PROCESS OF EXPANDING THE EUROPEAN UNION THROUGH ACCESSION OF NEW MEMBER STATES

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Summary. *The study analyses the EU enlargement through the accession of the new member states within the context of the Common Agricultural Policy. In 2004-2013 the number of new countries increased from 10 to 13. The research shows that not all provisions of the Accession Treaty limited by direct payments were favorable for the implementation of Pillar I of the CAP. The achieved level of direct support of 25% of the payments in the EU-15 countries was that of a burden under during the entire period of belonging to the EU. The lower level of subsidies resulted in unequal competitive conditions on the European markets.*

When analyzing the budget proportions (2007-2013) between the first and the second Pillars of the CAP it should be pointed out the that 51.9% of the total was allocated on the first Pillar of the CAP and 48,1% on the second one. As part of the multiannual financial framework for 2014-2020, the ratio between the pillars is like 64.9:36.1. This represents an increase of direct payments for the new Member States.

Introduction. In the united Europe ways of joining the Community were different and always lasted for a certain period of time. Initially, the countries of the Western Europe used to unite by sectors, for instance, as the European Coal and Steel Community (1952) or the European Atomic Energy Community (Euratom). Then the countries worked out the treaty, which, inter alia, freed the European markets from systemic constraints, introduced a free movement of goods and services, and, in addition, made the movement of capital and people possible creating a space for economic development [Lyon G. 2010]. Quite different was the situation in the countries of Central and Eastern Europe, which received the social and economic freedom at the turn of the 80/90's. A long period of functioning of these countries as the strict planning economies with rationing of goods and services left them behind in terms of the economic development and GDP. Thus, these countries experienced a strong desire to integrate with the Western neighbours, who presented the standards and quality of life at a much higher stage [Oskam, 2010].

Material, purpose and scope of research. The historical process of enlargement of the European Community change was taking place gradually and the adoption of the new countries resulted from the in-depth analysis of the degree of preparedness of the candidate country for integration. A group of six founding members of the community took the first group of countries after 15 years since the foundation of the EEC in 1958. This occurred in 1973 in the framework of the first stage of extension of the community (Denmark, Ireland, Great Britain). Subsequent stages took place in 1981 (Greece), followed by Spain and Portugal (1986), then Austria, Finland and Sweden (1995) [Shucksmith, 2005]. From the outset he Community envisaged the possibility of inclusion of the new Member States from Central and Eastern Europe. At the same time assistance to these countries was foreseen through promoting their growth, as well as through strengthening of the democratic structures. Countries that were to join the Union had to meet the criteria set out in 1995. Those criteria were defined as follows: 1. the political ones, including stable institutions, democratic rule of law, human rights and respect for and protection of minorities, 2. the economic criteria, such as, a well-functioning market economy and the ability to face competition, 3. the ability to take on the obligations of the membership, including adherence to the aims of political, economic and monetary union. 4. adoption of the entire Community acquis and ensuring its effective implementation through appropriate administrative and judicial structures. The aim of this study was to analyze the conditions and methods of integration, which took place in the fifth expansion stage of the EU in 2004 through the adoption of the ten countries, mainly from Central and Eastern Europe, all at the same time. Initially it was planned that 6 new countries would become Member States already in 2002, including, inter alia, Poland. However, after long negotiations 10 countries joined the EU. The Accession Treaty was signed in 2003, and the actual membership took place on May 1, 2004. Bulgaria and Romania, which joined the community at a later date (2007), failed to complete negotiations. In 2013 the thirteenth new country (Croatia) signed the Treaty of Accession. The integration processes with an emphasis on issues of the common agricultural policy were analyzed. The study was based mainly on the European legislation, which provided accurate information in categories of actions for each financial perspective, amounts of the annual ceilings, instruments as well as commitment appropriations and payments.

