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BULGARIA EN ROUTE TO THE EU: ADJUSTMENTS IN THE FIELD OF AGRICULTURE

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ABSTRACT

Some issues of the Central and Eastern European countries accession to the EU in the field of agriculture are exemplified by the case of Bulgaria. In comparison with the other applicants for membership Bulgaria has one substantial potential disadvantage, namely the lack of macroeconomic stability. In the field of agricultural policies the combination of policy instruments implemented in Bulgaria has been inconsistent with the instruments currently used by the CAP and to a certain extent with the instruments used by the Visegrad4. That is why, while the pre-accession adjustments in the Visegrad4 are discussed with a view to changes in the level at which the existing instruments are applied, the adjustments in Bulgaria require changes in the range of policy instruments. Despite the fact that this will bring about a fundamental switch in the emphasis of policies, namely a re-orientation from consumers to producers, it seems politically feasible, because the present policy has not reached its objectives to support substantially consumers. It is suggested that farmers and policy makers in Bulgaria may prefer to join the EU with the present CAP in place, particularly if the support is funded by the community budget. However, this will induce new market distortions, the supply control may be ruinous for an agricultural sector which has not fully recovered from the post-reform disruptions, and consumers, who are relatively poor, will be burdened with high food prices.

KEYWORDS:

Bulgaria; EU accession; Agricultural policy

INTRODUCTION

This paper focuses on the potential adjustments in Bulgaria in the field of agriculture in view of the EU accession. It treats mainly policy issues. Some inconsistencies between the current agricultural policies of Bulgaria and the CAP (reformed or not) are identified and discussed. An attempt is made to discuss whether Bulgaria would fully understand its interests in a further CAP reform or would take the view that the high agricultural market support will better serve the interests of its farming society.

BACKGROUND

The Europe Agreement between Bulgaria and the EU entered into force on 1st February 1995. This gives a green light, if Bulgaria so wishes for an application for full membership of the Union.

So far five of the ten potential applicants amongst the Central and Eastern European countries (CEECs) have officially applied.¹ It is expected that the Czech Republic will table its application in January 1996. Thus, the first questions that arise are why Bulgaria did not apply, and whether it intends to do so in the near future.

The formal basis for answering these questions is the programme of the present Bulgarian Government (the Government came into Office in January 1995) in which it is stated that one of the objectives in the field of foreign policy and foreign economic relations is to integrate Bulgaria into the European structures. There have also been several official statements that the country sees its future as a full EU member. However, it is beyond doubt that Bulgaria has been much less active internally and externally in preparing public opinion for its potential membership than the other CEECs. At any rate, in 1995 the first steps were made in the direction of preparing for membership. A Committee for European Integration was set up at the Council of Ministers with a main function to coordinate the preparatory work. Working groups were organised at a ministerial level for the harmonisation of legislation. Even though this work is at the very beginning it shows the political commitment to go forward. Thus, it is almost certain that Bulgaria will apply for membership.

¹ These are Hungary, Latvia, Poland, Romania and the Slovak Republic.

On the question 'when', the official Government answer has been that it is necessary, first of all, to increase the degree of readiness of the economy for the accession. Even though this seems to be a non-committal answer, it has some justification. The scope and the size of the required adjustments are massive. In fact, from the economic point of view, the route to membership could be seen as a long-term adjustment process of institutions and policy.

One of the factors that is expected to increase the credibility of the future Bulgarian application is accession to the GATT² and WTO, yet to take place. Negotiations are under way, but there are still several points in the fields of agriculture and services on which there is no agreement. Of course, the country can apply before its accession to the GATT, as in the case of Latvia.² However, the importance of the accession to the GATT should not be underestimated. It is at least two-fold: first, imposing external discipline, and second, setting up a margin for the implementation of agricultural market support policies. The GATT constraints on agricultural policy could be loose or tight, but what is important is that they will be determined as a result of the accession to the WTO.

HOW THE BULGARIAN ECONOMY IS PLACED AMONGST THE OTHER CENTRAL AND EASTERN EUROPEAN APPLICANTS: A BROAD PICTURE

It is generally accepted that the CEECs¹⁰ are much poorer and of a much more agricultural than the EU members, (Baldwin, 1994). Bulgaria is an example which supports this statement. According to the GDP per capita, PPP, Bulgaria had less than a quarter of the average GDP of the EU12 in 1994, EC DGVI (1995). Despite the substantial differences in the estimations of the exchange rate adjusted for purchasing power coming from different sources, it is beyond doubt that in economic terms Bulgaria is substantially less developed than the EU12, taken as a group, as well as than the least developed members of the Union. Even amongst the group of the CEECs¹⁰ where the GDP per capita, PPP, is concerned, Bulgaria is the one before the last one (the last one is Romania).

