Fifteen years after the Berlin Wall fell and signaled the beginning of a vast set of changes throughout the countries of the former Soviet Bloc, eight Central and Eastern European countries (CEECs) will become members of the European Union (EU). The changes affected society in a multitude of ways. They affected the way the political and economic system operated but also the social organization of society, the psychology of the people living in the countries, and the culture of day to day life.

This paper reviews the state of agriculture and of agricultural policies in the formerly centrally planned economies of Central and Eastern Europe and the former Soviet Union (FSU). All countries went through profound economic and institutional transitions, with important consequence for the organization of their agri-food systems, output and productivity, as well as government policies. However, after years of transition, the economies and policies differ significantly among countries. In addition the international institutional environment which they face differs.

Eight countries in Central and Eastern Europe have made significant progress in economic and institutional reforms and will join the EU in 2004. The new EU member countries also include three countries of the former Soviet Union (Latvia, Lithuania and Estonia). This will have profound implications for their agriculture, as they will be integrated in the Common Agricultural Policy (CAP) of the EU. The accession agreement was characterized by last–minute demands for equal treatment and equal support for CEEC farmers within an enlarged EU facing budgetary constraints and WTO constraints. The final agreement implies unequal treatment of farmers in the east during the first ten years of accession.

Other FSU countries are generally behind in terms of reforms and integration in the global economy. The most important countries in terms of the size of their agricultural markets are Russia, Ukraine and Kazakhstan. In terms of their transition process, the first decade was characterized mostly by declines in output and productivity. However, since 1998 important positive developments have occurred in this region.

This paper summarizes key developments in the agri-food sector as well as in agricultural policies. It focuses on how opening up to global forces and changes in trading regimes and integration in international institutions have affected the economies and policies, and which are key policy issues for the future. A key argument of the paper is that, in order to understand the potential effects of access to international markets and integration in regional and multilateral agreements, it is crucial to understand the structural characteristics of the transition economies, and how they have been affected by the transition process. For this reason the paper first starts with a brief review of key aspects of the transition process such as the decline and growth of agriculture during transition; subsidies and farm support; and structural reforms and productivity growth. It then turns to more specific international issues including trade, migrations, capital flows, international agreements and the EU enlargement.

In many aspects, enlargement is an ongoing process, which started several years ago. The gap in prices and quality in East and West Europe is gradually reducing, policy convergence is going on with many CEECs now implementing CAP instruments, or at least putting them in place, and trade integration is growing rapidly. Trade flows in agricultural and food products between the EU-15 and the CEECs have increased strongly since 1990, and in both directions. Early predictions that the EU markets would be flooded by cheap eastern imports turned out entirely wrong. While agri-food imports from CEECs doubled over the 1990s, exports from the EU to CEECs increased ten-fold.

Enlargement is likely to have an important impact on EU policy-making, if for nothing else than because agreeing on important reforms will be even more complicated with 25 than with 15. Moreover, despite all the studies and careful arguments that the main constraints in the CEEC agriculture and rural areas are structural and cannot be solved by subsidies – as is the case in the EU-15 by the way – when given the choice, farmers and their leaders in the East make the same choices as in the West: they prefer subsidies over government investments in rural development.