NEGOTIATIONS ON ACCESSION AND IMPLEMENTATION OF THE EU COMMON AGRICULTURAL POLICY: THE SLOVAK EXPERIENCE

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Abstract. The accession of the 10 countries in May 2004 became possible on the basis of successful negotiations, which were on the national level handled by experts and politicians working together with the common aim to join the Europe of better options for the future. Agriculture plays an important role in the economic and political life of many of these countries. Following the successful negotiation process, the Slovak farmers, for example, have now the possibility to benefit from larger envelope of financial support which will help them in the transformation process, but essential for the future will be their own initiative in order to increase their competitiveness not only in the area of prices, but also quality of agricultural products. The future of the effective Slovak agriculture and higher quality of rural life is based on the shift of its orientation towards ecological and multifunctional agriculture.

Introduction

On 1st May 2004 Slovakia together with Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland and Slovenia joined the European Union, while Bulgaria and Romania hope to do so by 2007. The accession became possible only on the basis of successful negotiations which were on the national level handled by experts and politicians working together with the common aim to join the Europe of better options for our future. Agriculture plays an important role in the economic and political life of many of these countries. The agriculture chapter (Chapter 7 of 31 in the accession negotiations) was the most difficult, complicated and conflicting of all.

The Slovak agriculture is characterized by predominant position of cooperatives. There are 41 203 cooperatives and that is 68,9% of all legal entities. The second largest group is the private companies, representing 29,5%. The total utilized agricultural area represents 2,236.036 ha. Agriculture employs nearly 100 thousand people, which is 4,75% of the total national number of employed people, even though the number is declining year by year, e.g. ten years ago in 1995 it was 187 680 people. The agriculture is represented by 4,55% in the gross national product and by 5% in the national value added.

By accession of 10 new Member States to the EU the total number of farmers increased from 7 to 10 million and the total utilized agricultural area increased by 38 million hectares to 130 million hectares in the current 25 Member States. It represents 30% increase, while the production of the

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most products increased only by 10 - 20%. The gross value added for agriculture increased only by 6%. These numbers confirm the fact, that the new EU Member States have a great potential of agricultural production, which is not utilized in the full capacity. The increased market with 454 million consumers without customs barriers, export quotas and commercial barriers created positive possibilities and greater stability for until then not very stable agricultural markets. The new Member States also benefit from the access to the EU financial resources intended for agriculture and rural development, which represent nearly 50% of the total EU budget. In comparison to the EU 15 in the new Member States more people are employed in agriculture (21,4% in contrast to 4,3% in the EU 15) and significantly less pesticides and artificial fertilizers are utilized.

A brief history

Slovakia started the negotiations much later than most of the other countries. In 1997 the European Council in Luxembourg agreed to open negotiations with Cyprus, the Czech Republic, Hungary, Estonia, Poland and Slovenia. The European Council in London in March 1998 officially launched the negotiating process with Hungary, the Czech Republic, Estonia, Poland and Slovenia. In Bulgaria, Latvia, Lithuania, Romania and Slovakia started only the screening process of agricultural legislation. In December 1999 the Helsinki European Council decided to open negotiations with Bulgaria, Latvia, Lithuania, Malta, Romania and Slovakia. In June 2000 the European Commission opened the negotiations with the so-called Luxembourg group countries (Cyprus, the Czech Republic, Hungary, Estonia, Poland and Slovenia). The remaining three countries had to wait one more year. Slovakia submitted its negotiation position papers on agriculture to the Council on 7th December 2000[1]. The chapter for the so-called Helsinki group (Slovakia, Latvia and Lithuania) was opened on 12th June 2001. These three countries had much less time for negotiations than the other seven countries.

The areas of negotiations

The accession negotiations were focused on three basic areas:

1. Common market organizations with agricultural products and related negotiations on production quotas, premium rights and maximum guaranteed areas.
2. Implementation of veterinary and phytosanitary legislation.
3. Financing of agriculture after accession and safeguarding of sufficient financial resources for fulfillment of conditions resulting from acquis implementation.

