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Commission I

National Report – Rapport national – Landesbericht

Hongrie

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Hungarian National Report on the Common Agricultural Policy, new rules of WTO and regional equilibrium

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1. Describe briefly the economic importance of agriculture in the economic context of your country (e.g. historical reasons, social structure, territory and its morphology, etc.). Explain which are the strategic agricultural sectors, and why.

From the historical resources of the Hungarian agriculture, in the introduction, I focus on the use and ownership structure of the land. The use and ownership structure of the land at the beginning of the 19th century (as only few owners had great lands and the crowd of peasants used only micro lands) was abridged by the feudalism and this structure began to break up in the middle of the 19th century. Most of the requirements of the feudalism were abolished by the end of the 19th century. After numerous attempts, the deformity of the use and ownership structure was tried to change only by the land reform in 1945. (Before this reform, by the injustice Trianon dictate (1920) called peace-treaty the Hungarian state lost the 2/3 part of its territory.) The real effects of the land reform in 1945 cannot be investigated, because in 1948/1949 Hungary changed to a communist system which was at that time the unfortunate characteristic of the countries in Eastern Europe.¹ After this change, in the socialist countries, public ownership was preferred against private property. After the change of the system in 1989/1990, with the demolition of iron curtain, the Hungarian state could re-enter to the free market. After a long procedure of accession to the EU, only in 2004 could the Hungarian Republic accede to the EU. From that on, the Hungarian agriculture became part of the Common Agricultural Policy (CAP).²

Physical context and demarcation of rural areas

Hungary occupies an area of 93,030 sq. km. On January 1, 2006 the number of inhabitants amounted to 10,077 thousand, showing a tendency of permanent decline. Between 2000 and 2006 population decreased by 146,000 heads. Population density is at 108.5 per sq. km. According to the criteria of demarcation already applied in the previous programmes (unfavourable demographical situation and age structure, and underdeveloped economy and infrastructure), 87% of Hungary was qualified as rural area in 2003 including 96% of the country's settlements, and providing home for 47% of the total population. These rural areas comprise a special type of region characterized by low population density, heavy reliance on land as source of livelihood, and a non-urbanized settlement structure (typified by villages, small towns, and, in certain regions, by isolated farms).³

Demographic situation

Demographically, the increase in population in these rural areas is low – to a regionally different extent –, and the unfavourable age-structure characteristic of them demonstrates the ageing of

¹ See RAISZ Anikó: The 'lawfully condemned' – Forgotten aspect of the 1956 revolution in Hungary (Reflections on history, human rights, reconciliation and justice). *Miskolc Journal of International Law*, 2006, N° 3, pp. 41-45. (<http://www.uni-miskolc.hu/~wwwdrint/mjil1.htm>)

² OLAJOS István: A közös agrárpolitika története. In: CSÁK Csilla (szerk.): *Agrárjog (Agricultural Law)*. Miskolc, 2006, Novotni Publisher, pp. 73-82.

³ New Hungary Rural Development Programme 2007-2013 (hereinafter NHRDP), Budapest, 19th February 2007, p. 13.

the population.⁴ The decreasing size of the younger generations and the otherwise welcome improvement in life expectancy have resulted in a situation in which it gets for the younger people reaching employment age harder and harder to produce the sufficient funds covering the pension of the older generations. The imbalance between the genders also seems to become stable: while in the age group under 40-45 men dominate, in the older age groups women take over. In the last decade migration from the rural areas has intensified, most of the people leave presumably in the hope of employment and a better living.⁵

Economic drivers, productivity and growth

As an indicator of economic performance, significant differences may be observed in the GDP among the main sectors. Growth in the industry and the services sector exceeds the average rate of the national economy, while the contribution of agriculture to the GDP lags behind both in terms of volume and direction. As a result, the GDP growth, on branch level, reflects the trend of economic restructuring characterized by the gradual displacement of agriculture. In addition development was geographically uneven and focused primarily on the regions and regional centres with dynamism. This has in turn led to the handicap of the rural areas predominantly based on agriculture. A characteristic difference in the structure of the economy in rural areas compared to the national average is that agriculture, including forestry, game and fisheries management has a significantly higher share.⁶

Use and ownership structure of the land

The conditions for agriculture, including soil quality, climate, and terrain, are favourable in international comparison. Depending on the fertility of soils 83% of the country's area of roughly 9.3 million hectares is suitable for various agricultural and forestry usages. Arable land therefore represents a vitally important resource of the country, and is thus one of the fundamental factors of production. Within 63% of the country's area actually under agricultural cultivation in 2004 and 2005 48.5% was – plough-land, 11.4% grasses, and 3.1% orchards and vineyards. 19.1% of the total area is covered by forest. The distribution of agricultural and cultivated land is uneven between the Hungarian regions, with the Northern and Southern Great Plain having the largest share (20-20%), and Central Hungary the smallest (6-7%). Between 2000 and 2005 no significant changes occurred in the cultivation methods or the distribution of land between the different sectors. Both large and small holdings are present in Hungary at the same time. Agri-business organizations typically cultivate large land areas, while a less efficient holding structure of small farms is characteristic of individual farmers. The average size of farmland used by the individual farms increased more than sevenfold in Hungary between 1991 and 2005 (from 0.5 hectare to 3.5 hectares). However a much more intensive land concentration would be required to be able to access the markets. Large agricultural holdings play an important role in integrating local actors and creating social cohesion in rural areas (corporate social responsibility). The most apparent change of the past fifteen years is, as a result of privatization and compensation, that private ownership of agricultural land reached a prevalent (83%) share by 2005 while land ownership and use by the state and various cooperatives significantly decreased.⁷ Following the privatization of land the average plot size owned has become 2.3 hectares, which except for

