

Common Agricultural Policy and New Accession Candidates from the Western Balkans – *Experiences from the Past and Dilemmas for the Future*

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Motivation

- **Common agricultural policy (CAP)** has special position in the EU:
 - technically and administratively demanding
 - budgetary expensive, politically important and sensitive
- Integration to the CAP important, but often underestimated step in accession process to EU.
- Challenges also for Western Balkan (Cro, B&H, S&Mn; Mac) agriculture:
 - How to make more competitive and efficient agriculture?
 - How to make better living in rural areas?
 - How to modernize the state?
 - How to open new perspectives for country as a whole?

WeBal Agriculture - current situation

- a. agriculture
- b. agricultural policy

Current situation - agriculture

- Recovery after the political and economic changes still in process
- Depression and stagnation stronger than development and modernization
- Very different situation by the countries, regions and sectors – no general opinion
- Less favorable agricultural areas prevails, except important parts in Nord and in the broader river basins (35 %?)
- Crops and permanent crops traditionally more competitive.
- Dual farm structure: agricultural enterprises and subsistence farming, family farms growing...

Current situation - agricultural policy

- Different by the countries! No general opinion...
- No stable conditions, concepts and strategies!
- Fluctuations between very liberal and protectionist (farmers protests based) approach.
- Less consistent with the CAP, some elements existing and are implementing
- Price levels relatively high, different price hierarchy
- Lack of capital and budgetary funds to support the recovery and restructuring
- Lack of institutions (less investments in the human capital!).

Accession Elements and CAP

- a. accession process
- b. accession changes
- c. accession effects
- d. the necessity of the CAP re-construction?

a. Time Table of Accession

Normal process (could be even longer)

Year 1-2 : Application, questionnaire, avis

Year 3-5: Start of negotiations “screenings and negot., position”

- screenings: analytical comparison of acquis (differences, step of adjustments, negotiation points))
- neg. positions; implementation promises, minor requests on derogation's and transitional periods, nothing on quotas and financial matters

Year 6: “Finale finance package process”

- EU financial position
- political bargaining on enlargement
- technical meetings on quotas, rural develop., additional payments

Year 7-8; Accession preparation

b. Accession changes

- **Trade regimes**

- adoption of the '*European model of agriculture*'
- abolishment of **import regimes** EU-15; new trade regimes
- worsening of trade regimes with some previous partners,

- **Budgetary policy**

- gradual introduction of **single (flat-rate) area payments**
- based on negotiated reference quantities; different policy for trans. period
- **market intervention** measures; (short list of measures remained)
- broad rural development programmes
- mainly for direct farm support (lfa, environment, social aid, less restructuring)

- **Legal system**

- To adjust and take over 40.000 pages of legislation; around 4000 legal texts (directives and regulations)
- To build up the institutions for implementing the legal system
- CAP legal system has two blocks: Policy and Food safety

c. Accession effects

- **Prices and trade:**

- price convergence: - prices currently **above** EU-15 level: immediate adjustment
- currently **below** EU-15 level: gradual adjustment
- significant **increase in budgetary support**
- **competition** increase: over retailing sector! structural change in food industry

