

Agriculture and Enlargement



European Commission
Agriculture and Rural Development

Foreword



Mariann Fischer Boel,
Commissioner for Agriculture
and Rural Development



On 1 May 2004, the European Union welcomed 10 new Member States: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia. On 1 January 2007, Bulgaria and Romania completed the successful 5th round of enlargement, bringing the total number of Member States to 27.

The recent enlargement of the EU has been a success story for the European Union. It has helped overcome the division of Europe and has demonstrated the attractiveness of the

European model. The Common Agricultural Policy, with its capacity to support farmers' income, stabilise markets and diversify the rural economy, is a key part of this European model.

Experience shows that in the enlargement process, farmers are among the most interested but also the most critical partners. Fears expressed in the past, such as the risk of income losses, market disturbances and quality problems, have not materialised following the accession of the 12 new Member States. On the contrary, farmers' incomes have grown considerably, the internal market for agricultural products functions well and consumer choice has increased.

The current enlargement agenda consists of the Western Balkans and Turkey. Just as in our current Member States, agriculture plays an important role in the economic and social life of these countries. The economies in the Western Balkans and Turkey, however, are characterised by a relative preponderance of agriculture in total production and employment. This makes agriculture one of the most complex, sensitive and critical issues in the enlargement context.

The European Commission plays a key role in the enlargement process. It negotiates on behalf of Member States and provides assistance and guidance to candidate countries and potential candidates in their task of preparing for future accession to the EU. Significant financial support is provided for investments in rural areas, facilitating structural changes in agriculture. Both the EU and the countries aspiring for membership will need to put a lot of effort into communicating with the farming community, with the food processors and the consumers, so as to best inform and prepare them for future accession to the Union.

For the European agricultural sector, enlargement brings new challenges and increased competition for existing members and new Member States alike. But it also offers huge new opportunities: more trade, a wider choice of products, better quality and food safety, and stronger rural communities. Enlargement in agriculture and rural development can be managed so that both sides end up as winners.

Mariann Fischer Boel,
Commissioner for Agriculture and Rural Development

1. The importance of enlargement for the European farm sector

Over the last 50 years, a key EU objective has been to eliminate trade barriers between the EU's Member States and to create a single market where goods, people, money and services can move freely. By creating a single market without borders and a single currency (the euro), the EU has given a significant boost to internal trade and employment.

Many farmers in the candidate countries have already tasted the benefits of membership in advance of enlargement. Targeted Community-funded rural development and investment schemes are in place in these countries, and the gradual liberalisation of trade in agricultural products with the EU has helped farmers to

prepare for operating and competing within the enlarged market. Economic operators in the EU and the enlargement countries have gained from open borders and easier trading conditions. Turkey and the region of the Western Balkans increased exports of basic agricultural products and processed agricultural products to the EU under the preferential trade provisions.

WHAT ENLARGEMENT MEANS FOR ALL FARMERS IN THE EU

The last enlargement round in 2004 added a further 4 million farmers to the EU's existing population of 7 million. The new Member States brought to the EU about 38 million hectares of utilised agricultural area, in addition to the 130 million hectares existing within EU-15. This represented a 30% increase in land,



while production expanded only by about 10-20% for most products. However, the Common Agricultural Policy (CAP) helped farmers to gradually develop a sustainable production potential. Upcoming enlargements will further strengthen the European agricultural sector.

POSITIVE EFFECTS OF HIGHER COMPETITION

More farmers also mean more potential for Europe's agriculture and more opportunities for specialisation and economies of scale. On one hand, many farmers in the future Member States (candidate countries) try to target the relatively high income consumers in the EU who demand high-quality, and sometimes niche, products; on the other hand, EU farmers know that the predicted income growth in the future Member States will lead to growing markets. Furthermore, sharper competition benefits both EU consumers and those in the future Member States. The EU is striving to ensure that all EU farmers are given equal market opportunities.

WHY ARE FARMERS IN THE NEW MEMBER STATES BETTER OFF IN THE EU?

Farmers in the new Member States will not only enjoy the benefits of free access to the EU single market; they also benefit from policies designed to develop their agriculture in a sustainable and profitable way. These include:

- Financial and other support for the restructuring of rural areas;
- Tailored support targeted at specific needs and reinforced rural development programmes to help improve efficiency and encourage diversification. These are mostly co-funded with the national governments, but generally at a higher rate of EU contributions than in the old Member States;
- The same direct support as is provided to the current EU farmers by the CAP (phased in over a certain period).

