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Berlin European Council: Agenda 2000, Conclusions of the Presidency

At the Berlin European Council meeting on 24 and 25 March 1999, the Heads of State and Government reached agreement on the political and financial guidelines proposed by the Commission in Agenda 2000. The Council considers that the policy reforms set out in these conclusions, and the financial framework to fund them over the medium term, will enable the Union to face the challenges of the forthcoming period and to conduct its future enlargement with success. This newsletter summarises the Council conclusions with regard to the new financial perspectives, the Common Agricultural Policy, and structural measures. The European Parliament is due to give its final opinion on the whole Agenda 2000 package during the May plenary session.

Financial Perspectives

The new financial perspectives are established for a period of seven years (2000-2006), and are drawn up on the working assumption that the accession of new Member States will take place from 2002. The new perspectives have been based on constant 1999 prices, with automatic annual adjustments for inflation as in the past.

The ceiling for own resources will be maintained at the current level of 1.27% of the Community GNP. These resources must allow the pursuit of the objectives set for community policy, while respecting budgetary discipline. This can be achieved through a fair, transparent, and cost-effective system. Care has also been taken to ensure that the Union's public expenditure does not rise more quickly than those of the Member States. The reform of the CAP will also help to reach the overall objective of stabilising Union expenditure.

Agricultural expenditure

The European Council confirmed that CAP expenditure between 2000 and 2006 will, on average, amount to 40.5 billion euro annually (i.e. a total of 283.5 billion euro in real prices) for existing CAP measures (which include the accompanying measures), to which will be added a further 14 billion for rural development, veterinary and plant health measures. The Council agreement results can be summarised in the financial table below.

Independently from the annual expenditure listed in the table, the agricultural guideline remains unchanged, except in the event of adjustments which may be deemed necessary before the first enlargement of the EU. The agricultural pre-accession instrument (SAPARD) and the amount set aside for accession should be added to the expenditure mentioned below and will be taken into account for the calculation of the ceiling established by the guideline.

Expenditure 2000 – 2006 (in million euro, 1999 prices) (1)

	2000	2001	2002	2003	2004	2005	2006	Total
Total future CAP	40 920	42 800	43 900	43 770	42 760	41 930	41 660	297 740
of which (a) markets (2)	36 620	38 480	39 570	39 430	38 410	37 570	37 290	267 370
(b) rural development (3)	4 300	4 320	4 330	4 340	4 350	4 360	4 370	30 370

(1) For calculating the amounts in current prices, a deflator of 2% will be used.
(2) Including veterinary and plant health measures, and excluding accompanying measures.
(3) - Including accompanying measures.
- The rural development measures financed by the EAGGF Guidance section outside Objective 1 programmes are additional to this expenditure.
- The annual average of these amounts corresponds to the Commission proposals in Agenda 2000.
- All rural development actions are co-financed by European Commission and Member States.

CAP reform

The content of the CAP reform aims to ensure that European agriculture is multifunctional, sustainable and competitive throughout Europe, including regions with specific problems. Agriculture must play its role in preserving the countryside and natural open spaces, and make a key contribution to the vitality of rural life. It must be capable of responding to consumer concerns as regards food quality and safety, environmental protection and the safeguarding of animal welfare.

The European Council considers that the implementation of the reform within the new financial framework will be more in keeping with actual levels of spending, and will stabilise agricultural expenditure over the period. It recognises the efforts which have been made to curb the budget within the framework of CAP reform, and underlines that this reform will constitute an essential element in defining the Commission's negotiating mandate for the forthcoming multilateral trade negotiations within the World Trade Organisation (WTO).

Agriculture: Measures adopted by the European Council

The European Council's amendments to the compromise on the proposals for the dairy and cereals sector reached at the Agriculture Council on 11 March 1999 reflect efforts to take account of budgetary constraints.

- **Milk:** The reform of the dairy sector will apply, but will enter into force as from the 2005-2006 marketing year, without prejudice to decisions concerning the specific additional dairy quotas. The reform provides for a reduction of the intervention price by 15% in three steps and an overall quota increase of 1.5%. The current quota system would therefore stay in force until 2007-2008.

- **Arable crops:** For **cereals**, the principles of the proposed reform were endorsed. Only three parameters will be modified:
  - The intervention price will be reduced by 15% in two equal steps of 7.5% for the marketing years 2000/2001 and 2001/2002. However, market development as of the marketing year 2002/2003 will be analysed closely in order to establish whether further reductions are required.
  - Compensation of approximately 50% of the reduction of the intervention price is maintained. The increase of compensation payments per hectare (currently 54.34 euro multiplied by the reference yield), to be effected in two equal steps, will amount to 63 euro.
  - The base rate of compulsory set-aside will be fixed at 10% for the period 2000 – 2006.