- **Legal harmonization:**

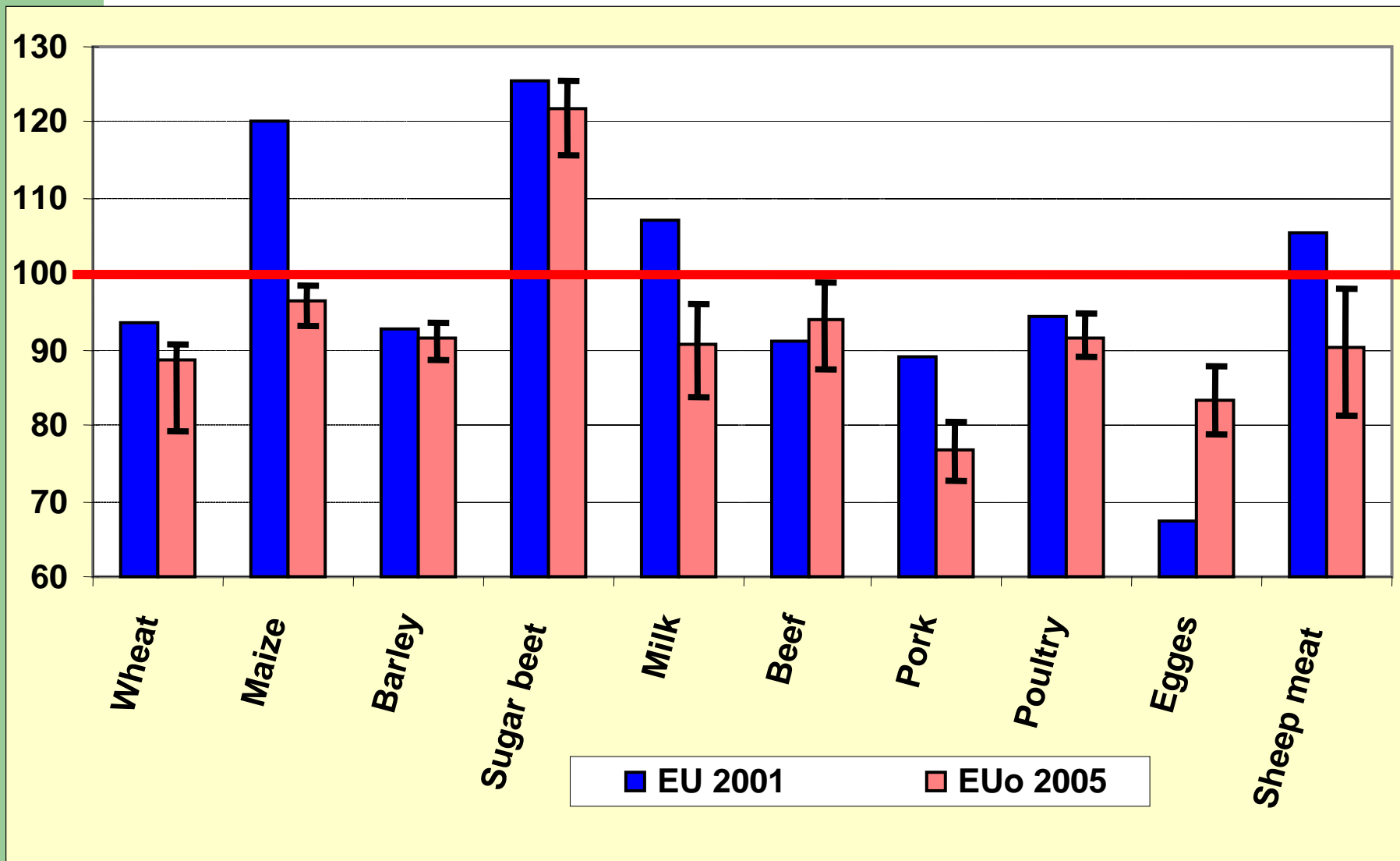
- new institutions: around 800-1500 civil servants for each WeBal country!
- new way of thinking, working and organization of public administration
- Very costly but the key condition for accession...

- **Production and trade:**

- partial income improvements, changes in economic conditions:
- further development of **crop production** (cereals, oilseeds)
- partial improvements in livestock sectors (**obstacles**: quotas, direct aids, lack of capital and labour)
- partial improvements in food processing products
- trade "**creation**" and trade "**diversion**"
- export penetration from EU-15 for processed food products
- increase of rough materials exports

Case: Slovenia

Accession - Prices (SLO 2001 = 100)



Financial Package for Slovenia

Commitments for agriculture (mio. euro)

