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The impact of European Union enlargement on Mediterranean rural systems

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1. The enlargement process and its consequences: a brief overview

The EU enlargement to the countries of Central and Eastern Europe (CEECs) is unlike any previous enlargements – Denmark, Ireland and the United Kingdom in 1973, Greece in 1981, Spain and Portugal in 1986 and Austria, Finland and Sweden in 1995 – first of all, due to the sheer scale of this enlargement in terms of number of new member states. Although the increase of 20% in population and 23% in area are not the largest increases involved, the extension from 15 to 25 members makes this enlargement beyond all doubt the largest in the history of the Community. And secondly, the enormous economic differences between present and future member states were per se a tremendous challenge, not only for the applicant countries but also for the Union itself. Whereas in 1986, when Portugal and Spain joined the EU, the gross domestic product (GDP) per capita (at purchasing power parity) of these two countries was about 70% of the GDP of the Community, in the present applicant countries it amounts to about 40% of the average of the EU-15.

Table 1
Basic data on EU and future member states

Country	Area	Population	Gross domestic product			
	km2	million	billion		per capita in	
			€	pps	€	pps
Cyprus	9 251	0.762	10.2	12.5	15,100	18,500
Czech Republic	78 866	10.2	63.3	136.2	6,200	13,300
Estonia	45 227	1.4	6.2	13.4	4 500	9 800
Hungary	93 030	10.2	58.0	120.6	5 700	11 900
Latvia	64 589	2.4	8.5	18.2	3 600	7 700
Lithuania	65 300	3.5	13.4	30.5	3 800	8 700
Malta	316	0.394	4.0	n.a.	10 300	n.a.
Poland	312 685	38.6	196.7	355.9	5 100	9 200
Slovak Republic	49 035	5.4	22.8	59.5	4 200	11 100
Slovenia	20 273	2.0	20.9	31.8	10 500	16 000
EU-15	3 237 900	376.4	8 828.9	8 828.9	23 200	23 200

Notes: Gross domestic product (2001) is expressed in euros and pps (purchasing power standards).

Source: European Commission.

When we add to this the fact that in most of the new member states the accession process has been simultaneous with far-reaching political and social changes, taking place when the countries have been in the throes of transition to the market economy system, we can conclude that the present enlargement is very different to the previous ones and requires considerable efforts on both sides with far-reaching consequences in the long term, which will change the structure of Europe for good.

¹ This analytic note is an extract of the CIHEAM *Agri.Med 2004*.

The accession of the 10 Central and Eastern European countries will thus have implications for political, economic and social life in Europe, which will continue for decades and will inevitably influence relations with third countries, particularly those which have close relations with Europe. This is the case of the Southern and Eastern Mediterranean countries (SEMCs), which are the main concern of the following analysis.

However, assessing the results of enlargement in any field takes us to the beginning of the 1990s, when the applicant countries began to approach the EU-15. Wide-ranging economic integration has since come about which has meanwhile had its own impact. At the same time, the regulatory, political and institutional framework which will regulate the entire process and which must be in place by the time accession takes place next year and in the ensuing transitional stage, has also been defined.

When we place the future consequences of this enlargement in perspective, we should bear in mind both the effects that have already been produced and the conditions agreed upon for the post-accession period. As we shall see, both aspects will condition the pattern and extent of the consequences, whether at the level of the economy and society in general or in the agricultural sector, where the same pattern of integration has been applied.

From another point of view, once enlargement has had an impact on third countries – essentially as an indirect result of the changes involved for the Community itself – the analysis must take these changes as a starting point for assessing to what extent this enlargement will affect SEMCs and their agricultural sectors in particular.

Before discussing the anticipated consequences of the integration process, either at the level of the economy and society as a whole (section 3) or in the agricultural sector, the present chapter recapitulates the progress made in the last decade, evaluating the effects produced so far and identifying the agreements and rules laid down for the post-accession period in general (section 2) and in agriculture in particular.

Throughout the chapter, in the discussion of both general and specifically agricultural issues the consequences of enlargement on the SEMCs will be borne in mind as the ultimate concern of our analysis, even when the effects on the Community are being analysed.

2. History of the enlargement: the negotiation process

The negotiation process and its history can be summarised as follows.

Main dates in the enlargement process	
1989	Collapse of the Berlin wall Initiation of the European Community's financial support to help the Central and Eastern European countries to reform and rebuild their economies
1990	Cyprus and Malta apply for EU membership
1990-96	Conclusion of Association Agreements (Europe agreements) with States in Central and Eastern Europe
1993	Copenhagen European Council approves EU enlargement for countries of Central and Eastern Europe and defines the criteria for membership
1993	European Commission publishes its Opinions on Cyprus and Malta
1994	Essen European Council approves pre-accession strategy
1994-96	Ten States of Central and Eastern Europe apply for EU membership
1997	European Commission publishes its Opinions on the countries of Central and Eastern Europe, and proposes a strategy for enlargement in «Agenda 2000»
1998	Accession negotiations start with Hungary, Poland, Estonia, Slovenia, Czech Republic and Cyprus Malta reactivates its application for EU membership
1999	Berlin European Council agrees on « Agenda 2000 » and a financial perspective for EU enlargement Turkey accepted in the EU enlargement process on the basis of the Copenhagen criteria
2000	Negotiations start with Slovakia, Latvia, Lithuania, Bulgaria, Romania and Malta
2002	Copenhagen European Council concludes accession negotiations with Cyprus, Malta, Slovakia, Czech Republic, Poland, Hungary, Slovenia, Estonia, Latvia and Lithuania

Source: Report by Wim Kok to the European Commission (2003)

Although the enlargement process was formally opened in June 1992, at the Lisbon European Council meeting, at which a long-term strategic guideline for the opening to the East was outlined, the European Community was already entering into Association Agreements with the CEECs as of the beginning of the decade – the so-called Europe Agreements, which became the basis of bilateral relations between the two parties. Such Agreements covered trade aspects, political dialogue, harmonisation of legislation, and other fields of cooperation including industry, environment, transport and customs. The Agreements promoted the rapid growth of trade and the reorientation of both the trade flows of the CEECs and investments from the markets of the former Soviet Union to the EU with a view to progressively creating an area of free trade between the EU and the associated countries by 2002. Furthermore, the Association Agreements between the European Community and several applicant countries had been in place for a long time: with Turkey since 1964, with Malta since 1970 and with Cyprus since 1973.

Following the Copenhagen Council in June 1993, relations with the CEECs were to be significantly developed as the various aspects of those Association Agreements progressed and subsequently with the creation of a multilateral framework, which would strengthen political dialogue and conciliation on issues of general interest. In Copenhagen, the European Council not only approved the principle of EU enlargement to embrace the associated countries of Central and Eastern Europe but also defined the criteria which applicants would have to meet before they could join the Community. These criteria concerned:

- the stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities (political criterion);
- the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the EU (economic criterion);
- the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union (criterion concerning adoption of the *acquis communautaire*). As a result, the contractual bonds between the EU and the CEECs were strengthened with a view to these countries' gradually coming closer to the western economic model, a *sine qua non* for their integration into the EU.

By the time the accession process was formally launched on 30 March 1998 at a meeting held in Luxembourg by the Ministers of Foreign Affairs of the EU-15 and of the 10 CEECs, a series of decisions had been taken which helped to consolidate relations with the steadily growing number of applicant countries. The following can be cited for their impact with regard to economic relations: the adoption of the pre-accession strategy in 1994; the implementation of the first European Association Agreements with Hungary and Poland the same year; the approval of mandates to negotiate Additional Protocols to such Agreements with regard to the opening of Community programmes to the CEECs; the completion of the ratification process of the European Association Agreements with Bulgaria and Romania. The accession partnerships – a new instrument forming the keystone of the strategy concentrating all forms of assistance to the CEECs, including the consolidation of pre-accession support – were defined in 1997 in the context of the so-called enhanced pre-accession strategy.

The Copenhagen criteria for membership

At their summit in Copenhagen in June 1993, the EU leaders made the following historic promise: "The countries in Central and Eastern Europe that so desire will become members as soon as they are able to assume the obligations of membership by satisfying the economic and political conditions".

It spelled out for the first time the conditions for membership, which have become known as the "Copenhagen criteria". These criteria set standards for countries aspiring to EU membership:

- stability of institutions guaranteeing democracy, the rule of law, human rights and respect for, and protection of, minorities
- the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union
- the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

The first, "political", criterion is considered to be a precondition for the opening of accession negotiations, while the other criteria have to be fulfilled by the time of accession.

The third criterion implies that the new members should take over the policies and rules of the EU (the *acquis*) and implement and enforce them effectively.

Source: Report by Wim Kok to the European Commission (2003)

As mentioned above, 1998 was the year when negotiations with the so-called Luxembourg group (Hungary, Poland, Estonia, Slovenia, Czech Republic and Cyprus) began. The accession partnerships that were launched provided a single framework for their three basic components:

- priority areas in which the *acquis communautaire* was to be adopted;
- programming the EU's financial assistance; and
- the terms applying to this aid: compliance with the obligations under the European Agreements and progress in meeting the Copenhagen criteria.