The post-reform contraction of the GDP in Bulgaria has been one of the largest amongst all CEECs. Graph 1 shows the GDP in real terms in 1994 in comparison with 1989. In 1994 the Bulgarian GDP was 73% of the GDP in 1989. In Romania this percentage was 78, in the Slovak Republic 80, in the Czech Republic 81, and in Hungary 83. The only country which in 1994 was much closer to the GDP in 1989 is Poland (GDP in 1994 equalled 91% of the GDP in 1989). This is because the macroeconomic reform in this country took place earlier and the positive economic growth re-appeared earlier than in the remaining CEECs. Bearing in mind the measurement problems which CEECs face due to the difficulties involved in estimations of the size of the shadow economies and the revisions of the macroeconomic aggregates that their Statistical offices make from time to time, differences between Bulgaria and the remaining CEECs are not of an order of magnitude that could be defined as substantial. Thus, there is no evidence to claim that from this point of view Bulgaria's position is much worse than the other CEECs.

The main problem that Bulgaria exhibits in comparison with the other applicants is macroeconomic instability. It is by far larger than in the remaining CEECs. Graph 2 shows the inflation rate at the end of 1994, measured by the consumer price index (CPI). Only Bulgaria has a three-digit inflation rate, which is two times higher than that of the next CEEC, Romania (Bulgaria 122%, Romania 62%), and about 38 times higher than the average of 3.2% for the EU15.

Several problems emerge from this picture which create difficult adjustment issues. First, Bulgaria still needs a tough stabilisation policy and can hardly afford policies stimulating growth. This makes her case to a certain extent different from the other CEECs. The second point is that at this stage Bulgaria cannot meet any requirements for macroeconomic stability. This suggests that it might be really premature to apply immediately for membership. Of course, this suggestion only takes into account economic considerations. From the political point of view there are many arguments that are in favour of an early application, but these will not be treated here.

The macroeconomic instability has strongly affected the agricultural policies. The high inflation has brought about a decrease in the real incomes of the population. In order to maintain the social stability, the different post-reform Governments had to act in a way to allow the population to satisfy at least their basic needs. The prices of food became a very sensitive political issue. Under these circumstances the policy makers opted for support to consumers at the expense of producers. Such a policy contradicts the whole spirit of the CAP as well as the policies adopted in several CEECs, and particularly the Visegrad⁴.³ (It is a

² Of the ten CEECs which are associated members to the EU, four are not GATT contracting parties. These are Bulgaria and the three Baltic countries. Only Bulgaria is at an advanced stage of negotiations.

³ The group of Visegrad⁴ includes Czech Republic, Hungary, Poland and the Slovak Republic.

separate issue that the support to consumers has not been effective. This will be discussed in the next section.)

For the near future principle changes cannot be expected. Inflation year's even though it slowed down substantially in 1995, will continue to be high, about 35-40% at the year's end. The forecasts for 1996 are for an inflation rate between 20 and 25%. This will continue to put pressure on real incomes and might generate policies benefitting consumers at the expense of producers.

From the point of view of the agricultural sector Bulgaria is no more agricultural than many of the CEECs. Graph 3 presents the relative contribution of agriculture to the GDP. With 10% in 1993, the agricultural sector in Bulgaria has a larger role in the national economy than in the Visegrad4, but it is much less important than in Romania.⁴ In general, data show that Bulgaria is more agricultural than the Central European countries, which have an average share of agriculture in the GDP of 5.5%⁵, and it is beyond doubt more agricultural than the EU15 (with an average share of agriculture in the GDP of 2.5%, EC DGVI (1995)). However, the share of agriculture in the GDP in Bulgaria is not far above the average for the CEECs10, which was 7.8% in 1993. Thus, from this point of view Bulgaria does not constitute a distinct case, and the relative size of agriculture could hardly create a bigger adjustment problem for Bulgaria than for several of the other CEECs.