Role of pre-accession funds in process of the European integration. The European Community after the adoption and ratification of the Treaty on the Functioning of the European Union (TFEU) in 1993 was aware that a new group of countries that would apply for inclusion were the countries of Central and Eastern Europe. It was claimed that they had undergone a transformation of the system, accepted democratic rules and entered the path of a market economy. Initially, the old EU countries did not want to bear the burden of the increase of expenses from the Community budget. In 1997, the European Commission has assessed the impact of the future enlargement on the EU functioning and proposed the appropriate budget reform and different types of policies that were to prepare the EU for the accession (i.e. Agenda 2000). From the outset, the European Union's enlargement through the accession of the new countries of Central and Eastern Europe, was treated as one of the most difficult processes. Before that only countries with an established democracy, a developed market economy, sustainable finances and high GDP were accepted. The EU now faced the problem of the high number of candidates that had previously existed in different political systems and differed in their historical awareness and socio-economic experience. All candidate countries represented a much lower level of economic development than the old EU countries. Among the negative factors a large share of agriculture in the national economy, high employment in the agricultural sector, while at the same time the low productivity of agriculture were mentioned. Thus, the adoption of the new Member States according to the EU-15 would cause the increase in expenditures on the common agricultural policy and the structural one, and a smaller share of payments by the EU-10 to the common EU budget. In order to prepare the new Member States for operating in the new economic and business conditions, in 1999 to the pre-accession aid measures for agriculture and rural development were established. The pre-accession programme SAPARD (Special Accession Programme for Agriculture and Rural Development), was created in the associated countries, which were waiting to join the European Union. The aim of the programme was to unify the community legal regulations. Other aims were attempts to improve infrastructure, transport and environmental protection. The implementation of these programmes was to primarily prepare institutions and beneficiaries to use the instruments of the common agricultural policy after accession to the EU. The funding available for NEU-10 countries was ready as early as 2000, but the use of those means required the launch of the paying agency, the payment system and, above all, the implementation of the institutions, which could help farmers to make use of the new financial instruments. Those factors were the reason why the EU candidate countries could effectively benefit from the aid only in 2002.

Tab. 1. – Pre-accession aid under multiannual financial framework (in millions of euros)

Item	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Agriculture	529	540	555	564	633	633	633
Pre-accession structural instruments	1058	1080	1109	1129	1129	1129	1129
PHARE (applicant countries membership)	1587	1620	1664	1693	1693	1693	1693
Total pre-accession aid	3174	3240	3328	3386	3455	3455	3455

Source: The European Parliament and Council Decision of 2003 on the adjustment of the financial perspective for the enlargement.

Under the SAPARD programme the following activities were carried out: 1. Improvement the of processing and marketing of agricultural products, 2. investments in agricultural holdings, 3. development and improvement of rural infrastructure, 4. diversification of economic activities in rural areas, 5.

agri-environmental programmes and afforestation, 6 . training and technical assistance.

First period of functioning of new Member States in the EU (2004-2006). After lengthy negotiations and signing of the accession treaties, the new Member States acceded to the implementation of the objectives and tasks relating to the common agricultural policy. Not all of the provisions of the EU met with full approval of the NEU-10 countries. A part of the treaty was that the new Member States agreed for exceptions from the common agricultural policy. Direct payments for agricultural production for the new Member States from the Union budget amounted to 25% of the full level in 2004, then 30% in 2005 and 35% in 2006. Some countries (Poland) requested to transfer a part of the rural development funds to direct payments. A total of the direct payments, taking into account any payments from the budget, could be 55% in 2004, 60% in 2005, and 65% of the level of payments in the old Member States in 2006. Direct payments were calculated on the basis of production quotas, base areas and reference yields. Indicators, which were adopted by the EU, derived from the previous years, therefore, they did not reflect the real level and production potential of the candidate countries to the EU.

