

AGRICULTURAL TRADE BETWEEN BELGIUM AND CENTRAL EUROPEAN COUNTRIES

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Summary

Trade is influenced by many factors, including political ones. Agricultural trade between Belgium and Central European Countries already existed centuries ago. It should have increased thanks to the economic development which characterizes the 20 th century. However, the second world war and the «cold war» depressed trade relations between Western and Eastern countries.

The situation completely changed at the end of the 80's, and former communist countries began to implement very important political and economical reforms, turning to market economy. These reforms were particularly painful at the beginning, and still are. To help Central European Countries to overcome their difficulties, the European Union launched the PHARE programme and, later, so-called «Association Agreements» were signed. They deal with trade but, most importantly, with political association, as their goal is to help the CEC to become EU member States within a few years.

These large-scale events have concrete consequences at a much more modest level : agricultural trade between Belgium and CEC. At the beginning, consequences were negative : the value of exchanged products decreased. However, the situation improved in 1994, in both directions. Unexpectedly, the trade balance is positive for Belgium. Its main partners are Poland and Hungary, for which agricultural products have a significant share in their total trade with Belgium.

As Belgium is a small country, with only 3 % of EU population, its role within EU is not very important as agricultural trade with CEC is concerned. However, the share of Belgium is not negligible and is related to its size.

A survey among professionals and officials shows that concrete problems did exist at the beginning of the reforms and still exist nowadays. They negatively influence the agricultural trade potentials. However, things are improving, and as political and economical integration will go further, agricultural trade between Belgium and CEC will certainly strengthen in the future.

HANDEL ROLNY MIĘDZY BELGIĄ A INNYMI KRAJAMI EUROPEJSKIMI

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Na handel ma wpływ wiele czynników, między innymi polityczne. Handel rolny między Belgią a innymi krajami Europejskimi istniał już przed wiekami. Powinien był wzrosnąć dzięki rozwojowi gospodarstwu charakteryzującemu XX wiek. Jednakże druga wojna światowa i "zimna wojna" osłabiły relacje handlowe między krajami Europy Zachodniej i Wschodniej.

Sytuacja uległa całkowitej zmianie pod koniec lat 80tych, i były kraje komunistyczne zaczęły wprowadzać ważne reformy polityczne i gospodarcze, przechodząc na gospodarkę rynkową. Reformy te były szczególnie bolesne na początku i nadal zresztą są. Aby pomóc krajom Europy Środkowej w pokonaniu tych trudności Unia Europejska zapoczątkowała program PHARE, a później podpisano tzw. "Porozumienia Związkowe". Dotyczą one głównie handlu, ale najważniejsze jest to, że jeśli chodzi o powiązania polityczne, celem ich jest wspomoczenie krajów Europy Środkowej w osiągnięciu statusu członkowskiego w Unii Europejskiej w przeciągu kilku lat.

Te działania zakreślone na tak szeroką skalę mają też skromniejsze konsekwencje: wpływ na handel rolny między Belgią a krajami Europy Środkowej. Na początku konsekwencje te były negatywne: nastąpiło zmniejszenie wartości wymienianych produktów. Sytuacja poprawiła się jednak w 1994, i to w obie strony. Niespodziewanie Belgia osiągnęła pozytywny bilans handlowy. Jej głównymi partnerami są Polska i Węgry, gdzie produkty rolne stanowią znaczny udział w całkowitej wymianie handlowej z Belgią.

Ponieważ Belgia jest małym krajem, a jej populacja wynosi tylko 3% populacji EU, jej rola we Wspólnocie nie jest szczególnie ważna, jeśli chodzi o handel artykułami rolnymi między EU a krajami Europy Środkowej. Jednakże udział Belgii nie może być pominięty i jego wysokość jest ściśle powiązana z wielkością kraju.

Badania przeprowadzone wśród naukowców wskazały na istniejące na początku problemy, oraz na to, że nadal one istnieją. Mają one negatywny wpływ na potencjał handlowy artykułami rolnymi. Trzeba jednak zauważyć, że następuje znaczna poprawa oraz, że polityczna i gospodarcza integracja będzie postępowała, a w związku z tym handel między Belgią a krajami Europy Środkowej na pewno umocni się w przyszłości.

1. Introduction

Agricultural trade between two partners depends on many factors, among which can be cited : self-sufficiency level of the trading countries, prices, geographical position, respective pedo-climatic conditions, food processing industry development, economic situation, consumption habits, communication means, ... However, political aspects are also very important. Agricultural products can sometimes be considered as strategic ones («green weapon»). It is obvious that political events had a great influence on agricultural trade between Belgium and Central European Countries.