Agriculture is also very important where employment is concerned (Graph 4). However, the share of agricultural employment in 1993, 21.2%, was lower than the average for the CEECs10, 27.7%. Obviously the large share of agricultural employment in the region creates a general issue about the pre-accession adjustments. Because this share reflects a large absolute number of people engaged in agriculture, this is an important factor in the discussion about the feasible agricultural policies in the enlarged Union. But if only the Bulgarian case is treated, it is obvious that the country is not outside the range of CEECs. It should also be taken into consideration that this high share of agricultural employment is likely to be a transitory phenomenon. Often during the transition the short-term response (agriculture absorbing more labour due to the land ownership restitution and the collapse of the manufacturing industries) contradicts the long-term developments (agriculture releasing labour for the growing services and other sectors), Kydd, Buckwell, Morrison (1994). That is why it could be assumed that during the pre-accession period the share of agricultural employment in Bulgaria will gradually decline parallel to economic growth. However, the high share of labour in agriculture, and particularly the fact that it is much higher than the contribution of agriculture to the GDP, suggests that the labour productivity in CEECs is low, which might present a substantial problem for these countries, including Bulgaria, in future.

Thus, on balance, Bulgaria has one substantial disadvantage as a potential applicant with respect to the other CEECs. This is macroeconomic instability. What might be an advantage is the size of the country and the size of its agricultural sector in absolute terms. Both are rather small. The presumption is that for the EU it will be less harmful to integrate small economies, including small agricultural economies.

AGRICULTURAL POLICY: DO POLICY INSTRUMENTS NEED ADJUSTMENT IN VIEW OF ACCESSION?

The main emphasis in this section is on Bulgarian agricultural policies. That is why the design of the CAP is of secondary importance. For this reason the discussion is led mainly with a view to CAP as it was designed by the 1992 reform.

The degree of the necessary adjustments of Bulgaria in the field of agricultural policies is treated from the point of view of the policy instruments, the implicit objectives at which these instruments are targeted, and the outcome of their implementation. Stress is put on the implicit objectives because they are relevant to the real situation. Sometimes they contradict the explicit and officially stated objectives.

Table 1 summarises the agricultural policy instruments used in Bulgaria during the post-reform period, as well as the most recently introduced new instruments which have yet not been implemented. An attempt is made to identify to what extent the policy instruments used in Bulgaria are consistent with the CAP (consistencies as well as inconsistencies are qualified in broad terms). This is not an easy task. Some of the recently introduced instruments are conceptually consistent with the CAP. However, the way they are intended to be implemented shows a principle contradiction. Therefore one and the same instrument could be simultaneously in compliance with the CAP and in contradiction.

⁴ Also the trends between these two countries are different. While in the post-reform period the share of agriculture in the GDP in Bulgaria slightly decreased, in Romania the trend was towards increase.

⁵ This is an average for Visegrad4 plus Slovenia, EC DGVI (1995).

Table 1 needs some explanation in order to achieve more clarity concerning the Bulgarian agricultural policy. Agricultural policy is burdened with substantial social functions to provide food to the population at prices lower than the market ones. This involves the use of various instruments that are inconsistent with the instruments used in the EU. The first one is monitoring of the prices of basic foodstuffs at a retail level in order to slow down their increases. This policy applies to 22 foodstuffs, mainly meat, dairy products, bread, vegetable oils, potatoes and some pulses. The control is exerted through normative profit margins in the downstream sector defined as a percentage of some perceived average production costs. Due to the stronger market power of the agents in the downstream sector the result of this policy is a depression of farmers' prices. The second specific instrument is also used with an objective of keeping the prices on the domestic market below the world market prices. These are different export restrictions. They apply mainly to bread and feed grains and from time to time to live animals. The same measure is used in order to allow the food industries to be supplied with agricultural raw materials at prices below the world market. This is the case with sunflower seeds, raw skin and others.

TABLE 1 - AGRICULTURAL POLICY INSTRUMENTS IMPLEMENTED IN BULGARIA AND THE DEGREE OF CONSISTENCY WITH THE CAP.

Instruments used	Implicit objective	Consistency or contradiction with instruments used in the framework of CAP
Control of food prices at retail level (control of profit margins in downstream sector)	Consumers support	Essential contradiction
Export impediments	Consumers support; support of processing industries	Essential contradiction
Changes in export and import regime	Removal of temporary imbalances on the internal market	Essential contradiction
Interest rate subsidies on loans for working capital and on investment loans	Deal with the imperfections of the credit market; partial compensation to farmers for depressed output prices	Non-existent at the level of the CAP; used by national policies on several occasions; contradicts the CAP but the contradiction is not essential.
Exemption from taxes on agricultural activities	Partial compensation to farmers for depressed output prices; support for the transformed or newly emerged farm structures	Not widely used within CAP, but no essential contradiction
Protective purchasing price and intervention purchases; <i>Protective purchasing price set at a level below the world market</i>	Market stabilisation; decrease uncertainty for farmers Consumers support; support of processing industries	Consistency Contradiction
Target price and mechanisms to support the market price around the target; Support of the market price around the target through changes in export and import regimes.	Market stabilisation; decrease uncertainty for farmers. Minimize budget outlays	Consistency Contradiction
Support to agriculture in the less favoured areas	Keep farmers in business; support their income	Consistency
Direct income payments (not applied)		Contradiction
Environmental payments (not applied)		Contradiction