Tab. 2 – Areas of arable land (AL) covered by the Single Area Payment Scheme (SAPS, 2002)

State	AL area according to state agricultural census of 2002 (in thousands ha)	AL area under SAPS (in thousands ha)	Per cent
Cyprus	100	140	140,0
Czech Republic	4300	3469	80,7
Estonia	700	800	114,3
Lithuania	3500	2574	73,5
Latvia	2500	1475	59,0
Poland	16900	14000	82,8
Malta	0	0	0
Slovakia	2500	1865	74,6
Slovenia	500	0	0
Hungary	5900	4829	81,8

Source: The European Commission Data, 2002.

In the Accession Treaty in Athens in 2003 each candidate country to the EU negotiated in principle a distinct level of subsidies in the direct support system. SAPS rates were annually determined by the European Commission. Specifically, how much funding would be on the farmer's account was dependent on the euro exchange rate. According to the Council Regulation (EC) No 1782/2003, the new Member States were allowed to use special arrangements during the transitional period in order to obtain the possible highest direct payments to farmers, namely through the introduction of the Single Area Payment Scheme (SAPS). According to the Accession Treaty of 2003 the principles and main elements of the SAPS were introduced during the negotiation process, in order to offer the new Member States the simplified procedure of direct payments. These procedures were designed to facilitate the preparatory work, as well as reduce the costs associated with joining the community.

The SAPS system permitted the new Member States to introduce and use only some of the instruments of the Integrated Administration and Control System (IACS), instead of having a modern system. In particular, under the SAPS, there were no liabilities to have arable land lying fallow, while it was a must to pay per hectare of it. In fact, the SAPS was not related to production volumes, it was based on the two elements concerted at the national level, namely: 1. on the national financial envelope set by the European Commission and being the sum of all the direct payments, which the Member State would receive under the normal procedures of direct payments, 2 . on the national agricultural area, formed as part of arable land, which in 2003 was in line with the principle of good agriculture and was adjusted according to the objective criteria approved by the European Commission. In turn, the financial instruments related to the rural development (Pillar II of the CAP) were reflected in the Treaty as the specific amounts of support. The adopted and established support measures in the total amount of 5.11 billion euros were from the EAGGF Guarantee Section.

Tab. 3 – Financial instruments for rural development in 2004-2006 (in millions of euros)

State	2004	2005	2006	2004-2006	Per cent
Cyprus	20,3	22,2	23,9	66,4	1,3
Czech Republic	147,9	161,6	172,0	481,5	9,4
Estonia	41,0	44,8	47,7	133,5	2,6
Lithuania	133,4	145,7	155,1	434,2	8,5
Latvia	89,4	97,7	103,9	291,0	5,7
Malta	7,3	8,0	8,5	23,8	0,5
Slovakia	108,2	118,3	125,8	352,3	6,9
Slovenia	76,7	83,9	89,2	249,8	4,9
Poland	781,2	853,6	908,2	2543,0	49,8
Hungary	164,2	179,4	190,8	534,4	10,4
Total	1569,6	1715,2	1825,1	5109,9	100,0

Source: The Treaty of Accession of 2003

The partition of the financial instruments in 2004-2006 for the rural development support shows that Poland received the greatest amount, i.e. 2,543.0 million (49.8%) following Hungary (10.4%) and the Czech Republic (9.4%). Furthermore, the new Member States were given a temporary aid (transitional measures) in order to develop and strengthen the implementation of the EU laws as well as they exchanged experience of functioning of the equivalent bodies .

