Chapter II. The European Union's Agricultural Policy

2.1 Development of the Agricultural Policy

Europe, having been involved in the two World Wars, went through very difficult times where scarcity, poverty and starvation were the common situation for most of the population. That was when the need to create a Common Market started, but the process was not an easy one. There had been many proposals among European governments and thinkers to create some kind of alliance in economic, military and security issues. By the end of the Second World War, the League of Nations (1920-1946) was not capable enough to deal with the problem of food scarcity, which is the one that has to be considered in this thesis. "Food shortages became acute during 1947 when millions in Europe faced starvation. Reserves in Europe were exhausted, and virtually the only places in the world where food stocks were above minimum needs of the local population were in the United States and Canada". (Andrews 1973, 4)

There were some conferences held in Germany, Paris and London with the purpose of finding a way in which food products could circulate without taxes along Western Europe. That was not exactly what happened, but they did achieve some kind of new organization that helped to accumulate and distribute information about agricultural matters between countries. Germany, France and some other countries of Western Europe also created an agricultural and food research center which is still working. Meanwhile, discussions about a stronger and unified Europe were taking place, and these lead to the creation of the Organization for European Economic Cooperation (OEEC) by the statesmen of some of the countries of Europe in 1948. This form of cooperation began in April 1948, when a group of 16 European countries founded the Organization for European Economic Cooperation (OEEC) to administer the European Recovery Programme (Marshall Plan) and to work together for post-war recovery. (Gilbert 2003). These were the first steps of cooperation among European countries, towards integration.

Some things needed to be done before thinking of a real cooperation among countries. For example, the countries had to find a way to ease the tension between Germany and France. The solution was found by Jean Monnet, a French diplomat, banker and planner who suggested that creating some kind of a merge between their coal and steel industries could bring benefits to both of them. Robert Schuman, a French Foreign Minister, modified Monnet's idea in 1950 and created the Schuman Plan, which became the European Coal and Steel Community (ECSC). Its members were France, the Republic of West Germany, Belgium, the Netherlands, Luxemburg and Italy. Gradually, these six countries created the conditions that allowed the integration to work. They eliminated all the restrictions on exports, imports and currency exchange related to coal, scrap iron, and iron ore. (Andrews 1973)

All these changes might sound easy, but they were not. Each country had to make big adjustments to create the optimum conditions for these exchanges to work, and to be very clear about what they were willing to do and what they were not. Even though it seemed like these six countries were being successful about what they were doing, they were still not ready to support the idea of a European Union, which was to come later. The other Western European countries were reluctant about that type of integration. At the same time, the members of the OEEC were more worried about the intensity of the Cold War. What they wanted was a better plan for military cooperation in order to be aware of Soviet intentions and these ideas lead, in 1949, to the creation of the North Atlantic Treaty Organization (NATO) (Andrews 1973). However, the NATO was not enough; the six countries that already formed the ECSC had the idea of creating stronger bonds between them. The success they had already achieved served to prove that the better way to solve economic and political problems in Western Europe was through the development of a common European Movement (Ritson and Harvey 1991). This was when the leaders of these six countries started to talk more seriously about a stronger cooperation in other areas, like economy and security.

The first steps came fast and a series of proposals started to flow among the "Six".

It was Paul Henri Spaak, of Belgium, the one in charge of making a report to set the basis of how to establish the European Community. He knew that in order to have a real European Common Market he needed to include agriculture on it, but this was not easy, the 'Six' members, as Neville-Rolfe (1984) mentions in Ritson and Harvey's book, did not include agriculture because they thought that, by doing so, Britain would not join. Britain did join; however, it declined after a year. After that, they felt they could integrate agriculture into the plan and they listened to Spaak suggestions:

> The Spaak Report outlined the special circumstances of European agriculture-the social structure of the family farm, the need for stable supplies and the problems resulting from climatic conditions and the inelastic demand for food. Spaak report laid down a number of objectives for future agricultural policy. A) the stabilization of markets; B) security of supply; C) the maintenance of an adequate income level for normally productive enterprises; and D) a gradual adjustment of the structure of the industry". (.Ritson and Harvey 1991, 24)

Even though Spaak tried to make of agriculture an important issue to be discussed, this did not happen. The issue of agriculture is not an easy one because of the various mechanisms that each of the countries use to protect their own farmers, and their own food industries. For these reasons, agriculture was not considered a priority; however, the specific agricultural conditions should have been taken into account in the new common market. "This lack of (agricultural) interest among the heads of government was largely due to the overwhelming desire for the creation of the Community not to be held up by wrangles over specific sectored issues. For this reason, while the objectives for agricultural policy were detailed in the Treaty, the means by which they were to be achieved were not" (Ritson and Harvey 1991, 24).