Thirdly, the policy response to temporary imbalances on the domestic market takes the form of changes in the export and import regime (eg introduction of decreased import duty quotas or zero import duty quotas, export quotas or export bans and others). Fourthly, explicit support to agriculture is given by interest rate subsidies, mainly on short-term loans for working capital. Fifthly, another measure of support is that the agricultural producers are exempt from taxes on profits and income derived from agricultural activities for several years. Direct support measures have not been used. Environmental objectives have not been built into agricultural policy. Logically supply control has not been used because of the understanding that the policy should aim to stop the contraction of the sector and to increase the supply, despite the fact that the instruments that were implemented have not been adequate enough to achieve this objective.

Before drawing conclusions it is important to stress some of the most recent policy developments. In June 1995 a new Law for agricultural support was approved. It puts the emphasis on market intervention. Two types of intervention are provided for. The first scheme is designed for several basic agricultural products: grains, sugar beet, potatoes, milk and meat. The Government will announce a 'protective purchasing price' at which a State agency will contract for pre-determined quantities of the main produce. If the market price falls below 95% of the protective price, the intervention purchases will be extended to quantities outside the contracted levels. This scheme is not far from the spirit of the CAP or the policies of the Visegrad4. However, there is one principle difference. Protective purchasing prices will be fixed at a level lower than the world market prices. They could not be higher than 85% of the export prices. This will obviously maintain the practice of export restrictions in order to hold the purchasing prices below world market levels.

The second scheme applies to some of the remaining agricultural products. This is a scheme that will try to maintain the price via export and import regime. It is built around a target price. In a case in which the average market price falls below 80% of the target price, the Government can change the export or import regime in order to influence the price.

There are also other support programmes provided within this law, including investment credit subsidies and support to agriculture in the less favoured areas.

Thus, in general the combination of policy instruments implemented in Bulgaria is inconsistent with the instruments used by the CAP and to a certain extent with the instruments implemented by the Visegrad4, which adopted some kind of 'CAP-like' policies. That is why, while the pre-accession adjustments in the Visegrad4 are discussed in the direction of changes in the level at which the existing instruments are applied, the adjustments in Bulgaria are connected with a change in a range of policy instruments. Therefore adjustments required are more fundamental.

If there is a further CAP reform, which it is assumed will be in the direction of less market price support and more decoupled from product markets payments, such design of the CAP would require no fewer policy adjustments in Bulgaria. It is just the opposite. The necessary adjustments might be deeper, because there will be a need to introduce several new policy instruments and institutions for which there will be a lack of knowledge and experience.

The outcome of the implementation of the current policy in Bulgaria increases the size of the necessary adjustments. Graph 5 shows the PSEs in Bulgaria, several other CEECs countries for which PSEs are available, EU12 and the three new EU members. Only Bulgaria has negative PSEs. (They do not relate to the whole agricultural sector, but only to the main produce. As yet there are no more comprehensive estimations of PSEs in Bulgaria). The negative net PSEs are mainly due to the gap between the domestic and the world market prices. Bearing in mind that in general the EU prices of the main produce are above the world market level, even though the difference gradually decreases, the price adjustments in Bulgaria have to be quite large, and in any case larger than for some of the remaining CEECs, particularly the Visegrad4. Even under the assumption of a further CAP reform that will bring the domestic prices much closer to the world prices, Bulgaria still faces price adjustments in order to align its agricultural prices with the world level.

An important question is whether the required policy and price adjustments are politically feasible. The answer is positive. They may even be easier than it seems at a first glance. Many of the policy instruments have not achieved their objectives, or at least that part of the objectives that concerns the consumers. The positive transfers did not reach the consumers. They were absorbed in the downstream sector and split up between processors and retailers, (Ivanova *et al*, 1995). The quantification of income transfers for the grain and meat sectors for the period 1990-1993 shows that the main sources of transfer were the farmers. The recipient of transfers in the beginning of the period, 1990, were the final consumers, which was a continuation of the pre-reform policy. However, during the last three years, 1991-1993 the recipients were mainly the agents in the downstream sector. This suggests that during the more recent post-reform years the policy instruments have not been well targeted because they taxed producers without providing substantial support to consumers. That is why they could be changed or adjusted without a great hardship to consumers.

