EUROPEAN INTEGRATION AND REFORM PROCESS FOR AGRICULTURE OF ACCEDING TRANSITION COUNTRIES - THE CHALLENGE FOR WESTERN BALKANS

ABSTRACT

The reforms are needed for all the countries acceding to European Union to align with acquis for membership as well as for integration into EU common economic space in the most efficient pattern. The previous experiences of integration processes have stressed a problem as since the EU enlargement in 2004 and 2007 there are still growing asymmetries within the EU. The increase of competitiveness is an important issue for economic adjustments, but there are many unexpected effects generated by permanently reformed EU common agricultural policy. This raise a question, what could be accession effects in case of Western Balkans countries? The purpose of this paper is to develop theoretical framework for evaluation of in particular agricultural sector integration process and to present EU12 experience of European integration from Western Balkan countries perspective. Theoretical framework consists of quantitative analysis of current economic and policy situation in agriculture in Western Balkan countries; comparative analysis of competitiveness of EU12 and EU15; and evaluation of potential European integration of WB countries paying attention to the role of science and technology transfer to increase the competitiveness of agro-food sector. The results of analysis show that after accession for major part of producer prices in WB countries could be expected stagnation or decreasing tendency, and the main factor stimulating agricultural production would be an increase of budgetary support. The potential inflow from direct and rural development subsidies would exceed the current support level increasing the factors income, however, for improvement of competitiveness the research strategy is needed to be implemented.

Keywords: regional integration, agriculture, comparative analysis, Western Balkan

INTRODUCTION

All acceding countries on their path to European Union (EU) have experienced reform process in agriculture. The reforms are needed to align with acquis communitaire for EU membership and for getting the country integrated
into EU common economic space in the most efficient pattern. The process of integration of different countries into the EU has a quite long history and many experiences. And these experiences have stressed a problem that since EU enlargement with 10+2 New Member States\(^2\) (NMS) in 2004 and 2007 there are still growing asymmetries within the EU (Bandeviča et al., 2012). The problem is reinforced also by weak economic and political performance of Greece, Spain and Portugal – representatives of EU15 or so called Old Member States\(^3\) (OMS) with the integration experience of almost thirty years.

This raise a question, what could be the reasons for different socio-economic performance and following to that the different level of regional integration in agriculture - different starting positions, different approach for implementation of reforms or the reforms done themselves, or external factors like Common Agricultural Policy (CAP)? What are the results taking into account the combination of internal and external factors? What could be expected accession effects in case of other acceding countries? In 2012 according to EU enlargement plan for Western Balkan (WB) there is acceding country Croatia preparing for its EU membership starting from 2013; the candidate countries – Montenegro, FYR Macedonia, Serbia; and potential candidates – Albania, Bosnia and Herzegovina and Kosovo. In the case of the Western Balkans, a special process, the Stabilization and Association Process exists to deal with the special circumstances there.

Legal and institutional harmonisation brings a new role of the state for agriculture. It demand establishment of new agricultural institutions and intensive capacity building for adoptions of a set of EU regulations and directives as well as for accession negotiations. For economic adjustments and policy reforms an increase of competitiveness is an important issue where attention should be paid to research and knowledge transfer as a base for that. There could also be many unexpected effects generated by permanently reformed common agricultural policy (CAP). The next reform is set up in Regulations’ proposals for planning period 2014-2020 regarding new challenges for agricultural sector. Policy measures will be re-considered and the funding and distribution of the budget between countries as well (EC, 2011). Anyway, the future framework of CAP will remain having strong influence on competition conditions within the EU common economic space.

The purpose of the paper is to develop theoretical framework for evaluation of in particular agricultural sector integration process and to present NMS experience of European integration from Western Balkan countries perspective.

\(^2\) Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia

\(^3\) Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, United Kingdom
The structure of the paper is as follows. The first section describes the theoretical background for analysis of regional integration. The second section explains the methodology applied developing theoretical framework for evaluation of particularly agricultural sector integration process. The third section is devoted to analysis of the current stage of Western Balkan agriculture. The fourth section presents NMS experience of European integration considering economics and markets development and agricultural policy. The fifth section includes evaluation for Western Balkan countries regarding European integration derived from the lessons of NMS. The last section concludes about key challenges for Western Balkans.

