

**ECONOMIC AND SOCIAL COMMITTEE  
OF THE EUROPEAN COMMUNITIES**

**THE COMMUNITY'S RELATIONS  
WITH SPAIN**

**STUDY**



**Brussels 1979**

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**The preliminary work was done by the Section for External Relations and the Rapporteur was Mr Claude EVAIN.**

ECONOMIC AND SOCIAL COMMITTEE  
OF THE EUROPEAN COMMUNITIES

S T U D Y

THE COMMUNITY'S RELATIONS WITH SPAIN

Brussels, June 1979

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## INTRODUCTION

Spain asked for special relations with the Community as long ago as 1962 but for reasons related to the political situation in Spain, the Community turned down the request. It was, therefore only much later, i.e. on 28 July 1977, that the Spanish government applied officially to join the Community.

From the Spanish angle, the application for membership is the inevitable consequence of the far-reaching changes marked by the advent of democratic government. There has been no organized opposition in Spain, as there was in the United Kingdom, to the country's plan to become a member of the Community. Members of the Study Group who went to Spain did notice, however, a certain degree of reticence on the part of some farmers' representatives afraid of a reduction in their income guarantees (\*). Similarly, some industrial representatives fear that Spanish industry will suffer as a result of EEC membership, because of its low productivity, the small size of Spanish companies and its level of technological advancement (\*\*). Some observers also consider that it would be unwise to underestimate the economic and social consequences of a rapid, comprehensive opening up of Spain's frontiers.

All of the nine Member States governments have come out in support of the Spanish application. This paper has accordingly been written on the assumption that it is the intention of the nine Member Governments and of the Government of Spain to secure Spanish entry into the Community if terms

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(\*) Particularly where the organization of the Spanish market provides for a marketing guarantee.

(\*\*) Study published in February 1979 by the Catalan employers' federation review "Horizonte Empresarial".

satisfactory to all parties can be agreed. On this basis, the paper attempts to examine some aspects of the relationship between the Community and Spain between now and the time when Spain becomes a full Member.

It should, however, be noted that misgivings are being voiced about Spanish entry by representatives of some economic sectors and socio-professional groups. There has also been some minority political opposition in some countries.

Generally speaking, Spain is gradually becoming more aware of the difficulties which would be raised by membership.

The government and public opinion considered that the application for membership above all set the seal on the move towards freedom and democracy. They were also hoping no doubt for more help from the EEC in trade, industry, and agriculture and the social sector. It would now seem that the matter is more complicated and that negotiations will be protracted.

It is vital to both sides that the period leading up to full membership be planned on a clear and equitable basis, and that major efforts be made to facilitate the full integration of the Spanish and EEC economies.

On 29 November 1978, the Commission submitted its Opinion on Spain's application for membership. This Opinion outlined the economic situation in the Community and in Spain and then assessed the impact of membership on the various sectors of activity. It also contained a number of conclusions and recommendations relating to the transitional measures which would enable Spain to adopt all the Community legislation and ensure an orderly integration of its economy in the EEC.

At the request of the Spanish government and for internal political reasons (the forthcoming elections), negotiations were officially begun on 6 February 1979. But in view of the state of preparedness of the dossiers, the real negotiations will probably not begin until the autumn.

#### I. DIFFERENCES BETWEEN SPAIN AND THE COMMUNITY

When the countries of the West established various forms of international cooperation after the second World War, Spain - because of its political regime - stayed on the sidelines.

Unlike other European countries which are not members of the EEC, Spain did not join EFTA. Discussions with EFTA about a free trade area were only concluded at the end of 1978. The 1970 trade agreement was the first move towards alignment with Europe.

Economically, Spain is making up lost ground, though its per capita GDP has only reached half that of the EEC average (\*) :

	<u>1976</u>	<u>1977</u>	<u>1978</u>
Spain	2.855 \$	2.933 \$	2.985 \$
The Nine	5.350 \$	5.614 \$	5.757 \$

Spain also has a relatively protectionist economy with high customs tariffs (e.g. 20% on clothing and cars, 18% on electrical equipment, 15% on synthetics and footwear, 11.5% on packaged fruit and vegetables; together, these sectors account for 35% of GDP). (The Community's external tariff wall averages about 5%). Moreover, Spain's trade with the outside world is, proportionately speaking, lower than that of any EEC country (exports as percentage of GDP in 1975 = 7.6% as against 16% in

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(\*) Source : OECD provisional figures for 1978.

France, 21.3% in Germany, 42.4% in the Netherlands, 41.2% in Ireland, 20.2% in Italy, 19.2% in the United Kingdom and 24.5% in Denmark (\*)); it should, however, be remembered that per capita GDP in Spain is very low. The public sector only absorbs 26% of the GDP (taxes and social security benefits), as against an average of 41% in the Community.

In Spain, agriculture is still a major source of jobs, employing 20% of the labour force. Spanish agricultural products appear earlier on the market than those of the Community and Spain's fruit and vegetables account for 30% of the value of the country's crop output and 21% of total agricultural production.

Spain's entry will increase the EEC agricultural area by 30%, the agricultural workforce by 31% and the number of farms by 31%. Spain's degree of self-sufficiency in farm products is already 243% for citrus fruits, 115% for fresh fruit, 115% for vegetables, 169% for olive oil, 125% for rice, 110% for wine and 111% for wheat.

Thanks to a highly protected market, the degree of self-sufficiency in recent years has also reached 101% for barley, 102% for eggs, 102% for lamb and mutton, 92% for poultry and 92% for pork.

In some respects Spanish legislation and regulations are still quite different from those of the Community.

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(\*) Source : OECD.

For example, the EEC has introduced a system of VAT after a 12-year transitional period while Spain still has a multi-stage turnover tax system. This obviously creates problems in the foreign-trade field. In 1978 the Spanish Government introduced a Bill to bring about a decisive change by incorporating VAT in the country's tax system.

Spain has very much gone its own way in terms of foreign policy over the last few decades whereas the Community has gradually built up a network of links with a number of non-member countries and the Third World. These links have taken widely differing forms :

- The free trade area which has existed between the EEC and EFTA since 1 July 1977, as far as industrial goods are concerned;
- Association agreements have been concluded with Greece and Turkey;
- Preferential trade agreements or association agreements have been concluded with the Mediterranean countries, including a free-trade and cooperation agreement with Israel;
- The Lomé Convention links the Community with 56 African, Caribbean and Pacific countries;
- The Community applies a Generalized Tariff Preferences Scheme (GSP) to more than 100 developing countries.

This means that Spain will have to adjust its international economic relations. The Commission is studying the possible effects on the Mediterranean countries of Spanish, Greek and Portuguese membership of the EEC.

The Community should be able to strengthen its ties with Latin America. The framework of its future relations with that part of the world will no doubt take into account the level of development in the countries concerned.

In this regard, it is interesting that Latin America accounts for a significant proportion of Spain's overseas investment (See Appendix V).

The Spanish population is younger than the Community population and has a higher birthrate (18.3 as against 12.8 in 1975 and 17.7 as against 12.4 in 1976). Recent UN projections indicate that Spain's population will go up by 10.3% (as against 4.6% in the Community) between 1975 and 1985. This will have an effect on employment in the enlarged Community, especially in view of the fact that Spain's working population as a proportion of total population is on the increase, even though it is still lower than the Community average (34.9% as against 38.8% in 1976) (\*). According to the Commission (\*\*) this proportion rose by 1.1% every year between 1970 and 1975, whereas the corresponding rise in the Community over the same period was only 0.33%.

The sole aim of the very piecemeal observations made so far is to make it easier to assess the importance of the novel situation that will arise when a country as important as Spain joins the EEC. In this respect we need to underline the scale of Spain's economic recovery drive, its efforts to achieve stabilization, the extent of the preparations for membership and the economic dynamism it has displayed over the last few years.

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(\*) Source : Spanish National Statistics Institute.

(\*\*) Source : Doc. COM(78) 200 final.

II. SPAIN'S ECONOMIC RECOVERY DRIVE AND PREPARATIONS FOR  
MEMBERSHIP OF THE EEC

After 15 years of vigorous growth (Spain's rate of growth between 1960 and 1975 was always higher than that of the EEC) Spain has experienced a sudden slow-down in economic expansion, combined with acute inflation.

Since 1977, Spain has been engaged in carrying out its policies of stabilization and reform with the aim of radically transforming its economic and social structure. A three-pronged attack is being made by the Government :

- Reform of the economy; the battle against inflation, the restoration of external and internal balance;
- Democratization of socio-economic relations; move away from a "dirigiste" system to a system based on elected bodies and collective bargaining;
- Transformation of Spain's hitherto "nationalist" economy into an open-frontier economy that can be integrated into the EEC economy.

The Moncloa pact concluded in October 1977 between the Government and all parties represented in Parliament embraced these three objectives. The pact was basically a sum of all the widely different measures that needed to be taken.

The projects and achievements of the Moncloa pact

The Moncloa pact was both a contract and a programme of action. As a contract, it exemplified the famous "consensus" which was to lead the country towards a free and open society, ready for Community membership. As a programme, it set out the reforms to be undertaken and the deadlines for their implementation.

The consensus held for a year : not only the political parties, but also the trade unions and employers' organizations, although not formal signatories to it, have regarded themselves as bound by the pact. Their actions have proved this. But at the end of 1978, the many different election timetables reintroduced the political debate into economic and social relations. Industrial disputes have intensified. In the first two months of 1979, approximately 40 million working hours were lost as a result of strikes. This was the outcome of the positions adopted by the government, the employers and the unions.

The programme itself has proved much too ambitious. Many structural reform projects are still at the study, or even inquiry, stage. This is the case with, for example, the reform of labour law, unemployment insurance and the definition of the role of the trade unions at plant level. The programme for fiscal reform is the only major economic project on which real progress has been made. Some decisions have been adopted and implemented, at least with regard to direct taxation (See Appendix I).

### Success against inflation

The essential short-term goal was to put the economy on a sound footing and to check inflation. In this respect, the results have hitherto been positive. In 1977 inflation was approaching 27%; in 1978 it did not exceed the targets set in the pact, i.e. 16 to 17%. In 1977 the balance-of-payments deficit on current account was 2,500 million dollars; in 1978, for the first time since 1973, there was a surplus (\*). Foreign exchange reserves have risen from 9,000 to 11,000 million dollars. The growth in the money supply will be strictly in line with forecasts (17 to 18%). The peseta has risen again, too much for the liking of some industrialist. Finally, and above all, wage increases will remain below the ceilings fixed in 1977 (about 20%).