The Treaty of Rome was signed in 1957 by the "Six", the original members that were, at the time: France, West Germany, Italy, Belgium, Luxemburg and the Netherlands. The topic of agriculture is mentioned in articles 3 and 38 to 47. The Treaty states the need to create a Common Agricultural Policy because, in order to cover every aspect of the issue of agriculture, there has to be a special area in charge of it:

> The making of agricultural policy is highly compartmentalized. It has its own special set of institutions and actors, and interaction with other policy areas tends to be poorly developed. A high political entry price is imposed by the fact that the various policies associated with the Common Agricultural Policy are very complex. Acquiring even a basic understanding of system is a long and difficult task likely to dissuade anyone without the keenest interest in the policy area…the complexity of the policy process makes it difficult for outsiders to enter the agricultural policy community without absorbing some of the policy assumptions and values of the existing insiders. (Grant 1997,1)

It is important to notice that before the Treaty of Rome was signed there was a conference called the Stresa conference, held on July 1958. The purpose of it was to discuss the Common Agricultural Policy. In the conference there were some commissions that were responsible for making the reports about the situation of the 'Six' members to see if the common market for agriculture was something viable or not. The resulting document was not very encouraging; it stated that the disparity existing between the level of income in agriculture and that in other sectors of the economy was very wide (Ritson and Harvey 1991, 28).

After the Stresa Conference the commission had two years before the Treaty was signed to give proposals to the Council of Ministers on how to reach a point of agreement among the 'Six' members in order to be able to implement the Common Agricultural Policy. The problem was that two years were not enough to find answers to all the complex things that the CAP had to cover. The Common Agricultural policy could not be implemented right away because of the reasons we just mentioned. In addition to all the protectionist instruments that each country had, the Commission reported that they were still facing many problems that were not going to be easy to solve. Even though 1962 is considered the year when the CAP came into practice, the truth is that it was until 1967 that the disagreements between some of its members were handled.

To mention some examples about the disagreements, Germany was the one to put more obstacles towards the implementation of the common prices, especially for grains. It took a great amount of time for them to accept it, but they did after some special concessions (increased compensation for German farmers). The other big issue was about the financing of the CAP, in this case, it was the French the ones that complained. In the beginning, the CAP needed special contributions of money from each of the members to work, until the financing could be done with its "own resources".

The commission looked for a way to increase and secure the contributions each country had to give in order to finance the CAP, and they suggested that

> The distribution of national contributions should be based on each country's share of agricultural imports from third countries, they also proposed that, under Article 201 of the Treaty, member governments should be asked to surrender their control over levy revenue and duties formerly accruing to national treasuries, and that this power should be granted to the European parliament, thus increasing their control over the Community budget. (Ritson and Harvey 1991, 28)

The first complaint was that they did not want to grant more responsibilities to the parliament. They justified this position by arguing it was not the right time to do it and that it was not that necessary. The second complaint was that their share of contribution was going to be so high that it was not going to beneficiate them. It took a while for all these countries to accept the different terms and conditions required by the CAP, provided that “The Common Agricultural Policy is comprised of a set of rules and mechanisms, which regulate the production, trade and processing of agricultural products in the European Union, with attention being focused increasingly on rural development” (Unknown author I).

The work of the CAP, when it started to function, was completely different from the CAP working nowadays. In fact, the European Union describes the Common Agricultural Policy as the early one and the new one. The early CAP worked as an experiment that did accomplish most of its goals, but that also had unexpected results that helped the CAP of today to improve.

> The emphasis of the early CAP was on encouraging better productivity in the food chain, so that consumers had a stable supply of affordable food, but also to ensure that the EU had a viable agricultural sector. The CAP offered subsidies and guaranteed prices to farmers, providing incentives for them to produce. Financial assistance was provided for the restructuring of farming, for example by aiding farm investment, aiming to ensure that farms developed in size and in management and technology skills so that they were adapted to the economic and social climate of the day. (Lenguen 2004, 6)

In order to understand what went wrong and why, here is a brief explanation of what the CAP was supposed to accomplish. For that matter, we are going to take as a reference the Treaty of Rome that was signed by the 'Six' original members. This was the preamble for what are now the European Union and the CAP. One by one, we will give a brief explanation of what the articles say[1]. "In the pre-1990's period the CAP was based on certain key objectives, notably the desire to guarantee self-sufficiency in basic foodstuffs in response to post-war food shortages". (Fischler in Lenguen 2004, 1) For more information about the articles see appendix I.