Trade relations between Belgium and Central European Countries do exist since centuries. In the 20's, some agricultural exchanges were already traditional, like Polish exports of barley, live horses and horse meat (GUS 1924-1930). As Belgium is a small country, its role was generally not very important. However, it was not necessarily negligible. For example, Belgium was most generally among the ten most important partners of Polish imports and exports, between the two world wars.

Trade relations were of course cut down during the second world war and also during the immediate after war period, because of high tension between Western and Soviet blocks. However, trade relations recovered in the 60's, in spite of very different economic organisation. Nevertheless, exchanged quantites were not very important.

Political events, once again, had a great influence on economic relations, beginning at the end of the 80's.

2. Recent relations between European Union (EU) and Central European Countries (CEC)

The PHARE programme was launched on September 26, 1989 at Paris. The Commission of the EU received the task to coordinate the assistance granted by the 24 countries members of the O.E.C.D.

At the beginning, this programme concerned only Poland and Hungary, but it was later extended to other CEC, the Baltic States, Albania, Slovenia and Croatia in June 1995.

The objective of PHARE is to provide technical and financial assistance in order to rebuild the economy of CEC and to enhance market economy. Financial support is granted for pluriannual projects, dealing mainly with infrastructures and interregional cooperation.

Concerning agriculture, the following topics are dealt with :

- ◆ land policy;
- ◆ privatization of agricultural inputs and products marketing channels;
- ◆ organization of farm credit systems;
- ◆ organization of support sources for farmers.

Concerning trade, PHARE suspended the quantitative limits for EU imports and granted the general preferences. However, it was rapidly considered as insufficient and much broader agreements became necessary. So, «Association Agreements» were defined. Association Agreements were signed with Poland (Dec. 16, 1991), Hungary (Dec. 19, 1991), Czechoslovakia (Dec. 16, 1991), Bulgaria (Feb. 1, 1993) and Rumania (March 8, 1993).

As ratification is a slow process, the chapters of the Association Agreements dealing with trade were considered as «Interim Agreements» and immediately put into force. The Association Agreements themselves were implemented on Feb. 1, 1994 for Poland and Hungary and on Feb. 1, 1995 for the other countries.

The Association Agreements clearly have a political goal, as it is foreseen that the CEC will become Member States of the EU. A period of transition of 10 years is foreseen, the situation being examined after 5 years. Within economic cooperation, some aspects deal with agriculture like improvement of farms and marketing channels or modernization of rural areas infrastructures, in order to increase productivity and quality.

Concerning agricultural trade, reciprocal concessions are described about different groups of products. These concessions are asymmetric : the EU has to go further than the CEC have to. These concessions are generally the progressive reduction of tariffs through the years, within increasing quotas.

3. Effects of the Agreements on agricultural trade

Theoretically, agricultural concessions granted by the EU to the CEC should contribute to increase their exports and to enhance their economic growth. However, up to now, it was mainly profitable to the EU, which food products trade balance became largely positive with CEC. The CEC did not succeed to fulfill the quotas they were granted. Within 4 years, the positive balance of the EU increased by 100 %, while imports from CEC declined by 3 %.

The factors explaining this situation are :

- ◆ the decrease of agricultural production in the CEC, due to organization problems and bad climatic conditions;
- ◆ inadequation of the quality, the packaging and the standardization of the products;
- ◆ competition of Western products on CEC markets;
- ◆ suspension of EU imports of animal products, because of sanitary problems in the CEC;
- ◆ economic crisis in Western countries.

The CEC are complaining about :

- ◆ the low level of the concessions granted by the EU, on the basis of the period 1989-1990, when the quantities exported were very weak;
- ◆ the heavy administrative management of the quotas and the fact that they are opened by importers from the EU and not by exporters from the CEC;
- ◆ the sanitary and phytosanitary measures taken by the EU;
- ◆ the lower value of the concessions granted to the CEC because of the GATT agreement.

However, the situation of the CEC improved in 1994. Nevertheless, the Association Agreements have to be re-examined in order to take into account the results of the Uruguay round negotiations, the membership of new countries to the EU (Austria, Finland and Sweden) and the negative food and agricultural trade balance of the CEC with the EU. To increase the CEC exports, their internal problems must be solved first.

Several countries officially applied to EU membership : Hungary (April 1, 1994), Poland (April 8, 1994), Rumania (June 22, 1995) and Slovakia (June 27, 1995). Negotiations will probably not begin before the end of 1997 and membership will occur at the beginning of the next century, because of economic, social and legal problems are still important.

4. Agricultural trade between Belgium and CEC, in value

The evolution of agricultural trade between Belgium and CEC, from 1989 to 1994 is shown in table 1. Table 1 shows that the main partners of Belgium are Poland and Hungary.