The following year, in March, the Berlin Council reached an overall agreement on Agenda 2000, the policy document the Commission had published in July 1997, concerning the future of the main areas of Community policy, the EU's financial perspectives for the 2000-2006 period and the enlargement of the Union. At the same time, the Council established a financial framework for supporting the pre-accession process in applicant countries. By limiting the financial perspectives for the period 2000-2006, the EC reserved a substantial portion of its own resources for the enlargement to 6 new member states as of 2002, creating a new item 7 – pre-accession instruments – including on the expenditure side the annual amounts to be allocated to the three pre-accession instruments: PHARE Programme (created in 1989 and subsequently reoriented to the pre-accession stage) and the two new programmes SAPARD (Agriculture and Rural Development) and ISPA (Transport and Environment Infrastructures). The Council also created an item 8 – enlargement – comprising the overall costs of enlargement for each year for the 2002-2006 period.

Financial framework for supporting the pre-accession process

Agenda 2000 also established a financial framework for supporting the pre-accession process in the applicant countries. € 21 billion will be provided in pre-accession aid to the Central and Eastern European countries for the 2000-2006 period. This will take three forms:

- the Phare Programme: € 10.5 billion (€ 1.5 billion a year). Since 1997 this has focused on the two main priorities for adoption of the Community *acquis*: institution-building in the applicant countries (30% of the budget) and investment financing (70%) in areas where post-accession transitional periods are to be avoided as far as possible;
- aid for agricultural development totalling € 3.5 billion (€ 500 million a year);
- structural aid amounting to € 7 billion (€ 1 billion a year) to be used primarily to help applicant countries comply with Community infrastructure standards in the transport and environmental sectors. It will also be used to familiarise these countries with structural project procedures.

The Berlin European Council (March 1999) reached an overall agreement on Agenda 2000. In the enlargement field, the agreement includes the creation of two pre-accession instruments: a structural instrument (ISPA) and an agricultural instrument (SAPARD).

The objective of SAPARD was to establish a Community framework for supporting sustainable agricultural and rural development in the CEECs during the pre-accession period as well as to solve problems affecting the long-term adjustment of the agricultural sector and rural areas and to help implement the Community *acquis* in matters pertaining to the Common Agricultural Policy and related policies.

Support for agriculture and rural development is focused on the following priorities in this sector in particular:

- investment in agricultural holdings;
- improving the processing and marketing of agricultural and fishery products;
- improving structures for quality, veterinary and plant health controls in the interests of food quality and consumer protection;
- agricultural production methods designed to protect the environment and maintain the countryside;
- development and diversification of economic activities;
- setting up relief and management services for farmers;
- setting up producer groups;
- renovation and development of villages and protection and conservation of the rural heritage;
- land improvement and re-parcelling;
- establishment and updating of land registers ;
- improvement of vocational training;
- development and improvement of rural infrastructures;
- water resources management;
- forestry, including afforestation, investments in forest holdings owned by private forest owners and processing and marketing of forestry products;
- technical assistance for the measures covered by this Regulation, including studies to assist with the preparation and monitoring of the programme, information and publicity campaigns.

The Berlin European Council also confirmed the renewed Phare programme as the main instrument of intervention, geared to two key priorities for the adoption of the *acquis*, with 30% of its budget earmarked for institution-building (the reinforcement of the applicant countries' administration and institutions) and 70% for investment financing. Further investment projects will be financed by the structural and agricultural pre-accession instruments.

Source: European Parliament – Directorate General for Research (STOA), "The Consequences of Enlargement for EU Agriculture", PE 303.126/Fin. St, Luxembourg, Oct 2001

However, the decisions of the Berlin European Council included one of special relevance, since it would regulate the evolution of enlargement and pre-accession expenditure in the future, preventing the establishment of linkages between such items and the expenditure intended for the EU-15. We are referring to the adoption of the so-called 'ring-fencing' concept, according to which a clear distinction must be made in the submission and execution of the financial perspectives between what is intended for the EU-15 and what is intended for future member states, including the post-accession period. According to this principle, the expenditure earmarked for the EU-15 must on no account be used to bear the cost of pre-accession or of enlargement, and vice versa.

The enlargement process continued as the financial framework was gradually set up for the 2000-2006 period, relations with applicant countries becoming steadily closer-knit, and at the same time the Community stepped up its efforts to adapt institutions within the Intergovernmental Conference, the aim being to be able to welcome those new member states which were ready as of the end of 2002 in the hope that they would take part in the forthcoming elections for the European Parliament in 2004.

Accession negotiations with 6 further applicants began in 2000 – the Helsinki group (Romania, Bulgaria, Slovak Republic, Latvia, Lithuania and Malta), and from that time on an irreversible process took place leading to accession, following the road map approved at the Nice European Council in December 2000. On the basis of the regular progress reports, and according to the principle that each applicant country is judged solely on its own merits, leeway thereby being allowed for catching up with the *acquis communautaire* (the principle of differentiation), the Laeken European Council, in December 2001, recognised the ability of 10 applicants (Romania and Bulgaria being excluded from this group) to conclude the accession negotiations by the end of 2002.

Several difficulties and reactions with regard to the enlargement schedule were obviously encountered during this negotiation period due to the sensitivity of certain issues under negotiation, difficulties where the problems of technical management in connection with the complex chapter of agriculture were highlighted. In particular, with regard to the financial framework for enlargement, the European Commission submitted a proposal in January 2002 for reviewing the Berlin perspectives to take account of the new accession schedule (2004 rather than 2002) and the number of applicants which would be in a position to join by that date (10 rather than 6). It should be said that this proposal included, *inter alia*, a phasing-in of the direct aid payments of the CAP and the forecast of budgetary compensations, as had been the case with previous enlargements. Furthermore, the resistance of many member states to such a proposal was related to the financial package, which was considered much too generous, and to the agriculture chapter, and as regards the latter, the Commission's proposals concerning the CAP Mid-Term-Review came under increasing pressure.

On the basis of the regular progress reports and the strategy document submitted by the Commission, the Brussels European Council (October 2002) agreed that, although there were several aspects which required an additional effort to fulfil the economic criteria and the criterion of implementation of the *acquis communautaire*, the 10 Laeken applicants would be able to join the Union at the beginning of 2004, and recommended that the Accession Treaty be signed in the spring of 2003. Thus, once again in Copenhagen, where in 1993 the Community had approved the accession of the States of Central and Eastern European countries, the European Council formally decided to conclude the accession negotiations with those 10 applicants, setting 1 May 2004 as the exact date of their accession, upon due ratification of the Accession Treaty by the EU-15 and the 10 applicants.

Brussels European Council: enlargement assessment

The Union endorses the findings and recommendations of the Commission that Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia fulfil the political criteria and will be able to fulfil the economic criteria and assume the obligations of membership from the beginning of 2004.

In view of the above, and also taking into consideration the overall progress achieved in the accession negotiations, as well as in transposing and implementing the acquis and the commitments undertaken in the negotiations by the candidates, the Union confirms its determination to conclude accession negotiations with these countries at the European Council in Copenhagen on 12-13 December and sign the Accession Treaty in Athens in April 2003.

Source: Brussels EC, 26 November 2002 - Presidency conclusions.

Copenhagen European Council: enlargement

The European Council in Copenhagen in 1993 launched an ambitious process to overcome the legacy of conflict and division in Europe. Today marks an unprecedented and historic milestone in completing this process with the conclusion of accession negotiations with Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia. The Union now looks forward to welcoming these States as members from 1 May 2004. This achievement testifies to the common determination of the peoples of Europe to come together in a Union that has become the driving force for peace, democracy, stability and prosperity on our continent. As fully-fledged members of a Union based on solidarity, these States will play a full role in shaping the further development of the European project.

The Union endorses the result of these negotiations as set out in document 21000/02. The comprehensive and balanced outcome provides a solid basis for the smooth integration of 10 new member states, while safeguarding the effective functioning of the enlarged Union. The agreement reached will provide the acceding states with the necessary transitional arrangements to cope successfully with all obligations of membership. The result achieved in the accession negotiations ensures the continued functioning of the internal market as well as the various EU policies, without prejudging future reform.

All efforts should now be directed at completing the drafting of the Accession Treaty so that it can be submitted to the Commission for its opinion and then to the European Parliament for its assent, and to the Council with a view to signing the Treaty in Athens on 16 April 2003.

By successfully concluding the accession negotiations the Union has honoured its commitment that the 10 acceding States will be able to participate in the 2004 European Parliament elections as members. The Accession Treaty will stipulate that Commissioners from the new member states will join the current Commission as from the day of accession on 1 May 2004. After the nomination of a new President of the Commission by the European Council, the newly elected European Parliament would approve a new Commission that should take office on 1 November 2004. On the same date, the provisions contained in the Nice Treaty concerning the Commission and voting in the Council will enter into force. The necessary consultations with the European Parliament on these matters will be concluded by the end of January 2003. The above arrangements will guarantee the full participation of the new member states in the institutional framework of the Union.

Source: Copenhagen EC, 12 and 13 December 2002 - Presidency conclusions.

3. Consequences of the enlargement: general aspects

As pointed out in the previous section, the enlargement of the EU to 10 new member states is the outcome of a long negotiation process whose results have meanwhile been felt at different levels. However, its effects are still far from being concluded. The far-reaching and inevitable institutional changes to be embedded in the future European Constitution, the reformulation of cohesion policy, the foreseeable diversion of structural funds to new members and the new budgetary rules of the enlarged EU will progressively mould a new Community and regulate its relations with the old and new neighbour countries. Although, as previously mentioned, budget appropriations for the present 15 member states will not be affected up to 2006 by virtue of financial and budgetary arrangements already agreed upon, the effects of the increase in competition at market level, the free movement of goods, the free movement of workers, and the changes in foreign direct investment flows (FDI) will be felt well before that date.