Article 38 is an introduction of what was needed to be done, which products to include, and who was in charge of them. The products that are considered as agricultural products are the products of the soil, of stock-farming, fisheries and products of first-stage processing directly related to these products. The commission is in charge of suggesting which other products should be incorporated to the list, and for all these matters, the creation of a Common Agricultural Policy was aimed at supporting the operation and development. The rules and objectives on how to accomplish these were listed in articles 39 to 46. The rules were established for the common market to be extended to agricultural products. (1957)

The objectives listed in article 39 had to do with the increase in productivity by means of promoting technical progress in order to ensure the optimum utilization of the factors of production, as well as the fair standard of living for the agricultural community. Other objectives were to assure the supplies and to make sure that those supplies reached the costumers with reasonable prices, with the purpose of stabilizing the markets.

Part two of article 39 mentions the factors that the CAP needs to take into account in order to achieve fairness: the need to realize that agriculture is a different type of industry with special needs and special conditions; that it constitutes a sector of

[1] The numerical order of these articles was amended in the Treaty of Amsterdam in 1997. The articles 44, 45 and 47 were deleted because they were considered obsolete.

each country's economy that has its own importance as well as understanding that each region has its own different characteristics are among the factors listed as necessary in order to reach agricultural success.

Article 40 refers to how the CAP should be adopted in the member states. It talks about the transition period and the importance of developing the organization gradually. For this purpose, the Common Organization of the Agricultural Markets was created. Its objective is to "eliminate the obstacles to the intra-Union trade of agricultural products and maintain a common customs barrier with respect to third countries" (Unknown Author I). These type of little organizations are created for the different products that are included in the CAP, in order to have better control over them and provide with:

a) Common rules on competition;

b) Obligatory co-ordination of the various national market organizations,

c) A European market organization.

This organization is in charge of the regulation of prices, aids for the production and marketing, storage and carry-over arrangements and common machinery for stabilizing imports or exports. To reach this goal, agricultural guidance and guarantee funds are needed: "Any common price policy shall be based on common criteria and uniform methods of calculation" (Treaty of Rome 1957).

More on how to accomplish the objectives is mentioned in article 41. It states that extra efforts must be encouraged in order to improve the vocational training, the research, the spread of agro-economic knowledge and to establish measures to promote consumption of certain products.

Article 42 sets the preamble to talk about the norms of competition, over production and commerce. It mentions that it is the Council the one in charge to determine in what areas of agriculture the norms should be imposed and when. Article 43 explains this in a more extended way. Specifications on the powers granted to the Council are mentioned, along with the idea to gather information of the Member States to compare each others agricultural policies, in order to know their resources and needs. That information is then given to the Economic and Social Committee. If there is a majority of votes, the Council then replace the national organizations to form one common organization; in order to do so, the organization has to offer the member states the same or better opportunities than the ones they already have in their own politics.

In article 44, the possible reactions during the transition period are explained, for example, when the progressive abolition of customs duties and quantitative restrictions among members could result in the problem of prices. This situation may even put in danger the main objectives mentioned in article 39. In this case, each member would have to analyze the situation and be willing to reach an agreement.

Until all the national organization is replaced, the method that must be used in order to make the exchanges between the exporters and the importers will be the establishment of agreements or contracts. The principle of reciprocity is important for this matter. The expiring date of this type of contracts shall be completed by the end of the transitional period.

Article 46 continues mentioning what to do when the national organizations are still not abolished, and when these ones may have negative effects in the other member states that are already part of the common organization. In this case, compensatory measures have to be established, and the Commission is in charge o f it.

The last article that in a more specific way talks about agriculture is article 47. It discusses the functions of the Economic and Social Committee in its section concerning agriculture, when they prepare the deliberations of the Committee. For more specific information on the articles concerning Agriculture in the Treaty of Rome, see the annex 1 (Treaty of Rome 1957).