Negotiation requests

In its original negotiation position papers from December 2000 Slovakia submitted 43 negotiation requests, including 6 transitional periods, 7 exceptions from the application of the EU legislation and 30 requests were related to direct payments and quotas. During the technical meetings with the Commission the individual requests were re-evaluated. On the basis of the negotiation mandate of the Government of the SR from July 2001, October 2001 and May 2002 in the final

[1] *Romania did so in December 2001.*

stage of negotiations Slovakia was exercising only 24 requests including 2 transitional periods.

Decreasing the number of requests did not mean that Slovakia was retreating from its original position. On the basis of technical meetings with Slovakia certain requests were clarified as unnecessary because they can be addressed in normal procedures within the framework of valid EU legislation, e.g. Slovakia was requesting a transitional period until the end of 2006 for state aid to support National stud farm. It is understandable that Slovakia wants to support its National stud farm for longer then three coming years and that also the old member states have their own national stud farms which they support via state aid.

Three stages of negotiations

The whole process of negotiations can be divided into 3 following stages:

1. Technical meetings with the Commission conducted at two levels:
   - level of the Commission experts for individual areas
   - high-level technical meetings
2. Informal negotiations with the Presidency of the EU, the so-called political negotiations.
3. Copenhagen summit.

Technical meetings with the Commission were handled for one year, from September 2001 till October 2002. The most difficult and extensive part of the chapter related to veterinary and phytosanitary issues was preliminary closed on 12th June 2002 which was exactly one year after the beginning of negotiations. Once the technical meetings were finished the informal meetings with the Danish presidency of the EU so called political negotiations took place in November 2002. The whole process was concluded by the Copenhagen summit on 12 - 13 December 2002.

Technical meetings

The technical meetings with the Commission were based on mutual explanation of positions. These meetings were carried out at two levels: at the level of experts and at the high-level. The meetings at the expert level took place in several rounds and the experts of the Ministry of Agriculture of the SR responsible for individual specified areas were explaining the national position of the SR. The high-level technical meetings took place in two rounds (on 21st June 2002 and 25th September 2002). The remaining open questions which were not solved at the lower level were presented at these meetings. They were mainly related to production quotas, premium rights and maximum guaranteed areas. During the second round of high-level technical meeting the proposed quota by the Commission was significantly increased. The Slovak Republic took advantage of the second part of the EU definition of ewes on the basis of which “ewe” shall mean any female of the ovine species having lambed at least once or aged at least one year. The word “or” played the decisive role in this definition and Slovakia managed to increase its quota for ewes by 20% of yearlings. On the basis of this the total number of eligible ewes was increased by nearly 73 thousand pieces.

At this stage of negotiations no more increases of quotas could be agreed outside the general framework applied to all

10-candidate countries, except those based on relevant statistical data and acquis.

Each verbally presented information during the technical meeting had to be subsequently confirmed in writing in the document called Additional Information to the Negotiation Position. Altogether, Slovakia submitted to the EU 16 of these documents until the final day which was 15th October 2002. This Additional Information was essential when forming the Common Position of the EU and the SR. The Commission in January 2002 presented the first draft of the Common Position. This document already covered the reaction of the EU to the negotiation requests. With many proposals of the Commission, mainly in the area of certain quotas, Slovakia did not agree and therefore started to prepare for the final negotiations.

Preparation for the final negotiations

Slovakia did not agree with the proposal of the Common Position of the EU and the SR in the four following areas:

1. Priorities for quotas
   Slovakia declared four main priorities for the final stage of negations. They were related to the Slovak request to increase quotas for milk and isoglucose, premium rights for suckler cows and she-goats.

2. Open questions
   Three further questions were opened. The first open question was regarding the Slovak request to increase the area for fibre production in order to receive the support for processing. The other two open questions were related to increase of area production for tobacco and arable crops together with the reference yield.

