

Letter from Vaira Vike-Freiberga to Romano Prodi (Riga, 3 September 2002)

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" As the EU accession negotiations of Latvia and several other candidate countries draw to a close, only a few months now separate us from the historic moment of enlargement.

The candidate countries and the European Union must still agree on several important issues if the enlargement process is to occur in the time frame that has been foreseen. Undoubtedly, the budgetary aspects and financing of agriculture are among the most important issues. Latvia is confident and hopeful that the EU member states will abide by the commitments they undertook in Seville, and that they will forge a common position on these principles by the beginning of November.

However, the primary attention of the Latvian public, and particularly the Latvian farming community, is focused on the issue of quotas and other market supply measures. These issues will have a decisive effect on stabilising Latvia's agricultural sector and securing the future of its farmers.

The interests of our continent's farming communities have great symbolic significance for all European countries. For centuries, Latvian society has had a traditionally close attachment to farming. During seven hundred years of foreign rule, Latvian farmers served as the principal custodians of the Latvian language, culture and traditional values. Following Latvia's declaration of independence in 1918, agricultural production provided the economic foundation for solidifying Latvia's statehood in the 1920s and 1930s. By the outset of the Second World War, Latvia's agricultural potential had matched that of Denmark.

However, few countries can refer to such a bitter and humiliating history as that experienced by Latvia's farming community during five decades of Soviet occupation. The 1940s were marked by the forced nationalisation of private land and the imposition of a collective, state-run agricultural production system. Latvia's agriculture suffered from this dramatic change and so did the country's farmers, of whom hundreds of thousands were deported to Siberia.

Due to this negative historic experience, the widely hated collective farming system was completely dismantled following the restoration of Latvia's independence in 1991, and the complete restitution of private property to its pre-war owners and their heirs took place. No other Central and Eastern European candidate country went through with such dramatic changes as the three Baltic States.

Despite the original enthusiasm that accompanied this agricultural reform, the majority of Latvian farmers faced new hardships. Due to the lack of modern production means and access to financing, a large number of agricultural holdings were restricted to subsistence farming. Although important in terms of volumes of production, this subsistence sector was poorly reflected in official statistics. The statistical discrepancies were amplified by the government's policies of relieving the tax burden on small agricultural holdings and by the application of simplified accountancy procedures.

Soon after Latvia's agricultural sector began to show the first signs of recovery, it was severely hit, in 1998, by the onset of the Russian financial crisis. The traditional Russian market for Latvian agricultural products was lost almost completely, and Latvia's agricultural output sharply decreased.

These specific factors have so far not found proper reflection by the European Union in its accession talks with Latvia on agriculture. Consequently, a serious issue of contention has emerged in our negotiations. Despite the difficulties that Latvian agriculture has experienced in the past decade, the EU's proposed production quotas for Latvia fall well below Latvia's current levels of production. If this situation is not corrected, then according to the current EU proposal on production quotas, Latvia will be obliged to import such products as milk, which has always been a traditionally local product produced in abundance here. Such an eventuality would increase the risk of generating an unfavourable perception of the European Union to Latvian farmers and to the public in general. Latvians, who have a painful historic past of foreign domination, might once again get the feeling of not being listened to.

Such a perception would be in a sharp contrast to the positive experience that Latvia has so far enjoyed in its

accession negotiations, during which the European Commission has always found satisfactory solutions for Latvia's concerns. We remain confident that the national interests of Latvia, as a small country, will not be ignored in this decisive phase of negotiations."