⁴ See TÓTH Hilda: The Tendencies of the Development of Health and Accident Insurance. In: *Annual of microCAD International Scientific Conference*, 6-7 March 2003, Miskolc, pp. 137-142.; TÓTH Hilda: Kitekintés az osztrák állami betegbiztosítási rendszer által nyújtott ellátások körére. *Magyar Jog*, 2007, N° 7, pp. 413-418.

⁵ NHRDP, p. 13.

⁶ NHRDP, p. 13.

⁷ See CSÁK Csilla: The changes in the circumstances of arable land's ownership and land tenure from the time of the democratic transformation to our days. *Journal of Agricultural and Environmental Law*, 2007, N° 2, pp. 3-18. (<http://www.uni-miskolc.hu/%7Eagrarjog/ujzag/agriarchive.htm>)

plantations or intensive horticultures, hardly provides secure livelihood for a family. Based on the above, it can be said that the role of agriculture in the national economy in Hungary is still considerable, despite the significant decline. This mainly originates from the better than average characteristics of the agricultural production which forms the part of the rural life-style too, from the traditions of the production and from the rates of the sector, which significantly exceeds the average of the EU (because of the portion of land use for agricultural purposes, the number of the people engaged in agricultural activities). Parallel to this, the agriculture becomes more valuable in the regions in critical economical situation, as often the only source of living. This phenomenon considerably reevaluates the so far production oriented role, significance of the agricultural activities and strengthens its multifunctional characteristic. According to the Industry structure census of 2003, almost 45% of the population engaged in agricultural activities participates, to varying degrees, in the production of commodities sold on the markets. (The rate of the producers selling the excess over the own consumption is 31.1%, 13.1% of the family workforce is the one which solely engaged in production. The most populous the group of those, who are engaged in a production for exclusively own consumption, their rate is 55.7%. The number of those producing mainly for the commodity market is 177 thousand people in approximately 90 thousand farms. The rate of the enterprise farms and the family workforce connected to them is not substantial (0.1%). As a welcome change the number and the labour absorbing capacity of commodity-producing farms have increased, while a setback can be observed with all other types of farming enterprises making up the sector. The rather large group (750 thousand people) of agricultural producers, who are producing only for their own needs, have looser ties to agriculture, most of them are engaged in agricultural production as part of the rural way of life, out of respect for traditions, in order to save living costs as semi-subsistence farmers, or simply to earn extra income.⁸ All these statistics show that the number of semi-subsistence farms being able to develop into commodity-producing farms as a result of the supports is estimated at about 20,000.⁹

Economic weight and main development trends

In line with the international trends the significance of the agrarian sector in Hungary decreases within the national economy in terms of quantifiable performance. The contribution of agriculture to the gross domestic product dropped (from 4.6% to 3.7%) between 2000 and 2005.¹⁰

The proportion of agricultural employment fell between 1994 and 2005 from 9% to 5%, and within the country's total export the share of agriculture plus food industry dropped over the past decade (from 22.7% to 7.2%) – comparably to the GDP.¹¹

Sectoral structure

Crop farming continues to be the leading branch of agriculture, with animal husbandry of a decreasing share and non-agricultural supplementary activities remaining relatively insignificant.¹²

⁸ See TANKA Endre: Why has the general land consolidation no chance in Hungary? *Journal of Agricultural and Environmental Law*, 2006, N° 1, pp. 3-18. (<http://www.uni-miskolc.hu/%7Eagrarijog/ujzag/agriarchive.htm>)

⁹ NHRDP, pp. 14-15.

¹⁰ NHRDP, p. 16.

¹¹ NHRDP, p. 16. See PRUGBERGER Tamás: Arbeit, Ruhezeit, Überstunden und Massenentlassung. In: *Zeitschrift für Ausländisches und internationales Arbeits- und Sozialrecht (ZIAS)*. 2001, N° 7-9, pp. 257-273; JAKAB Nóra: The quota system and its practical applicability in the labour law. In: *Doktoranduszok Fóruma AJK Szekciókiadvány (Annual of Conference of PhD Students)*, 9 November 2005, Miskolc, pp. 111-116.

¹² NHRDP, p. 17.

