

## **Assessment of the outcome of negotiations between Latvia and European Union and the Common Agricultural Policy reform**

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While negotiating with the European Commission for more than two years Latvia has been defending and justifying its position in the Chapter "Agriculture" (including the required transition periods in the veterinary area, quantitative indices of production, etc.) on the basis of the following principles:

- Ensuring the development of Latvian agricultural sector within the common economic domain of the European Union on the basis of equality;
- Ensuring conformity of the production level with the local market demands;
- More efficient use of rural land for production purposes and conservation of rural landscape;
- Keeping rural areas sufficiently populated by promoting acquisition of new skills for people, quitting agriculture, and enabling them to find jobs in areas outside agriculture.

At the present moment, negotiations with the European Union have been concluded and Latvia can satisfactorily evaluate this dialogue with the EU both on political and expert level, particularly regarding quotas, direct payments and structural measures. These topics enjoyed a particular interest in the Issues Paper on proposal for accession negotiations in the area of agriculture published by the European Commission on January 30, 2002.

Latvia's priority in the negotiations with the European Union was achieving of maximally advantageous **quantitative production indexes** (quotas, etc.) and when quantifying this, it is obvious that strategic objectives of the negotiations have been achieved. The levels of production quotas and reference indices that have been achieved comply with the present production level and ensure a long-term development possibilities for both traditional and perspective sectors of agriculture. The model of direct payments and of support provided to modernization of production that have been reached ensures equal competition conditions for Latvia's farmers on European Single Market.

Common position of the Baltic States in the negotiations with the European Union should be noted particularly. Ministers and agricultural experts with joint efforts managed (in 2002, Ministers of Agriculture of the Baltic States met 5 time, signing declarations addressed to the European Commission and Member States) to draw attention of the European Union and to take into account the common arguments of the Baltics (Russian crisis, restructuring of agriculture after collapse of the former collective farms).

Thus, the Baltic States have achieved the highest increase in production quotas as compared with the other Candidate States.

Regarding **the direct payments**, which were in focus of attention during negotiations, it can be concluded that income of the major part of sectors will increase and this will enable them to continue the ongoing modernization.

We welcome that the initial level of direct payments offered by the European Union at 25% has been doubled in the result of negotiations. Thus, Candidate States were given a possibility to supplement the direct payments with national subsidies from the State budget as well as from the EU funding provided for rural development.

Nevertheless, the direct payments represent only a small part of the financial aid the farmer is eligible for after accession to the European Union. Agriculture and fishing will be also supported under rural development measures and via prices of agricultural products. This, in its turn, will ensure development possibilities not only for producers but also for rural population, engaged in sectors outside agriculture.

This chapter of the European negotiations has been concluded successfully for Latvia and we acknowledge the fact that the major gain from the EU accession will be possibility to participate in all decision making and policy building processes in the European Union as we will undoubtedly be among the future agricultural policy makers. Latvian farmers will enjoy a guaranteed outlet for their products, stable prices and stable income.

Still, this was only the first and one of the most difficult stages, but now we must continue working hard at harmonization of the EU and Latvian legislation and ensuring administrative functions, including setting up of payment administration system, implementation of other institutional systems, paying a particular attention to food safety and veterinary issues as well as ensuring Latvia with a possibility to participate in the decision making process and becoming a full-fledged Member State of the European Union.

It should be noted that the European Commission has offered Candidate States as an option to apply a single area payment scheme to administration of the State support. The European Commission has not yet defined specific application criteria of this scheme in its legislation. Thus, it is problematic for Latvia, similar to other Candidate States, to assess economic gains of this single area payment in the sector of agriculture and to make a decision on application of this scheme.

At present, Latvia's Accession Treaty has been prepared. Signing of the Treaty is planned for April 16, 2003, in Athens.

September 20 of the current year is very rapidly approaching when Latvia will have to decide whether to vote "for" or "against" accession to the European Union. Therefore, a great attention is paid to information of the society because people must receive full and impartial information based on real facts, regarding processes in the European Union and their impact on the future of Latvia; both positive and negative aspects.

Not only Latvian but also the EU Common Agricultural Policy is facing changes. It should be mentioned that society in Latvia is looking with concern upon the Mid-term Evaluation of the EU Common Agricultural Policy issued by the Commission on July 10, 2002. The offered plan of reforms envisages fundamental changes in the Common Agricultural Policy and major alterations in the policy of support. Latvian experts have been studying the impact of these reforms on the further development of agriculture in Latvia.

Latvian agricultural policy encouraged production by providing and constantly increasing the national support. Since 2002, also the SAPARD Program has been promoting production of high quality agricultural goods.

If the projected reform is the future of the Common Agricultural Policy (almost 100% of support being decoupled from production) it is possible that many of Latvian farmers will not be able to compete with other producers in Europe and the World and to continue production in such conditions of a strong competition.

Many farmers will be compelled to give up or turn down production more or less "voluntarily" if the income support system ceases to exist or if it becomes too insignificant thus losing any stimulus to maintain production and use natural resources.

Farmers may be eligible for the EU support even if they do not produce, they may receive sufficient income but people employed in processing industry, transport and other sectors will become redundant in the situation of diminishing jobs that will considerably aggravate their total income.

All this can have a negative impact on the development of rural areas and one might ask whether the proposed and improved rural support policy will be able to solve this problem, which is bad enough already now.

In conclusion, I would like to say that negotiations are concluded and so is the dialogue between European Union and Latvia, regarding conditions and quotas, but now we will have to prove that we can achieve the production levels at sufficient quality and to absorb resources provided for direct payments and rural development. There will be changes in the lives of Latvian farmers and the competition will also become stronger but our achievements in Europe will depend solely on ourselves: the better we use all the possibilities the more advantage we gain; all the better we defend our interests so much better we will live.