 will increase at a similar pace, annual FDI in the CE-4 would rise from \$16 billion in 2000 to some \$32 billion after accession. The effect of this additional FDI on imports from the CIS-3 would amount to \$160-\$200 million per annum (assuming a 7 per cent share in imports and a marginal propensity to import of 0.2).

More generally, the CIS-3 can be expected to gain more from the dynamic benefits that are likely to accrue to the new member countries. According to a number of studies, the dynamic benefits of integration for the new members are estimated at between 6-8 per cent⁵³ and 18-20 per cent of GDP⁵⁴ in 2008-2014. Even more conservative estimates suggest the annual gains in terms of GDP for the CE-4 could be around \$20 billion. The positive spillover effects of these additional incomes for the CIS-3 could be substantial.

TABLE 7
Actual and potential per capita FDI inflows to the CE-4 and the CIS-3
(Dollars)

Country	Income/per capita ^a	Actual FDI inflows per capita ^b	Hypothetical FDI inflows ^c	Hypothetical FDI inflows ^d
CE-4				
Czech Republic	4 920	474.9	282.4	184.6
Hungary	4 740	197.5	270.1	177.8
Poland	4 200	203.9	233.0	157.6
Slovakia	3 700	189.0	198.7	138.8
CIS-3				
Belarus	1 270	13.9 ^e	32.0	47.7
Russia	1 660	19.9	58.8	62.3
Ukraine	700	12.1	-7.1	26.3

Source: UNCTAD, *World Investment Report, 2001* (United Nations publication, Sales No. E.01.II.D.12); EBRD, *Transition Report, 2001* (London); author's calculations.

^a GDP in dollars, 2000.

^b Annual average inflow, 1998-2000.

^c See chart 1 equation.

^d See chart 2 equation.

^e Annual average of 1997-1999.

VII. Other implications of EU enlargement for relations with the CIS-3

Another implication of the CE-4 accession to the EU should be an improvement in the CE-4's transport infrastructure (co-financed by the EU budget under ISPA,⁵⁵ the European Investment Bank and, in the future, probably by the regular Structural and Cohesion Funds). This improvement is particularly important for the transit trade between the CIS and the EU, which passes through the CE-4 countries. At present, poor condition of the transport infrastructure in the CE-4, in particular the roads and border crossings in Poland, is an important obstacle to the development of trade between the CIS-3 and the EU. A better infrastructure can be expected to reduce transport and transaction costs, to encourage an increase in bilateral trade.

The eastern borders of Hungary, Poland and Slovakia will become the eastern border of the entire EU after enlargement. This has a number of implications. One – directly linked to trade opportunities – is likely to be an increased movement of CIS exports through the CE-4 at the expense of reduced

transit trade through Romania and other Balkan countries. A principal reason for this is the reduction in the number of border points to be crossed (assuming that Romania eventually joins the EU), especially for road transport. Better quality roads in the CE-4 (especially in Poland) should speed up the circulation of goods and reduce transport costs.

Border controls will not only become faster but will also probably be more thorough. This may reduce the present scale of illegal transactions: some will shift to official trade, some will have to disappear. Even if some short-term costs may be involved in tighter border controls, in the long run considerable benefits can be expected from better tax collection and less crime.

Fears are frequently expressed in Belarus, Russia and Ukraine about the strict immigration controls and visa regulations that will have to be introduced in the CE-4 for citizens of third countries, including the CIS-3. At present, the CE-4 allows practically visa free access for CIS citizens, with just a voucher or an invitation letter from someone in the CE-4 being sufficient for entry. The EU insists on visas for CIS citizens because of fears of illegal migration and the spread of organized crime, in particular from the CIS and, increasingly, also from a number of Asian countries. Strict border controls remain a high priority for the EU, and the CE-4 will have to apply the EU rules without exceptions.⁵⁶

The new “Schengen” regime may initially constrain existing economic ties and limit tourism and personal contacts. These costs, however, may be limited if the new visa regime is not unduly restrictive, that is, if it is accompanied by measures that will speed up the administrative procedures for granting visas, especially for business people, and do so at reasonable cost. The example of Finland is telling in this context, as the country has always managed to maintain strict border controls and a rigorous visa regime without hampering economic cooperation with Russia.

VIII. Conclusions

The previous discussion allows us to draw a number of conclusions with varying degrees of confidence:

- 1) The CE-4’s accession to the EU will result in a lower level of import tariff protection of the majority of non-agricultural products in Hungary and Poland, while in the Czech Republic and Slovakia it will remain broadly unchanged. The tariff reductions for imports from the CIS-3 will result from two developments: the reduction of MFN tariffs and inclusion of the CIS-3 in the GSP;
- 2) In most cases the impact of these tariff reductions on the CIS-3’s exports to the CE-4, however, will be small in the short run because of the already low level of most current tariffs and because of the specific commodity pattern of those exports. The CIS-3 exports mainly gas, oil and other raw materials to the CE-4. Import tariffs in the CE-4 on those commodities are already zero or very low. There are very few quantitative or any other import restrictions on those goods in the CE-4. The same situation exists in the EU. In other words, the demand for such products will depend mainly on the level of economic activity, and not on the conditions of market access;
- 3) Any general assessment of the implications of EU enlargement on CIS-3 exports, however, should be carefully interpreted. While the vast majority of imported products will not receive any improvement in market access (as duties are already zero), individual products – among those that are not yet exported to the CE-4 – could benefit considerably;
- 4) The trade creation effect of the tariff changes following adoption of the EU common external tariff by the CE-4 is negligible. It is estimated to be marginally positive for mineral imports (\$18 million, or 0.2 per cent of total mineral imports), and marginally negative for industrial imports (\$20 million, or 0.9 per cent of total industrial imports). These estimates are heavily influenced by the expected losses on imports of one single product – aluminium. If aluminium is excluded, the overall effect for industrial products becomes marginally positive (\$14 million, or 0.7 per cent of total industrial imports);

- 5) In the longer run, the positive effects may be substantially larger. A reduction of tariffs on a number of products where they are now relatively high and imports low should encourage the creation of additional trade. Certainly, the scope of such changes will depend not only on tariff reductions but also on other factors. Demand in the CE-4 will be affected rather by domestic factors, including the indirect effects of accession (access to a larger market, the impact of structural transfers on GDP growth, etc.), and of improved export supplies from the CIS (better quality of goods, more favourable credit terms, improved after-sale services, etc.), rather than by tariff changes;
- 6) Tariff changes on agricultural products will diverge: some will rise while others will fall. It is difficult to assess the overall impact on agricultural imports from the CIS-3 to the CE-4, mainly because of the technical problems involved in estimating the tariff equivalent of various specific duties and quotas. Under some simplifying assumptions, however, the net trade creation effect is estimated to be positive (\$13 million, or 2.3 per cent of total agricultural imports);
- 7) FDI in the CE-4 is likely to increase after accession, but this is unlikely to occur at the expense of inflows to the CIS-3. FDI in the CIS-3 is relatively low given their economic potential, but it is unlikely to increase significantly unless domestic constraints – such as high economic and political risks caused by the slow progress of reforms, weak market and state institutions and inefficient infrastructures – are removed;
- 8) In the longer run, the accession of the CE-4 to the EU will strengthen their position as a market for CIS products. A number of new opportunities for mutual trade will arise. Some risks and barriers will also arise but in the longer term these should be outweighed by new opportunities. The CE-4 will become a part of a huge, single European market offering foreign suppliers economies of scale, easier access to consumers (lower tariffs on the majority of goods), increased demand (due to faster and sustained economic growth), reduced costs of meeting technical requirements (at present, these vary between the CE-4 and the EU), lower tariffs and so on.

In sum, while many uncertainties still remain as to the impact of EU enlargement on trade between the new EU members and the European CIS countries, the immediate effects for the CIS do not appear to be negative. In light of the evidence presented, the fears of massive losses that would possibly be incurred by CIS countries as a result of EU enlargement seem to be unfounded. Moreover, in the longer run the enlargement opens up the possibility of considerable benefits for both the CE-4 and the CIS. But the extent to which these new opportunities will actually be exploited will largely depend on specific policies pursued by the enlarged EU and CIS countries.

Notes

- ¹ They were originally developed by J. Viner in his book, *The Customs Union Issue* (London, Stevens and Sons, 1950).
- ² In other words, the standard approach to the customs union's effects can be adapted to analyse the effects, for example, of Poland's adjustments to the EU common customs tariff and the implications of those adjustments for trade with third countries (including CIS partners).
- ³ M. Kreinin, "European integration and the developing countries", in B. Balassa (ed.), *European Economic Integration* (Amsterdam, North Holland, 1975); R. Baldwin, J. Francois and R. Portes, "The costs and benefits of eastern enlargement: the impact on the EU and central Europe", *Economic Policy*, Vol. 12, Issue 24, April 1997; R. Baldwin and A. Venables, "Regional economic integration", in K. Rogoff and F. Grossman (eds.), *Handbook of International Economics*, Vol. III (Amsterdam, North Holland, 1995), pp. 1597-1643.
- ⁴ A trade-creating customs union also increases the welfare of non-members because some of the increase in its real income (due to greater specialization in production) spills over into increased imports from the rest of the world.
- ⁵ D. Salvatore, *International Economics*, Third Edition (New York, Macmillan, 1990), pp. 293-294; A. El-Agraa (ed.), *Economics of the European Community* (New York, St. Martin's Press, 1990), p. 94.
- ⁶ There are also other static welfare effects resulting from the formation of a customs union. One is the savings in administration from the elimination of customs officers and border patrols among the members of a customs union. D. Salvatore, op. cit., p. 294.
- ⁷ It must be pointed out that even a small country that is not a member of any customs union can overcome the smallness of its domestic market and achieve substantial economies of scale in production by exporting to the rest of the world. Exports inside the customs union, however, are easier than outside the union.
- ⁸ D. Salvatore, op. cit., p. 295.
- ⁹ The TACIS programme (Technical Assistance to the Commonwealth of Independent States) was adopted by the Council on 15 July 1991 (Council Regulation (EC and EURATOM) No. 2157/1991, OJ L 201/1991 of 24 July 1991). The decision provided for €400 millions of assistance for the CIS in 1991. In subsequent years the support was continued.
- ¹⁰ In the case of the CIS, this clause covers preferences offered by several members of the CIS. For example, the Russian PCA provides that MFN treatment of EU products does not include privileges listed in Annex 1 and extended by Russia to other CIS partners. Such privileges include the elimination of customs duties on CIS products, of VAT and excise taxes (OJ L 327/1997 of 28 November 1997).
- ¹¹ During the negotiations on the PCA Russia wanted to establish a free trade area, but the EU was reluctant. It was agreed that future talks on a free trade area would start in 1998, but by then Russia had considerably increased its protection of its domestic market because of the economic crisis of August 1998. As import duties constitute one third of Russia's budget revenues, it would be difficult for Russia to seriously envisage introduction of free trade in such circumstances.
- ¹² The PCAs, however, can have some indirect effects on trade with the CE-4 via the provisions for the protection of property and intellectual rights, for competition, etc. The net result should be an increased interest on the part of CE-4 exporters in selling to CIS markets.
- ¹³ WTO, *Trade Policy Review. The European Union*, Report by the Secretariat, WT/TPR/S/72 (Geneva), 14 June 2000, p. 43.
- ¹⁴ Ibid, p. 43.
- ¹⁵ Ibid, pp. 43-44.
- ¹⁶ Ibid.
- ¹⁷ Council Regulation (EC) No. 2501/2001 of 10 December 2001 applies a scheme of generalized tariff preferences for the period 1 January 2002 to 31 December 2004 (OJ L 346/2001). Until the end of 2001 the GSP scheme was different (under Council Regulation No. 2820/1998 of 21 December 1998, OJ L 357/1998. Products eligible for preferences were classified into four categories according to their sensitivity: 1) *very sensitive products* (many agricultural products, textiles, iron and steel), for which the preferential tariff was 85 per cent of the MFN tariff; 2) *sensitive products* (many other agricultural products, chemicals, plastics and rubber products, leather goods, footwear, wood products, paper, appliances and motor vehicles), for which the preferential tariff was 70 per cent of the MFN rate; 3) *semi-sensitive products*, for which the preferential tariff was 35 per cent of the MFN rate; 4) *non-sensitive products* (horses for slaughter, some chemicals), for which the preferential tariff amounted to 0 per cent. This system was taken into account in the tables presented in annex 1.
- ¹⁸ In 2001, Georgia, the Kyrgyz Republic and the Republic of Moldova were WTO members. In February 2003 Armenia joined WTO. Belarus, the Russian Federation and Ukraine enjoy the status of WTO observers.
- ¹⁹ As already mentioned, not all products are covered by the GSP. Thus, for some products, the tariff changes in the CE-4 will result only from adjustments to the EU common tariff. In the case of other products, an additional change will result from the adoption of GSP.

