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REPORT

on the proposal for a Council decision adapting the Act of Accession of the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia and the adjustments to the Treaties on which the European Union is founded, following the reform of the common agricultural policy

(COM(2003) 643 – C5-0525/2003 – 2003/0253(CNS))

Committee on Agriculture and Rural Development

Rapporteur: Lutz Goepel

Symbols for procedures

- * Consultation procedure
majority of the votes cast
- **I Cooperation procedure (first reading)
majority of the votes cast
- **II Cooperation procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- *** Assent procedure
*majority of Parliament's component Members except in cases
covered by Articles 105, 107, 161 and 300 of the EC Treaty and
Article 7 of the EU Treaty*
- ***I Codecision procedure (first reading)
majority of the votes cast
- ***II Codecision procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- ***III Codecision procedure (third reading)
majority of the votes cast, to approve the joint text

(The type of procedure depends on the legal basis proposed by the Commission)

Amendments to a legislative text

In amendments by Parliament, amended text is highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.

CONTENTS

| | Page |
|---|-------------|
| PROCEDURAL PAGE..... | 4 |
| DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION..... | 5 |
| EXPLANATORY STATEMENT | 6 |
| OPINION OF THE COMMITTEE ON BUDGETS | 11 |

PROCEDURAL PAGE

By letter of 7 November 2003 the Council consulted Parliament, pursuant to Article 23 of the Act of Accession of the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia and the adjustments to the Treaties on which the European Union is founded, on the proposal for a Council Decision adapting the Act of Accession of the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia and the adjustments to the Treaties on which the European Union is founded, following the reform of the common agricultural policy (COM(2003) 643 – 2003/0253(CNS)).

At the sitting of 17 November 2003 the President of Parliament announced that he had referred the proposal to the Committee on Agriculture and Rural Development as the committee responsible and the Committee on Budgets for its opinion (C5-0525/2003).

The Committee on Agriculture and Rural Development appointed Lutz Goepel rapporteur at its meeting of 4 November 2003.

It considered the Commission proposal and the draft report at its meetings of 27 January 2004 and 18 February 2004.

At the latter meeting it adopted the draft legislative resolution unanimously.

The following were present for the vote: Joseph Daul, chairman, María Rodríguez Ramos, vice-chairman, Lutz Goepel, rapporteur, Gordon J. Adam, Reimer Böge (for Michl Ebner), António Campos, Alejandro Cercas (for Vincenzo Lavarra), Christel Fiebiger, Georges Garot, João Gouveia, María Esther Herranz García (for Christos Folias), Liam Hyland, María Izquierdo Rojo, Elisabeth Jeggle, Salvador Jové Peres, Heinz Kindermann, Dimitrios Koulourianos, Wolfgang Kreissl-Dörfler (for Jean-Claude Fruteau), Xaver Mayer, James Nicholson (for Robert William Sturdy), Karl Erik Olsson, Neil Parish, Mikko Pesälä, Encarnación Redondo Jiménez, Giacomo Santini (for Hedwig Keppelhoff-Wiechert) and Agnes Schierhuber.

The opinion of the Committee on Budgets is attached.

The report was tabled on 20 February 2004.

DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the proposal for a Council Decision adapting the Act of Accession of the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia and the adjustments to the Treaties on which the European Union is founded, following the reform of the common agricultural policy
(COM(2003) 643 – C5-0525/2003 – 2003/0253(CNS))**

(Consultation procedure)

The European Parliament,

- having regard to the Commission proposal to the Council (COM(2003) 643)¹,
 - having regard to Article 23 of the Act of Accession of the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia and the adjustments to the Treaties on which the European Union is founded, pursuant to which the Council consulted Parliament (C5-0525/2003),
 - having regard to Rule 67 of its Rules of Procedure,
 - having regard to the report of the Committee on Agriculture and Rural Development and the opinion of the Committee on Budgets (A5-0084/2004),
1. Approves the Commission proposal;
 2. Calls on the Council to notify Parliament if it intends to depart from the text approved by Parliament;
 3. Asks the Council to consult Parliament again if it intends to amend the Commission proposal substantially;
 4. Instructs its President to forward its position to the Council and Commission.

¹ Not yet published in the OJ.