The reorganization of the economy in 1978 has therefore exceeded expectations. But so has the price to be paid, in terms of expansion and employment. It was expected that unemployment would rise by 100,000. The actual increase was over 200,000 and by the end of 1978 there were more than a million unemployed, i.e. 7.5% of the labour force. This is one of the highest rates in Europe. Since the population of Spain increases by 1.1% a year (apart from Turkey this is the highest rate in Europe), this situation may well continue in the years to come.

### Pressure on firms

GNP turned out to have grown rather more strongly in 1978 than forecast: by 2.9% (\*\*). Before the summer, the figure mentioned was about 1%. This positive performance is attributable mainly to agriculture (harvests were excellent)

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(\*) Approximately 500 million dollars.

(\*\*) Source : Bank of Spain

and to the 40 million tourists who visited Spain. Industry had no hand in it : investment fell by 4% rather than the 2% anticipated (\*). For some years now, Spanish industry has been suffering from domestic disinvestment, offset only by influxes of foreign capital (see page 36 below).

Firms were hard hit by the tight monetary policy pursued by the Government. Under the Franco regime they had grown accustomed to preferential financing, but now they find themselves under pressure, no doubt intentional, which forces them either to tighten up on management or go under.

Industrialists therefore regard 1978 as a disastrous year for them. For several years past business' share of the national income has been falling while the workers' share has been rising. According to the information given to the Secretary-General of the Committee during his visit to Madrid, between 1974 and 1978 business' share fell from 39 to 34%, while the workers' share rose from 60 to 65%. The trade unions themselves, like the Government, acknowledge the existence of this development and accept that it must be stopped in order to prepare for the future.

#### A plan for the immediate future

At the present stage of Spain's political development it is difficult to draw up forecasts and plans going beyond the immediate future. This is why Government economic policy for the current year is again geared to the short term. At first it tried to extend for a further year the employersworkers' pact which made it possible to check inflation in 1978, by dealing directly with the unions and employers rather than with the political parties.

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(\* ) This figure also includes stock movements, substantially reduced by credit restrictions.

When this attempt failed, the 1979 economic programme was drawn up unilaterally by the government. It is an ambitious programme, designed to slow down price increases even further (the rate of increase should not exceed 10% in order to bring Spain into line with the Community average) and stimulate economic recovery (proposed growth rate of 4%, a marked increase over the 1978 figure). The government approved an Order in Council at the end of 1978 to keep salary increases within an 11-14% range, depending on the provisions of each collective agreement.

Both the unions and the employers' organizations have opposed this programme. The two main unions (CO and UGT) have announced their own objectives : 16% wage increases and reduced working hours (\*). In addition, the main employers' organization, the CEOE, has stated that the government's proposed wage levels and the increase in the budget deficit will make it impossible to reduce price increases to 10% in 1979. It has called for further negotiations with the government and the unions. The organization of small and medium-sized companies (CEPYME and COPYME) have also voiced their disapproval. They feel that wage increases should not exceed 10%. They agree with the CEOE that the government is trying to play too large a part in the policy of economic recovery for the current year and believe that the only solution to Spain's present economic stagnation is more investment and private consumption.

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(\*) According to the Spanish trade unions, the government limits have already been exceeded in some collective agreements.

### The price of trade union cooperation

In general there is a certain feeling of disillusionment on both sides of industry; workers and employers want more reward for their cooperation. The unions in particular feel that in 1978 their sacrifices have not been fairly rewarded. Far from falling, unemployment has got worse, social security is no better than before and they have not really been involved in framing economic and social policy. In short their faith in cooperation has been shaken. It takes time to change the habits of an administration accustomed to flexing its muscles. As recently as November 1978, the minimum wage was increased without the workers' representatives being consulted or even informed. This occurred at the very time they were negotiating with the Government on the 1979 programme. The same thing happened when the proposals were being drawn up for the "workers's charter" and trade union action.

If its incomes policy is to succeed, the Government will have to make genuine concessions to the unions (\*). It must also act more positively on unemployment. Its declared intention at the moment is to create 150,000 ne in 1979. Given the increase in the labour force, unemployment will continue to rise.

In spite of everything, there is evidence of a shift in priorities. In 1978 everything took second place to the fight against inflation. Prices were the focus of attention. This year some stimulus will also have to be given to economic

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(\*) For example, the return of property confiscated by the Franco regime has been mooted. The Minister for Labour recently made a press statement saying that he thought trade union property would not be restored, but that the representative unions would be "endowed" with certain property. This implies the non-recognition of the right of those unions which existed before 1939 to have their confiscated property returned.

activity. Greater emphasis has to be given to unemployment. If the employment situation does not improve in 1979, plans will be revised. A counter-cyclical action fund is provided for this purpose in the draft Budget. A programme of public investments is to be launched straightaway to help the construction and public works sector, with the hope that this would stimulate private investment. Government forecasts put the real increase in public and private investment in 1979 at 8%. Coupled with wage restraint, this turnaround should play a crucial role in achieving success. But it is still very far from being a certainty at this stage.

#### Obligations of EEC membership

Beyond the immediate prospects, membership of the EEC will necessarily involve many obligations for Spain; their full import is of course, still an unknown quantity, not only for the general public, but also for the country's leaders. Considerable efforts are being made to speed up the changes. Spain is the only European country to have a ministry responsible for Community affairs, and this ministry has embarked on a massive nation-wide information campaign. Meetings are organized systematically in all major towns. These meetings have demonstrated just how poorly the real problems of Community membership are understood.

The Civil Service itself operates on the basis of a nationalist approach and state control of the economy and has to be converted to the European idea. An interministerial group has been set up to ensure that national laws and regulations evolve in a direction compatible with Community legislation. All issues submitted to the Spanish Cabinet are first examined by the group.

This is a sign of the willingness evident at the top to steer the country towards membership in earnest. But the experience of the Common Market teaches us that changes of this kind take a lot of time.

A review is being made of the changes which membership will involve, partly in order to enable finalization of the "industrial restructuring plan" announced for the end of 1978 in the Moncloa Pact. Since this deadline could not be met, objective data are not yet available on the real impact of a complete opening of the frontiers. What is becoming increasingly clear is that these effects will be considerable.

Two of the changes most frequently mentioned by businessmen as a requirement for EEC membership are labour mobility and the financing of social security through taxes (see page 22). The official statistics indicate that at the moment the State bears only 3% of the cost of social security disbursements. The bulk is financed by industry, and is a constraint on employment since it increases labour costs and makes it more expensive to create jobs. There is consequently a move to increase the State contribution from 9% in 1979 to 20% in 1983. State financing of unemployment insurance is also to be phased in.

All this implies an increase in public expenditure, and thus in public revenue. There are consequently plans for a major tax reform which will alter the tax-paying practices and ethics of Spaniards and Spanish firms. As far as EEC membership is concerned, the most significant change will be the introduction of VAT. This is scheduled for 1983 but the possibility of postponing it has been raised in Madrid because of the growing realization of the scale of the practical difficulties involved.

Taken together, these radical changes constitute a kind of revolution. And, not suprisingly, they make industry feel somewhat uncertain, as witness its unwillingness to invest. Despite the new constitution, businessmen are not sure what sort of society Spain will have in ten years.

This may be why the business world attaches so much importance to EEC membership. It is looked on as an anchor, a guarantee that Spain will evolve within the framework of a market economy which is open to the outside world.

#### Revival of the trade unions and employers' federation in Spain

Spain has a long tradition of free association. Workers' and employers' organizations existed in Spain before 1936. The socialist-inspired UGT was set up at the end of the 19th century. However, for 40 years the existing movements were abolished under Franco and replaced by a single organization to which both employers and employees had to belong and pay contributions. This organization, which was divided into employer and worker sections, with sectoral and regional branches, had sole responsibility for all labour problems.

It was in fact a government institution and acted as the intermediary of the State in fixing salaries and working conditions. Companies could not go beyond the standards it established without the authorization of the Ministry of Labour.

This situation began to change in the 1960's and the beginning of the 1970's. In many companies, "workers' committees were formed. In the last years of the Franco regime, they played an important role and even signed collective agreements with some companies. Other federations (such as the Catholic-inspired USO) were also formed during the last years of the Franco government.

But after 1976, there were some fundamental changes in labour relations. In the last three years, there has been a revival of free associations, which have been legally recognized, and a whole new body of labour law has been drafted.

The right of association was recognized by a law passed in April 1977. This law allowed employers and workers to form regional and national professional associations in each branch of activity to uphold their respective interests. Two months later, the obligation to pay contributions to the official organization was abolished. This organization had also been transformed into an administrative department in October 1976: the department of social and professional services, or AISS, which employs the former officials of the old organization, who number several thousand, and has taken over its assets.

Thus, new trade unions and employers' federations have developed :

a) Employers' federation

After several organizations had tried to achieve recognition, the employers' groups were united in September 1977 into the Spanish Confederation of Employers' Organizations (CEOE), which now has 47 professional federations and 48 territorial associations. The CEOE is now a truly representative organization in economic and social terms. There are also two federations of small- and medium-sized companies, COPYME and CEPYME. The CEOE groups together regional inter-professional associations, some of which - such as those in Catalonia or the Basque region - have a great deal of influence.

b) Workers' organizations

There are now about ten such organizations, some of which are only regional.

The Study Group on Spain of the Section for External Relations has had meetings with three trade union organizations, which were chosen on the basis of the trade union election results in 1978 (CCOO : 37.8%, UGT : 31%, USO : 5.9%).

- CCOO : Workers' Committees, which began in the 1960's as works councils; their leaders are affiliated with the Communist party.

- UGT : General Union of Workers, which was founded in 1888 and became a clandestine organization during the Franco period; it is affiliated with the Socialist party.
  
- USO : Workers' Trade Union, which split off from the UGT in 1960, with a partial reunification in 1977; it says it has no official affiliation with any political party, although it seems to be close to the government.

All of these trade union organizations have said they are in favour of Spain's joining the Community. They are establishing closer relations with the Community workers' organizations. But the Spanish union organizations have not yet taken a stand on the major social problems arising from Community enlargement (free movement, employment) or on the adaptation of Spanish labour law to the laws of the Community.

There has also been a movement to form a managerial staff organization in Spain for some time. While the existing trade unions (particularly the CCOO and the UGT) are trying to recruit members among this growing category of workers, a Spanish confederation of managerial staff is in the process of being formed. This confederation, independent of the other organizations, would group together the 4 existing associations of managerial and technical staff.

