The Impact of Enlargement on EU Agriculture

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Abstract

The purpose of this paper is to consider the economic impact of the enlargement for EU agriculture, especially on the characteristics of the new member states and on the economic implications of the enlargement for greek agriculture. Emphasis will also be given on the effects of CAP reform on EU agriculture.

The impact of the reform on total cereal and oilseed production will be negligent and will leave the situation more-or-less unchanged. The effects will be significant on rye, durum wheat and rice given the considerable reduction of their support. EU-15 beef and butter production will fall over the medium-term, triggering a rise in domestic producer prices and considerably reducing exports. Until 2009, the impact of the reform on agricultural incomes in the EU-15 will be marginally smaller than would have been the case under Agenda 2000. In the new member states, market income should increase in real terms compared to the pre-enlargement situation in 2002.

Regarding the expected impact of EU enlargement on Greek agriculture, the main problem is related to the danger of a decrease of EU budget flows to Greece. However, it should be pointed out that the structure of agriculture production in the CEECs is not directly competitive with that in Greece. Moreover, the CEECs markets will be a potential outlet for exports of Greek agricultural products.

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by

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INTRODUCTION

Ten countries of Central and Eastern Europe (Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia) and two small insular countries (Cyprus and Malta) have negotiated full membership with the EU. At the Copenhagen European Council in December 2002, it was resolved that ten countries would join the EU in May 2004. Bulgaria's and Romania's tentative date of accession was set in 2007. Turkey became a candidate country at the Helsinki European Council Summit in 1999, with membership negotiations likely to start in October 2005.

The purpose of this paper is to consider the economic impact of the enlargement for EU agriculture, especially on the characteristics of the new member states and on the economic implications of the enlargement for greek agriculture. Emphasis will also be given on the effects of CAP reform on EU agriculture.

The paper consists of six sections. In the second section the economic structure in the acceding countries is examined. In the next section the implications of the enlargement with regard to EU agriculture is presented. In the fourth section the effects of the reform of the CAP is evaluated. In the fifth section, the impact of the enlargement on the greek agriculture is presented. Finally, the sixth section contains some concluding remarks drawn from the previous analysis.

THE ECONOMIC STRUCTURE OF THE NEW MEMBER STATES

The accession of 10+2 states will increase the EU's population by 28 per cent but its GDP only by seven per cent at 2001 prices and by 15 per cent in terms of purchasing power standard (PPS) (Eurostat, 2002). Measured by GDP per capita in PPS, the 10+2 countries are at a significantly lower level of development than the EU15 average (see Table 1). All of them are eligible candidates for the Cohesion Fund. With the exception of Cyprus and Slovenia, in all the other new member states GDP per capita is less than

60 per cent of that the EU-15 average. Classified in descending order, the other groups consist of the Czech Republic, Malta, Hungary and Slovakia (with GDP of around of half of EU average); then come Estonia, Poland, Lithuania and Latvia (with GDP of around one third of EU average); Bulgaria and Romania (with GDP of around one fourth of EU average) are in the bottom group (Baltas, 2004).

Table 1
GDP per capita, measured at purchasing power standard and population
in the 10+2 states and EU-15 (2001)

Country	GDP per capita (in EUROs)	Population (in million)
EU –15	23,160	380.5
Cyprus	18,460	0.7
Slovenia	15,970	2.0
Czech Republic	13,280	10.3
Malta (2000)	11,900	0.4
Hungary	11,880	10.2
Slovakia	10,780	5.4
Estonia	9,820	1.4
Poland	9,210	38.6
Lithuania	8,730	3.5
Latvia	7,710	2.4
Bulgaria	6,510	7.9
Romania	5,860	22.4

Source: Eurostat (2002)

The economic structure of the 10+2 states shows that, as in the EU-15, services constitute the predominant economic sector (see Table 2). As GDP has grown, demand for services has increased due to higher income elasticities. However, despite the substantial fall in output in the early 1990s, industrial production still accounts for between 20 and 30 per cent of GDP in most Central and Eastern European Countries (CEECs), which is significantly higher than most EU-15 countries. This implies the important role of the manufacturing sector in the economies of the CEECs. Their long-standing tradition in manufacturing along with low costs for labour and raw materials helps to explain why there has been a rapid inflow of foreign direct investment (FDI) in the CEECs (Baltas, 2001a).