EXPLANATORY STATEMENT

Introduction

In autumn 2003, far-reaching reforms of the Common Agricultural Policy (CAP) were adopted by the Community. In their current form the CAP reform texts take no account of the results of the accession negotiations or indeed of enlargement itself. The Commission is therefore proposing to adapt both the Act of Accession and the CAP reform texts before accession to ensure that the two are complete and compatible, i.e. to ensure that they can function in an enlarged Community. Specifically, there is a need to:

- adapt the CAP-related annexes of the Act of Accession so that the negotiation results fit with the new acquis (this will be necessary where references in the Act of Accession are rendered obsolete or where the negotiation results are not immediately compatible with the reformed CAP);
- adapt the CAP reform texts so that they can be applied to the new Member States and so that they incorporate any negotiation results that would otherwise (in the future) be lost.

To achieve these two objectives the Commission has prepared two legislative proposals, for a Decision amending the Act of Accession and a Regulation adapting the CAP reform texts respectively.

Parliament is being consulted only on the proposal for a decision (cf. Article 23 and Article 57 of the Act of Accession). However, this proposal cannot be properly assessed without considering at the same time the proposal for a regulation adapting the CAP reform texts.

The key points in the proposal concern:

- *Phasing-in of (new) direct payments*

The CAP Reform introduces new direct payments for energy crops and nuts. It also introduces an additional price cut in the dairy sector, on top of what was agreed in Agenda 2000, and thus increases the compensatory direct payments for dairy (which incidentally will now start in 2004, not 2005). In order to maintain the general approach taken on direct payments in Copenhagen, under the Commission proposal these new direct payments are not to be granted in full to the new Member States but will be subject to the phasing-in schedule for all other direct payments (25%, 30%, 35% etc.).

- *Single Area Payment Scheme (SAPS)*

Despite the forthcoming introduction of the Single Farm Payment (SFP), the Commission proposals maintain the SAPS set out in the Act of Accession. In doing this the proposals make clear that the temporary 'opt-out' from the SFP that applies to the current Member States until the end of 2006 does not apply to the new Member States, in other words the new Member States will not be able to move 'back' from SAPS to the classical direct payment scheme before 2007, but only move 'forward' to the SFP.

Pursuant to the Commission proposal, for any new Member State the SAPS will be available for a period of application until the end of 2006. There is also the possibility of renewal twice by one year respectively. Subject to a positive assessment by the Commission, any new

Member State may already decide to switch to the SFP at the end of the first or the second year of the period of application.

– ***Complementary national direct payments ('topping-up')***

So as to maintain the principle of topping-up in the framework of the reformed CAP, the current proposals provide for three different scenarios:

- topping-up under classical scheme until the end of 2006,
- topping-up under the SFP from 2005,
- topping-up under SAPS.

Account is taken of the topping-up formulae set out in the Act of Accession.

– ***Milk***

The CAP reform package repeals the regulation establishing a levy in the milk and milk products sector and amends the regulation on the CMO of the market in milk and milk products before 1 May 2004. The Commission is therefore proposing quite extensive (albeit technical) changes to the Act of Accession in this area.

– ***Rural development***

The CAP reform introduces a general 'meeting standards' measure intended to help farmers adapt to the increased operating costs resulting from newly introduced EU standards. The Commission considers that this renders the previous separate 'compliance with Community standards' measure for the accession countries obsolete. The proposal therefore removes this measure in order to avoid any overlap whilst maintaining the possibilities available to the new Member States under the compliance measure.

The Commission intends to support LEADER-type activities through a measure integrated into the Structural Funds programmes rather than a separate programme. In so far as this involves support for regional integrated rural development strategies resulting from initiatives by local action groups, support will be limited to regions where there is already sufficient administrative capacity and experience of local rural development type approaches.

Rapporteur's comments

It makes little sense for Parliament to be consulted only on the proposal for adapting the Act of Accession, as the adaptation of the Act is inseparably linked to the proposal for adapting the CAP reform texts in the light of enlargement. However, scrutiny by Parliament of the proposal is politically very important, with a view to ensuring that the Act of Accession is properly adapted.

Your rapporteur has sought the views of all of the representations of the new Member States in Brussels and of colleagues from the new Member States participating as observers in the proceedings of the Committee on Agriculture and Rural Development. A colleague from the Czech Republic and (indirectly) the Czech government have stated that both Commission proposals are acceptable. At the same time, the colleague from the Czech Republic expressed reservations regarding the application of phasing-in and of the provisions on financial discipline. Objections to the adaptations have also been raised by the Polish, Slovenian and

Estonian representations. The view is taken that applying the transitional period to new direct payments not covered by Regulation 1259/99 (those in the dairy sector over and above the level set under Agenda 2000, and direct payments for energy crops and nuts) changes the conditions for Poland's membership as agreed in Copenhagen. This extends - the argument runs - the phasing-in mechanism, which is to be applied during the transitional phase up until the full amount of direct payments is reached, to newly-introduced payments and new products not listed in the Annex to Regulation 1259/99. However, it is argued, the Act of Accession limits the list of support schemes to which the transitional phase is applicable to schemes listed in Regulation 1259/99, and other schemes may therefore not be included in the 'phasing-in' arrangements.