As far as agriculture is concerned, the large number of national and regional farming associations that have sprung up since 1977 makes it difficult for representatives of the farming community to participate in the formulation of agricultural policy. The recently elected Chambers of Agriculture, whose task is to represent the whole of the agricultural sector vis-à-vis the Government, are independent both from the unions and political parties.

Democratization of industrial relations

The drafting of new social legislation corresponding to the existence of independent bodies of employers and workers has been a slower process than the revival of the trade unions and employers' organizations.

The situation is at present evolving rapidly and industrial relations practices are still not to be compared with those in the EEC. Both employers and trade unions believe that the government must stop running industrial relations and be content with the role of arbitrator. At the same time, however, employers are unwilling to commit themselves to a collective bargaining policy before a legal framework exists. This is because they consider trade unions to be too politicized.

The trade unions share this view that the absence of legislation is a hindrance to the development of a policy on collective bargaining. (The problem derives from the fact that existing laws on trade unions date back to 1945, so that there is a legal vacuum; moreover the tradition of State intervention in industrial relations is far from dead). The unions feel that the Government's plan on industrial relations has been worked out without sufficient consultations and predominantly under the influence of the employers.

Both sides find the situation difficult, especially because there are no "rules of the game" whereby their various aspirations can be properly channelled.

An additional problem is the lack of statistics - on prices, pay and employment - acceptable to both sides of industry. Figures published by the Government are discredited as a hang-over from the ancient regime and are disregarded. Figures published by the banks and financial institutions are quoted more frequently, even by the unions. But they lack an objective point of reference. Fortunately, the Moncloa Pact has made provisions to provide just such a reference - at least for prices - in the form of a new cost of living index, which is to be established with the help of employers' organizations, trade unions and consumer associations.

A lot of legislation has been adopted since 1976 (industrial relations law of April 1976, decree on labour relations of March 1977, etc.). But it takes a lot of time to draft and pass new legislation, and when confronted with the gap between these texts and reality, employers and employees often have to invent their own new industrial relations.

This is true, for example, of staff representation. The bill providing for trade union branches to be set up in companies employing more than 1,000 people has still not been passed. In fact, however, union branches already exist in a number of companies, even the smaller ones (the employers are apprehensive at seeing politics enter industrial life in this way).

Under the Franco regime, members of the official union were allowed to spend a maximum of 40 hours a month on official union activity. A large number of companies thus continue to apply this old law, although it has officially been rescinded.

New laws have also not yet been adopted concerning the general working conditions in companies. But collective agreements are now being signed at province level. Many companies are also entering into private agreements, which generally offer much more favourable terms than those of the province-level agreement.

Labour mobility is another unsolved problem. Dismissals are now prohibited in principle. This is one legacy of the Franco regime which the trade unions did not want the Moncloa Pact to change. Some companies, particularly the small- and medium-sized enterprises, are therefore likely to go bankrupt, since they cannot obtain the requisite authorizations for dismissals on economic grounds from the very slow-moving government machinery.

The question of dismissals is inseparable from that of the reorganization of employment departments and, above all, from the reorganization of unemployment benefits. The unemployment benefits system still leaves much to be desired and the trade unions have worked out that only 35% of those actually out of work are covered; there is also supposed to be hidden unemployment in agriculture, with about 150,000 people not receiving any benefits.

It is evident that some labour mobility must be introduced into the Spanish economy as Spain becomes integrated into the EEC. The complete opening up of frontiers will necessitate radical structural changes - and, consequently labour shedding as well as factory closures. It must, however, be stressed that in the EEC countries, labour mobility and the right of dismissal are being more and more restricted by social policy and the extension of laws on employment contracts, as well as by inadequacies in areas such as housing and vocational training.

In spite of all the difficulties and delays, industrial relations in Spain are evolving and falling into line with those in the other European democracies. In spite of the problems they have encountered and although they were established only recently, the employers' organizations are now an important factor in Spain's economic and social life. The trade union movement is now a vital force and its pluralistic structure, far from causing confusion, has produced a balance among the various interest groups.

The representative nature of the employers' organizations and the trade unions is shown by the fact that they were both invited to participate by the government in the attempt to draw up an economic pact for 1979 (whereas the 1978 Moncloa Pact had been discussed only by the government and the political parties). The consultations at the end of last year did not result in an immediate agreement. But they will continue in the coming months and will pave the way for new laws which will enable industrial relations to develop in an atmosphere of freedom.

#### Application of the Moncloa Pact in industrial restructuring

While the Moncloa Pact has had a rapid effect in reducing inflation in Spain, the structural reforms it provided for have generally not been adopted within the prescribed time-limits, except for the tax reform which is largely under way.

Several measures have already been adopted in the area of direct taxation. The personal income tax and the corporation tax have been in force since 1 January 1979. The basic rate for companies is 33%.

The reform of indirect taxation : pending the introduction of value added tax, the government is planning to pass a law setting up a provisional indirect taxation system, which will amend the present surtax on company transactions and the luxury tax.

Measures have been adopted to ensure better supervision of the social security budget and benefits. In practice, however, there are still problems with regard to the employers' contributions. The measures needed to make the collection of social security contributions and the supervision of the whole system more effective are still at the discussion stage (\*).

The industrial restructuring plan referred to by the pact in general terms has hitherto been limited to the energy and fisheries sectors. The government approved proposals on these two areas on 2 May 1978, but Parliament has not yet decided on them. (A table showing the proposed timetable of measures and their present status is appended to this document).

Structural adaptation of Spanish industry in anticipation of EEC membership

The problems which this adaptation will inevitably cause do not seem to have been seriously analysed in Spain. The Ministry for European Affairs undertook a survey on the subject of EEC membership at meetings organized throughout the country

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(\* ) The social security budgets for 1979 were analysed on this point at the end of 1978.

between October and December 1978. The various groups concerned, both employers and employees, were able to express their views on that occasion. But there is still more immediate concern over the domestic recession and the political development of the country than over Spain's future membership in the Community.

Studies are being carried out in various sectors of industry (\*). The results of these studies are apparently not yet available, and the Study Group is not familiar with them. The following indications on some of the main branches of Spanish industry are derived in particular from Community trade organizations.

#### Textile industry

Two-thirds of the industry are concentrated in Catalonia; three-quarters of three sub-sectors (cotton, wool, silk) are also concentrated in that region. Several hundred companies have been wiped out in recent years following restructuring measures.

The textile industry employs about 275,000 people. The average number of employees per company is 50 (75 in the EEC) and the average number of units of production per company is 450 (800 in the EEC).

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(\*) 166

As regards the technological level, if the figure 100 is taken to represent a leading company, the average figure for Spain would be 85, whilst the EEC would be at 90 and West Germany at 95.

Using Spanish sources, given a base of 100 (definition unknown), the man-hour cost would be 214 in Spain, 276 in the EEC, United Kingdom and Belgium, 310 for West Germany and 367 in Denmark.

The Appendix (Appendix III) analyses the textile trade between the EEC and Spain. These figures show that the EEC is Spain's most important foreign market for textiles and accounts for about half of Spanish textile exports.

The Spanish industry leaders feel that the prospect of EEC membership will have certain negative aspects for the textile industry in Spain : Spanish companies are smaller and productivity lower than in the EEC, the Spanish fashion image is less well-known and employment regulations are rigid. However, they are counting on the dynamic effect of membership (larger Community markets with the elimination of import quotas). Whatever the unknown factors of EEC membership and the expectations arising from it may be, the Spanish textile industry leaders feel they will be better equipped to overcome their problems within the EEC than outside it (\*).

They are therefore in favour of EEC membership, provided that it is a gradual process with transitional measures to minimize the difficulties for both Spain and the Community.

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(\*) Nonetheless, they have expressed their dissatisfaction over the Community quotas allotted to them under the Multi-fibre Arrangement.

The government does not wish to intervene directly. Its intention seems to be to leave the responsibility for restructuring to the industry and to employers and labour.

### Footwear Industry

Spain's production (126.6 million pairs in 1977) puts it in seventh position in the world production table, and third among the OECD countries.

The manufacturing plant is somewhat old and the factories are generally small (only 15 enterprises, accounting for 60% of production, employ more than 250 workers). Foreign investment is very rare, mostly coming from North America.

Despite a fall of 10% in 1977, Spanish exports of footwear accounted for 45% of production (imports being very low); this makes footwear second only to motor vehicles among Spain's exports. Exports are mainly to North America - 51.4% (of which 47.4% to the United States) - and the EEC (36.7%). But while exports to the United States fell by 16% in 1977 compared with 1976, those to the EEC fell by only 2%.

There is a twofold threat to Spanish exports : competition from Italy (on account of advances in technology in this country), from Brazil and from South Korea; and the reduction of the American market. Furthermore, the Spanish footwear industry also has problems as regards raw-material supplies, in common with the footwear industries in other European countries.

The Spanish customs duty of 26.2% (\*) on leather footwear is a real barrier to EEC exports.

### Chemicals Industry

On the basis of the number of persons employed (approximately 140,000 at the end of 1976), the Spanish chemicals industry is the fifth largest in Europe and the seventh in the world (after the United States, West Germany, Japan, Great Britain, France and Italy).

It has more than doubled its turnover in three years (1976/73), although its rate of growth is slowing down. With 11.5% of GNP it is the second most important industrial sector after construction.

The main producers (1976 figures) are : UERT - Union Explosivos Rio Tinto (62,300 million pesetas; 13,450 employees; 45th in the world; diversified operations), Michelin Espagne (20,400 million pesetas; 11,300 employees; tyres), La Papelera Espanola (17,800 million pesetas; 6,075 employees; paper), CROS (16,400 million pesetas; 4,430 employees; fertilizers), Firestone Hispania (13,300 million pesetas; 6,480 employees; tyres).

The Spanish chemicals industry also includes numerous small- and medium-sized enterprises (in 1976, out of 8,000 enterprises in this sector, 45% employed not more than 5 and 80% not more than 25 workers). Utilization of production capacity is about 80% on average.

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(\*) Reduced in April 1979 (see comments below).

There is large-scale foreign investment (West Germany, United States, France, Switzerland, Great Britain). Foreign capital controls 7 of the 14 biggest chemicals companies in Spain, especially those manufacturing rubber and tyres (Michelin, Firestone, Pirelli, Dunlop). However, the proportion of investment financed by foreign capital would seem to be falling.

