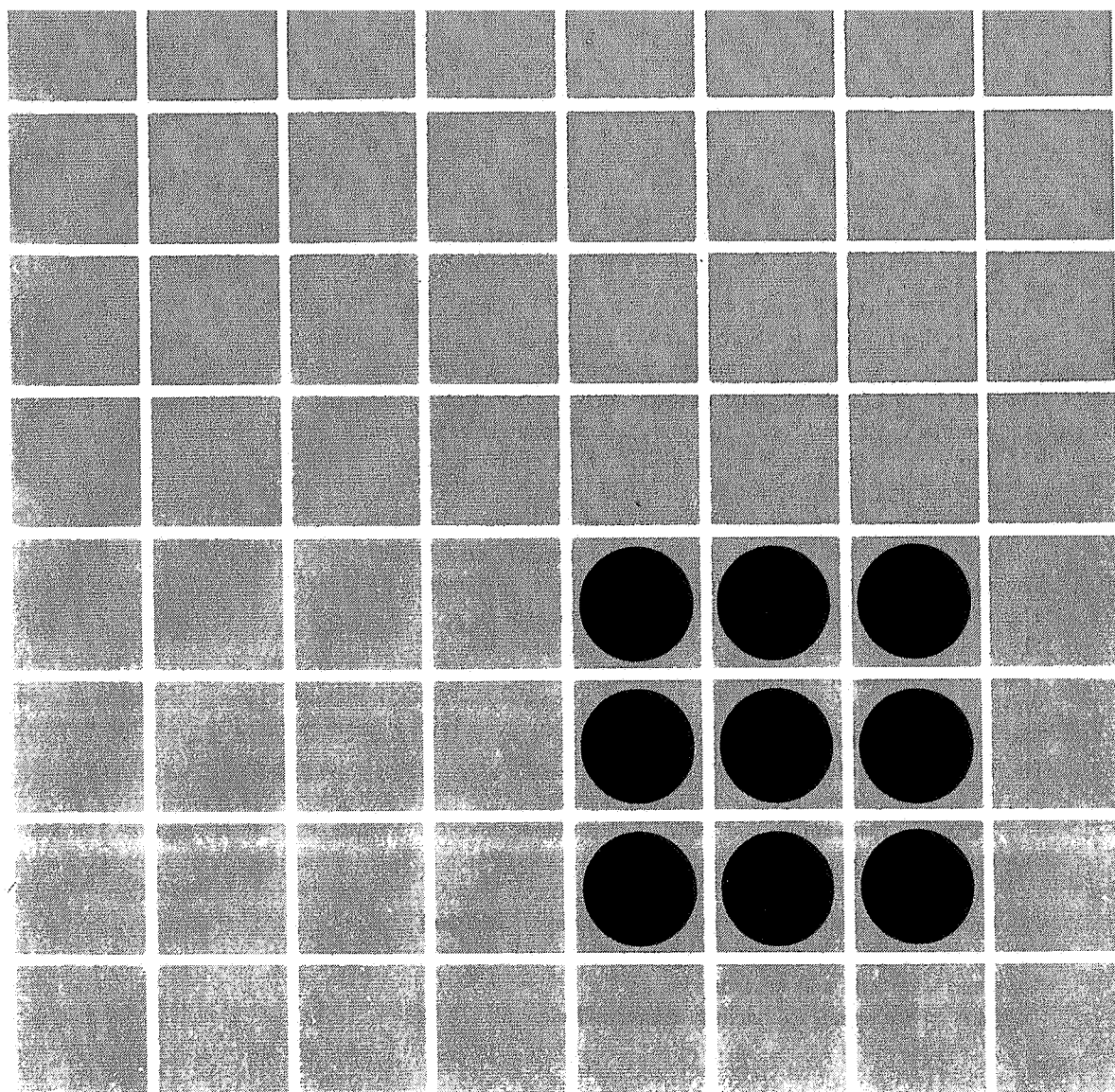


The second enlargement of the European Community



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Contents

Introduction	5
How does a country join the European Community?	5
The importance of enlargement	7
The danger of 'dilution'	9
A more disparate membership	9
The applicant countries' capacity for adjustment	11
Enlargement and recession	11
The invasion of Mediterranean produce	15
Industry: the old and the new	17
The importance of 'sensitive' industries	18
Will there be an influx of labour?	19
Various consequences for third countries?	21
The Mediterranean dilemma	22
Conclusion	24

Annexes

1. Economic profile of Greece	27
2. Economic profile of Spain	28
3. Economic profile of Portugal	29
4. The accession of Greece	30
5. Bibliography	33

Introduction

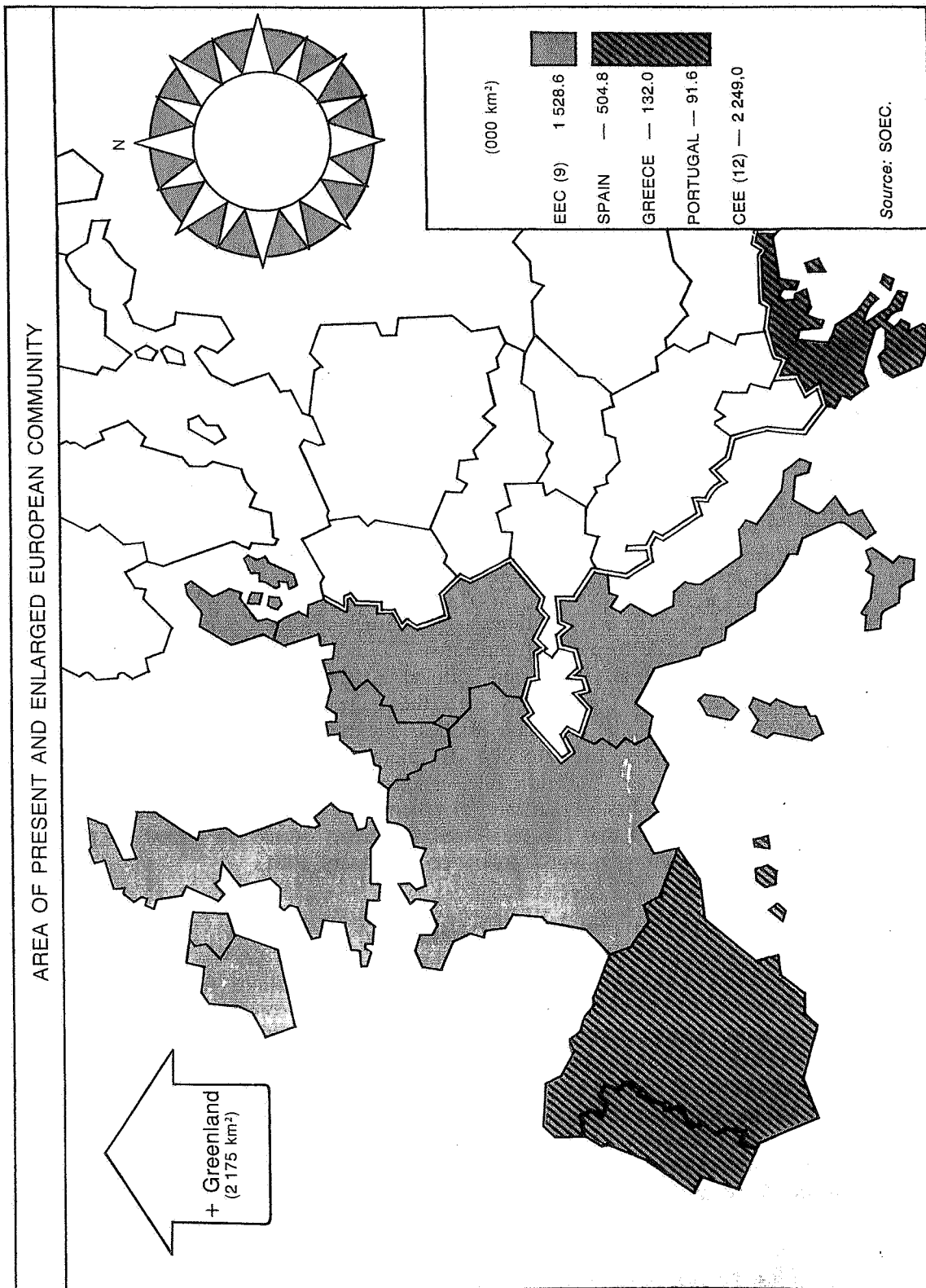
'When Greece, Portugal and Spain, newly emerging as democratic States after a long period of dictatorship, asked to be admitted to the Community, they were making a commitment which is primarily a political one. Their choice is doubly significant, both reflecting the concern of these three new democracies for their own consolidation and protection against the return of dictatorship and constituting an act of faith in a united Europe, which demonstrates that the ideas inspiring the creation of the Community have lost none of their vigour or relevance.' Thus wrote the Commission of the European Communities on 20 April 1978, in its 'General considerations on the problems of enlargement'.¹

This enlargement operation, the entry of three new countries into the Common Market, is first and foremost a response to political imperatives. Future historians of Europe will doubtless date the entry of Spain, Greece and Portugal into the European Community not from the official request for negotiations with the Nine, the completion of those negotiations or the signing of the accession treaties, but from the moment when those countries threw off the shackles of dictatorship and rejoined the mainstream of European life. Indeed, Greece, then under democratic rule, signed an association agreement with the Community back in 1964, as a first step towards membership of the Common Market. On 3 April 1979 it was announced that Greece's accession treaty would be signed by the summer, and that full membership would follow on 1 January 1981.