Crop farming

The crop structure has remained essentially unchanged in the past ten years, with grain sorts retaining their traditional leading rate of close to 70%. 2004 and 2005 data show a 2-3% growth in the sowing fields of cereals and maize, as well as an unusually abundant harvest. The average yield of wheat doubled between 2003 and 2004, and even in 2005 it was 1.7-times higher than in 2003. It is important to note that this increase of the harvest results is not the result of an improvement of technology, but the result of the weather especially favourable to crop farming. The considerable surplus caused sales problems and consequently storage difficulties caused by the lack of capacities.¹³

Animal husbandry

Among the farm animal species the cattle stock continued to decline also between 1994 and 2005. This drop is alarming also in view of the drastic reduction of stock (by 42%) between 1990 and 1994. Since 1994, the cattle sector has shrunk by an additional 22.2%. Pig stock fluctuated significantly between 1994 and 2005, with alternating trends, though recent years have clearly been characterized by a downward turn. The stock of not quite 4 million pigs in 2005 represents an 11.5% decrease compared to 1994, which amounts to about 40% of the average of the 80'ies. The number of sows dropped however by 33% over the subject period. In contrast with that the stock of sheep has increased since 1994 (by 48.8%). This increased the share of ruminants within the total animal sector, which contributed to the preservation of the cultural state of grasslands unusable for crop farming. Poultry stocks increased in the 1990's despite the adverse market conditions, and the low and fluctuating profitability. This trend turned in 2004, and by 2005 compared to 1994 the number of poultry and laying hens dropped by 5% and nearly 12.3%, respectively. Animal density – the number of animals per 100 ha of agricultural land – decreased between 1994 and 2005 in respect of both cattle and pigs. This index rose exclusively in the sheep farming sector.¹⁴

Food processing

Food-processing industry, based on Hungarian agriculture, enables Hungary to be self-sufficient in the main food products, and to produce surpluses in excess of the domestic demand. With most products, the level of self-sufficiency is around 120-130%. The Hungarian food industry's significance within national economy has not declined after the turn of the millennium either, its share in the GDP has been around 3% for a long time. The gross production value of food industry exceeds HUF2210 billion (it is approximately €8.84 billion), which means the 2nd or 3rd place among the 14 sectors of the processing industry, with 5.0% of the total national output in recent times. The food processing sector is dominated by small- and medium-size ventures, 89.6% of which have fewer than 20 employees.¹⁵

2. Outline a brief history of how the CAP has been given implementation in your country during the last decades, highlighting the peculiarities of the political choices, and the main problems occurred.

Hungary is the member of the European Union only since 2004, but, from the beginning of the nineties the state prepared for the accession to the European integration. This preparation

¹³ NHRDP, p. 18.

¹⁴ NHRDP, p. 19.

¹⁵ NHRDP, p. 22.

became an official procedure from the conclusion of the Association Agreement in 1994.¹⁶ This agreement included numerous rules on agricultural trade between Hungary and the EC. Thereafter the Hungarian agricultural policy attempted more to experience the CAP and the reasons which determined this policy. In the procedure of the accession, our advantages were the natural ability of the Hungarian agriculture, the high quality of the Hungarian food products and the huge rate of farmers who love the countryside and the honourable work. At the same time, lots of disadvantages accrued. At first, numerous people lost their jobs due to the effects of privatisation. Second, the state lost the former markets of Russia and other successor states of the Soviet Union. Third, the double use and ownership structure of the land, coming from the privatisation, included lots of economically unviable small holdings. Fourth, by the numerous other problems, the Hungarian politics paid no attention to agriculture. Important is among the external disadvantages that the old Member States did not want to provide the same amount of supports for the New Member States and, in the last period of the negotiations of the accession, the old Member States could divide the Middle East European states (such as the Visegrád Group), therefore, in my opinion, Hungary acceded with worse conditions.

3. Give a broader description of the modalities of the CAP implementation in your country after the 2003 reform, explaining the reasons why non-decoupled aids haven't been adopted though sometimes possible.

As above mentioned, Hungary is the member of the European Union only since 2004. Thence it arises that it became the 2003 reform of the CAP without having had any influence on it. In addition, the conditions of the accession changed from day to day in the procedure of the accession. Beyond these external circumstances, the unreadiness of the Hungarian agriculture (such as the difficulties of the establishment of the Integration Administration and Control System) was the determinant reason why the state could access to the CAP only with different conditions as the old Member States.¹⁷

The agricultural and rural development supports have two typical forms of resource in Hungary; the one is the budget of the EU and the other form is the national budget (see Picture 1).

The Hungarian beneficiaries can embrace supports in two ways from the budget of the EU.¹⁸ The first way is related to the market organizations and the other way is related to the rural development. I would like to remark that the supports from the EU's budget are advanced by the Hungarian budget; after the payment and control of the EU, the EC recompenses the state. Unfortunately, the Hungarian state therefore often defaults in paying the supports.

The market organisation supports. The market organisation supports are financed from the European Agricultural Guarantee Fund (hereafter EAGF). At the same time the EAGF finances expenditure other than the market organisation supports.¹⁹

¹⁶ In Hungary, the Association Agreement was proclaimed by the Act I of 1994.