The increase in the domestic prices to the world market level would require consumer adjustments. However, the large adjustments in prices and in consumer behaviour were made immediately after the price liberalisation in 1991. That is why the size of the necessary price adjustments is now relatively small and could be politically feasible, particularly if it is accompanied by some improvement in the social safety net.

In conclusion, the agricultural policy adjustments required in Bulgaria in the pre-accession period are massive, but they seem politically realisable. Therefore a question arises why the Government has not set off the policy adjustment process; why in the second half of 1995 when the discussion about the

harmonisation with the EU was under way new agricultural policy instruments were introduced that were inconsistent with the spirit of the agricultural policy in the Union. An answer is given in this paper which it is difficult to prove. It has been due to a mixture of a lack of understanding of the potential effects of the policies introduced, and the strong lobby of the State-owned enterprises in the downstream sector which have vested interests in maintaining the taxation on farmers.

Logically another adjustment issue of no lesser importance arises in respect to the food processing industries. In general in the EU they are not supported and they try to be competitive under the conditions of expensive agricultural raw materials. Food processing industries in Bulgaria are indirectly protected by the policies that secure a supply of raw materials at prices below the world market level. (This is only true for some of the processing industries. In fruit, vegetable and wine markets there is no distortive Government intervention). One of the criteria put forward by the EU for the readiness of the economies of the CEECs for accession is that their economic agents must be able to face the competition in the single market. From the point of view of the competitiveness of the food industries the changes in agricultural policies are one of the important factors.

WHAT WOULD BE THE BULGARIAN INTERESTS IN THE CAP REFORM?

This is an attempt to speculate about the potential interests of Bulgaria in a further CAP reform, which is based on some recent work by the author, (Buckwell and Davidova, 1995).

There are some reasons for claiming that Bulgaria would not find the reformed CAP attractive and would prefer to have its agriculture protected by the present CAP. As a reference for a reformed CAP a radical alternative is chosen. The main features of this alternative are that domestic market supports and border measures are replaced by a set of decoupled supports designed to deal with (i) environmental externalities created by agriculture, (ii) social or regional problems, and (iii) transitional compensation payments, UK CAP Review Group (1995).

Why should Bulgaria find this less distortive policy design not attractive? First, because Bulgaria is to a certain extent at the stage at which the EC was when the objectives of the CAP were formulated. Policy makers are very concerned about food security, market stability, and keeping food prices down. They would like to achieve higher productivity and better incomes for those engaged in agriculture. These are the objectives of the CAP as set up in 1950s.

Second, the CAP fits the way of thinking of policy makers in Bulgaria. They are deeply convinced that some sectors need extensive regulation because otherwise the market will bring chaos. In this line of thinking the first priority sector for regulation is agriculture, because it supplies the nation with food. Thus, to have centrally determined institutional prices and maintenance of these prices through supply control could make the Bulgarian policy makers feel 'at ease'. Third, the policy makers would like to support farmers, but due to the current budget constraints they try to achieve the 'national food balances' through other instruments which do not explicitly drain on the State Budget. The CAP, as it stands, might be seen as very attractive, because it is expected that somebody else will pay for the Bulgarian farmers support.

However, there are two main features of the CAP that Bulgaria might be concerned with. One is the supply control. It is expected that the agricultural output, once the right incentives are in place, can grow and supply food for the population and generate export earnings (Bulgaria traditionally has been a net agricultural exporter). From this point of view the supply control might be unwanted. On the other hand the policy makers as well as the farmers are used to 'supply targets'. Bulgarian farmers may swallow reality the supply control more than the farmers in the Union, because one thing they are used to is to sell the 'planned' output without difficulties at pre-determined prices. That is why it is highly probable that the Bulgarian farmers will opt for a supply control in exchange for high output prices and a higher degree of certainty.

The second problem that will be created by the non-reformed CAP is more difficult to deal with. It relates to the prices that consumers would have to pay for food. This is a difficult issue, particularly in a country in which food expenditure are around 40% of the household budgets. This constitutes might the only negative aspect of the CAP that the policy makers would recognise. (The constraints on export due to the high domestic prices are not treated in this discussion because the Bulgarian commitments on export subsidies are not yet clear.) It is highly probable that they will neglect the economic costs of such policies.

These are the arguments why the Bulgarian policy makers and farmers might be attracted by the CAP as designed by the 1992 reform. The next set of arguments is related to the question why they might be against a further CAP reform. Of course, everything will depend on the design of this reform. But as it was

said, if a radical approach to the reform is taken into consideration the main support instruments will be related to environmental, regional and social considerations.