How does a country join the European Community?

It was with the political dimension firmly in mind that preparations for the second enlargement got under way. Broadly speaking, the procedure for a country wishing to join the Community is as follows. First of all, of course, the Government of the applicant country has to submit an official request: Greece's was dated 12 June 1975, Portugal's 28 March 1977 and Spain's 28 July of the same year. These applications were duly received by the Council of the European Communities, and detailed opinions on the three requests were prepared by the Commission. The opinion on Greece's application was delivered on 28 January 1976 and advocated that an affirmative response be given, while suggesting that the country should be allowed a preliminary period in which to carry out, with financial

¹ Supplement 1/78 Bull. EC, p. 6, paragraph 1.



assistance from the Community, a number of structural reforms to prepare its economy for the forthcoming integration with the economies of its future European partners. The Commission submitted its opinion on the Portuguese application on 19 March 1978, again saying that Portugal should become a member, and that negotiations should get under way without loss of time, but that Portugal should receive immediate help from the Nine for restructuring its economy. The opinion on Spain's application went to the Council on 29 November 1978. Again, the Commission called for a rapid start to the negotiations, coupled with cooperation, particularly on industrial restructuring, with the Spanish authorities.

The third stage is for the Council to decide, on the basis of the Commission's opinion, whether to give the go-ahead for the start of accession negotiations. Once this is done, talks can get under way. Negotiations with Greece opened in July 1976, with Portugal in October 1978 and with Spain in February 1979. These negotiations take the form of conferences composed of delegations from the Community and the applicant country, with the Council acting as the spokesman for the Community. The two sides meet once a month at ambassadorial level and formally every three months at ministerial level.

Once the negotiations are complete, the accession treaties have to be finalized and signed, and lastly, ratified by the national parliaments.

This might seem rather a leisurely way of proceeding, but the time allowed merely reflects the importance of the issues at stake.

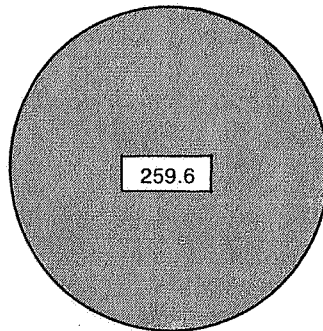
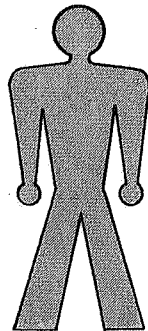
The importance of enlargement

In the preamble to the Treaty of Rome, which gave birth to the European Economic Community, the founder members declared themselves 'Resolved by thus pooling their resources to preserve and strengthen peace and liberty' and called upon 'the other peoples of Europe who share their ideal to join in their efforts'. Therefore, once Spaniards, Greeks and Portuguese had taken the political decision to apply for Community membership, the Community could not very well refuse without denying the principles of its existence — or, for that matter, acting against its own interests. The nine Community countries are not unaffected by the political, economic and social stability of their European neighbours. The consolidation of democracy in Greece, Spain and Portugal is, therefore, a factor in the stability of the EEC as a whole.

The enlarged Community with its new southern dimension will also be able to carry more weight on the international scene; it will constitute the biggest presence on the Mediterranean seaboard, and will enjoy stronger links with South America thanks to Spain's and Portugal's special relations with that continent. The fact that the three applicant countries have not yet reached the same stage of economic development as the other EEC members undoubtedly raises serious problems, but should help change the Community's image, particularly in the Third World by making it even more unrealistic to talk of a 'rich man's club'.

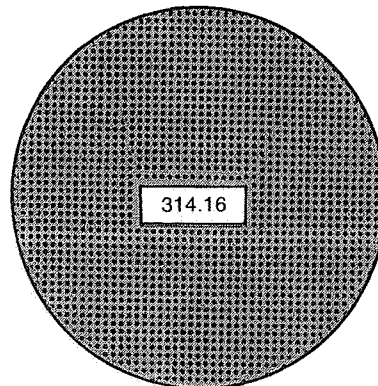
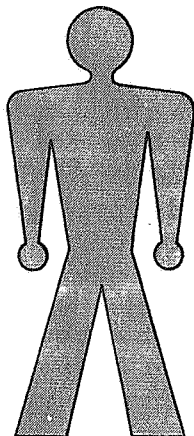
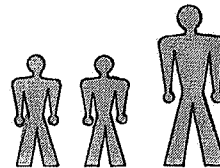
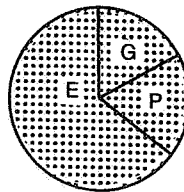
In this context it is interesting to look at the new perspectives opened for the Community by the last enlargement operation.

POLULATION OF PRESENT AND ENLARGED EUROPEAN COMMUNITY (1976)
(million)



EEC (9)

GREECE	9.2	} 55.1
PORTUGAL	9.7	
SPAIN	36.2	



EEC (12)

Source: SOEC.

The entry of the United Kingdom, Ireland and Denmark enabled the Community to conclude the Lomé Convention, which links the Nine to over fifty African, Caribbean and Pacific countries, to sign an agreement with Canada, and to intensify relations with Australia, New Zealand, India and the ASEAN countries.

Enlarging the Community towards the South should similarly broaden and strengthen the Community's relations with the outside world.

The danger of 'dilution'

Obviously, there are risks involved in admitting Spain, Greece and Portugal to the Community. There is a danger, in particular, that the process of European integration may be slowed down, and the Community's internal power structure weakened.

'The institutions and organs of the present Community' wrote the Commission in its 'General considerations',¹ 'cannot ensure that the process of integration will continue in an enlarged Community: on the contrary, there is reason to fear that the Community decision-making procedures will deteriorate... The institutions and organs of the enlarged Community must accordingly be decisively strengthened.'

The coming enlargement will inevitably necessitate adjustments and improvements to Europe's institutional framework. The Heads of State or Government of the Nine showed their full awareness of this when, following their meeting in Brussels on 7 December 1978, they nominated three 'wise men' to give consideration to the question of improving the institutions and to propose specific reforms.

While the first enlargement operation did complicate the Community decision-making process, it has not prevented the Nine agreeing on a number of important measures, from the signing of the Lomé Convention, to the right of establishment for doctors, the drawing up of environment policy and the liberalization of government contracts, to say nothing of the holding of direct elections to the European Parliament.

A more disparate membership

The real problems of enlargement will be economic and social rather than institutional, for the entry of the three new members will considerably increase the disparity in levels of development within the Community itself.

The most striking instance is Portugal, which in 1975 had a *per capita* GDP of only USD 1 504, less than two-fifths of that achieved by France, leading the Community states with a GDP of USD 3 945, and only three-fifths of the lowest Community figure, Ireland's USD 2 504. The gap is not quite so wide for Spain and Greece, with GDPs of USD 2 384 and USD 2 309 respectively, not too far removed from Italy's USD 2 742, but these figures nevertheless make it abundantly clear that enlargement will widen the gap between the

¹ op. cit. Supplement 1/78 — Bull. EC, p. 15, paragraph 48.

'strong' Community countries — the northern members, with a *per capita* GDP of over USD 3 000, except for Ireland — and the 'weak', clearly concentrated on the Community's Mediterranean seaboard.

The *per capita* output of the various countries offers a broad indicator of their place in the hierarchy, but reflects a wide range of structural factors which characterize or account for their different levels of development.

The place of agriculture in the national economy

Although its relative importance in the economies of the applicant countries has decreased sharply, in terms of output, since the 1960s, agriculture still accounts for more than 10% of their GDP, compared with 4.4% for the Community in its present form. The distortion is even greater in terms of employment, as agricultural productivity has improved very slowly compared with growth in other economic sectors. In the present Community fewer than one in ten people works in agriculture, while in the three applicant countries together this sector accounts for over a fifth of all jobs (a third in Greece).