There are considerable concerns regarding agriculture, the contribution of which to the GDP in many of the new member states is much higher than in the EU-15. The share of agriculture in GDP ranges from 2.4 to 14.6 per cent compared to 2.1 per cent for the EU-15 (see Table 2). Bulgaria and Romania in particular are large producers of farm products. These percentages are almost double those of Greece, whose agricultural sector has the highest share in GDP among the existing member states.

Table 2
Structure of GDP in the 10+2 states and the EU-15 in 2001 (per cent)

Country	Agriculture, hunting, forestry and fishing.	Manufacturing excluding construction	Services
EU -15	2.1	22.3	75.6
Bulgaria (2000)	13.8	23.0	63.2
Cyprus (1999)	4.2	13.3	82.5
Czech Republic	4.2	32.8	63.0
Estonia	5.8	22.7	71.5
Hungary (2000)	4.2	28.3	67.5
Latvia	4.7	18.7	76.6
Lithuania	7.0	28.3	64.7
Malta	2.4	24.5	73.1
Poland	3.4	25.4	71.2
Romania	14.6	28.5	56.9
Slovakia	4.6	27.5	67.9
Slovenia	3.1	31.0	65.9

Source: Eurostat (2002)

Differences in agricultural employment patterns are particularly pronounced. Romania heads the list, with 44 per cent of the labour force employed in agriculture, which is more than ten times the EU-15 average (see Table 3). In Bulgaria, around one-quarter of the labour force is employed in agriculture and in Poland just under one-fifth. An indication of the challenge this poses not only for new member states but also for the enlarged EU is seen in the fact that the nearly 20 per cent of the Polish population engaged in agriculture contribute little more than 3 per cent to Poland’s GDP. This compares with figures of 4.2 and 2.1 per cent, respectively, for the EU-15. Labour migration to the cities should increase agricultural productivity in Poland and other CEECs, but if there are not enough new jobs in the manufacturing and services sectors to absorb such an inflow there may be a significant rise in social tensions (Jovanovic, 2002).

Table 3
Share of agriculture in total employment in the 10+2 states
and in the EU-15 in 2001 (per cent)

Country	Agriculture in total employment
EU -15	4.2
Bulgaria	26.7
Cyprus	4.9
Czech Republic	4.6
Estonia	7.1
Hungary	6.1
Latvia	15.1
Lithuania	16.5
Malta	2.2
Poland	19.2
Romania	44.4
Slovakia	6.3
Slovenia	9.9

Source: Economic Commission for Europe (2002); Eurostat (2002)

THE IMPLICATIONS OF ENLARGEMENT FOR EU-15 AGRICULTURE

Labour employed in agriculture was discussed in the previous section, but it merits being noted here that all of the 10+2 states apart from Malta have a higher proportion than the EU-15 average of 4.2 per cent. Enlargement doubles the EU-15's agricultural labour force. The Union's agricultural area increases by 60 million hectares (ha) to close to 200 million ha. Of these 60 million ha, two thirds is arable land, adding 55 per cent to the EU's existing arable area of 77 million ha. The share of agriculture in GDP of the new member slates ranges from 2.4 (Malta) to 14.6 per cent (Romania) compared to 2.1 per cent for the EU-15 (see Table 2). The share of the agro-food sector in total trade is also important in many of the CEECs. Hungary had the highest export share (20 per cent) and, at the same time, the lowest import share (six per cent) of agro-food trade in its total 1996 trade; a similar pattern can be observed for Bulgaria. In Estonia, too, agro-food accounted for a relatively large proportion of total exports (15 per cent) and, in contrast to Hungary and Bulgaria, an even larger share in total imports (23 per cent). In the Czech and Slovak Republics, agricultural and food products, with five to eight per cent shares, were of minor importance in their total trade in 1996, both on the export

and import sides (Eiteljorge and Hartmann, 1999, p. 189). The fact is that there is a pressing need for structural improvement in the agricultural sectors of most of the 10+2 states - most obviously on the farms themselves, but also in the up and downstream sectors (Mergos, 1998). Restructuring can be expected to reduce agriculture's labour absorption capacity, implying a need for diversification of these countries' rural economies.

