

The enlargement process – lessons learned

Dirk Lange¹
DG Enlargement

The accession negotiations with 10 candidate countries were concluded on 13 December 2002 in Copenhagen. The Accession Treaty was signed in Athens in April 2003. Since then all countries but Cyprus have held referenda on the accession. The people of these countries endorsed the negotiation results and thus allow the countries to join the EU on 1 Mai 2004. With this the EU took an historic opportunity to drive forward the integration of the European continent by peaceful means.

The process to create a European space of democracy, human rights, economic prosperity and internal market continues. For Bulgaria and Romania, the December 2003 European Council has set clear target dates for accession (2007) and the closure of the negotiations in 2004. More candidate countries may come up in the near future.

Agriculture was one of the most important and difficult parts of these accession negotiations. I participated in these negotiations in my function as head of unit responsible for the agriculture chapter in DG Enlargement. I would like to share with you some of my experience.

Direct payments and reference quantities

On direct payments, all acceding countries received the same deal. As proposed by the Commission in January 2002, direct payments will be gradually phased in, starting at 25 % in 2004 and reaching 100 % in 2013. Such a phasing-in is vital to ensure that the payments do not freeze existing structures and hamper modernisation. Nevertheless, a rural development financed top-up of these direct payments in the first three years means that new Member States don't have to start at 25 % if they don't want to.

The new Member States have also been offered the option of implementing a simplified scheme for implementing direct payments. Under this, they can - during a limited period - grant direct payments in the form of a de-coupled area payment applied to the entire utilised agricultural area. On the basis of its total envelope of direct aids and its utilised agricultural area, an average area payment would be calculated for each country.

In order to calculate the direct payments envelope for the simplified scheme - or in the case of the regular schemes the sector-specific payments - reference quantities had to be established. In practice this was where most of the discussion with the candidates was focused. The EU was clear that references quantities had to be based on actual, historic production from a recent reference period. Good and reliable statistics were essential for the calculation.

Lessons:

- A uniform method for fixing Direct Payments and reference quantities
- Provide good statistical basis

¹ The opinions expressed here are those of the author, and are not necessarily those of the EU Commission.

Rural Development (RD):

For the Commission this is the most important part of agricultural aid. It can help small farmers who normally receive almost no direct payments and support the whole of rural society. The 10 new Member States will receive a package which is specifically adapted to their requirements and has more favourable conditions than those applied to the present EU Member States.

Over EUR 5 billion is being made available in the period 2004-2006 for the 10 new Member States. This constitutes a major investment in the rural economy of these countries and is about twice the per capita level normally available in the EU-15.

Absorbing this much money will obviously be challenging. But various features have been included to help ensure that it will be possible. For example, the EU accepted the request for a lower minimum level of private co-financing for investment projects. For the public financing, a higher than normal maximum contribution from the EU has been agreed. There are also new measures especially designed to be more relevant to new Member States and more appropriate for their needs, for example a scheme to help semi-subsistence farmers, as well as the availability of technical assistance.

Most of these RD programmes are a continuation of Sapard support. To set-up a functioning infrastructure for Sapard is therefore the best pre-accession strategy for absorbing rural development funds after accession.

Lesson:

Make good use of Sapard to have experience and administrative structure in place at accession.

Food safety:

The question of food safety in the enlarged EU without borders is a very important issue for the EU and the Commission. It was a *sine qua non* that with accession the levels of food safety in the EU must not be lowered. Only if this condition was fulfilled, requests on transitional periods (TPs) were considered to be negotiable.

The EU accepted for several new Member States TPs for agro-food establishments. However, it is only a time limited exception from some structural requirements. The EU did not accept any non-compliance with basic hygiene requirements. Furthermore, products from establishments operating under a TP cannot be placed freely on the internal market.

Non-complying establishments for which no TPs were agreed have to cease operation as from the day of accession. However, upgrading of the establishments in order to meet EU standards opens the Single European Market and will improve the possibilities for exports from new Member States establishments.

Lesson:

- Make good use of Sapard to upgrade establishments.
- Train veterinary inspectors and keep private operators well informed.

Administrative Capacity:

Successful integration into the EU market means compliance with the *acquis* and implementation of it. To build up the necessary administrative capacity is a major task. The Commission has identified the main problems in the comprehensive monitoring reports of 3 November 2003.

In many new Member States the necessary administrative capacity on IACS/paying agency/trade mechanisms, and veterinary inspectorate for establishments is not entirely in place. This will have direct consequence for the countries, their farmers and their operators. They may not fully benefit from the CAP support or even have to stop operating.

Many countries may have underestimated the challenge to set-up the necessary administration to implement the CAP. Even a period of 16 months following the conclusion of the negotiations appears to be short to prepare properly for accession.

Lesson:

Start building up the necessary administrative capacity as soon as possible (with Phare support)

Conclusion:

The enlargement process continues. The accession negotiations with Bulgaria and Romania are ongoing. We can expect that the chapter agriculture also for them plays an important role.

The outcome of the agriculture negotiations with the 10 new Member States was a difficult balancing of positions. The new Member States had to accept a uniform method for fixing Direct Payments and reference quantities. The EU is prepared to strongly support the agricultural sector through adapted rural development schemes. The food safety level is not negotiable. Both sides had to accept that “politics is the art of the possible”.

Considerable pre-accession financial support (Phare, Sapard) is available. These instruments have to be used well to help the sector to compete in the Single Market. Strong support should be given to upgrade the agro-food establishments and to set up an appropriate administration.