Institutional issues

Institutional reform is also a key question raised by enlargement. In addition to the criteria for new members – the three “Copenhagen criteria” – the EU laid down a fourth criterion for enlargement in 1993 : the Union’s own capacity to absorb new members while maintaining the momentum of European integration. It was due to that criterion that the process leading to the Treaty of Nice in 2001 was launched. The institutional reforms decided in Nice were a bare minimum – an “arithmetical” revision of the number of votes and seats in the EU institutions rather than a fundamental review of the system. The truth is that, having encouraged the new members to make maximum efforts to prepare themselves for membership, the Union has not yet prepared itself sufficiently in the crucial area of its institutions and its constitution.

This realisation led to the setting up in 2002 of the Convention on the Future of Europe: a new experiment on the part of the EU to review its functioning by means of a process going beyond the traditional intergovernmental method and including representatives of the countries which have applied for membership. Beginning with four important questions – the role of national parliaments, the simplification of the Treaties, the Charter of Fundamental Rights, and the delimitation of powers between EU and member states – the Convention has broadened the scope of its work to encompass the drafting of a new constitution for the EU.

Source: Report by Wim Kok to the European Commission (2003).

On the other hand, the advancing economic integration of 10 new member states until full accession to the Community will compel these member states to fully adopt and comply with the *acquis communautaire* at the various levels. This fact must be borne in mind when anticipating the effects of enlargement inside and outside the Community. In addition to this significant constraint, we must also bear in mind the structural and institutional needs which distinguish the new member states from their Western partners, namely with regard to legislative and tax systems, the bureaucracy system, the banking system, infrastructure needs and lack of efficient distribution systems, for instance.

But let us focus on certain chapters of the enlargement issue which are more relevant from our point of view, by anticipating their effects in the short or medium term.

3.1. Internal market: free movement of goods and competition policy

As Wim Kok has stated (2003), “Extensive economic integration between the current and new member states has already occurred as part of the pre-accession process.”

Table 2
EU trade with Central and Eastern Europe (billion €)

	Imports	Exports	Balance
1995	44.4	53.2	8.8
1996	47.2	63.8	16.6
1997	56.9	78.7	21.8
1998	67.9	90.5	22.6
1999	75.8	93.2	17.4
2000	97.5	114.7	17.2
Total	389.7	494.1	104.4

Ten CEECs, including Bulgaria and Romania.

Source: European Commission.

Since trade in goods with the EU was largely liberalised in the course of the 1990s, EU membership means moving into a customs union from a pre-existing free-trade area. It will therefore lead to only a small immediate impact on trade in goods with the new members.

On the other hand, compliance with a true single market means full legislative harmonisation, actual application of the rules and standards concerning compliance assessment, producer liability and product safety and the establishment of proper administrative structures allowing the exercise of such practices. The full implementation of these measures requires continuous investment in inspection and testing facilities in the public sector as well as substantial investment in the private sector to upgrade establishments in the food industry in order to meet EU requirements and standards. Furthermore, the chapter dedicated to competition was the area with which applicant countries had the greatest difficulties during negotiations. In a way, the competitive advantages which such economies have enjoyed in the recent past will tend to be reduced as they become harmonised with the Community.

A significant issue is that of transparency in the granting of government aid, widely used, for instance, to attract foreign investment. After being major receivers of FDI during the 1990s as the result of opportunities for negotiation provided at the beginning of the decade by political opening through privatisation programmes and fiscal incentives, the applicant countries may become less attractive for international investors – not only because the initial effect of their market potential due to their highly skilled workforce and the technological advantages offered in some sectors is now diminishing, but also as a result of the equitable conditions for investment which are due to come into force.

Table 3
Foreign Direct Investment (million €)

CEEC	1999	1998	1997
Bulgaria	723	479	445
Cyprus	114	61	1.148
Czech Republic	4.792	2.416	235
Estonia	284	513	
Hungary	1.552	1.259	313
Latvia	352	318	71
Lithuania	456	826	460
Malta	830	238	4.328
Poland	6.821	5.677	1.071
Romania	977	1.812	141
Slovakia	366	609	
Slovenia	78	178	710
Turkey	763	838	

Source: European Commission – Directorate General for Agriculture (2001).

On the other hand, actual EU membership could result in significant additional FDI flows, assuming the local climate is encouraging. As mentioned in the report by Wim Kok quoted above, the greater legal assurance associated with EU membership and the end of the 'safeguard clauses' in the present agreements with the EU will be favourable factors, which suggest that new increases in investments may well be registered in new member states once they have actually joined the Union.

The experience gained in previous enlargements has shown that an increase in FDI does not automatically benefit all countries equally and that, above all, it depends on favourable adjustment measures at the national level. However, in a scenario of appropriate policies in the new member states, there will probably be a period of growth and further increases in investments in these countries in the first few years of membership, with serious indirect consequences for the southern Mediterranean countries. In fact, this would mean that the desirable development of European direct investments in the SEMCs would be deferred.

3.2. Freedom of movement for persons

After long and complex negotiations, the Union adopted its position on the free movement of persons in May 2001. This was one of the most sensitive issues both from the Community's and the applicant countries' point of view. The Union's difficulties, which were manifested primarily by the countries most affected by emigration from Eastern countries – Germany and Austria –, are well evidenced in the solutions found to regulate the free movement of workers, notably in the imposition of a transitional period on the applicants, which may be extended to up to 7 years. Understandably, this and other discriminatory measures approved by the Union were not well received by the candidate States, due to the strong political element in such issues and to the tremendous impact on their public opinion.

Free movement of persons

One of the freedoms that the European Union confers is the free movement of persons: European citizens have the right to live and work in any member state of the Union.

How will this apply to the new members? There are different aspects to this question: the right to travel to other member states, the right to reside and work there, and membership of the "Schengen" area.

Upon accession, the citizens of the new member states will have the right to travel and reside in any of the present member states. However, for a period of up to 7 years, the present member states may restrict the right of persons from the countries of Central and Eastern Europe to take up paid employment.

A separate issue from the right to work is free movement of persons within the 'Schengen' area. The countries of the "Schengen" area have agreed to the abolition of frontier controls between themselves, compensated by the exchange of information and the reinforcement of external borders. A member state's citizens can have the freedom to live and work elsewhere in the EU without that state being a member of the 'Schengen' area; this is the current position of Britain and Ireland. The new member states will not become full members of 'Schengen' immediately, but only when they have sufficiently met standards for frontier security.

Source: Report by Wim Kok to the European Commission (2003)

Within the scope of the decisions made by the Union on this issue, and under the influence of the urgent requests made by the applicant member states, which were anxious to obtain freedom of movement, the member states defined the respective national systems to be put into practice in the transitional period. It can thus be expected that the access of workers from new member states to the Union's labour market will be differentiated and selective for a long time, migratory flows being managed according to the origin, destination and qualifications of the workers.

At all events, there is unlikely to be any large-scale migratory influx from the new member states after enlargement due to significant wage differentials. Some analyses maintain that it is conceivable that, rather than increasing migratory flows, the accession of applicant member states will relieve the migratory pressure which those countries are currently exerting on the EU. According to a survey on the effects of the enlargement of the EU on the labour market which was sponsored by the Commission and conducted by the German Institute for Economic Research in Berlin in 2001, the 335,000 persons from future member states who were expected to move every year to the Union at the beginning of accession would decrease 10 years later to less than 150,000 per year, once the initial euphoria has abated and also due to the narrowing of the incomes gap between Eastern and Western countries.

During the period of transition, such flows will naturally be conditioned by the labour force needs of the present member states, which will continue to use the prerogatives provided in the agreed rules to meet their needs by attracting primarily skilled workers, and this will constitute a serious risk of "brain drain" for the new member states. On the other hand, any relocation of labour-intensive undertakings in the present member states to Eastern countries may affect the demand for unskilled labour. But the repercussions will be relatively insignificant, since the industries of the future member states will be converted and the level of skill of their labour forces will rise.

Another point on the issue of movement of persons, which will constitute a growing concern in a Community extended to 25 member states, is illegal immigration, particularly when such migratory flows often originate in the CEECs. The problem is not, however, specific to such countries and it is expected that the fears caused by an increase in this phenomenon will lead to more restrictive and intolerant attitudes on the part of the Union, with repercussions on neighbouring countries, particularly SEMCs.

Finally, an effect of enlargement to Eastern and Central Europe which must be considered by both the member states and the neighbouring countries which have significant emigrant communities in the most developed regions of the Union is the likely return of those workers to their home countries. The inflow of skilled labour from new member states will certainly jeopardise their permanent residence in the host countries. This is also liable to be a primary concern for the southern Mediterranean countries, which are bound to be affected by this phenomenon.

Whatever the aggregate imbalance of migration flows from CEECs and their eastern neighbours to the Union, it can be expected to have a general effect on the labour markets of present member states which will in turn affect the SEMCs indirectly: the increase in the supply of low-skilled labour.

3.3. Regional policy and structural instruments

With regard to structural measures, whereas enlargement will not significantly affect the position of the EU-15 up to 2006 due to the decisions of the 1999 European Council in Berlin (ring-fencing) and of the Brussels and Copenhagen Councils in 2002, this cannot be guaranteed either for the post-2006 period or with regard to the situation of third countries involved in Association Agreements with the Community. The accession of 10 countries with a GDP per capita far below the average of the EU-15 will inevitably have a very marked impact on cohesion policy.

