



## **AGRICULTURAL POLICY OF ROMANIA AND THE ASSOCIATED COUNTRIES FOR ANSWERING THE EXIGENCIES OF THE EUROPEAN UNION IN THE PERSPECTIVE OF THE E.U. ACCESSION**

<sup>1</sup>.VLĂDUȚ Valentin, <sup>1</sup>.SAVU Ioana  
<sup>2</sup>.BUNGESCU Sorin, <sup>2</sup>.JURCĂ Manuela  
<sup>3</sup>.BIRIȘ Sorin

<sup>1</sup>. INMA Bucharest  
<sup>2</sup>. BANAT'S UNIVERSITY OF AGRICULTURAL SCIENCES;  
<sup>3</sup>."POLITEHNICA" UNIVERSITY OF BUCHAREST;

### **ABSTRACT**

The agriculture represents a key - element of the pre-accesion strategy. It is much more interesting into the Central and Eastern Europe countries then within European Union both as for the GIP contribution and as for the work task involved. In average, over 25% of the whole manpower is employed in agriculture. The main goal of the strategy should be the facility of supporting the production structure from the economic and ecological point of view in the Central and Eastern Europe countries, by avoiding the unbalances of the economic structures and by stimulating the economic reform.

### **KEY WORDS:**

agriculture, strategy, accession, agricultural policy, economic reform.

### **1. AGRICULTURAL AND COOPERATION POLICY OF ASSOCIATED COUNTRIES**

Agriculture, represents a key - element of the pre - accesion strategy. The main objective of the strategy should be the facility of sustaining the production structure from an economic and ecological point of view in the countries of Central and Eastern Europe, by avoiding the economic structures unbalances and by stimulating the economic reform. The expansion to the south should also lead to warranting some levels of the agricultural revenues, suitable both in the European Union - 15, and in the ten countries from the Central and Eastern Europe.

The financial consequences for the European Union budget, determined by the expansion in agriculture depend on:

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- the capacity of Central and Eastern Europe countries to mobilize the excess of reserves in agriculture;
- the length of the transition period;
- the degree and the direction of a future CAP reform;
- the composition and distribution of the entering waves into European Union.

Agriculture is much more important in the Central and Eastern European countries than in the European Union, both as regards the contribution to GIP (Gross Internal Product), and the attracted labour.

On an average over 25% from all labour is employed in agriculture (9.5 million as compared to 6% or 8.2 million in the European Union), which generates 8% from GIP (as compared to 2.5% from GIP in the European Union). This implies, in the condition of reaching the same level of labour in the European Union in order that one – third from the labour should be dismissed.

The Central and Eastern European Countries are divided into two groups, depending on the labour percentage attached to agriculture, those Central and Eastern European countries in which that one in lower or about 10% (The Czech Republic – 5.6%, Estonia – 8.2%, Slovakia – 8.4%, Hungary – 10.1% and Slovenia – 10.7%) and the second group comprising the countries with a percentage near to 20% or more (Letonia – 18.4%, Bulgaria – 21.2%, Lithuania – 22.4%, Poland – 25.6% and Romania – 35.2%).

All the Central and Eastern European countries have passed and they are still passing through a crisis in their whole economy, implicitly in the agricultural sector, too. It will pass a certain period of time till the average income per inhabitant in these countries will reach 75% from the mean of the European Union.

The profound crisis in agriculture is closely connected to the strong decline of the production. Nearly everywhere the lowering was strong in stock raising than in the agricultural production. All the ten candidate states are in a similar situation. The economic growth in the latest two years has avoided agriculture. After a short recovering in 1995, due to the favourable climatic conditions and to the permissible world economic juncture, the agricultural production in the candidate countries has collapsed.

The internal markets have had the same tendency. On the other hand, the imports have flourished. The agro-food balance has been negative, worsening in the latest years in all candidate countries.

The main explanation is present moreover regarding the processed products in imports than in exports, especially in the trade with the EU. The candidate countries have become favourite commodity markets for the goods from the EU.

The trade development, structure and orientation with agro-food products demonstrate the reduced and continuously deteriorating competitiveness of the agricultural sector in the relationship with the Community countries.

The decline takes place on the background of some clear protective policies practised by the candidate countries and of the advantage

represented by the internal markets, much less pretensions as regards the product quality.

The question is in what way can the transition be successfully performed in the full application of the Common Agricultural Policy in the Central and Eastern European countries. Introducing the compensatory payments is not considered as being advisable. This is because, although the compensatory payments would reduce the impact of accession in a sectorial plan, they have an effect difficult to be ignored: maintaining the current structures without guaranteeing an investment and restructuring level necessary for improving the degree of competitiveness of the candidate countries agriculture as compared to that of the 15 member states of the EU. In the conditions of a reduced access to the compensatory payments, it is obvious that the candidate will be obliged to considerably increase the labour productivity in agriculture.