3. Rural development
   After dividing the financial envelope for rural development from the guarantee section of the EAGGF among all ten candidate countries the 5% reserve was available for solving specific situations. The Slovak Republic was the first one to official request the increase of its allocation for rural development from this 5% reserve. The main arguments presented by Slovakia to the Commission were that nearly 70% of the total utilized agricultural area is classified in less favored areas and that on the basis of structural farm census there are 63 528 potential semi-subsistence farms in Slovakia which are eligible to annual support at the level of 1 000 Euro during five years. Two other countries applied for this 5% reserve and those were Slovenia and the Czech Republic.

4. Tokaj issue
   In the framework of the negotiations with the EU the Slovak Tokaj wine-growing and wine-making area was recognized. The opened remained the issue of recognition of the geographical indications “Tokaj wine from the Slovak Tokaj wine-growing and wine-making area”. This issue was highly stressed during the negotiations with the EU, even though the EU was proposing to solve this issue on a bilateral basis with Hungary. It is cultural and historical heritage of Slovakia for which it was necessary to fight. The Tokaj area

with its specific conditions for growing grapes and production of wine is the only one and it is unique.

Informal negotiations with the Presidency of the EU

Informal negotiations with the Danish Presidency of the EU took place in four rounds in November 2002. Those were very intensive negotiations and the Slovak Republic was represented by the Chief Negotiator of the SR Mr Ján Fige¾. Except the chapter for agriculture only the chapter for financial and budgetary issues remained opened. Mr Figel was handling the negotiations on the basis of the negotiation mandate elaborated by the Ministry of Agriculture of the SR, which was implying the above-mentioned four areas of opened questions. At the last meeting on 3rd December 2002 the final agreement on finalization of negotiations was reached, except two horizontal questions regarding the level of direct payments and the length of the transitional period. The result of these negotiations was so called "Package" outside the framework of the Common Position of the EU and the SR, in which most of the Slovak request were met. This "Package" was the basis for the final meeting of Prime Ministers and heads of states at the Copenhagen summit in December 2002.

Final results

In the final stage of negotiations the EU accepted the position that the proposed reference period of 1995 - 1999 is not suitable for Slovakia as this period was effected by the highest decline of production. Finally, in all four priority areas, the reference year was set as the last available year before finalizing the negotiations and that was the year 2001 with the exception of quota for isoglucose where the average of the years 2000 and 2001 was considered.

One of the main arguments of the EU was that when setting the level of quotas, premium rights and maximum guaranteed areas, only the real production could be taken as basis, which can only be objectively quantified on the basis statistical data. On many occasions the EU clearly declared that prognosis and expected development focused on production increase will not be taken into account.

Milk quota

The milk quota was considered as the highest priority for negotiations because of its strategic importance for Slovakia and because in case of this quota it is a maximum production ceiling and overproduction is sanctioned by fines. It was a priority not only for Slovakia, but for other candidate countries as well. At the same time it was very sensitive for the old 15 member states.

Slovakia managed to negotiate the same conditions for setting milk quota as was applied to the old member states. The system of quotation of milk was introduced in the EU due to the very high overproduction in 1984, while the reference year was set for the year 1981. In case of Slovakia the quotation started on the date of accession in 2004 and the reference year was set for the year 2001.

Milk quota is composed of two independent quotas. One quota is set for deliveries for milk processing. The level of this quota is based on statistical data for the year 2001 and it represents 990.810 tones.

The difficult task was to set the level of the second quota for direct sales, as they were not statistically recorded until the end of 2002. Slovakia elaborated several variation calculations which were not accepted by the Commission, which insisted on its own calculation based on the EU estimates of on farm consumption intended for human consumption and animal breading which do not constitute part of the quota. The final level of quota for direct sales is 22.506 tones. The overall quota for milk represents 1,013.316 tones and it will be increased from 2006 onwards by restructuring reserve of 27.472 tones. As of 2006 the overall quota for milk for Slovakia will be set at the level of 1,040.788 tones. The reference fat content for Slovakia was set at the level of 3,71%, which is a statistical data for the year 2001.