Wyn Grant is a British specialist in European agricultural policy. Author of *The Common Agricultural Policy*. In his introduction he explains the important role that the Agricultural Policy has in the European Union, because it absorbs about half of its budget, which, by the way they are trying to reduce over the years; but also because "of the vast number of people and extent of sovereignty transferred from the national to the European Level". (Grant Wyn 1997)

As we already mentioned, the CAP has evolved before reaching its actual estate. It was in the 1990's when the reforms started to take place. The CAP has been increasing its efficiency and now it has better mechanisms to simplify things and to have more control over the different areas so that all member states feel confident about the granting of authority to the Union. It has been in a constant modernization process, especially because of the increasing number of members of the European Union and the constant need of being up to date to compete with the rest of the world, by including more and more products and by being aware of the prices and the quality of them.

2.2 Institutions Concerning Agriculture

We could say that the European Union is the most important institution in the world concerning a multinational integration. The area that embraces the enlarged EU is of 25 countries and 454 million people. This democratic new type of organization (because there is no other institution equal to this one in the world) is supposed to cover the greatest amount of issues ever, concerning with almost every area of politics, security and economics. In order to reach the organization's purposes, they must be able to handle all the population in the different countries by creating different type of institutions. There exist five main EU institutions, each playing a specific role, but there are many others that have even more specific roles, and that are in charge either of different regions, areas of interest, countries, etcetera.

- European Parliament (elected by the peoples of the Member States);
- Council of the European Union (representing the governments of the Member States);
- European Commission (driving force and executive body);
- Court of Justice (ensuring compliance with the law);
- Court of Auditors (controlling sound and lawful management of the EU budget). (Unknown Author II)

For agriculture, special organizations had been created because agriculture is the one thing in which most countries take part of. It is also one of the most complicated things to arrange, in order to find a way in which benefits are bigger. There are more than 20 groups of products and the list keeps growing. The only way in which it is possible to regulate all of these, is by creating different branches of power that are included in what we are referring as the Common Agricultural Policy that is:

> The set of legislation and practices adopted by the Member States of the EU in order to provide a common, unified policy on agriculture. The CAP is the most integrated of the EU-wide policies implemented by the EU. It aims to ensure that agriculture can be maintained over the long-term at the heart of a living countryside. This means that the policy is targeted not just at agricultural producers but also at the wider rural population, consumers and society as a whole. (Unknown Author III)

From the five major EU institutions, the Parliament, the European Commission and the Council of Ministers have important responsibilities towards the issue of agriculture. In this pyramid of power, the Council of the European Union is at the top since it has representation of every member state and that is the main decision-making body of the European Union. The European Commission in the next level. It is formed by committees of government representatives among which are most of the agricultural committees. The European Parliament has 17 committees, including the Committee on Agriculture and Rural Development. “The single market is the core of today’s Union. To make it happen, the EU institutions and the member countries strove doggedly for seven years from 1985 to draft and adopt the hundreds of directives needed to sweep away the technical, regulatory, legal, bureaucratic, cultural and protectionist barriers that stifled free trade and free movement within the Union”. (Unknown Author VI)

These three decision making bodies delegate power and responsibilities to the different levels that are below them. The Council of Ministers is composed by more than 250 committees and working groups consisting of delegates from the member states that work to prepare and present the things that need to be discussed at the Council of the European Union. The Council of the European Union is divided depending on the area of interest. One of those areas is the Agriculture and Fisheries Council, which is one of the oldest in the council. It gets together with the part of the European Commission in charge of agriculture once a month as well as with the agriculture and rural development, the fisheries and maritime affairs and consumer health and protection.

> The CAP was the first of the common policies, and is still of major importance, with agricultural legislation accounting for over half of all Community legislation. Very early on (1962), the expansion of the CAP led the Council of Ministers to entrust the European Commission with a growing volume of executive duties, and with ensuring that these duties were carried out in close collaboration with the Member States; this was achieved by working with committees on which the Member States were represented. The committees are now consulted on some 2000 texts relevant to agriculture each year. (Unknown Author VII)