For reaching only a half of the average labour productivity of the EU, about 4 million working places in agriculture should be eliminated. Most of the working places are in Romania and Poland. Taking into account the important weight of agriculture into their GIP, the social shock which was experienced would give birth to some post-accession crises, with negative consequences on the E.U.

## **2. COST OF EXTENDING, THE COMMON AGRICULTURAL POLICY (CAP) TO THE EAST**

The further expenses necessary for agriculture, by the accession of the 10 Central and Eastern European countries to the current CAP would sum up 9 billion EURO in 2005, as compared to 42 billion ECU in 1996 for the EU – 15.

However it should be taken into view that in 1995 the expenses were 2.3 billion less than it was provided into the budget of 1995, mainly due to the CAP reform. On a long term – the 2010 horizon – the further expenditure is assessed to be 12 billion EURO<sup>1</sup>.

The assessment are based on empirical studies of the Commission. They are based on cautious provisions as regards the capacity of the Central and Eastern European countries to mobilize their own reserves in the contingency that the prices of agricultural products should raise significantly and in the case of obtaining the quality of a member in the European Union.

In order to avoid the fast or even sudden raising of prices for the food products in the Central and Eastern European countries and in order to reduce the extension cost supported by the European Union budget there are necessary longer transition periods.

The Commission motivates that there is a greater need of structural and investment sustaining in agriculture than support of prices or revenues. This strategy will avoid the issuing of some major price raising or the disparities among which could cause social troubles in the

respective countries. If the price of the agricultural products of the European Union come near to those of the world market, the extension cost in agriculture will be significantly reduced and it would be easier for the European Union to comply with its GATT commitments regarding the export subsidies even in the extending conditions.

#### AGRICULTURE IN ECONOMY

|          | Pop. | Total area | GIP      | GIP/inhab. | Agriculture area |         | Arable area |           | Agric. production |             | Labour in agriculture |
|----------|------|------------|----------|------------|------------------|---------|-------------|-----------|-------------------|-------------|-----------------------|
|          | Mil. | mil.ha.    | bil. Ecu | ECU        | mil. ha.         | % total | mil. ha.    | ha/lin h. | bil. ECU          | % GIP       | thousand employees    |
| Estonia  | 1.6  | 4.5        | 1.5      | 938        | 1.4              | 31      | 1.0         | 0.63      | 0.266             | 10.4        | 89                    |
| Letonia  | 2.6  | 6.5        | 2.2      | 850        | 2.5              | 39      | 1.7         | 0.65      | 0.232             | 10.6        | 229                   |
| Lituania | 3.8  | 6.5        | 2.3      | 627        | 3.5              | 54      | 2.3         | 0.62      | 0.259             | 11          | 399                   |
| Polonia  | 38.5 | 31.3       | 73.4     | 1907       | 18.6             | 59      | 14.3        | 0.37      | 4.648             | 6.3         | 3661                  |
| Cehia    | 10.3 | 7.9        | 26.7     | 2586       | 4.3              | 54      | 3.2         | 0.31      | 0.871             | 3.3         | 271                   |
| Slovacia | 5.3  | 4.9        | 8.7      | 1643       | 2.4              | 49      | 1.5         | 0.28      | 0.512             | 5.8         | 178                   |
| Ungaria  | 10.3 | 9.3        | 32.5     | 3150       | 6.1              | 66      | 4.7         | 0.46      | 2.068             | 6.4         | 392                   |
| Slovenia | 1.9  | 2.0        | 9.8      | 5018       | 0.9              | 43      | 0.2         | 0.13      | 0.250             | 4.9         | 90                    |
| România  | 22.7 | 23.8       | 21.8     | 961        | 14.7             | 62      | 9.3         | 0.41      | 4.500             | <b>20.2</b> | 3537                  |
| Bulgaria | 8.5  | 11.1       | 9.4      | 1110       | 6.2              | 55      | 4.0         | 0.48      | 1.131             | 10          | 694                   |
| EU-15    | 369  | 323.4      | 5905     | 15972      | 138.1            | 43      | 77.1        | 0.21      | 208.8             | 2.5         | 8190                  |

SOURCE: Report of the Commission on "Agricultural Situation and Foreseeing in the Central and Eastern European Countries", 2000.

### 3. COOPERATION OF ASSOCIATED COUNTRIES FOR ACCESSION TO THE EUROPEAN UNION

The ten associated countries to the European Union aim to consolidate the attachment to the free trade principle, being more profoundly involved into the OMC problems. This can contribute to their more rapid accession to the European Union.