Monthly increments will be maintained at the current level.

For **oilseeds**, progressive adjustments aligning aid per hectare to that of cereals is confirmed. An analysis of the production potential, accompanied by appropriate proposals, if necessary, will be issued at the end of the second phase.

- **Beef:** The compromise reached by the Agricultural Council was endorsed. The Commission will follow market developments closely and implement the required regulatory measures, which might include the use of ad hoc intervention buying in.

- The compromises on the **wine sector** and on **rural development policy** were also confirmed, as were all horizontal measures applying to all sectors (details are available from the special newsletter of 11 March 1999 or from the web site: <http://europa.eu.int/comm/dg06/index.htm>).

In view of the specificity of agriculture in Portugal, the European Council recognised the need to improve the balance of the support granted to agriculture by means of rural development measures financed from the EAGGF Guarantee section. Moreover, the maximum guaranteed area for durum wheat will be increased from 59,000 ha to 118,000 ha.

Finally, the European Council requested that the Commission present, in 2002, a report on the development of agricultural expenditure accompanied, if necessary, by appropriate proposals in line with the reform and the budget consensus.

Arable Crops: Prices and Payments

	1999	2000	2001	2002	2003	2004	2005	2006
Cereals/maize								
in euro/tonne								
- intervention price	119.19	110.25	101.31	101.31 [1]	101.31 [1]	101.31 [1]	101.31 [1]	101.31 [1]
- compensation	54.34	58.67	63.00	63.00 [1]	63.00 [1]	63.00 [1]	63.00 [1]	63.00 [1]
Protein crops	78.49	72.50	72.50	72.50	72.50	72.50	72.50	72.50
in euro/tonne								
Oilseeds	94.24 [2]	81.74	72.37	63.00 [3]	63.00 [3]	63.00 [3]	63.00 [3]	63.00 [3]
in euro/tonne/cereals equivalent								
Non-textile linseed [4]	105.10	88.26	75.63	63.00 [1]	63.00 [1]	63.00 [1]	63.00 [1]	63.00 [1]
in euro/tonne								
Durum wheat [5]								
Additional payment per hectare								
- traditional areas	344.50	344.50	344.50	344.50	344.50	344.50	344.50	344.50
- other areas	138.90	138.90	138.90	138.90	138.90	138.90	138.90	138.90
Potato starch [6]								
per tonne of starch								
- minimum price	209.78	194.05	178.31	178.31 [1]	178.31 [1]	178.31 [1]	178.31 [1]	178.31 [1]
- compensation	86.94	98.74	110.54	110.54 [1]	110.54 [1]	110.54 [1]	110.54 [1]	110.54 [1]
Silage grass	none	58.67	63.00	63.00 [1]	63.00 [1]	63.00 [1]	63.00 [1]	63.00 [1]
in euro/tonne								
Set-aside	68.83	58.67	63.00	63.00 [1]	63.00 [1]	63.00 [1]	63.00 [1]	63.00 [1]
in euro/tonne								

NB: A special measure applies to **cereals and oilseeds** in Finland and Sweden: a fixed drying premium of 19 euro per yield tonne will be introduced from the year 2000.

(1) May change from the year 2002 if the intervention price is lowered, in which case aid will be increased.
(2) Subject to the reference price system.
(3) May change from 2002 in the event of a reduction of the intervention price and/or an overall revision of the sector. NB: Up to and including 2001, aid can be calculated on the basis of the oilseed yield expressed in cereal equivalent multiplied by a factor of 1.95. As from 2002, aid will be calculated on the basis of the cereal yield. The Blair House system will apply throughout the whole transitional period (aid reduced if the maximum guaranteed area (MGA) is exceeded).
(4) No changes for fibre flax.
(5) Subject to maximum guaranteed area per Member State; the MGA for Portugal was increased from 59,000 ha to 118,000 ha.
(6) Subject to Member State quotas; compensation was increased to 75 % to offset quota reductions.

Set-aside: base rate has been cut from 17.5% to 10%; effective rate may be adapted according to market conditions. Payments (currently made between 16 October and 31 December) are made between 16 November and 31 January.