When we add to this the enormous increase in needs which will result from the increase in the number of beneficiaries plus the regional disparities, as well as the pressure from net contributor countries to reduce resources, the situation is clear. The distribution of an overall amount of financial resources that is tending to diminish over a growing number of eligible regions will inevitably mean a significant reduction of the level of support.

What is more, this lack of resources will continue to be reflected at other levels of action, more specifically within the Association Agreements with Mediterranean countries. Even if an indirect effect of this nature is no more significant than the effect produced so far by the pre-accession expenditure effort, it will not be conducive to correcting the present imbalance between intra-EU measures and EU-Mediterranean measures and will be a contributing factor in the perpetuation and exacerbation of North-South disparity.

3.4. External relations of a wider Europe

With the alteration of the external frontier of the European Union, relations with new neighbouring Eastern countries have inevitably changed – Kaliningrad-Russia, Belarus, Ukraine, Romania and the countries of the western Balkans which have had no frontier with the Community to date. Other neighbouring States will come along as the accession of Bulgaria, Romania and Turkey is brought about. The EU, whose strategic objective is to achieve development and prosperity, stabilisation and safety throughout Europe, will certainly maintain its policy of gradually drawing closer to new neighbours, promoting closer-knit political relations, strengthening trade alliances, and harmonising legislation with the rules in force in the EU as far as possible, thus creating around itself an economic and political area which, in some cases, may lead to new accessions.

Several – very diverse – situations can be identified along the new frontiers resulting from this enlargement and from the anticipated accession of Bulgaria and Romania. A new approach is to be outlined in the near future along all of those frontiers concerning the following issues: bilateral and free trade agreements with new member states; the adoption of the Schengen acquis; the revision of visa policy at the frontiers; the strengthening of existing Partnership and Cooperation Agreements; new Free Trade Agreements; the Stability and Association Agreements; the Agreement on the European Economic Area; and respective programmes and instruments of technical and financial assistance.

With the accession of 10 new applicant countries, which will be followed by Bulgaria and Romania, a new neighbouring or proximity policy will be built up. The question is to what extent this will influence relations with the old neighbours of southern countries. Given the European Union's strategy of ensuring political, economic and social stability in the surrounding area, in its relations with its new neighbours the Union is unlikely to meet with any reason for refraining from political and financial involvement with its Mediterranean neighbours, particularly with regard to building up the Euro-Mediterranean Free Trade Association (EMFTA) in which it has been involved. What is more, the Union has repeatedly reaffirmed its intention to strengthen cooperation with its neighbours to the east and south. The Copenhagen European Council put it very clearly in its Presidency Conclusions in December 2003: "24. The enlargement will strengthen relations with Russia. The EU also wishes to enhance its relations with Ukraine, Moldova, Belarus and the southern Mediterranean countries based on a long-term approach promoting democratic and economic reforms, sustainable development and trade and is developing new initiatives for this purpose. The European Council welcomes the intention of the Commission and Secretary General/High Representative to bring forward proposals to that end." Later, in June 2003, the Thessalonica European Council endorsed the formal text entitled "Wider Europe – New Neighbourhood" adopted by the EU foreign ministers on the shape of Europe after enlargement.

Wider Europe – New Neighbourhood

The enlargement of the European Union on 1 May 2004 represents a historic step for the entire European continent and presents a unique opportunity to strengthen co-operation with its neighbours to the East and to the South.

Noting that geographical proximity will generate converging interests and increase the importance of working together to address common challenges, the EU wishes to define an ambitious new range of policies towards its neighbours based on shared values such as liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law. This should be seen as separate from the question of possible EU accession that is regulated by Article 49 of the Treaty on European Union.

The Council welcomes the Communication of the Commission "Wider Europe - Neighbourhood: a new framework for relations with our Eastern and Southern Neighbours" as well as contributions made by the High Representative, and considers that they provide a good basis for developing a new range of policies towards Ukraine, Moldova, Belarus, Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, the Palestinian Authority, Syria, and Tunisia, at the same time reinforcing the EU-Russia strategic partnership. At a later stage, the Council will examine whether the Southern Caucasus countries could also be covered within these policies. Libya has been invited to accept the Barcelona acquis in order to join the Barcelona Process.

The new neighbourhood policies should not override the existing framework for EU relations with Russia, the Eastern European countries, and the Southern Mediterranean partners, as developed in the context of the relevant agreements, common strategies, the Northern Dimension Initiative and the Barcelona Process. They should encourage and support policies of the New Eastern and Southern Neighbours aimed at coming closer to the EU. Implementation of existing agreements remains a priority.

Source: General Affairs and External Relations Council, June 2003 - Council conclusions

Furthermore, recent history shows how a non-marginal effect of compensation of old neighbours of southern countries can be expected after a period in which the Union has been leaning clearly to the east. It was following a period marked by the EU's leaning towards Eastern countries "that the European authorities began to take renewed interest in the Mediterranean dimension" (CIHEAM Annual Report 2002). A series of proposals and initiatives were then taken, in the early 1990s, paving the way for the Barcelona Process.

However, although the effects of relations with new neighbours cannot be anticipated for the time being, since they depend on strategic options yet to be defined, one can expect the new neighbourhood policy of the enlarged Community to reflect increasing pressure from the new Eastern neighbours. Despite the statements made at the political level, the Community will inevitably lose interest in the competing Mediterranean region, at least to some extent.

3.5. The budgetary cost of enlargement

Having considered some of the more sensitive aspects of the enlargement process, let us now take a look at the budgetary consequences of the accession of 10 new member states.

According to European Commission data, the Community has spent some € 20 billion in pre-accession aid since 1990, channelled in the case of the applicant countries through the three instruments which have already been mentioned: the PHARE, SAPARD and ISPA programmes. As from 2000, when the two latter pre-accession instruments came into force, the appropriation has increased by more than € 3 billion per year.

Table 4
EU budgetary expenditure on enlargement: pre-accession
(in million € at 2000 prices)

	1990-1999	2000-2003
PHARE (Strengthening democratic institutions and public administration)	6 797.16	6 240.00
ISPA (Transport and environmental infrastructures)		4 160.00
SAPARD (Agriculture and rural development)		2 800.00
Total	6 797.16	13 200.00
Annual average	676.72	3 300.00
Total as % of 1999 EU-GNP	0.08	0.16
Annual average as % of 1999 EU-GNP	0.01	0.04

Notes: 1990-1999 expenditure based on actual payments, post-1999 on commitments
 Ten CEECs (including Bulgaria and Romania) without Cyprus, Malta and Turkey, which benefit from separate pre-accession funding.

Source: European Commission in Report by Wim Kok to the European Commission (2003).

After the accession, according to the agreement reached at the Copenhagen Summit in 2002, the overall financial effort involved in the enlargement until the end of 2006 must not exceed € 40.8 billion. As argued by Wim Kok in his report, this budget expenditure is relatively modest for the EU when we bear in mind the economic and political aims of the enlargement process as a whole. In particular, when we consider that the contributions of new member states to the Community budget will be around € 15 billion and that probably not all of the money granted will be used, the actual expenditure during the post-accession period up to 2006 will amount to approximately € 10 billion (some of their budget allocations will be paid after 2006).

Table 5
EU budgetary expenditure on enlargement: post-accession
(in million € at 1999 prices)

	2004-2006
Common Agricultural Policy	4 682
Rural development	5 110
Structural actions	21 746
International policies	4 256
of which:	
Existing policies	2 642
Institution-building	380
Schengen facility	858
Nuclear facility	375
Total commitments	1 673
Temporary budgetary compensation	2 398
Special cash-flow facility	987
Administration	40 852

Notes: 2004-2006 commitment for 10 countries acceding in 2004
 "Structural actions" includes € 38 million of non-allocated technical assistance.

Source: European Commission in Report by Wim Kok to the European Commission (2003).

As for the period from 2007 onwards, budgetary expenditure on enlargement will, according to Wim Kok, depend essentially on the reforms to be introduced in the Community budget itself and especially in the CAP and the structural funds. To quote a study by Karlsson (2002) on the future of the Union budget after enlargement, in which several budget scenarios are formulated and it is assumed that the CAP will not be reformed and that the present rules will continue to be applied to structural funds, and, furthermore, that the present member states will continue to receive the same amounts of structural funds as they receive in 2006, the enlargement costs would increase from 0.03% of the Gross Domestic Product (GDP) of the enlarged Union in 2004 to 0.23% in 2013. In another scenario, a 15% reduction of the direct aid payments to agriculture up to 2013 would mean that enlargement costs would decrease to only 0.18%. These scenarios and others submitted in the above-mentioned study demonstrate how the reforms of internal policies of the Union can influence the Community budget and the cost of enlargement.

However, although the financial effort involved in enlargement is not excessive when we bear in mind the historical relevance of the aims of the process as a whole, it becomes overwhelming when we compare the total budgetary expenditure of enlargement with the budget funding for the Euro-Mediterranean Partnership launched between the EU and its 12 Mediterranean Partners at the 1995 Barcelona Conference (the Barcelona Process). It is worth taking a look at the budget of the MEDA programme, the main financial instrument of the European Union for the implementation of the Euro-Mediterranean Partnership.