Concerning the budgetary implications of the enlargement, various early estimates have been made, ranging from 5 to 50 billion ECU, depending on the assumptions used to develop alternative scenarios. According to EU estimates (EC, 1997), the cost of enlargement would require a 25 per cent increase of the CAP budget, which stands at 36 billion ECU. Despite these initial high estimates, the Berlin Summit (EC, 1999) agreed to set aside a budget for the enlargement rising from Euro 6.45 billion in 2002 to Euro 16.78 billion in 2006 (see Table 4). This assumed (very optimistically) that enlargement would begin from 2002. Agricultural spending would play a limited role, rising from Euro 1.6 billion in 2002 to Euro 3.4 billion in 2006, despite the addition of ten less-developed countries, some of which have relatively large agricultural sectors.

Table 4

EU budget resources available for accession (appropriations for payments)
(in million Euros, 1999 prices)

	2002	**2003**	**2004**	**2005**	**2006**
Payment appropriations	6,450	9,030	11,610	14,200	16,780
Agriculture	1,600	2,030	2,450	2,930	3,400
Other expenditure	4,850	7,000	9,160	11,270	13,380

Source: European Commission, 1999.

The enlargement of the EU would require extending CAP price support to new members. It is generally assumed that this would involve a significant increase in producer prices in the new member states, taking into consideration that farmgate prices in the CEECs stood at 40 to 80 per cent of the EU level in 1999. These gaps[1] were considerably reduced but not eliminated after the Berlin Agreement. In any case, it is

[1] For example, for cereals, oilseeds and protein crops they are around ten per cent, for sugar beet somewhere between 40-50 per cent, for dairy products in the order of 15-25 per cent, for beef in the region of 15-25 per cent, while for certain fruit and vegetables price differences can be as high as 80 per cent (which is the case for tomatoes) (Baltas, 2001b).

not possible for the new member states to be immediately integrated in the CAP for the following reasons: First, it would trigger large supply responses in the new EU member states, in particular for cereals, oilseeds, sugar, milk and meat; Second, it would reduce competitiveness in the food industries of the new member states; Third, it would occasion sudden and undesirable changes to consumer prices resulting in a substantial reduction of consumers' real incomes, taking into consideration that households in the CEECs spend on average a relatively high proportion - 30 to 60 per cent - of their disposable income on farm products; and fourth, the funds available from the EU budget are insufficient to finance the full application of the CAP in the CEECs. Within the Commission, the debate over the feasibility of compensating CEEC farmers was very much alive, since no losses were foreseeable for them as a result of the application of the CAP. Indeed, upon entering the EU, the CEECs would enjoy a higher level of agricultural prices and overall support to agriculture than at present. This would increase the EU's surplus of principal agricultural products in the majority of the new member countries and place great pressure on the finally balanced arrangements of the GATT Agreement. Moreover, future exports from the CEECs would rise, as would the degree of protectionism toward their imports. These factors would create no small problems for the position from which Europe has been negotiating in the WTO negotiations.

Hence, it would be difficult to convince the accession countries not to increase farm production, unless they could see clear signs that the CAP is changing prior to their entry. One thing is clear: enlargement of the EU-15 cannot easily proceed without a prior change in the CAP, taking into consideration that there is reluctance to increase the European budget from the existing level of 1.27 per cent of EU GDP. The European Council in Brussels 24-25 October 2002 reconfirmed its Berlin decision that the ceiling for enlargement-related expenditure set out for the years 2004-2006 must be respected. Moreover, the European Council decided on the "adjustment" of future CAP payments. From 2006, total CAP subsides would have a ceiling. This would keep payments fixed at current levels during the 2007-2013 period with an allowance of 1 per cent per year for inflation. In real terms, these payments would almost certainly represent a steady decrease. Regarding subsidies to farmers in the new member states, the European Council in Brussels (October 2002) decided on a gradual introduction of direct subsidies over a ten year transitional period. In years 2004, 2005, 2006 and 2007 direct subsidies will be equal to 25, 30, 35 and 40 per cent respectively of the amount

provided by the existing system. In the second stage, direct subsidies will be granted gradually reaching 100 per cent in 2013.

THE REFORM OF THE COMMON AGRICULTURAL POLICY[2]

Undoubtedly, reform of the CAP represents one of the most serious challenges for the EU. The reform of the CAP was necessary on two grounds. First, CAP payments during the 2007-2013 period will be capped at their 2006 level, also taking into consideration EU enlargement. Second, support of EU agriculture will have to reflect clearly the international constraints imposed on the EU following the WTO negotiations.[3] The reform will also strengthen the EU's negotiating hand in the ongoing WTO trade talks. To this end, a set of proposals for the adjustment of the CAP was put forward by the European Commission and was adopted by the Council of Ministers of Agriculture on 26 June 2003 (Council of the European Union, 2003, June).