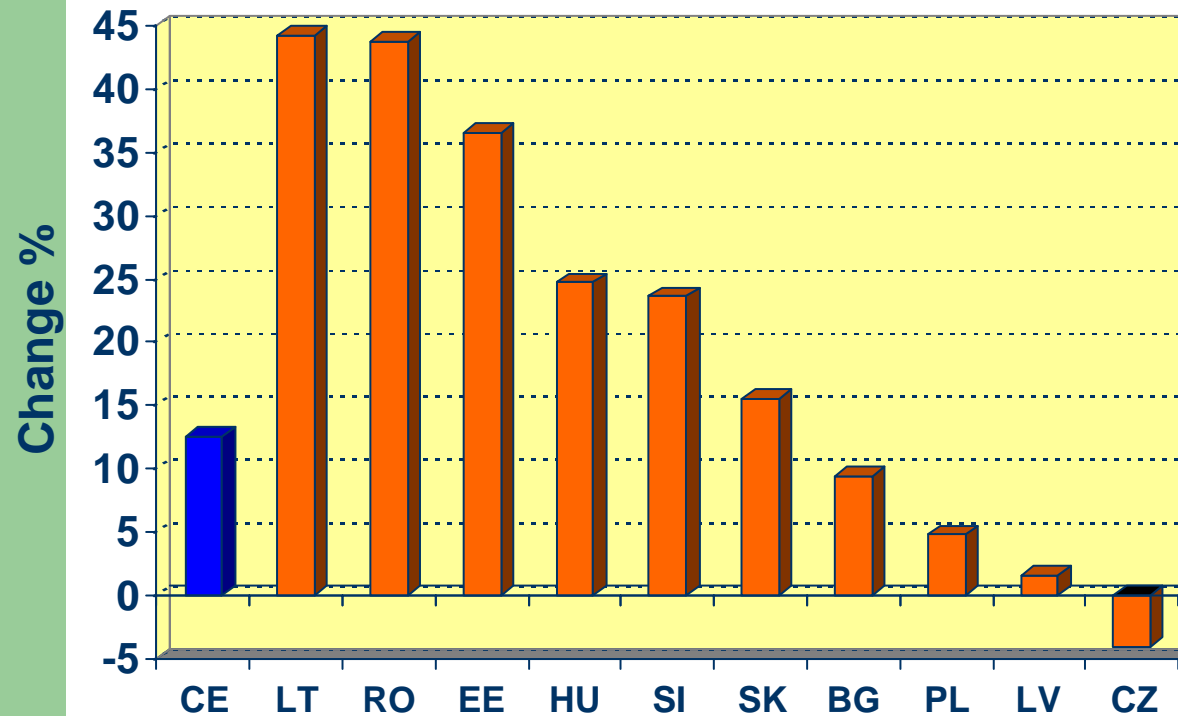
	2001		2004		2005		2006	
	SLO	Total	EU	Total	EU	Total	EU	
direct payments	37	75	0	84	26	90	32	
market measures	37	15	15	38	38	39	39	
rural development	24	62	29	92	59	120	87	
total	98	151	43	215	124	248	157	

- Agriculture decides about the financial position of country to the EU.
- Rural development program improve the financial position. (249 mio. euro for 2004-2006)
- At home is difficult to understand the rule of agriculture. Necessary to reconstruct budget.