The European Commission is represented by the Agricultural Committees which are themselves divided in three main types of committees that help to carry out the duties of proposing, implementing and regulating the CAP. These committees are: management committees (about 20), regulatory committees (about 12) and advisory committees or other committees (about 17). Meetings of management and regulatory committees are chaired by a Commission representative; advisory committees elect a chairman from among their members. They have the role of encouraging the cooperation among member states. These committees are specially created for the area of agriculture because of the extreme complexity of this issue. Here is a brief explanation of each one in accordance to the European Commission in its text about the Agricultural Commission: “The committees were set up in the first place on the initiative of the Council. The Single European Act of 1987 marked a turning point, transferring some of the Council’s executive powers to the Commission. At the same time, the Council Decision of 13 July 1987 laid down the procedures to be followed for the different types of committees: management committees, regulatory committees and advisory committees” (Unknown Author IX)

> • **Management committees** comprise representatives of the Member States dealing with a specific area. Most of the CAP committees are management committees. On a proposal from the Commission, they give their opinion on market management measures. There is a management committee for each category of product: cereals, milk products, beef and veal, wine, fruit and vegetables, etc.
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> • **Regulatory committees** play a role similar to that of the management committees for decisions about rules to be applied in general areas such as food law or common standards.
>
> • **Advisory committees** comprise representatives of the relevant social and occupational groups appointed by the Commission on a proposal from Community-wide interest groups. This enables the Commission to learn the views of these circles on the major various sectors of agricultural production, rural development, etc. Another type of advisory committee, the scientific committee, gives advice on technical matters. (Unknown Author IX)

The management committees then, run what is referred in the article 40 as the Common Organization of the Agricultural Markets, which are specialized organizations for each product or group of products that have gradually replaced national market organizations in those sectors where this was necessary. They cover up to about 90% of the total agricultural production in the community. It is the Council of Ministers', as well as the European Commission's duty, to regulate these Common Organizations of the Agricultural Markets. Their main objectives are: 1) fixing single prices for agricultural products; 2) granting aid to producers of operators in the sector; 3) establishing mechanisms to control production and organizing trade with non-member countries; 4) To encourage farmers to form producer organizations and 5) Regulate state aids for these products and relations between the member states and the commission. (Unknown Author VIII)

The way in which the EU sustains its agriculture might seem complicated but we will try to explain it the best way as possible. The European Agricultural Guidance and Guarantee Fund (EAGGF) is in charge of regulating the economic aid the European Union gives to farmers and environmental issues. Before the Agenda 2000, this aid was given through the Single Area Payment Scheme. That has changed for the EU-15 countries, but remains the original way for the new Member States. "The Fund is administered by the Commission and the Member States, cooperating within the EAGGF Committee. The Fund Committee consists of representatives of the Member States and of the Commission". (Unknown Author XIII)

> It is the European Agricultural Guidance and Guarantee Fund (EAGGF), the fund that finances the CAP. The EAGGF finances agriculture expenditure, measures linked to the environment, and structural and rural development measures. It now accounts for less

> than half of the EU budget, compared to three-quarters in the past. EAGGF expenditure represents around 0.5% of the EU's GDP. (Unknown Author III)

The Single Area Payment Scheme, as the glossary of "Enlargement and Agriculture" of the European Union mentions, is the "Option offered to the 10 new Member States to aggregate all the direct payments into one single "basket" (national financial envelope) to be distributed to farmers on the basis of a single criterion which is the number of hectares of their holding and it is "paid to them directly on fulfillment of obligations laid down". (Unknown Author IV) This is different from what the other members of the European Union have since the CAP reforms of 2003 in which the Single Payment Scheme is the direct aid payment for EU farmers, independent from production, and which replaces most of the previous direct payments to farmers. This has to do with the term "decoupling" meaning that they are "breaking the link between the direct payment a farmer receives and production or price of a specific farm product". (Unknown Author III). .

2.3 Common Agricultural Policy

The European Union's rural areas are diverse in the types of farming and forestry. Even if agriculture has lost its original importance in the economy, it still gives an incredible contribution and it is essential, up to the point of having farmers that perform different functions in order to cover all of what rural life integrates like for example nature conservation, food production and tourism among others. European agriculture, since the end of Second World War, has been evolving and nowadays is considered side to side with the agriculture of the United States and Canada because it is very modern and competitive, and because it is gaining a leading position on world market. The European Union is not only a major exporter, but it is also the biggest importer of food. Since the date they thought they needed a special institution for agriculture (1958), they knew that what they wanted was not only to produce food but also to safeguard the countryside as a place to live, work and visit. When they talked about production they had to be careful about the farmers' needs and they found the way to support them in the best way possible. (Lenguen 2004)