- 20 These practical problems – apart from other reasons – mean that any calculations of trade creation and diversion effects are very unreliable, especially for agricultural products where such problems exist alongside relatively high import duties.
- 21 On “composite agrigoods” of primary and/or processed agricultural products (e.g. products containing milk and sugar), the duty has an agricultural component (EA), including one for certain forms of sugar (ADS/Z) or flour (AD F/M) established on the basis of a recipe.
- 22 WTO, *Trade Policy Review. Poland*, WT/TPR/G/71 (Geneva), 5 June 2000, p. 44-45.
- 23 Many agricultural products are covered by preferential tariff quotas. Most of these result from the current minimum market access commitments under the WTO Agreement on Agriculture. They provide zero or reduced tariffs for imports of a specified product up to the limit of a quota, established in value or volume, and apply to imports from all WTO members, unless a specific country allocation is noted in the commitment (e.g. ACP states are granted an allocation within the tariff quotas for bananas and sugar).
- 24 Agricultural products in 2000-2001 accounted for 3.7 per cent of total CE-4 imports from Ukraine, 2.8 per cent of the total from Belarus and for only 0.6 per cent of total imports from Russia.
- 25 This equation assumes that Poland is a “small” country. S. Laird and A. Yeats, *The UNCTAD Trade Policy Simulation Model*, UNCTAD Discussion Paper, No. 19 (Geneva), 1986. A “small” country is unable to affect the commodity prices at which it trades with its partners.
- 26 Russian experts have estimated the possible export increase to Poland resulting from adoption of the EU common tariff at \$20-\$27 million (on the basis of 2000 commodity pattern of exports). WNIKI, *Biuletyn Inostranoj Komerczeskoj Informacji*, No. 61, 5 June 2001, p. 2.
- 27 As noted earlier, the static effects nowadays tend not to be significant, mainly because the general level of tariffs is not high. The dynamic effects, as repeatedly stressed above, are much more important, but very difficult to calculate.
- 28 WTO, *Trade Policy Review 1995. European Union*, Report by the European Communities, ST/TPR/G/3 (Geneva), 30 June 1995, pp. 40-41.
- 29 Council Regulation (CE) No. 905/1998 of 27 April 1998 (OJ L 128/1998).
- 30 In the first two years of application of the new Regulation, only two Russian companies were classified as companies coming from a market economy country, COM (2000) 363 final, Brussels, 15 June 2000.
- 31 New rules were offered also to Mongolia and Viet Nam.
- 32 Council Regulation (EC) No. 519/1994 of 7 March 1994 (OJ L 349/1994).
- 33 Measures undertaken with reference to Article XIX of GATT 1994 should be applied on a non-discriminatory (*erga omnes*) basis, i.e. to all suppliers of a given product and not only against those countries which are the cause of injury or the threat thereof. This provision applies, however, only to WTO members. Therefore, safeguard measures can be applied to individual CIS members, such as Russia or Ukraine, which are not WTO members.
- 34 Measures introduced under SSG shall be maintained until the end of the year in which they were imposed, and may only be levied at a level which shall not exceed one third of the level of the ordinary customs duty in effect in the year in which action was taken (Article 5.4 of the Agreement of Agriculture of the Uruguay Round). Their extension requires fulfilling the necessary criteria again in the following year.
- 35 Decree of the Minister of Economy of 24 May 1999 (*Dziennik Ustaw No. 50*, item 512) and of 21 October 1999 (*Dziennik Ustaw No. 88*, items 985 and 986).
- 36 Agreement between the ECSC and Ukraine (OJ L 210/1997), cited in WTO, *Trade Policy Review. The European Union*, 14 June 2000, op. cit., p. 55.
- 37 Export subsidies were also applied occasionally to pig carcasses, in 1999 for example. Poland notified the WTO of direct export subsidies of \$13.2 million and \$0.7 million on sugar and potato starch, respectively, in 1998 and of \$8.8 million on sugar in 1997 (WTO, *Trade Policy Review. Poland*, op. cit., p. 61). These payments were well below Poland’s commitment made in the Uruguay Round, amounting to \$41 million and \$38 million for 1997 and 1998, respectively, on sugar and \$8.2 million on potato starch in 1998. However, its annual quantity commitments on sugar were met in 1996, 1997 and 1998 by carrying over unused quantities from 1995. At the end of 1998, Poland had accumulated unused quantities of 26,440 tonnes.
- 38 COM (1999) 299 final, Brussels, 16 June 1999. The effect of this case is that products legally manufactured or marketed in one country should in principle be allowed to move freely throughout the Community, where such products meet equivalent levels of protection to those imposed by the member state of exportation and where they are marketed in the territory of the exporting country. Barriers to trade that result from differences between national legislation may only be accepted in exceptional situations, e.g. for reasons of health or consumer protection.
- 39 OJ C 136/1985, 4 June 1985.

- ⁴⁰ Three European standards organizations: European Committee for Electrotechnical Standardization (CENELEC), Comité Européen de Normalisation (CEN) and European Telecommunications Standards Institute (ETSI), develop harmonized standards to provide technical solutions to meet the essential requirements of the directives. These organizations draft standards in a process of consultation with national committees (representing all 15 member states and affiliated applicants for accession to the EU), which may include manufacturers established therein (ETSI). Once adopted, the national members of the standards organizations are required to transpose European standards into national standards and withdraw any conflicting national standards.
- ⁴¹ This approach is appropriate only where it is genuinely possible to distinguish between essential requirements and technical specifications. Further, a wide range of products has to be sufficiently homogenous, or a horizontal hazard identifiable, to allow common essential requirements. European Commission, *Guide to the Implementation of Directives on New Approach and Global Approach* (Brussels), August 1999.
- ⁴² Council Directive 84/450/EEC of 10 September 1984.
- ⁴³ Council Directive 85/374/EEC of 25 July 1985.
- ⁴⁴ The CE-4 have not received any transitional period in negotiating the “free movement of goods”, except for a transitional arrangement with regard to marketing authorizations for medical devices granted to Poland. Negotiations in this area were closed in 2000-2001.
- ⁴⁵ UNCTAD, *World Investment Report 2001* (United Nations publication, Sales No. E.01.II.D.12).
- ⁴⁶ J. Dunning, “Towards an eclectic theory of international production: some empirical tests”, *Journal of International Business Studies*, Vol. 11, No. 1, Spring/Summer 1980, pp. 9-31 and *Multinational Enterprise and the Global Economy* (Harrow, Addison-Wesley, 1993); J. Dunning and R. Narula, *Foreign Direct Investment and Governments* (London, Routledge, 1996).
- ⁴⁷ The asset-oriented motive is sometimes further divided into resource seeking and strategic asset seeking. From the analytical viewpoint, however, the difference is small, as in both cases the MNC aims at the acquisition of a specific asset.
- ⁴⁸ M. Lansbury, N. Pain and K. Smidkova, *Foreign Direct Investment in Central Europe Since 1990: An Econometric Study*, National Institute Economic Review, No. 156, 1996; D. Holland and N. Pain, *The Diffusion of Innovations in Central and Eastern Europe: A Study on the Determinants and Impact of Foreign Direct Investment*, National Institute of Social and Economic Research (NIESR) Discussion Paper, No. 137 (London), June 1998; P. Garibaldi, N. Mora, R. Sahay and J. Zettelmeyer, “What moves capital to transition economies”, paper presented at the IMF Conference *A Decade of Transition* (Washington, D.C.), February 1999; H. Lankes and A. Venables, “Foreign direct investment in economic transition: the changing pattern of investment”, *Economics of Transition*, Vol. 4, 1996; A. Bevan and S. Estrin, “The determinants of foreign direct investment in transition countries”, Centre for New and Emerging Markets, London Business School, March 2001, mimeo.
- ⁴⁹ M. Svetlicic and C. Bellak, “Investment development path of small transition countries: conceptual background and empirical evidence”, University of Ljubljana, 2000, mimeo.
- ⁵⁰ For example, see R. Baldwin, J. Francois and R. Portes, “The costs and benefits of eastern enlargement: the impact on the EU and central Europe”, *Economic Policy*, No. 24, April 1997, pp. 127-176; H. Grabbe and K. Hughes, *Enlarging the EU Eastwards*, Chatham House Papers, The Royal Institute of International Affairs (London), 1998; A. Bevan and S. Estrin, op. cit.
- ⁵¹ Specifically, the IDP model postulates that countries tend to go through five different stages of development with respect to their propensity to be inward and/or outward investors, and that these stages have different characteristics with respect to the main motives for FDI decisions. J. Dunning and R. Narula, *Foreign Direct Investment and Governments* (London, Routledge, 1996). For an analysis of the IDP model in the context of small countries, see M. Svetlicic and C. Bellak, op. cit.
- ⁵² Z. Zimny, “Integracja a zagraniczne inwestycje bezpośrednie: doświadczenia Unii Europejskiej i wnioski dla Polski” (Integration and foreign direct investment: experiences of the EU and lessons for Poland), in E. Kawecka-Wyrzykowska and S. Ładyka (eds.), “Rezultaty stowarzyszenia Polski ze Wspólnotami Europejskimi”, Szkoła Główna Handlowa (Warsaw), 1998, pp. 49-76.
- ⁵³ D. Brown, A. Deardorff, S. Djankov and R. Stern, “An economic assessment of the integration of Czechoslovakia, Hungary and Poland into the European Union”, in S. Black (ed.), *Europe’s Economy Looks East. Implications for Germany and the European Union* (Cambridge, 1997); F. Breuss, *Macroeconomic Effects of EU Enlargement for Old and New Members*, WIFO Working Papers, No. 143 (Vienna), March 2001.
- ⁵⁴ R. Baldwin et al., op. cit.
- ⁵⁵ Instrument for Structural Pre-accession Assistance, in force since 2000.
- ⁵⁶ After long and difficult negotiations, Russia and the EU signed an agreement in November 2002 on a simplified visa regime for Russian citizens travelling from and to the Kaliningrad region. The agreement removes some of the fears of Russians and can be seen as a move towards facilitating trading and business contacts between the Kaliningrad enclave and mainland Russia.