Case: NMS

Modeling (Agmemod) Results: *Total grain*

Total grain production -
accession/base line in year 2010

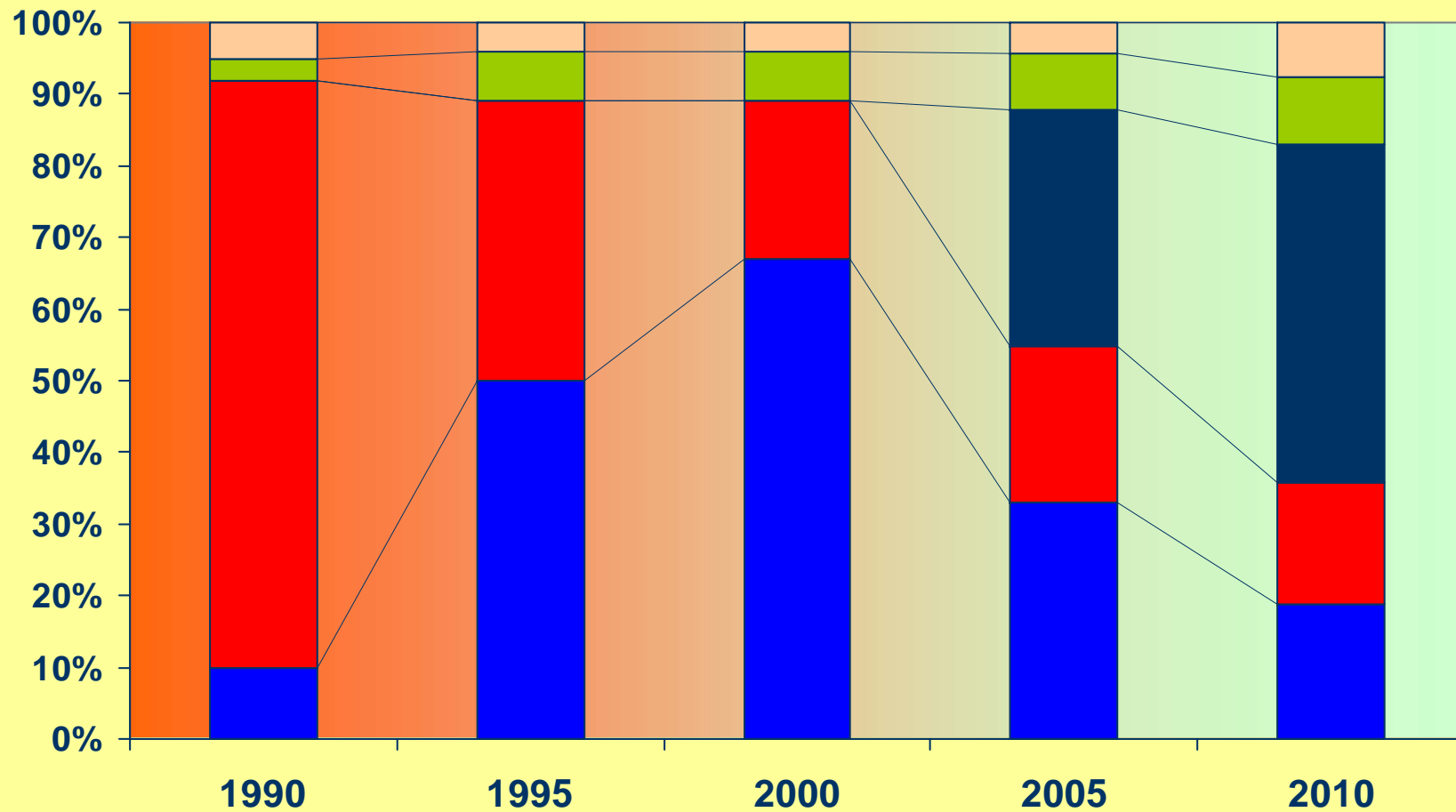


Relative to Baseline

- Significant production increase for NMS
- All countries increase the production except Czech R.
- Switch between the crops, move toward industrial crops?

d. CAP re-construction

Shares in the EU agric. budget for different instruments



d. CAP re-construction

- CAP is a moving target: which policy in 2014?
- Market intervention
 - in the time of WeBal EU enlargement no importance anymore
- Direct payments
 - single flat area payments (with public requirements) still valid (or merge with rural devel policy?)
- Rural development policy
 - broad policy with high political importance in some EU members,
 - but is this policy really harmonized with the requirements of the accessing countries
- Size of CAP funds
 - fixed until 2013, diminishing after
 - renationalization is under way

Potential Key Steps and Issues for WeBal Agriculture

Tasks of “Refo(rm)lution”

1. legal harmonisations

- directives (“food safety”)
- policy regulations (not necessary, but...)

2. implementation capacity upgrading

- execution of EU rules
- new rules for institutions
- new institutions and mentality

3. policy reforms

- liberalisation of the foreign trade with the EU
- policy adjustments

4. economic and structural adjustment

1. Legal harmonisation

- **Comparable legal system**
 - adoption of the Agricultural Act (CMO, Rural Develop.)
 - adoption of several systemic laws for "food safety"
- **Implementation of legal system which works!**
 - the power of rules: not only on the papers!
 - understanding as 1.step
 - implementation as 2.step
 - controlling and responsibilities as 3.step
 - real dates and transitional period
 - efficient information work with the farmers and food industry representatives

2. Institutional reforms

- **Harmonized institutions**

- Agency for agricultural markets and rural development
- Competent authorities for veterinary and phytosanitary issues

- **How to establish efficient institutions?**

- the system were build for large and rich countries
- efficient adjustment, take the cases which works and are related to your size and scope of economy and sectors
- simply and centralized approach but good connections to the stakeholders
- use new information and management technologies!

