УДК 327(477)+(438)
DOI: 10.20535/2307-5244.49.2019.189574

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EFFECT OF EURO-INTEGRATION PROCESSES ON THE AGRICULTURAL SECTOR OF THE ECONOMY OF BULGARIA

Вплив євроінтеграційних процесів на аграрний сектор економіки Болгарії

The development of integration processes in the modern agrarian sector is an essential direction of policy of rapprochement with the European Union and a rather new aspect of the research of national historical science. Analyzing peculiarities of the European integration processes in the agrarian sector of the Bulgarian economy can serve an example for domestic agriculture in order to open new opportunities for the revival of the agrarian sector, create additional comparative advantages in the agro-food market in the face of a globalizing economy. An important step for strengthening trade relations between Ukraine and the EU should be the Free Trade Agreement (FTA). It will facilitate the compliance of the national agricultural sector of the economy to European standards, its adaptation to the Common Agricultural Policy of the EU (CAP), and the expansion of new EU member states on Ukrainian agro-food the market.

In order to successfully solve the problems of European integration, the agrarian sector of Ukraine's economy has sufficient preconditions: an abundant natural resource and export potential, a healthy human capital, a gradually growing investment attractiveness, a traditional pattern of rural life and centuries-old traditions of agriculture. In this context, research and scientific understanding of the experience of creating a European agrarian model will contribute to structural reforms in the field of agriculture and increase the competitiveness of agri-food products in the European and world markets.

At the same time, the awareness of opportunities, as well as the challenges of European integration processes for the Ukrainian agrarian economy, is fundamental in the situation of deepening economic crisis.

Thus, the level of preparedness of the domestic agrarian sector to the European integration, as compared to the CEE countries that joined the EU in the last wave of expansion, shows that similar transformations in our country did not occur, which explains the relevance of this study.

Keywords: eurointegration, Ukraine, Bulgaria, European Union, agriculture, agrarian sector.

У статті досліджено розвиток аграрного сектору економіки Болгарії в євроінтеграційних та глобалізаційних умовах та окреслено шляхи реформування сільського господарства Болгарії відповідно до європейських стандартів. Проаналізовано положення Європейської угоди, які віддзеркалюють умови розвитку болгарського сільського господарства. Особливу увагу приділено негативним наслідкам для сільського господарства Болгарії від її асоційованого членства з ЄС.

Ключові слова: євроінтеграція, Україна, Болгарія, Європейський Союз, сільське господарство, аграрний сектор.

Relevance of research topic. The development of integration processes in the modern agrarian sector is an important direction of policy of rapprochement with the European Union and a rather new aspect of the research of national historical science. The disclosure of the peculiarities of the European integration processes in the agrarian sector of the Bulgarian economy would make it possible to develop landmark integration of domestic agriculture, which will open new opportunities for the revival of the agrarian sector, create additional comparative advantages in the agro-food market in the face of globalization of the economy. The urgency of the chosen topic is also that the problem of reforming the agrarian sector of the Bulgarian economy in the conditions of European integration is poorly investigated by domestic and Bulgarian scholars.

Formulation of the problem. Adaptation of the domestic agrarian sector of the economy to the conditions and requirements of the European Union is a complicated and controversial process. Due to the natural and economic features of the agricultural sector, its long internal and external isolation from developed European countries, significant differences between Ukraine and the EU in determining priorities of the state agricultural policy, scientific discussions about the available European integration perspectives of the agrarian sector are continuing. Extremely important in these conditions is an assessment of the positive and possible negative consequences of Bulgaria's accession to the EU, the development of its own scenarios for European integration for the agrarian sector of the Ukrainian economy based on Bulgarian experience.