The main elements of the CAP reform are: to decouple direct support to farmers from production (single farm payment); to make direct payments conditional on compliance with environmental, food safety, animal welfare and occupational safety standards (cross-compliance); to increase support for rural development by modulating direct payments for all except small farmers (modulation); to introduce a new farm audit system for financial discipline and new rural development measures; and to improve production quality. The reform will alter the CAP system significantly, most especially because the majority of subsidies will not be tied to the volume of production. Finally, the reform includes modifications to the market arrangements for a number of products (cereals, durum wheat, rye, drying aid, rice, starch potatoes, nuts, meat and dairy products).

To evaluate the medium term economic consequences of the reform, the findings of a series of studies analyzing the impact of the Mid Term Review proposals on the

[2] For more details regarding the effects of the CAP reform, refer to Baltas (2005).
[3] The GATT Uruguay Round agreement on agriculture imposes disciplines on member countries in three separate areas: reduction of domestic subsidies by 20 per cent over six years ; market access, i.e. all import restrictions were converted to customs tariffs which were reduced by 36 per cent over a period of six years; and reduction of export subsidies by 21 per cent in volume and by 36 per cent in value over six years. Regarding domestic support the agricultural policy measures are classified into three boxes according to the degree of production and trade distortion. The "green" box includes measures which do not distort production and international trade and characterized as "neutral", such as structural policy measures, i.e. incentives to young farmers, compensations for natural disasters, etc. The "blue" box includes aid per hectare or per animal, which concern arable crops, rice, beef and sheep-goat meat. These aids decided in the framework of the 1992 CAP reform. Finally, the "yellow" box include production measures and direct subsidies granted according to the volume of output. These measures are not compatible with GATT/WTO (Baltas 2001b, pp.105-107).

agricultural markets and incomes in the EU are used. The final decisions reached by the Council of Ministers of Agriculture regarding CAP reform are also taken into account. Four of these studies were carried out by external organizations at the request of the EU Commission and two others by Commission services[4] (Directorate General for Agriculture) on the basis of two in-house models (European Commission, 2003, February and March).

In all models, the impact of the MTR proposals is analysed for the year 2009 with reference to a status quo policy situation, which corresponds to the continuation of the Agenda 2000 agricultural policy over the medium-term. However, these status quo scenarios vary substantially across studies with regard not only to key underlying assumptions concerning the trade policy framework, the macro-economic environment (notably GDP growth, inflation and the EUR/$ exchange rate) and medium term developments on world agricultural markets, but also to the overall market developments projected for some specific sectors. Therefore, for comparative purposes, the simulation results are presented in the form of deviations from the status quo scenario. Furthermore, results should not be interpreted as changes relative to the current situation in 2003.

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[4] The first DG AGRI analysis has been undertaken on the basis of a set of partial equilibrium, dynamic models covering the most important arable crops, animal and dairy products in the EU. These models are used annually to develop the outlook for agricultural markets and to form the baseline for policy simulation.
The second DG AGRI study has been conducted with the European Simulation Model (ESIM), which is a price driven, world, multi-country non-linear, agricultural sector model, with an extended policy representation. Although originally designed to analyze the impact of EU enlargement to Eastern Europe, it has been further developed and updated to assess the impact of the MTR proposals.
The first external impact assessment study has been conducted by a unit in the Food and Agricultural Policy Research Institute (FAPRI) at the University of Missouri (USA). The FAPRI models used in this exercise consist of a set of non-spatial partial equilibrium models for major agricultural markets used every year to develop projections of world agricultural markets which form the baseline for policy analysis on behalf of the US Congress. These models estimate production, consumption, stocks, trade and prices of major trading countries and agricultural commodities. This specific FAPRI-Missouri study used a detailed EU module which is of a similar general structure to the standard FAPRI models and which covers the most important EU policy instruments.
The second external study, carried out by the University of Bonn, has been undertaken at regional level based on the CAPRI modelling system. It is designed as a projection and simulation tool for the agricultural sector based on a physical consistency framework, economic account principles and a detailed policy representation. The model consists of separate supply and market modules which are interactively coupled and operates at NUTS II level. It allows the impact of policy changes on agricultural markets, producers' income, the EAGGF budget, consumer welfare and some environmental indicators to be evaluated.
The Centre for World Food Studies of the University of Amsterdam (CWFS) and the Netherlands Bureau for Economic Policy Analysis (CPB) in the Hague jointly realized the third analysis using the CAP Modeling and Accounting Tool (CAPMAT) of the EU agricultural sector. It performs dynamic policy simulations on the basis of an analytical model of the applied general equilibrium type that generates developments in supply, demand and cross-commodity substitution. It incorporates the CAP instruments and farmers' behavioural responses to policy changes through agricultural supply models at national and EU level.
Finally, a further impact assessment has been provided by the University of Bonn based on the CAPSIM model for Eurostat (The Statistical Office of the European Communities). This partial equilibrium model allows forecasting and simulating policy changes on area allocation, production, consumption and income variables of the agricultural sector at national level. It consists of a supply component and a demand component dynamically linked in an overall system that determines price formation.