¹⁷ See RAISZ Anikó: Confronted with direct applicability of a directive: the Hungarian Constitutional Court before challenges. *Miskolc Journal of International Law*, 2007, N^o 1, pp. 113-127. (<http://www.uni-miskolc.hu/~wwwdrint/mjil1.htm>)

¹⁸ See the Council Regulation (EC) No 1290/2005 of 21st July 2005 on the financing of the common agricultural policy.

¹⁹ See Article 3 of the Regulation 1290/2005.

The market organisation supports have two classes: direct payments (for example Single Area Payment Scheme, hereafter SAPS) and market measures (such as refunds for the exportation and intervention measures). Before 1992, the market organisations of the CAP typically focused on agricultural products. But now, this assertion is only consistent for the market measures, but not for the SPS and the new (in or after 2004 connected) Member States' SAPS which are more than supports focused on agricultural products. The aim of these supports is already the financing of the agricultural holdings. According to the plans of the Hungarian government, the SAPS will be replaced by the SPS in 2009.

Compared with the SPS supports, the SAPS supports²⁰ have some attributes. The Member States which establish the system of the SAPS supports, such as Hungary, have to accomplish minor terms. Another characteristic of the SAPS is that the producers of the Member States adhered to the EU in or after 2004 (hereafter new Member States) receive only a part of the supports the producers of the Member States already acceded before 2004 (in 2004 the 25% of the all, in 2005 the 30% of the all) until 2013, when the producers of the new Member States receive the same sum of direct payments as farmers of the old Member States. As a compensation, the producers of the new Member States can be compensated (hereafter top-up)²¹ from the budget of the Member State, maximum 30% per year. By this compensation the temporary period could be modified to six years for the producers. Interesting is that in the period until 2006 the Hungarian Republic could move a part of the rural development supports from the guarantee section of European Agricultural Guidance and Guarantee Fund (hereafter EAGGF) in addition to the direct payments.

The rural development supports. The rural development supports are realized in co-financing that means the resources of these supports proceed from the national budget besides the budget of the EU. The Community resource of the rural development supports is the European Agricultural Fund for Rural Development (EAFRD).

The rural development supports focus on the development of agricultural holdings and rural areas. In 2007 the new period (2007-2013) of the rural development begins. The new program of rural development includes four axes: Axis I is the improvement of the competitiveness of the agricultural and forestry sector, Axis II is the improvement of the environment and the countryside, Axis III is the quality of life in rural areas and diversification of the rural economy and Axis IV is the LEADER.²² In Hungary there are the supports of the New Hungary Rural Development Program 2007-2013 (hereinafter NHRDP) which change the former system of the Agricultural and Rural Development Operational Program²³ (which included the supports of the guidance section of EAGGF) and the National Rural Development Program²⁴ (which included the supports of the guarantee section of EAGGF).

²⁰ See the Commission Regulation (EC) No 2199/2003 and the Decree of the Hungarian Minister of Agriculture and Rural Development No 28/2007 of 20th April 2007 on SAPS supports.

²¹ See the Decree of the Hungarian Minister of Agriculture and Rural Development No 29/2007 of 20th April 2007 on top-up supports.

²² See OLAJOS István: The provisions of the Rural Development in connection with the agriculture in Hungary. *Journal of Agricultural and Environmental Law*, 2006, n°1, pp 3-22 (<http://www.uni-miskolc.hu/%7Eagrarjog/ujsag/agristartup.htm>); SCHWEIZER, Dieter: Entwicklung der landwirtschaftlichen Betriebe und des ländlichen Raumes in den MOE-Staaten. In: *Ünnepi tanulmányok Prugberger Tamás professzor 70. születésnapjára*. Miskolc, 2007, Novotni, pp 354-366.

²³ It was proclaimed by the Decree of the Hungarian Minister of Agriculture and Rural Development No 172/2004 of 23rd December 2004.

²⁴ It was proclaimed by the Decree of the Hungarian Minister of Agriculture and Rural Development No 137/2004 of 18th September 2004.

The Hungarian budget resources on agricultural and rural development supports can be ranged in three classes:²⁵ the first group is the co-financing of rural development, the second class is the top-up supports and the third group is the national supports.

The common part of the co-financed rural development supports, which focus on the agricultural holdings and the other structural institutions of the rural areas, came from two ways of resources before 2007: first, from the guarantee section of the EAGGF, and second, from the guidance section of the EAGGF which was part of the Structural Funds. To these days, the division of the rural development supports has expired and the rural development supports are financed only from the EAFRD. The 4th axis of the rural development supports is the "LEADER+" which was earlier a Community initiative of the Structural Policy.²⁶ The Hungarian support is detailed in the Act on budget of the Hungarian Republic in 2007²⁷ by axis.