Spain's balance of trade in chemical products is in deficit (in recent years the cover rate has been about 40%, but nearly 50% in 1977 (11)). Its main customers are the United States (8.7% of Spanish exports), France (5.9%) and West Germany (5%). Its main suppliers are West Germany (14% of Spanish imports), France (11%) and the United States (10%). In total the EEC supplies (1977) 46% of Spanish imports and receives 18% of its exports.

To take just one example, the chemicals industry in Catalonia (one-third of the Spanish chemicals industry) believes that it will have to make major structural changes irrespective of whether Spain joins the Common Market or not (size of enterprises, new technology, industrial investment, etc.). However, membership of the EEC could help fix guidelines, speed up technical changes already in progress, provide new commercial opportunities. Whatever the circumstances, and however much effort is needed, the Catalonian chemicals industry thinks that first and foremost it must operate in its natural geopolitical area, i.e. Western Europe and, more particularly, the Common Market.

The industry itself forecasts annual growth rates between now and 1980 of 6.5% for consumption, 7% for production, 6% for imports and 11% for exports.

A close watch should be kept on developments in the Spanish man-made fibres industry and foreign investment in Spain following the agreement between Community producers on the restriction of capacity and State aid.

### Motor Vehicle Industry

This industry is characterized by a high degree of penetration by foreign companies. Spain manufactures about one million cars a year which makes it the eighth largest manufacturer in Europe and the tenth largest in the world. The country's motor vehicle industry is largely in the hands of five companies. Motor vehicles top the list of Spanish exports.

Figures for 1978 are as follows :

	Production		Domestic market		Exports	
	No. of Vehicles	1978/77 %	No. of Vehicles	1978/77 %	No. of Vehicles	1978/77 %
SEAT (Fiat)	284,480	- 17.9	213,889	- 10.4	86,692	+ 34.0
Ford	260,939	+ 22.4	57,334	- 12.3	182,753	+ 22.5
Fasa-Renault	235,329	+ 4.9	176,814	+ 0.4	56,944	+ 14.6
Citroën	106,434	- 1.7	77,800	- 1.0	28,536	+ 3.8
Chrysler (*)	98,934	+ 2.6	78,852	+ 7.5	18,656	- 19.1

(\*) Now part of the Peugeot-Citroën Group.

These figures show how Ford, which only builds one model in Spain (the Ford Fiesta) is catching up on SEAT. In 1977 Ford's production in Spain was equivalent to only 62% of SEAT's production. The corresponding figure for 1978 is 92%. Ford is now the leading Spanish exporter.

Spanish exports of motor vehicles is mainly to France (c. 45% of total 1977 exports), Italy (in excess of 10%), and the Federal Republic of Germany (less than 10%). Spanish imports of motor vehicles are very limited.

The aim behind the provisions governing the motor vehicle sector in Spain which were in force until 4 April 1979 (\*) was that there should be a high degree of integration of this industry in the domestic economy and that the country should endeavour to become self-sufficient in the manufacture of motor vehicles. This generally led to the manufacture of vehicles on a small scale. In order to meet the requirements of Spanish customers, however, all the manufacturers, with the exception of Ford (which has not been operating in Spain for as long as the other companies), were obliged gradually to diversify their ranges of vehicles. This required considerable investment.

The new policy drawn up in Madrid is aimed at gearing Spanish motor vehicle production in future (\*\*) to exports. This

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(\*) Royal Decree No. 816/1979 of 4 April 1979 on the reorganization of the industrial sector of motor vehicle production specifies a degree of integration (proportion of domestic supplies in the final product) of at least 60% in the case of manufacturers operating in Spain before 1972 and 55% in other cases (Ford).

(\*\*) The same Royal Decree stipulates that the value of exports of motor vehicles and parts by each manufacturer operating in Spain before 1972 must be 20% greater than its imports. It must be 50% greater in the case of manufacturers who have been operating in Spain since 1972. In addition, motor vehicle exports must account for 2/3 of annual production (in units).

means that there will have to be a switch to specialized manufacture on a larger scale. Each manufacturer will therefore have to reduce the range of vehicles it builds in Spain and bring in imported vehicles to make up the gaps in its range. These changes should prepare the Spanish motor vehicle industry for competition from foreign manufacturers, including those of the EC countries.

When Spain joins the Community, the transitional period should make it possible to achieve a balance between the interests of those EC vehicle manufacturers who are already established in Spain and those who are not established in that country. It would not be in the interests of EC vehicle exporters to see Spanish customs duties on vehicles from third countries dismantled quickly.

Current developments in the Spanish motor vehicle industry include the following :

- a reorganization of SEAT, the leading Spanish manufacturer in which FIAT have a 36% holding and INI a 34% holding, is now taking place after a period of serious difficulties;
- Ford is reported to have reduced its demands in its talks with the Spanish Government on its application for authorization to expand its manufacturing base in Spain. It wants to be permitted to increase its share of the Spanish market beyond the 10% limit which has hitherto applied;
- General Motors is reported to have plans to set up a plant to manufacture a range of vehicles with small- and medium-sized engines, specially designed for the European market, at a cost of approximately 700 million dollars. This could lead to the direct creation of 10,000 new jobs.

Considerable changes are therefore taking place in the Spanish motor vehicle industry with a view to Spanish membership of the Community. The initiative is, however, largely in the hands of foreign companies. Even in the goods vehicle market the INI seems to want to cede its interests to private investors. From a general point of view the Spanish trade unions would seem to no longer have any major objections to the policy being pursued.

### Shipbuilding

Spain's shipbuilding industry is the third largest in the world (1977 figures). It has thus overtaken West Germany, France and the United Kingdom. In 1977, the rate of capacity use was still 70%. In 1978, it fell below 50%.

Spain has some 35 shipyards. But the three largest companies (in which INI is a majority shareholder (\*)) account for three-quarters of the industry's turnover. There are practically no imports, but exports grew steadily from 1973 to 1976. In 1976, exports increased by 28% (in value), but dropped by 18% in 1977.

Aid measures have been studied to deal with the crisis in shipbuilding. A programme to reorganize the shipping industry has been drawn up, which should help to maintain the shipyards' activity. Some companies will benefit from military contracts. Nevertheless a large proportion of the shipbuilding industry will have to be redeveloped in order to find new markets (for example in offshore oil rigs). Productive capacity will probably be reduced by 40%.

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(\*) BAZAN (100%), ASTANO (60%), AESA (50%).

## Energy

The energy sector is also being reorganized. Up until now, there has been less reaction in Spain to the energy crisis than in most other countries in Europe. The consumption of energy per unit of production is one of the highest among the OECD countries. Oil, which made up 35% of the country's energy supplies in the early 1960's, now accounts for 60-65%. Coal production satisfied 40% of energy requirements 15 years ago but now only accounts for 15%. Natural gas accounts for only 2% (the European average is 16%).

A new energy policy is thus essential. In May, 1978, the government approved a 10-year plan aimed at conserving energy and diversifying the sources of supply. But this programme has not yet been approved by Parliament. The public debate on the subject shows that there are still differences of opinion and that the programme will have to be amended before it is adopted.

The present plan is designed to reduce oil imports and increase the proportion of national energy sources and nuclear energy (at present nuclear energy makes up 2% of the energy requirements; this proportion would increase to 15% in 1987 AND THAT OF OIL TO 59%). The plan also provides for an increase in energy prices, which are currently well below the European average (20% lower than the lowest prices in Europe).

There is a state monopoly over oil distribution, and the Commission will have to study the requirements for adapting it to the Treaty provisions.

The country's uranium resources represent one of the positive aspects of the energy picture: the government estimates that natural uranium resources will supply 40% of the nuclear industry's requirements in 1982.

The impact of energy costs on the Spanish balance of payments was analyzed in the Commission Opinion of November 1978.

#### Banking system

The monetary authorities' restrictive credit policy tends to bring about structural changes by way of the pressure it brings to bear on the banks. The banking sector in Spain is still widely dispersed: there are 108 commercial and industrial banks. Some of them have run into difficulties and in some cases, the Bank of Spain has intervened to support them.

A process of concentration has also begun, with the smaller and medium-sized banks disappearing. Finally, there have been a number of mergers (e.g. Banco Iberico with Banco Central). There were far fewer new branches opening up in 1978 (25% less than in the previous year). Investments were concentrated on modernization and structural changes rather than on expansion.

These trends are likely to be even more marked with the opening up of the Spanish market to new foreign banks, as laid down in a decree last June. There had until then been only four foreign banks operating in Spain, and they were there largely for historical reasons. The decree of last June does not allow complete free access for foreign banks. Two important restrictions are imposed. First, the total business transacted in pesetas may not exceed 40% of the total assets held in Spain (the aim being to discourage foreign banks from competing too strongly for deposits with Spanish banks). Second, foreign banks may set up only a limited number of branches and agencies. At the end of 1978 some twenty foreign banks applied for authorization to set up branches in Spain. This number included nine American, two British, three French and three German banks. A number of these applications have been granted.

At least in the beginning, the government will probably try to limit the number of authorizations it gives. However, the location of new foreign banks in Spain should be an important factor in the transformation and modernization of Spanish banking.

The National Institute for Industry (INI)

In spite of the delay in the adoption of the industrial restructuring plan established in the Moncloa Pact, the government approved in January 1979 an important investment plan drawn up by the INI. This body is thus becoming the major instrument of Spanish industrial policy.

The investment plan concerns 1979 and the amount involved is 35% higher than that allowed for 1978, with a figure of 187 thousand million pesetas. It aims to do three things :

- stimulate economic activity and offset the low level of private investment;
- restructure ailing industries (particularly shipbuilding and iron and steel) and renew other key industries, such as the automobile and energy sectors (the energy sector alone takes up more than 50% of INI investments);

- assist in the regional development policy: thus, investment in Andalusia, Aragon and the Canaries will be increased by more than 35%, while Galicia is to get only 3.4% of the investment allocations.

One of the other priorities for INI action is a programme to develop the agriculture processing and food industries, based on developing agricultural production in the less developed regions. A large proportion of the investments will also be allocated to advanced technology industries, such as aircraft, electronics, data processing and defence equipment. Finally, 3.5 thousand million pesetas will be allocated to research and development in the automobile, aluminium, iron and steel and oil industries.

The INI programmes thus give an idea of the guidelines of the Spanish government's industrial policy and the role to be played by the public sector. Nationalization is not currently regarded in Spain as an effective economic or industrial policy method. The INI is, however, taking an increasing interest in businesses which are not in difficulty.