The seriousness of the regional disparities

Regional disparities have been increasing over the past few years. The fairly rapid growth experienced by the three applicant countries up to 1974 led to the activities of vast agricultural areas becoming highly concentrated and accelerated the drift from the land. The Community is already having to contend with this type of problem, and enlargement is going to lead to far greater regional imbalances. Some indication of this can be obtained from a comparison of *per capita* output. So far the widest gap between the *per capita* output of the richest region of the Community (Hamburg) and the poorest (the West of Ireland and Calabria), has been in the ratio of 6 to 1 and 5 to 1 respectively. By the same yardstick, the ratio between Hamburg and the poorest region of the enlarged twelve-member Community (Vila Real-Bragança in Portugal) will be 12 to 1.

Low relative standard of living

The generally lower level of wages means that people in the applicant countries have much less purchasing power than Community citizens. This leads to very different patterns of consumption. *Per capita* energy consumption in the applicant countries is only about half that of the European Community (or one third, for Portugal). The same applies to steel (approximately one third of Community consumption in Greece and Portugal, two thirds in Spain), and meat (about half).

Inadequate infrastructure and public expenditure

The applicant countries all fall behind the Community in their general level of infrastructure. This applies both to economic infrastructure, particularly as regards opening up

the most backward regions, and to social spending, including social security and public services such as health, education and vocational training.

'In view of this whole range of difficulties', observed the Commission in its 'Fresco',¹ 'enlargement could well place a serious handicap on the Community's momentum: on its internal momentum, particularly the consolidation and development of the internal market and the achievements of economic and monetary union, but also on its external momentum, based essentially on the opening up of markets and international cooperation.'

The applicant countries' capacity for adjustment

It is essential to appreciate the differences between the applicant countries and the present Community, but there is no need to dwell only on the problems. Initial imbalances can also act as a stimulus by setting in motion the dynamic processes for evening out those imbalances, and the Community's experience shows that even considerable differences between its present members are often not insurmountable.

This point was stressed by the Commission: 'Awareness of these many obstacles must not overshadow the positive aspects which enlargement might bring or a number of favourable objective conditions which might exist. Apart from the act of political commitment, enlargement of the market should be of benefit to all. Moreover, the applicant countries are already largely integrated through trade links with the Community, and over the last twenty years their level of growth has been high, resulting in substantial changes in their economies'. The following table illustrates this well.

In Spain and Greece in particular, this sustained growth has been founded primarily on a fast-expanding industrial sector, whose share of the domestic product is building up towards the Community norm. In the three applicant countries investment in industry, particularly foreign investment, has been growing rapidly, and a number of industries boast new, internationally competitive firms.

The drive to industrialize has been accompanied by profound social changes; for people in these countries this has meant new technology, new patterns of consumption, burgeoning services and more varied employment opportunities.

Although agriculture still occupies a relatively larger place here than in the Community, many people have already left the land for jobs in industry or the tertiary sector.

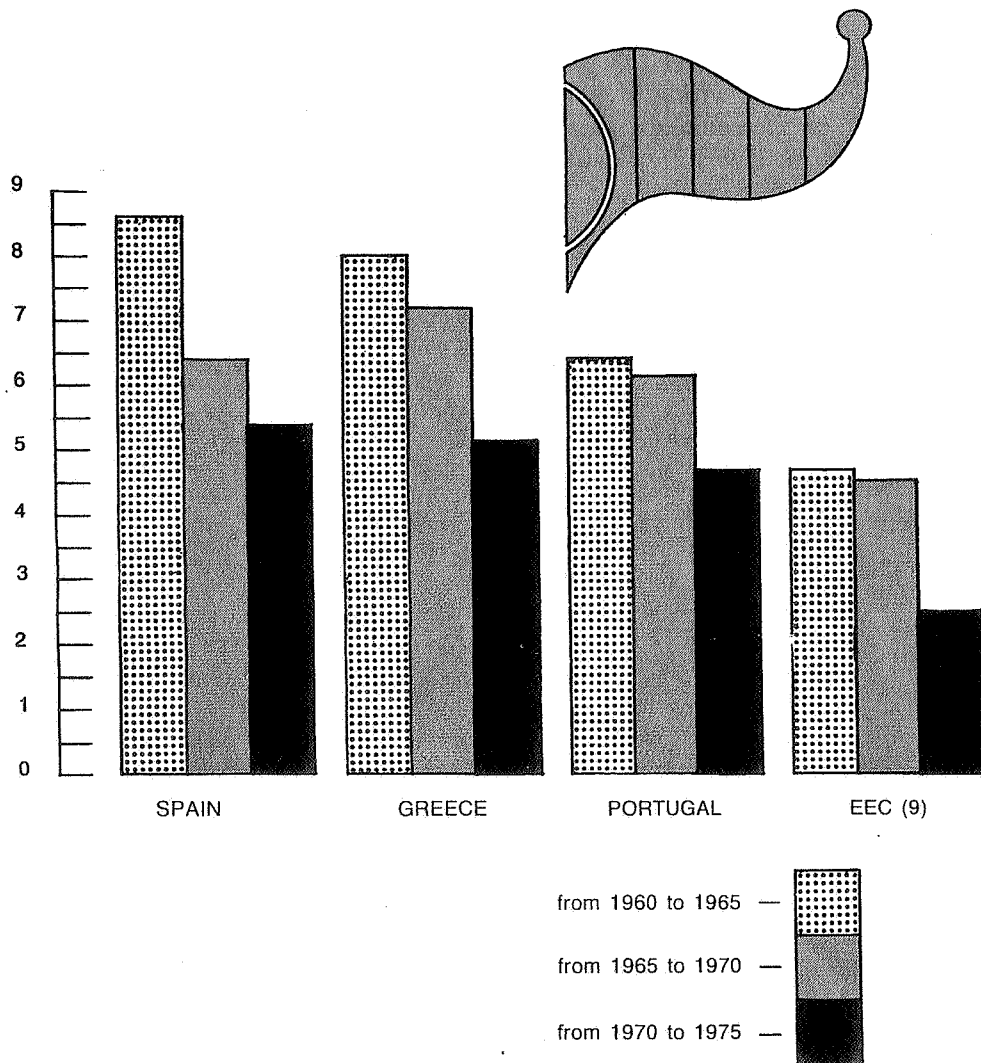
Things are far from stationary in these three countries, therefore, and their applications for Community membership reflect their need to press ahead further in the process of change.

Enlargement and recession

The background against which all this growth took place has, however, drastically altered since 1975 under the effects of the world recession. In Spain and Portugal in particular,

¹ 'Enlargement of the Community — Economic and Sectoral Aspects': Supplement 3/78 — Bull. EC. p. 46, paragraph 102.

AVERAGE ANNUAL GROWTH OF GDP
(1970 prices and exchange rates)



Source: SOEC.

the growth rate has tailed off, pushing unemployment up to alarming levels — Spain had over 900 000 unemployed in 1978 (7.1% of the labour force), and Portugal an estimated half million in 1976. This has been accompanied by galloping inflation (over 26% in Spain and Portugal in 1976) and a deterioration in the balance of payments. The figures available for 1978, however, point to a measure of recovery and, with the exception of unemployment, better control of economic imbalances.

But it is not only the applicant countries which have been hit by recession. The Nine too have been severely affected, and are suffering to various degrees from serious unemployment in the aftermath of the energy crisis, the painful process of restructuring necessitated by the new international division of labour, and the turbulence of the international monetary system. Regional disparities have become a cause for concern, and the Community's momentum has been hampered by the resurgence of an atavistic protectionism. Obviously, this second enlargement cannot be compared to the first, when preparations took place in a far more favourable economic climate.

As the Commission pointed out in its November 1978 opinion on the Spanish membership application: "Throughout the 1960s, when the common market was being set up, and right up until 1973, strong growth served to oil the wheels of integration and cushion the social impact of structural changes in industry and agriculture. Today the economic climate is not so favourable for the integration of a new member into the Community".