Since 1993, when the Verkhovna Rada of Ukraine «On Main Directions of Foreign Policy of Ukraine» declared the desire to acquire membership in the European Union (Гайдуцький, П. 07.06.2013), the leadership of our country signed and implemented a number of important bilateral and multilateral has established an appropriate institutional framework for a bilateral dialogue between the official Kyiv and Brussels. However, the Partnership and Cooperation Agreement between

Ukraine and the EU and the EU-Ukraine Action Plan, like the Eastern Partnership, did not provide for mechanisms that would allow Ukraine to become a member of a united Europe. In addition, none of these documents mentioned the euro-integration prospects of official Kyiv. A new impetus to the bilateral dialogue was given in 2009, when on June 16 at the 13th meeting of the EU-Ukraine Cooperation Council the «EU-Ukraine Association Agenda» was approved. Work on the text of the Association Agreement lasted until the end of 2011, and on March 30, 2012, the heads of the negotiating delegations of Ukraine and the European Union argued the text of the document (Гайдуцький, П. 07.06.2013).

Undoubtedly, this important and long-awaited event can be considered a milestone in the path of Ukraine to the EU, since it is from the Association Agreement that our western neighbors started their way to a united Europe. It is quite obvious that the EU 2012 is not a European community in the 1993 model, when it signed the association agreements with Bulgaria, the Czech Republic, Slovakia and Romania, as it is impossible to compare the situation in those countries then, and now in Ukraine. However, without questioning the grandeur of the old Roman saying that «it is impossible to enter a single river twice», one should use positive experience and take into account the disadvantages that occurred when approaching the EU's neighbors to Ukraine, in particular Bulgaria.

Research analysis. The Bulgarian scientists — S. Grozdanova (Грозданова, С. 2016), I. Baeva (Баева, И. 1999) — made a significant contribution to the study of the problems of Bulgaria-EU relations, the question of the development of the agrarian sector of the economy in the conditions of European integration processes and the analysis of Bulgaria's globalization problems. D. Vachkov (Вачков, Д. 2011), D. Ruscheva (Русчева, Д. 2010). Their results allow us to form a system of knowledge on the European integration perspective of the Bulgarian agrarian sector of the Bulgarian economy.

The purpose of the article. Identify the main advantages and disadvantages for Bulgarian agrarian commodity producers when Bulgaria joins the EU and assess their impact on the development of the agricultural sector in Bulgaria.

According to the goal, the following tasks should be identified: to determine the importance of the agrarian component in Bulgaria's economy and its impact on Bulgaria's European integration; generalize Bulgarian historical experience of European integration in agriculture in order to predict the consequences for the agrarian sector of the domestic economy in the process of adaptation to the conditions of European integration.

Presenting main material. According to the State Statistics Service of Ukraine, Ukraine's foreign trade was characterized by a negative balance, the balance of which in recent years was balanced from 4.8 billion dollars USA (2009 figure) to 17.7 billion dollars USA (2008 indicator). It should be noted that Ukraine fiscal year 2011 ended with a negative balance of 12.7 billion dollars (Гайдуцький, П.

07.06.2013). At the same time, the economy of Ukraine, which has a positive surplus in foreign trade, is agriculture. For example, in 2010 the export of agrarian sector products amounted to 10.2 billion dollars USA, while imports — 6.05 billion dollars USA (Гайдуцький, П. 07.06.2013). The tendency to increase the positive foreign economic balance of Ukrainian agricultural products and its significant share in the foreign trade of our state have led to the need for proper and versatile preparation of the agrarian sector to deepen Ukraine's integration with the EU. Proceeding from the fact that Bulgaria was economically the most similar to Ukraine among the countries that joined the EU in 2004 and 2007 at a time when work on the economic component of the Association Agreement continued (Гайдуцький, П. 07.06.2013), we consider extremely valuable borrowing of the Bulgarian European integration experience and analysis of the difficulties faced by the Bulgarian agricultural sector within the framework of the relevant process.