**Background for analysis of regional integration**

The motivation of countries for making regions are mostly based on expectations how efficient it may function, what will be the impact on economic growth for members and at what extent will be a convergence of economic performance between participating countries. Regional integration in fact is the degree at what those expectations are fulfilled (Matthews, 2003). According to Balassa (1961) the economic integration can take five forms that represent increasing degrees of integration: a free-trade area (FTA), a customs union, a common market, an economic union, and a complete economic integration. The EU has been selected as the only example of economic integration having gone through the various stages up to an economic union thanks to combination of founding treaty that spelled out these various stages (at least from FTA to a common market); a set of common institutions in charge in overseeing the process of integration; and a set of common policies (Matthews, 2003). The research on the common market, transition issues, the Economic and Monetary Union and EU enlargement are illustrative that the integration goes in line with the political developments. Important issues are the degree of structural asymmetries between the members of an integration arrangement. In several researches it has been assumed that the basic pre-condition to start a stronger regional integration process is a stronger domestic development experienced by each country in the region combined with the political and social willingness of the majority of the members to build the trade block. And there should not be large margin of difference in the domestic development (political, social, economic and technological) among its members (Estrada, 2009a). In respect to this approach Estrada (2009b) proposes a multi-dimensional regional integration evaluation (RIE) methodology. The central idea behind the RIE methodology is that regional development promotes regional integration.

Lombaerde et al. (2005) have proposed the methodology for System of indicators of regional integration (SIRI) with the particular attention to the translation of the chosen variables into indicators, the structuring of variables and analysing them. Due to multidimensional character, the variables could be organised according to disciplinary fields (political, social, economic, etc.), and/or policy areas (trade, investment, migration, competition, agriculture, industry, etc.). A third way of classifying the variables consists of a classification
on a functional basis, like in the input-output approach. Integration is then implicitly seen as a process where some variables act as inputs, some as outputs, while others characterise the process. Structural characteristics of the integrating area, asymmetries, capacities to integrate, commitments, governance structure etc., can be considered as inputs. A special category of inputs could be called preconditions for integration. Policy implementation, effects on flows, effects on growth, etc., could be considered as outputs. The advantage of functional classification is the emphasis on the output or the effects of integration. To consider the parallel but interconnected processes of institutional and political economic regional integration also has been proposed by Lombaerde et al. (2005).

MATERIALS AND METHODS

To develop theoretical framework for evaluation of in particular agricultural integration process the SIRI methodology initially proposed by Lombaerde et al. (2005) and described in above section has been adapted for this study. Structuring of agro-food indicators defined for measuring the integration progress is proposed in Table 1. The method of the research is comparative analysis of selected indicators related to policy and socio-economic dimensions. The socio-economic indicators to be analysed in this study are related to price competitiveness, production diversion, productivity and trade. The policy indicators are related to direct budgetary support. The last ones make strong further consequences for countries’ competitiveness in the EU common market.

Table 1 Structuring of agro-food indicators for measuring the European integration

<table>
<thead>
<tr>
<th>Classification of characteristics/variables/indicators according to</th>
<th>Main elements of agro-food indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disciplinary field</td>
<td>Functional base</td>
</tr>
<tr>
<td>Politics</td>
<td>Inputs</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Socio-economics</td>
<td>Outputs</td>
</tr>
<tr>
<td></td>
<td></td>
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<tr>
<td></td>
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</tr>
<tr>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>

Source: authors’ classification based on SIRI methodology (Lombaerde et. al, 2005)
The methodology of this study includes the following steps:
quantitative analysis of current economic and policy situation in
agriculture in Western Balkan countries in terms of production, productivity,
trade with food products and direct budgetary support;
comparative analysis of competitiveness and potential of integration based
on productivity and trade indicators for selected NMS and EU15 in period 2000-
2011;
evaluation of the opportunities for WB countries in the context of evolving
CAP and EU enlargement paying attention to economic integration conditions
from the point of competitiveness;
qualitative analysis of the role of science and technology transfer in WB
agriculture to increase the competitiveness of agro-food sector.

RESULTS AND DISCUSSION

Analysis of the current stage of Western Balkan agriculture

All the Western Balkan countries – Croatia, Montenegro, FYR Macedonia,
Serbia, Albania, Bosnia and Herzegovina and Kosovo will be considered for
analysis of the current stage of agriculture in terms of price competitiveness,
production diversion, trade creation and budgetary support.

