

**Opinion of the Economic and Social Committee on the 'Proposal for a Council Regulation (EC) on Community support for pre-accession measures for agriculture and rural development in the applicant countries of central and eastern Europe in the pre-accession period'<sup>(1)</sup>**

(1999/C 101/16)

On 24 April 1998 the Council decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 17 December 1998. The rapporteur was Mr Kienle.

At its 360th plenary session (meeting of 27 January 1999), the Economic and Social Committee adopted the following opinion by 59 votes to one with two abstentions.

## 1. Introduction

1.1. At its meeting held in Cardiff on 15 and 16 June 1998 the European Council welcomed the progress made since the Luxembourg Summit in preparing for enlargement. It also called for rapid progress to be made in accession partnerships and, in particular, acknowledged the importance of the agricultural, environmental and transport priorities laid down within the framework of these partnerships.

1.2. Under Agenda 2000, ECU 3 billion are to be paid out annually from the year 2000 to the ten CEEC applicant countries. This pre-accession aid breaks down as follows:

- ECU 1,5 billion of Phare funds
- ECU 1 billion of structural aid, particularly for the environment and transport (ISPA)
- ECU 500 million for agriculture (SAPARD).

1.3. The Phare programme, which has hitherto supported the transition of central and eastern European countries to a market economy, is therefore to be continued. The new pre-accession aid instruments, namely structural and agricultural aid, should help pre-accession adjustments and more especially make it possible for the applicant countries to take on board the 'acquis communautaire'.

1.4. Pre-accession aid for agriculture aims to ensure respect for the priorities of the reformed CAP, i.e. it will be allotted first and foremost to the restructuring and modernization of agricultural production and to the processing and marketing of foodstuffs, the actual focus of attention varying from country to country. Support under Article 2 of the proposed Regulation will include the following measures:

- investments in agricultural holdings,
- improving the processing and marketing of agricultural and fishery products,

- improving structures for quality, veterinary and plant-health controls,
- agricultural production methods designed to protect the environment and maintain the countryside,
- the setting up of producer groups,
- the renovation and development of villages and the protection and conservation of the rural heritage,
- the establishment and updating of land registers,
- the development of rural infrastructure,
- the management of water resources,
- forestry, including afforestation.

1.5. Community support will be in the form of multiannual programmes established in accordance with the guidelines and principles of operational programmes already existing under the EU's structural policy.

1.6. According to the proposal set out in Agenda 2000, pre-accession aid for agriculture and rural areas (ECU 500 million at constant 1997 prices) is to be funded by the EAGGF Guarantee Section.

## 2. General comments

2.1. In this opinion the Economic and Social Committee reaffirms its commitment to the eastward enlargement of the European Union, regarding it as a unique, historic opportunity to bring together the peoples of Europe within a common European home. Of particular relevance to discussions about pre-accession aid for agriculture and rural development are the following opinions, which have already been adopted by the Committee:

- The own-initiative opinion on the implications for CAP of the accession of countries of central and eastern Europe (Rapporteur: Mr Bastian), CES 1505/96<sup>(2)</sup>

<sup>(1)</sup> OJ C 150, 16.5.1998, p. 14.

<sup>(2)</sup> OJ C 75, 10.3.1997.

— The own-initiative opinion on the agricultural aspects of 'Agenda 2000' (Rapporteur: Mr Bastian), CES 1396/97<sup>(1)</sup>

— The own-initiative opinion on reinforcing the pre-accession strategy (Rapporteur: Mr Hamro-Drotz), CES 456/98<sup>(2)</sup>.

2.2. We must never lose sight of the fact that agriculture plays an extremely important role in the ten applicant countries. This is true both of agriculture's share in GDP and of the proportion of those employed in agriculture. According to the Commission, 22,5 % of the CEEC's entire workforce is employed in agriculture, whereas the equivalent figure in EU-15 is only about 5,1 %. However, in all 15 EU Member States, the proportion of those employed in agriculture in earlier times was much higher than it is today. This illustrates the fact that reforms in CEEC agriculture and rural areas are wrought with difficulties, especially since there are extremely limited opportunities for alternative employment in rural areas. There, it is also common knowledge that a large number of farms, for example in Poland, hardly produce anything for the market and have extremely low incomes.

2.3. Only now, after years of deep crisis following the 1989/1990 reforms, is agriculture in most CEEC starting to gradually recover. The latest report on the situation and future prospects for development in the CEEC, drawn up by the European Commission's DG VI on 2 October 1998, paints a stark picture of the serious weaknesses of agricultural structures in the CEEC and the considerable difficulties applicant countries are having in reforming their agricultural and food industries.

2.3.1. It has become particularly clear that carrying out land reforms and privatization merely 'on paper' is not enough. The CEEC will now be expected to make much greater efforts themselves to definitively sort out ownership rights, restructure holdings and create workable land and property markets. Nor can they afford to slacken their efforts to radically modernize sectors upstream and downstream of agriculture proper. Last but not least, similarly strenuous efforts are also needed to take on board the 'acquis communautaire', set up market organizations, create distribution networks and build up the necessary administrative mechanisms.

