

EUROPEAN UNION ACCESSION AND LAND TENURE DATA IN CENTRAL AND EASTERN EUROPE

Richard Grover
Oxford Brookes University
UK

OXFORD
BROOKES
UNIVERSITY

Expansion of the European Union

- 2004 10 new Member States, 8 from Central and Eastern Europe
- Czech Republic, Estonia, Hungary, Poland, Latvia, Lithuania, Slovakia, and Slovenia [plus Cyprus and Malta]
- 2007 Bulgaria and Romania are due to join
- Croatia and Turkey have status of Candidate Country - negotiations on entry began in October 2005
- Stabilisation and Association Process for eventual EU membership for Albania, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia, Montenegro, and Serbia (including Kosovo).

OXFORD
BROOKES
UNIVERSITY

Enlargement process a radical change from the past

Past enlargements have been **either**:

- Entry of rich countries with long histories of democracy, market economies, and rule of law eg UK, Denmark, Finland, Austria, Sweden

or

- Relatively poor countries with recent history of democracy entering with lengthy transition periods eg Greece, Portugal, Spain

BUT entry of Greece, Portugal & Spain increased EU population by only 20% and Gross Domestic Product by 10%

OXFORD
BROOKES
UNIVERSITY

2004 enlargement

- Larger in scale - added 25% to EU population
- AND New Members States were poor – added only 5% to Gross Domestic Product
- Countries from Central and Eastern Europe have short histories of democracy, market economies, and rule of law
- They are joining an EU that can be less flexible over transition periods and entry requirements because of development of **Single Internal Market** – the removal of non-tariff barriers to trade
- Transition therefore has to happen **before** entry rather than **after**

OXFORD
BROOKES
UNIVERSITY

EU's approach to land policy

- Land laws and land policy are the responsibility of Member States and not the EU
- Subsidiarity principle means those matters that are appropriate at national level are dealt with at national level not EU level
- Land is immobile and not traded across national borders
- Therefore, there is no need for the EU to be involved in land issues eg no harmonised land, town planning or inheritance laws

OXFORD
BROOKES
UNIVERSITY

BUT.....

- Some EU Common Policies require EU involvement in land policy and land administration eg Common Agricultural Policy
- Free mobility of capital, enterprise, and labour require companies and persons to be able to own and occupy land and real estate in other Member States than their own
- Some harmonised policies require common approaches towards land and its valuation eg the harmonised regulation of financial services companies
- Therefore increasing EU involvement in land policy

OXFORD
BROOKES
UNIVERSITY

Copenhagen Council 1993 requirements for EU entry

- Stability of institutions guaranteeing democracy, the rule of law, human rights, and respect for and protection of minorities
- The existence of a functioning market economy and the ability to cope with competitive pressures within the EU
- The ability to take on the obligations of membership, including political, economic, and monetary union.

Copenhagen Council 1993 requirements for EU entry

- Stability of institutions guaranteeing democracy, the rule of law, human rights, and respect for and protection of minorities
- The existence of a functioning market economy and the ability to cope with competitive pressures within the EU
- The ability to take on the obligations of membership, including political, economic, and monetary union.

Requirements for EU Accession

Adopt and implement the **Acquis Communautaire**, the body of EU law (legislation and case law) that has built up since the Treaty of Rome

Land tenure not part of *acquis* but affected by

- Chapter 4 Free mobility of capital
- Chapter 7 Agriculture
- Chapter 12 Statistics

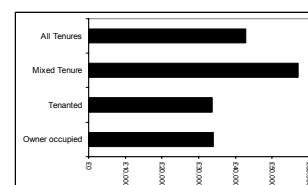
Common Agricultural Policy requires Member States to:

- Contribute data to Farm Accountancy Data Network (FADN) chapter 7 of *acquis*
- Conduct periodic surveys of agricultural holdings (agricultural censuses) chapter 12 of *acquis*
- Use an Integrated Administration and Control System (IACS) to make payments of agricultural aid chapter 7 of *acquis*

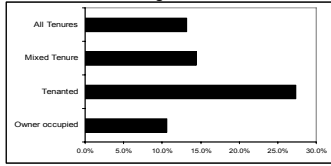
Farm Accountancy Data Network

- Collects data at farm level about revenue, costs, inputs, outputs, employment
- Collects data at farm level about Utilised Agricultural Area and proportion owned, rented, and share-cropped
- Makes possible detailed analysis of relationship between tenure and farm economics and production
- There are issues about sample frame and the quality of the accounting data used eg difficulties of small sample and sample renewal

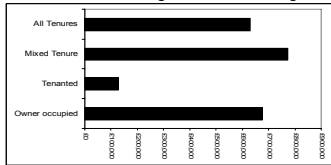
Value of crops and trading livestock in UK farm closing balance sheets 2003/04



External liabilities as percentage of total assets in UK farm closing balance sheets 2003/04



Value of land and buildings in UK farm closing balance sheets 2003/04



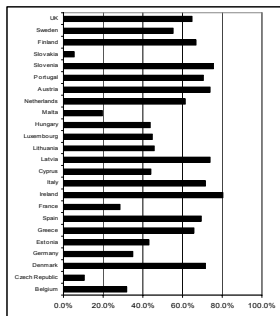
OXFORD BROOKES UNIVERSITY

Agricultural Censuses

- Collect data on structure and typology of agricultural holdings
- Surveys include proportion of utilised agricultural area that is owner occupied, tenanted or share-cropped
- Allows comparative analysis over time and between small areas
- There are problems of cost and resulting shift to sampling and whether tenure data sufficiently detailed