According to the initial legal basis for the MEDA Programme (Council Regulation n°1488/96), this programme accounted for € 3.435 billion for the 1995-1999 period. In November 2000 a new improved Regulation (n° 2698/2000) established MEDA II for the period 2000-2006, the funding of this new programme amounting to € 5.350 billion. Compared with the enlargement budget, the figures clearly reveal the EU's priorities in the external relations field. Even in absolute terms, it has to be admitted that MEDA programme financial resources are undoubtedly undersized, when one considers the ambitious political, economic and cultural aims of this programme, which includes the establishment of a free trade area by 2010. And the growing pressure exerted by the enlargement process will not help to improve this situation. But we shall return to this issue when examining the effects of enlargement at the agricultural level.

4. Agriculture and EU enlargement

4.1. Agriculture and the CEEC integration process: background and accession framework

As has already been mentioned, the integration of the agricultural sectors of Central and Eastern European countries into the Common Agricultural Policy (CAP) is one of the most complex chapters of the entire negotiation process, for several reasons. First, because of the extent of its economic, budgetary, social and political consequences in applicant countries and in the EU itself due to the significance of the sector in those countries, which is on average much greater than that of the agricultural sectors of the EU-15. Secondly, because the structural backwardness of their agricultural sectors compared to the Community average requires considerable modernisation efforts from the outset, involving substantial support for the transitional period. And finally, because the complexity of the *acquis communautaire* itself, as far as agriculture and agricultural policy are concerned, makes it difficult for the candidate countries to adopt and implement it, as has been the case in previous enlargements.

Table 6
EU and applicant countries: the role of the agricultural sector

	Agricultural area		Gross agricultural product ¹		Agricultural employment	
	AAU2 1000 ha	% of total area	million €	% of GDP	000	% of total employ-ment
	2000					
Bulgaria	5 582	50.3	2 054	15.8 *	342	11.3
Cyprus	134	14.5	329	3.5 *	14	9.2
Czech Rep	4 282	54.3	1 846	3.4	193	7.4
Estonia	1 001	22.1	254	4.7	32	7.4
Hungary	5 854	62.9	1 913	3.9 *	227	4.8
Latvia	2 488	38.5	306	4.0	118	13.5
Lithuania	3 489	53.4	836	6.9	262	19.6
Malta	12	38.1	78	2.0	2.7 *	1.9
Poland	18 220	58.3	4 965	2.9 *	2 698	18.8
Romania	14 811	62.1	4 564	11.4	4 861	42.8
Slovakia	2 444	49.8	560	4.1	119	6.7
Slovenia	491	24.2	847	2.9	81	9.9
Turkey	41 488	53.5	24 265	11.2 *	9 149 *	34.9
CEEC-10	58 662	54.4	18 145	4.6 *	8 933 *	20.7 *
CC-13	100 296	53.8	42 816	6.9 *	18 082 *	27.8 *
EU-15	131 619	40.6	167 197	2.0 *	6 767	4.3

Table 6 (contd.)

	Trade in agricultural commodities ³		Bilateral agricultural trade		Food expenditure	
	% of total exports	% of total imports	% of total exports	% of total imports	% of total expenditure	
	1999				1998	
Bulgaria	16.2	7.1	37.9	37.6	53.5	
Cyprus	38.3	19.0	52.7	46.0	19.0	b
Czech Rep	4.4	6.5	36.3	48.0	26.8	
Estonia	9.2	14.3	28.3	57.0	37.5	
Hungary	9.1	3.7	53.1	45.3	42.1	
Latvia	5.7	13.1	30.7	50.0	44.9	
Lithuania	12.9	11.5	29.9	45.8	46.0	
Malta	2.2	10.3	13.1	73.1	:	
Poland	8.9	7.4	45.5	47.7	36.9	
Romania	5.8	8.1	42.7	37.0	58.0	
Slovakia	3.8	7.0	23.4	37.2	31.8	
Slovenia	4.3	7.0	31.4	50.5	23.5	b
Turkey	15.9	6.5	43.2	27.8	29.7	a
CEEC-10	7.2	7.0	40.2	45.3	36.3	*
CC-13	8.8	7.1	43.2	34.9	34.1	*
EU-15	6.6	6.8	12.1	10.4	17.4	b

Notes: a = 1994 / b = 1997 / c = 1998 / d = 1999 / * = estimate / p = provisional / : = not available

1- including the forestry, hunting and fishing sector / 2 – Agricultural Area in Use / 3 – all agric. products less fish and fish products

Source: DG Agriculture; Eurostat; DG Economic and Financial Affairs; OECD; FAOSTAT (adapted from European Commission – Directorate-General for Agriculture, 2001).

However, the agricultural sectors of applicant countries gradually became integrated in the course of the 1990s, and the effects on the budget, trade flows and the structural funds were already being produced well before the conclusion of the negotiations on the agricultural chapter.

Agriculture and enlargement: key dates

1990	The EU's Phare programme begins operations to support the transition to free market democracies.
1998	Screening of agricultural legislation starts with Bulgaria, Latvia, Lithuania, Romania and Slovakia. Screening of agricultural legislation ends with Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia.
1999	The Berlin European Council authorises the Commission to open negotiations with the 10 CEECs, with a view to further liberalising trade in agriculture. € 3.12 billion per year is set aside for pre-accession aid and accession-related expenditure. November/December: with a view to opening negotiations on agriculture, the countries in the Luxembourg Group present their negotiating positions on Chapter 7 of the <i>acquis communautaire</i> .
2000	The European Union adopts its common positions and opens negotiations on the agricultural chapter in June 2000. The Presidency of the Council considers it a priority to open the agricultural chapter. Screening of agricultural legislation starts with Malta. Updated screening processes are launched for all negotiating countries. Ministerial conference on accession opens the negotiations on the agricultural chapter for the Luxembourg Group. Agreements enter into force with 8 CEECs (Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Romania, Slovakia and Slovenia) to further liberalise trade in agriculture. The Commission adopts Sapard programmes for all 10 CEECs. December: accession conference discusses initial negotiation positions on the agricultural chapter from Latvia, Lithuania and Slovakia.

2001	Signature of the Sapard multi-annual financing agreement with the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia Agreements enter into force with Lithuania and Poland to further liberalise trade in agriculture. Signature of the Sapard annual financing agreement with the 10 CEECs Conferral of management of Sapard aid to Bulgaria, Estonia, Latvia, Lithuania and Slovenia. The decision allows the national authorities in these countries to commence implementation of the annual Sapard programme. Negotiations on the agricultural chapter open for 3 members of the Helsinki Group — Latvia, Lithuania and Slovakia. Commission submits to the Council the revised draft common positions on agriculture for each of the 6 members of the Luxembourg Group.
2002	The Commission publishes its 'Enlargement and agriculture': Successfully integrating the new member states into the CAP' — Issues paper Conferral of management of Sapard aid to the Czech Republic and Slovakia Conclusion of 'double profit' agreements with Estonia, Hungary, Latvia and Lithuania

Source: adapted from European Commission – Directorate-General for Agriculture (2002)

Although the European Agreements which governed trade relations between the EU and the CEECs before the beginning of the negotiation process itself did not actually focus on trade in agricultural and food products, several bilateral agreements signed in the pre-accession period were promoting the gradual and progressive liberalisation of agricultural trade and the strengthening of trade relations in this field. We are referring, for instance, to the mutual tariff concessions negotiated in the early 1990s and the adoption of the "double zero" approach in certain sectors, whereby about two-thirds of traditional trade in agricultural products was exempted from import duties, in exchange for the abolition of export refunding.

Agricultural trade with the EU-15 has grown in applicant countries over the last decade in general. Between 1995 and 2000, both agricultural imports and agricultural exports increased appreciably in value.

Table 7
CEEC-EU15 agricultural trade: development between 1995 and 2000 (%)

CEEC	Imports			Exports			Balance		
	Bulk products	Process. products	All agr. products	Bulk products	Process. products	All agr. products	Bulk products	Process. products	All agr. products
Czech Rep.	1.4	1.2	1.3	1.2	3.0	1.5	1.8	0.7	1.2
Estonia	2.2	1.2	1.7	1.2	1.8	1.2	3.2	1.2	1.9
Hungary*	2.1	1.6	2.0	1.1	1.8	1.2	0.9	-0.3	0.9
Latvia	3.5	2.6	3.1	3.0	1.3	2.5	3.7	2.8	3.3
Lithuania	2.7	2.5	2.6	1.6	5.8	2.0	-15.0	1.3	5.3
Malta	1.3	1.6	1.4	0.8	1.2	1.0	1.3	1.7	1.5
Poland*	2.4	1.6	2.2	1.2	2.7	1.4	-	-	-
Slovak Rep.**	2.5	1.7	2.2	1.1	14.2	1.6	4.5	1.2	2.6
Slovenia*	6.7	1.4	2.9	3.6	0.4	1.0	10.4	6.8	8.7
Cyprus***	1.2	1.2	1.2	0.6	0.4	0.6	-4.7	1.6	2.8

* 2000/1992 ** 2000/1994 *** 1998/1995

Source: European Commission, Directorate-General for Agriculture (2002) – Country Reports.

At the same time, as the efforts in the CEECs to restructure agriculture progressed, the accession process was strengthened through new initiatives and instruments, such as the partnerships to accession and the national programmes for adoption of the *acquis* (NPAA), in which the major priorities and objectives of integration into the EU were established and scheduled, and the human and financial resources necessary for achieving integration in the various fields were identified.

As regards the reforms in the main political fields of the EU, enlargement actually conditioned the important decisions taken in Berlin (March 1999) within the scope of Agenda 2000; the reform of the CAP was planned, as were the financial framework for 2000-2006 and the relevant decisions on structural funds and external policies, with a view to preparing the future enlargement of the EU from 15 to 28 member states, according to the number of applicants registered at that time.