Under central planning there was a stronger accent on social and regional policies than on the environment. The main feature of social policies was to equalise income (salaries and wages) in agriculture with the other sectors of the economy. Another measure, especially in the most recent period of the central planning, was to secure the same state pension schemes for agricultural workers as for industry, and the same rules for paid holidays. Other social measures were to provide collective and State farms with budget funds for social functions.

The regional aspects of the social policies included special support to agriculture in mountainous and semi-mountainous areas, mainly through extra price subsidies. There were also programmes for attracting young agricultural workers in the most depopulated agricultural areas through grants and interest free loans for housing. However, the whole concept of social and regional policies pre-reform was different from that in the EU. The social and regional goals were not related to the achievement of environmental objectives (such as maintaining semi-natural habitats and landscape features as in Western Europe) but to the output objective. The motive of maximising output justified the maintenance of full-time agriculture in marginal areas. The inherent shortage of labour, due to a low labour productivity and hidden unemployment, was the main reason for programmes for the settlement of young people in agriculture.

Therefore, regional and social concerns are not new for Bulgaria, but their focus has been quite different to those in the EU. On the regional aspect Bulgaria is expected to qualify for support under EU programmes, because of its substantial mountainous and semi-mountainous areas. What can be said is that it is highly probable expectations will be built-in to those, post-accession, Bulgaria will benefit from structural policies *in addition* to market support and not *in place* of it.

There is one more substantial point in the proposals for the CAP reform which Bulgaria (and the other CEECs) will clearly be against. This is the proposal to re-nationalise agricultural policies and to fund them from the national budgets, Larsen *et al* (1994).

In summary it is more likely that Bulgaria (and probably the other CEECs despite the official statements that they would like to see the CAP reformed before the Eastern enlargement) would prefer to join the CAP as it stands rather than to join a radically reformed CAP.

CONCLUSION

There are substantial differences in the level of economic development and the purchasing power between Bulgaria and the EU15. It is beyond doubt that these differences are not easing the accession. However, most of the expected problems are not only typical for Bulgaria. They are general problems amongst the ten potential new members. What is specific for Bulgaria is that the macroeconomy is more unstable than in the remaining CEECs. This means that Bulgaria still cannot pursue sound growth oriented policies and needs to continue with stabilisation measures.

Bulgaria needs massive adjustments in the field of agricultural policies. They concern mainly the policy instruments. Despite the fact that this will be brought about a fundamental change in the emphasis of the policy, namely a re-orientation from consumers to producers, it seems politically feasible, because the present policy has not reached its objective of giving substantial support to consumers. The main beneficiary of the transfers from farmers has been the downstream sector which received a shelter where it can maintain its inefficiencies.

Even though it seems striking, it is possible that the Bulgarian policy makers and the farmers will see their interests in the present CAP and not in its radically reformed alternative. Neglecting the economic costs of such policy, they might be mainly attracted by two features of the present CAP. Firstly, that they are expected to be net beneficiaries of the common budget, thus some one else's taxpayers will pay for the farmers support. Secondly, because the present design of the CAP suits the interventionist mentality of the policy makers which arose under the central planning, and the risk averse mentality of the farmers used to a full certainty under the old system.