Polish agricultural exports to Belgium reached more than 24 million ECU in 1994, recovering a little bit from a four year regular decrease. The main products are fruits (39.0 % of total in 1994), among which strawberries play an important role, meat (15.3 % in 1994), vegetables (9.4 %), life animals (9.1 %) and fish (6.4 %).

Polish imports of agricultural products from Belgium increased dramatically in 1991, thanks to PHARE. However, they decreased by half till then, reaching nearly 32 million ECU in 1994. The main products are oils and fats (22.2 % in 1994)n, mainly soyoil, food processing by-products (21.9 %, mainly for animal feed), processed cereals (8.9 %) and chocolate (7.2 %).

Finally, the trade balance for agricultural products was negative for Poland along the period 1989-1994. However, the deficit is rapidly decreasing, reaching only 7 million ECU in 1994.

As for Hungary, agricultural exports to Belgium increased to 23 million ECU in 1994, after a sharp decline in 1992 and 1993. In 1994, the main exported products were sunflowerseed (29.2 %), life poultry (16.3 %) and fruits (fresh, frozen or processed).

Hungarian agricultural imports from Belgium were very weak but dramatically increased in the 90's, reaching nearly 25 million ECU in 1994. The main products are sugar (16.5 % in 1994), animal feed (11.0 %), processed cereals (10.0 %) and pork (9.2 %).

The balance was largely positive for Hungary in 1990, but the surplus then declined rapidly, the balance being finally slightly negative in 1994.

Concerning the other countries which are considered, the situation was follows in 1994 :

Romania

Main exports : linseed (60.9 %)

Main imports : food processing by-products, including meals, for animal feed (21.2 %), cigarettes (16.6 %), sugar (16.2 %)

Slovenia

Main exports : hops (51.3 %)

Main imports : processed meat (20.9 %), drinks (14.8 %), vegetables (14.1 %), fats and oils (10.1 %)

Slovakia

Main exports : rapeseed (41.5 %), fats and oils (20.6 %)

Main imports : cocoa (17.9 %), processed cereals (13.3 %), eggs (12.6 %), by-products as animal feed (11.7 %)

Czech Republic

Main exports : hops (33.6 %), malt (10.9 %)

Main imports : by-products for animal feed (20.7 %), vegetables (10.1 %)

Bulgaria

Main exports : poultry meat (58.8 %)

Main imports : meat (76.8 %)

Table 1: Evolution of agricultural trade between Belgium and CEC from 1989 to 1994
(in thousand ECU)

	Poland	Hungary	Czech Rep.	Slovakia	Slovenia	Romania	Bulgaria
Exports							
1989							
1990	25,146	39,127				2,025	2,309
1991	36,459	37,822				385	4,040
1992	30,095	39,398				1,178	8,133
1993	24,475	26,177			724	702	6,031
1994	19,438	18,117	7,386	680	1,140	216	3,382
	24,270	23,410	12,281	1,151	1,076	1,360	3,914
Imports							
1989							
1990	27,702	1,702				63	956
1991	13,095	2,119				1,937	473
1992	62,160	4,929				10,934	4,529
1993	40,593	9,877			1,748	13,653	2,367
1994	34,209	14,729	13,328	1,447	7,270	5,032	6,843
	31,711	24,918	20,377	2,769	9,398	9,399	4,831
Balance							
1989							
1990	-2,556	37,425				1,962	1,353
1991	-9,636	35,703				-1,552	3,567
1992	-32,065	34,469				-9,756	3,604
1993	-16,118	16,300			-1,024	-12,951	3,664
1994	-14,771	3,388	-5,942	-767	-6,130	-4,816	-3,461
	-7,441	-1,508	-8,096	-1,618	-8,322	-8,039	-917

Source: Eurostat

5. Share of agricultural products in total trade between Belgium and CEC in 1994

The share of agricultural products in total trade between Belgium and CEC is not very important but is not negligible, except perhaps for Slovakia (table 2). Agricultural products are particularly important for Hungarian exports (10.5 % of total Hungarian exports to Belgium). They are also significant for Polish exports (6.6 %), Czech (6.2 %) and Bulgarian exports (5.1 %).

Unexpectedly, agricultural products have a non negligible share in imports from Belgium to CEC. Their share is particularly high for Rumania (13.6 %) and Bulgaria (9.3 %). For the most important partners of Belgium, Poland and Hungary, the share of agricultural products in total trade reaches 5.7 and 7.6 %, respectively. The importance of agricultural products in CEC imports from Belgium is due to the fact that Belgium has a well-developed and modern agricultural products processing industry (for example crushing industry exporting oilmeals) and is an importer and processor of tropical products, exporting the processed products (for example chocolate).