Regarding price competitiveness there are generally rather high prices in
WB countries, however, with exception for Montenegrian, Albanian and Kosovo
cereals, Albanian beef and Kosovo pork, prices for main other products and in
other WB countries do not exceed the EU maximum price level (see Table 2). Very
competitive price level is obtained in Serbia for grains, milk and sheep meat
which is around the lowest prices all over the EU.

Table 2 Price competitiveness - producer prices in Western Balkan countries
and minimal and maximal prices in EU in 2010

<table>
<thead>
<tr>
<th>EUR/t</th>
<th>Wheat</th>
<th>Maize</th>
<th>Milk</th>
<th>Beef</th>
<th>Pig</th>
<th>Lamb</th>
</tr>
</thead>
<tbody>
<tr>
<td>Croatia</td>
<td>157</td>
<td>141</td>
<td>298</td>
<td>1710</td>
<td>1181</td>
<td>2694</td>
</tr>
<tr>
<td>FYR Macedonia</td>
<td>139</td>
<td>140</td>
<td>366</td>
<td>1417</td>
<td>1372</td>
<td>2177</td>
</tr>
<tr>
<td>Montenegro(2012)</td>
<td>500</td>
<td>410</td>
<td>412</td>
<td>1800</td>
<td>n.a</td>
<td>2500</td>
</tr>
<tr>
<td>Serbia</td>
<td>120</td>
<td>131</td>
<td>219</td>
<td>1530</td>
<td>1324</td>
<td>992</td>
</tr>
<tr>
<td>Albania (2008)</td>
<td>239</td>
<td>245</td>
<td>308</td>
<td>2328</td>
<td>n.a</td>
<td>2321</td>
</tr>
<tr>
<td>B&amp;H</td>
<td>149</td>
<td>153</td>
<td>263</td>
<td>1750</td>
<td>1300</td>
<td>2330</td>
</tr>
<tr>
<td>Kosovo</td>
<td>190</td>
<td>220</td>
<td>299</td>
<td>2020</td>
<td>2130</td>
<td>2220</td>
</tr>
<tr>
<td>EU min</td>
<td>125</td>
<td>130</td>
<td>214</td>
<td>875</td>
<td>1059</td>
<td>1230</td>
</tr>
<tr>
<td>EU max</td>
<td>184</td>
<td>208</td>
<td>446</td>
<td>2175</td>
<td>1780</td>
<td>3700</td>
</tr>
</tbody>
</table>

Source: Data from national statistical agencies⁴, national banks (exchange rates)
and Eurostat

⁴ Croatian Bureau of Statistics; State Statistical Office of Republic of Macedonia;
Statistical Office of Montenegro (MONSTAT); Statistical Office of Republic of Serbia;
Due to possible differences in, e.g., herd structure and quality of products, it is difficult to compare directly average price level, however, the level of competitiveness is not sufficient and could be improved by increase of productivity. Wheat yields vary around the same level as in NMS, but are lower than in EU15. At the same time in 2010 milk yields are still at very low level and fall behind NMS and EU15 as well. From the WB countries Croatia has demonstrated the best productive performance in grain and dairy production (see Table 3). At some extent the level of competitiveness is reflected also by export/import coverage indicator where Serbia appears as the only net exporter between WB countries, and producers’ price level has confirmed it. At the same time for Montenegro, Albania and Kosovo export/import coverage is very low (Table 3).

Table 3 Agricultural productivity, trade and budgetary support in Western Balkan countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Wheat yield (3 years average) 100kg/ha, 2010</th>
<th>Milk yield, kg/cow, 2010</th>
<th>Export/Import coverage of agro-food products, %, 2010</th>
<th>Total budgetary support for agriculture, EUR/ha, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Croatia</td>
<td>47.8</td>
<td>3836</td>
<td>77</td>
<td>364</td>
</tr>
<tr>
<td>FYR Macedonia</td>
<td>32.0</td>
<td>2871</td>
<td>69</td>
<td>16</td>
</tr>
<tr>
<td>Montenegro</td>
<td>32.9</td>
<td>2107</td>
<td>16</td>
<td>20</td>
</tr>
<tr>
<td>Serbia</td>
<td>37.7</td>
<td>2841</td>
<td>185</td>
<td>40</td>
</tr>
<tr>
<td>Albania</td>
<td>38.6</td>
<td>2569*</td>
<td>10*</td>
<td>31</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>33.3</td>
<td>2574</td>
<td>35</td>
<td>32</td>
</tr>
<tr>
<td>Kosovo</td>
<td>41.0</td>
<td>2629**</td>
<td>5</td>
<td>11</td>
</tr>
</tbody>
</table>