The impact studies on the agricultural sector focus on the sectors mostly concerned by the MTR proposals, namely arable crops, meat production and the dairy sectors, with specific reference to area allocation, the main market variables (production, consumption, external trade, stocks and prices) and income changes.

It is difficult to model the impact of decoupling directly. The decoupling impact is extremely complex and at the level of the individual farm will depend on the extent to which farms are willing and able to shift production to more profitable sectors and to bring about further efficiency gains through further restructuring. Decoupled payments to be modelled is a major subject in its own right, and thus could not be treated in a paper which was concerned with policy results not policy analysis per se.

The studies show that decoupling will favour extensification of production and improve producer incomes as producers no longer have to produce at a loss to receive a subsidy. The impact of the CAP reform on total cereal and oilseed production will tend to leave the situation unchanged. The effects will be significant on rye, durum wheat and rice given the considerable reduction of their support. EU-15 beef and butter production will fall over the medium-term, triggering a higher rise in domestic producer prices and reducing exports considerably. The impact of the reform on agricultural income in the EU-15 will be marginally smaller than would have been the case under Agenda 2000 until 2009. The Commission's expenditure forecast for Pillar 1 will rise from 41.4 billion Euro in 2004 to nearly 43.7 billion Euro in 2009, which is in line with estimates by Defra (Agricultural Policy and Food Chain Economics, 2003, p.4). Overall, the effects on the environment are expected to be positive. There will be potential benefits from decoupling and cross compliance but there may be adverse effects in certain localized areas which will need special consideration.

Decoupling in the enlarged EU should produce similar trends to those in the EU-15, as producers' decisions will be driven by market considerations rather than by the maximization of direct payments. The CAP reform will generally reduce most of the downside risks of agricultural markets in the EU-25, notably in the area of structural surpluses. In the new member states, market income should increase in real terms not as a result of the CAP reform but as compared to the pre-enlargement situation in 2002. According to estimates made by the Commission for the new member states, expenditure will reach 6.3 billion Euro by 2013, a figure higher than the forecast by Defra for that year which is 5.3 Euro billion.

Decisions on the reformed CAP regime for olive oil, cotton and tobacco were reached by the Council of the EU in April 2004. These products are known collectively as the Mediterranean products since they are of key importance to Spain, Italy and Greece, which dominate EU production. The main element of the reforms is the shift from the current production-linked payments to the decoupled single farm payment. The reform will start in 2006 and have a neutral effect on the CAP budget, which amounts to nearly half of the EU's annual budget of some 100 billion Euros. Subsidies for the three regimes cost over four billion Euros a year, less than 10 per cent of CAP spending.