The differences among the tariffs which most of the associated countries impose to the imports which come neither from the Central Europe or the Baltic area, nor from the European Union and the suitable tariffs imposed by the European Union are high. They vary between 15-25%. The transition period necessary to the tariff convergence of the associated countries with the European Union tariffs (lower) will be a long one.

If the associated countries do nothing in this regard, before the accession to the European Union, the transition period will last (being based on the average calendar of the former accession to the European Union) at least 10 years.

By adopting the approaching way, the associated countries should reduce by 50% the differences between their own tariffs and the European Union ones in the first stage, namely until 2005. Such an initiative would have nearly the same economic effects as those of an official customs union among the ten countries, without them being forced to support the political and Bureaucratic costs of such a union.

This initiative could have, for the ten countries of the Central and Eastern Europe, three major advantages:

1. It would maintain unimpaired the interests of the ten Central and Eastern Europe countries to access to the European Union because they should cover the tariffs of the countries from the Central Europe and the Baltic area, higher than the ones from the European Union. The ten countries should contribute in this way not only to the opening of their own markets, but also to the opening of the markets in the European Union. The accession should not be a convergence in a unique sense.
2. The free commerce is not a condition which the associated countries should accomplish in order to access to the European Union, but a policy of their own.
3. The ten associated countries can collaborate and adopt a communitary spirit which is perfectly acceptable – the head stone of the European building and a preliminary condition, absolute from the western European point of view.

In the case of the associated countries, at least for the next ten years, a trade policy is a substitute for many other policies. It is the best competition policy. There is a strict discipline in the subsidy and tax domains in order to perform a modern and efficiently applied taxation system.

As the accession is lasting, the aspiring countries and the Union should establish the structural relationships on many levels. They should examine the legislation of the European Union together. The objectives would be: the gradual adopting by the aspiring countries of the internal market acquis, the identification of difficulties in adopting this acquis and offering some assistance in order to pass over these difficulties.

#### **4. THE ENVIRONMENTAL PROBLEMS**

The environmental problems could constitute a major obstacle in the way of accessing to the European Union of the Central and East European countries. The removing of the damages on the environment in Central and Eastern Europe represents only one aspect of what should be done before accessing. The same importance has also the duty of aligning the legislation of the associated countries to that of the European Union in order to make sure that they reduce the current emissions to some acceptable levels.

The governments and industry in the Central and Eastern Europe should spend a lot of money for cleaning the environment, as for constituting the legislative and institutional infrastructure necessary for the convergence to the European Union norms. The basic duty is to phase the conforming to these norms in a way which should be possible to be applied for the private sector and the area municipalities.

The regulation activity of the European Union in environmental problems has been set up at the beginning of the 70's, when there was no reference to the environment in the existing treaty. Some of the first directives in this domain – as those regulating the emission of the exhaust

gas (es) for vehicles – aimed to protect the environment, ensuring at the same time the products free circulation.

At the end of the 70's and the beginning of the 80's the directives started referring to the emissions and waste in agriculture and industry. These rules aimed to establish specific limits, values and objectives for the emission into air and water.

In the 90's a new approach has been set up regarding the way of regulating. The European Union Directives regarding environment especially after adopting the Maastricht Treaty are based on coherent and clear principles, but they allow to the Member States a much greater flexibility in applying.

Each Member State has a unique situation and certain too strict rules would not be possible to always suit to everybody.

In the European agreement there are general articles regarding the economic and financial cooperation comprising ecological problems in all sectors. Although the White Book was referring to one part of the European Union legislation, it has some specific clauses regarding the legislation on environment.

Thus the Central European states have a basic framework from which they can start then orientating themselves to the specific problems which should be tackled, with specific priorities.

Through the agency of the structured dialogue, the Commission and the Member States of the European Union grant assistance, making the Environment Ministers come into contact one to another and by the Phare programme of the European Union they granted funds to catalyze the performing of these objectives.

Through the agency of the Environmental Action Programme (EAP), which was adopted in 1993, there was officialized an Eastern Western partnership, aiming the environmental condition improvement in all Europe

The environmental problems are not limited to only one country, the actions and behaviour of one can affect some other countries, too.

Its objectives are accomplished or financed by the Phare programme, the World Bank, the Reconstruction and Development European Bank (RDEB) and others.

In the Czech Republic the Rainbow programme contributes to the environment cleaning. About 40% out of the residual water in the Czech Republic were not treated in a suitable way.

The mining industry severely affects the environment, causing serious damage to the soil and the waters.

On May 5<sup>th</sup>, 1996, there was held an important conference in Visly, which examined a lot of problems which the Baltic states face with, among them being also the environmental problem.