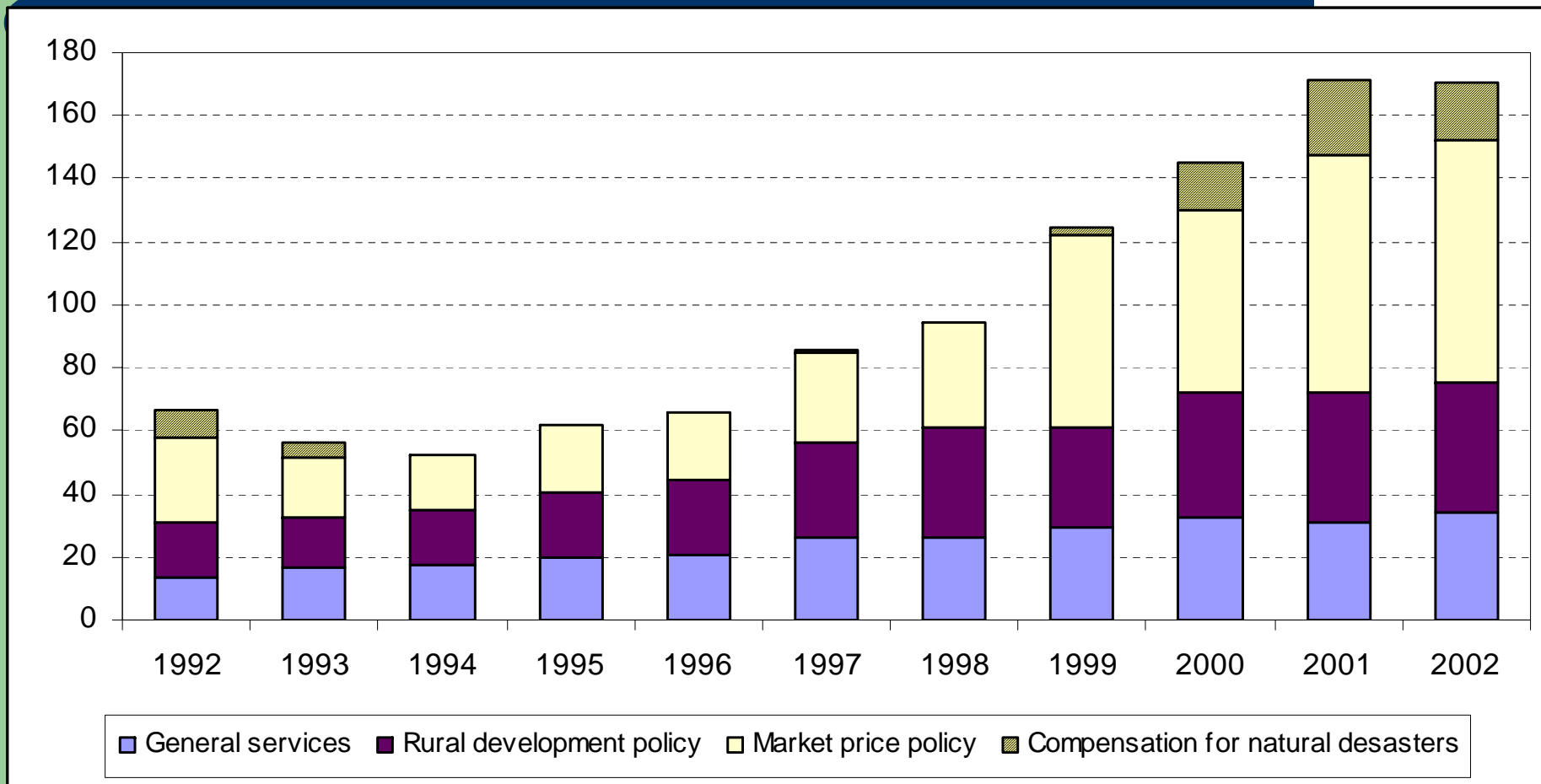
- **Capacity building also in the human capital**

- educational system
- training, extension, information policy
- research and academical institutions
- policy consultancy, also in own hands

3. Reform of policy

- **Reform of agricultural policy**
 - introduction of comparable market regimes (trade, ...)
 - introduction of direct payment (rural development type?)
 - attention to the rural development policy
 - public investment in the agriculture necessary!
 - rational use of pre-accession aid!
- **New attention and objectives for agriculture**
 - agriculture is a priority in the EU affairs!
 - the economic problems and changes are important
 - to connect domestic and EU objectives and implementation of the measures
 - Last chance for forced and strategically development of the sector!

Transition - Budget. agric.support (Mio €)



4. Structural and economic adjustment

- **Many times too much attention for the state affairs and adjustments...**
- **but, the accession is the key story for economy!**
- **Competitiveness is the primary issue for the success of accession story....**

Take Home Messages

EU changes everything...

- **Long march to Brussels is starting,**
 - at the end there is no the same country and the same economy.
 - there are different ways and success, use the best cases...
- **For WeBal is important:**
 - accession is necessary way how to modernize the state and society...
 - for this are high costs and efforts necessary.
 - there are no black and white story...
- **For EU-25 is important**
 - to build up the human capital on the place
 - grants for students
 - support for institutional building, also out of state affairs
- **Good luck!**
 - **this is a hard test...**