CASE STUDY: THE IMPACT OF EU ENLARGEMENT ON GREEK AGRICULTURE

Regarding the expected impact of EU enlargement on Greek agriculture, the main problem relates to the fiscal sector. On the one hand, the sources of the EU budget cannot increase further and on the other hand most of the CEECs have serious structural weaknesses. As a result, it is to be expected that a redistribution of resources will decrease EU budget flows to Greece. However, it should be pointed out that agricultural production in the new member states is not directly competitive with Greece, with the exception of sheep-goat meat. But this case is postponed until 2007 when Bulgaria and Romania are expected to accede to the EU. Moreover, the CEECs' internal markets will be a potential outlet for exports of greek agricultural products given that with accession to the EU-15 some of the existing barriers will be abolished. In fact, there is already some penetration of Greek agricultural products which is expected deepen after enlargement. The present position and future prospects of Greek farm exports to the new entrants can be summarized as follows:

- **Fish products**. Due to the low level of per capita incomes in these countries, these products are relatively expensive for local consumers, so that no significant penetration of Greek products is expected.
- **Olive oil**. It too is a rather expensive product for CEEC consumers and it will be hard to penetrate the new markets. Moreover, most exports of Greek olive oil go through Italy for blending, standardization, e.t.c.
- **Durum wheat**. Similar to olive oil. Greece exports small quantities of soft wheat flour - mill products.

- **Drinks**. Greek exports occupy a substantial percentage in the Bulgarian and Romanian markets. Keen competition is expected from other exporting countries in the markets of the other acceding countries.
- **Cotton**. Since the early 90's, Greek cotton occupies a significant percentage in the CEECs markets, where the textile industry occupies an important place even in the absence of locally produced raw materials. Moreover, there is no direct competition from other EU-15 member states. About 30 percent of Bulgaria's cotton is imported from Greece.
- **Tobacco.** Significant quantities of Greek tobacco are exported to the CEECs. It is worth mentioning that until 1988, Bulgaria, like Greece, was one of the most important tobacco producers and exporters.
- **Fruit and vegetables**. Greece accounts for a satisfactory share in the CEECs markets and a particularly significant one in two Balkan candidates. However, keen competition is expected from Italy and Spain. Nevertheless, given the dilemma between better quality and higher price or moderate quality and lower price, in the medium term CEECs consumers are expected to opt for the latter, which will favour Greek exports.

In any case, the main goal of Greek agricultural policy must be oriented towards quality products. The Greek agricultural sector is characterized by a multitude of small holdings, which are unable to compete successfully with countries with extensive agricultural lands in which the use of large scale production technology is favoured. Therefore, emphasis should be given to traditional and biological products in which the country can claim a competitive advantage. Also, Greece should strive to make the most of the new rural development policy.

The single farm payment which will replace most of the premia under the various Common Market organizations will no longer be linked to production. However, there is always the danger of abandonment of production from marginal farmers, since they will be receiving subsidies without even producing. Obviously, such developments will have a negative impact on the productive structure of Greek rural areas, particularly on employment and farmland utilization.

CONCLUSION

The main problems that arise for EU agriculture from the expansion of the EU to include the CEECs can be summarised as follows. Given that the current level of own resources in the European budget (1.27 per cent of GDP which will be maintained not only from 2004 to 2006 but also during the period 2007-2013) is insufficient for financing the accession of so many CEECs, it was necessary for the EU to reform its agricultural policy before extending the CAP to the CEECs. Moreover, CAP reform was also a consequence of international pressures. From 2006, total CAP subsidies would have a ceiling. This would keep payments fixed at current levels during the 2007-2013 period with a light inflation proof of one per cent/year. Subsidies to farmers in new member states will be gradually introduced over a ten year transitional period. According to European Commission estimates, these adjustments will cause a reduction of the total subsidies to the existing EU member states by five per cent by 2013.

The impact of the reform on total cereal and oilseed production will be negligent and will leave the situation more-or-less unchanged. The effects will be significant on rye, durum wheat and rice given the considerable reduction of their support. EU-15 beef and butter production will fall over the medium-term, triggering a rise in domestic producer prices and considerably reducing exports. Until 2009, the impact of the reform on agricultural incomes in the EU-15 will be marginally smaller than would have been the case under Agenda 2000.

Decoupling in the enlarged EU should produce similar trends to those in the EU-15 as producers' decisions will be driven by market considerations rather than by the maximization of direct payments. The CAP reform will generally reduce most of the downside risks of agricultural markets in the EU-25, notably in the area of structural surpluses. In the new member states, market income should increase in real terms compared to the pre-enlargement situation in 2002.

Regarding the expected impact of EU enlargement on Greek agriculture, the main problem is related to the danger of a decrease of EU budget flows to Greece. However, it should be pointed out that the structure of agriculture production in the CEECs is not directly competitive with that in Greece. Moreover, the CEECs markets will be a potential outlet for exports of Greek agricultural products.

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