The Slovak republic further requested an additional quota of 120.000 tones on the basis of sharp decline of number of milking cows which declined by more than 50% from the year 1991 onwards and this was the main reason for rapid decline of milk production. The other presented arguments comprised such situations as collapse of markets of Council of mutual economic cooperation, problems connected to transformation process etc. This additional quota was based on so-called SLOM quota, which was in the past awarded to Austria, while there existed a special system of state support. The Slovak request was based on the basic philosophy that this additional quota would compensate farmers for radical decline of milk production and negative impacts of the transformation process.

Furthermore, Slovakia requested also a transformation reserve at the level of 60.000 tones with the argument that on farm milk consumption will gradually decline and commercial utilization of milk, deliveries and direct sales, will increase. At the final stage of negotiations all new candidates received this special transformation reserve as of 2006 on the basis of the condition that they prove gradual decline of on farm milk consumption on the basis of real restructuring of this sector.

Isoglucose quota

The second priority for Slovakia was the isoglucose quota mainly in regard to high proportion of corn production (60% of annual production) intended for isoglucose production. In this case Slovakia recorded the highest increase of quota from the originally proposed level of 3.220 tones in January 2002 to gradually increased current level of quota set at 42.547 tones. At the same time Slovakia also received B quota for subsidized export to third countries outside the EU, which was set at the pre-accession level of exports to the Czech Republic within the Customs Union. This B quota was originally not acknowledged for Slovakia.

Premium rights for suckler cows

In case of suckler cows the premium rights were set at the level of the year 2001, while the same principle was applied as for the old member states (10% decline). In case of Slovakia it was a statistical data for the year 2001 at level of 31.200 pieces which was reduced by 10% and the final level of premium rights for Slovakia is 28.080 pieces. In this case it is not a maximum ceiling of suckler cows. Slovakia can have as many suckler cows as it wishes, but only this limited number will receive subsidies from the EU.

Premium rights for she-goats

Premium rights for she-goats were originally not provided for the Slovak republic, but only for Cyprus and Slovenia. Within the framework of negotiations Slovakia took advantage of the EU definition on the basis of which eligible for this premium are she-goats predominantly, not exclusively intended for meat production. In the final stage of negotiations the level of premium rights were set at 30.600 pieces, which is more than Slovakia requested (30.000 pieces), while this premium rights constitute part of one common quota for ewes and she-goats which was negotiated at the total level of 305.756 pieces. For comparison it is necessary to state that Slovakia has one of the biggest premium rights not only from the new, but also from the old member states.

Increase of allocation for rural development

Slovakia was also successful in this area. For rural development the original allocation represented 263 million euro for Slovakia. The Danish presidency allocated additional 340 million euro which were divided between three countries. The Slovak republic received additional 90 million euro from this allocation, more than ¼. The total allocation for rural development was increased to 353 million euro, which is by 35% more than the originally allocated amount. The Czech republic which is double the size of Slovakia received 100 million euro and the most received Slovenia as a certain compensation for the fact that their pre-accession level of direct payments reflects the subsidies provided by the EU. These additional financial resources will be used for financing less-favored areas, semi-subsistence farms, agro-environment measures within the Guarantee section of the EAGGF.

Commissioners covenant regarding Tokaj

Within the framework of the negotiations with the Commission the Slovak Tokaj wine-growing and wine-making area was recognized at “Tokaj region” in the Accession Treaty. The open remained the question of geographic indication. The day before departure to Copenhagen Slovakia received a covenant in the form of a joint letter from the Commissioner for enlargement Mr Gunter Verheugen and the Commissioner for agriculture Mr Franz Fischler that the European Commission will utilize the available time between signature of the Accession Treaty and the accession of Slovakia to the EU for execution of all necessary procedures related to geographic indication of the Slovak wines including Tokaj wine from the Slovak part of the Tokaj wine-growing and wine-making area.

Two transitional periods

The Slovak republic has two transitional periods negotiated in the chapter of agriculture: the possibility of further application of state aid related to the stock warehouse security warrants till the end of 2006 and a transitional period for an exception from the EU hygienic standards for two establishments (the first if meat processing and the second is fish processing establishment), while the second one took back its request for the transitional period even before the accession to the EU.