Annex 1

Possible changes of MFN tariffs on the main products imported from the CIS-3 to the CE-4 after EU accession

A. Imports into the Czech Republic

TABLE 1.A.1

Total imports into the Czech Republic from the CIS-3, 2001
(Thousand dollars)

Imports category	CN chapters	Imports from:		
		Belarus	Russia	Ukraine
Total imports	CN 1-97	35 348	2 000 007	256 904
Imports of agricultural products	CN 1-24	499	2 492	2 553
Imports of mineral products	CN 25-27	216	1 658 704	163 803
Imports of industrial products	CN 28-97	34 633	338 811	90 548

Source: Direct communications from the Czech statistical services and authors' calculations.

TABLE 1.A.2

Ten major agricultural products imported into the Czech Republic from the Russian Federation: import values and rates of duty in the EU and in the Czech Republic, 2001

CN code	Description	Value of imports in 2001 (thousand dollars)	Percentage share in total imports from Russia		Percentage share in imports of agricultural products from Russia		Rate of duty in 2001 (per cent)		Czech Republic
			Specific	Cumulative	Specific	Cumulative	EU		
							MFN	GSP	
140420	Cotton linters	572	0.03	0.03	22.95	22.95	-	-	-
210500	Ice cream and other edible ice	277	0.01	0.04	11.12	34.07	8-8.6 ^a	- ^a	34.6
210690	Food preparations n.e.s., other	231	0.01	0.05	9.27	43.34	€35/100 kg	€35/100 kg	45.0
030420	Frozen fish fillets	228	0.01	0.07	9.15	52.49	2-18	-	5.0
030490	Frozen fish fillets, n.e.s.	227	0.01	0.08	9.11	61.60	7.5-15	0-6.3	5.0
170410	Chewing gum	215	0.01	0.09	8.63	70.23	6.2 ^b	- ^b	42.0
190590	Bread, pastry, cakes, biscuits, other	163	0.01	0.10	6.54	76.77	9.7	-	16.0
160419	Prepared or preserved fish, whole or in pieces, other	154	0.01	0.11	6.18	82.95	7-24	-	7.0
160430	Caviar and caviar substitutes	85	-	0.11	3.41	86.36	20	20	5.0
220860	Vodka	59	-	0.11	2.37	88.73	-	-	90.0

Source: As for table 1.A.1.

^a Plus €20.2/100 kg.

^b Plus €27.1/100 kg.

TABLE 1.A.3

Ten major agricultural products imported into the Czech Republic from Ukraine: import values and rates of duty in the EU and in the Czech Republic, 2001

CN code	Description	Value of imports in 2001 (thousand dollars)	Percentage share in total imports from Ukraine		Percentage share in imports of agricultural products from Ukraine		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		Czech Republic
							MFN	GSP	
230630	Oil cake and other solid residues of sun-flower seeds	538	0.21	0.21	21.07	21.07	-	-	-
040610	Fresh cheese (unripened or uncured)	433	0.17	0.38	16.96	38.03	€185.2/ 100 kg	€185.2/ 100 kg	18.5
081190	Other fruit and nuts, frozen	351	0.14	0.52	13.75	51.78	13 ^a	11 ^a	35.0
210500	Ice cream and other edible ice	299	0.12	0.64	11.71	63.49	8.6 ^b	- ^b	34.6
080232	Walnuts, shelled	203	0.08	0.72	7.95	71.44	5.1	3.5	5.0
050510	Feathers of a kind used for stuffing, down ..	100	0.04	0.76	3.92	75.36	-	-	-
050790	Animal bones, shells, nails, claws and beaks, other than ivory	91	0.04	0.79	3.56	78.92	-	-	-
151410	Rape, colza or mustard oil, crude	86	0.03	0.82	3.37	82.29	3.2	-	29.2
170390	Molasses from sugar, other than cane	75	0.03	0.85	2.94	85.23	€0.35/ 100 kg	€0.35/ 100 kg	65.0
100820	Millet	63	0.03	0.87	2.47	87.70	€56/ton	€56/ton	6.5

Source: As for table 1.A.1.

^a Plus €5.3/100 kg.

^b Plus €20.2/100 kg.

TABLE 1.A.4

Ten major agricultural products imported into the Czech Republic from Belarus: import values and rates of duty in the EU and in the Czech Republic, 2001

CN code	Description	Value of imports in 2001 (thousand dollars)	Percentage share in total imports from Belarus		Percentage share in imports of agricultural products from Belarus		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		Czech Republic
							MFN	GSP	
040610	Fresh cheese (unripened or uncured)	341	0.96	0.96	68.34	68.34	€185.2/ 100 kg	-	18.5
071080	Frozen vegetables, other	44	0.12	1.08	8.82	77.16	6.4-14.4	4.4-12.2	9.0
030199	Live fish, other than ornamental fish, trout, eels and carp	31	0.09	1.17	6.21	83.37	2-16	2-16	5.0
081190	Other fruit, fresh	31	0.09	1.26	6.21	89.58	13 ^a	11 ^a	35.0
210500	Ice cream and other edible ice	20	0.06	1.32	4.01	93.59	8.6 ^b	- ^b	34.6
071190	Vegetables provisionally preserved, other ...	16	0.05	1.37	3.21	96.80	6.4-14.4	4.4-12.2	23.0
070951	Mushrooms	12	0.03	1.40	2.40	99.20	3.2-12.8	2.7-10.8	10.0
130190	Resins, gum resins, oleoresins	4	0.01	1.41	0.80	99.99	-	-	-
010600	Other live animals	-	-	1.41	-	99.99	0-6.8	0-4.4	16.0
030549	Smoked fish, including fillets, other	-	-	1.41	-	100.00	14-16	14-16	-

Source: As for table 1.A.1.

^a Plus €5.3/100 kg.

^b Plus €20.2/100 kg.

TABLE 1.A.5

Ten major mineral products imported into the Czech Republic from the Russian Federation: import values and rates of duty in the EU and in the Czech Republic, 2000-2001

CN code	Description	Value of imports in 2000 (thousand dollars)	Percentage share in total imports from Russia		Percentage share in imports of mineral products from Russia		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		Czech Republic
							MFN	GSP	
271121	Petroleum gases, in gaseous state	882 906	44.15	44.15	53.23	52.23	-	-	15
270900	Petroleum oils and oils obtained from bituminous minerals, crude	724 477	36.22	80.37	43.68	96.91	-	-	-
260112	Iron ores and concentrates, agglomerated	37 723	1.89	82.26	2.27	99.18	-	-	-
271112	Propane	4 931	0.25	82.51	0.30	99.48	8	-	15
260111	Iron ores and concentrates, non-agglomerated	3 865	0.19	82.70	0.23	99.71	-	-	-
251010	Natural calcium phosphates, unground	3 029	0.15	82.85	0.18	99.89	-	-	-
252400	Asbestos	454	0.02	82.87	0.03	99.92	-	-	-
270111	Anthracite	326	0.02	82.89	0.02	99.94	-	-	-
251020	Natural calcium phosphates, ground	322	0.01	82.90	0.02	99.96	-	-	-
271113	Butanes	217	0.01	82.91	0.01	99.97	-	-	15

Source: As for table 1.A.1.

TABLE 1.A.6

Ten major industrial products imported into the Czech Republic from the Russian Federation: import values and rates of duty in the EU and in the Czech Republic, 2000-2001

CN code	Description	Value of imports in 2000 (thousand dollars)	Percentage share in total imports from Russia		Percentage share in imports of industrial products from Russia		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		Czech Republic
							MFN	GSP	
760110	Aluminium, not alloyed	63 351	3.17	3.17	18.70	18.70	6.0	-	-
840130	Fuel elements of nuclear reactors	63 168	3.16	6.33	18.64	37.34	3.7	2.5	5
760120	Aluminium alloys	20 191	1.01	7.34	5.96	43.30	6.0	-	-
282530	Vanadium oxides and hydroxides	12 653	0.63	7.97	3.73	47.03	5.5	-	15
310540	Ammonium didihydrogenorthophosphate	12 624	0.63	8.60	3.73	50.76	6.5	4.5	15
750210	Unwrought nickel, not alloyed	9 936	0.50	9.10	2.93	53.69	-	-	-
470329	Chemical wood pulp, bleached, non-coniferous ...	9 681	0.48	9.58	2.86	56.55	-	-	-
760511	Aluminium wire	7 881	0.39	9.97	2.33	58.88	7.5	-	15
400220	Butadiene rubber	7 831	0.39	10.36	2.31	61.19	-	-	32
720110	Non-alloy pig iron	7 527	0.38	10.74	2.22	63.41	1.7	-	5

Source: As for table 1.A.1.