The top-up supports can be found only in the budget of the new Member States (such as Hungary). The top-up supports include two different groups of supports: the one based on the area, the other based on the number of the animals. The Member States can complete the direct supports based on area with these top-up supports to the level defined by the EU. The general conditions of these supports correspond to the conditions of the SAPS supports. The differences between the top-up and SAPS supports are the obligation of production and the different sum of top-up supports by the former.

The exclusive national supports²⁸ shall be convenient to the numerous prescriptions. These supports shall not collide with the CAP, shall not distort the competition and shall be authorised.²⁹

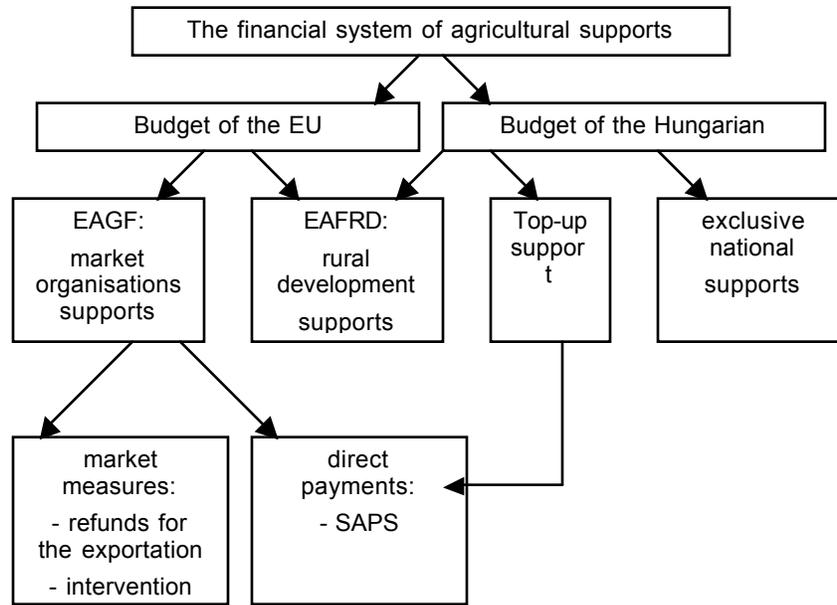
²⁵ On the general conditions of the three groups of supports see the Decree of the Hungarian Government No 6/2004 of 22nd January 2004.

²⁶ See OLAJOS István: A támogatási eljárás és a közigazgatási eljárás kapcsolata, legfontosabb problémái (Main problem and relationships between the procedure of supports and administration procedure). *Publicationis Universitatis Miskolciensis Sectio Iuridica et Politica*, Tomus XXIV, pp. 439-456.

²⁷ See Chapter XII in the Annex I of the Act CXXVII of 2006.

²⁸ On the conditions of these supports see Decree of the Hungarian Minister of Agriculture and Rural Development No 25/2004 of 3rd March 2004 amended last by Decree of the Hungarian Minister of Agriculture and Rural Development No 14/2007 of 1st March 2007.

²⁹ On other opportunity of financing see CSÁK: Agrárhitelezés (Agricultural financing). In: CSÁK (ed.): *Agrárjog (Agricultural Law)*. Miskolc, 2006, Novotni Publisher, pp. 206-222; NAGY Zoltán: A nemzetközi faktoring jogi szabályozásának rendszere az elmélet és a gyakorlat aspektusában (Legal system of international factoring in the aspects of practice and theory). In: *Ünnepi tanulmányok Prugberger Tamás professzor 70. születésnapjára*. Miskolc, 2007, Novotni, pp 263-278; ERD_S Éva: Pénzügyi jog alapjai (Bases of the Financing Law). In: ED_S Éva – FEKETE Zoltán – MOLNÁR Valéria: *Pénzügyi Jog (Financial Law)*. Miskolc, 2006, Virtuóz, pp. 9-17.



Picture 1

4. Which, of the non-decoupled payments allowed by the EC Reg. No. 1782/2003 (in its Title IV) and subsequent Regulations, have been preferred by your country?

By the Title IVA of EC Reg. No. 1782/2003, the New Member States have special opportunities for the implementation of support schemes. Such as the Single Area Payment Scheme (SAPS), the separate sugar payment, the complementary national direct payments and direct payments. See furthermore the answer to question N° 3.

5. Why did your government prefer these non-decoupled measures?

In the background of the governmental decisions for the agricultural and rural development supports we can find the bad position of the Hungarian budget besides the fulfillment of the short turn political interest. Therefore the Hungarian agricultural policy often prefers the classes of supports not affecting the agricultural structures rather than the supports helping the structural changes of the Hungarian agriculture.

6. Which is, in your opinion, the relationship between the new CAP rules and the WTO Agreement on agriculture, in general?