Additional national payments, so called top-ups

The basic financial framework for agriculture was set within Agenda 2000 at the Berlin summit in 1999. Originally the conclusions from the Berlin did not count with financial resources for direct payments for the new member states within the current financial perspective. This was the reason why the old member states refused to include financing of direct payments into the financial framework. It was the European Commission which in January 2002 for the first time submitted the Financial framework for enlargement which included direct payments at the level of 25/30/35/40% in the first 4 years and subsequent increase by 10%, which represented 10 year transitional period till 2013.

The old member states strictly refused and critiqued the proposal which was not reflecting the conclusions of the Berlin summit. Only after the intensive pressure of all candidate countries the European Council in Seville in June 2002 and subsequently in Brussels in October 2002 confirmed that the new member states would have a right to direct payments in compliance with the Commission proposal from January 2002.

During the final political negotiations the Danish presidency proposed the possibility of top-ups up to 40% of the EU level with possible transfer of 20% of financial resources intended for rural development with minimum participation of state at the level of 20%. The result of the Copenhagen summit was that the combination of resources from the rural development as well as of so called national additional payments will be possible to increase the direct payment up to the level of 55 60 65% or the level of the year 2003 plus 10% during 2004-2006 and as of 2007 up to 30% over the phasing-in level, but exclusively from the national resources.

Quotas, premium rights and maximum guaranteed areas for Slovakia

Commodity	Slovak request	Agreed levels
Milk	1.236.000 t	for 2004 and 2005 **1,013.316 t** as of 2006 **1,040.788 t**
Arable crops (basic area)	1.039.000 ha	**1.003.453 ha**
Cereal equivalent (t/ha)	4.09 t/ha	**4.06 t/ha**
Isoglucose	60.000 t	**42.547 t**
Isoglucose – quota A	50.000 t	37.522 t
Isoglucose – quota B	10.000 t	5.025 t
Sugar	235.000 t	**207.432 t**
Sugar – quota A	190.000 t	189.760 t
Sugar – quota B	45.000 t	17.672 t
Beef meat		
Slaughter premium	316.579 pcs	**266.903 pcs**
- adults	259.978 pcs	**204.062 pcs**
- calves	56.601 pcs	**62.841 pcs**
Special beef premium	80.000 pcs	**78.348 pcs**
Premium for suckler cows	50.000 pcs	**28.080 pcs**
Additional payments	Not quantified	**4,500.535 €**
Ewes and she-goats meat	400.000 pcs	**305.756 pcs**
Ewes	370.000 pcs	275.156 pcs
She-goats	30.000 pcs	30.600 pcs
Additional payments	Not quantified	**323.000 €**
Fibre	2.400 t	**262 t**
Long fibre	800 t	73 t
Short fibre	1.600 t	189 t
Oilseeds	1.200 ha	**1.215 ha**
Durum wheat	5.000 ha	**4.717 ha**
Dried fodder	Potential 20.000 t	**13.100 t**
Starch potato	1.700 t	**729 t**
Tobacco	2.600 t	**1.715 t**
Tomatoes for industrial processing	36.000 t	**29.500 t**
Peaches for industrial processing	1.100 t	**147 t**

The impact of the accession to the EU

By accession to the EU the Slovak Republic became a part of strong integration structure with significant political, safety, economic and human potential. The area of stability was increased by Slovakia and thus indirectly increasing the safety of our country. The integration with the EU strengthened the position of Slovakia within the region, while increasing its international credibility from the political as well as economic aspect. The Slovak economy gained the free access to the vast single internal market of the EU and thus creating greater possibilities for inflow of investments and modern technologies with subsequent increase of our economy competitiveness and reinforcement of its international economic position.

Partial loss of sovereignty

Each more significant step in economic integration is inevitably connected with the need of important political negotiations and decisions, with transfer of political power from the national to the supranational authorities and institutions, so with the issues of national sovereignty. Agriculture is just one of the areas where significant transfer of national sovereignty to the authorities of the EU is realized. On the other hand Slovakia gained the possibility to participate in the decision-making process of the EU, influence the development of the EU and formulate the European policies through its representatives in individual EU institutions.