TABLE 1.A.7

Ten major mineral products imported into the Czech Republic from Ukraine: import values and rates of duty in the EU and in the Czech Republic, 2000-2001

CN code	Description	Value of imports in 2000 (thousand dollars)	Percentage share in total imports from Ukraine		Percentage share in imports of mineral products from Ukraine		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		Czech Republic
							MFN	GSP	
260111	Iron ores and concentrates, non-agglomerated	68 858	26.80	26.80	42.04	42.04	-	-	-
260112	Iron ores and concentrates, agglomerated	63 973	24.90	51.70	39.05	81.09	-	-	-
270600	Tar distilled from coal, lignite or peat	11 405	4.44	56.14	6.96	88.05	-	-	5
270710	Benzole	8 471	3.30	59.44	5.17	93.22	3	3	7
261400	Titanium ores and concentrates	5 299	2.06	61.50	3.23	96.45	-	-	-
271114	Ethylene, propylene, butylene and butadien	1 577	0.61	62.11	0.96	97.41	-	-	15
271112	Propane	1 128	0.44	62.56	0.69	98.10	8	8	15
271113	Butanes	533	0.21	62.77	0.33	98.43	0-0.7	0-0.7	15
250100	Salt and pure sodium chloride	379	0.15	62.92	0.23	98.66	-	-	46
260200	Manganese ores and concentrates	371	0.14	63.06	0.23	98.89	-	-	-

Source: As for table 1.A.1.

TABLE 1.A.8

Ten major industrial products imported into the Czech Republic from Ukraine: import values and rates of duty in the EU and in the Czech Republic, 2000-2001

CN code	Description	Value of imports in 2000 (thousand dollars)	Percentage share in total imports from Ukraine		Percentage share in imports of industrial products from Ukraine		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		Czech Republic
							MFN	GSP	
720851	Flat-rolled products of iron or non-alloy steel, other than in coils (exceeding 10 mm)	20 466	7.97	7.97	22.60	22.60	1.3-1.5	1.3-1.5	26
760120	Aluminium alloys	9 383	3.65	11.62	10.36	32.96	6	6	-
720852	Flat-rolled products of iron or non-alloy steel, other than in coils (between 4.75 and 10 mm)	7 305	2.84	14.46	8.07	41.03	1.3	1.5	26
720230	Ferro-alloys, ferro-silicon-manganese	3 931	1.53	15.99	4.34	45.37	3.7	3.1	6
720221	Ferro-alloys, ferro-silicon	3 061	1.19	17.18	3.38	48.75	5.7	5.7	6
310210	Urea	2 871	1.12	18.30	3.17	51.92	6.5-7.9	6.5-7.9	15
440710	Wood sawn or chipped lengthwise, coniferous	2 496	0.97	19.27	2.76	54.68	-	-	3.8
291521	Acetic acid	2 180	0.85	20.12	2.41	57.09	8.9	6.2	70
841899	Parts for refrigerators and freezers, other	1 664	0.65	20.77	1.84	58.93	2.2	-	15
310230	Ammonium nitrate	1 266	0.49	21.26	1.40	60.33	6.5	6.5	-

Source: As for table 1.A.1.

TABLE 1.A.9

Ten major industrial products imported into the Czech Republic from Belarus: import values and rates of duty in the EU and in the Czech Republic, 2000-2001

CN code	Description	Value of imports in 2000 (thousand dollars)	Percentage share in total imports from Belarus		Percentage share in imports of industrial products from Ukraine		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		Czech Republic
							MFN	GSP	
540210	High tenacity yarn of nylon or other polyamides	5 263	14.89	14.89	15.20	15.20	5.5	4.6	56
310420	Potassium chloride	4 218	11.93	26.82	12.18	27.38	-	-	-
731210	Stranded wire, ropes and cables of iron or steel	4 178	11.82	38.64	12.06	39.44	1.7	1.1	20
870839	Brakes, servo-brakes and parts thereof, for motor vehicles, other than mounted brake linings	2 234	6.32	44.96	6.45	45.89	3-4.5	2.1-3.1	16
701952	Other woven fabric of glass fibers of the width exceeding 30 cm, weighing less than 250g/m ²	1 868	5.28	50.24	5.39	51.28	7	4.9	13
841810	Combined refrigerators-freezers	1 752	4.96	55.20	5.06	56.34	0-1.9	-	13
540220	High tenacity yarn of polyester	1 537	4.35	59.55	4.44	60.78	5.5	4.6	52
721730	Wire of iron or non-alloy steel, plated or coated with other base metals	1 186	3.36	62.91	3.42	64.20	1.6	-	38
511219	Woven fabrics of combed wool, containing more than 85 per cent of wool, exceeding 200g/m ²	1 091	3.09	66.00	3.15	67.35	9.5-10.4	8-8.8	18
530911	Woven fabrics of flax, containing 85 per cent or more of flax	931	2.63	68.63	2.69	70.04	9.8	8.3	32

Source: As for table 1.A.1.

TABLE 1.A.10

Three major mineral products imported into the Czech Republic from Belarus: import values and rates of duty in the EU and in the Czech Republic, 2000-2001

CN code	Description	Value of imports in 2000 (thousand dollars)	Percentage share in total imports from Belarus		Percentage share in imports of mineral products from Belarus		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		Czech Republic
							MFN	GSP	
270300	Peat (including peat litter)	115	0.33	0.33	53.24	53.24	-	-	1.6
271113	Butanes	97	0.27	0.60	44.91	98.15	0-0.7	0-0.7	1.2
250100	Salt and pure sodium chloride	4	0.01	0.61	1.85	100.00	-	-	-

Source: As for table 1.A.1.

B. Imports into Hungary

TABLE 1.B.1

Total imports into Hungary from the CIS-3, 2001
(Thousand dollars)

Imports category	CN chapters	Imports from:		
		Belarus	Russia	Ukraine
Total imports	CN 1-97	100 105	2 369 515	295 215
Imports of agricultural products	CN 1-24	821	5 036	11 346
Imports of mineral products	CN 25-27	64 673	2 018 740	61 042
Imports of industrial products	CN 28-97	34 611	345 539	222 827

Source: Direct communications from the Hungarian statistical services and authors' calculations.

TABLE 1.B.2

Ten major agricultural products imported into Hungary from the Russian Federation: import values and rates of duty in the EU and in Hungary, 2001

CN code	Description	Value of imports in 2001 (thousand dollars)	Percentage share in total imports from Russia		Percentage share in imports of agricultural products from Russia		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		Hungary
							MFN	GSP	
040610	Fresh cheese (unripened or uncured)	4 395	1.85	1.85	87.27	87.27	€185.2/ 100 kg	–	52.5-67.2
160419	Other fish products, canned or smoked	206	0.01	1.86	4.09	91.36	7-24	7-24	24
190120	Mixes and doughs for bakery	197	0.01	1.87	3.91	95.27	7.6	–	32
220860	Vodka	50	–	1.87	0.99	96.26	–	–	68
030420	Fish fillets, frozen	48	–	1.87	0.95	97.21	2-18	–	6.2
180500	Cocoa powder	39	–	1.88	0.77	97.98	8	–	19.2
100820	Millet	20	–	1.88	0.40	98.38	€56/ton	–	–
160430	Caviar and caviar-like products	19	–	1.88	0.38	98.76	20	20	24
030379	Other fish, n.e.s.	14	–	1.88	0.28	99.04	0-22	–	9-15
230990	Other feeds for animals, n.e.s.	8	–	1.88	0.16	99.20	0-9.6 ^a	– ^a	6.4

Source: As for table 1.B.1.

^a Plus a varying specific levy of €50-€948/ton.

TABLE 1.B.3

Ten major agricultural products imported into Hungary from Ukraine: import values and rates of duty in the EU and in Hungary, 2001

CN code	Description	Value of imports in 2001 (thousand dollars)	Percentage share in total imports from Ukraine		Percentage share in imports of agricultural products from Ukraine		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		Hungary
							MFN	GSP	
230630	Oil-cake and other solid residues of sunflower seeds	6 775	2.29	2.29	59.71	59.71	-	-	-
040610	Fresh cheese (unripened or uncured)	2 115	0.72	3.01	18.64	78.35	€185.2/ 100 kg	€185.2/ 100 kg	52.5-67.2
120799	Other oil seeds, n.e.s.	883	0.30	3.31	7.78	86.13	-	-	0-2.6
050510	Feathers of a kind used for stuffing, down	393	0.13	3.44	3.46	89.59	-	-	14
100400	Oats	385	0.13	3.57	3.39	92.98	€89/ton	€89/ton	20-32
080232	Walnuts, shelled	173	0.06	3.63	1.52	94.50	5.1	3.5	15.5
030420	Fish fillets, frozen	119	0.04	3.67	1.05	95.55	2-18	-	6.2
220710	Ethanol (ethyl alcohol)	105	0.04	3.71	0.93	96.48	€19.2/hl	€19.2/hl	127.5
100820	Millet	82	0.03	3.74	0.72	97.20	€56/ton	€56/ton	-
120600	Sunflower seeds	69	0.02	3.76	0.61	97.81	-	-	-

Source: As for table 1.B.1.

TABLE 1.B.4

Three agricultural products imported into Hungary from Belarus: import values and rates of duty in the EU and in Hungary, 2001

CN code	Description	Value of imports in 2001 (thousand dollars)	Percentage share in total imports from Belarus		Percentage share in imports of agricultural products from Belarus		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		Hungary
							MFN	GSP	
040610	Fresh cheese (unripened or uncured)	810	0.81	0.81	98.66	98.66	€185.2/ 100 kg	No	52.5-67.2
210220	Inactive yeasts	7	-	0.82	0.85	99.51	0-8.3	0-5.8	8.5-17
140190	Vegetable materials of a kind used for plaiting, other than bamboos and rattans	3	-	0.82	0.36	99.87	-	-	9.6-16

Source: As for table 1.B.1.

TABLE 1.B.5

Ten major industrial products imported into Hungary from the Russian Federation: import values and rates of duty in the EU and in Hungary, 2000-2001

CN code	Description	Value of imports in 2000 (thousand dollars)	Percentage share in total imports from Russia		Percentage share in imports of industrial products from Russia		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		
							MFN	GSP	Hungary
760110	Unwrought aluminium, not alloyed	132 084	5.57	5.57	38.23	38.23	6	6	-
840130	Fuel sections for nuclear reactors	27 742	1.17	6.74	8.03	46.26	3.7	0-2.5	-
470329	Chemical wood pulp bleached, non-coniferous	15 463	0.65	7.39	4.48	50.74	-	-	-
310540	Ammonium di-hydrogenorthophosphate	11 934	0.50	7.89	3.45	54.19	6.5	0-4.5	5
740310	Refined copper and copper alloys, catodes	9 294	0.39	8.28	2.69	56.88	-	-	-
440710	Wood sawn or chipped lengthwise, coniferous	9 024	0.38	8.66	2.61	59.49	-	-	2-6.2
310230	Ammonium nitrate	8 837	0.37	9.03	2.56	62.05	6.5	6.5	10
310420	Potassium chloride	8 090	0.34	9.37	2.34	64.39	-	-	-
720712	Semi-finished products of iron or non-alloy steel, other, of rectangular cross-section	7 201	0.30	9.67	2.08	66.47	1-1.1	0-1	-
480100	Newsprint	5 982	0.25	9.93	1.73	68.20	0.5	-	0-6

Source: As for table 1.B.1.