2.4. The Committee by and large accepts the arguments presented in the draft Regulation in favour of pre-accession Community support for agriculture and rural development.

2.5. The Committee notes however that the views it expressed earlier — namely that it will take much longer to secure an upturn in agriculture in the applicant countries than was previously envisaged by the European Commission — have proved to be justified.

2.6. Because of this, the question of whether fulfilment of the 1993 'Copenhagen criteria' should be a pre-requisite for EU membership needs to be addressed with great urgency. The Committee is convinced that over hasty admission would inevitably have devastating consequences for employment in rural areas. Transitional periods will therefore be needed before the CAP can be fully taken on board.

2.7. The Committee is firmly convinced that, however desirable, the list of measures proposed in Article 2 of the draft Regulation is much too comprehensive given the limited funding available. It creates the false impression of a bonanza about to be enjoyed by the CEEC, whilst automatically increasing the danger of the misallocation of funds or leading to the EU being perceived once more by beneficiaries as an administration that imposes 'diktats', thereby reducing the prospects of success. We would recall here the unfortunate experiences CEEC have already had with foreign consultancy firms.

2.7.1. The Committee therefore urgently recommends that support be much more carefully targeted at CEEC preparations to take on board the 'acquis communautaire', and hence the CAP, whilst there should also be a clearer distinction between pre-accession aid (ISPA, SAPARD) and the Phare programme.

2.8. The Committee is delighted that close cooperation with economic and social partners is being planned at all stages — from the planning and implementation of measures, including their financing, right through to the assessment of results. The important thing here is to draw lessons from previous experiences, which have to some extent been disappointing, particularly within the framework of the Phare programme. Pluralistic societal structures have only emerged slowly so far in the CEEC whilst agricultural interest groups are often under-developed, poorly organized or caught up in in-fighting.

2.8.1. The Committee is therefore all the more keen to see top priority given to human resources, with particular attention focused on the strengthening of stakeholders in society. Intensive social dialogue, primarily between socio-economic partners, is a sine qua non if the changes introduced in the CEEC are to be economically successful and socially acceptable. The setting up of dynamic and sufficiently representative organizations should also be an important objective. The Committee also feels that greater importance should be given to setting up and cultivating partnerships between towns and villages in western and eastern Europe and to promoting training exchanges for young people starting out in employment.

2.8.2. Because of its own experience and remit, the Committee sees itself as an ideal forum for an intensive exchange of ideas and experiences, particularly in the early stages of the programmes. Use here should also be made of the ESC's Joint Advisory Committees — both

<sup>(1)</sup> OJ C 73, 9.3.1998.

<sup>(2)</sup> OJ C 157, 25.5.1998.

those already in existence and those in the process of being set up.

2.9. The Committee has on many occasions expressed its support for the principle of pre-accession aid for agriculture in the applicant countries. Whilst well aware that Community efforts are no more than a back-up for action taken at national level, and can never replace the efforts of the applicant countries themselves, there is now growing concern that the ECU 500 million to be earmarked annually for all ten CEEC applicants is downright inadequate.

2.10. The Committee would point out that the numbers of those employed in agriculture in the CEEC will fall dramatically in the next few years. The cost of providing urgently needed jobs and social protection, however, far exceeds the available resources of the common agricultural policy. The Committee therefore reiterates its proposal that, in addition to Phare, ISPA and SAPARD, a stand-alone fund financed largely from the EU budget be set up to cover the pre-accession period. Given current political discussions about a possible freezing of the EU budget, the Committee would point out that such action would inevitably have a serious impact on the proposed pre-accession programmes.

Brussels, 27 January 1999.

*The President  
of the Economic and Social Committee*

Beatrice RANGONI MACHIAVELLI

#### Opinion of the Economic and Social Committee on:

- the 'Proposal for a Council Directive amending Directive 77/388/EEC as regards the rules governing the right to deduct Value Added Tax', and
- the 'Proposal for a Council Regulation (EC) on verification measures relating to the refund system and administrative cooperation measures necessary for the application of directive 98/xxx/EC'<sup>(1)</sup>

(1999/C 101/17)

On 27 July 1998 the Council decided to consult the Economic and Social Committee, under Article 99 of the Treaty establishing the European Community, on the above-mentioned proposals.

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 15 December 1998. The rapporteur was Mr Walker.

At its 360th plenary session (meeting of 28 January 1999) the Economic and Social Committee adopted the following opinion by 99 votes to eight, with five abstentions.

## 1. Introduction

1.1. As a result of the changes made to the common VAT system by the transitional arrangements, it was possible to eliminate, on 1 January 1993, the checks and administrative procedures prior to or on crossing an internal border of the European Union, while safeguarding to the maximum the Member States' discretion for

determining their national VAT systems, in particular by retaining a large number of options and powers in the Directive.

1.1.1. However, the abolition of physical barriers placed greater emphasis on the intangible obstacles to trans-national activities faced by businesses.

1.2. The wide variety of rules for determining the place where a transaction is taxed and, consequently, the place where the tax is deducted or refunded, and the

<sup>(1)</sup> OJ C 219, 15.7.1998, pp. 16-20.