Financial perspective of New Member States in 2007-2013. In 2007 a group of the new Member States was increased by two subsequent countries, Bulgaria and Romania. In the previous years the CAP was financed from one fund, that is, from the European Agricultural Guidance and Guarantee Fund, where its Guarantee Section was responsible for direct payments and the Guidance Section for rural development. In the following seven years of programming and financing of EU policies covering the years 2007-2014, support for the agricultural sector and rural areas was financed from two separate funds. The first fund - the European Agricultural Guarantee Fund - financed activities related to the direct payments, market intervention and veterinary instruments. The second one - the European Agricultural Fund for Rural Development - financed activities related to the development of rural areas. The new financial rules were to harmonize and simplify the implementation of aid activities and monitoring of expenditures. Support for agricultural production in the EU was increasingly being carried out through direct payments to farmers, and less and less by maintaining a high level of prices. The adopted legal framework of the future CAP foresees for the maintenance of two separate funds. [Implementation, 2008]. Area payments were one of the main instruments for implementing the Common Agricultural Policy, which is responsible for the support and stabilization of agricultural incomes, reducing the production costs and maintaining the production in the disadvantaged areas [Ordinance, 2003]. The following CAP reforms caused that direct payments became an important policy instrument responsible for the support and stabilization of agricultural incomes. An important decision was to separate the area payments from the current production in order to promote a more market-oriented and sustainable agriculture and thus to support the agricultural incomes [Ordinance, 2009].

The purpose of the area payments was to keep the agricultural land in good agricultural and environmental conditions, to compensate for the costs related to the Community principles of cross-compliance and to ensure equal conditions for competition in the homogeneous agri-food market. The next goals were the protection of natural resources, fight against climate changes, a better water management, the conservation of biodiversity and the promotion of renewable energy [Gburczyk, 2006]. he amount of area payments can be analyzed on the basis of data related to the reference area of agricultural land for the new Member States.

Tab. 4 – Basic data on reference surface in NEU-12 countries (2009)

NUE-12 countries	Land reference surface of in thousands ha	Number of agricultural holdings in thousands	Land reference surface per 1 agricultural holding	Employment in agricultural sector in thousands
Bulgaria	4476	357	12,5	677
Cyprus	118	36	3,1	18

Czech Republic	3484	23	151,5	152
Estonia	941	19	49,5	26
Hungary	4686	534	8,8	291
Latvia	1796	83	21,6	75
Lithuania	2743	200	13,7	116
Malta	11	12	0,9	5
Poland	14447	1499	9,6	2036
Romania	13306	3724	3,6	2962
Slovakia	1896	24	79	71
Slovenia	483	74	6,5	79
NUE-12	48387	6585		6508

Source: Report of the Commission (EU) for 2009, Agriculture in the European Union, Statistical and Economic Information, Brussels, 2010.

Analyzing the reference UAA surfaces it should be pointed out that of the total area of 172.9 million hectares in the European Union, 48.4 million ha or 28.7% account for the new Member States. At the same time the new Members have a poorer agrarian structure (with the exception of the Czech Republic) and are characterized by the excess of people employed in agriculture (55.2% of the total), which results in a lower productivity. Regarding these results to the level of the financial support instruments of Pillar I of the CAP, with the overall budget amounting to 286.22 billion euros in 2007-2013, 246.2 billion euros (86.0%) accounted for the EU-15 countries, while for the NEU-12 countries 39.98 billion (14.0%) respectively. This placed the new Member States at a disadvantage, resulting in reduced opportunities to compete in the European common agricultural market and made it impossible to use all the factors of production in agriculture.

Tab. 5 – National ceilings of the CAP financial support instruments for NEU-12 countries in 2007-2013 (in millions of euros)

Country	CAP overall budget	CAP Pillar I	Per cent	CAP Pillar II	Per cent
Bulgaria	5098	2489	48,9	2609	51,1
Cyprus	379	217	57,0	163	43,0
Czech Republic	7316	4500	61,5	2816	38,5
Estonia	1209	494	40,9	715	59,1
Hungary	10298	6493	63,1	3806	36,9
Latvia	1767	725	41,1	1041	58,9
Lithuania	3611	1868	51,7	1743	48,3
Malta	97	20	20,6	77	79,4
Poland	28269	15039	53,2	13230	46,8
Romania	13524	5502	40,7	8023	59,3
Slovakia	3892	1923	49,4	1969	50,6
Slovenia	1612	712	44,2	900	55,8
NEU-12	77074	39982	51,9	37092	48,1

Source: European Parliament and Council Regulations (EU) for the said periods of programming

When analyzing the proportions between the I and II CAP Pillars it should be pointed out that not all of the new Member States allocated high financial instruments for direct payments equally. Malta allocated the least support measures for the area payments (20.6%), Romania (40.7%) and Estonia (40.9%) with an average of 51.9% for all NEU-12countries. Accordingly, the inverse proportions are noted with the use of the CAP Pillar II (48.1%).