By strengthening the competitiveness of European agriculture on the world market through new reductions of guaranteed prices, the reform also aimed to facilitate the future application of the CAP to new member states by promoting price convergence between these countries and the EU.

The enlargement also influenced the EU position adopted in the multilateral trade negotiations within the World Trade Organisation (WTO). The 15 member states and the applicant countries even adopted a common attitude in the Ljubljana Declaration in May 2001, before the fourth WTO ministerial conference, which was held in Doha, Qatar, in November 2001.

As has already been stated (Box concerning the financial framework for supporting the pre-accession process), all of the restructuring efforts made by applicant countries during the pre-accession period received financial support from the Community through 3 financial aid programmes: PHARE, SAPARD and ISPA. The integration of the CEECs and their agricultural sectors into the EU was thus brought about progressively, just as progressively as the effects produced in several fields of Community life in both applicant and third countries, at various levels.

At the end of 2002, in the context of a decade of preparations for the most extensive enlargement in history, the Brussels and Copenhagen Councils laid down the rules for the post-accession period, the enlargement formula having been approved by the Heads of State of the 15 member states and the 10 new States at a meeting held on 13 December.

Several aspects of the conclusions of these Councils which should be borne in mind when assessing the impact of this enlargement on agriculture and the structural funds are set out below. To sum up, the following rules were laid down in the chapter dedicated to budgetary and financial issues:

CAP direct payments

- Direct payments under the CAP will be introduced progressively in the new member States as from accession, according to the following schedule: 25% of the full EU rate in 2004; 30% in 2005; 35% in 2006; 40% in 2007 and thereafter in 10% increments so that by 2013 the new member states will have reached the support level then applicable in the EU; this will be managed without prejudice to future decisions on the CAP and the financing of the EU after 2006 or to the Berlin European Council conclusions or to the international commitments which the Union has undertaken in the launching of the Doha Round.
- In the 2007-2013 period, the phasing-in of the direct payments will take place within a framework of financial stability, where, during that period, total annual expenditure for the 1st pillar of the CAP (market-related expenditure and direct payments) in the EU-25 must not exceed the amount (in real terms) of the ceiling for 2006 agreed in Berlin for the EU-15 and the corresponding expenditure ceiling proposed for the new member states for that year; in nominal terms, this annual expenditure in the 2007-2013 period will be kept below the 2006 figure increased by 1% per year.

It should be noted that this provision introduces a stability principle in the 1st pillar, by ensuring that it will continue until 2013, although the annual increase in the respective financial ceilings is lower than the expected inflation rate; this thwarts the successive attempts made by several "pro-liberalisation" member states to eventually dismantle this pillar. However, it also introduces the principle of reducing both the present direct payments in 15 member states as of 2007 and the appropriations which new member states could expect. It should also be mentioned that these decisions do not prevent an increase in the overall level of expenditure on rural development (2nd pillar of the CAP): the needs of producers living in the disadvantaged regions of the present EU will be safeguarded and multifunctional agriculture will be maintained in all areas of Europe.

Structural and Cohesion Funds

- The overall commitment appropriations for the structural and cohesion funds in view of enlargement should amount to a total of € 23 billion over the period scheduled, distributed among member states in accordance with the relevant EU Common Positions which have been agreed with the candidate States.
- One-third of this amount will be devoted to the Cohesion Fund in order to meet the considerable needs for new infrastructures in the fields of transport and the environment.
- The payment on account for which provision is made under the *acquis* will be paid in 2004 at the rate of 16% of the total contribution of the Structural Funds; the EU has made provision for

appropriations in 2004 equivalent to 3% of the average annual commitments under the Structural and Cohesion Funds.

Own resources and budget imbalances

- The own resources system will apply to the new member states as from accession, and the new member states will contribute fully to the financing of the EU expenditure as of that date.
- If the cash flow balance forecast is negative in the period from 2004 to 2006 compared to the last pre-accession year (2003), temporary and degressive budgetary compensation will be offered to the candidate State; this compensation would have to remain within the annual margins allowed under the Berlin ceilings for enlargement.
- The ring fencing of expenditure for 2004-2006 established in Berlin must be complied with, and the general effort to achieve budgetary discipline laid down by the Berlin European Council should be continued from 2007 onwards.

The Copenhagen European Council established the maximum appropriations for commitments for agriculture, structural operations, internal policies and administration for the new member states on the basis of these principles.

Table 8
Copenhagen agreed financial package
(maximum enlargement-related commitments 2004-2006 for 10 new member states)
(million €, 1999 prices)

	2004	2005	2006	Total
Heading 1: Agriculture	1 897	3 747	4 147	9 791
of which: 1a. CAP	327	2 032	2 322	4 681
1b. Rural development	1 570	1 715	1 825	5 110
Heading 2: Structural actions after capping	6 070	6 907	8 770	21 747
of which: Structural Fund	3 453	4 755	5 948	14 156
Cohesion Fund	2 617	2 152	2 822	7 591
Heading 3: Internal policies and additional transitional expenditure	1 457	1 428	1 372	4 257
of which: Existing internal policies	846	881	916	2 643
Nuclear safety	125	125	125	375
Institution-building	200	120	60	380
Schengen facility	286	302	271	859
Heading 5: Administration	503	558	612	1 673
Total (Headings 1,2,3 and 5) (1)	9 927	12 640	14 901	37 468
Heading X:				
Special cash flow facility	1 011	744	644	2 399
Temporary budgetary compensation	262	429	296	987
Total (2)	1 273	1 173	940	3 386
TOTAL (1)+(2)	11 200	13 813	15 841	40 854

Source: Annex I (Budgetary and financial issues) - Copenhagen European Council, 12 and 13 December 2002 – Presidency Conclusions.

Where appropriate, the European Council made provision for allocating these amounts by country.

Table 9
Copenhagen agreed financial framework for enlargement
(total commitment appropriations 2004-2006)
(million €, 1999 prices)

	CY	CZ	EE	HU	PL	SI	LT	LV	SK	MT	Total
Heading 1: Agriculture											
1a. CAP											4 681
1b. Rural development**	66	482	134	534	2.543	250	434	291	352	24	5 110
Heading 2: Structural actions**											
	101	2 328	618	2 847	11 369	405	1 366	1 036	1 560	79	21 747
Heading 3: Internal policies											
Existing internal policies*							285	0	90	0	2 643
Nuclear safety*	0	0	0	0	0	0					375
Institution building											380
Schengen facility*	0	0	69	148	280	107	136	71	48	0	859
Heading 5: Administration											1 673
Heading X:											
Special cash flow facility*	38	358	22	211	1 443	101	47	26	86	66	2 399
Temporary budg. comp.*	300	389	0	0	0	131	0	0	0	166	987
Total Commitments											40 854

* These amounts are fixed. (Total Structural actions includes € 38 million of non-allocated technical assistance.)

** These amounts are indicative.

Source: Annex I (Budgetary and financial issues) - Copenhagen European Council, 12 and 13 December 2002 – Presidency Conclusions.

To sum up, through greater budgetary discipline the EU has essentially maintained its model of agricultural policy by making it compatible with the enlargement process during the forthcoming transitional stage.

It is within the scope of this agreement, which has been presented as “A fair and tailor-made package which benefits farmers in accession countries”, that the effects of enlargement on agriculture must be examined.

A fair and tailor-made package which benefits farmers in accession countries

- Rural development: the new member states will receive a rural development package which is specifically adapted to their requirements and has more favourable conditions than those applied to the present EU member states; the amount available for the 10 applicant countries is fixed at 5,1 B euros for 2004-2006.
- Direct payments: direct aids for the new member states will be phased in over 10 years; they will thus receive 25% of the full EU rate in 2004, rising to 30% in 2005 and 35% in 2006; this level can be topped up by 30% to 55% in 2004, 60% in 2005 and 65% in 2006; until 2006 the top-up payments can be co-financed up to 40% of the EU level from the new member states' rural development funds; however, the share of EU rural development funds used for the top-up cannot exceed 20% (or 25% in 2004, 20% in 2005 and 15% in 2006); from 2007, the new member states may continue to top up EU direct payments by up to 30% above the applicable phasing-in level in the relevant year, but financed entirely by national funds.
- Market measures: the farmers from the new member states will have full and immediate access to Common Agricultural Policy (CAP) market measures, such as export refunds and cereal, skimmed milk powder or butter intervention, which will contribute to stabilising their incomes.

Source: European Commission Fact Sheet - MEMO/02/301, Brussels, 20 December 2002

4.2. The enlargement and agriculture: the case of the southern Mediterranean countries

As explained, agriculture and the rural world in the enlarged EU will evolve in the medium term within a framework which can now be considered to be relatively well defined. The long approach process of the 10 new member states has produced a new spatial equilibrium with regard to trade and investment flows and has influenced the reform of Community policies, which has resulted in an institutional and political framework conditioned to a large extent by enlargement objectives. The budgetary allocation of Community resources itself is also the outcome of the accession process and of the financial demands resulting from enlargement. And finally, to complete this framework, the agreements concluded on the application of the CAP to new member states, which were referred to in the previous section, lay down the rules to be applied in the post-accession transitional period.

This is thus the context in which the effects of enlargement on the rural regions of Europe and the southern Mediterranean countries with which the Union has strong neighbourhood relations must be placed in perspective. Bearing this in mind, let us consider several aspects of the issue.