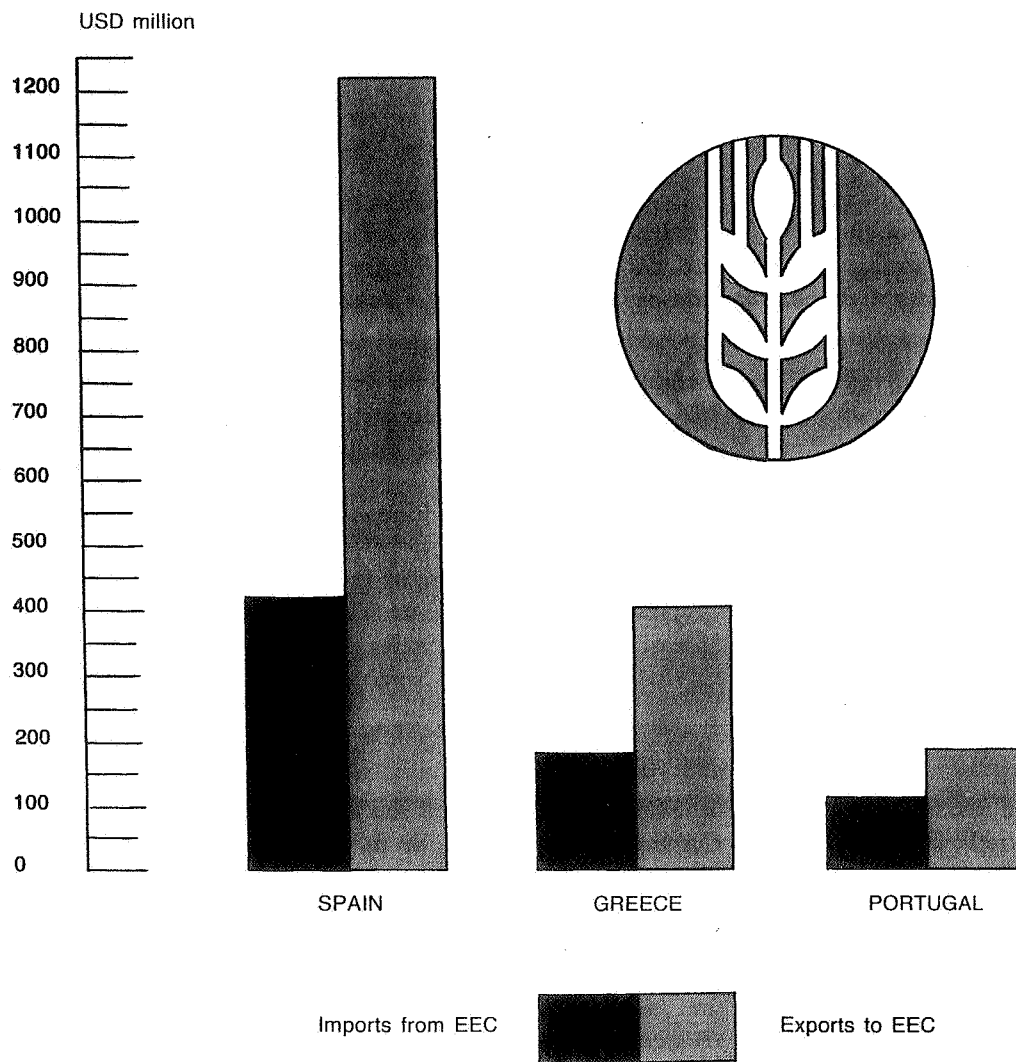
There is particular anxiety within the Community about the problems which enlargement could pose for certain crisis sectors of industry especially as these particular sectors are already highly developed in the applicant countries. Some branches of industry could find themselves threatened by the comparatively low level of wages in the applicant countries. The prospect of being faced with those countries' Mediterranean agricultural output is causing serious concern in comparable regions in the south of France and Italy, which are already backward in Community terms. And the traditional flow of migrant labour from the applicant countries to the Community, exacerbated by rising unemployment, foreshadows problems with the principle of freedom of movement for workers at a time when the employment situation is already bad enough in the Nine.

Conversely, the dangers of integration for the 'Three', setting aside the long-term hopes invested in the Community, are perhaps even greater.

It will be necessary for Spain (this applies less to Portugal and Greece, whose markets are more closely involved with the Community's) to dismantle its high tariff barriers, which means, transitional period or no, that it will be laying its domestic market open fairly abruptly to imports from the other Member States and even from the non-member countries which will gain access on adoption of the CCT. Exposed to such competition, some State-supported industries, which under Community rules will no longer be able to rely on government aid, will find themselves in difficulties, and adjustment will be complicated by the fact that the average of these firms is small, rendering them particularly vulnerable. The necessary structural alterations which enlargement implies are therefore going to be much harder for the three applicant countries than for the Community itself, although it will underwrite such alterations for reasons of Community solidarity with the future members.

This is the approach advocated by the Commission, which points out that 'an overall, voluntarist approach must be developed jointly... a return to sufficiently rapid and lasting

AGRICULTURAL TRADE BETWEEN THE EUROPEAN COMMUNITY
AND THE THREE APPLICANT COUNTRIES (1976)



Source: SOEC.

growth is a major condition for resolving the serious economic policy problems which have to be overcome. This objective should be pursued jointly, and on it will depend initially the reciprocal capacity to overcome the obstacles arising from restructuring and intensified competition, which will in any case result from the integration process. However, attempts to restore growth will not be sufficient by themselves; they will have to be supported and complemented by policies designed to solve certain specific problems, such as the harmonious development of the regions, and to attenuate or eliminate situations of conflict'.¹

It is time now to look at the practical problems posed by enlargement in agriculture, industry, social affairs and external relations.

The invasion of Mediterranean produce

In some ways a move 'back to the land' will be the most obvious impact of the accession of the three members. Enlargement will increase the Community's GDP by only a tenth, and its population by a mere fifth, but agricultural output will rise by a quarter and the numbers employed in agriculture, and the area of farmland, by about half. These figures indicate the importance of agriculture in the accession negotiations, and also hint at the crux of the issue: in the three applicant countries, agricultural productivity, whether in terms of output per head of the working population employed or yield per hectare of land under cultivation, is on average less than half that in the Nine.

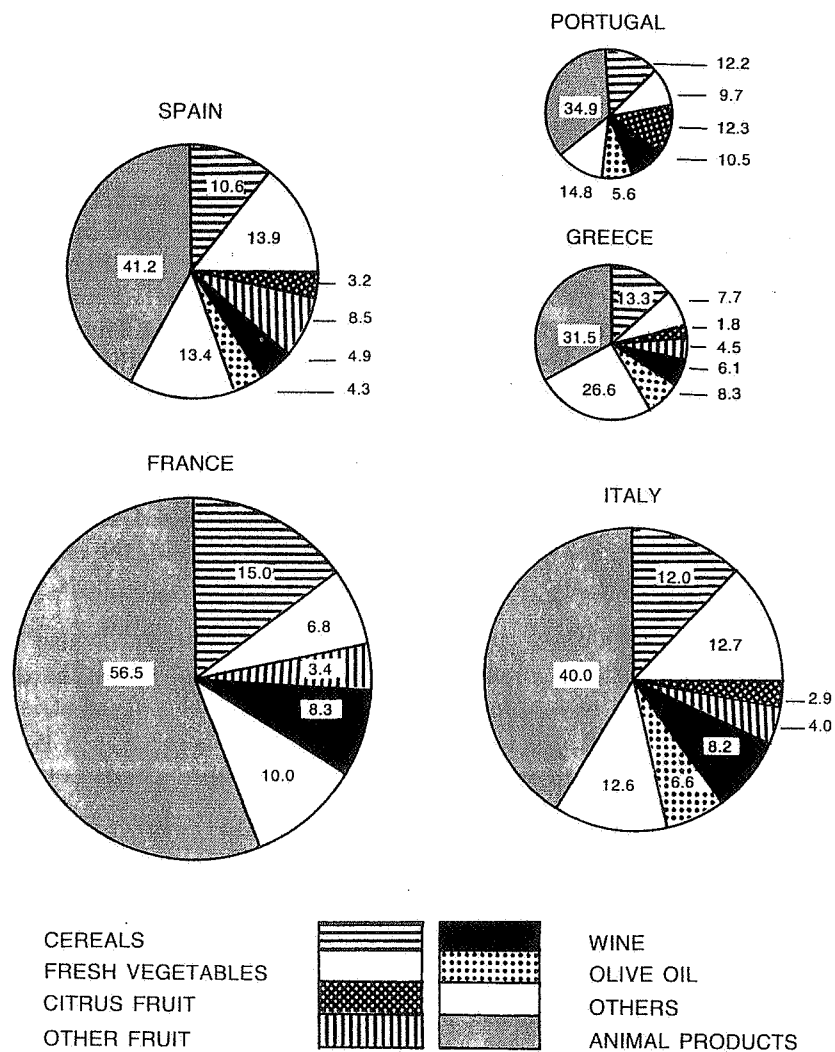
Furthermore, all three countries have a 'Mediterranean' type of agriculture. Climate, relief, soil, all limit the extent to which productivity can be raised, leading to a concentration on labour-intensive, low-productivity farming activities with the emphasis on crops such as wine, olive oil, fruit and vegetables, rather than animal products.