The Rural Development Programmes became the instrument of policy defined in the CAP Pillar II. In the legislation referred to the RDP the objectives, priorities and principles concerning the activities predicted in the EU budget were defined. The actions concerning not only farms, but also the socio-economic development of rural areas were supported through the RDP budget. The basic principles of the rural development policy for the years 2007-2013 were included in the EU legislation on support for the EAFRD. The regulation indicates that the strategic objectives should identify the areas important for the realization of priorities of the Community, in particular in relation to sustainable development and bringing coherence to other EU policies. It was assumed that the rural development policy would focus on three key areas, i.e. the agri-food economy, the environment and on the broadly understood economy and the rural population [Regulation, 2005].

New Member States in long-term financial perspective for 2014-2020. The Common Agricultural Policy applied in a numerically smaller group of countries (EU-15), encountered no such difficulties until in a relatively quick time that group turned into the EU-27 countries, and in the mid 2013 it was joined by another member (Croatia). Its range covers - besides the Balkans - almost all of Europe, where there are not only different geographic regions, but the management systems and types of the agricultural production also differ. During the negotiations prior to decisions on the perspective of 2014-2020, the new member states demanded the same rights and level of support that exist in the old EU-15 countries. These dilemmas were resolved by the European Community, which with significant participation of the scientific national and international community, prepared a series of legislative solutions and projects (applications) of the EP and Council Regulations. The legislation includes seven new regulations, which regulate the Common Agricultural Policy in the range of direct payments, rural development, common organization of agricultural markets and financing of the CAP until 2020.

The Common Agricultural Policy in 2014-2020 continues to play a key role in ensuring the EU following purposes: food security, sustainable development of agriculture and rural areas, equal conditions of competition within the single market for agricultural produce, as well as the EU's strong competitive position in the global agricultural market. Due to the multifunctionality of agriculture and rural areas, in 2014-2020 the CAP is still an instrument facing new Community challenges related to environmental protection, climate change, water management, biodiversity and renewable energy. To ensure the effectiveness of the CAP in the above tasks, subsequent amendments to this policy should retain its full Community character, particularly in financial terms, thereby ensuring equal conditions of competition within the single EU market. According to the EU legislation, the CAP should be a simple and stable policy, and at the same time it must be understandable to farmers and taxpayers. The regulations presented by the EP and the European Commission are fundamentally changing the system of direct payments. The payments will be allocated to active farmers, based on completely new powers, the number of which will depend on the number of the declared hectares. The payment system is used in accordance with the principle of cross-compliance, consisting in the observance of certain rules relating to the protection of the environment, animal welfare and of other actions related to health (hygiene, veterinary). The aim is to significantly reduce the differences in the levels of payments among farmers and regions. By 2020 all the Member States will have been required to pass to the single payment per hectare at their national levels. The new conception of direct payments seeks to better synergies between I and II Pillars of the CAP. Direct payments are intended for active farmers who receive a basic income support through the decoupled basic payments. The maximum proportion of payments (300 thousand euros) is introduced, which a large, single farm can receive. In addition, to the basic payment each household receives a premium per hectare for the use of certain agricultural practices beneficial for the climate and the environment. Furthermore, they will be granted an additional payment for areas with natural constraints. 5% of the domestic financial resources is intended for this purpose. Another novelty is support of the young farmers. The basic payment for the new young farmers (under 40 years) can be supplied with additional 25% in the first five years of the start of their business. This applies to young farmers' holdings existing of no more than 25 years. In order to contribute to the vitality of rural areas, improve their competitiveness and reduce bureaucracy, the programmes, of assistance to farmers with small holdings were launched. Farmers of these holdings will get the annual member payments from 500 to 1000 euros fixed by the Member States [Regulation of the European Parliament and the Council, 2013].