In my opinion, there is a definite relationship between the new CAP rules and the WTO Agreement on agriculture. As I presume, the liberalisation of agricultural trade and the reform of agricultural supports are the consequences deriving from the situation before the WTO Agreement. Before closing of Uruguay Round, there has been not the competition of agricultural products, but the competition of the systems of supports between the big agricultural producer states and communities of the World. And that situation would be not sustainable over the long pull. Therefore, as I presume, the states were forced to begin negotiations on the reform of the contemporary system within the frame of GATT. The achievement of the negotiations was the WTO and numerous agreements. The Agreement on agriculture can be found among these

agreements. In my opinion, the EU began the comprehensive reform of the CAP by the implementation of the Agreement. Therefore the direct payments, the prescriptions of environmental protection and the rural development were in focus. But, in my opinion, we have to pay attention to that the opening of the agricultural markets does not mean the bondage of the Member States and their citizens. As I presume, we did not manage to find the acceptable rate, the *aurea mediocritas* (the golden mean), in all fields.

7. And what about, more particularly, the so-called “conditionality” in Reg. No. 1782/03 and the WTO’s so-called “green box”?

The protection of environment should be important in the modern CAP rules, besides the obligations coming from the WTO Agreement. Therefore I prefer the reorganization of the system of agricultural supports with the increased protection of environment. With regard to the ingravescence situation of environment, especially to the effects of the climate change,³⁰ I am convinced of the importance of a more effective protection of environment in the field of agriculture which has a great effect on the environment. The environmental aspects based on cross compliance are huge development towards the protection of environment.³¹ Therewith the New Green Book on climate change published by the European Commission (29th June 2007) shows the sterner requirements of environmental protection. In my opinion, the continuous decadence of the circumstances of environment indicates the permanent audit and modification of the condition system of cross compliance.

8. Did the WTO rules have an influence on your government’s choices about the national implementation of the new CAP rules (or – for non-EC countries – about the national agricultural policy)?

The WTO’s object of market liberalisation had absolute effect on the agricultural policy of the Hungarian Republic connected to the global market as democratic state after 1990. Therewith the process of accession to the EU was a great encouragement in the modernisation of the agricultural policy of Hungary. The necessary improvements have not been finished until now. It is noticeable that the damaging effects of the WTO’s liberalisation could not have been eliminated in the last 15 years either.³² Such as, after the national government who practised more protecting agricultural policy (1998-2002), from 2002 the social-liberal Hungarian government practices a liberal agricultural policy serving the purposes of the globalisation, the liberalisation of our markets and often the purposes of big business and multinational firms.

³⁰ HORVÁTH Szilvia: Über die Anfänge der Klimapolitik der Europäischen Gemeinschaft. *Journal of Agricultural and Environmental Law*, 2007, N^o 2, pp. 19-40. (<http://www.uni-miskolc.hu/%7Eagrarjog/ujtag/agristartup.htm>); B_HM Judit: History of the European Union’s energy policy. In: *Doktoranduszok Fóruma AJK Szekciókiadvány (Annual of Conference of PhD Students)*, 9 November 2006, Miskolc; BAJOR Rita: Environmental legislation. In: *6th International Conference of PhD Students (Annual)*, 13-18 August 2007, Miskolc, 2007, pp. 145-152.

³¹ BOBVOS Pál – CSÁK Csilla – HORVÁTH Szilvia – MIKLÓS László – OLAJOS István – PRUGBERGER Tamás – SZILÁGYI János Ede: The polluter pays in the agriculture – Hungarian National Report. *Journal of Agricultural and Environmental Law*, 2007, N^o 1, pp. 29-54. (<http://www.uni-miskolc.hu/%7Eagrarjog/ujtag/agristartup.htm>)

³² KURUCZ Mihály: Critical analyses of arable land regulation in Hungary. *Journal of Agricultural and Environmental Law*, 2007, N^o 3, pp. 17-47. (<http://www.uni-miskolc.hu/%7Eagrarjog/ujtag/agristartup.htm>)

9. And did the expected future rules (those currently negotiated in the Doha framework) have some kind of influence on it?

As I presume, these rules do not have sensible effects on the Hungarian government's choices.

10. In positive case, in which sense there has been an influence? Otherwise (if you negatively answered to any of the last two questions), do you think there should have been?

From the numerous effects I emphasize for example the WTO's TRIPS Agreement which is the important base of the regulation of geographical indications. The geographical indications have an essential role in the agriculture, and so in the Hungarian agriculture. In Hungary the rules on geographical indications were only established, together with the trade marks, in an act of 1997. In the procedure of the legislation, the WTO and EC rules were taken into consideration. The Hungary could increase the protection of its geographical indication in the EC and outside of the EC by the Agreement with the EC on wine trade, the WTO TRIPS Agreement and the membership in the EU. Good example is the case of Tokaj (Tokay) wines, in which the Italian and French wine producers discontinued the using of Tokaj appellation in the EC, and the EC could satisfactorily solve the dispute with the USA as well. Nevertheless, the dispute is undecided with Slovakia and conditionally with Australia.³³

11. Do you think that the participation of the EC into the WTO has (or had) some positive or negative effect on the regional equilibrium inside the EC area? (EC reporters are praised to answer with regard to the agricultural and food trade issues which particularly interest their country)

The answer is not so easy. Namely in Middle East Europe there were and there are huge changes and huge changes are still expected. Scilicet Hungary with other nine states (such as Slovakia) became the Member State of the EU in 2004. One of its neighbours, Austria has been the member of the EU earlier. One of its neighbours, Romania has become the member of the EU from 2007. The access of Croatia to the EU is in progress. The access of two neighbours including Hungarian minorities, Serbia and Ukraine, is expected only in the further future. Therefore the situation in the region is very plastic.