At the same time, with the onset of radical political, social and socio-economic transformations in Bulgaria among the political elites, the idea of becoming a member of an associate member of the European communities was formed. The factors that pushed Bulgaria to such a step were the decline in Bulgarian exports of agricultural products in the markets of its southern neighbors and the realization that the agreement with the EEC would facilitate the access of Bulgarian goods to the markets of the member countries of the association. At the same time, Bulgarians relied on new opportunities for access to state-of-the-art technologies, increased opportunities for receiving financial assistance, restructuring Bulgarian economy and accelerating economic development (Русчева, Д. 2010, с. 83).

In May 1990, the Bulgarian government applied for membership as an associate member of the European Communities (Овсяный, Н. 2002, с. 217). After almost a yearly negotiation process in November 1991, the procedure for initialling the relevant agreement took place. It should be noted that the negotiations were extremely difficult, since, together with it both the Czech Republic and Romania, it was necessary to negotiate not only with the Brussels Commissioner authorized by the European Commission but also with all twelve member states of the Community (Вачков, Д. 2011, с. 334). In fact, by the end of the summer, it was not possible to unblock the approval of draft association agreements due to the lack of «twelve» agreement on the opening of markets for imports from applicant countries. The greatest controversy arose in the issue of importing coal, steel, textiles and agricultural products. European Commission President Jacques Delors challenged European politicians at the time that they initially proclaim «sentimental speeches» on democracy and a free market, and then «shut the door to Bulgarian tomatoes and grapes» (Баева, И. 1999, p. 371).

Eventually, after long negotiations, on March 8, 1993, an agreement was signed establishing an association between the Republic of Bulgaria and the European Communities and their member countries. The European agreement, which was

subsequently enumerated by the said document, was concluded for an indefinite period; it should have entered into force on the first day of the new month after all parties have ratified it (Баева, И. 1999, с. 373). Due to delay in ratification of the agreement by the EU member states, the European agreement entered into force only on February 1, 1995. However, since March 1994, the trading part of the treaty — the Transition Agreement (Баева, И. 1999, с. 373).

In the Agreement, one of the central places was allocated to economic issues. In particular, among the goals of associate membership, «support for the development of trade and harmonious economic relations between the Parties, in order to promote dynamic economic development and prosperity in Bulgaria» was identified in the second place (Баева, И. 1999, с. 373). True, such a wording did not cover all goods. Guided by the concern for the protection of their own producers, European politicians advocated imposing restrictions on «vulnerable» products (agricultural products, steel, coal, textiles) and, reluctantly, only agreed to partially open their markets for agricultural products.

The third part of the Agreement is devoted to the issue of movement of goods. It should be noted that the provisions relating to trade in agricultural and non-agricultural (industrial) goods were fundamentally different. With regard to industrial goods, the Agreement envisaged the introduction of a free trade area, in customs duties, quantitative and other restrictions on the border between Bulgaria and the Communities were eliminated. A completely different situation was with trade in agricultural commodities. Although the share of agricultural products both in exports and in imports of Bulgaria is several times lower than the share of industrial products (Йовчева, Г. 2007, с. 219), however, the special attention of both parties to this sphere has caused a situation where the Association has not foreseen the extension of its free trade zone. In view of the well-developed system of protecting the Union agricultural market, Brussels went exclusively to a limited and selective liberalization. That is, liberalization covered only some agricultural commodities. In addition, it was only a matter of partial reduction, rather than the elimination of trade barriers.

For some goods manufactured in Bulgaria, the duty in the EU was reduced one time in 1994, while others during the 3–5 years gradually increased preferences. Facilitating access to the EU market was to reduce customs duties and so-called «alignment» surcharges that protected the common market from imports. However, the reduction of duties and surcharges concerned the exceptionally well-defined number of goods. There were no privileges for exports that exceeded certain quotas (Йовчева, Г. 2007, с. 223).

The additional problem that prevented the export of agricultural products from Bulgaria to the EU was the procedures that had to be followed to obtain preferences. The licensing system envisaged a number of conditions that had to be met, and therefore it was unprofitable to seek preferences for minor consign-

ments of goods. In general, only 27% of Bulgaria's agricultural exports to the EU were foreseen to reduce non-quantifiable duties. Hence, facilitating access to the EU market was modest.

