No. 23 › June 2000 [EN]

European Commission
Directorate-general of Agriculture

Newsletter

ISSN 1560-1862

Farm trade with the CEECs: preparing for accession

Parallel to the accession negotiations on the agriculture chapter of the acquis communautaire[1] with the ten central and eastern European countries (CEECs), agreements have been reached and talks are continuing aimed at progressively liberalising agricultural trade with each of these countries. The objective is to guard against opening the markets too suddenly for fear of adverse repercussions, bearing in mind that on the day of its accession each new Member State will enter the single market, in which trade must be completely free.

The talks are being led by the Commission under an open mandate (i.e. there are no lists of products excluded a priori) and are based on the principle that there must be an overall balance in the exchanges of additional commercial concessions. This mandate applies to all the CEECs, in both the first and the second wave of accession negotiations[1], but the outcome of the discussions with the ten countries will vary depending on how far each one of them is willing to open its market. In several sectors, such as milk, cereals and sugar, the gradual liberalisation of trade will depend above all on the progress made on bringing the CEECs' agricultural policies into line with the CAP. So far the policy gap in these sectors remains too wide to permit trade liberalisation without the risk of affecting the operation of the CAP.

Approach

The approach adopted, which is the same for each country, is to propose three lists of products subject to bilateral concessions:

- List 1. The least sensitive products (CEEC products subject to a Community customs duty of less than 10% and products not grown in the CEECs: citrus fruit, olives, olive oil, etc.): total and reciprocal liberalisation of trade.
- List 2. Products covered by the "double zero" option, that is to say the reciprocal opening of duty-free tariff quotas and the abolition of export aids. The quantities concerned must correspond as far as possible to the traditional volume[2] of trade during a reference period.
- List 3. Products subject to commercial concessions on a case-by-case basis. This list adjusts the balance of the quantities of products in list 2, since trade between the EU and a given country does not necessarily involve the same volume of one and the same product on both sides.

Results so far

The farm trade liberalisation negotiations have already resulted in agreements with Estonia, Hungary, the Czech Republic, the Slovak Republic, Latvia and, just recently, Slovenia, Bulgaria, Romania and Lithuania. Apart from Estonia, with which the EU has preferential free trade arrangements for all its agricultural exports, these agreements provide for the immediate liberalisation of most non-sensitive products, and in particular many Mediterranean products, and also the gradual liberalisation of the markets in poultry, pigmeat products and cheese under the "double zero" option. Proposals for Council regulations are being prepared and the new concessions should enter into force on 1 July.

These results are encouraging, but there is still a long way to go. Further progress needs to be made as and when the Union's partners are ready to do so, always on the basis of balanced reciprocal concessions, taking account of the specific situation of each CEEC and bearing in mind that the enlargement of the European Union is meant to bring greater prosperity to not only the new but also the current Member States. The negotiations thus remain open. The situation is more difficult in the case of Poland, which has increased its customs duties for some agricultural products. The Community has proposed including these products in the negotiations, for instance by adding them to list 2 (see "double zero" option above). The negotiations for the gradual liberalisation of agricultural trade are continuing on this basis.

(1) See Newsletter No 22. The negotiations on this chapter started with the "Luxembourg group", which consists of five CEECs (Poland, Hungary, the Czech Republic, Estonia and Slovenia) plus Cyprus, on 14 June.

(2) Three-year average.

Proposal for rice market reform

The Commission adopted a proposal for reforming the common market organisation for rice* on 7 June. The objective is to restore balance on the European rice market and to make Community rice-growing more competitive by increasing direct payments to producers and abolishing the intervention mechanism (in favour of private storage). The proposal also aims to ensure that rice-growing continues in areas where it is beneficial for the environment. The reform should enter into force from the 2001/02 marketing year.

Both imports and internal production of rice have increased, and at the start of the 1999/2000 marketing year intervention stocks totalled 303 000 tonnes of milled rice (20% of EU production). Without the proposed reform, stocks would be likely to increase each year, with serious financial consequences.

Increased direct payments

Under the proposal, rice would be included in the arrangements for arable crops. Direct payments (area payments to compensate for market price fluctuations in the absence of an intervention mechanism) would increase from € 52.65/tonne at present to € 63/tonne from the 2001/02 marketing year, thus reaching the level set for cereals in the Agenda 2000 package. The inclusion of rice among arable crops would enable farmers to choose between rice and other arable crops so they could react more readily to market signals. Set-aside would also apply to rice; at the current compulsory basic rate of 10%, there would be a drop in paddy rice production of some 150 000 tonnes, i.e. over 50% of the average taken into intervention over the last three years, which would thus help restore market balance.

Abolition of intervention

The abolition of intervention would be accompanied by a private storage measure which would come into play in the event of market disturbance. It would also mean the end of the existing system for determining import duties, whereby the maximum duty-paid import price is linked to the intervention price. Application of the Uruguay Round system of fixed tariffs would simplify the process and make it more transparent for all operators while promoting stability in international trade. Preferential import conditions (which apply to some 40% of imports at present) would continue to apply to those categories of rice subject to zero or low duties, while other qualities of rice which have acquired significant market shares would most probably continue to do so by reason of their specific characteristics and consumer preference. Aware that the new system could have an impact on some supplying countries, the Commission has said it is ready to negotiate with them to fulfil its international obligations.

Rice and the environment

Lastly, the producer Member States (Italy producing 52%, Spain 30%, Greece 8%, Portugal 6% and France 4%) will have to report to the Commission by 31 December 2003 on the environmental aspects of rice-growing, with special reference to the development of the crop in traditional areas and the effect of national measures taken to protect the environment in rice-growing areas that are set aside.

* COM (2000) 278.

In brief

Financial management of SAPARD: ensuring full use of available appropriations

The Commission adopted the financial management rules for the special accession programme for agriculture and rural development (SAPARD) in the central and eastern European countries (CEECs) on 7 June. The rules are based on the three principles listed by the Commission in its communication of 26 January: decentralisation to management agencies set up by each CEEC; financing arrangements based on differentiated appropriations and application of the EAGGF Guarantee Section clearance of accounts procedure[1]. A new element was added, however, to enable a financial commitment to be entered in the Community budget before the management bodies are formally accredited and before the financial memoranda are formally concluded. This would enable the € 520 million allocated to the CEECs as a whole for 2000[2] to be committed. Payments will not be made, however, until after the management bodies have been accredited. The Commission also held a conference in Brussels on 6 June on the implementation of the SAPARD programme. It was attended by the CEEC ministers of agriculture and Commissioner Franz Fischler.

(1) See Newsletter No 20.

(2) Allocation per country: see Newsletter No 14.

European Commission
Directorate-General of Agriculture

Editor: Stella ZERVOUDAKI, EC Directorate-General of Agriculture. In collaboration with the Directorates of DG Agriculture.
This publication does not necessarily express the official views of the Commission.
For further information: Rue de la Loi 200, B-1049 Bruxelles/Wetstraat 200, B-1049 Brussel - Belgium - Office: L/130-4/148A
Telephone: direct line (+32-2) 295 32 40, exchange (+32-2) 299 11 11. Fax: (+32-2) 295 75 40.
Telex: COMEU B 21877. Internet: <http://europa.eu.int/comm/dg06/index.htm>
Printed on recycled paper.

KF-AA-00-005-EN-C