As the following table shows, these typically Mediterranean products are also important for France and Italy: both these countries have regions which will be hard pressed by competition from the three new Member States, since the applicant countries have lower labour costs and hence prices, giving them an undoubted advantage. It is already clear that for products such as wine or olive oil, supply in the Community will outstrip demand, and surpluses will build up. On the other hand, given the applicant countries' deficit in animal products, they will provide good markets for the Member States' animal products.

There are two pitfalls to be avoided in integrating the three prospective members into the common agricultural policy. On the one hand new outlets, combined with guarantee mechanisms and the often higher Community price levels could encourage farmers in the applicant countries to step up their output of Mediterranean products. On the other hand, however, aligning prices upwards could bring about changes in consumer patterns in the applicant countries; indeed, the last few years have seen a shift in eating habits in Spain and Portugal which has resulted in deficits in those countries' agricultural trade balances.

¹ 'Enlargement of the Community, Economic and Sectoral Aspects': Supplement 3/78 - Bull. EC, p. 47, paragraph 104.

IMPACT OF ACCESSION ON MEDITERRANEAN CROPS
(as % of final agricultural production)



Source: SOEC and OECD.

'Already' emphasized the Commission in its Fresco, 'it is important that this potential [for growth] be used in the applicant countries for developing lines of production other than those normally associated with Mediterranean countries, and especially products with a high protein content'.¹ Quite apart from the problems of climate and geography, such a policy of structural change will be fraught with difficulty: the majority of farms are small and not very productive, and farmers will find it hard to afford the switch to new types of production. Conversion could cut down the numbers employed in agriculture, adding to the burden of unemployment and increasing the trend towards emigration.

Industry: the old and the new

As we have seen, it was the development of industry which mainly fuelled the sustained growth experienced by the applicant countries in the 1960s and early 1970s; in Spain and Portugal industry accounted in 1975 for 40.7% and 45.2% of GDP respectively, figures quite compatible with the Community average of 44.4%. In Greece, industry is somewhat weaker (a third of GDP). These figures reflect the success of industrialization in the three applicant countries, but fail to reveal certain structural characteristics of their industrial fabric which will be central to the problems posed by their accession.

Industry has been aided in its development by a high degree of tariff and non-tariff protection and State subsidies, aimed at preserving the domestic market for local firms. This has attracted new investment and the installation of modern technology, and at the same time made possible the survival of traditional, generally smaller, less productive types of business. Both the modern and traditional types of firm are likely to face problems when the tariff wall comes down and Community rules on subsidies are adopted.² Most of the newer firms will probably be able to cope well with increased competition from the rest of the Community, but the older type of firm may be in for a hard time. In the words of the Commission:

'... freedom of access for a whole range of products, in many cases of superior quality and highly diversified, from the rest of the Community would, if introduced without adequate precautions, cause serious adjustment difficulties for very many firms with low productivity (most of them artisanal undertakings lacking an efficient distribution network as a rule).'²

New, particularly foreign, investment has also been receiving substantial incentives linked to export performance. As the Commission noted:

'The industrial sector presents a dualistic structure, with firms which are competitive at international level, orientated towards exports, and often wholly or partly owned by foreign companies. These firms, which mainly produce for foreign markets have access to international capital markets, introduce more sophisticated technology, and improve the quality of management; at the same time, the fact remains that their growth strategies are determined by their parent companies, and that their net contribution to improving the

¹ 'Enlargement of the Community — Economic and Sectoral Aspects': Supplement 3/78 — Bull. EC, p. 34, paragraph 75.

² 'Enlargement of the Community — Economic and Sectoral Aspects'; Supplement 3/78 — Bull. EC, p. 36 paragraph 81.

balance of trade is not always significant because of the high import content of their products. Moreover, being in general highly capital-intensive, they are only partly capable of meeting employment problems. Following enlargement, the possible reduction or indeed abolition of the concessions which originally induced firms to set up in the applicant countries, could influence the continued operation of some of these firms'.¹

In addition, the comparative labour cost advantage hitherto possessed by the applicant countries is tending to diminish as a result of the social changes consequent upon the return to democracy. Membership of the Community will doubtless reduce their advantage still further, as their social legislation is gradually brought into line with arrangements in force in the other Member States.

The importance of 'sensitive' industries

The industrial production structures of the applicant countries are similar in many respects, as the distribution of value added in the manufacturing sector shows.

Structure of GDP in manufacturing industry

	(in %)		
	Spain 1976	Greece 1973	Portugal 1973
Food, beverages and tobacco	13.5	16.7	10.7
Textiles, footwear and garments	14.0	19.8	21.4
Wood and wood products	4.6	3.8	5.2
Chemicals and allied products	9.8	12.7	11.2
Building materials	5.8	7.0	7.2
Base metals	11.3	9.3	4.2
Metal goods and machinery	13.1	15.9	31.0
Transport equipment	15.4	5.6	
Others	12.5	9.2	5.3
All manufacturing industries	100.0	100.0	100.0

Source: 'Enlargement of the Community — Economic and Sectoral Aspects': Supplement 3/78 — Bull. EC. p. 10, paragraph 17; p. 16, paragraph 31; p. 21, paragraph 44.

¹ 'Enlargement of the Community — Economic and Sectoral Aspects': Supplement 3/78 — Bull. EC. p. 30, paragraph 67.

The economies of the applicant countries, particularly Spain, undoubtedly have their strengths, among them chemicals, the manufacture of metal goods, electrical and other machinery and the car industry, 'growth sectors' which should raise few problems. On the other hand, the 'sensitive' sectors, which are under great strain because of the world economic crisis and are already in difficulty in the present Community, are equally important. They include:

Steel

Spain's steel industry, with a capacity of 15 million tonnes, to be increased to 18 million tonnes by 1981, will provide substantial competition for struggling Community producers. Portugal is currently building a 2 million tonne steel complex, which will also be largely export-oriented.

Shipbuilding and ship-repairing

Spain has the world's third largest shipbuilding industry and is highly competitive, but in the present climate of recession has about 40% excess capacity. Despite plans for conversion, this is an industry will present problems; it is already in difficulty in the present Community. And Greece, which up to now has confined itself to ship-repairing, is beginning to branch out into shipbuilding as well.

Textiles, garment-manufacture and footwear

These are important industries in the three applicant countries from the point of view of output and employment, but — and this is the problem facing the Nine as well — they are often unable to compete with Third World producers. Furthermore, opening up the Community market to this type of product from the applicant countries raises the issue of the preferential access which the Community has hitherto reserved for the developing countries.

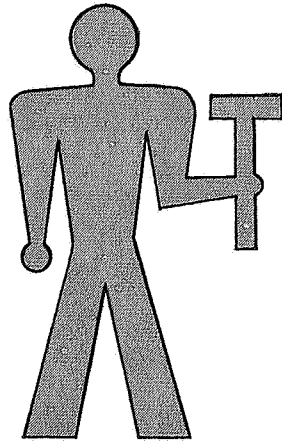
In the industrial sphere, therefore, accession will, while providing the three applicant countries with the stimulus to broaden their industrial base and increase overall competitiveness, bring them face to face with the wider issue of the overall industrial policy to be followed by the Community of Twelve. If even greater distortions are to be avoided this is a dimension which ought to be borne in mind at this stage of the negotiations and throughout whatever transitional periods are adopted.

Will there be an influx of labour?