Besides these examples of regional initiatives there are the national Phare programmes on environment having an average financing of 70 – 100 million EURO yearly. They represent the backbone of the financial support granted by the Commission in order to help the Central and Eastern European states to start applying their environmental strategies to be able to fulfil their obligations regarding the accession.

It is impossible to do an exact assessment of the expenditure necessary for solving the ecological problems in the Central Europe. However, a frequently quoted assessment reaches the amount of 300 billion EURO, phased on a 15 – years period.

As the experts said this would be the necessary sum for improving the environment in these countries. But the economic transformation of these countries implies the unavailability of some sufficient resources for tackling the environmental problems.

The Phare strategy for environment in the next period focusses on the following objectives:

- Promoting some efficient environmental policies, including the applying of some norms regulating the pollution;
- Promoting the public awareness and participation in the environment improving projects;
- Supporting the priority capital investments;
- Strengthening the main institutions dedicated to the environmental protection, both in the private sector, and in the state one.

It is provided that in the next five years most of the investment for the environment should be allocated to providing first necessity equipment and civil projects.

The ecological problems of the Central Europe are huge, but the population health was the most affected one. The air and the soil having a high lead concentration generated by the lead and zinc smelteries, by the road transport, as well as the air polluted by gas(es) and dust offer the clearest reasons of being worried.

Public health is also jeopardized by the nitrates in the water coming from fodder (p)lots and from the badly maintained agricultural enterprises or from the incorrect use of chemical fertilizers, as well as from the lack or the faulty building of the septic rural reserves.

The economies of this region have been also affected by neglecting the environment. The deterioration or the destroying of the physical or natural resources capital have caused the diminishing of the output.

The result is a general and, in some cases, an irreversible degradation of the whole system of biological diversity, especially of lakes, tanks (reservoirs), rivers, pastures, sea, and coast eco-systems, forests and mountaineous regions.

The Central and Eastern Europe should combine the juridical regulations with the economic instruments in order to ensure the constant performing of the potential benefits of economic restructuring. By imposing some extra taxes for pollution such a policy will be completed by promoting clean technologies and a reduced pollution degree fuel.

As for the regulation, the associated countries should introduce a standard and requirement framework similar to that one adopted within the European Union. A great of the international standards are subdued to periodical revisions in the light of accumulated experience and with the view of increased efficiency.

The standards adopted by the Central and Eastern Europe should provide the gradual application of some ever stricter emission limits in

order that in 10 – 20 years these limits should approach the standards acknowledged on an international level. The enterprises should be given a clearly defined and reasonable period of time in order to conform themselves to the new standards which should be rigorously applied.

The countries need both efficient regulations, and economic instruments, as it is a taxation and fining system, as an efficient monitoring and some bodies which impose the efficient applying of these standards.

Through the agency of the privatization process, the environment ministers will be capable to include some ecological considerations into the decisions of closing or maintaining the plants and enterprises in the state sector. By influencing the decisions for closing or maintaining the plants, as well as by establishing the conditions which the know-how assistance will be based on, the authorities in charge with the environmental protection will be able to significantly and without high expenditure contribute to reducing the pollution generated by the obsolete plants.

The action programme proposes the following priority domains for the internal short – term investments in the ecological domain:

- Immediate investments for the priority public health programmes.

In areas having a low quality air, the priority will consist in reducing the dust coming from non – ferrous metal foundries and steel works, as well as from using a fuel less polluting at the municipal thermal plants and in the dwellings. As regards the water quality, it will be given priority to pre – treating the industrial effluents and to the measures designed to reduce the excessive level of nitrates and the microbiological contamination from the village drinking water. For toxic waste priority should be given to providing some fields for their storing and which should not contaminate the water sources at the surface or deep into the soil.

- Measures adapted to the specific problems of each country. These will include the sewage treatment for protecting the ecological resources and the touristic areas, as well as completing the building of some plants for the sewage treatment.
- Assistance for identifying and accelerating the ecological investments from enterprises according to the ecological policy.
- Low – cost measures for tackling the long – term ecological priorities.

They refer to improving the transport system, the gradual removing of lead gasoline and reducing the gas(es) emissions coming from motor vehicles, applied research for protecting the jeopardized species and the ecosystems, as well as developing some systems for collecting, interpreting and disseminating the ecological information.

In the transnational or overall problems of water or air pollution, the action programme recommends that the reforms of market economy, specific policies and investments should accomplish the objectives of the internal ecological policy.

## **5. CONCLUSION**

An efficient ecological policy needs the explicit commitment of the whole national government and the regional authority and the cooperation of private sectors. The focus should be laid on the domains which can offer the greatest benefits on the basis of some modest investments. Increased efforts should be made for identifying and preparing viable projects. The local participation is essential.

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