Source: data from national statistical agencies, Eurostat and WTO; Volk et.al (2010); *-2009; **-2008

Support for agriculture can influence competitiveness in different ways, and the effect depends on competition conditions in the market. In case that support level is low, producers should be more motivated to obtain more efficient technologies. However, shortage in funding can be an obstacle for that, and support can be targeted on acquisition of new technologies helping to solve this
problem. Problematic issue is a different support level for actors in common market. In this case for the market with unfair competition conditions more supported producers are more competitive. The study carried out within the FP7 AgriPolicy project allows compare total budgetary support level in WB countries and the EU (Volk et.al, 2010). With exception of Croatia, the support level per ha of UAA is very low in entire WB, which should not be taken as a poor factor as itself, but it could impede the improvement of competitiveness preparing for the accession into the EU common market. According to Economic Accounts for Agriculture (EAA) data in EU15 average level of only those subsidies directly channelled to support agricultural production was 360 EUR/ha in 2010.

General awareness of the environment, less favoured areas and animal welfare issues is relatively low currently in WB countries. This policy is not a priority, which is in a way understandable, as it is difficult to find interest and rationale for such measures in the areas facing rural poverty and subsistence farming.

Comparative analysis of regional integration considering market development and agricultural policy in NMS

The EU enlargement in 2004 and 2007, when the poorer countries of Central and Eastern Europe joined the EU, has increased both economic and political diversity between members, and the issue of economic convergence became of increased importance. Share of agriculture in GDP in 2010 in NMS composed 2.5% on average, while in EU15 it was only 1.2%. For this study selection of the EU countries the most relevant for analysis of indicators to be compared with Western Balkans has been made – Slovenia (NMS and the former Yugoslav country), Latvia (NMS and having severe transition experience as the former Soviet Union Republic), Poland (NMS having a huge agricultural sector and positive economic trend during global financial crisis in 2007-2009) as well as products’ key market countries representatives from EU15 or all OMS on average.

NMS experience regarding price convergence show that for prices which initially were above the EU level fast convergence can be observed for internationally widely traded goods, e.g., grains. For predominantly domestically traded goods (e.g., meat) price convergence has been moderate and gradual. For those prices which initially have been below the EU level, convergence has started immediately, however, the speed and degree of price convergence for raw milk and meat depends a lot on efficiency and competitiveness of processing sector (see Figure 1).
Crop production after accession is increasing (see Figure 2) in all the NMS and can be considered as a result of overcome transitional economics period (especially in former SU), increasing hectare subsidies and less demanding management structures needed. Livestock production on average is facing stagnation or decrease due to low competitiveness for which the main reasons are bad feed supply management, weak processing industry and therefore weak value added chain in total.

Intra-regional trade has become more prominent in the world following the increase in regional integration agreements not only in the EU, but also in other major areas (OECD, 2010). Trade balance for food, drinks and tobacco shows that up to 2011 external trade has remained negative for OMS (see Figure 3). At the same time joining to the EU has provided benefits for NMS growing their exporting capacity outside the EU market. The opposite situation can be observed in terms of trade within the EU. OMS has stable and positive intra EU trade balance; while NMS balance in EU common market remains negative which partially can be explained by different market conditions established by CAP. It shows that OMS have benefited from extended EU market as intra EU trade balance for OMS has improved, while for NMS it worsened, and NMS are less competitive inside the EU market than in extra EU trade. OMS have stronger internal agro-food chain competitiveness comparing to NMS, while in external
market where the CAP support (export subsidies) is equal the CAP helps more to NMS.

![Figure 3 Trade diversion in NMS and OMS of food, drinks and tobacco (Source: Eurostat)](image)

Support per ha of UAA is increasing but in most NMS in 2011 is still significantly lower than in OMS (see Figure 4). It exhibits unfair competition conditions and due to this the lost competitiveness in intra EU market for NMS. Support per unit value of production increased after accession and reflects lower initial productivity level in NMS with the existence of natural and transitional constraints for productivity growth. Decreasing values of the indicator would be reflecting acquisition of efficiency and new technologies. Analysis of these issues partially explain the slow progress of regional integration within the EU common market where observed policy asymmetries lead to economic development asymmetries. And two opposite tendencies with higher/lower subsidies level together with extra/intra EU trade flows show more the regionalisation process within the EU rather than integration. That explains also the different directions in Member states’ views on further policy development which could influence the further regional integration within the EU common market.