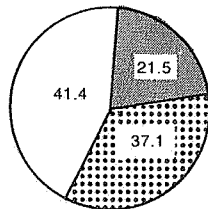
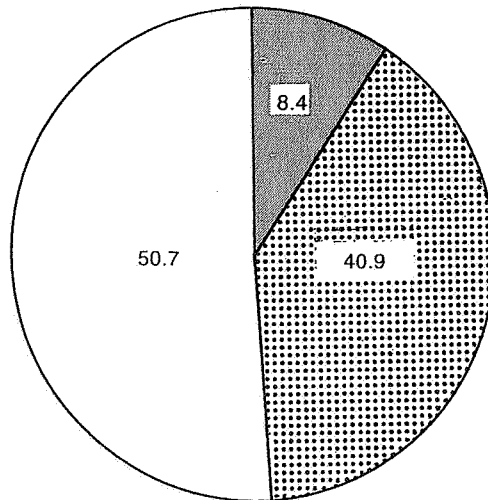
Apart from difficulties raised by wages and social legislation, the crucial social question raised by enlargement is that of the application of the principle of freedom of movement for

LABOUR FORCE BY SECTOR (1976)

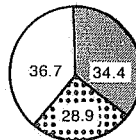
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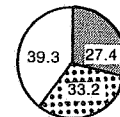
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SPAIN
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GREECE
3 230



PORTUGAL
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AGRICULTURE

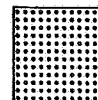


INDUSTRY



SERVICES

Source: SOEC.



workers. In Greece, Portugal and Spain, emigration has traditionally acted as a safety valve relieving the pressure built up by unemployment and underemployment, pressure which, during the period of high growth rates, was not fully released and which has become worse since the crisis. (On the other hand, the substantial transfers of resources by the expatriates also provides a significant contribution to the applicant countries' balance of payments.)

For a long time, the flow of emigration was mainly towards the European Community, especially during the economic boom which created an urgent need for labour in the Common Market: in 1973, the Member States were host to more than one third of all Spanish emigrants, 30% of the Portuguese and more than half of the Greeks. The three countries supplied the Community with 1 441 000 people or 22% of the immigrant labour force in the nine Member States.

Since then, the Community's employment situation has worsened considerably and there are fewer job opportunities for immigrant labour: in 1976, there were only 1 256 000 immigrants from the applicant countries. The uncertain economic prospects make renewed immigrant flows unlikely.

The Commission in Brussels considers that the problem of freedom of movement for workers should be placed on the same footing in the negotiations as the problems raised by enlargement in the fields of agriculture, industry, competition, etc.

The question that arises is whether, in the present situation of high unemployment (which is as acute in the host countries of the European Community as in the applicant countries), the opening up of frontiers would not be likely to give rise to migratory movements on such a scale as to compromise the proper functioning of the Common Market or seriously aggravate the economic and social situation in one or more Member States of the Community.¹

From the evidence available, however, and given the present problems in the Nine's labour market, the build-up of such a trend seems unlikely.

Various consequences for third countries

What image will a Community of Twelve present to the world? Everything depends on the way in which this second enlargement exercise is conducted. If enlargement dilutes the Community, divides it into two, or even three, groups of countries, and paralyses its institutions, then the Twelve will carry very little weight in international affairs. If, on the other hand, the integration of three new countries into the 'European Club' strengthens the bonds between its members, the European Community will be in a position to play an increasingly important part on the international scene — for two reasons. Firstly, because it will carry greater weight, for enlargement can only confirm the European Community's

¹ Commission analyses supplementing its views on enlargement. COM(78)200 final, Brussels, 25 April 1978, pp. 142 and 144.

status as the world's largest trading power, and secondly, on account of its greater geographical area. Whilst the Community's first enlargement extended it northwards, this second enlargement will confirm that the European Community has a Mediterranean vocation too.

The Mediterranean dilemma

Nevertheless, enlargement will clearly not be all plain sailing. There will be problems, and they will focus mainly on the Mediterranean region, for while the accession of three southern European countries will shift the EEC's centre of gravity more towards the Mediterranean, it could, if care is not taken, give rise to a certain amount of friction with the other countries in the area, countries which might find it very hard to understand why, when some of them have long had special relations with Europe, enlargement should take place at their expense. There is, however, a real risk of such feelings arising.

Turkey is a case in point. According to the Commission, 'the Community must make sure that enlargement does not constitute an obstacle to the course mapped out by its Association Agreement with Turkey: on the contrary, the occasion must be taken to devise with this associate country arrangements giving practical expression to the political will which underlies the Agreement, the aim being to strengthen the Community's existing ties with Turkey and extend and intensify cooperation between them'.¹

Turkey has always held a special political status amongst the Community's partners, identical to that of Greece and indeed, since the birth of the Community, the two countries have always expressed the desire to be part of the process of European unification.

Accordingly, Greece and Turkey signed Association Agreements with the European Community (in 1961 and 1963 respectively), the main aim of which was to prepare for accession to the Community.

In the case of Greece, this aim is in the process of being realized. Care must be taken, however, that this is not achieved at the expense of Turkey. With this mind, in February of this year, the Commission adopted and forwarded to the Council of Ministers of the Nine a communication aimed principally at stepping-up the Community's efforts on behalf of Turkey.

Enlargement could cause Yugoslavia to experience the same sort of problems as Turkey, though to a lesser degree. Yugoslav exports to the Community could be adversely affected since Yugoslavia will be facing competition from the three new member countries all of which have a comparable level of development and a similar export structure to its own. Negotiations for the conclusion of a new preferential trade agreement will, however, be opening shortly between the Community and Yugoslavia.

¹ Op. cit.

The other Mediterranean countries, for their part, fear that the entry of Spain, Greece and Portugal into the Common Market will entail a loss of European markets for a number of their exports. This fear is not unjustified, and the European authorities have referred to it on several occasions. According to the Commission,¹ 'enlargement will lead to erosion of those countries' share of the Community market in consequence of economic and social difficulties, having regard to the degree of interdependence already achieved'.

The European market is of prime importance to a large number of Mediterranean countries. For example, in 1976, the Nine took 56.3% of Algerian, 54% of Moroccan and 21% of Egyptian exports. The majority of these sales were agricultural products, of which the three applicant countries are also important suppliers.

Let us take a couple of specific items: 96% of Moroccan exports of tomatoes and 87% of Tunisian exports of olive oil are sent to the EEC.

Once the EEC has been enlarged to twelve it will be nearer to self-sufficiency in these products and purchases will consequently be cut. The EEC will be almost self-sufficient in olive oil and will have a wine surplus. After enlargement it will be able to cover 76% of its citrus fruit needs (compared with 41% before) and 85% of fresh fruit demand (compared with 78% before). For the other Mediterranean countries, however, agriculture is still a vitally important part of their economies which in Algeria, Morocco, Tunisia, Egypt and Syria occupies between 45% and 55% of the labour force.

The developing industrial sectors of these countries are also likely to suffer from the competition of Greek, Portuguese and Spanish industry on the European market and freedom of movement within the European Community for workers from the three applicant countries is likely to have an adverse affect on workers wishing to emigrate to Europe, particularly from the Maghreb countries.

In 1976, 710 000 nationals of the Maghreb countries were working in the EEC: 450 000 Algerians, 180 000 Moroccans and 85 000 Tunisians.

European authorities will in future have to make every effort to prevent EEC enlargement from harming the economies of the Mediterranean countries, for if the EEC proved damaging to their interests, these same countries would be forced to carry out a drastic reorganization of their trade patterns which would be bound, in turn, to have a serious impact on European economies.

We should not forget that the eight southern Mediterranean countries² are just as important as partners to the European Community as the three applicant countries. Harmonious relations should be maintained through cooperation between the EEC and Mediterranean

¹ Op. cit.; Supplement 1/78 — Bull. EC, p. 13, paragraph 39.

² Algeria, Morocco, Tunisia, Egypt, Syria, Lebanon, Jordan and Israel.

countries involving, in particular, management of Mediterranean agricultural potential and harmonization of lines of production. Certain countries will also need encouragement to tailor their product lines to domestic needs and to opportunities on the world market, and identify outlets for their industrial exports. In short, the EEC will have to take advantage of its enlargement to offer a 'new deal' in its Mediterranean policy.

Other developing countries, however, are likely to benefit from enlargement of the European Community.