Systematic changes

From the transposition and implementation of the EU acquis in the area of agriculture result many systematic changes which are connected with establishment of necessary institutions, tools and mechanisms:

- establishment of the Paying Agency and the Integrated Administrative and Control System, so called IACS for utilization of financial resources from the EU budget,
- establishment of individual registers (Land Parcel Identification System LPIS, Register of farmers, Register of farm animals, Register of vineyards, Register of fruit orchards)
- establishment of system of operative market information,
- establishment of system of intervention centers,
- creation of system of classification of carcass animals and labeling of meat,
- transposition of veterinary EU directives,
- preparation for implementation of directly effective legal acts of the EU (regulations) mainly in the area of common market organizations, so called commodity regimes,
- modernization and establishment of boarder inspection points at the external border of the EU (road boarder point at Vyšné Nemecké, train boarder point at Èierna nad Tisou and the airport Bratislava),
- modernization of meat processing establishments,
- preparation of experts for the representation in relevant EU committees.

The first year of implementation of direct payments in the new Member States

The accession negotiations resulted in three specific set of provisions[2] regarding the implementation of direct payments in the new Member States:

- progressive introduction (phasing in) of direct payments, from 2004 to 2013,
- possibility to opt for Single Area Payment Scheme (SAPS),
- possibility to grant additional support to farmers, using Complementary National Direct Payments (CNDPs, or so called 'top-ups').

All new Member States apart from Malta and Slovenia have decided to use SAPS. The Slovak government with its decision of 5 June 2003 opted for SAPS for the period of 2004 2006.

Article 143a of Council Regulation (EC) No 1782/2003 provides that direct payments in the new Member States shall be

[2] *The main provisions of the Act of Accession regarding the direct payments in the new Member States have been integrated in Council Regulation (EC) No 1782/2003, the 'CAP Reform' Council Regulation (see Council Decision of 22 March 2004 adapting the Act of Accession following the reform of the common agricultural policy, OJ L 93 of 30 March 2004).*

introduced progressively as a percentage of the level of the payments applicable to the 15 other Member States and with the following schedule: 25 % in 2004, 30 % in 2005, 35 % in 2006, 40 % in 2007, 50 % in 2008, 60 % in 2009, 70 % in 2010, 80 % in 2011, 90 % in 2012 and 100 % in 2013. But under Article 12a of that Regulation the new Member States are exempted from the 'modulation' (5 % reduction of all direct payments to be transferred to rural development measures) and from the 'financial discipline' (from 2007, reduction of all direct payments when the budgetary forecasts indicate that the annual ceilings fixed by the European Council will be exceeding). Therefore the level of direct payments in the new Member States will probably reach the level in the other 15 Member States before 2013, depending on the way the financial discipline will function.

Article 143b of Council Regulation (EC) No 1782/2003 provides for the possibility for the new Member States to use, for a transition period (3 years, with a possibility for a further 2 years extension), a specific regime for granting direct payments to farmers. The Single Area Payment Scheme principles and main elements have been introduced during the negotiation process in order to propose to the new Member States a simplified direct payment regime facilitating and reducing the cost of the preparatory work to be made before and during the first years of accession. It allows putting in place and using only part of the Integrated Administration and Control System tools. In particular, there are no set-aside obligation and no payment per animal or per ton of production, there are only payments per ha of agricultural land. It is a decoupled support regime (no obligation to produce) based on 2 elements fixed at national level:

- A national financial envelope, to be established by the Commission and which is the sum of all the direct payments the Member State concerned would receive under 'normal' direct payment regimes,
- A national agricultural area, to be established as the part of the agricultural area that was in 'good agricultural condition' in June 2003 and to be adjusted according to objective criteria to be approved by the Commission (e.g. reduction to take into account that the Member State concerned could decide not granting direct payments to farms smaller than 1 ha).