![Figure 4 Direct budgetary support in Slovenia, Latvia and Poland before and after accession compared to the EU15 (Source: Eurostat)](image)
Productivity is very important to succeed in any market. Land productivity in terms of gross value added per hectare in NMS in 2010 was still around twice lower on average than in OMS, while labour productivity was more than six times lower than in OMS. Factor income per ha of UAA which depends a lot on level of CAP support, for most of NMS is also lower than in OMS, but in major cases it is stagnating all across the EU. As a result of obtained efficiency and competitiveness the factor income per ha has been increased in Poland. Factor income per annual working unit (AWU) is slightly increasing in NMS, but still very low in comparison with OMS (see Figure 5). It reflects high share and importance of agriculture in total employment, poor farm structure as well as slow acquisition of technologies due to that. Different level of productivity combined with the different CAP conditions for different countries again hinder the integration process in the EU.

**European integration of Western Balkan agricultural sector – evaluation derived from comparative analysis**

To conceive of potential future development of WB agriculture and European integration an evaluation can be derived from the comparative analysis done in previous two chapters.

After accession producer prices in WB countries can develop in different patterns, however, stagnation or decreasing tendency could be expected in major cases. Production and trade will depend on competitiveness of the whole agro-food sector, and proposals for CAP Regulations for planning period 2014-2020 (EC 2011b, 2011c) show that future framework of CAP will retain a strong influence on competition within the EU common market. „Soft landing” into CAP framework after accession for WB countries has to be prepared to enable to cope over the long term with competitive pressure and market forces within the EU (Erjavec, 2008).

Evaluating the effects it should be considered that WB countries accession the most credibly will happen with one by one country, not as entire block like it was in 2004 with Central and Eastern European states. Additional disturbance and unexpected effects and changes in trade flows and economic structures could appear from accession of Croatia into the EU in 2013 which is one of main trade
partners of other WB countries. Following the experience of NMS, Croatia would expect higher import of food products from EU after accession. Keeping similar price level and increasing support and productivity level Croatia would raise its agro-food export to other Western Balkan countries.

Taking into account that price level already is quite high, the main factor stimulating agricultural production in other WB countries after accession would be an increase of budgetary support. The Multi-year Financial Framework (EC, 2011a) and Regulations proposals (EC, 2011b, 2011c) allow making preliminary calculations of EU funding also for WB countries. According to EC (2011b) direct area payments in EU27 countries in 2020 still could vary from 141 EUR/ha up to 420 EUR/ha. The average rate for EU12 is proposed at the level of 218 EUR/ha. We could assume that funding for WB direct payments will be negotiated in the range between EU minimal and average rate (Salputra et al., 2011). In case that gradual phasing-in of EU direct payments in 1st year of accession will be applied reducing the full envelope to 25%, we can estimate that potential inflow from direct subsidies in 2020 could be 35-55 EUR/ha. It quite precisely matches up to the payment level negotiated by Croatia with the EU (EC, 2009). So, in case of accession the financial implication of only one of EU policy instruments in all other WB countries besides Croatia and Serbia would exceed the current total budgetary support level quite significantly.

In Table 4 a possible level of rural development support for WB countries has been estimated assuming their potential accession into the EU in 2020 (for Croatia accession is fixed for 2013). For allocation of aid for rural development in the EU three criteria are mentioned in current regulations – agricultural area, labour in agriculture and gross domestic product (GDP) in purchasing power standard per capita. Like in the current case, less developed regions should continue to benefit from higher EU co-financing rates. Number of labour employed in agriculture indirectly is reflected by GDP per capita indicator, where higher agricultural labour lead to lower GDP per capita. Therefore calculation for each WB country has been done by the following equation based on application of economic indicators and current 2nd Pillar budget for EU12:

\[
2\text{Pillar}_{WBCi} = \frac{UAA_{WBCi} \times GDP_{ppls_{WBCi}}}{UAA_{EU12} \times GDP_{ppls_{EU12}} \times 2\text{Pillar}_{EU12}},
\]

where \(2\text{Pillar}_{WBCi}\) – average per year rural development budget for WB country i; \(UAA_{WBCi}\) – utilized agricultural area eligible also for direct payments in WB country i; \(GDP_{ppls_{WBCi}}\) – GDP in purchasing power standard per capita in WB country i; \(2\text{Pillar}_{EU12}\) - average per year of 2007-2013 rural development budget in NMS including EAFRD as well as national funding; \(UAA_{EU12}\) – utilized agricultural area eligible for direct payments in NMS; \(GDP_{ppls_{EU12}}\) – GDP in purchasing power standard per capita on average in NMS.
Table 4 Criteria for sharing and level of funding for rural development in EU and estimated level for Western Balkan countries in case of accession into EU