Table 2 : Share of agricultural products in total trade between Belgium and CEC in 1994 (in %)

	Exports to Belgium	Imports from Belgium
Poland	6.6	5.7
Hungary	10.5	7.6
Czech Republic	6.2	5.6
Slovakia	1.6	3.7
Slovenia	1.9	8.9
Romania	1.6	13.6
Bulgaria	5.1	9.3

Source : Own calculations on Eurostat data

6. Share of Belgium in agricultural trade between EU and CEC in 1994

As Belgium is a small country, with only 3 % of the EU population, its share in EU agricultural trade with CEC is rather small (table 3).

Concerning CEC exports, the share of Belgium is the most important for the Czech Republic, with nearly 5 %. This share approaches 3 % for Poland and Hungary.

About CEC imports from EU, the share of Belgium is the highest for Hungary and Rumania, with 5.7 % and 5.2 % respectively. For Poland, the share of Belgium is 2.9 %.

Globally, it can be said that Belgium has a share in relation with its relative weight within the EU.

Table 3: Share of Belgium in agricultural trade between the European Union and CEC in 1994
(in %)

	Exports to Belgium/EU	Imports from Belgium/EU
Poland	2.8	2.9
Hungary	2.9	5.7
Czech Republic	4.8	3.6
Slovakia	2.4	2.1
Slovenia	1.5	3.4
Romania	1.3	5.2
Bulgaria	2.1	1.0

Source : Own calculations on Eurostat data

7. Conclusions and perspectives

It finally appears that agricultural trade between Belgium and CEC, though not very important is not negligible. Belgium, according to its size, has a normal share of CEC foreign trade.

The quantities which are exchanged are increasing, after the shock of economic and political reforms. These quantities will most probably continue to grow, as CEC will create the conditions to become EU members.

However, according to a survey among professionals and officials, some problems do exist, which have a negative influence on agricultural trade. The following items were cited :

1° Political and economic instability

It is not easy to change thoroughly the political and economic system which was implemented during several decades (KORNAI, 1994). A new equilibrium must be reached. Attempts - and errors - are made to reach it.

Political majorities are instable in some countries and so the policy of the government often changes. Completely new majorities can also define a policy totally different from the preceding one. This phenomenon also occurs in the West, of course, and it also has consequences there. However, Western countries are more used to these changes, and so they can keep a certain stability, whatever the government.

Economic stability is also very important for the establishment of long-lasting commercial and economic relations. Changes of economical policy are not in favour of investments. It is also the case for fiscal policy (GASPAR, 1993). Changes of the level of duties have negative consequences on trade.

2° Financial problems of CEC enterprises

Many enterprises from CEC encountered very important financial problems, especially at the beginning of the reform process (LANE, 1992). Many are heavily indebted and are not profitable. They received large subsidies from the State.

Many enterprises need heavy investments to be modernized and to satisfy Western standards. However, there is a lack of resources from CEC.

In order to find financial means, many companies had to decapitalize. It was the case for farms which sold live animals to Western countries, partly attracted by relatively interesting prices, thanks to exchange rates.

Too high pressure for capital is not good for the establishment of solid relationships, because only punctual opportunities are sought to deal with urgent needs.

3° Quality and packaging of the products

Agricultural products from CEC are recognized as intrinsically of good quality. However, mainly at the beginning of the reform process, there were weaknesses concerning the packaging of the products and information. So, it was sometimes uneasy to sell CEC products on Western markets. On the other hand, consumers from CEC thought that Western products were of higher quality and so were eager to buy them. However the attitude of consumers changed during following years and marketing of CEC products improved (BAKER, CHMIELEWSKA, and OPALKA, 1995).

4° Import duties and tariffs

Import duties and tariffs are considered, from both sides, as too high and too variable. Professionals think that trade would be more important if duties were lower. They sometimes have difficulties to adapt to higher import taxes.

5° Administrative difficulties at the border

Goods are sometimes blocked at the border, as EU standards are different from CEC ones. The validity of certificates delivered by EU or CEC authorities can be questioned by CEC or EU customs officers. Delays can be imposed. It is not very harmful for industrial products, but it can be very important for some agricultural products which quality rapidly deteriorates, like fruits for example (CATALAYUD, 1992).

6° Unfair practices

As rules and controls are not always well defined on new markets and about new partnerships, some unfair practices do occur, like non payment of purchases, sales of lower quality products than expected, illegal use of labels, ...

Though the above-mentioned problems do exist and have a negative impact on agricultural trade, they can be considered as normal when dramatic political and economical reforms occur. The importance of these problems is decreasing and will continue to decrease as harmonization of political, economical and legal systems will go further between EU and CEC. In a more harmonized and stable world, agricultural trade between Belgium and CEC will increase, for the benefit of all partners.

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