#### The role of foreign investments in Spanish industry

Since the beginning of the period of expansion in the 1960's, foreign investment, attracted by a market of 36 million protected from external competition, has played an essential part in the development and the diversification of Spanish industry.

With the present stagnation of domestic investment in Spain itself, foreign companies are making a vital contribution to the country's industrial development. According to the Ministry of

Commerce, direct foreign investment represented 20% of total investment in 1978 and amounted to almost a thousand million dollars. In the first eight months of 1978, its net contribution (after deducting Spanish investments abroad) was 360 million dollars. Last year, ten large multinational companies alone (including IBM, MONSANTO, GRUNDIG, NESTLE, RENAULT, BOSCH) invested 225 million dollars in Spain (\*).

Foreign capital has thus continued to penetrate the Spanish economy. According to a recent survey, foreign capital is invested in 200 of the 500 largest Spanish companies, which make 90% of the country's investments; and in 120 of these, over 50% of the capital is held by foreigners.

Foreign participation is particularly strong in certain industries: it accounts for almost 30% of investment in chemicals and mining, 30% in engineering and 19% in commerce and tourism. 90% of plastics production, 70% of paint and 60% of detergent production is controlled by companies with foreign shareholders.

Over the last few years, the government has encouraged such foreign contributions by protecting the domestic market to the advantage of firms located on the spot. In some cases, it has used this system to improve the country's trade balance (for example, the export guarantees required from Ford for the manufacture of the Fiesta in Valencia). The government is now actively campaigning to attract new investments.

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(\*) Figures given by the Office for the promotion of Spanish investments.

In addition to the urgent need to create more jobs, the main reason for this call for foreign capital was and is Spanish industry's own lack of technology, resulting from its inadequate expenditure on research and development.

Spain's entry into the Common Market will deprive the Spanish government of some of the means it has used up till now to attract foreign investment (protection of the market, in particular). The system of prior authorization, which is now applied only to majority investments, would have to be abolished for the EEC countries. It does not seem to have been applied very rigorously in any case (96% of the applications have been accepted over the last 5 years), although some investors have deplored the red tape involved. The restrictions on the transfer of royalties and the government's intervention in licensing contracts would also have to be abolished.

The government is therefore attempting to redefine its attitude to foreign investment. But so far this is merely an intention, and it is still, as in the past, actively encouraging such investment. The real policy is still to be defined, particularly with regard to countries outside Europe, with a view to Spain's EEC membership. The guidelines of this policy will be significant for the enlarged Community as well as for Spain itself.

In the period prior to Spain's EEC membership, there should be consultations with the Community on all the measures taken by the Spanish government with regard to foreign investment. As soon as Spain becomes an EEC member, the Community rules must be applied to Spain, taking into account the country's development needs.

#### The iron and steel industry

This sector now has some important problems, particularly with regard to employment. The capacity-increase targets do not tie in fully with the Community's policy for iron and steel. A more detailed analysis has thus been made of this sector (See Appendix IV).

#### Conclusions on the development of Spanish industry

The above comments show that the situation varies between industries and from one company to the next. Some general trends can be discerned, however :

- The small- and medium-sized companies are likely to be the worst hit when the frontiers are opened up, because their financial structure is fragile and they have been accustomed to a protected market for the last few decades. They would find themselves in even greater difficulty if this protective structure were stripped away at a time of recession.

- Several large companies will also be in a difficult position, because in the last few years they have overestimated the rate of expansion of their national and international markets. (A case in point is the paper industry, where the largest manufacturer was recently forced to suspend payments following an overly ambitious investment programme).
  
- Many companies have tried to offset the drop in domestic demand by stepping up their exports. In many cases, they have received government aid. The last devaluation of the peseta was partly aimed at expanding the export markets (\*). The textile industry is a good example: since 1975, it has almost doubled the value of its exports, thereby compensating in part for the drop in domestic demand.

In the automobile industry, particularly heavy vehicles, export sales increased by 21% (number of vehicles sold) in 1978. In the cement industry, too, a marked drop in activity was avoided thanks to the export trade.

The construction industry, on the other hand, has to rely on the domestic market and this was one of the worst hit by the recession. The unemployment rate here is almost 20%. The government plans to increase public expenditure this year (by 6% in real terms) to remedy the situation.

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(\* ) The current revaluation of the peseta on the other hand, has been strongly criticized by Spanish exporters.

According to the latest statistics (end of 1978), exports are still growing. However, the competitive advantage gained from the two most recent devaluations of the peseta has now almost completely disappeared. Some analyses show that Spanish industry stands to become less competitive (12% less in 1978, according to a Ministry of Commerce study), and this could affect future exports.

Since no accurate government statistics are available, it is difficult to assess which industries would be the most affected by the removal of protection. There will certainly have to be a number of far-reaching and sometimes difficult changes in nearly all fields of activity.

#### The position of the Community trade organizations

Nearly all the Community trade organizations - the Union of Industries of the European Community (UNICE), its national members (the Confederation of British Industry, the Belgian Fédération des Entreprises, VNO, CNPF, etc.) and its associates (European federations of industrial sectors) - have made formal statements on Spain's application for membership.

They have all come out in favour of Spain's application, although with slight differences in the various countries and industries. But they have all attached conditions to their endorsement, not so as to make Spain's membership of the EEC more difficult but to ensure that it is a success.

An overriding concern is apparent from their statements : enlargement of the Community must not slow down the construction of Europe or weaken certain aspects of the Community. They have therefore made it clear that Spain must undertake to implement the internal and external aspects of Community legislation, and must keep its word.

But it has also been emphatically stressed that the present legal and administrative framework for economic relations between the Community and Spain is very unsatisfactory. Most of the trade organizations have vigorously denounced the broad imbalance in the concessions agreed by the two sides in the negotiations for the 1970 Agreement. The trade organizations know that Spain's real entry into the Community (i.e. the point which marks the end of the transitional period(s) will not become effective for a number of years and have therefore called for immediate adjustments.

On 21 September 1978, the European Trade Union Confederation published a statement in favour of Spain, and the two other applicants, becoming a member of the EEC. It stated that the problems arising from enlargement of the Community could be overcome thanks to a common attitude and solidarity on the part of the workers who were directly concerned.

The French CGT on the other hand has expressed doubts over the desirability of Community enlargement. It feels that Spanish membership of the EEC would not be in the interest of the workers either of Spain or of the Community. It believes that Community enlargement cannot fundamentally change the process of European economic integration, which is dominated by the monopolies.

### III. AGRICULTURE

#### Special features of Spanish agriculture

Agriculture is an important sector of the Spanish economy. It accounts for 8.9% of GDP, i.e. double the average figure for the Community, and the agricultural workforce represents 20% of the total working population in Spain (8.7% in the EEC). Of these, 1.7% are independent farmers who employ hired labour, 67.5% work on family farms and 36.6% are farmworkers.

It is difficult to forecast how quickly these figures will be reduced, but it should not be forgotten that the utilized agricultural area (UAA) of Spain amounts to 22.5 million hectares, i.e. one third of the UAA of the whole Community and slightly more than the UAA of France.

The considerable potentiality of such a vast area is nevertheless reduced by the frequently mediocre quality of the land, by altitude, relief and extremes of climate - and this despite the major expansion of irrigation that has occurred (irrigated land now amounts to approximately 2.6 million hectares, and has been expanding at a rate of 60,000 hectares per year).

Agricultural technology is still frequently behindhand and yields of "major crops" lag well behind those of the EEC; wheat 15.5 quintals (EEC 37.2); barley 18.1 quintals (EEC 36.5); maize 37.3 quintals (EEC 48); potatoes 141 quintals (EEC 240); beet 321 quintals (EEC 399).

The situation is quite different when it comes to fresh fruits, citrus fruits, vegetables, wine and olive oil and even if aridity remains a negative factor, the climate favours early yields so that fresh fruits and vegetables arrive on the European market earlier in the season. These very competitive products form a total of 34.8% of the final production of Spanish agriculture (whereas the same products only account for 16.9% of the Community's total agricultural production). They also make up 74% of Spain's agricultural exports (60% of which go to the EEC).

Reactions from the farming community in the EEC

Those most concerned about Spain's entry into the EEC are obviously farmers from the Mediterranean regions of the Community. They are the first who will have to withstand competition from Spain and the markets of some of them will be penetrated directly by Spanish products. Their reaction are the reactions of regions to a nation. It is not without significance for these Mediterranean farmers that agricultural policy is decided in Brussels (i.e. in a place far removed from the centre of their future problems) whereas for Spanish farmers Madrid is the arbitrator of their problems. Moreover, Madrid has been preparing to enter the Common Market for 15 years, where it can hardly be said that Brussels has studied the implications of Spain's membership with the same passion.

A number of Committee Studies and Opinions have already dealt with the particularities of the Community's Mediterranean regions, the weakness of their economies, the characteristic nature of their agricultural products and the competition they face from the whole Mediterranean basin - competition which is aggravated by various Community agreements (\*).

It would be helpful to draw attention here to two aspects highlighted by the Annual Report on the Agricultural Situation for 1978 (maps, page 46 to 50), namely the small size of holdings and the ageing farm populations in the Community's Mediterranean regions. Both factors clearly militate against rapid adjustment to new situations.

Hitherto, farmers from these regions, disappointed by the lack of guarantees offered by the market regulations covering their products and conscious of the fact that this is reflected in the very small sums of money made available under the Guarantee Section of the EAGGF, have been under the impression that they have been chosen in advance as the sacrificial lambs of enlargement - and this, despite the recent (though belated and inadequate) measures to help Mediterranean agriculture. These Mediterranean farmers consider that a long transitional period will be the answer to their problems since it will give them time to make the necessary adjustments.

Farmers from other EEC regions, however, are hoping to supply Spain with the cereals and animal products she still needs to import, so a long transitional period would probably not be to their advantage.

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(\*) See, inter alia, ESC Study on the present prospects of the Community's Mediterranean agricultural products, 27 November 1975, in particular pages 20 to 26.

### Potential of Spanish agriculture

The main fears of European farmers centre on the productive capacity of Spanish agriculture. This capacity is based on an agricultural area which is far greater than that of France and Italy and on social and economic factors which are particularly important in the present European recession.