TABLE 1.B.6

Ten major mineral products imported into Hungary from the Russian Federation: import values and rates of duty in the EU and in Hungary, 2000-2001

CN code	Description	Value of imports in 2000 (thousand dollars)	Percentage share in total imports from Russia		Percentage share in imports of mineral products from Russia		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		
							MFN	GSP	Hungary
271121	Natural gas	1 054 557	44.51	44.51	52.24	52.24	-	-	-
270900	Petroleum oils, crude	893 303	38.18	82.69	44.25	96.49	-	-	-
260112	Iron ores and concentrates, agglomerated	30 656	1.29	83.98	1.52	98.01	-	-	-
271000	Petroleum oils and oils obtained from bituminous materials, other than crude	23 720	1.00	84.98	1.17	99.18	0-4.7	0-4.7	-
270112	Bituminous coal	5 070	0.21	85.19	0.25	99.43	-	-	4.5
252329	Portland cement, other	4 526	0.19	85.38	0.22	99.65	1.7	1.7	-
270210	Lignite coal	1 375	0.06	85.44	0.07	99.72	-	-	6.2
251020	Natural calcium phosphates, ground	1 145	0.05	85.49	0.06	99.78	-	-	-
260111	Iron ores and concentrates, non-agglomerated	1 095	0.05	85.54	0.06	99.84	-	-	-
271112	Propane	1 009	0.04	85.58	0.05	99.89	0-8	-	-

Source: As for table 1.B.1.

TABLE 1.B.7

Ten major industrial products imported into Hungary from Ukraine: import values and rates of duty in the EU and in Hungary, 2000-2001

CN code	Description	Value of imports in 2000 (thousand dollars)	Percentage share in total imports from Ukraine		Percentage share in imports of industrial products from Ukraine		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		
							MFN	GSP	Hungary
760110	Aluminium, non-alloyed	77 354	26.20	26.2	34.71	34.71	6	6	-
440710	Wood sawn or chipped lengthwise, coniferous	22 155	7.50	33.7	9.94	44.65	-	-	2.0-6.2
290121	Ethylene	16 539	5.60	39.3	7.42	52.07	-	-	-
290321	Vinyl chloride	13 765	4.65	43.95	6.18	58.25	7.5	5.2	-
350110	Casein	8 926	3.02	46.97	4.01	62.26	0-9	0-6.3	5
610831	Cotton nightdresses and pyjamas	8 662	2.93	49.90	3.89	66.15	12	10.2	13
640610	Uppers and parts of footwear, of leather	5 587	1.89	51.79	2.51	68.66	3	2.1	6-7
440320	Wood in the rough, other, coniferous	5 231	1.77	53.56	2.35	71.01	-	-	0-7
851829	Loud-speakers, other	4 265	1.44	55.00	1.91	72.92	-	-	12.1
720711	Semi-finished products of iron or non-alloy steel, containing less than 0.25 per cent of carbon	2 680	0.91	55.91	1.20	74.12	1	1	-

Source: As for table 1.B.1.

TABLE 1.B.8

Ten major mineral products imported into Hungary from Ukraine: import values and rates of duty in the EU and in Hungary, 2000-2001

CN code	Description	Value of imports in 2000 (thousand dollars)	Percentage share in total imports from Ukraine		Percentage share in imports of mineral products from Ukraine		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		
							MFN	GSP	Hungary
271600	Electrical energy	36 729	12.44	12.44	60.33	60.33	-	-	-
252390	Other hydraulic cements	4 407	1.49	13.93	7.22	67.55	1.7	1.7	-
260111	Iron ores and concentrates, non-agglomerated	4 341	1.47	15.40	7.11	74.66	-	-	-
271390	Other residues of petroleum oils or oils obtained from bituminous minerals	4 084	1.38	16.78	6.69	81.35	0-0.7	0-0.7	6.0
271000	Petroleum oils and oils obtained from bituminous materials, other than crude	3 111	1.05	17.83	5.10	86.45	0-4.7	0-4.7	-
250100	Salt and pure sodium chloride	2 582	0.87	18.70	4.23	90.68	0-2.6	0-2.6	-
252329	Portland cement, other	2 134	0.72	19.42	3.50	94.18	1.7	-	-
261400	Titanium ores and concentrates	794	0.27	19.69	1.30	95.48	-	-	-
270119	Other coals, n.e.s.	679	0.23	19.92	1.11	96.59	-	-	4.5
270799	Other products of distillation of coal tar	581	0.20	20.12	0.95	97.54	0-1.7	0-1.7	-

Source: As for table 1.B.1.

TABLE 1.B.9

Ten major industrial products imported into Hungary from Belarus: import values and rates of duty in the EU and in Hungary, 2000-2001

CN code	Description	Value of imports in 2000 (thousand dollars)	Percentage share in total imports from Belarus		Percentage share in imports of industrial products from Belarus		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		Hungary
							MFN	GSP	
870190	Track-laying tractors, agricultural	19 509	19.49	19.49	56.37	56.37	-	-	7-8
550130	Cables, acrylic	2 476	2.47	21.96	7.15	64.52	5.1	4.3	3
721420	Other bars and rods of iron or non-alloy steel, containing indentations (ECSC)	1 678	1.68	23.64	4.85	69.37	1.3	1.3	4.5
440320	Wood in the rough, other, coniferous	1 652	1.65	25.29	4.77	74.14	-	-	0-4
550320	Synthetic fibers, polyester	908	0.91	26.20	2.63	76.77	5.1	4.3	5
440710	Wood in the rough, other, coniferous	852	0.85	27.05	2.46	79.23	-	-	2-6.2
441214	Plywood, veneered panels and similar laminated woods, other, with at least one outer ply of non-coniferous wood	683	0.68	27.73	1.97	81.20	7	4.9	3
540220	Synthetic filament yarn, polyester	524	0.52	28.25	1.51	82.71	5.5	4.6	7
310420	Potassium chloride	496	0.50	28.75	1.43	84.14	-	-	-
293371	6-Heksanelaktam	350	0.35	29.10	1.01	85.15	6.5	-	3

Source: As for table 1.B.1.

TABLE 1.B.10

Four mineral products imported into Hungary from Belarus: import values and rates of duty in the EU and in Hungary, 2000-2001

CN code	Description	Value of imports in 2000 (thousand dollars)	Percentage share in total imports from Belarus		Percentage share in imports of mineral products from Belarus		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		Hungary
							MFN	GSP	
271000	Petroleum oils and oils obtained from bituminous minerals, other than crude	63 790	63.82	63.82	98.63	98.63	4.7	-	-
250100	Salt and pure sodium chloride	653	0.65	64.47	1.01	99.64	0-2.6	0-2.6	-
270900	Petroleum oils and oils obtained from bituminous minerals, crude	217	0.22	64.69	0.34	99.98	-	-	-
252329	Portland cement, other	13	0.01	64.70	0.02	100.00	1.7	-	-

Source: As for table 1.B.1.

C. Imports into Poland

TABLE 1.C.1

Total imports into Poland from the CIS-3, 2000
(Thousand dollars)

Imports category	CN chapters	Imports from:		
		Belarus	Russia	Ukraine
Total imports	CN 1-97	153 682	4 619 448	475 374
Imports of agricultural products	CN 1-24	7 608	61 626	21 722
Imports of mineral products	CN 25-27	26 356	4 114 342	261 414
Imports of industrial products	CN 28-97	119 718	443 480	192 238

Source: Direct communications from the Polish statistical services and Ministry of Economy; authors' calculations.

TABLE 1.C.2

Ten major agricultural products imported into Poland from the Russian Federation: import values and rates of duty in the EU and in Poland, 2000-2001

CN code	Description	Value of imports in 2000 (thousand dollars)	Percentage share in total imports from Russia		Percentage share in imports of agricultural products from Russia		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		Poland
							MFN	GSP	
030360110	Frozen fillets of cod	20 752	0.45	0.45	33.67	33.67	12	No	5
030420850	Frozen fillets of Alaska pollack	17 764	0.38	0.83	28.83	62.5	15	No	10
040210190	Milk and cream, granules or other solid forms, of a fat content not exceeding 1.5 per cent	10 196	0.22	1.05	16.54	79.04	€118.8/ 100kg/net	No	70
030379550	Alaska pollack and pollack	3 157	0.07	1.12	5.12	84.16	15	No	15
030379190	Other freshwater fish, frozen	2 075	0.05	1.17	3.37	87.53	8	No	10
030372000	Haddock, frozen	1 345	0.03	1.20	2.18	89.71	7.5	No	15
030379990	Other sea-fish, frozen	1 217	0.02	1.22	1.97	91.68	15	No	10
030490610	Other Alaska pollack	648	0.01	1.23	1.05	92.73	7.5	No	10
190120000	Mixes and doughs for the preparation of bakers' wares	537	0.01	1.24	0.87	93.60	7.6+EA ^a	0+EA ^a	€19+0.18 /kg
050510100	Raw feathers for stuffing	375	0.01	1.25	0.61	94.21	-	No	5

Source: As for table 1.C.1.

Note: Fish (chapter 3) and ECSC Treaty products excluded.

^a EA means agricultural component.

TABLE 1.C.3

Ten major agricultural products imported into Poland from Ukraine: import values and rates of duty in the EU and in Poland, 2000-2001

CN code	Description	Value of imports in 2000 (thousand dollars)	Percentage share in total imports from Ukraine		Percentage share in imports of agricultural products from Ukraine		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		
							MFN	GSP	Poland
081040300	Fruit of the species <i>Vaccinium myrtillus</i> , fresh	3 614	0.76	0.76	16.64	16.64	3.2	2.2	20
040210190	Milk and cream, granules or other solid forms, of a fat content not exceeding 1.5 per cent	3 552	0.75	1.51	16.35	32.99	€118.8/100kg/net	No	70
230630000	Oil-cake residues, from the extraction of sunflower seeds	3 195	0.67	2.18	14.71	47.70	-	No	10
151211910	Sunflower-seed oil	2 989	0.63	2.81	13.76	61.46	6.4	5.4	10
081190500	Fruits of the species <i>Vaccinium myrtillus</i> , frozen	1 185	0.25	3.06	5.46	66.92	12	8.4	25
050510100	Raw feathers used for stuffing, down	1 098	0.23	3.29	5.05	71.97	-	No	5
120600990	Sunflower seeds, other	818	0.17	3.46	3.76	75.73	-	No	9
050400009	Guts, bladders and stomachs of animals	772	0.16	3.62	3.55	79.28	-	No	15
030420190	Frozen fillets of other freshwater fish	679	0.14	3.76	3.13	82.41	9	9	10
100300900	Barley	370	0.08	3.84	1.70	84.11	€93/t	No	20

Source: As for table 1.C.1.