The liberalization of access to the Bulgarian agricultural market has been outlined in a much simpler way. First of all, this was due to the lack of a developed system of protection against competitive import goods coming from member countries of the united Europe. On March 1, 1994, Bulgaria reduced duties on 246 agricultural products, which accounted for 24.8% of imports from the EU countries. The decrease was 10%, most often from 35% to 25%, or 25% to 15%. In early 1997, Bulgaria abolished the ban on the import of ethyl alcohol and non-aromatic vodka, as well as quantitative restrictions on imports of other alcoholic beverages from the EU. The entire restriction on imports of food products was abolished on January 1, 1999 (Русчева, Д. 2010, с. 80).

At the same time, the European agreement contained several so-called «safeguard clauses», that is, provisions that allowed the parties to impose certain restrictions or new safeguards on imports in clearly defined situations.

The safeguard clause relating to trade in agricultural products states: «...if, given the particular vulnerability of agricultural markets, the import of products of one of the Parties that is the subject of a concession... will lead to serious concerns in the markets of the other Party, the two Parties will without delay carry out advice to find the appropriate solution to the problem. Until a solution to the problem is found, the Party concerned may apply the means that it deems necessary» (Русчева, Д. 2010, с. 84).

In assessing the consequences of Bulgaria's becoming an associated EU membership for Polish agriculture, the high degree of complexity of this case should be noted. The fact is that the analysis is complicated by a number of factors, which, acting in parallel, practically do not allow to distinguish the actual consequences of the signing of the European agreement. First, we note that the effects of liberalization within the framework of acquiring associate membership were superimposed on the consequences of the transformation associated with the transition of the Bulgarian economy from command-administrative to market-based management. Another factor complicating the assessment of the agreement, since 1995, was the effects of innovations in world trade after the Uruguay Round of trade negotiations and the creation of the WTO.

In assessing Bulgaria's signing of the European agreement, it is generally impossible to agree with the famous Bulgarian scholar S. Grozdanova that this fact should be recognized for the success of the Bulgarian state. International economic integration was an objective historical phenomenon and is currently the most effective way of accelerating the economic development of European states. Beginning of the integration of Bulgaria with the European Union was the most important and at the same time the most effective external factor that facilitated

and, most likely, made possible the rapid restructuring of the Bulgarian economy (Грозданова, С. 2016, с. 71).

The European Agreement, as the first and one of the most important treaties concluded by Bulgaria in the 1990's, served as a stabilizing factor for the Bulgarian trade policy and economic system. By helping in economic stabilization, the deal simultaneously provided greater predictability of the economic system and a safe framework for both Bulgarian and foreign investors. The implementation of the European agreement has led to an increase in the credibility of Bulgaria as a reliable trading partner. A concrete manifestation of such a positive impact was the improvement of the position of the Bulgarian state in the international financial markets, which enabled the negotiations to reduce foreign debt in the Paris and London clubs successfully and affect the inflow of foreign capital to Bulgaria (Грозданова, С. 2016, с. 73).

The above factors contributed to the fact that in 1997 Bulgaria was credited to 10 new investment markets with the highest degree of reliability. During 1990–1998 years the import of investment capital to Bulgaria amounted to 29 billion dollars USA (Йовчева, Г. 2007, с. 196). True, this fact was not closely related to Bulgarian agriculture. In our opinion, the provision in Article 45 of the Treaty that allowed entrepreneurs from the EU only to lease land in Bulgaria (Йовчева, Г. 2007, с. 197–198), led to a situation where the share of foreign investments that fell on the agricultural sector was rather low. We would like to emphasize that the separate principles and conditions on which Bulgaria signed the Association Agreement were not useful for her. To a large extent, this was the case for the agricultural sector. In particular, Bulgaria has committed itself to abolishing quotas for import of agricultural products from EU countries for 5 years. It should be borne in mind that the Bulgarian agrarian sector was obsolete in the early 1990's and was characterized by a low level of state subsidies. At the same time, agriculture in the member states of the European Union was much more effective, with subsidies of 40–60% (Баева, И. 1999, с. 201). In these circumstances, this step was unequivocally unjustified.