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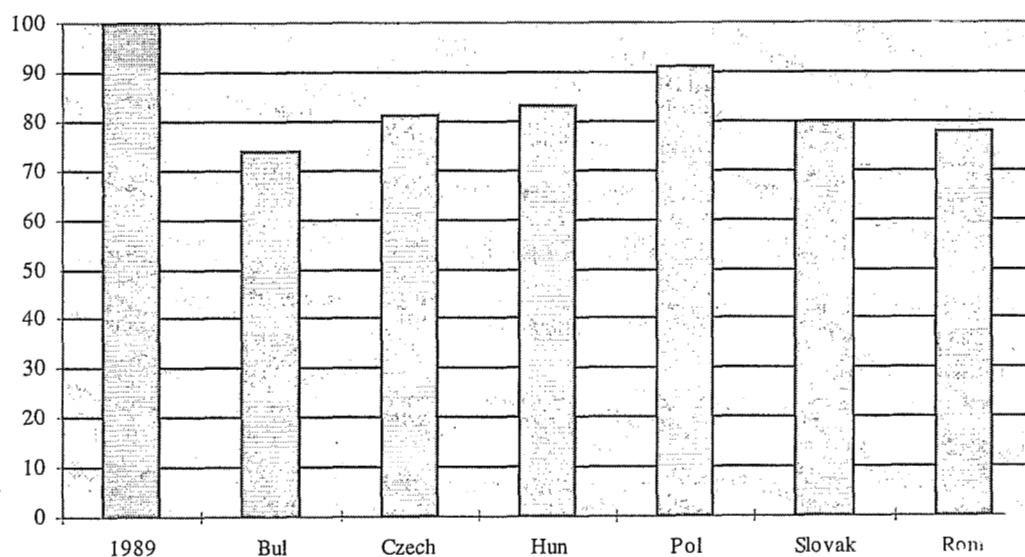
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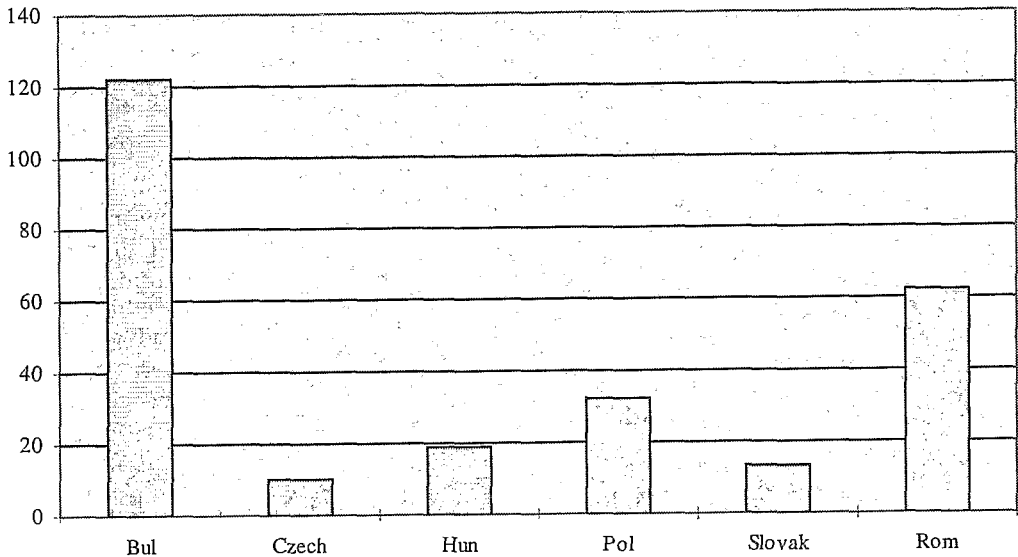
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Graph 1: GDP in 1994 in Comparison with 1989 (%)



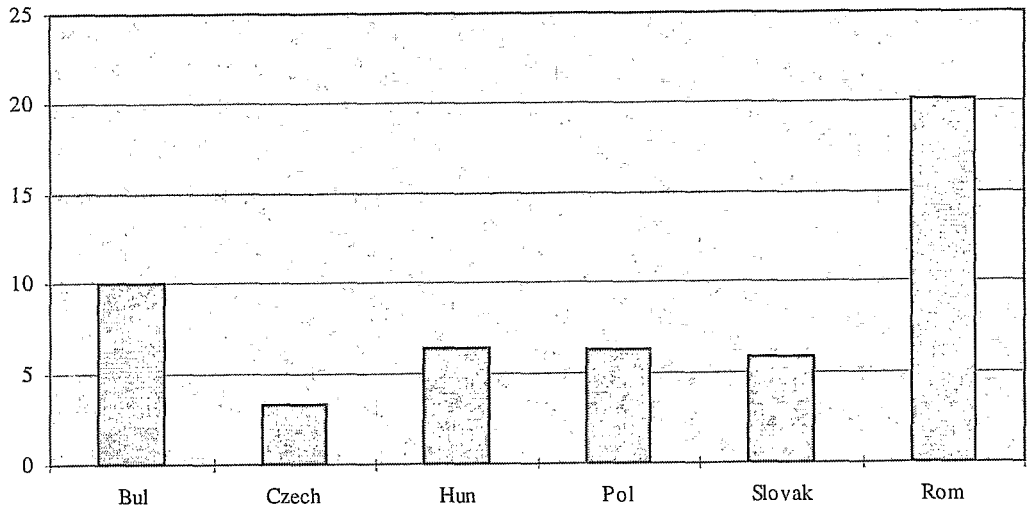
Source: CEC, DG6 (1995). *Agricultural Situation and Prospects in the CEECs*. Summary Report; Bartholdy, K. (1995).