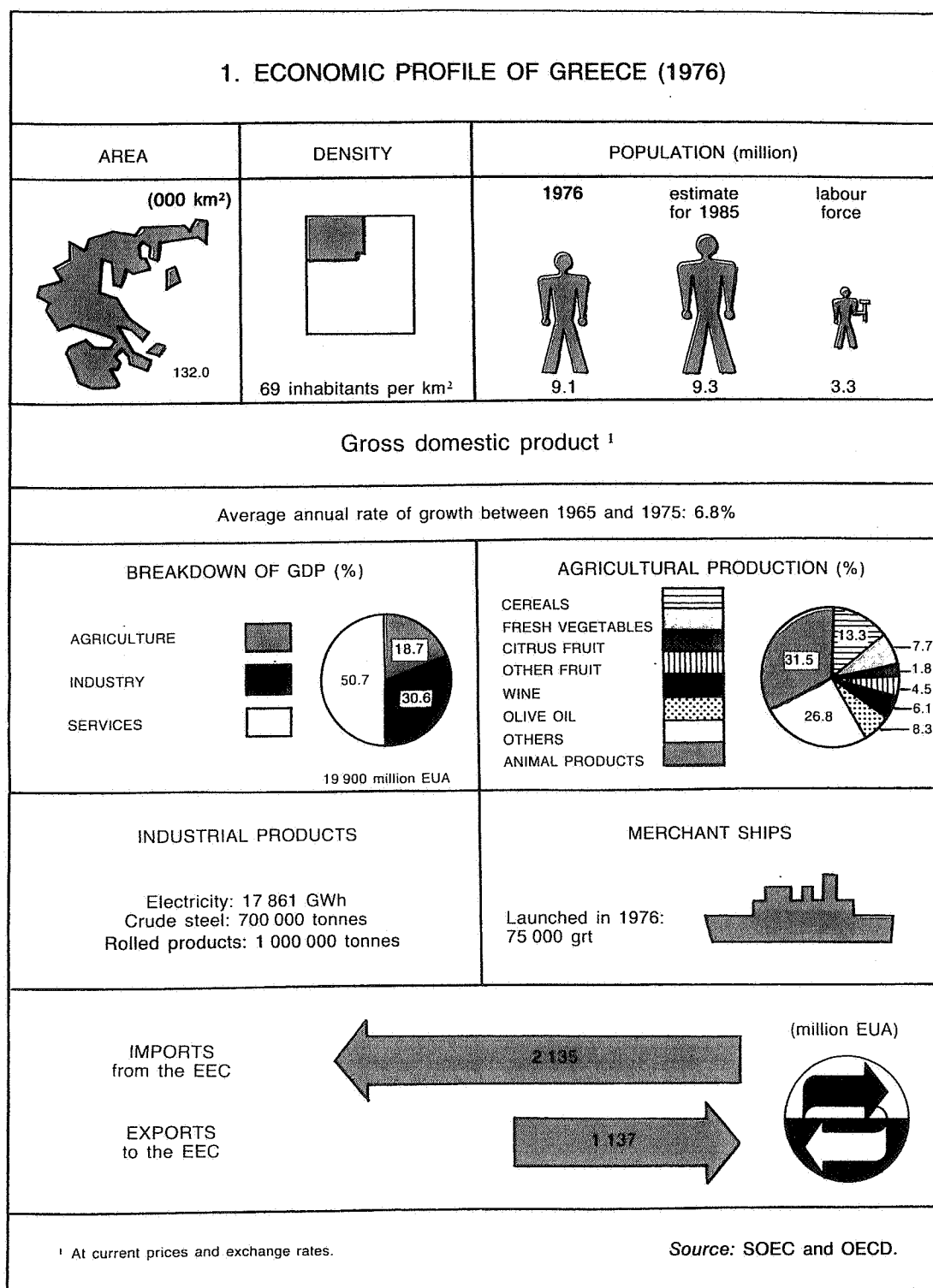
It is true that the accession of three more countries may slow down the harmonization of Member States' policies of political cooperation, a process begun several years ago. It will perhaps be more difficult for them, therefore, to enter into certain projected commitments, notably as regards increasing their financial aid to the Third World. Enlargement may also have the effect of changing the geographical distribution of the Nine's aid, with a shift in emphasis towards the Latin American countries which are currently receiving almost 70% of Spanish aid. Nevertheless, the fact remains that Third World countries which have signed agreements with the EEC — of which there are many — will have more outlets for products enjoying tariff reductions or exemption at Community frontiers.

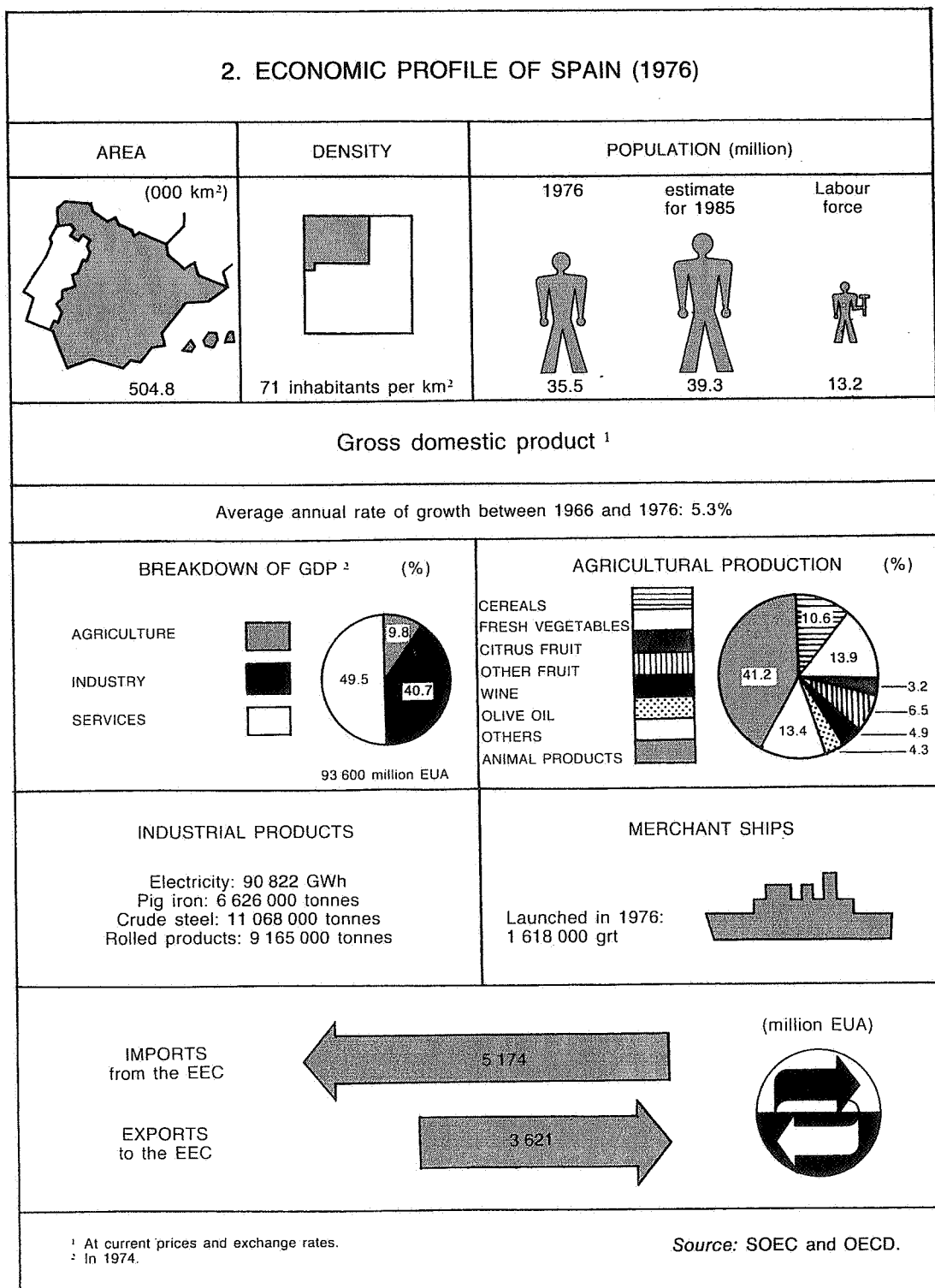
Conclusion

The enlargement of the European Community to include Greece, Spain and Portugal is without a doubt one of the greatest challenges which the Nine has faced for some time. And, like any challenge, it entails its share of risks, uncertainties, dangers, but also hopes. If these hopes are not to be dashed, if enlargement is to be a success, both for the applicant countries and the existing members of the European Community, the earliest possible start should be made on strengthening Community cohesion and framing and applying new policies.