TABLE 1.C.4

Ten major agricultural products imported into Poland from Belarus: import values and rates of duty in the EU and in Poland, 2000-2001

CN code	Description	Value of imports in 2000 (thousand dollars)	Percentage share in total imports from Belarus		Percentage share in imports of agricultural products from Belarus		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		
							MFN	GSP	Poland
040210190	Milk and cream, granules or other solid forms, of a fat content not exceeding 1.5 per cent	4 896	3.19	3.19	64.35	64.35	€118.8/100kg/net	No	70
050400009	Guts, bladders and stomachs of animals	977	0.64	3.83	12.84	77.19	-	No	15
050510900	Other raw feathers used for stuffing, down	487	0.32	4.15	6.40	83.59	-	No	5
081190500	Fruits of the species <i>Vaccinium myrtillus</i> , frozen	351	0.23	4.38	4.61	88.20	12	No	25
081190390	Other frozen fruits containing added sugar or other sweetening matter	244	0.16	4.54	3.21	91.41	20.8	No	30
070700053	Cucumbers from 1 March to 30 April	94	0.06	4.60	1.24	92.65	€12.8+6.6/100kg/net	No	€0.25/kg
081190950	Other frozen fruits	83	0.05	4.65	1.10	93.75	14.4	5	25
200970990	Apple juice of a density not exceeding 1.33 g/cm ³ not containing added sugar	77	0.05	4.70	1.01	94.76	18	1.3	35
220410191	Sparkling wine of alcoholic strength from 8.5 per cent to 22 per cent volume	77	0.05	4.75	1.01	95.77	€32/hl	No	30 min €42/hl
071190600	Mushrooms, preserved	71	0.05	4.80	0.93	96.70	9.6	8.1	15

Source: As for table 1.C.1.

TABLE 1.C.5

Ten major industrial products imported into Poland from the Russian Federation: import values and rates of duty in the EU and in Poland, 2000-2001

CN code	Description	Value of imports in 2000 (thousand dollars)	Percentage share in total imports from Russia		Percentage share in imports of industrial products from Russia		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		
							MFN	GSP	Poland
760110000	Aluminium, not alloyed	83 755	1.81	1.81	18.89	18.89	6	6	6
470329000	Wood pulp, non-coniferous	34 211	0.74	2.55	7.71	26.60	-	No	-
470321000	Wood pulp, coniferous	21 674	0.47	3.02	4.89	31.49	-	No	-
350110500	Casein, for industrial uses	17 095	0.37	3.39	3.85	35.34	3.2	2.2	15
390120900	Polyethylene having a gravity of less than 0.94	15 640	0.34	3.73	3.53	38.87	8.3	5.8 ^a	9
750210000	Unwrought nickel, not alloyed	12 911	0.28	4.01	2.91	41.78	-	No	-
290122900	Propane (propylene), other than a heating fuel	9 320	0.20	4.21	2.10	43.88	-	No	3
280300800	Carbon blacks, other	8 513	0.18	4.39	1.92	45.80	-	No	3
290511000	Methanol (methyl alcohol)	7 954	0.17	4.56	1.79	47.59	7.8	5.4	9
310210100	Urea containing more than 45 per cent by weight of nitrogen	7 684	0.17	4.73	1.73	49.32	7.9	7.9	9

Source: As for table 1.C.1.

^a Subject to the graduation mechanism (i.e. loss of entitlement to GSP advantages when beneficiaries are relatively well developed (according to a special formula) or exports to the Community are relatively high (detailed conditions are specified in Council Regulation No. 2820/1998 of 21 December 1998, OJ L 357/1998).

TABLE 1.C.6

Ten major mineral products imported into Poland from the Russian Federation: import values and rates of duty in the EU and in Poland, 2000-2001

CN code	Description	Value of imports in 2000 (thousand dollars)	Percentage share in total imports from Russia		Percentage share in imports of mineral products from Russia		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		
							MFN	GSP	Poland
270900900	Petroleum oils, crude	3 189 139	69.04	69.04	77.51	77.51	-	-	-
271121000	Natural gas	597 706	12.94	81.98	14.53	92.04	0.7 ^a	- ^b	-
271112970	Propane, other	69 365	1.50	83.48	1.69	93.73	0.7	- ^b	3
260112000	Iron ores and concentrates, agglomerated	37 897	0.82	84.30	0.92	94.65	-	-	-
271000970	Other lubricating oils	34 835	0.75	85.05	0.85	95.50	3.7	- ^b	15
260111000	Iron ores and concentrates, non-agglomerated	34 208	0.74	85.79	0.83	96.33	-	No	-
271113970	Other butanes	31 380	0.68	86.47	0.76	97.09	0.7	- ^b	3
270112900	Bituminous coal	23 325	0.50	86.97	0.57	97.66	-	-	3
251020000	Natural calcium phosphates, ground	19 186	0.42	87.39	0.47	98.13	-	No	-
271112940	Propane of purity exceeding 90 per cent but not less than 99 per cent	13 783	0.30	87.69	0.33	98.46	0.7	- ^b	3

Source: As for table 1.C.1.

^a Suspended for an indefinite period.

^b Subject to the graduation mechanism (i.e. loss of entitlement to GSP advantages when beneficiaries are relatively well developed (according to a special formula) or exports to the Community are relatively high (detailed conditions are specified in Council Regulation No. 2820/1998 of 21 December 1998, OJ L 357/1998).

TABLE 1.C.7

Ten major mineral products imported into Poland from Ukraine: import values and rates of duty in the EU and in Poland, 2000-2001

CN code	Description	Value of imports in 2000 (thousand dollars)	Percentage share in total imports from Ukraine		Percentage share in imports of mineral products from Ukraine		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		
							MFN	GSP	Poland
260111000	Iron ores and concentrates, non-agglomerated	86 296	18.15	18.15	33.01	33.01	-	No	-
271121000	Natural gas	78 441	16.50	34.65	30.01	63.02	0.7 ^a	-	-
260112000	Iron ores and concentrates, agglomerated	43 577	9.17	43.82	16.67	79.69	-	No	-
270900900	Petroleum oils, other	18 945	3.99	47.81	7.25	86.94	-	-	-
271600000	Electric energy	15 263	3.21	51.02	5.84	92.78	-	-	3
270111100	Coal	2 666	0.56	51.58	1.02	93.80	-	-	3
250830000	Fire-clay	2 540	0.53	52.11	0.97	94.77	-	No	-
271220900	Paraffin wax containing less than 0.75 per cent of oil	1 315	0.28	52.39	0.50	95.27	2.2	2.2	9
271113970	Butanes, other	1 086	0.23	52.62	0.42	95.69	0.7	-	3
271112970	Other propane	1 067	0.22	52.84	0.41	96.10	0.7	-	3

Source: As for table 1.C.1.

^a Suspended for an indefinite period.

TABLE 1.C.8

Ten major industrial products imported into Poland from Ukraine: import values and rates of duty in the EU and in Poland, 2000-2001

CN code	Description	Value of imports in 2000 (thousand dollars)	Percentage share in total imports from Ukraine		Percentage share in imports of industrial products from Ukraine		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		
							MFN	GSP	Poland
350110500	Casein for industrial use	15 370	3.24	3.24	8.00	8.00	3.2	2.2	15
290321000	Vinyl chloride (chloroethylene)	12 205	2.57	5.81	6.35	14.35	7.5	5.2	8.1
290122900	Propane (propylene) for other use than a power or heating fuel	10 947	2.30	8.11	5.69	20.04	-	-	3
720853900	Flat-rolled products of iron or non-alloy steel of a width from 3 to 4.75 mm	7 601	1.60	9.71	3.95	23.99	1.5	1.5	12
720230000	Ferro-silicon-manganese	7 032	1.48	11.19	3.66	27.65	3.7	3.1	12
721119200	Flat-rolled products of iron or non-alloy steel of a width from 500 to 600 mm	6 441	1.35	12.54	3.35	31.00	1.6	1.6	12
720449100	Ferrous waste and scrap	6 219	1.31	13.85	3.24	34.24	-	No	9
720852990	Flat-rolled products of iron or non-alloy steel of a width from 4.75 to 10 mm	6 149	1.29	15.14	3.20	37.44	1.5	No	12
440391000	Rough wood of oak	5 415	1.14	16.28	2.82	40.26	-	-	-
760200900	Aluminum waste and scrap	4 651	0.98	17.26	2.42	42.68	-	No	-

Source: As for table 1.C.1.

TABLE 1.C.9

Ten major industrial products imported into Poland from Belarus: import values and rates of duty in the EU and in Poland, 2000-2001

CN code	Description	Value of imports in 2000 (thousand dollars)	Percentage share in total imports from Belarus		Percentage share in imports of industrial products from Belarus		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		
							MFN	GSP	Poland
310420500	Potassium chloride	51 908	33.78	33.78	43.36	43.36	-	No	-
441214000	Plywood consisting solely of sheets of wood	5 175	3.37	37.15	4.32	47.68	7	4.9	9
310520900	Other fertilizers	4 261	2.77	39.92	3.56	51.24	6.5	6.5 ^a	6.5
440399500	Wood of birch	3 817	2.48	42.40	3.19	54.43	-	-	-
731210510	Stranded wire, ropes, cables	3 178	2.07	44.47	2.65	57.08	1.7	No	5
550130000	Acrylic filament tow	2 843	1.85	46.32	2.37	59.45	5.1	No	5.4
350110500	Casein for industrial use	2 700	1.76	48.08	2.26	61.71	3.2	No	15
440710930	Wood coniferous	2 120	1.38	49.46	1.77	63.48	-	-	9
870850901	Drive axles with differential	1 784	1.16	50.62	1.49	64.97	4.5	3.1	-
401120900	New pneumatic tires for buses or lorries.....	1 632	1.06	51.68	1.36	66.33	4.5	3.1	9

Source: As for table 1.C.1.

^a Subject to the graduation mechanism (i.e. loss of entitlement to GSP advantages when beneficiaries are relatively well developed (according to a special formula) or exports to the Community are relatively high (detailed conditions are specified in Council Regulation No. 2820/98 of 21 December 1998, OJ L 357/98).