<table>
<thead>
<tr>
<th>WB countries</th>
<th>UAA, thsd.ha, 2010</th>
<th>GDP in pps per capita, EU27=100%, index 2010</th>
<th>Potential funding for 2nd Pillar, EUR/ha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Croatia</td>
<td>1 335</td>
<td>61%</td>
<td>152</td>
</tr>
<tr>
<td>FYR Macedonia</td>
<td>1 120</td>
<td>36%</td>
<td>94</td>
</tr>
<tr>
<td>Montenegro</td>
<td>501</td>
<td>41%</td>
<td>107</td>
</tr>
<tr>
<td>Serbia</td>
<td>5 092</td>
<td>35%</td>
<td>91</td>
</tr>
<tr>
<td>Albania</td>
<td>1 201</td>
<td>28%</td>
<td>73</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>1 656</td>
<td>31%</td>
<td>81</td>
</tr>
<tr>
<td>Kosovo</td>
<td>542</td>
<td>21%</td>
<td>55</td>
</tr>
<tr>
<td>EU countries</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EU12</td>
<td>43 455</td>
<td>61%</td>
<td>159</td>
</tr>
<tr>
<td>EU15</td>
<td>117 612</td>
<td>110%</td>
<td>143</td>
</tr>
</tbody>
</table>

Source: Eurostat; IACS statistics of EU Member States; national statistical agencies; http://www.economywatch.com/; EC (2009, 2011c); authors’ calculations.

Table 4 shows that also funding for rural development comparing to current level could increase significantly. Growing budgetary resources allow expect an increased factor income, however, itself it does not mean improvement of competitiveness. Understanding the potential effects and programming of policy, and that the main objective now should be to increase competitiveness, is of crucial importance. As the agro-food chain and rural economies have to be modernised, an income alternatives for rural inhabitants have to be provided as well.

There appears an important role of science and technology transfer in WB agriculture to increase the competitiveness of Western Balkan agro-food sector. The strategy for that should be based on new and efficient state and agricultural policy focusing the role of development and efficient resource management but not the role of political interests. Restructuring of agricultural households should be based on efficient land markets and capital investments into farms improving efficiency of using farm resources. Efficient market structure needs an organization of producer groups, agro-food chains and maintaining of local consumers loyalty. Human resources building and knowledge transfer should result in knowledge building in agricultural sector. The research priorities should be oriented on innovations for filling the technological gaps as well as on extension and development. Agricultural research strategies in WB countries should support recognition of the research by establishment of national infrastructure in all important fields of the research process: coverage of science disciplines, development of laboratories, ensuring of data processing, application of agro-food chain approach; by increase of national support with different
programs; by internationalisation of the research groups setting strong criteria for evaluation process. Targeted orientation on applied research must be maintained, young researcher programs should be developed as well as further attraction of financial donors have to be considered. Technological transfer means filling the gaps and adoption of technologies to local circumstances, elaboration of clear development strategies and dedication for the work with farmers by organizing development groups and exemplary demonstration farms. At the same time leading, charismatic personalities and original ideas are deeply requested to be found on place.

**CONCLUSION**

The comparative analysis of European integration for new member states and EU15 allow concluding that after accession into EU:

- price convergence for prices which initially are above the EU level could be observed fast for internationally widely traded goods while for predominantly domestically traded goods price convergence would be moderate and gradual. For prices which initially are below the EU level, convergence should start immediately, however, the speed and degree of price convergence for, e.g., raw milk and meat depends a lot on efficiency and competitiveness of processing sector;

- production diversion can be considered with expanded crop production as a result of increasing hectare subsidies and less demanding management structures needed. Livestock production on average would face stagnation or decrease due to lower competitiveness for which the main reasons are bad feed supply management, weak processing industry and therefore weak value added chain in total;

- support per ha of agricultural land in most NMS is still significantly lower than in OMS. Support per unit value of production reflects lower initial productivity level in NMS with the existence of natural and transitional constraints for productivity growth. Land productivity in terms of gross value added per hectare in NMS is still around twice lower on average than in OMS, while labour productivity is more than six times lower than in OMS;

- factor income per ha of agricultural land which depends a lot on level of CAP support, for most of NMS is lower than in OMS. Factor income per annual working unit is also still very low in comparison with OMS and reflects high share and importance of agriculture in total employment, poor farm structure as well as slow acquisition of technologies due to that;

- joining the EU is growing NMS exporting capacity outside the EU market, while NMS balance in EU common market remains negative. Partially it can be explained by different market conditions established by CAP.