The figures of the national financial envelope for the year 2004 have been established on the basis of the quantitative parameters specified in the Act of Accession for each support scheme, adjusted using the relevant percentage (phasing in of direct payments). For aid schemes not governed by a national ceiling (e.g. protein crops, grain legumes, bovine extensification premium and sheep and goats additional premium), the figures are based on the assumptions used during the accession negotiations for establishing the budgetary scenario.

Once the SAPS financial envelope is established, the SAPS amount per ha depends on only one element: the number of ha for which SAPS may be granted. This number of ha is called in the Act of Accession - Article 143b (4) of Council Regulation (EC) No 1782/2003- the “agricultural area” and is defined as:

- the part of the utilized agricultural area (as established by EUROSTAT) which has been maintained in good agricultural condition at 30 June 2003, whether or not in production at that date,

- where appropriate, adjusted in accordance with objective criteria to be proposed by the new MS and approved by the Commission.

Apart from Cyprus, the new Member States using SAPS have decided to set a minimum size of 1 ha for the eligible holdings and a minimum size of 0.3 ha for individual parcels. The SAPS areas have been adjusted accordingly.

The SAPS amount per ha results from dividing the national financial envelope by the national agricultural area of the concerned Member State. Each year farmers shall apply to the scheme, indicating only the eligible area they are farming. This area has to be maintained in good agricultural and environmental condition, otherwise sanctions shall apply following the cross-compliance model introduced by the CAP reform. Where in a given year the total land subject to applications is above the national agricultural area, the payments shall be proportionately reduced.

The figures below derive from the financial envelope and the agricultural area of each new Member State and for the year 2004.

SAPS areas, financial envelopes and amounts per ha for 2004

	Cyprus	Czech Rep	Estonia	Hungary	Latvia	Lithuania	Poland	Slovakia
Area (000 ha)	140	3.469	800	4.355	1.475	2.288	14.843	1.955
Envelope (million €)	9,96	198,94	21,40	305,81	30,48	82,07	659,95	85,72
Amount/ha (euro)	71	57,35	26,75	70,22	20,66	35,87	44,46	43,85

The Commission Regulation No 2199/2003 establishing the rules for the SAPS implementation in 2004 has been published at the end of 2003, providing the 8 new MS concerned guidance and enough time to make all the preparatory work sufficiently in advance. The Commission Decision fixing the financial envelopes for the year 2004 and establishing the agricultural areas under SAPS (therefore establishing indirectly the SAPS amount per ha) was adopted by the Commission on 20 April 2004. Commission Regulation (EC) No 1111/2004 postpones the latest date for farmers application, from 15 June to 15 July 2004, responding to the evidence that in some new Member States both administrative difficulties and farmers lack of information were delaying the lodging of applications.

The Act of Accession establishes the possibility for the new Member States, during the transitional period and subject to the approval by the Commission, to pay farmers additional support in the form of Complementary National Direct Payments (CNDPs, commonly known as 'top-ups'). It offers to the new Member States a lot of flexibility to define their CNDPs regime. This means that CNDPs can be tailored to meet the specific needs and objectives of the Member State concerned. In particular, new MS using SAPS may combine different EU support regimes in one sector.

- when using SAPS, it is possible to aggregate some of the EU 'normal' support regimes into one single sector;
- it is possible to decide, for each sector, whether the CNDP amount should be established referring to the EU 15 level of support (adding to the support level resulting from the

phasing in of the direct payments up to 30 % of the UE level, e.g. resulting in 2004 in a global support level equal to 55 % of the EU 15 level), or whether it should be calculated on the basis of the national level of support before accession (pre-accession support level plus 10 % of the EU 15 level, but not more than 100 % of the EU 15 level);

- it is also possible to decide, for each sector, whether the CNDP would be totally financed from the national budget or would be co-financed with rural development EU funds (up to a maximum of 20-20-20 or 25-20-15 % of total RDP allocations for 2004-2005-2006 in total, respectively).

For each of the new Member States and in respect of each year the Commission will adopt a decision authorizing the CNDPs which shall notably establish:

- ✓ the total maximum amount of complementary national aid to be granted in respect of the given year concerned,
- ✓ and, for each sector :
  - the maximum total amount to be granted;
  - the amount per unit;
  - the conditions for the granting of the payment to the farmer.