> The CAP succeeded in reaching its initial goals: it encouraged both production and productivity, stabilized the markets, secured supplies and protected farmers from fluctuations in world markets. Nevertheless, along with the success came undesirable side-effects and problems: EU farmers were producing more than the market could bear, creating excessive surplus and EU spending in agriculture increased exponentially. As a result, in its four-decade existence, the CAP has undergone several reforms. (Unknown Author X)

Their first options were not the best ones, and it was until the emergence of the Agenda 2000 that the major reforms took place. Before that, however, there were several stages and reforms. In 1968 the first reforms, known as the Mansholt Plan, took place. The idea was to reduce the amount of people enrolled in agriculture as well as to encourage larger and more efficient units of agricultural production. By 1972, structural measures were introduced with the purpose of modernizing agriculture; however, this was not enough due to the constant surpluses, which were not balanced with the demands. These indicated that major efforts were needed. In 1983, new reforms, know as "Perspectives for the Common Agricultural Policy", were agreed by the Commission. Their objective was to create a balance between supply and demand. In 1988 the European Council accepted more reforms including the "agricultural expenditure guideline", which as the name indicates, had to do with the amount of money the CAP required to the European Union's budget. Reforms continued in the years of 1991-1992, these were major reforms conduced by Ray MacSharry who at that time was the

Agricultural Commissioner. Those reforms had to do with the “cutback of agricultural prices to render them more competitive in the internal and world market, the compensation of farmers for loss of income, as well as other measures relating to market mechanisms and the protection of the environment”. (Unknown Author X) Even though these reforms were good, they did not have the expected success because of all the new things they had to deal with, like the adoption of the Euro, or the coming enlargement of the European Unionetcetera. What they did, however, was to set the basis for what came next, the Agenda 2000.(Unknown Author X)

“The continuing reforms include products that had been left out of the CAP which included cotton, hops, olive oil, tobacco and sugar”. (Unknown Author I). The idea was to create an efficient and sustainable farming in which, with more efficient mechanisms, they could meet the objectives at a lower cost, as Franz Fischler mentions. He was a member of the European Commission responsible for Agriculture in the period of January 1995-October 2004. He said that the reforms of Agenda 2000 intended to support not just farming, but the long-term livelihood of the rural areas as a whole. The CAP of today has been simplified with the idea of the Single Farm Payment Scheme an the Single area payment scheme (SAPS). “A far cry from the policy that once offered subsidies in response to the quantity produced, CAP support is now dependent on meeting quality, environmental and food safety guarantees, in line with the priorities of the European public-our farmers finally have back the freedom to farm to market demand”. (Fischler Franz)

The key elements of the new, reformed CAP:

- A single farm payment of single payment scheme (SPS) for EU farmers, independent from production, limited coupled elements may be maintained to prevent abandonment of production,

- This payment will be linked to the respect of environmental, food safety, animal and plant health and animal welfare standards, as well as the requirement to keep all farmland in good agricultural and environmental condition ("cross-compliance").
- A strengthened rural development policy with more EU money, new measures to promote the environment, quality and animal welfare and to help farmers to meet EU production standards starting in 2005,
- A reduction in direct payments ("modulation") for bigger farms to finance the new rural development policy,
- A "financial discipline" mechanism to prevent spending exceeding the ceiling. (Unknown Author XI)

These major reforms also had the objective of preparing the CAP for the challenges that the next enlargement represented. It is true that the candidate countries had to accomplish a lot of things in order to be accepted, but it is also true that the European Union had to make a lot of changes and adjustments to be prepared to have more than 100 million people under their policies. "This is the European Union's most ambitious enlargement ever. Never before has the EU embraced so many new countries, grown so much in terms of area and population or encompassed so many different histories and cultures. This historic opportunity will unite the European continent, consolidating peace, stability and democracy, and enabling its peoples to share the benefits of progress and welfare generated by European integration". (Unknown Author I)

The Commission, then, made new proposals to reform the CAP, having in mind the proximate enlargement and the new reforms the European Union needed in order to be prepared for it, which is known as Agenda 2000. These principles were adopted in 2003. About the issue of agriculture, the proposals referred to people's concerns about environmental impact as well as health issues and the constant surpluses that the big amount of subside were creating. “This is why they moved away from the support towards over-production on to a market-oriented, environmentally-friendly CAP”(Unknown Author IV). It is important to mention that these new reforms came along with the new system of economic aid now called the Single Farm Payment Scheme. However, this scheme does not apply to the new member states; they will still use the Single Area Payment Scheme, that we already explained. “The EU sustains its agriculture largely by direct income support for farmers (via measures stabilizing market prices and by direct payments) and through funding a wide variety of rural development programmes”. (Unknown Author IV)