It is sure and certain that in the region the liberalisation of the markets was and is increasing, which situation creates growing competition for the Hungarian producers. In the last 15 years, on account of the bad governmental decisions, lots of people became and will become loser of this situation.

12. Is your nation party to a regional organization, or to a regional integration agreement, or to a regional cooperation agreement, or similar?

We have to emphasize one of the regional co-operations: the Visegrád 4 (V4). The V4 was established originally not for questions of agricultural trade, but in the frame of the V4 the State Parties conferred on the agriculture and especially on the introduction of prescriptions of the CAP.

³³ See GYURÁN Ildikó: A tokaji bor eredetvédelme (Origin control of Tokaj wines). U.p.

The Visegrad Group reflects the efforts of the countries of the Central European region to work together in a number of fields of common interest within the all-European integration. The Czech Republic, Hungary, Poland and Slovakia have always been part of a single civilization sharing cultural and intellectual values and common roots in diverse religious traditions, which they wish to preserve and further strengthen.

All the V4 countries aspired to become members of the European Union, perceiving their integration in the EU as another step forward in the process of overcoming artificial dividing lines in Europe through mutual support. They reached this aim in 2004 (1st May) when they all became members of the EU.

The V4 was not created as an alternative to the all-European integration efforts, nor does it try to compete with the existing functional Central European structures. Its activities are in no way aimed at isolation or the weakening of ties with the other countries. On the contrary the Group aims at encouraging optimum cooperation with all countries, in particular its neighbours, its ultimate interest being the democratic development in all parts of Europe.

The V4 wishes to contribute towards building the European security architecture based on effective, functionally complementary and mutually reinforcing cooperation and coordination within existing European and transatlantic institutions.

In order to preserve and promote cultural cohesion, cooperation within the V4 Group will enhance the imparting of values in the field of culture, education, science and exchange of information.

All the activities of the Visegrad Group are aimed at strengthening stability in the Central European region. The participating countries perceive their cooperation as a challenge and its success as the best proof of their ability to integrate also into such structures, such as e.g. the European Union.

In the mechanism of co-operation the agricultural ministers of the State Parties between-times have meetings and negotiate. At stated intervals the State Parties' representations in the WTO consult and co-operate in the organisations of the WTO.³⁴

13. Does this organization, or agreement, provide any special rule for agricultural trade?

It does not.

14. Is your country party to bilateral commercial agreements involving agricultural trade?

After the change of system in 1989/1990, the main damage of the Hungarian agriculture was the losing of the former Soviet markets. Fortunately the relationship between Hungary and Russia again has recruited in the last years. Therefore on September 18, 2006 the states have arranged the Agreement between the Agricultural Ministries of the Republic of Hungary and the Russian Federation on the co-operation for agriculture and food industry. The term of the Agreement is twice five years. The Agreement is only a frame which should be concreted by the agricultural

³⁴ See the Declaration of Prime Ministers of the Czech Republic, the Republic of Hungary, the Republic of Poland and the Slovak Republic on cooperation of the Visegrád Group countries after their accession to the EU. Kromeriz, 12th May 2004.

and food producer enterprises and financial institutions of the two states. We can find denominate co-operation plan in three fields: establishment of Hungarian sugarworks in Rjazany, establishment of chicken and pork holdings in Russia. Therewith Hungary proposes to establish a logistic centre close to Moscow that can aliment the Russian capital with fresh Hungarian vegetables, fruits, meats and wines. In the co-operation, Hungary will deliver not only agricultural products but technological and productional systems into Russia. In 2006, the Hungarian export to Russia was 260 million USD, then again the Russian import to Hungary was only few hundred thousand USD. The biggest articles of the Hungarian export are tinned fruit and vegetable (108 million USD), feed (38 million USD), maize (17 million USD).

Apart from the recapture of the Russian market, the Hungarian agricultural diplomacy aspires to enter the markets of other Soviet successor states. Therefore on June 5-7, 2007 the delegation of the Hungarian Agricultural and Rural Development Ministry visited the capital of Belarus (Minsk) where the participants made inquiry about the possible enlargement of the agricultural relationships. The participants have experienced that the economical relationships between Hungary and Belarus have been on a low level in the last years. For example in 2006 the Hungarian agricultural export was only 15.4 million USD, but the Hungarian import was zero in practice. The Hungarian export included canned feed, frosted fruits and vegetables, wines. At the same time Belarus saw the chance to enlarge the relationship. The participants of Belarus have accented that their wine import has included the wines of relatively poor quality from Moldavia and Ukraine and in the future a greater volume of the well known Hungarian wines could appear on the market of Belarus. The partners from Belarus have anticipated that they have a concern in a deeper co-operation too, firstly in the field of technologies of the food industry.