TABLE 1.C.10

Ten major mineral products imported into Poland from Belarus: import values and rates of duty in the EU and in Poland, 2000-2001

CN code	Description	Value of imports in 2000 (thousand dollars)	Percentage share in total imports from Belarus		Percentage share in imports of mineral products from Belarus		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		
							MFN	GSP	Poland
271112970	Propane, other	6 621	4.31	4.31	25.12	25.12	0.7	-	3
271000970	Petroleum oils, other	5 625	3.66	7.97	21.34	46.46	3.7	-	15
271113970	Butanes, other	5 050	3.29	11.26	19.16	65.62	0.7	-	3
271290390	Paraffin wax, crude for other purposes	2 155	1.40	12.66	8.18	73.80	0.7	-	0.7
271600000	Electric energy	1 407	0.92	13.58	5.34	79.14	-	-	3
250100510	Salt denatured or for industrial purposes	1 232	0.80	14.38	4.67	83.81	€1.7/1000 /kg/net	No	15
271114000	Ethylene, propylene, butyl and butadiene	1 189	0.77	15.15	4.51	88.32	0.7	-	3
271000671	Fuel oils with a sulfur content not exceeding 0.05 per cent by weight	504	0.33	15.48	1.91	90.23	3.5	-	€33/t 35 min
271000210	Light oils (white spirits)	494	0.32	15.80	1.87	92.10	4.7	-	25
251710800	Pebbles, gravel (broken or crushed)	430	0.28	16.08	1.63	93.73	-	No	3

Source: As for table 1.C.1.

D. Imports into Slovakia

TABLE 1.D.1

Total imports into Slovakia from the CIS-3, 2001
(Thousand dollars)

Imports category	CN chapters	Imports from:		
		Belarus	Russia	Ukraine
Total imports	CN 1-97	26 843	2 180 611	194 142
Imports of agricultural products	CN 1-24	1	621	9 608
Imports of mineral products	CN 25-27	4 936	1 929 268	88 921
Imports of industrial products	CN 28-97	21 906	250 722	95 613

Source: Direct communications from the Slovak statistical services and authors' calculations.

TABLE 1.D.2

Ten major agricultural products imported into Slovakia from the Russian Federation: import values and rates of duty in the EU and in Slovakia, 2001

CN code	Description	Value of imports in 2001 (thousand dollars)	Percentage share in total imports from Russia		Percentage share in imports of agricultural products from Russia		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		
							MFN	GSP	Slovakia
21069092	Food preparations, n.e.s., other than proteins, cheese fondue, alcoholic preparations and sugar syrups	141	0.01	0.01	22.71	22.71	12.8	8.9	6.9
03042019	Frozen fish fillets of trout	138	0.01	0.02	22.22	44.93	9	9	-
03042085	Frozen fish fillets of Alaska pollack	119	0.01	0.03	19.16	64.09	15	15	-
03049022	Frozen fish fillets of herring	46	-	0.03	7.41	71.50	0-15	0-15	-
19059060	Bread pastry, cakes, biscuits, other, with added sweetening matter, n.e.s.	36	-	0.03	5.80	77.30	9	6.3	-
03035000	Herring	31	-	0.04	4.99	82.29	0-15	0-15	-
03037919	Other frozen freshwater fish, excluding fillets, n.e.s.	25	-	0.04	4.03	86.32	8	8	-
13021998	Vegetable saps and extracts, n.e.s.	23	-	0.04	3.70	90.02	-	-	-
01011100	Live horses, pure bred breeding	15	-	0.04	2.42	92.44	-	-	-
12119099	Plants and parts of plants of a kind used in perfumery, pharmacy, etc, other, n.e.s.	13	-	0.05	2.09	94.52	-	-	-

Source: As for table 1.D.1.

TABLE 1.D.3

Ten major agricultural products imported into Slovakia from Ukraine: import values and rates of duty in the EU and in Slovakia, 2001

CN code	Description	Value of imports in 2001 (thousand dollars)	Percentage share in total imports from Ukraine		Percentage share in imports of agricultural products from Ukraine		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		Slovakia
							MFN	GSP	
10030090	Barley	4 879	2.51	2.51	50.78	50.78	- ^a	- ^a	21.2
10059000	Maize (corn)	3 257	1.68	4.19	33.90	84.68	- ^a	- ^a	17
10019099	Wheat and meslin, other than durum	733	0.38	4.57	7.63	92.31	- ^a	- ^a	21.2
22071000	Undenaturated ethyl alcohol (80 per cent or higher)	297	0.15	4.72	3.09	95.40	€19.2/hl	€16.3/hl	77
21050099	Ice cream, with more than 7 per cent of milk fat	95	0.05	4.77	0.99	96.39	7.9 ^b	5.5 ^b	29
08023200	Walnuts, shelled	72	0.04	4.81	0.75	97.14	5.1	3.5	-
12099190	Seeds, fruits and spores for sowing, of other vegetables	70	0.04	4.85	0.73	97.87	-	-	-
08119050	Cherries, frozen	68	0.04	4.89	0.71	98.58	12	8.4	1.7
23099041	Preparations of a kind used in animal feeding, other, containing 10-13 per cent of starch.....	20	0.01	4.90	0.21	98.79	€55/ton	€55/ton	2
15162095	Vegetable oils and fats, in packing of more than 1 kg	17	0.01	4.91	0.18	98.97	5.1	3.5	12

Source: As for table 1.D.1.

^a Variable specific levies.

^b Plus €54/100 kg.

TABLE 1.D.4

Agricultural products imported into Slovakia from Belarus: import values and rates of duty in the EU and in Slovakia, 2001

CN code	Description	Value of imports in 2001 (thousand dollars)	Percentage share in total imports from Belarus		Percentage share in imports of agricultural products from Belarus		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		Slovakia
							MFN	GSP	
21061020	Edible protein concentrates, no fat and low sugar	1.1	-	-	100.00	100.00	12.8	12.8	4

Source: As for table 1.D.1.

TABLE 1.D.5

Ten major mineral products imported into Slovakia from the Russian Federation: import values and rates of duty in the EU and in Slovakia, 2000-2001

CN code	Description	Value of imports in 2000 (thousand dollars)	Percentage share in total imports from Russia		Percentage share in imports of mineral products from Russia		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		
							MFN	GSP	Slovakia
271121	Natural gas	940 232	43.12	43.12	48.74	48.74	-	-	-
270900	Petroleum oils and oils obtained from bituminous minerals, crude	862 416	39.55	82.67	44.70	93.44	-	-	-
270119	Other coal (CECA)	60 222	2.76	85.43	3.12	96.56	-	-	-
260112	Iron ores and concentrates, agglomerated	32 746	1.50	86.93	1.70	98.26	-	-	-
260111	Iron ores and concentrates, non-agglomerated	30 657	1.41	88.34	1.59	99.85	-	-	-
271112	Propane	787	0.04	88.38	0.04	99.89	8	8	^a
271113	Butanes	783	0.04	88.42	0.04	99.93	-	-	^a
271000	Petroleum oils and oils obtained from bituminous materials, other than crude	737	0.04	88.46	0.04	99.97	-	-	4.6-6.4
251990	Natural magnesium carbonate, n.e.s.	569	0.03	88.49	0.03	99.99	0-1.7	0-1.7	3.8
271119	Other petroleum gases and other gaseous hydrocarbons, liquefied	120	0.01	88.50	0.01	100.00	-	-	1.2

Source: As for table 1.D.1.

^a Preferential rate applies to imports not exceeding \$2 million.

TABLE 1.D.6

Ten major industrial products imported into Slovakia from the Russian Federation: import values and rates of duty in the EU and in Slovakia, 2000-2001

CN code	Description	Value of imports in 2000 (thousand dollars)	Percentage share in total imports from Russia		Percentage share in imports of industrial products from Russia		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		
							MFN	GSP	Slovakia
840130	Nuclear reactors, fuel elements non-irradiated, machinery and apparatus for isotopic separation	74 274	3.41	3.41	29.62	29.62	3.7-5.7	2.5-3.9	0.8
760110	Unwrought aluminium, not alloyed	43 451	1.99	5.40	17.33	46.95	6	6	-
290511	Methanol	12 686	0.58	5.98	5.06	52.01	4.6-7.8	3.8-5.4	-
760120	Unwrought aluminium, alloyed	8 544	0.39	6.37	3.41	55.42	6	6	-
310540	Ammonium dihydrogenorthophosphate	7 545	0.35	6.72	3.01	58.43	6.5	4.5	-
880212	Helicopters, of weight exceeding 2000 kg	7 386	0.34	7.06	2.95	61.38	-	-	1.6 ^a
630720	Life-jackets and life-belts	6 999	0.32	7.38	2.79	64.17	6.3	5.3	7.8 ^b
470321	Chemical wood pulp bleached, coniferous	6 661	0.31	7.69	2.66	66.83	-	-	-
880240	Other aircraft, spacecraft, and other launch vehicles with weight exceeding 15,000 kg	6 536	0.30	7.99	2.61	69.44	0-7.7	-	4.5-4.8 ^c
470311	Chemical wood pulp unbleached, coniferous	5 095	0.23	8.22	2.03	71.47	-	-	-

Source: As for table 1.D.1.

^a Preferential duty rate of zero applies to imports within a quota of \$2 million.

^b Preferential duty rate of 3.9 per cent applies to imports within a quota of \$2 million.

^c Preferential duty rates of 0-2.4 per cent apply to imports within a quota of \$2 million.

TABLE 1.D.7

Ten major mineral products imported into Slovakia from Ukraine: import values and rates of duty in the EU and in Slovakia, 2000-2001

CN code	Description	Value of imports in 2000 (thousand dollars)	Percentage share in total imports from Ukraine		Percentage share in imports of mineral products from Ukraine		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		
							MFN	GSP	Slovakia
260111	Iron ores and concentrates, not agglomerated	41 918	21.59	21.59	47.14	47.14	-	-	-
270119	Other coal (ESCE)	19 361	9.97	31.56	21.77	68.91	-	-	-
260112	Iron ores and concentrates, agglomerated	15 379	7.92	39.48	17.30	86.21	-	-	-
270400	Coke and semi-coke	2 863	1.47	40.95	3.22	89.43	-	-	-
250100	Salt and pure sodium chloride	2 296	1.18	42.13	2.59	92.02	0-2.6	0-2.6	- ^a
271112	Propane	1 789	0.92	42.05	2.01	94.03	8	8	- ^a
271600	Electrical energy	1 335	0.69	42.74	1.50	96.53	-	-	-
250870	Chamotte or dinas earth	750	0.39	43.13	0.84	97.37	-	-	-
250621	Quartzite	683	0.35	43.48	0.77	98.14	-	-	-
270111	Anthracite	407	0.21	43.69	0.46	98.60	-	-	-

Source: As for table 1.D.1.