REAL BENEFITS FOR FARMERS – EXPERIENCE AFTER 5 YEARS

Well targeted pre-accession assistance as well as sound results from negotiations (focusing more on rural development and moving from market support to direct income support) have enabled a smooth integration of the new Member States into the EU. Overall positive developments and new opportunities outweigh the challenges and costs of full integration into the Common Agricultural Policy.

Accession to the EU brought about substantial modernisation and restructuring of farming and food processing in the new Member States. This resulted partly from the opportunities offered by the single market, but also from capital investment within farm holdings co-financed by EU rural development funds.

INCREASED INCOME

Farmers in the new Member States have clearly been better off within the EU. Real incomes per full-time farmer more than tripled between 2000 and 2007 in Latvia, more than doubled in Estonia, Lithuania and Poland and increased by more than 50% in the Czech Republic and Slovakia. This positive development in farm income in the new Member States is largely due to the improved market conditions after enlargement, the phasing-in of CAP direct payments, and the effect of rural development measures.

An enlarged EU market has brought many possibilities for farmers and agri-food businesses, leading to increased intra-Community trade, strengthening the EU position on international markets, bringing more stability for farmers, and allowing increased foreign direct investment without any major internal economic, social or food safety concerns.

After the successful accession of 12 new Member States, the European Commission is continuing to assist countries aspiring for EU membership with advice, and financial and technical assistance in order to prepare them for future accession in the agriculture and rural development sectors.

2. Accession process

Under the terms of Article 49 of the Treaty on European Union, any European State which respects the principles of liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law, principles which are common to the Member States, may apply for membership.

COPENHAGEN CRITERIA

Countries wishing to join the EU must fulfil the conditions known as the 'Copenhagen criteria' according to which a prospective member must:

1. have achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
2. have a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union;

3. have the ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union. This implies, inter alia, adopting and effectively implementing the common rules, standards and policies that make up the body of EU law.

The Union's capacity to integrate new members, while maintaining the momentum of European integration, is also an important consideration in the general interest of both the Union and the candidate countries.

For the agriculture and rural development sector, two elements are of key importance:

Economic aspects = the situation in the countries on the basis of the economic criteria for membership, consisting of:

- The existence of a functioning market economy, based on clear property rights, functioning markets, price liberalisation and macro-economic stability;
- The capacity to cope with competitive pressure and market forces within the Union, including from imports of agricultural and food products.

Community standards = the country's capacity to implement the Community legal and administrative provisions in the areas of agriculture and rural development:

- Adequate administrative capacity of the agricultural administrations, in particular in the area of agricultural policy formulation, analysis, implementation, support payments and respective controls.
- Adequate administrative capacity for the formulation and implementation of pre-accession rural development measures (IPARD) and subsequently Community Rural Development programmes.
- Legislative alignment and setting-up of administrative capacities in the areas of organic farming, quality policy and other horizontal aspects.

- At agricultural market level, setting up of market mechanisms (including marketing standards, price reporting, quota management, producers' organisations, public intervention etc.).

SCREENING – OPENING BENCHMARKS

Before launching the negotiations on a given chapter, the Commission conducts a "screening" exercise, which is the formal and technical procedure for assessing the current level of alignment of each candidate country with the *acquis*, both as regards legislation and institutional capacities.

The findings of the screening for each chapter are highlighted in a screening report, in which the Commission proposes whether to start negotiations on this chapter if it considers that sufficient progress has been made by the candidate country to permit meaningful accession negotiations. Where progress is considered insufficient, the Commission recommends that the Council establishes certain conditions ("benchmarks") to be met before negotiations can start in the given chapter.