Small producers (less than 92 tonnes): exemption from compulsory set-aside is maintained. From 2000, specific payments for oilseeds, protein crops, linseed and maize will be available to these producers instead of the payments based on the average "all cereals" yields. These producers may also participate in the voluntary set-aside scheme.

Beef sector: prices and compensatory payments (in euro)

	Current market support	Price reduction compromise	Intervention price 2000/01		Intervention price 2001/02		Basic price 2002/...	
A. Current intervention price				Market support		Market support		Safety net level
3,475 /t	(2,780 /t)	20%	3,242 /t	2,594 /t	3,013 /t	2,410 /t	2,224 /t	1,560 /t
B.1. Premium	**Current amount**	**Compromise amount**	**2000**		**2001**		**2002/...**	
Bull premium	135.00	210	160		185		210	
Steer premium (x2)	108.70	150	122		136		150	
Suckler cow premium	144.90	200	163		182		200	
Suckler cow NAT. supl.	30.19	50	50		50		50	
Adult animals (slaughter premium)	0.00	80	27		53		80	
Calves (slaughter premium)	0.00	50	17		33		50	
B.2. National envelopes (in million euro)			**2000**		**2001**		**2002/...**	
	B	39.4	13.1		26.3		39.4	
	DK	11.8	3.9		7.9		11.8	
	D	88.4	29.5		58.9		88.4	
	GR	3.8	1.3		2.5		3.8	
	E	33.1	11.0		22.1		33.1	
	F	93.4	31.1		62.3		93.4	
	IRL	31.4	10.5		20.9		31.4	
	I	65.6	21.9		43.7		65.6	
	L	3.4	1.1		2.3		3.4	
	NL	25.3	8.4		16.9		25.3	
	A	12.0	4.0		8.0		12.0	
	P	6.2	2.1		4.1		6.2	
	FIN	6.2	2.1		4.1		6.2	
	S	9.2	3.1		6.1		9.2	
	UK	63.8	21.3		42.5		63.8	
	EU-15	493.0	164.4		328.6		493.0	
B.3. Extensification premium (in euro)	**Current amount**	**Compromise amount**	**2000**		**2001**		**2002/...**	
either < 1.4 LU (livestock unit)		100	100		100		100	
or > 1.6 < 2		33	33		33		-	
> 1.6		66	66		66		-	
> 1.4 < 1.8		40	-		-		40	
< 1.4		80	-		-		80	

Structural Operations

The European Council underlined the significance of economic and social cohesion as one of the founding principles of the EU Treaty and recognised the need for achieving greater concentration of Structural Fund assistance, improving the management and the administration of the Structural and Cohesion Funds and simplifying their operation. In keeping with the overall financial effort, the budget for these Funds has been set at 213 billion euro for the period 2000-2006, of which 195 billion will be allocated to the Structural Funds and 18 billion to the Cohesion Fund.

Priority Objectives of the Structural Funds

The European Council has confirmed that the number of development Objectives will be reduced to three:

- **Objective 1** will promote the development and the structural adjustment of regions whose development is lagging behind. Objective 1 status for the period 2000-2006 will be conferred to:
  - regions where the per capita GDP is less than 75% of the Community average;
  - the most remote regions (the French overseas Departments, the Azores, Madeira and the Canary Islands), all of which are below the 75% threshold;
  - areas eligible under the current Objective 6 for the period 1995-1999 pursuant to the Act of Accession of Finland and Sweden.

- **Objective 2** will support the economic and social conversion of areas facing structural difficulties. These will include areas undergoing economic and social change in the industrial and service sectors, declining rural areas (located outside of Objective 1 regions), urban areas in difficulty, and depressed areas dependent on fisheries, defined on the basis of objective criteria laid down in the legislative texts. A maximum of 18% of the Union's population will be covered by the new Objective 2, including 5% in rural areas.

- **Objective 3** will assist the adaptation and modernisation of policies and systems of education, training and employment. It will apply outside of Objective 1 regions.

Actions for the fisheries sector outside Objective 1 regions will be supported by the Financial Instrument for Fisheries Guidance (FIFG) with an amount of 1.1 billion euro over the period, 875 million of which should come from "heading 1".

	Amounts (billion euro)	%	Transitional support (%)
Objective 1	135.90	69.7%	4.3%
Objective 2	22.50	11.5%	1.4%
Objective 3	24.05	12.3%	-

Community Initiatives and innovative actions

In the light of the added value that Community Initiatives offer over and above the principal Objectives, the number of Community Initiatives will be reduced to three: INTERREG (cross-border, transnational and interregional co-operation), EQUAL (transnational co-operation to combat all forms of discrimination and inequality in the labour market) and LEADER (rural development). 5% of the Structural Fund commitment appropriations should be set aside for the Community Initiatives, and 1% should be reserved for innovative actions and technical assistance.