2.4 Admission of New Members and Agriculture

Cyprus, Estonia, Poland, the Czech Republic, Hungary and Slovenia started their accession negotiations since 1998, and so did Malta, Latvia, Lithuania, Slovakia, Romania and Bulgaria in the year 2000. In order to be accepted, they had to reach the 'Copenhagen criteria' set out in 1993. Romania and Bulgaria did not finish their accession on time, but Slovenia, Slovakia, Estonia, Lithuania, Latvia, Poland, Hungary and the Czech Republic all did in December 2002 at the Copenhagen European Council. It was in May 2004 when the enlargement from 15 to 25 countries took place. There is no doubt, as most of the writers on this theme mentions, that this is a major event with enormous consequences over politics and economy in the accession countries and for the European Union as a whole. In order to accomplish this accession in the best way as possible, these 10 new members had to respect and follow all the European Union policies and legislation commonly known as the “Acquis communautaire”.

> Enlargement of the European Union (EU) to include 10 new Member States from 1 May 2004 is a historic milestone in the remaking of Europe after centuries of destructive divisions engendered by war and ideological conflict. Europe as a whole will gain from

> an assured political stability and security, as well as from the expansion of the internal EU market from 380 to 454 million people. This larger market will also offer new and important opportunities for the development of European agriculture and of the EU's common agricultural policy (CAP). (Unknown Author X)

The accession process took a while in order to prepare the member countries to be ready; this was accomplished with the special assistance given by the European Union. It is well known that this enlargement will bring many benefits as well as many challenges, and it is our duty to analyze each one of them. "Numerous economic analyses have concluded that the benefits of enlargement outweigh the costs. Although the benefits are relatively larger for the acceding countries, because they start from a lower economic base (their economies represent only about 6% of the GDP of EU-15), there are gains for both sides". (Grant 1999, 85)

The European Union mentions there are a few requisites these eight countries must follow in order to achieve the benefits they plan to accomplish, and that these conditions must be respected: The basic one is to fulfill all the criteria for membership. The Commission makes regular assessments of the progress of the applicant countries: and for some time they thought none of them was going to be ready on time, but all have made remarkable progress in the last decade, and that is why they are now part of the Union. The European Council in Copenhagen fixed the criteria for membership: Democracy, the rule of law, human rights, respect for minorities; a functioning market economy, and the capacity to cope with competitive pressures; the ability to take on the obligations of membership are some of the points they need to fulfill. The Union itself had to be prepare for the arrival of the new members by making the institutional changes necessary for enlargement, in order to be sure every member will safeguard the basic rules and policies of the Union; Provide adequate flexibility for transitional periods in areas where the application of the rules could pose economic or social problems, for old or new members. (Unknown Author XII)

The conditions were met by Poland, Hungary, Czech Republic, Estonia, Latvia, Lithuania, Slovakia and Slovenia. However, its agricultural sectors will now go through major changes in order to help both farmers and consumers. The impact of enlargement is enormous. A study made by the members of the CAP on the theme of agriculture and enlargement mentions that there will be an extra 4 million farmers in addition to the existing 7 million, and that the new member states will also add 38 million hectares of good agricultural area to the 130 million the other EU-15 had, an increase of 30%. This means that the production in the European Union will expand about 10-20 % for most products. (Unknown Author IV)

The new Member States have a lot of potential, but they need all the help they are receiving and more, in order to increase it. The farmers of the new member states have a huge horizon ahead of them, but they need to reinforce their agriculture to be able to compete and have the benefits of the enlargement. Since the collapse of the Soviet Union, significant restructuring of agriculture has been going on, with the idea of modernizing this sector by implementing new production methods to increase the food standards, animal welfare and environmental issues. This is how the EU has been contributing to these countries, with special assistance programs and economic aid. (Unknown Author IV). It is also important to recognize each of the country's efforts to recover after years of damaging its agricultural sector. For example, "in the case of agriculture, an attempt has been made to devise a common policy to cope with economies having different levels of involvement in agriculture and food processing, a variety of historical agricultural traditions, and which display divergences in the structure of agriculture in terms of such variables as farm size, ownership patterns and commodities produced". (Grant 1997,3)

During the Transition Period and the Accession states have engaged in some form of restitution of land rights to former owners. To achieve that, they had to organize the efforts in three categories. I will take the study published by Govarelli and Bledsoe in 2001 for the FAO, whose name is "Land Reform in Eastern Europe-Western CIS, Transcaucuses, Balkans, and EU Accession Countries", to explain each of them.