ACCESSION NEGOTIATIONS

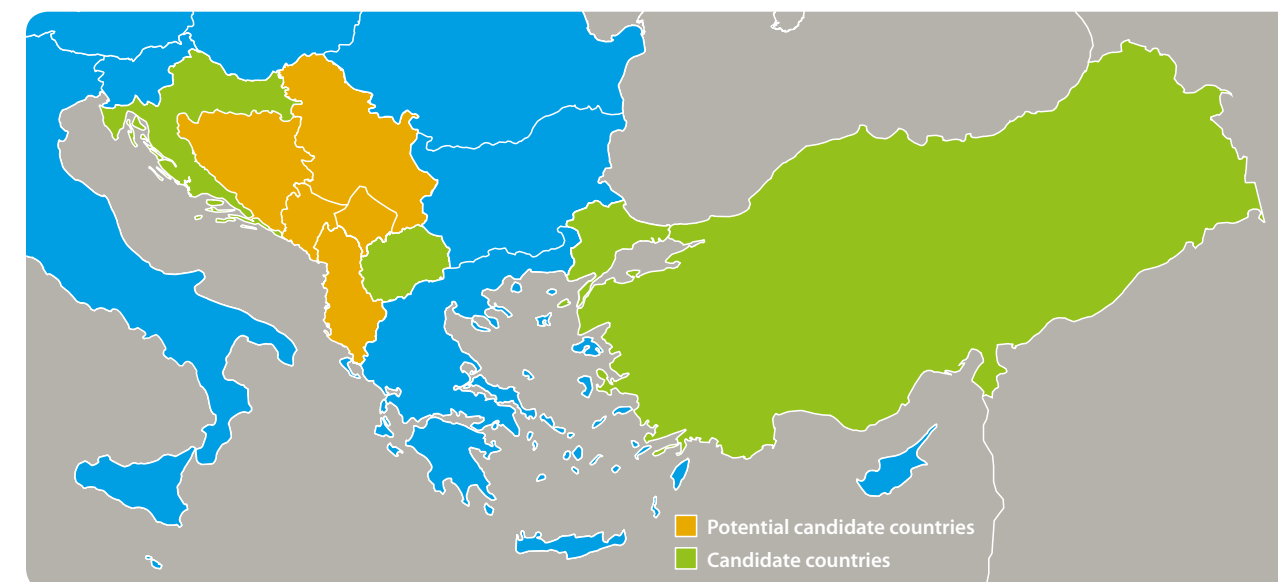
Once the Commission and the Council have satisfied themselves that the country is sufficiently prepared for negotiations on

the agriculture and rural development chapter, the Presidency invites the candidate country to submit its negotiating position to the Accession Conference with a view to opening the chapter. The EU agrees on European Common Positions in response to the candidate country's negotiating position. Only then are the accession negotiations in a specific chapter considered open.

Negotiations take place between the EU Member States and the individual candidate country in the framework of the Accession Conference. The Commission prepares the European Union negotiating positions and, in parallel, guides the candidate countries (and potential candidates) in gradually complying with the legal framework and administrative structures required by the *acquis*.

ACQUIS COMMUNAUTAIRE

To facilitate the accession negotiations, the entire body of EU law and policies, known as the "*acquis communautaire*" is divided into 35 chapters, each corresponding to one policy area. One chapter covers all aspects of the agriculture and rural development sector, namely Chapter 11 - Agriculture and Rural Development.





AGRICULTURAL CHAPTER

Legal framework

The agricultural chapter includes a large number of binding rules, many of which are regulations that are directly applicable. The proper application of these rules and their effective enforcement by an efficient public administration is essential for the functioning of the CAP. This includes the laws governing management systems such as a paying agency and the Integrated Administration and Control System (IACS), and also the capacity to implement rural development actions. EU membership requires the integration of a range of agricultural products, including arable crops, sugar, animal products and specialised crops, into the common organisation of the market.

Administrative structures

The implementation, management and control of the CAP require the creation, modification and/or strengthening of appropriate administrative structures (e.g. Paying Agency and IACS). In some cases, the *acquis* sets out detailed specifications for the required administrative structures.

For other elements the CAP *acquis* simply uses terms such as the "competent authority" to refer to the administrative structure that is needed. It is left to each Member State to designate the institution responsible for effective implementation of the *acquis*. However, the *acquis* specifies the objectives to be attained and the functions to be ensured by an adequate administrative body in the Member States.

NEGOTIABLE AND NON NEGOTIABLE RULES

Accession negotiations in the agricultural chapter focus mainly on the conditions and timing of the adoption, implementation and application of the *acquis* by the candidate countries. Any candidate must accept the rights and obligations of membership, which means that these rules as such are not negotiable. Negotiations therefore focus on the procedures for future direct payments, support to rural development or on the need for transitional measures facilitating integration into the EU, taking into account the specific circumstances of the agricultural sector in the candidate countries in the process.