However, in the rapporteur's view this argument does not hold water. Pursuant to Article 23 of the Act of Accession, the EU may make the adaptations to the provisions of the Act relating to the common agricultural policy which may prove necessary as a result of a modification in Community rules. Clearly, the list set out in Regulation 1259/99 is subject to adjustment and should not be regarded as definitively fixed; otherwise, Article 23 of the Act of Accession would be meaningless. Article 23 does not allow arbitrary deviation from the fundamental approach adopted in the Treaty of Accession or the Act of Accession. However, the Commission proposal does not deviate from the fundamental approach in the Act in extending application of the phasing-in principle, which was already adopted prior to the CAP reform in relation to the new Member States, to dairy reform, the common organisation of the market in nuts and energy crops.

The Estonian representation also objects to the abolition of the arrangements for support for compliance with Community standards and the incorporation of the provisions on support for such compliance into the general 'meeting standards' measure introduced under the reform of the CAP.

It argues that this will lead to considerable difficulties, as rural development plans have been prepared on the basis of the existing support scheme and the change will result in additional administrative/technical costs.

Account should be taken of this concern, in so far as it should be possible for the new Member States to implement the measure on meeting standards in accordance with the rural development plans prepared. Your rapporteur therefore welcomes the proposal by the Commission to address the difficulties arising in connection with the measure relating to support for complying with Community standards originally provided for in the form of a new Article 33c to Regulation 1257/1999, by extending the scope of the measure so as to allow the new Member States' planned measures to be approved and to receive EAGGF Guarantee Fund support.

For the rest, the Commission proposals contain two politically controversial and difficult points: the issue of the inclusion of the new Member States in the financial discipline arrangements (Article 11 of Regulation 1782/2003) and the issue of whether the 'cross-compliance' instrument is already to be applied from the date of accession. Although these points are covered by the proposal COM(2003) 640, on which Parliament has not been consulted, they are directly linked to the adaptation of the Act of Accession. It is therefore imperative that Parliament comment on these aspects.

Applying the financial discipline instrument to the new Member States runs the risk that further deductions may be made from payments already reduced on the basis of the phasing-in principle, if the forecasts indicate that the safety margin of EUR 300 million below the amounts provided for under subheading 1a will be exceeded. This is contrary to the - justified - expectations of the new Member States that the - reduced - payments resulting from phasing-in can be depended on as an outcome of the accession negotiations. Further possible cuts should therefore be ruled out in the context of the implementation of CAP reform.

In this connection, the question arises as to whether and how future market organisation reforms (for example, sugar market organisation reform) are to be dealt with following accession, and in particular whether, in connection with such reforms, within the time scale for phasing-in, full direct payments or payments reduced to the respective percentage levels are to be granted. The second of these alternatives would follow logically from the accession process, i.e. would be in accordance with the phasing-in principle established for the accession process up to 2013. However, a great deal of argument about this issue is to be anticipated following accession. In order to avoid such a dispute, a solution should, as far as possible, already be sought now, perhaps bringing together aspects of the controversial issue of financial discipline and the issue of phasing-in in connection with future agricultural reforms before 2013.

The issue of the application of compulsory cross-compliance should not be posed at least as long as the simplified area payment scheme is applied by the new Member States. Applying compulsory cross-compliance would de facto contradict the purpose of simplified area payments, namely lighter administrative and control requirements. Implementing cross-compliance at an administrative level already presents considerable administrative and practical difficulties for authorities and farmers in the old Member States with their many years of experience of implementing agricultural policy, even more so, naturally, for the new Member States, which are only just building up an administrative system corresponding to the EU agricultural system. It will mean a degree of distortion of competition at the expense of the old Member States, which, however, should be accepted, as the farming sector in the new Member States is currently in any case under enormous competitive pressure as a result of structural conditions and needs to make significant efforts to modernise and restructure in order to make up the competitive gap. Under the proposal, the simplified area payment scheme is, in any case, subject to a time limit: by 2009 at the latest the new Member States must switch to the single payment scheme, and they will then be subject to the cross-compliance rules.