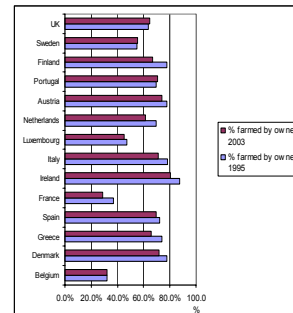
OXFORD BROOKES UNIVERSITY

Proportion of Utilised Agricultural Area Farmed by Owners, 2003



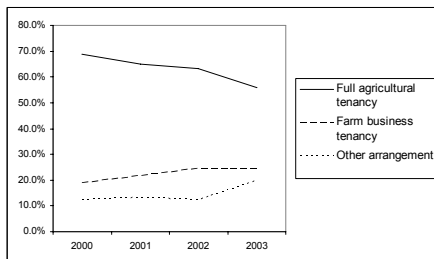
OXFORD BROOKES UNIVERSITY

Proportions of the Utilised Agricultural Farmed by Owners in 1995 and 2003



OXFORD BROOKES UNIVERSITY

Proportion of land rented in England for more than 365 days by type of tenancy, 2000-2003



OXFORD BROOKES UNIVERSITY

Integrated Administration and Control System (IACS)

- Adopted by EU in 1992 to improve subsidy payments to farmers. Revised 2003-2005 to meet requirements of single area payments
- Shift in farm subsidies from production to area basis
- Requires database of agricultural land parcels, claimants, land splits, and transfers ie a rural cadastre
- Error tolerance 5% of parcel or 1.5 metres to perimeter up to 1 hectare
- UK had to create a rural cadastre (Rural Land Register) and has had problems in completing payments to farmers on time!
- Does not record tenure but does identify location

OXFORD BROOKES UNIVERSITY

Problems with EU tenure data

- Does not capture the variety of tenancies
- Orientated towards requirements for production and Common Agricultural Policy
- Needs to look at farming in business portfolio not individual holdings and farming in isolation from other businesses on holding
- Needs to look at whether tenure influences environmental practices
- Needs to look at social circumstances of farmers – are particular tenures associated with gender? ethnic, cultural, or linguistic minorities?

Copenhagen Council 1993 requirements for EU entry

- Stability of institutions guaranteeing democracy, the rule of law, human rights, and respect for and protection of minorities
- The existence of a functioning market economy and the ability to cope with competitive pressures within the EU
- The ability to take on the obligations of membership, including political, economic, and monetary union.

European Union

- Aim since Treaty of Rome to create political union by economic means
- Aim to create economic union with no trade barriers and common external tariffs, and free mobility of labour, capital and enterprise
- Therefore land market cannot create barriers to free mobility of persons, enterprises, and investment

Capital movement issues

Restrictions in new EU states on foreigners buying agricultural and forestry land and residential property have to be ended.

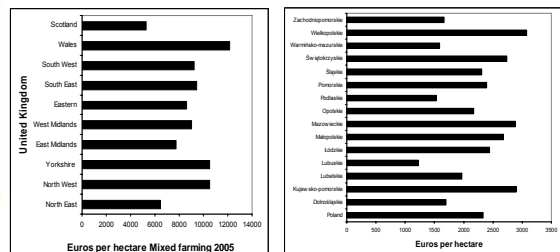
Transitional arrangements for real estate for all 2004 entrants:

- *Secondary residences* – restrictions on EU ownership in Czech Rep, Hungary, Poland, Bulgaria, Romania, and Cyprus for 5 years, and indefinitely in Malta
- *Agricultural land & forests* – restrictions on EU ownership in all Eastern European applicants except Slovenia for 7 year (12 years for Poland)
- *General economic safeguard clause* – Slovenia permitted to use this in real estate market

What happens when the transitional periods end?

- Major differences between incomes and wealth between east and west in EU
- Major differences in land and house prices
- Growth of budget airlines increases accessibility to Eastern Europe from West
- Farmland in Eastern Europe has had lower levels of pesticides, herbicides, and artificial fertilizers so attractive to organic farmers
- Likely that westerners will buy land in the east

Differences in land prices between UK and Poland



Impact on secondary residences market

- Larger farms = surplus farmhouses and farm buildings
- Potential supply for secondary residences and holiday homes from farm restructuring and rural depopulation
- Attractiveness depends upon access – motorways and airports
- Attractiveness depends upon facilities – sea, mountains, skiing, hunting, fishing, culture
- Balance between inward investment and pricing out local population from housing market

OXFORD
BROOKES
UNIVERSITY

Accessibility and secondary residences – the budget airline factor



OXFORD
BROOKES
UNIVERSITY

Conclusions

- Land laws and land policy has traditionally been responsibility of EU Member States and not the EU
- Enlargement process has resulted in greater EU intervention in land policy
- EU has examined property markets and their infrastructures as one of criteria as to whether applicants have fully functioning market economies. Imperfect land markets cannot be allowed to undermine free mobility of capital, labour, and enterprise
- Restrictions on foreign ownership and occupancy of land undermine EU policies on free mobility of capital, labour, and enterprise and have to end

OXFORD
BROOKES
UNIVERSITY