Farmers emphasize that Spain has land which has not yet been fully exploited and can easily be converted, the still relatively low yields and the large-scale introduction of irrigation, consolidation of holdings and modern cultivation and administrative methods. It is inevitable that - as the experience of the last few years and the dynamic Spanish agricultural policy have shown - this situation will generate increases in yields and the volume of production, perhaps faster than anticipated. Spanish productivity is now higher than the Community's as regards some citrus and other fruit crops (\*).

The degree of self-sufficiency is likely to be even greater with the introduction of Community legislation into Spain. Olive oil, for example, which is at present protected from imports from other countries, will face strong competition from the free importation of cheap oil-seeds and animal and vegetable fats; which will add considerably to the existing surpluses of olive oil.

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(\*) Some experts do, however, challenge the forecasts made in this paragraph.

Spanish farmers - insofar as one can get to know their views - remain moderate and pragmatic. They know that their future lies in the Community but perhaps do not realize how many adjustments they themselves are going to have to make.

### The aims of the Common Agricultural Policy

The CAP can be broken down into three main areas; a single market, Community preference and financial solidarity.

### The single market

The single market is first and foremost the free movement of agricultural products - hence competition. We often hear in this respect that Spanish farm products are potentially price-competitive because of lower costs, particularly wages and social insurance charges. These components of production costs weigh particularly heavily in the case of fruits, wine and vegetables (\*).

One can assume that economic progress will be maintained in Spain and wages will thus continue to rise. Nevertheless, such economic progress should be spread evenly all over Spain, otherwise areas of under-development will persist and it may take a long time to soften the abnormal competitive edge derived therefrom.

Social security contributions will remain well below those in Community agriculture, unless a determined effort is made to close the gap.

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(\*) At the present time, however, agricultural wages appear to be increasing at a quite considerable rate.

The volume of production, and times of harvesting, could prove to be even more dangerous from the point of view of competition.

The sheer abundance of agricultural goods from Spain could depress the Community market of fruit and vegetables, particularly since the imports will arrive before many Community products are ready for the market. As a result of the abolition of seasonal trade restrictions, imports from Spain could have a serious effect on the Community's early vegetable and fruit growers before affecting the bulk of Community production.

As far as agriculture is concerned, a single market implies organization, and although Spain would appear to have the resources to participate in the common organization of agricultural markets, it has to be recognized that at present some products (the same in both Spain and the Community) have a well-organized market whilst some (also the same in both camps) do not enjoy the same guarantees. In other words the situation will not be improved solely by enlargement, but by resolute Community action. It remains to be seen whether the common organization of markets can ensure the effective coordination of "juxtaposed" regional markets resulting from current regulations while simultaneously safeguarding the principle of free movement. In any event, however, a long transitional period might be desirable from the point of view of competition.

### Community preference

Community preference in an enlarged market is quite different from what it was in the original Community of Six. It already amounts to free trade in the case of certain products, especially if one also takes into consideration the effect of trade preferences granted to a large number of Mediterranean countries.

But if Community preference in fact means strong competition, it is also the sole chance European farmers have of exporting their agricultural products to Spain : in fact only 11.2% of Spain's imports of agricultural goods come from the EEC whilst 59.8% of Spain's agricultural exports go to the Community. From this point of view a short transitional period would be preferable in order to discourage Spain from developing certain products which are currently in short supply and which would be much more so in the event of an economic recovery that generated more consumption (\*) particularly of highprotein foods. An increase in consumption in Spain could help to reduce certain current surpluses in the EEC.

In a similar way, encouraging Spanish agriculture to concentrate on certain products lacking in the EEC (protein foods, textiles ...) would be beneficial to the enlarged Community. However, the pattern of production in an enlarged Community cannot be determined either unilaterally or in a single direction. With Mediterranean countries joining the EEC, the Community must seize the opportunity to define its production goals as the Committee has been requesting ever since 1975.

#### Financial solidarity

In the Common Agricultural Policy, financial solidarity is the precondition for (a) the organization of common markets, and (b) price support. As far as the improvement of structures is concerned, however, its role is confined to that of acting as a stimulus.

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(\*) Annual per capita consumption in the EEC and Spain :  
meat, 81.9 kg and 60.1 kg respectively; cheese 10.9 kg and 3.4 kg respectively; sugar 38 kg and 27 kg respectively.  
Spain's degree of self-sufficiency in maize is 36.5%.

Spain's entry into the Community will have a major impact on the EAGGF budget for three reasons :

- Spain is a large agricultural country; its presence in the EEC will automatically mean that more products will be eligible for price guarantees and it can be assumed that Spain will be a net recipient of funds from the Community budget.
  
- In view of the importance of fruit, vegetable and wine production in Spain, it is hard to imagine that she will agree to enter the Community without bigger price guarantees for these products - guarantees that are in any case demanded by all the existing Mediterranean regions of the EEC.
  
- Structural changes in Spain will be on a large scale, what with (a) the consolidation of holdings and allied operations (b) irrigation and (c) development products. Nor should it be forgotten that half of Spain's farming land is in hill and mountain regions. It is therefore essential that EAGGF Guidance funds are unfrozen.

Farmers do not want to be blamed for the higher cost (\*) of the Common Agricultural Policy in an enlarged Community. They point out that it is unacceptable, that agricultural producers alone, especially those in the less favoured areas, should suffer the full consequences - in terms of income

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(\*) The figure according to Commission estimates, being 600 million EUA for the EAGGF-Guarantee Section and 200-250 million EUA for the EAGGF Guidance Section.

and employment - of the Community's external policies on enlargement and the developing countries. They therefore call for detailed analyses of the effects of these policies on the economy and the employment situation. Some farmers have also called for an Accession Fund to be set up and for a regional policy to accompany enlargement, designed to remedy regional disparities and to bring capital to where there is a ready labour force.

### The Fishing Industry

An impasse has been reached in the Community fishing policy because of the lack of agreement among the Nine on the application of a common system for managing fish resources. But the Community now seems to be tending towards a system based on the annual fixing of quotas for sea fishing which will be allocated to the countries concerned in accordance with their past catches.

Spain's membership in the Community will raise the difficult problem of capacity. Community capacity already far exceeds the catch possibilities, and the situation will become even worse with the accession of Spain, which largely depends for its production on the present Community's fishing areas. The Spanish fleet is, in fact, the third largest in the world, after those of the USSR and Japan :

	<u>Number</u>	<u>Total</u> (gross registered tons)
EEC	2,380	794,350
Spain	1,797	580,000
Portugal	165	126,500
Greece	100	43,600

There are 70,000 fishermen in Spain, as compared with 47,000 in Greece, 30,000 in Portugal and some 150,000 in the Community.

At present, the European Community regards Spain as a non-Member State under its fishing laws and restricts the access of Spanish fishermen to its fishing areas. The latter, who are largely Basques, are traditionally obliged (because of the small size of their boats) to fish in Community waters. The receipts from fishing are a very important source of revenue for the economy of the region in question. The Basque fishermen are surprised by what they regard as the restrictive attitude of the authorities in Brussels to a region which is to become a part of the Community.

The Spanish trade organizations are therefore calling for a large increase in their quotas, with a view to Spanish membership in the EEC. In any event, EEC membership will benefit Spanish fishermen, since the allocation of quotas is to be based on past catches.

Spain must henceforth cooperate with the Community in order to bring about the desired restructuring of the fishing industry, taking into account the development of capacity in the light of probable changes in the available resources (quotas for fishing). This restructuring should pave the way for fishermen to regulate their own catches, taking into account the market and fish stocks, so as to permit the effective management of resources.

#### IV. IMMEDIATE ISSUES OF COMMUNITY RELATIONS WITH SPAIN

##### The 1970 Agreement between the EEC and Spain

##### The Initial Agreement

The preferential trade agreement between Spain and the EEC came into effect on 1 October 1970.

The Agreement was to be in two phases, but only the content of the first phase, which was to last at least six years, has been worked out in detail. The Agreement conformed with the GATT provisions concerning possible exceptions to the most-favoured-nation clause and laid the foundations for a free-trade area since it states (in its Article 1) that "the progressive elimination of obstacles to the main body of trade ... shall be brought about ...".

##### Tariff Reductions

- a) Under the Agreement the EEC dismantled its tariffs in the following stages :
- 30% reduction in the Common Customs Tariff upon implementation of the Agreement;
  - 50% from 1 January 1972;

- 60% from 1 January 1973;

these reductions applied to almost all industrial products and a number of agricultural products.

b) Spain was to dismantle its tariffs over a longer period of time (in six stages) and the reductions only applied to a limited number of products :

- the 60% reduction, which came into effect from 1 January 1977, only applied to non-sensitive products (see List A in Annex II to the Agreement);

- the 25% reduction, which also came into effect from 1 January 1977, covered the majority of products (see Lists B and C).

There is thus an imbalance - to the disadvantage of the Community - in the application of tariff reductions, this imbalance being heightened by the differences in the duties to which the reductions applied (the EEC average tariff on industrial goods imported from Spain being 5% - 7%, the average tariff applied by Spain to Community industrial goods being 25% - 30%).

#### Quotas

Comparable arrangements were reached in respect of quotas. Spanish exports could enter the EEC without quantitative restrictions but Spain continues to apply quotas to many imports from the EEC.

Under the Agreement, Spain was to make an annual increase of 13% in its quotas for a considerable number of products (see List D in Annex II); this was an average figure and it was specified that each individual quota was to be increased by at least 7%. The impact of this arrangement has been eroded by inflation and the devaluation of the Spanish currency, as the quotas are expressed in terms of pesetas.

Under Article 6 of Annex II, Spain committed itself to reduce quantitative restrictions (after the sixth year of application of the Agreement) to 5% in value of the average total imports from the Community in 1966, 1967 and 1968.

With regard to farm produce, the Community granted tariff concessions for citrus fruits, certain types of fresh fruit and vegetables, olive oil and certain fish. Quota concessions for certain types of wine (sherry, Malaga, Jumilla, Priorato, Rioja, Valdepenas) have also been granted by the Community.

In turn, Spain pledged to purchase at least 30% of its butter imports on the Community market from 1 January 1976.

### Safeguard Clause

The Agreement authorizes the EEC and Spain to take anti-dumping and other safeguard measures in respect of their trade with each other. This clause has scarcely been used over the seven year period, despite the fact that some sectors in the Community have been put in serious difficulty.

### Extension of the Agreement

The EEC and Spain had an exchange of letters on 25 July 1977 which led to the Agreement being extended to cover the three countries which had joined the Community on 1 January 1973. It had been envisaged that fundamental adjustments to the 1970 Agreement could be made at the same time.