Nevertheless, there are also limits and constraints, often conflicting, to be respected, e.g. the national budgets limits, the limits set for the CNDP measure in the framework of the national rural development programs (not more than 20 % of the yearly allocation), the ability of the paying agencies to manage and control complex regimes, the political pressure of sectoral lobbies for more support in their own sector, etc... The obligation to ensure that in all cases a farmer in a new Member State may not receive more than a certain percentage of the EU 15 level is also reducing the scope of the options regarding the aggregation of different EU regimes into one sector.

The preparation of the CNDPs for 2004 has been a learning exercise for both DG AGRI and the new Member States. Numerous bilateral meetings and exchanges of information resulted firstly in guidelines on the rules and procedure to be followed to make the requests for the top-ups regime to be applied in 2004 addressed to the new Member States in early January 2004 and later on final official requests from the new Member States send to DG AGRI in April/May 2004 and 8 decisions authorizing top-ups for 2004 approved by the Commission on 29 June 2004.

From a Member State to another, the CNDPs are very different because the objectives to be reached and the constraints to be considered vary a lot. As an example, in the case of Poland the main objective was to have an as simple as possible CNDP regime, in view of reducing the administrative burden to manage and control more than one million expected applications. Slovakia followed the same approach. At the other extreme, because of its historical sectoral support regimes, Hungary, while using SAPS, has opted for several sectoral CNDPs.

Reform of the CAP

The last CAP reform of 2003 is viewed as the most radical one, as it completely changed the way the agriculture is supported. The CAP reform Regulation

(EC) No 1782/2003 establishes from 2005 a new decoupled support regime, the Single Payment Scheme (SPS), replacing most of the current direct payments regimes. Decoupling creates the basis for a new support system which is more equitable, ecologically more favourable, gives greater consideration to animal welfare and is socially more acceptable. The new single farm payment based on a reference period is the weak point, as it is anything but ecologically sound or socially equitable. On the basis of it the flow of money under the old system is being cemented. Necessary financial redistribution can be solved by the introduction of a general nation-wide single area payment. In how far the Luxembourg Agreement can be valued as a success strongly depends on the degree to which the scope for manoeuvre the agreement leaves the Member states in terms of its implementation will be utilized.

The positive element for the new Member States is that the reference period will not be applied, but the regional implementation will be obligatory. On the other hand it will cement the huge differences between the level of support in the EU 15 and EU 10, depending on the manner in which it is implemented in individual EU 15 Member States.

As regards the beginning of implementation in the new Member States, two different situations exist:

1. Malta and Slovenia, not using SAPS but the “normal” EU support regimes, may decide to delay the introduction of the Single Payment Scheme in 2006 or 2007,
2. The other 8 new Member States, including Slovakia, may decide to continue using Single Area Payment Scheme until 2008 (fifth year of utilization).

As it is the case for the 15 other Member States, the implementation of the Single Payment Scheme will require from the new Member States a lot of preparatory work and will entail numerous bilateral contacts with DG AGRI. At this stage one can estimate that no new Member State will implement the Single Payment Scheme before 2006 at the earliest and that most of the new Member States using Single Area Payment Scheme will continue using it until 2008, as there are no specific advantage shifting earlier from Single Area Payment Scheme to Single Payment Scheme.

Conclusion

Constructive compromises based on concession of all Member States in turn drive the EU further ahead and consequently enabled the full integration of all 11 countries of central and eastern Europe. Each enlargement so far leaded to strengthening of the European Union. The enlargement by 10 new countries of Central and Eastern Europe definitely deleted the dividing line in Europe.

Following the successful negotiation process the Slovak farmers have now the possibility to benefit from larger envelope of financial support which will help them in the transformation process, but essential for the future will be their own initiative in order to increase their competitiveness not only in the area of prices, but also quality of agricultural products. The future of the effective Slovak agriculture and higher quality of rural life is based on the shift of its orientation towards ecological and multifunctional agriculture.

References

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