For the rest, the fact that the proposal still maintains the simplified area payment scheme following the introduction of provisions on the single payment scheme under the CAP reform is to be welcomed. In view of the lack of appropriate reference figures, the new Member States will only be able to apply the regional model for the single payment scheme.

The form of LEADER-type activities is as provided for in the Act of Accession in the context of mainstream programming. Modifying these provisions would exceed the limits of adaptation possible on the basis of Article 23 of the Act of Accession. In the long term, however, support for LEADER-type activities should be provided under a uniform procedure for all Member States, in so far as this is compatible with optimal implementation.

Overall, the Commission proposal takes appropriate account of the reform of the CAP and translates its results in a non-discriminatory way into the Act of Accession. Your rapporteur therefore approves the Commission proposal without amendment.

21 January 2004

OPINION OF THE COMMITTEE ON BUDGETS

for the Committee on Agriculture and Rural Development

on the proposal for a Council decision on adapting the Act of Accession of the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia and the adjustments to the Treaties on which the European Union is founded, following the reform of the common agricultural policy
(COM(2003) 0643 – C5-0525/2003 – 2003/0253(CNS))

Draftsman: Reimer Böge

PROCEDURE

The Committee on Budgets appointed Reimer Böge draftsman at its meeting of 26 November 2003.

It considered the draft opinion at its meeting of 21 January 2004.

At the meeting it adopted the following amendments unanimously.

The following were present for the vote: Terence Wynn (chairman), Reimer Böge (vice-chairman and draftsman), Anne Elisabet Jensen (vice-chairwoman), Franz Turchi (vice-chairman), Ioannis Averoff, Kathalijne Maria Buitenweg, Joan Colom i Naval, Den Dover, Bárbara Dührkop Dührkop, Markus Ferber, Catherine Guy-Quint, Jutta D. Haug, Wilfried Kuckelkorn, Juan Andrés Naranjo Escobar, Joaquim Píscarreta, Giovanni Pittella, Guido Podestà, Per Stenmarck, Kyösti Tapio Virrankoski and Ralf Walter.

SHORT JUSTIFICATION

On 29 September 2003, the Council adopted a CAP reform package which makes significant changes to the acquis on which the accession negotiations of the ten new Member States were based. In their current form the CAP reform texts take no account of the results of those negotiations or indeed of enlargement itself. There is therefore a need to adapt both the Act of Accession and the CAP reform texts before accession to ensure that the two are complete and compatible, i.e. to ensure that they can function in an enlarged community.

The main points of the Commission's proposal concern changes with regard to the phasing-in of direct payments, the Single Area Payment Scheme, the complementary national direct payments, the milk sector, rural development, transition periods and the Special Market Policy Programme for Maltese Agriculture.

Compared to the financial estimates made at the end of enlargement negotiations in Copenhagen in December 2002, these changes proposed by the Commission would lead to a considerable decrease in expenditure of -15.6 million euro in 2005 and of -32.0 million euro in 2006 (both at current prices). However, most of this financial impact was already taken into account in the CAP reform calculation following the Council agreement of June 2003 in Luxembourg.

Besides, the Commission proposal is based on art. 23 of the Act of Accession, stipulating that "The Council, acting unanimously on a proposal from the Commission and after consulting the European Parliament, may make the adaptations to the provisions of this Act relating to the common agricultural policy which may prove necessary as a result of a modification in Community rules. Such adaptations may be made before the date of accession."

Thus, the necessity of having to amend the act of accession as a consequence of the CAP reform has already been provided for in the act itself and the current proposal just follows an automatism in-built in the accession act. The proposal contributes to a smooth integration of the new Member States into the reformed CAP by providing for adaptations necessary, without discrimination.

Consequently, your draftsman agrees with the rapporteur of the Committee on Agriculture to approve the Commission proposal without amendments.

However, on this occasion, your draftsman would like to voice some concern in relation with the exemption from the rules of cross-compliance. He fears that such an exemption might prove it difficult to ensure that the relevant Community acts will be implemented in 2004.

In addition, an exemption clause will most certainly distort competition within the European Union. Your draftsman would therefore be interested in how the Commission evaluates the effects of an exemption from cross-compliance on the functioning of the Internal Market.

CONCLUSION

The Committee on Budgets decided to give a favourable opinion to the Committee on Agriculture and Rural Development on the Commission proposal without amendments.

It asks the Commission to present an evaluation on the effects of an exemption from cross-compliance on the functioning of the Internal Market.