1) Those that re-established the ownership rights of individuals whose land had not been expropriated, and also restituted a much smaller portion of land that had been held by the State.
2) Countries that compensated former owners, and provided or sold land to former farm workers; and
3) Countries that restituted land to former owners only. (Govarelli and Bledsoe 2001)

The Czech Republic and Slovakia have been engaged in the first type of land privatization process, that is, the re-establishment of ownership rights. For these two countries, collectivization consisted on taking some of the rights of usage of land, but not the right of ownership. Those rights were given to the state and cooperative farms. Their land registry was eliminated sometimes and about 68% of the land became part of the cooperatives. The restitution process is now almost completed, by 1998 about 80% of the land was in private hands again even though in most of the cases the pattern of use remained largely collective. The difference with Slovakia is that, with the separation of the two countries, they prepared new agricultural policies because they thought the Former Czechoslovakia was not being fair to them. They recognized their residents and gave them more facilities for their restitution process. Slovakia's restitution process is about two-thirds completed.

The case of Slovenia is a little bit different because Slovenian agriculture was never collectivized; its owners survived thanks to Yugoslavia's different communism. They did some restitution after World War II, however, it is not concluded yet, since only 40% of the land has been restituted "due to ongoing disputes and legal complications". Hungary falls in the second category of privatization reforms, in which compensation to former land owners and former farm workers took place, instead of restitution. 50% of the country's land was subject to compensation, and it was divided in almost 2.1 million new land units. This land was given to people whose land was once confiscated or suffered from discriminated for political or racial reasons. There is still some land that remains in the hands of retired cooperative members, and the government working on that still. Poland is a bit different because they haven not had any restitution of land since, as in the case of Yugoslavia, Poland did not collectivize most of its land, and 75% of it remained and still remains in family land. Poland had less work to do, but they still have approximately 3.7 million hectares that were occupied by the communist government that they need now to privatize. In the transition period, the Agricultural Property Agency (APA) sold about 100,000 hectares of the land. (Govarelli and Bledsoe 2001)

Estonia Latvia and Lithuania represent the third category of the Restitution process. For these three countries their land reforms started in 1989, and their goal was to "re-establish pre-World War II farming structures". The process has not been easy because the infrastructure conditions after the communism were terrible, also because of the lack of records they had, especially since they had a big collectivization process. The process has been slow and in Estonia, for example, only 25% of the land has been returned, there are no records as to who owns the other 75% and almost 30% of the land is uncultivated and inactive. (Govarelli and Bledsoe 2001)

How will the CAP work with the new member states? This is a good question that we need to ask in order to understand the process that started in May 2004. The idea of the CAP, as we already mentioned, is to help farmers increase its agricultural potential in order to look for prosperity in the rural areas, inside the increased market size and the free trade zone. They will achieve these with the special support, assistance and regulations of the Common Agricultural Policy.

> Inevitably, competition will be stiffer-but the larger market of 454 million consumers free of tariff restrictions, export quotas or trade barriers will create positive challenges and increased opportunities as well as provide greater stability to previously volatile agricultural markets. Integration should lead to greater prosperity for EU farmers as a whole in old and new Member States. The CAP will help farmers to gradually develop a sustainable production potential. (Unknown Author IV, 4)

The way in which the CAP will be applied to the new member states has to be gradual, although these countries have shown a lot of progress in the past years. The EU has planned the gradual stages to let farmers adapt to all the administrative procedures and also because of the disparities in farm prices, structures and food industries that still exist between them and the other EU members. "Inevitably, older and less efficient farms may be more at risk but rural development measures should reduce this risk and sharper competition will benefit both EU-15 farmers was well as those in the new Member States". (Unknown Author IV)

The transition period will last about 10 years from the year 2004, before the new member states gain the same rights and responsibilities. The idea of the transition is to help them to adapt and be ready for the challenge and benefits that being part of the European Union represents. For this matter, the next chapter will help us understand in a more detailed way what the challenges will be.