^a Preferential duty rate on imports within a quota of \$2 million.

TABLE 1.D.8

Ten major industrial products imported into Slovakia from Ukraine: import values and rates of duty in the EU and in Slovakia, 2000-2001

CN code	Description	Value of imports in 2000 (thousand dollars)	Percentage share in total imports from Ukraine		Percentage share in imports of industrial products from Ukraine		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		
							MFN	GSP	Slovakia
760110	Unwrought aluminium, not alloyed	14 938	7.69	7.69	15.57	15.57	6	6	-
720449	Ferrous waste and scrap, other	13 116	6.76	14.45	13.72	29.29	-	-	-
760120	Unwrought aluminium, alloyed	9 003	4.63	19.08	9.42	38.71	6	6	-
720851	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, other (not in coils)	7 577	3.90	22.98	7.92	46.63	1.3	1.3	5.5
740200	Unrefined copper	5 245	2.70	25.68	5.49	52.12	-	-	-
722830	Other bars and rods of other alloy steel, other n.e.s. .	3 084	1.59	27.27	3.23	55.35	1.5	1.5	3.4
440399	Wood in the rough, other	2 433	1.25	28.52	2.54	57.89	-	-	-
720890	Other flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more	2 159	1.11	29.63	2.26	60.15	1.5	1.5	5.5
392020	Other plates, sheets, film, foil and strip of plastics, of polymers of propylene	2 149	1.11	30.74	2.25	62.40	8.3	5.8	5
845530	Rolls for rolling mills	2 118	1.09	31.83	2.22	64.62	2.7	-	2.9 ^a

Source: As for table 1.D.1.

^a Preferential duty rate of zero applies to imports within a quota of \$2 million.

TABLE 1.D.9

Four mineral products imported into Slovakia from Belarus: import values and rates of duty in the EU and in Slovakia, 2000-2001

CN code	Description	Value of imports in 2000 (thousand dollars)	Percentage share in total imports from Belarus		Percentage share in imports of mineral products from Belarus		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		Slovakia
							MFN	GSP	
271000	Petroleum oils and oils obtained from bituminous materials, other than crude	4 922	18.34	18.34	99.72	99.72	-	-	4.6-6.4
271112	Propane	9	0.03	18.37	0.18	99.90	8	8	- ^a
250100	Salt and pure sodium chloride	3	0.01	18.38	0.06	99.96	0-2.6	0-2.6	- ^a
270300	Peat	2	0.01	18.39	0.04	100.00	-	-	- ^a

Source: As for table 1.D.1.

^a Preferential duty rate on imports within a quota of \$2 million.

TABLE 1.D.10

Ten major industrial products imported into Slovakia from Belarus: import values and rates of duty in the EU and in Slovakia, 2000-2001

CN code	Description	Value of imports in 2000 (thousand dollars)	Percentage share in total imports from Belarus		Percentage share in imports of industrial products from Belarus		Rate of duty in 2001 (per cent)		
			Specific	Cumulative	Specific	Cumulative	EU		Slovakia
							MFN	GSP	
731210	Stranded wire, ropes and cables, of iron or steel	4 603	17.15	17.15	21.01	21.01	-	-	5.3
310420	Potassium chloride	3 624	13.50	30.65	16.54	37.55	-	-	-
293371	6-Hexanelactam (epsilon-caprolactam)	2 604	9.70	40.35	11.89	49.44	6.5	-	5 ^a
390760	Resins, polyethylene terephthalate	2 477	9.23	49.58	11.31	60.75	6.5	4.5	2
410422	Bovine leather, otherwise pre-tanned	2 135	7.95	57.53	9.75	70.50	-	-	2.7 ^b
841810	Combined refrigerators-freezers	1 456	5.42	62.95	6.65	77.15	-	-	3.4
841821	Refrigerators, home-type	703	2.62	65.57	3.21	80.36	1.5	1.5	5.8
392330	Carboys, bottles, flasks and similar articles	689	2.57	68.14	3.15	83.51	6.5	-	6.5
903190	Parts and accessories for measuring and checking instruments, appliances and machines, n.e.s.	440	1.64	69.78	2.01	85.52	-	-	1.6 ^b
721420	Other bars and rods of iron or non-alloyed steel, containing indentations, ribs, grooves or other deformations	381	1.42	71.20	1.74	87.26	1.3	1.3	5.3

Source: As for table 1.D.1.

^a Preferential duty rate of 2.5 per cent applies to imports within a quota of \$2 million.

^b Preferential duty rate of zero applies to imports within a quota of \$2 million.

Annex 2

TABLE 2.1

The status of contractual relations between the CIS and the EU

<i>Country</i>	<i>Type of agreement</i>	<i>Date of signing</i>	<i>Date of entering into force of the whole Agreement</i>	<i>Date of publication in the Official Journal (OJ) of the European Communities</i>
Armenia	PCA	22 December 1996	1 July 1999	OJ L 239/1999, 09/09/1999
Azerbaijan	PCA	27 April 1996	1 July 1999	OJ L 246/1999, 17/09/1999
Belarus	PCA	6 March 1995		Interim Agreement COM(95) 245 final, 25/03/1995
Georgia	PCA	22 April 1996	1 July 1999	OJ L 205/1999, 04/08/1999
Kazakhstan	PCA	23 January 1995	1 July 1999	OJ L 196/1999, 28/07/1999
Kyrgyzstan	PCA	9 February 1995	1 July 1999	OJ L 196/1999, 28/07/1999
Republic of Moldova	PCA	28 November 1994	1 July 1998	OJ L 181/1998, 24/06/1998
Russian Federation ^a	PCA	24 June 1994	1 December 1997	OJ L 327/1997, 28/11/1997
Tajikistan	Agreement on Trade and Cooperation of 1989			
Turkmenistan			23 May 1997 – beginning of negotiations on PCA	
Ukraine	PCA	14 June 1994	1 March 1998	OJ L 49/1998, 19/02/1998
Uzbekistan	PCA	21 June 1996	1 July 1999	OJ L 229/1999, 31/08/1999

Source: EBRD, *Transition Reports* (various issues) and European Communities, Official Journal.

Note: PCA – Partnership and Cooperation Agreement.

^a The EU strategy for the development of relations between the EU and the Russian Federation, adopted by the EU in 2000, provides for the possibility of creating a free trade area.

TABLE 2.2

Applied MFN tariffs in the EU in 2002 (Per cent)

	<i>Simple average tariff</i>	<i>Share of total imports</i>
Total	6.4	100
WTO agriculture	16.1	20.3
WTO non-agriculture (excluding petroleum)	4.1	79.3
Petroleum	2.8	0.4

Source: WTO, Trade Policy Review, WT/TPR/S/102, 26 June 2002, p. 30.

TABLE 2.3

Anti-dumping measures imposed on Russian products by the EU (in force on 31 December 2000)

<i>Product</i>	<i>Measure</i>	<i>Regulation number</i>	<i>Publication in Official Journal</i>
Definite anti-dumping duties			
Ammonium nitrate	Duties	Council Reg. (EC) No. 2022/1995, 16/08/1995, as last amended by Council Reg. (EC) No. 663/1998	L 198, 23/08/1995, L 93, 26/03/1998
Ferro-silicon	Duties	Council Reg. (EC) No. 3359/1993, 02/12/1993, as last amended by Council Reg. (EC) No. 351/1998, 12/02/1998	L 302, 09/12/1993, L 42, 14/02/1998
Grain-oriented electrical steel sheets.....	Duties	Commission Dec. No. 303/96/ECSC, 19/02/1996	L 42, 20/02/1996
Hardboard	Duties	Council Reg. (EC) No. 194/1999, 25/01/1999	L 22, 29/01/1999
Magnesium (unwrought, unalloyed)	Duties	Council Reg. (EC) No. 1347/1996, 02/07/1996	L 174, 12/07/1996
Potassium chloride	Duties	Council Reg. (EC) No. 969/2000, 08/05/2000	L 112, 11/05/2000
Seamless steel pipes and tube	Duties	Council Reg. (EC) No. 2320/1997, 17/11/1997 as last amended by Council Reg. (EC) No. 190/2000, 24/01/2000	L 322, 25/11/1997, L 23, 28/01/2000
Silicon carbide	Duties	Council Reg. (EC) No. 1120/2000, 22/05/2000	L 125, 26/05/2000
Solutions of urea and ammonium nitrate	Duties	Council Reg. (EC) No. 1995/2000, 18/09/2000	L 238, 22/09/2000
Urea	Duties	Council Reg. (EC) No. 477/1995, 16/01/1996	L 49, 04/03/1995
Zinc (unwrought, unalloyed)	Duties	Council Reg. (EC) No. 1931/1997, 22/09/1997	L 272, 04/10/1997
Price undertakings			
Grain-oriented electrical steel sheets	Undertakings	Commission Dec. No. 303/96/ECSC, 19/02/1996	L 42, 20/02/1996
Magnesium (unwrought, unalloyed)	Undertakings	Commission Dec. No. 96/422/EC; 25/06/1996	L 174, 12/07/1996
Seamless steel pipes and tubes	Undertakings	Commission Dec. No. 2000/70/EC; 22/12/1999	L 23, 28/01/2000

Source: Semi-annual report under Article 16.4 of the Agreement. European Communities, WTO Document G/ADP/N/72/EEC, 8 March 2001.

Note: Price undertaking means that an exporter agrees not to sell his products below the agreed (minimum) level of the price.

TABLE 2.4

Safeguard proceedings started in Poland in 1998-2001

<i>Country</i>	<i>Product</i>	<i>Date of initiation</i>	<i>Result of the proceeding</i>
Belarus	Agricultural tractors and forestry tractors, wheeled, used	14 December 1999	Proceeding in progress
Kazakhstan	Hot-rolled steel plates	22 October 1999	Excluded from proceeding in 2000
Russian Federation	Hard coal	30 July 1998	Quota
	Ammonium nitrate	27 September 1999	Quota
	Agricultural tractors and forestry tractors, wheeled, used	14 December 1999	Proceeding in progress
Ukraine	Hot-rolled steel plates	22 October 1999	Proceeding in progress
	Refractory clays	23 November 1998	Non-automatic registration
	Hot-rolled steel plates	22 October 1999	Proceeding in progress
Erga omnes (all countries exporting to Poland)	Potassium nitrate	22 December 2000	Proceeding in progress

Source: E. Kaliszuk, "Non-tariff restrictions on Poland's imports and exports", *Foreign Economic Policy of Poland 2000-2001*, Foreign Trade Research Institute (Warsaw), 2001, p. 161.