What took place was merely a series of legal and technical adjustments to the Agreement. The two parties to the Agreement informed each other of the decisions which they had taken independently to extend the scope of the Agreement to include tariffs and quotas for trade with the three new Member States. The tariffs on trade between Spain and the three new Member States were aligned on the tariffs laid down by the 1970 Agreement. The quotas were increased to take into account the enlargement of the EEC. (But the methods used by Spain to calculate these increases differed from those used by the EEC).

Adjustments to the Agreements

On a number of occasions the Community has put forward proposals for the second phase of the Agreement and for progressing towards complete and reciprocal abolition of customs and quota barriers. In brief, the most recent Community proposals, made in December 1977, are as follows :

- The Community would introduce concessions for various agricultural products produced by Spain, and reduce customs duties by 20% on a number of sensitive industrial products on which duties had either not been reduced at all or reduced by only a small amount;
  
- Spain, for its part, would make further reductions of between 15 and 20% in the duty on products completely or partially exempted from the previous tariff reductions. Spain would also make adjustments to the method of calculating quotas.

The Community also proposed that there should be negotiations on products covered by ECSC provisions.

These latest Community proposals were rejected by the Spanish Government on 8 February 1978. Spain wanted bigger EEC concessions on agriculture: it wanted to maintain its share of the Irish, Danish and UK markets and it wanted concessions comparable to those granted to the Maghreb countries. In respect of industrial products, Spain declared its readiness to grant tariff concessions of comparable scope to those proposed by the Community.

Spain proposed mutual dismantling of tariffs on products covered by the ECSC provisions.

### The Practical Problems

A close look at trade flows between the EEC and Spain since 1970 shows that, the percentage of Spanish imports from the Community covered by exports in the reverse direction has increased steadily (1972 : 59%, 1974 : 60%, 1976 : 70%, 1977 : 78%, 1978 : 93%).

A closer sectoral and regional examination shows that real difficulties are being encountered by the Community. These difficulties can be put down to the terms of the 1970 Agreement, to unilateral measures taken by Spain and to a number of laws, administrative provisions and other measures in force in Spain.

In recent years, many Community businessmen have been faced by measures which have impeded their sales in Spain. Three examples may be cited :

- The blanket, unilateral raising of customs duties on 30 August 1976 by 6%, 12% or 20% (depending on the product concerned; this was a temporary measure, for a period of six months, and it was terminated on 28 February 1977;
- the introduction on 8 October 1976 of a general import surcharge of 20% over and above the aforementioned increased duties; this surcharge remained in force until 8 October 1977;

- the reintroduction of a 1939 Law under which it is possible to prevent companies receiving public assistance (particularly financial aid) from importing capital goods in competition with goods which are, or might be produced in Spain.

The devaluations of the peseta increased the price of imported products and provided a stimulus for Spanish exports. The two most recent devaluations of the peseta against the dollar were of 10% on 9 February 1976 and 20% on 12 July 1977. In the meantime, however, the value of the peseta has increased by about 15% against the dollar (April 1978).

The import duty to offset internal taxes on home-produced products (ICGI) is designed to ensure that imported and home-produced goods are treated alike for tax purposes. It is levied on imports in order to offset the multi-stage taxes on goods produced in Spain. But this duty is applied at different rates, based on a series of flat-rate assessments made in 1964 which, with a few exceptions, have not been revised since that time. In reality, indirect taxation bears more heavily on imports than Spanish products, thus introducing discrimination, of varying degrees, against imported products.

This import duty has a counterpart under which exports are eligible for a refund of internal taxes. But the rates of such refunds are likewise based on standard-rate assessments of internal taxes (turnover tax, taxes on manufacturing equipment, fuel taxes, local taxes, stamp duty and other internal taxes). The civil service has not revealed the exact method of calculation. The system seems often to boil down to a subsidy.

The Spanish taxation system does not therefore have the neutral effect on exports and imports of the EEC VAT System. For this reason it is important that the Spanish Government should rapidly apply the indirect tax reform currently being prepared.

There are a number of factors which give rise to uncertainty on the part of EEC exporters. These factors, whose effect vary according to the different sectors are : the supervision of import prices, the way in which the value of goods for customs purposes is assessed, the introduction of specific duties, the way the customs nomenclature is interpreted, insistence on the need for approval of chambers of commerce even in cases where this is not an express requirement, and delays in the issue of import licences and in the transfer of repayments and capital. The Committee observes that numerous exporters in all Community countries are complaining about these obstacles.

It is apparent from the latest Council decisions that Spain will not join the EEC for at least three years (time needed for negotiations, parliamentary ratifications, etc.). It seems improbable that throughout this period no progress will be made in contractual alignment of the legal, economic and social conditions governing relations between the Community and Spain.

Spain must henceforth adapt to the conditions prevailing in the Community, at least as regards certain factors which have a determining effect on the pattern of trade. If this preliminary adaptation is not made, Spain may have to request exemptions and delays when the transitional period begins in order to take into account the difficulties encountered in some sectors of her economy.

This adaptation is also necessary to satisfy the Community's economic interest groups, who want to see production conditions and the terms of trade between Spain and the Community aligned as quickly as possible.

Spain has taken a first step towards adaptation by entering into negotiations with the EFTA countries aimed at according them the treatment it gives to the EEC under the 1970 Agreement. The EEC/Spain Joint Committee which met on 24 January 1979 did not achieve positive results. While the Spanish recognized on that occasion that there had been problems in implementing the agreement, no practical steps were decided to solve them or to make further adaptations. It should, however, be noted that Spain announced at the end of April that there would be a partial suspension of import duties for three months. As this provision is of general application it will not imply any new preference for EC imports. Spain has also removed a number of import quotas.

More specifically, by means of mutual consultation and information, the Community should induce Spain to begin to make a selective adaptation to Community conditions. This should be a fundamental element in talks on Spain's membership.

"Selective adaptation" means adaptation on the following points which are essential for the normal development of trade :

a) as regards the commercial aspects

- immediate reduction of Spain's "tariff peaks";
- expansion and phasing out of import quotas;
- cessation of abnormal customs practices (goods being held up in customs, withholding of import licences, etc.);
- abolition of aid for exports to the Community;

b) as regards indirect taxes, abolition of refunds for exports and of import dues which presupposes the introduction of VAT as quickly as possible;

c) as regards industrial property, adaptation of Spanish regulations on patents, trade marks and designs to ensure that the interests of Community operators are effectively protected.

V. CONCLUSIONS

The Economic and Social Committee shares the view that for political reasons, and also in order to promote the economic development of the Community in the medium and long term and strengthen its international position, the negotiations for the entry of Spain into the EEC should be brought to a positive conclusion.

However, the preceding pages have given some idea of the extent of the problems which both Spain and the Community have to face if true accession is to be achieved. In its Opinion of 29 November 1978 the Commission stated that Spanish entry could only be considered a success if it were accomplished "without intolerable strains on either side". The Committee concurs fully with this sentiment and therefore lays special emphasis on the comments in Chapter IV above on the immediate issues of Community Relations with Spain.

As far as agriculture is concerned, the above comments shed light on the diversity, scope and urgency of the decisions to be taken. Far-reaching and prolonged action will be needed if Spain is to join the Community without creating serious problems. This is why farmers would like to see a transitional period whose duration is (a) regulated by the general provisions to be laid down under the Treaty of Accession, and (b) is related to the actual commitments (of both the Community and Spain) entered into at each stage.

Without waiting for the transitional period, the time prior to Spain's membership should be used :

- a) to achieve a convergence of the economies of the Community and Spain;
- b) to improve trading conditions between Spain and the European Community in accordance with the 1970 Agreement which provided for the phased abolition of obstacles in most areas of trade; and

c) to carry out integrated modernization and redevelopment programmes covering both agriculture and other economic sectors of the Mediterranean regions of the EEC. These programmes should make immediate use of the whole range of resources at the disposal of the Community, i.e. ERDF, EIB, Social Fund and the EAGGF, to benefit the Member States.

Market organizations will, if necessary, have to be adjusted in order to match changes in the supply and demand of Mediterranean products and safeguard the incomes of this growing band of producers. But administering the regulations and policies will be trickier on account of the greater diversity of situations.

As far as Spain is concerned, Community action must concentrate on setting up the necessary administrative structures (back-up facilities, management, controls) and producer organizations (cooperatives, inter-trade associations) if such regulations are to be implemented satisfactorily.

A pattern of production will have to be adopted that is in accord with the interests not only of producers but also consumers and EEC tax-payers. This would mean paying attention to export openings and a job-creating policy in the Mediterranean regions of the Community. This can be a starting point for the control over production which is wanted in Europe.

At the same time efforts will need to be made to promote the consumption of Mediterranean agricultural products throughout the Community. This involves tackling the question of quality and a number of price components (taxation, transport, distribution, factors of production, etc.).

For activities other than agriculture, Spanish entry should not, generally speaking, cause so many difficult problems in the Community provided that equality as regards market access is brought about effectively and rapidly.

However, it cannot be ruled out that difficulties may arise in certain sectors or certain regions of the EEC. It is therefore essential to set up machinery that will effectively prevent them from occurring. For this reason the Committee approves the Commission's proposal to have a general safeguard clause covering the whole of the transitional period. Such a clause should include machinery to monitor imports of products considered as "sensitive" so that it can be implemented promptly should the need arise.

Moreover, conditions of competition may be modified at any time by changes in currency parities, at least for a short while. It is therefore essential that Spain is associated as rapidly as possible with EEC consultations on monetary matters and gradually accepts the corresponding disciplines. Surprisingly, the Commission's Opinion is silent on this point, and the Commission should deal with this problem.

If deadlines have to be set to enable Spain to progressively narrow the gap separating her from the Community, they must be geared as closely as possible to real needs and the actual situation. It should be possible to lay down different deadlines according to the sectors or activities concerned, as the Commission proposes. Here, too, as elsewhere, one should not try to take over wholesale the solutions worked out for Greece or Portugal. For numerous industries in the Community the transitional period for Spain should be as short as possible, but there should be exceptions for certain sectors sensitive to Spanish competition and certain branches of the food processing industry.

The 10-year transitional period proposed in the Commission's Opinion should not therefore apply to all trade. It can only be considered as a maximum which it would be desirable to shorten in all areas where such action is possible.

At any event, and before formal accession takes place Spain should agree to be involved in the implementation of certain Community policies considered to be essential. One could take as examples the question of State aid and the implementation of specific policies in individual industries.