3. Association, the door step to Europe

The European Union's approach to South Eastern Europe has been governed since 1999 by the Stabilisation and Association process offering the Western Balkan countries a framework promoting peace, stability, freedom and economic prosperity. Turkey's Association Agreement with the EU dates back to 1963.

STABILISATION AND ASSOCIATION PROCESS (SAP)

The SAP sets out common political and economic goals. The achievement of these goals is supported by contractual, economic and financial instruments to strengthen reforms and accompany the transition process in the Western Balkans. Regional co-operation is a fundamental part of the procedure.

The two main instruments allowing the EU to stabilise and gradually bring the Balkan countries into line with its own economic and legal systems are:

- the Stabilisation and Association Agreements (SAA), including trade preferences,
- technical and financial assistance (IPA – Instrument for Pre-accession Assistance).

THESSALONIKI COUNCIL 2003

The Stabilisation and Association process was launched in 1999 at the Zagreb Summit, opening to the countries of Western Balkans the possibility of EU membership. In 2003, the European Council in Thessaloniki reconfirmed the perspective of future membership for all countries of the region and confirmed Albania, Bosnia-Herzegovina, Montenegro and Serbia as "potential candidate countries". At the same time the Thessaloniki Council reaffirmed that EU membership would depend on the countries' efforts to achieve the necessary reforms – the "Thessaloniki agenda" was adopted to spell out the way forward for the countries concerned. The EU further stated that Kosovo has a clear European perspective, in line with the rest of the Western Balkans.

SAA plays a key role within the framework of the SAP. It represents a far-reaching contractual relationship between the EU and each Western Balkans country, entailing mutual rights and obligations. Such an association has a high political value. It is based on the gradual implementation of a free trade area and reforms designed to achieve the adoption of EU standards. It is designed to contribute to socio-economic development, strengthening of democracy and the rule of law and political stabilisation of the country and the region, to foster regional cooperation and to establish a close, long-term association between the contracting parties.

CONDITIONS FOR SAA

The SAA is subject to certain conditions, namely:

- the respect by the beneficiary countries and territories of fundamental principles of democracy and human rights,
- the readiness of the countries concerned to develop economic relations between themselves and to engage in economic reforms and regional integration through trade.

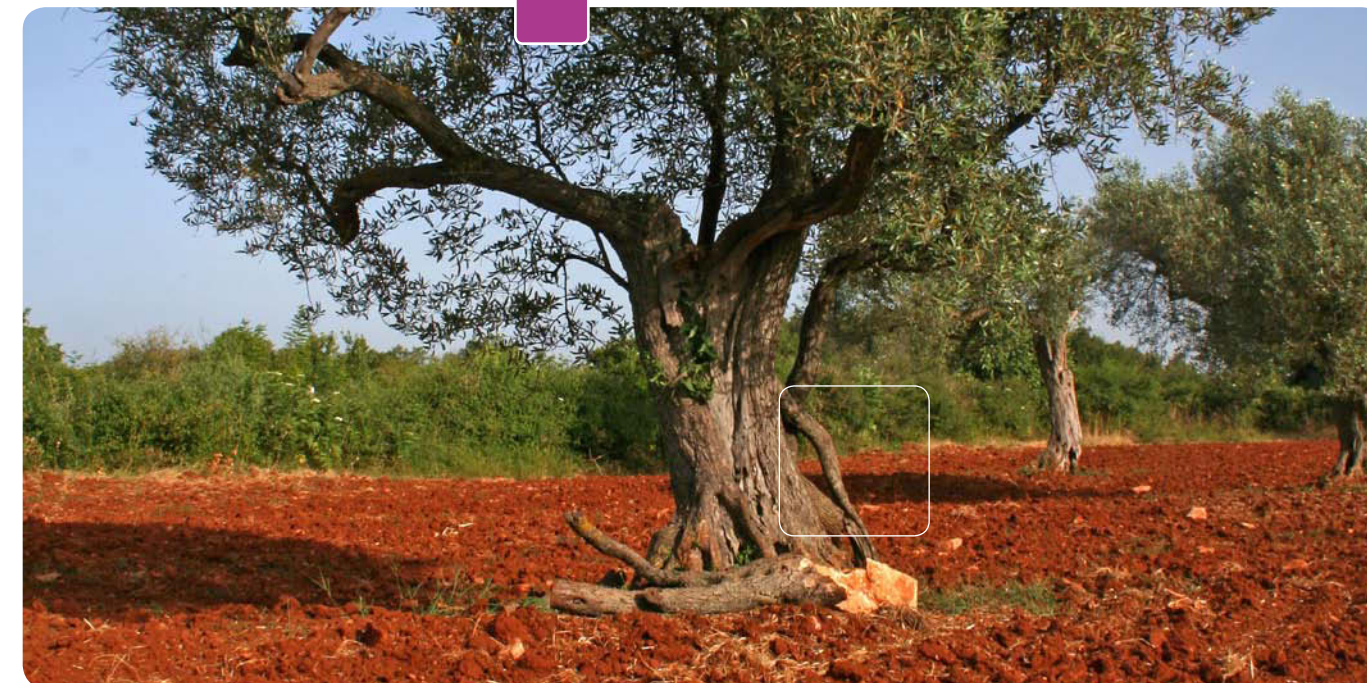
The EU has completed the negotiation of Stabilisation and Association Agreements with all countries of the region. Three such Agreements are in force:

- with the former Yugoslav Republic of Macedonia (entry into force on 1 May 2004),
- with Croatia (entry into force on 1 February 2005) and
- with Albania (entry into force on 1 April 2009).

Montenegro signed the Stabilisation and Association Agreement on 15 October 2007, and the Interim Agreement entered into force on 1 January 2008. The SAA with Bosnia Herzegovina was signed on 16 June 2008; the Interim Agreement entered into force 1 July 2008. Serbia signed the SAA on 29 April 2008.

TURKEY

Turkey has had a long association with the European integration project. It made its first application to join what was then the European Economic Community (EEC) in July 1959. The EEC's response to this first application was to propose the creation of an association between the EEC and Turkey, which led to the signature in Ankara of the Association Agreement in 1963. An Additional Protocol was signed in November 1970, setting out a timetable for the abolition of tariffs and quotas on goods circulating between Turkey and the EEC. A Customs Union was established in 1995 and has contributed significantly to the development of trade relations between the EU and Turkey. Turkey was officially recognised as a candidate country at the Helsinki European Council of December 1999.



4. Trade relations

Trade policy is an essential instrument in terms of contributing to the economic development, prosperity and stabilisation of the region.

WESTERN BALKANS

In 2000, the European Community granted Autonomous Trade Measures (ATM) involving exceptional unlimited duty-free access to the EU market for nearly all products originating in the Western Balkans, without quantitative restrictions, thus granting unlimited duty-free accesses to the market of the enlarged Union. These measures include almost all basic agricultural products except for some fishery products, "baby beef", wine and sugar, for which zero or reduced duties within preferential quotas have been set.

TRADE MEASURES OF THE SAA

Since then, the bulk of these provisions have been translated into contractual agreements by the signing of the Stabilisation and Association Agreements with the respective countries. Pending the ratification of the SAAs, the EU's trade relations with some countries are governed by Interim Agreements.

In return, the Western Balkan countries agree under the contractual obligations of the SAA to gradually dismantle their tariffs for imports from the European Union in order to achieve a substantial liberalisation of trade within 5 – 10 years after the entry into force of the SAA.

The EU is by far the most important export market for the Western Balkan countries and the trade preferences have created an environment that is conducive to an increase in exports. Between 2003 and 2007, exports of basic agricultural products from the Western Balkans to the EU rose by almost 50%.

EU-TURKEY CUSTOMS UNION

Turkey and the EU decided to establish a customs union in 1995. Since then, Turkey's share of the EU's foreign trade has increased significantly, to the point where – in 2008 – Turkey was the EU's seventh biggest trading partner (accounting for 3.7% of EU trade with third countries). Although the Customs Union decision included trade concessions for processed agricultural products, it omitted basic agricultural products.

EC-TURKEY BILATERAL TRADE AGREEMENT FOR AGRICULTURAL PRODUCTS

In 1998 the EC-Turkey Association Council established mutual trade concessions for agricultural products. This decision was amended by the EC-Turkey Association Council in 2006 in the follow-up of the accession of the 10 new Member States to the EU in May 2004. Under these agreements, imports of agricultural products from Turkey into the EU-27 increased by 16% between 2004 and 2008, while exports from the EU-27 into Turkey increased by 52%, leaving the EU with a current trade deficit with Turkey amounting to 1 463 million € (data for 2008).