Tab. 6 – National ceilings of the CAP financial support instruments for 2014-2020 in NEU-13 countries (in millions of euros)

Country	CAP overall budget	CAP pillar I	Per cent	CAP pillar II	Per cent
Bulgaria	7675	5336	69,5	2339	30,5
Cyprus	480	348	72,5	132	27,5
Czech Republic	8285	6115	73,8	2170	26,2
Estonia	1733	1007	58,1	726	41,9
Hungary	12346	8891	72,0	3455	28,0
Latvia	2686	1717	64,2	969	35,8

Lithuania	4861	3248	66,8	1613	33,2
Malta	133	34	25,6	99	74,4
Poland	32088	21147	65,9	10941	34,1
Romania	20955	12939	61,7	8016	38,3
Slovakia	4599	2709	58,9	1890	44,1
Slovenia	1792	954	53,2	838	46,8
NEU-12 countries	97633	64445	66,0	33188	34,0
Croatia	3621	1296	35,8	2325	64,2
NEU-13 countries	101254	65741	64,9	35513	35,1

Source: European Parliament and Council Regulations (EU) for the said periods of programming

The analysis of the above table shows that the balance between the funding of the first and the second Pillar of the CAP in comparison to the previous perspective, changed in favor of the area payments and amounted to 64.9: 36.1. The above phenomenon is an attempt to implement the repeatedly increasing postulate of subsidy convergence between the EU-15 and NEU-13 countries. With regard to support for rural development a stronger link with other policies has been introduced, in particular, with the cohesion policy through the inclusion of the second Pillar of the CAP in the Common Strategic Framework. The programme aims at the assistance for the implementation of the predetermined priorities. It sets out common rules for all funds within the common strategic framework, and the use of the second CAP pillar is to enable a link to the first CAP pillar in a coordinated and complementary way. Generally speaking, the rural development policy, as an integral part of the CAP is to contribute to: 1. the competitiveness of agriculture by supporting innovations and restructuring of the agricultural sector, as well as enabling the efficient use of resources; 2. the sustainable management of natural resources through environmental protection and rural landscapes as well as maintaining the productive capacity of agricultural land; 3. the balanced territorial development of rural areas by strengthening the human capacity at the local level, building and improving local conditions and links between urban centers and rural areas. [Regulation of the European Parliament and the Council, 2013].

Concluding Remarks. The countries of Central and Eastern Europe after undergoing of the system transformations began to strive for Western Europe. A relatively quick submission of the Member Association Agreements by particular states was an indication of such aspirations. The accession of new the Member States to the European Union brought to each country great advantages in all areas of social and economic life, as well as in the fields of law, management, education, culture, etc. We should take a special look at the issues of agriculture, where on the one hand, it is claimed that the integration benefited farmers of the most, on the other hand, one should be aware that the terms of the common agricultural policy in the first phase of integration (2004-

2006) were unfavorable for farmers. This phenomenon occurred especially in agricultural markets through the creation of unequal conditions of competition in the European markets. In the second financial perspective (2007-2013) a horizontal convergence of direct payments underwent, but the use of two methods of calculating payments (SPS and SAPS), was the reason that these levels are still different from convergence. The existing multiannual financial framework (2014-2020) indicates that the convergence of the field of area payments will have been reached only in 2020 by slightly lowering subsidies for the EU-15 countries and increasing them for the NEU-13 countries. The importance of direct payments (the CAP Pillar I) in the context of the common agricultural policy is rising because it is a widely available form of payment (for farms above 1 ha), not associated with the production, and at the same time in addition it forms the standard of living and income of farmers.

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