Transitional support and particular situations

Adequate transitional support for regions which are no longer eligible for assistance are an essential counterpart to greater concentration of Structural Funds, so as to consolidate the results secured by intervention in former Objective 1 regions, and to support the end of the conversion process in areas ceasing to be eligible under Objective 2 and 5b. The European Council has also adopted a series of measures which respond to particular situations in various EU regions.

Cohesion Fund

The European Council considers that the basic objectives of the Cohesion Fund, which was set up to further economic and social cohesion in the Union through a financial contribution to projects in the field of the environment and trans-European networks, still apply. It further considers that the four current beneficiaries (Spain, Greece, Ireland and Portugal), i.e. Member States with a per capita GNP of less than 90% of the Union average and implementing a programme for economic convergence, should continue to be eligible for the Fund in the year 2000. A review of eligibility based on the 90% average GNP criterion will be undertaken at mid-term in 2003.

For further information on structural operations, see DG XVI Newsletter No. 62 or consult the Inforegio web site: <http://inforegio.cec.eu.int>

In brief

Romano Prodi nominated next Commission President
The Heads of State and Government took note of the Commission's resignation and expressed their thanks for the work done for Europe. They asked Mr Prodi to take over the Presidency of the next Commission. This decision will be transmitted to the present European Parliament for approval.

New interinstitutional agreement
The European Council invited the Council of Ministers to work on a new interinstitutional agreement with the European Parliament and the Commission. The new agreement should reflect the substance of the Presidency conclusions, including the possibility of introducing a degree of flexibility (up to 200 million euro per year) in the annual budget procedure.

Agreement on EU/South Africa Free Trade Agreement

At the EU Summit in Berlin on 24 and 25 March 1999, an Agreement on Trade, Development and Co-operation between the EU and South Africa and a compromise package on Wines and Spirits was endorsed by the Heads of Government. This brings to an end three and a half years of difficult negotiations towards a Free Trade Agreement (FTA) between the EU and South Africa and also requires both parties to conclude a Wine and Spirits Agreement no later than September of this year.

The negotiations with South Africa are particularly important in the agriculture sector because they are the first such negotiations to be concluded by the EU with a third country in the light of the World Trade Organisation requirement that a Free Trade Agreement must cover "substantially all trade".

Various degrees of trade liberalisation

The agriculture part of the Free Trade Agreement involves various degrees of liberalisation in trade between the two parties (elimination of duties on various lists of products ranging from immediate liberalisation to liberalisation over longer periods of up to 10 years by the EU and up to 12 years by South Africa) and also certain "reserve list" products which are to be excluded from liberalisation for the moment (for example bananas, beef and sugar are among the products excluded by the EU). The treatment of the different products was determined according to various factors including product sensitivities and export interests. For certain products which are to be liberalised, but not immediately, some preferential transitional quotas will be introduced with immediate effect (the EU will benefit from such quotas on certain wines, South Africa will benefit on certain cheeses, cut flowers and wines). In addition, some products presently on the reserve exclusion lists will be subject to partial liberalisation by means of quotas (the EU will benefit from such quotas for certain cheeses, South Africa will benefit on certain cut flowers, canned fruits, juices and wines).

Wine and spirits: a package compromise

A compromise package on Wines and Spirits has also been agreed. This proved to be a difficult area of the negotiations mainly due to South Africa's reluctance to give up the use of the names "port" and "sherry". The main elements of the compromise package are that a Wines and Spirits Agreement between South Africa and the EU will be concluded as soon as possible and no later than September 1999, South Africa will phase out the use of the "port" and "sherry" names on all export markets within 5 years (8 years for their exports to non-SACU – SADC* countries), South African products may be marketed as "port " and "sherry" on their domestic market during a 12 year transitional period, (beyond that period the new denominations of these products used on the South Africa domestic market will be jointly agreed between South Africa and the EU) and the EU will provide a duty free quota for 32 million litres of South African wines to the EU (current level of trade) under the FTA and assistance of 15 million euro for the restructuring of the South African wine and spirits sector.

* South Africa Customs Union (South Africa, Botswana, Lesotho, Namibia, Swaziland) and South Africa Development Community (Namibia, South Africa, Zambia).

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