Agricultural trade flows

The enlargement of the EU customs union to the countries of Central and Eastern Europe involving the total abolition of obstacles to intra-EU trade and the adoption of Community tariffs by new member states with regard to third countries will change the tariff structure of the CEECs. However, generally speaking, the level of external protection of these countries need not undergo any appreciable modification compared to the present situation. Chevassus-Lozza et al (2002) have estimated that the average level of protection for agricultural commodities and food products and for the main importers of these products (Poland, Hungary, Romania, Czech Republic and Slovakia) will be reduced as from 1998 from 19.% to 16.5%.

At all events, in this scenario of the overall – albeit minor – reduction of the common external tariffs of the CEECs, an expansive effect on the new member states' total demand for agricultural and food imports should be expected, which will benefit present member states and third countries, including the SEMCs.

In particular, the enlargement to Central and Eastern European countries constitutes an opportunity to develop the market for Mediterranean products, contrary to the situation with the enlargements to southern countries in the 1980s (Greece in 1981, followed by Spain and Portugal in 1986), which helped to enhance the self-sufficiency of the Community. Although, here again, this expansion effect will not be particularly significant in the future, since the present situation already reflects the gradual opening of markets that has been brought about in the last decade. It cannot be plausibly concluded, for instance, that vegetable and fruit exports from the EU-15 to the CEECs will continue in the near future to register the high annual growth rates recently recorded (7.2% and 10.1% on average respectively in the period from 1997 to 2000).

In fact, the opportunities that this global market expansion may open up for the exports of non-European countries bordering on the Mediterranean would seem to be much less significant from the outset.

First of all, because this impact will not be uniform for all member states, since it depends on the respective trade policies pursued before the accession, or for all products. According to the survey conducted by Chevassus-Lozza et al, the average level of protection would be reduced in Hungary and, in particular, in Poland (from 15% to 10.2% and from 28.6% to 14.8% respectively), but it should increase in the remaining countries (from 4.2% to 17.5% in the Czech Republic, from 3.5% to 21.1% in Slovakia, and from 21.8% to 30.1% in Romania). As regards sectoral trade, while market access would be facilitated for milk products, beverages and meats, the tariffs applying to cereals, sugar, fruits and vegetables – products of particular interest to Mediterranean countries – would increase on the whole, to the disadvantage of third countries. Although a survey of this nature is not specifically conclusive with regard to each of the so-called “sensitive” products (which account for a large share of the SEMCs' agricultural exports), which would require a more detailed breakdown, the differentiation presented is nevertheless revealing.

Secondly, we must bear in mind that the overall impact produced by adopting the Community tariff and trade system is not the sole effect of the enlargement of a tariff union (Viner, 1950, in Chevassus-Lozza et al). In addition to the direct effect on the overall imports of the new member states, which we have examined so far, there is also the indirect effect of the diversion of trade flows for the benefit of intra-Community trade and to the disadvantage of third countries, as the result of the abolition of barriers to internal trade within the enlarged Community.

Considering the combined impact of these two effects of enlargement, Chevassus-Lozza et al estimate that the CEECs will register an increase of 9.4% in their overall imports of agricultural and food products, while their imports from third countries will decrease by 3.4%. Within this framework, the EU would stand to gain most from the enlargement from the point of view of agricultural and food exports, with an increase of 20.7% in its sales to the CEECs, in particular its sales of fruit and vegetables, oil products, cereals, meats and beverages. The countries of the Central European Free Trade Agreement (CEFTA) would be the main victims of the trade diversion, although this second effect of trade flow diversion may also have a significant negative impact on Mediterranean products and thus on the SEMCs.

In fact, the full integration of 10 new member states into the EU in May 2004, will help above all to consolidate the present pattern of agricultural trade between the Union and those countries, which is characterised by the virtually total dependence of the latter as regards the supply of Mediterranean products, the Community being the main provider.

Thus, from the point of view of the southern Mediterranean countries and the opportunities that this market expansion can open up, the effects will have to be qualified. By virtue of the principle of Community preference, the agricultural sectors of the southern countries of the EU will be the principal beneficiaries of this anticipated increase in demand, which they will explore by stepping up production and increasing output and, if necessary, by redirecting their exports to the markets of new Community partners. According to this fundamental principle of the CAP, Community market mechanisms ensure that producers inside the Community are always in a more favourable position than competing overseas suppliers.

As was pointed out in the CIHEAM Annual Report for 2002, intra-EU agricultural trade will furthermore mean discrimination in favour of products from southern European countries (Spain, Greece, Portugal and Italy) to the disadvantage of imports from SEMCs (in 1998-2000 the EU Mediterranean countries accounted for 26.2% of total EU imports, while SEMCs accounted for only 2.2%).

It is also by virtue of the CAP principle of Community preference that an "agricultural exception" logic continues to prevail with regard to Euro-Mediterranean relations. As demonstrated in the CIHEAM Report for 2002, "one can hardly speak of a free trade area" as far as Euro-Mediterranean relations are concerned. Despite the Barcelona Declaration, which stated that "trade in agricultural products" would be "progressively liberalised", the concessions granted by the EU to its Mediterranean third country partners in the form of free access to the Community market depend primarily on the interests of European producers, and "take little account of the real export possibilities of those countries". Actually, Community preference means that trade concessions granted to third countries must not create any difficulties for European producers competing with them on the Community market.

In this context, the potential benefit for SEMC agricultural exports provided by EU enlargement will depend primarily on the freedom of Euro-Mediterranean trade and on the access for SEMCs to the Community market which will result from the Barcelona process and the ensuing establishment of the EMFTA on the one hand and from the opening of the European agricultural market itself on the other. And the effects of enlargement will continue to be reflected indirectly in the reform of the CAP, which is tending to reduce the external protection of Community markets, or, in other words, is reducing Community preferences.

Finally, the trade benefits to be obtained by the SEMCs from this enlargement will ultimately depend on the ability of the SEMC agricultural sectors to meet the quality requirements of Community demand, to adjust their production cycles in order to explore the seasonality of those markets and to move to more diversified export structures based on high-value-added products (CIHEAM Annual Report 2002).

Financial and budgetary issues

As we have seen, the financial and budgetary rules which will govern the integration of the agricultures of the 10 new member states into the CAP in the transitional period extending up to 2013 will provide a basis for maintaining the bulk of the present pattern of European agricultural policy within a framework of greater budgetary discipline. The solutions adopted have avoided the dismantlement of the present CAP, which is considered by some to be inevitable in view of the budgetary implications of the application of policy measures currently in force to new member states.

But what are the implications of the budgetary and financial consequences of the process for the SEMCs? The impacts will be essentially indirect in this field, more so than in others, and will reflect the internal consequences within the EU. We must therefore bear in mind, above all, the implications in the Community of the measures in force concerning common agricultural expenditure and how they will develop during the transitional period.

To answer this question we have relied on a survey on the future of the structural funds, in which agricultural policy expenditure in the EU up to 2013 has been forecast by Avillez (2003), taking account of the enlargement to 10 new member states as of 2004 and assuming that enlargement to Bulgaria and Romania will take place in 2007. The forecasts presented in Table 10 have been obtained on the basis of assumptions as to the level and evolution of the three main types of CAP expenditure – market measures, direct payments and rural development.

Table 10
Forecasts of expenditure on agricultural policies in the EU in the 2006-2013 period
(at current prices in 2003)

(million €)	2006	2007	2008	2009
EU-15:				
Market expenditure	14 716	14 427	14 145	13 867
Direct payments	25 485	24 952	24 090	22 826
Sub-total	40 201	39 379	38 235	36 693
Rural development	4 730	4 730	4 730	4 730
Total	44 931	44 109	42 965	41 423
New MS (10+2):				
Market expenditure	915	1 190	1 167	1 144
Direct payments	1 600	2 913	3 655	4 797
Sub-total	2 515	4 103	4 822	5 941
Rural development	1 977	2 694	2 694	2 694
Total	4 492	6 797	7 516	8 635
EU enlarged (25...27):				
Market expenditure	15 631	15 618	15 311	15 011
Direct payments	27 085	27 865	27 745	27 623
Sub-total	42 716	43 483	43 056	42 634
Rural development	6 707	7 424	7 424	7 424
Total	49 423	50 907	50 480	50 058
% var. EU enlarged/EU-15	10.0	15.4	17.5	20.8
Ceiling (market + direct payments)	42 716	43 483	43 057	42 634

Table 10 (contd.)

(million €)	2010	2011	2012	2013	% var 2013/2006
EU-15:					
Market expenditure	13 595	13 329	13 067	12 811	-12.9
Direct payments	21 903	20 978	20 051	19 123	-25.0
Sub-total	35 498	34 307	33 118	31 934	-20.6
Rural development	4 730	4 730	4 730	4 730	0.0
Total	40 228	39 037	37 848	36 664	-18.4
New MS (10+2):					
Market expenditure	1 122	1 100	1 078	1 057	15.5
Direct payments	5 597	6 396	7 196	7 995	399.7
Sub-total	6 719	7 496	8 274	9 052	259.9
Rural Development	2 694	2 694	2 694	2 694	36.3
Total	9 413	10 190	10 968	11 746	161.5
EU enlarged (25...27):					
Market expenditure	14 717	14 428	14 145	13 868	-11.3
Direct payments	27 500	27 374	27 247	27 119	0.1
Sub-total	42 217	41 802	41 392	40 987	-4.0
Rural development	7 424	7 424	7 424	7 424	10.7
Total	49 641	49 226	48 816	48 411	-2.0
% var. UE enlarged/EU-15	23.4	26.1	29.0	32.0	
Ceiling (market + direct payments)	42 216	41 803	41 393	40 987	-4.0

Source: adapted from Avillez (2003).