Even during the reign of command and administrative methods of management, the Western European coutries were considered as the main consumers of Bulgarian agrarian products. During the discussion of the terms of the European agreement, it was envisaged that Bulgaria would have a small negative trade balance in the turnover of industrial goods. At the same time, it was believed that it would be balanced by agricultural products. However, this scenario has not been implemented. A big surprise for Bulgarian economists and analysts was that, since the mid-1990s, the trade in agro-manufactured goods had a negative balance for Bulgaria. In particular, in 1996, the negative balance was 0.5 billion dollars USA (Баева, И. 1999, с. 203). During 1991–1997, the value of Bulgarian exports of agricultural products to the EU decreased by 7%, while exports increased by

almost twice. The share of agricultural products in Bulgarian exports to the EU has also decreased. In 1991, it was 17.4%, and seven years after the signing of the Association Agreement, it accounted for only 7,6%. Also, from 63% (1993) to 39% (1997), the share of Bulgarian agri-food products that were exported to united Europe decreased due to the expansion of export supplies to the markets of eastern neighbours (Гроздановa, С. 2016, с. 178). All this happened against the background of the «gulf» of the Bulgarian market for agricultural products originating from the EU countries (Гроздановa, С. 2016, с. 180).

As such negative tendencies associated with the deterioration of agricultural trade balance indicators were also observed in other countries of Southern Europe, this gives grounds for arguing that one of the reasons for this was the European agreement. The funds provided in the contract were insufficient, and the countries of Southern Europe, including Bulgaria, failed to maintain an additional surplus in foreign trade in products of the agro-industrial complex.

Conclusions. In these circumstances, it is worth paying attention to the factors that led to the terms of the agreement unfavourable for Bulgaria. First of all, we note the weakness of the negotiating position of Bulgaria. Country in the early 90's of the twentieth century was in an extremely difficult economic situation and hoped for overseas support. It was the Bulgarian side that depended on reaching agreement, establishing close contacts, and subsequently gaining full membership in the Union. Negotiations with an economically much stronger partner forced the Bulgarian representatives to conclude, which was a peculiar pay for the conclusion of the deal.

The growing scepticism of the Western European states regarding the assistance and potential accession of the countries of Southern and Central-Eastern Europe to the Communities provoked a situation in which a number of Member States were not subject to significant concessions for Bulgaria and its neighbors. Bulgarian diplomats realized that the deal was partly inadequate to their interests, but at the same time they understood that due to the EU's tough stance, it was not possible to achieve bigger concessions.

The situation when the conditions of the agricultural sector were not completely favorable for Bulgaria in the European Agreement were taken into account by the Bulgarian side during negotiations on gaining full membership in the EU. Undoubtedly, the level of financial support provided to Bulgarian peasants was lower than that received by the workers of the respective sphere of the countries that joined the European Communities of the European Union during the previous enlargements. However, it was the Bulgarian farmers who, on the eve of the accession of Bulgaria to the EU, were the largest Eurosceptics, received the greatest profit from the 2007 enlargement (Овсяный, Н. 2002, с. 321).

Ukraine has made a significant step towards becoming an association with the EU. However, as the experience of neighboring countries testifies, even the

acquisition of the status of an associate member may pose certain difficulties. In the case of Bulgaria, the conditions under which the association was concluded were not entirely favorable for the agricultural sector. The high level of Ukrainian agriculture, which has not been fully disclosed, allows us to maintain a stable balance of agricultural trade in foreign trade. It is fundamentally important that the conditions on which Ukraine will form an association with the EU has not changed the state of affairs. In our opinion, one of the factors that could help this is the inclusion and prevention of Bulgarian miscalculations in the agricultural sector by Ukrainian diplomats in the process of preparing and conducting appropriate negotiations.

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