Graph 2: Inflation Rate in Selected CEECs, 1994 (%)



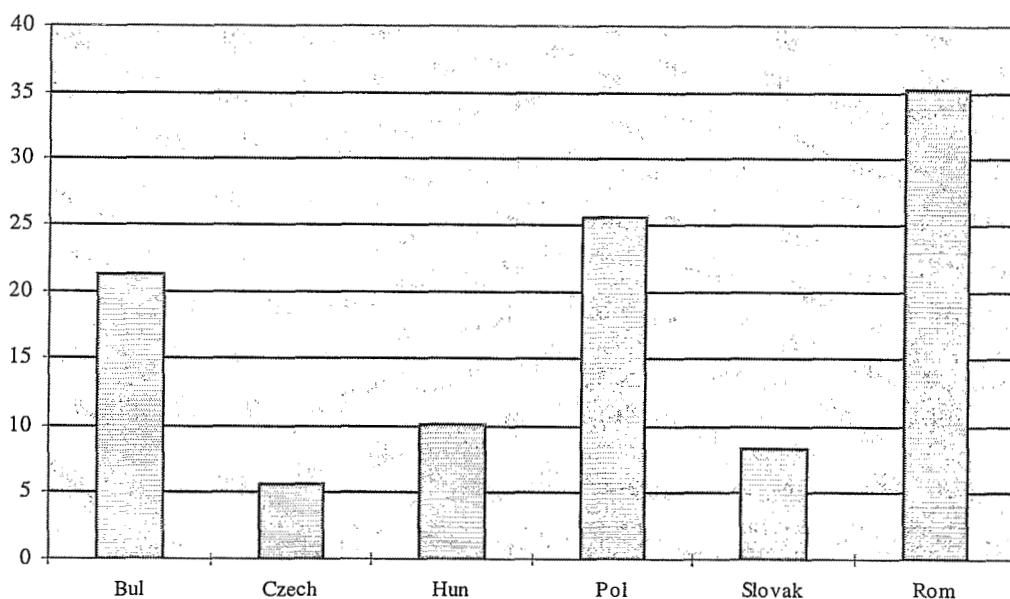
Source: CEC, DG6 (1995). Agricultural Situation and Prospects in the CEECs. Summary Report.

Graph 3: Agriculture in GDP in Selected CEECs, 1993 (%)



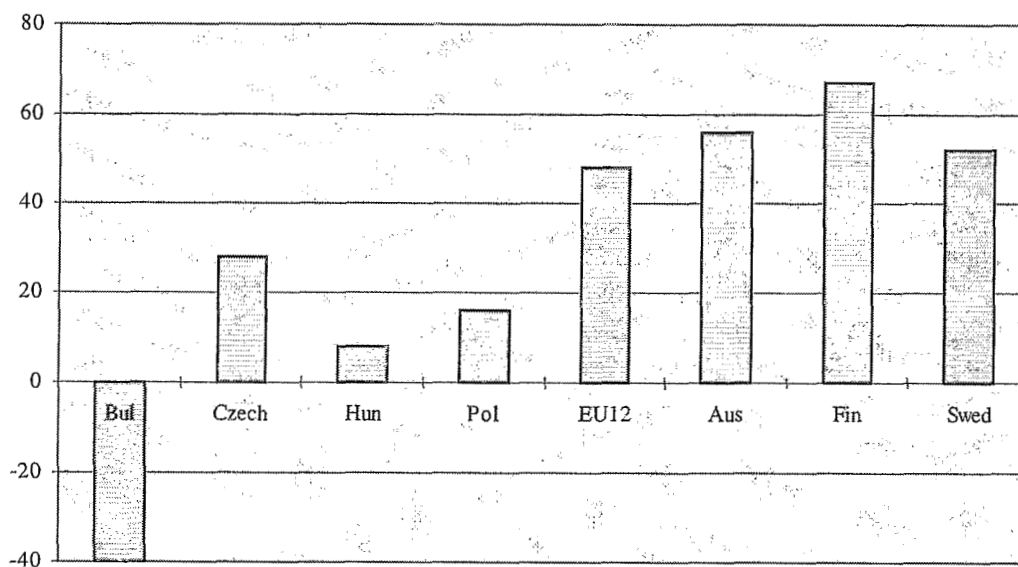
Source: CEC, DG6 (1995). Agricultural Situation and Prospects in the CEECs. Summary Report.

Graph 4: Employment in Agriculture in Selected CEECs, 1993 (5)



Source: CEC, DG6 (1995). Agricultural Situation and Prospects in the CEECs. Summary Report.

Graph 5: PSE in Selected CEECs, EU12 and the new EU members (%)



Source: OECD; Agricultural Policy Analysis Unit, Ministry of Agriculture, Bulgaria.