The basic assumptions on which such forecasts were based are essentially as follows:

- **Base year (2006; 2007 for Bulgaria and Romania):**
 - EU-15: amounts estimated on the basis of the decisions of the 1999 Berlin Summit;
 - 10 new member states: amounts laid down at the Copenhagen Summit in 2002;
 - Bulgaria and Romania: amounts estimated on the basis of the information available
 - The distribution of 1st pillar expenditure (between market expenditure and direct payments) was based on the amounts verified in 2000 (for the EU-25).
- **2007-2013 period:**
 - market expenditure: was kept constant in nominal terms (amounting to a reduction, in real terms, at the annual inflation rate of 2%);
 - rural development: was kept constant in current terms (amounting to an increase, in nominal terms, at the annual inflation rate of 2%);
 - direct payments:
 - o EU-15: subject to the progression of ceilings laid down at the Brussels European Council in 2002 (amount estimated for 2006 for 1st pillar expenditure in the EU-25, increasing by 1% per year up to 2013);
 - o 10 new member states: will develop at fixed prices on the basis of the rates agreed : 35% in 2006, 40% in 2007 and 10% per year in the following years so as to reach 100% by 2013;
 - o Bulgaria and Romania: will develop at fixed prices on the basis of the percentages as follows: 25% in 2007, 40% in 2008, 60% in 2009 and 10% per year in the following years so as to reach 100% by 2013.

It was also assumed that the integration of Bulgaria and Romania, which is largely responsible for the increase in expenditure between 2006 and 2007 in the group of new member states, will require modification of the ceiling for market expenditure and direct payments by including the relevant amounts estimated for those countries for the period up to 2007. This new ceiling will continue to grow, in nominal terms, at the annual rate of 1% as agreed at the Brussels European Council. This restrictive ceiling will limit direct aids for the present 15 member states.

It should be pointed out that, as has already been mentioned, the gradual implementation of the differentiated modulation approved in the MTR should introduce changes in the breakdown of the CAP budget appropriations in the three major categories of expenditure considered. In fact, savings on direct payments will be allocated to the 2nd pillar, i.e. will strengthen rural development measures. According to the Commission's estimates, "a modulation rate of 5% will result in additional rural development funds of 1.2 billion € a year". A change of this nature in the composition of agricultural expenditure was not taken into account in the forecasts carried out, although the anticipated transfer of funds will not affect the overall amount.

Analysis of the forecasts (Table 10) reveals some of the effects that enlargement will have on the level and trend of EU agricultural expenditure within the budget framework agreed:

effects of the enlargement (static effects – in the same year)

- the integration of 10 new member states into the CAP will account for an increase of 10.0% in agricultural expenditure in 2006 (€ 44.9 billion in EU-15 as against € 49.4 billion in EU-25);
- the enlargement to 27 member states, with the integration of Bulgaria and Romania in 2007, will mean a 15.4% increase in agricultural expenditure that year compared to EU-15 (from € 44.1 billion in EU-15 to € 50.9 billion in EU-27); in 2013, this enlargement to 12 new member states will involve a 32% increase in that expenditure (from € 36.7 billion in EU-15 to € 48.47 billion in EU-27)

effects of transitional rules (dynamic effects – during the transitional period)

- as far as the EU-15 is concerned, the budgetary discipline adopted in order to meet the enlargement challenge requires an 18.4% reduction of overall agricultural expenditure in real terms between 2006 and 2013 (from € 44.9 billion in 2006 to € 36.7 billion in 2013);
- with regard to the enlarged EU, this budgetary discipline involves a 2.0% reduction of overall agricultural expenditure in real terms between 2006 and 2013 (from € 49.4 billion in 2006 to € 36.7 billion in 2013)

overall effect of enlargement (dynamic effect – during the transitional period)

- as a result of the enlargement from 15 to 27 member states, agricultural expenditure will increase by 7.7% in real terms during the transitional period from 2006 to 2013 (from € 44 billion in EU-15 in 2006 to € 46.4 billion).

Although the forecasts carried out are preliminary estimates with limitations due to the assumptions made, several interesting conclusions can be drawn from Table 10:

- The solutions adopted concerning either the level or progression of production-related direct payments to be applied in the new member states up to 2013, or the maximum level and progression of expenditure on agricultural markets and production-related direct payments between 2007 and 2013, made it possible to organise EU enlargement without any very significant implications for the present agricultural expenditure of the EU-15 (which will increase by only 7.7% in the aggregate).
- When we consider that enlargement will itself require an appreciable increase in agricultural expenditure (+10% in 2006 and +32% in 2013), the overall effect will only be cushioned during the 2006-2013 period by means of a very restricted budgetary framework through which the increase in the overall expenditure involved in the enlarged Union (+2.0%) can be offset.
- This expenditure restraint will be achieved in particular through the expenditure for the group of the EU-15, which will register cuts in their current amounts between now and 2013 (-18.4%), and in particular, in the amounts of the relevant production-related direct payments (-25%); it should be noted that the latter cuts may possibly be mitigated by budgetary gains obtained in the relevant expenditure on agricultural markets.

Although, as pointed out in paragraph 4.1, the decisions taken with regard to Europe at the end of 2002 do not prevent an increase in the overall appropriations for rural development (2nd pillar of the CAP), the margin for accommodating an increase does not seem to be very wide.

To sum up, the enlargement of the EU from 15 to 25 member states will inevitably cost the Union, and in particular the present EU-15, a considerable amount. The transitional rules agreed in 2002 will mitigate those costs but will never completely eliminate them. The dismantlement of the present CAP, desired by some and feared by others, has been avoided, but the policy model ensuing from this Mid-Term Review actually has more modest financial resources in view of the number of agricultural sectors that are to be integrated. Regardless of any changes that may occur in the composition of the overall amount of agricultural funds in favour of the 2nd pillar of the CAP, that amount will not be enough to ensure the level of protection and support enjoyed hitherto after enlargement.

Moreover, enlargement will very probably be extended to new member states such as Bulgaria and Romania and, later, Turkey. Further reform of the CAP is also expected aiming at the complete decoupling of payments and probably involving the general dismantling of market price support and the gradual reduction of payments to more competitive agricultural systems. According to Avillez (2003), it is to be expected in this scenario that resources should be saved through the profound changes made in the composition of expenditure with a view to backing up rural development measures. In this case, the question that remains is whether and to what extent within a more restrictive context such savings will be earmarked exclusively for consolidating the 2nd Pillar of the CAP or whether they will be channelled into the financing of non-agricultural policies of the Union.

The present and the new member states will bear the financial costs of enlargement in different ways – the former by virtue of the budgetary discipline established, and the latter through the phasing-in rules for agricultural support. However, it is difficult to say to what extent the budgetary and financial effects of this process will affect the SEMCs.

We can argue that the lack of resources will increase the pressure to reform the CAP with a view to bringing about major liberalisation of markets on the one hand, which would be favourable for the agricultures of third countries, and, on the other hand, to reducing agricultural expenditure, which would promote the allocation of financial resources to other EU policies.

From another point of view, we must bear in mind that the consolidation of a European model of agricultural policy which, as the result of the increasing decoupling of aid payments and the effective consolidation of rural development measures, has a very marked regional bias – to the detriment of the present sectoral model – will be favourable for the southern countries of the EU and will open up new opportunities for diversifying production to the advantage of typical Mediterranean products. Enlargement may thus, over time, promote EU self-sufficiency in these products, which the SEMCs also export. The extent to which the potential market developments will compensate the lack of financial resources for development policies (in both Mediterranean shores) remains to be seen.

Concluding remarks

The profound changes which EU enlargement will continue to bring about in Europe and in its external relations have confronted the Mediterranean countries with new and important challenges for the near future. It is not yet clear to what extent these challenges may present an opportunity for or a threat to agriculture in the region, since the answer depends on several factors and circumstances as yet undefined.

In fact, the potential gains that the enlarged UE-25 may offer the Mediterranean countries, either by expanding access to the European markets, attracting new FDI to the region, enhancing emigration to the Community or reinforcing the Association Agreements with the SEMCs, may never materialise. Due to the scarcity of financial resources and the budget restrictions in force, the risk of enlargement becoming a threat to the region is high, since it could exacerbate, rather than correct, its precarious situation.

As has already been stated, it is up to the Mediterranean countries to make an effort to overcome their weaknesses and explore their strengths with a view to the market and other opportunities that enlargement can offer.

However, the point of departure is so unfavourable for the southern countries that only extensive redefinition of the internal and external priorities of the EU itself to promote those countries could lead to a globally positive impact of enlargement on the region. In fact, enlargement can only be expected to benefit the Mediterranean region and promote interregional balance if the Community augments its commitment to the development and prosperity of Mediterranean countries and to the consolidation of relations with the SEMCs.

But this would require a real regional strategy, which could guide the Union in its pursuit of extensive reform of its internal policies – with special emphasis on agricultural and rural development policy – and lead it to a southern proximity policy that is more consistent with the intentions and priorities proclaimed in political discourse. This would seem to be the most advisable way to change the present situation for the better.

At the same time, in view of the risks facing the Mediterranean region in this enlargement process, it would also be wise to press the Community to adopt measures to offset any negative effects in the various fields, namely tariff concessions and special conditions for access to European markets.

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