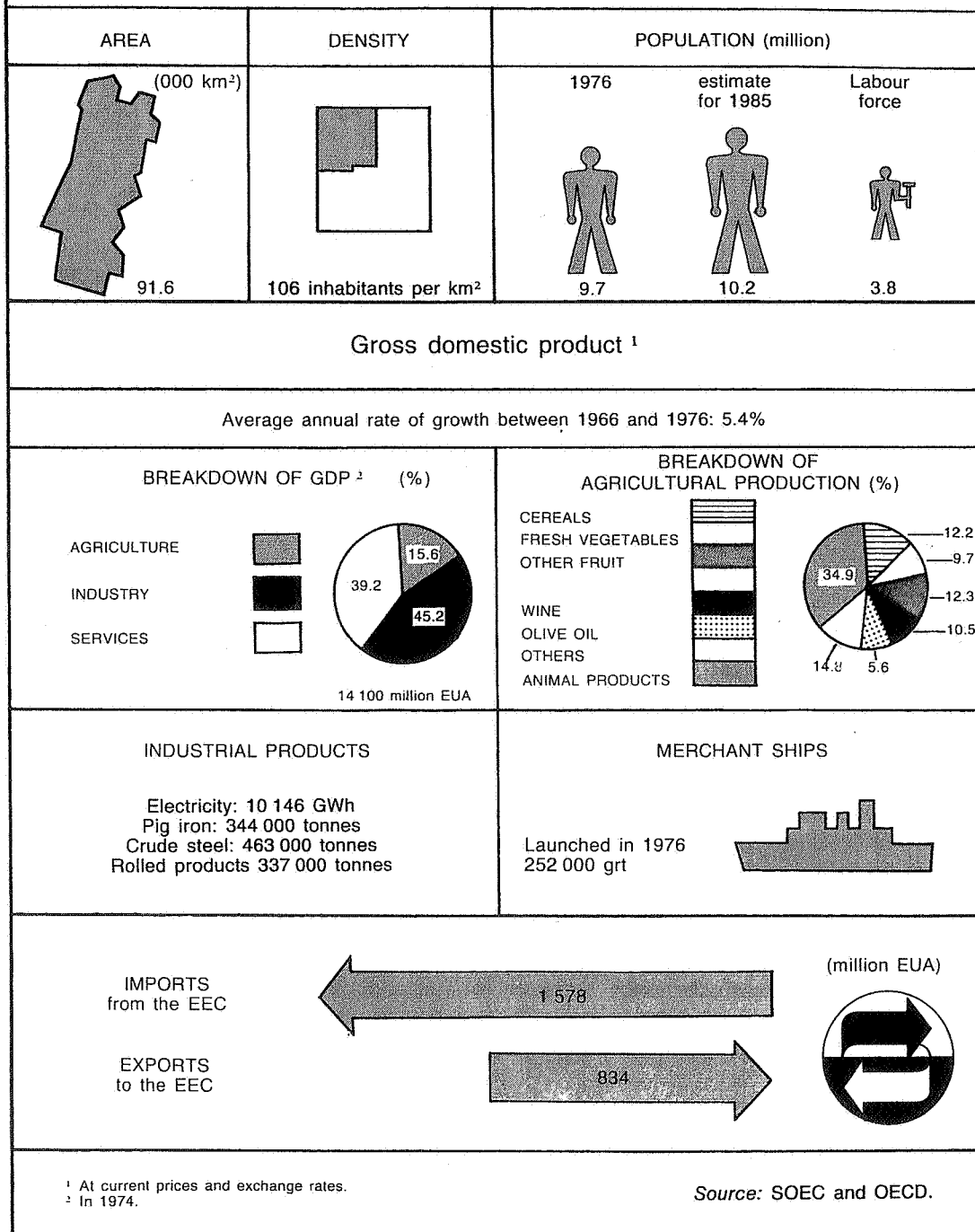
The launching of the European Monetary System at the Brussels European Council in December 1978 is the most far reaching example of the type of new policy required. If the system lives up to expectations, Greece, Spain and Portugal will be able to enter a more stable Community, sheltered from the monetary turmoil which has disrupted the world economy for almost a decade now. Similarly, rather than a weapon directed against the new member countries, the greater protection afforded Mediterranean farmers in the existing Community should promote the integration of Greece, Portugal and Spain into the Community by preventing excess friction. The Nine have also undertaken to improve the running of the EEC institutions and for this reason the December 1978 meeting of the European Council entrusted 'three wise men' with the task of finding out how this improvement could be brought about within the framework of the existing Treaties and in the context of enlargement.

In a speech made on 17 October 1977, Mr Roy Jenkins said that 'Enlargement will only be successful if the Community is consolidated and enriched in the process. This means that we must look to the implications for our institutions, our traditions, our habits and working methods, and the objectives we have set ourselves.'... 'Enlargement means that if the Community does not go forwards, it will go backwards; and if it cannot cope with enlargement, it will stultify its ability to cope with much else. Enlargement is a gathering in of European civilization. It will give the Community its proper European dimension.'





3. ECONOMIC PROFILE OF PORTUGAL (1976)



4. *The accession of Greece*

Basis of the agreement

It was agreed at the inaugural Ministerial Meeting of the Conference that the basis of the negotiations would be the acceptance by Greece of the 'acquis communautaire', i.e. the treaties and secondary legislation adopted under the treaties, subject to possible transitional measures to solve any problems of adjustment which may arise on either side. Problems of adjustment would not be solved by changes in the Community rules. It was also agreed that the transitional measures should be designed to ensure an overall balance of reciprocal advantages. Negotiations on the basis of these principles resulted in the establishment of a general five-year transitional period at the end of which the bulk of adaptation would be complete. Certain limited exceptions to these rules were ultimately negotiated.

In particular, a seven-year transitional period was agreed for a small number of agricultural products. Moreover, in the social sector it was agreed that freedom of movement of workers within the enlarged Community shall not be achieved until the end of a seven-year transitional period. It has been agreed that the Acts of Accession will enter into force on 1 January 1981 and therefore ratification by the ten national Parliaments will have to be completed and the instruments deposited by that date.

The essential contents of the transitional arrangements are as follows:

The customs union for industrial products

A five-year period was agreed for the progressive elimination of residual customs duties on imports into Greece of products originating in the Community and for the progressive alignment of the Greek tariff on the CCT.

Under the terms of the EEC-Greece Association Agreement, the Community no longer applies customs duties to imports from Greece of industrial products with the exception of ECSC products which are not covered by the Association.

Quantitative restrictions between Greece and the Community will be abolished on accession with the exception of fourteen products for which Greece has been authorized to maintain transitional quotas. These quotas will be progressively increased during the five-year transitional period and will be abolished by 31 December 1985.

General reciprocal safeguard mechanism

A general and reciprocal safeguard clause has been included in the accession instruments along the lines of Article 135 of the Act relating to the accession of the United Kingdom, Denmark and Ireland. In addition, a special emergency procedure has been agreed in cases of serious economic difficulties.

Agriculture

A general transitional period of five years has been agreed for this sector. A special transitional period of seven years has been agreed for fresh and processed tomatoes and fresh and preserved peaches.

Transitional measures concern essentially the progressive elimination of residual customs and alignment to the CCT on the one hand, and the alignment of Greek prices upon those of the Community on the other hand.

Community production aids will be progressively extended to Greek producers during the transitional period, a subject of great interest for Greek producers of olive oil, processed fruit and vegetables and durum wheat. Producers of cotton, dried figs and raisins will benefit from new deficiency payment systems.

Social affairs

Freedom of movement of workers within the Community will be achieved at the end of a seven-year transitional period as mentioned. Priority will be accorded to Greek workers, as nationals of a Member State of the Community, where it proves necessary to recruit workers from outside the Community as at present constituted.

Access for members of the families of Greek workers legally employed in one of the present Member States will be progressively achieved at the end of a five-year transitional period.

As regards the system of family allowance payments for members of the family who do not reside in the country of employment of the Greek worker, it was agreed that at the end of a three-year delay Greek workers will receive the same treatment as other Community workers.

Economic and monetary affairs

The inclusion of the drachma in the EUA basket of currencies will be achieved during the five-year transitional period in the framework of the procedures laid down in the resolution of the European Council of 5 December 1978 concerning the EMS. In any case, the drachma will be included in the basket by the end of the transition period at the latest.

The financial arrangements

Greece shall apply in full from the date of accession the Community's Own Resources system. However, in order to avoid Greece becoming a net contributor to the Community budget during the early years of the transitional period and to fulfill Community commitments in the agricultural sector of the negotiations (concerning maize and tobacco), it was agreed that a special mechanism should be set up during the five-year transitional period concerning Greece's participation in the Community Own Resources System with regard to the GNP/VAT element.

State aids and regional policy

A protocol on the same lines as that granted to Ireland under the 1972 Acts of Accession has been agreed concerning the economic and industrial development of Greece.

Institutional arrangements

From the date of accession and independently of any transitional measures and temporary derogations that may be agreed during negotiations in the various negotiating sectors, Greece will participate fully in all the institutions and other bodies in the same way as the present Member States.

ECSC

Accession to the European Coal and Steel Community takes place according to Article 98 of the ECSC Treaty. Tariff dismantlement between Greece and the Community will follow the same timetable as for EEC products.

European Communities — Commission

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This publication outlines the political, economic and social dimensions of the forthcoming entry into the European Community of Greece, Portugal and Spain. It sketches in the background to the enlargement process and describes the probable effect on the Community and its policies in various fields.