Comparative analysis in great amount explains the slow progress of regional integration within the EU common market where observed policy asymmetries lead to economic development asymmetries. Different level of
productivity combined with the different CAP conditions hinders the integration process in the EU.

Evaluation of the opportunities of European integration for WB countries allows concluding that:

there are generally rather high prices and low price competitiveness in WB countries, however, with some exception in Montenegro, Albania and Kosovo, prices do not exceed the EU maximum price level. Competitive price level is obtained in Serbia which is around the lowest all over the EU. Serbia appears as the only net exporter between WB countries. At the same time for Montenegro, Albania and Kosovo export/import coverage is very low. After accession producer prices in WB countries can develop in different patterns, however, stagnation or decreasing tendency could be expected in major cases;

the level of competitiveness is not sufficient and could be improved by increase of productivity. Production and trade will depend on competitiveness of the whole agro-food sector. From the WB countries Croatia has demonstrated the best productive performance. Following the experience of NMS, Croatia would expect higher import of food products from EU after accession. Keeping similar price level and increasing support and productivity level Croatia would raise its agro-food export to other Western Balkan countries;

With exception of Croatia, the support level per ha of UAA is very low in entire WB, which could impede the improvement of competitiveness preparing for the accession into the EU common market. The main factor stimulating agricultural production in other WB countries after accession would be an increase of budgetary support. However, itself it does not mean improvement of competitiveness;

The strategy for increasing the competitiveness of Western Balkan agro-food sector should recognize an important role of science and technology transfer and should be based on new and efficient state and agricultural policy, restructuring of agricultural households, building of efficient market structure and human resources.

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EVROPSKE INTEGRACIJE I PROCES REFORMI POLJOPRIVREDE ZEMALJA U TRANZICIJI KOJE PRISTUPAJU EU – IZAZOV ZA ZAPADNI BALKAN

SAŽETAK

Svim zemljama koje pristupaju Evropskoj uniji reforme su potrebne da bi uskladile svoje propise sa pravnom tekovinom EU, kao i za integraciju i zajednički ekonomski prostor EU na najefikasniji način. Prethodna iskustva stečena u procesu integracija naglasila su ovaj problem jer od proširenja EU u 2004. i 2007. godini još uvijek rastu asimetrije u okviru same Unije. Povećanje konkurentnosti je važno pitanje ekonomskih prilagođavanja ali postoje i mnogi neočekivani efekti koje izaziva zajednička poljoprivredna politika EU koja se kontinuirano reformiše. Nameće se pitanje šta bi mogli biti efekti pristupanja za zemlje Zapadnog Balkana? Svrha ovog rada jeste da se razvije teorijski okvir za evaluaciju naročito procesa integracije sektora poljoprivrede i da se prikažu iskustva evropskih integracija EU 12 iz perspektive zemalja Zapadnog Balkana. Teorijski okvir čine kvantitativna analiza postojeće ekonomske i političke situacije u zemljama Zapadnog Balkana; komparativna analiza konkurentnosti EU 12 i EU 15; i evaluacija potencijalne evropske integracije zemalja ZB uzimajući u obzir ulogu transfera nauke i tehnologije u cilju povećanja konkurentnosti poljoprivredno-prehrambenog sektora. Rezultati analiza pokazuju da se nakon pristupanja, za najveći dio proizvođačkih cijena u zemalja ZB može očekivati stagnacija ili pad, a da bi glavni faktor koji stimulše poljoprivredu proizvodnju bio povećanje podrške iz budžeta. Potencijalni priliv direktnih subvencija i subvencija za ruralni razvoj bi premašio postojeće nivoe podrške povećavajući faktorski prihod, međutim, za povećanje konkurentnosti potrebno je sprovedi strategiju istraživanja u poljoprivredi.

Ključne riječi: regionalna integracija, poljoprivreda, komparativna analiza, Zapadni Balkan.