15. Does the participation into these organizations or agreements, and its juridical implications (such as preferential treatments, elimination of tariffs, need for harmonization, etc.), affect in some way the national implementation of CAP by your country, or its national agricultural policy choices? Please, explain how.

In my opinion, directly does not. The Visegrád Group is only a consultative organization in the field of agriculture, and Article 7 of the Agreement between Hungary and Russia on agriculture particularly determines that the Agreement does not affect the rights and obligations deriving from international agreements concluded by the Parties with third countries and from the membership of the Parties in international organizations.

16. Do the new CAP rules, and/or the current or incoming WTO rules, affect in some way the participation of your country into those organizations or agreements?

As I presume, they do not.

17. Does the participation into these organizations or agreements affect in some way the agricultural trade between your nation and third countries? Indicate which kind of influence you mean. Do you think that this kind of influence complies with the WTO rules?

In this point I can only repeat what I have written in point 15: in my opinion, it directly does not. The Visegrád Group is only a consultative organization in the field of agriculture, and Article 7 of the Agreement between Hungary and Russia on agriculture particularly determines that the Agreement does not affect the rights and obligations deriving from international agreements

concluded by the Parties with third countries and from the membership of the Parties in international organizations.

18. Do you think the above issues can positively affect the trade of your state with developing or less developed countries?

It is a basic interest of Hungary to re-establish the former relationships of agricultural trade with the Soviet successor states. Analogically there is important to develop good economic relationships with its direct neighbours (for example Serbia, Ukraine and Croatia), especially as Hungarian minorities live there.

19. Did your country work out some proposals for the new Round of multilateral negotiations, in order to reform some parts of the Agreement on Agriculture? Did these proposals somehow take into account the rights and the obligations – concerning agricultural trade – deriving from the regional agreements or organizations to which your country is party?

In this question I do not have any detail.

Summary of Hungarian National Report on the Common Agricultural Policy, new rules of WTO and regional equilibrium

SZILÁGYI János Ede, dr.

In Hungary most of the requirements of the feudalism were abolished by the end of the 19th century. After numerous attempts, the deformity of the use and ownership structure was tried to change only by the land reform in 1945. The real effects of the land reform in 1945 cannot be investigated, because in 1948/1949 Hungary has changed to a communist system which was the unfortunate characteristic of the countries in Eastern Europe. After this change, public ownership was preferred against private property in the socialist countries. After the change of system in 1989/1990, with the demolition of the iron curtain, the Hungarian state could re-enter to the free market. After a long procedure of accession to the EU, only in 2004 could the Hungarian Republic accede to the EU. After that the Hungarian agriculture became part of the Common Agricultural Policy (CAP).

Hungary occupies an area of 93,030 sq. km. On January 1, 2006 the number of inhabitants amounted to 10,077 thousand. Population density is at 108.5 per sq. km. 87% of Hungary was qualified as rural area in 2003 including 96% of the country's settlements, and providing home for 47% of the total population.

As a result, the GDP growth, on branch level, reflects the trend of economic restructuring characterized by the gradual displacement of agriculture.

The conditions for agriculture, including soil quality, climate, and terrain, are favourable in international comparison. Depending on the fertility of soils 83% of the country's area of roughly 9.3 million hectares is suitable for various agricultural and forestry usages.

The contribution of agriculture to the gross domestic product dropped (from 4.6% to 3.7%) between 2000 and 2005.

As above mentioned, Hungary is the member of the European Union only since 2004. Thence it arises that it became the 2003 reform of the CAP without having had any influence on it. In addition, the conditions of the accession changed from day to day in the procedure of the accession. Beyond these external circumstances, the unreadiness of the Hungarian agriculture (such as the difficulties of the establishment of the Integration Administration and Control System) was the determinant reason why the state could access to the CAP only with different conditions as the old Member States.

The WTO's market liberalisation had absolute effect on the agricultural policy of the Hungarian Republic connected to the global market as a democratic state after 1990. It is noticeable that the damaging effects of WTO's liberalisation could not have been eliminated in the last 15 years.

We have to emphasize one of the regional co-operations: the Visegrád 4 (V4).

After the change of system in 1989/1990, the main damage of the Hungarian agriculture was the losing of the former Soviet markets. Fortunately the relationship between Hungary and Russia again has recruited in the last years. Therefore on September 18, 2006 the states have arranged the Agreement between the Agricultural Ministries of the Republic of Hungary and the Russian Federation on the co-operation for agriculture and food industry.

In my opinion, directly the participation into these organizations or agreements does not affect in any way the national implementation of CAP by your country. The Visegrád Group is only a consultative organization in the field of agriculture, and Article 7 of the Agreement between Hungary and Russia on agriculture particularly determines that the Agreement does not affect the rights and obligations deriving from international agreements concluded by the Parties with third countries and from the membership of the Parties in international organizations.