5. Financial and technical assistance

The EU has a financing instrument to fund assistance to countries on their way to membership. In line with Commission's aim of simplifying the coordination and delivery of the targeted external assistance, the Commission has created the Instrument for Pre-Accession Assistance – IPA – which covers the period 2007-2013. IPA replaces previous pre-accession instruments, including: PHARE, ISPA, SAPARD, Turkey pre-accession assistance and CARDS, which until now have covered the Western Balkans.

IPA COMPONENTS

1. Transition Assistance and Institution Building
2. Cross-Border Cooperation
3. Regional Development
4. Human Resources Development
5. Rural Development

In the case of the **candidate countries**, all five components are available. Components 3, 4 and 5 aim in particular at preparing for the implementation of EU cohesion and agricultural policies after accession. As far as the **potential candidate countries and Kosovo** are concerned, the assistance under the IPA concentrates on components 1 and 2. The Commission's official documents, such as the MIPD (Multi-Indicative Planning Documents) and the Accession/European Partnerships, define the priorities for each area of the acquis, including agriculture and rural development.

PRIORITIES FOR AGRICULTURE AND RURAL DEVELOPMENT

Within component 1 (Transition Assistance and Institution Building), the priorities for assisting national administrations in the area of agriculture and rural development are diverse and depend largely on the specific context of each country.

Priority for candidate countries

For candidate countries, the main focus is on a comprehensive legislative alignment and the building up of adequate administrative capacity to implement the acquis that constitutes the Common Agricultural Policy. For instance, technical assistance can be provided for the setting up of a direct payment systems (including control mechanisms and paying agency), certification schemes for organic productions, provisions of the single common market organisation and definition of rural development plans.

Priority for potential candidate countries and Kosovo

For potential candidate countries, the main priority of institution building assistance is to support the gradual adoption of EU standards. In the field of agriculture and rural development, the following main priorities can be noted:

- Strengthening of administrative capacity of the agricultural administrations, in particular in the area of formulation, analysis, implementation and control of agricultural policy. Development of reliable agricultural statistics and registers (land, crop, animal and farmer) are the main priorities at an early stage.
- Building up of administrative capacity for future implementation of pre-accession rural development measures (IPARD): among other issues this includes the development of programming and analytical capacity, paying structures to be accredited according to EU standards, conditions of access to affordable credit by farmers/rural businesses, effective research, extension and advisory services, and effective inspection structures.

SUPPORT TO RURAL DEVELOPMENT IN CANDIDATE COUNTRIES

With the Rural Development component (5), candidate countries will be assisted through a specific instrument called IPARD – Instrument for Pre-Accession Assistance in Rural Development. Its objectives are:

1. Improving market efficiency and implementation of Community standards;
2. Preparatory actions for implementation of the agri-environmental measures and local rural development strategies;
3. Development of the rural economy.



THREE PRIORITY AXES

These objectives are to be met by implementing the various measures under three priority axes:

Axis 1 – Improving Market Efficiency and Implementing Community Standards – Measures:

1. Investment in agricultural holdings to restructure and upgrade to EU standards
2. Investment in processing and marketing of agriculture and fishery products to restructure and upgrade to EU standards
3. Supporting the setting up of producer groups

Axis 2 – Preparatory actions for implementation of the agri-environmental measures and Leader – Measures:

4. Preparation for implementation of actions relating to the environment and the countryside
5. Preparation and implementation of local rural development strategies

Axis 3 – Development of the Rural Economy – Measures:

6. Improvement and development of rural infrastructure
7. Development and diversification of rural economic activities
8. Training

In addition, technical assistance is provided for the administration in order to implement the IPARD programme (Monitoring Committee, interpretation, expertise, preparation of measures).

The budget for the years 2007–2010 is as follows: ca. 425 million € for Turkey, Croatia and the former Yugoslav Republic of Macedonia, of which 290.5 million € for Turkey.



European Commission
Directorate-General for Agriculture and Rural Development

<http://ec.europa.eu/agriculture/>



Europe Direct is a service to help you find answers
to your questions about the European Union

Freephone number (*):
00 800 6 7 8 9 10 11

*Certain mobile telephone operators do not allow access to 00800 numbers or may charge for these calls.