More generally, when conducting her own economic policy Spain will have to take account of restructuring policies undertaken by the Nine, in order to avoid adding additional

difficulties in sensitive sectors. The Study shows that those industries which are in difficulties in the Community (ship-buildings, steel, etc.) are also in trouble in Spain, often even more so. Conversely, the Commission has rightly pointed out (1) that when framing its own industrial policy the Community, for its part, should keep the prospect of enlargement in mind and prepare for the integration of the applicant countries in conjunction with these nations.

The above remarks, which are of particular relevance to industrial policy, apply to external relations, where it would be desirable for Spain to take account right now of the Community's commitments and obligations, as she will have to honour them herself. In other words, when conducting her own external economic and commercial policy Spain should not use the freedom of action which she still possesses in relation to the Nine to accentuate the differences between the rules followed by her and by the Community in dealings with non-EEC countries or blocs.

In joining the Community Spain will have to accept the Community patrimony. This means, as far as external affairs are concerned, that she will have to endorse all the Community's commitments towards its partners and especially those with whom it cultivates privileged relations (e.g. the EFTA, ACP, Maghreb and Mashreq countries and GSP beneficiaries). Spain's entry, like that of Greece or Portugal, should not lead to the

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(1) See the Commission's Communication to the Council of 19 April 1978 entitled "General Consideration on the Problems of Enlargement".

development of protectionist attitudes in the Community. The enlarged Community will certainly have to defend itself against all forms of abnormal competition, but from the outset Spain should gauge properly the nature and the extent of its external commitments. This should be done to prevent any de facto fragmentation of the Common Market, whereby such commitments would be honoured only by some Member States.

The Community for its part, though recognizing that Spain's historical ties with Latin America might offer it fresh political and commercial links with that area, should NOT agree to extending any preferential or non-reciprocal arrangements similar to those extended to the ACP countries.

The social aspects of Spanish membership in the EEC are similar to those relating to the other applicants for membership.

However, it must be pointed out that Spain, as the eleventh largest economic power in the world, is closer to the Community position than are Greece and Portugal. Moreover, the social situation cannot be considered in isolation. Particularly in the case of Spain, the risks of tension in the Community labour market and the probable cost of the social and regional aid which the Community will have to give Spain must be weighed against the advantages the Community may gain from the removal of barriers to a market as large as Spain's.

As the comments on page 20 to 24 show, one result of Spanish membership will be a higher average rate of unemployment in the Community. It can also be stated with some certainty that, in the present economic and employment situation, an immediate opening of the Community frontiers to Spanish workers would probably cause problems.

Under these circumstances, while the free movement of Spanish workers and their families and those of the other applicants must be regarded as an essential objective, it can only be completely achieved in stages (this would also make it easier to solve the problems of the free movement of workers between Portugal and Spain).

Initially, the free movement of workers could be made conditional upon the possibilities of employment in the Community; it could be made effective to start with only in certain industries or trades where there is a demand for labour. During the first stage, provision should also be made for a safeguard clause making it possible to put a temporary stop to immigration.

Free movement could thus be organized gradually in such a way as to avoid making the already difficult employment situation even worse, while still meeting the needs of both the countries of origin and the host countries. In this way, the conditions for the progressive establishment of a Community labour market could be realistically created.

In view of the lack of information on Spain's real situation vis-à-vis the Community's social achievements (and in relation to the work underway to enlarge those achievements) (\*), the Commission should assemble as much information on the subject as possible. The trade unions and employers' organizations in the Community and Spain could be invited to assist in this work. It would also be interesting to have some statistics from the Commission on the development of wage costs in Spain (and the other applicants) and what percentage of these costs is accounted for by social security.

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(\*) in particular, equal pay and equal treatment for men and women, mass redundancies, the maintenance of workers' rights in the event of mergers, working hours and paid leave, shift and night work, etc.

The Community's regional policy will have to be adapted when Spain becomes a member. Indeed, the Community's contribution to the development of the applicant countries will have important financial consequences. At any event, more care than ever before will have to be taken to see that any measures put into effect are effective, in view of the greater needs that will make themselves felt. To this end Community aid should depend on beneficiary countries fulfilling certain obligations, in particular that of pursuing reasonable policies which are compatible with objectives laid down together.

But it must be borne in mind that it is equally essential for the regional policy to be implemented within the Nine both in problem areas suffering from the recession and the difficulties of industrial restructuring and in Mediterranean regions directly concerned by enlargement.

From now on the problems which Spain faces in moving closer to the EEC must no longer be considered as purely national problems but as Community problems.

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APPENDICES

APPENDIX I

Investment Statistics

THE 1979 INI INVESTMENT PLAN

		<u>% increase</u>
<u>Allocation of funds</u>		
Real investment	187,065	35
Circulating assets	<u>23,203</u>	20
Total	210,268	33
<u>Origin of the finance</u>		
INI contributions to group undertakings	54,575	36
Contributions from private shareholders in undertakings	5,368	40
Own resources of the undertakings	31,649	-
Increase in debts	97,922	59
Contributions from the State (1)	<u>20,736</u>	-
Total	210,268	33

(Source : "Cinco Dias" 20 January 1979, p.16)

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(1) Chiefly accounted for by State aid to the following undertakings: HUNOSA (coal), BAZAN (shipyards - mainly building warships), CASA (aircraft), HISPANOIL (oil prospecting) and ENIEPSA.

SPANISH INVESTMENT ABROAD

IN 1976, 1977 AND 1978 (1)

(in millions of pesetas)

Country of investment	Position in 1978	1978		1977		1976	
		amount	%	amount	%	amount	%
Argentina	1	2,690.4	20.87	500.9	3.72	6.9	0.16
Venezuela	2	1,066.4	8.77	4,636.5	34.36	206.1	4.84
Uruguay	3	989.2	7.67	-	-	-	-
Chile	4	826.8	6.42	224.6	1.66	8	0.19
France	5	785.9	6.10	498.9	3.70	555.2	13.06
Porto-Rico	6	739.2	5.74	697.2	5.17	219.4	5.16
Mexico	7	638.9	4.96	160.3	1.18	342.7	-
Brasil	8	586.0	4.54	554.3	4.11	786.7	18.49
Algeria	9	494.5	3.84	-	-	-	-
Morocco	10	456.0	3.54	273.7	2.03	116.4	2.74
Netherlands	11	407.3	3.16	-	-	-	-
Portugal	12	358.3	2.78	256.0	1.89	5.8	0.13
Dominican Republic	13	351.8	2.72	141.8	1.05	-	-
United States	14	258.5	2.00	1,208.4	8.96	77.1	1.82
Ecuador	15	248.0	1.93	109.4	0.81	167.1	3.93
Others	-	2,000.1	-	4,232.9	-	1,741.3	-
TOTAL	-	12,897.3	100	13,494.9	100	4,232.7	100

Source : Informacion Comercial Espanola  
Spanish Ministry for Trade

(1) Authorized direct investment

FOREIGN INVESTMENT IN SPAIN (1)

	<u>1978</u>		<u>1977</u>	
	<u>Millions of pesetas</u>	<u>%</u>	<u>Millions of pesetas</u>	<u>%</u>
United States	14,054.9	24.71	6,480.4	23.11
Switzerland	8,752.1	15.33	5,831.1	20.70
West Germany	8,630.4	15.18	3,814.1	13.61
France	6,095.9	10.72	1,474.9	5.21
Spain (resident ptas) (2)	4,294.3	7.55	2,796.2	9.98
Canada	3,132.5	5.51	8.5	0.04
Luxembourg	2,441.7	4.30	518.8	1.86
Netherlands	1,724.8	3.04	765.0	2.80
Liechtenstein	1,575.9	2.78	61.7	0.23
United Kingdom	1,558.9	2.75	3,587.6	12.80
Panama	870.3	1.53	95.4	0.35
Liberia	839.3	1.48	11.1	0.04
Belgium	646.4	1.14	893.3	3.19
Saudi Arabia	600.0	1.06	-	-
Italy	308.3	0.55	603.7	2.16
Japan	270.8	0.37	391.9	1.40
Others	<u>744.2</u>	<u>1.39</u>	<u>400.5</u>	<u>1.42</u>
Total	56,887.3	100	28,042.4	100

Source : Informacion Comercial Espanola

- (1) Concerns only those investments authorized by the Spanish authorities.
- (2) Concerns investments made in "resident" pesetas, i.e. pesetas held by foreign residents in Spain or by Spanish residents abroad.

APPENDIX II

Principal measures and extent to which they have been implemented

Principal Measures	Deadline	Progress made	Comments
<p>1. Trade policy</p> <p>1.1 Reform and modernization of commercial structures</p>	<p>31.12.78</p>	<ul style="list-style-type: none"> <li>• Royal Decree No. 465/1978 of 27 January 1978 setting up an Interministerial Committee on the Co-operative System</li> <li>• Existence of initial draft legislation</li> </ul>	<ul style="list-style-type: none"> <li>• The aims of the Reform are to improve marketing, simplify wholesale trade structures, and modernize the retail trade</li> </ul>
<p>1.2 Rules on the supervision and control of markets</p>	<p>31.12.77</p>		<ul style="list-style-type: none"> <li>• Being studied</li> </ul>
<p>2. Industrial and energy policies</p>			
<p>2.1 Industrial re-organization programme</p>	<p>31.12.78</p>		
<p>2.2 National Energy Plan</p>	<p>31.12.77</p>	<ul style="list-style-type: none"> <li>• Approved by Council of Ministers on 2 May 1978 and then submitted to the Cortès</li> </ul>	<ul style="list-style-type: none"> <li>• The timetable laid down was not observed (the Plan is now intended to cover 1978 and 1979)</li> <li>• In preparation</li> </ul>
<p>2.3 Statutes of public companies and rules on the management supervision of public companies</p>	<p>31.06.78</p>		
<p>2.4 Reorganization of the energy sector</p>			<ul style="list-style-type: none"> <li>• The relative importance of the different sources of energy supplies will be subjected to a critical analysis after publication of the National Energy Plan (2.2)</li> </ul>

Principal measures	Deadline	Progress made	Comments
<p><u>3. Fats and fisheries policy</u></p>			
<p>3.1 Agrarian reform and agricultural development (draft law)</p>	31.12.77	<ul style="list-style-type: none"> <li>- Approved by the Council of Ministers on 16 June 1978</li> </ul>	<ul style="list-style-type: none"> <li>- In preparation</li> </ul>
<p>3.2 Statutes governing tenant farming (draft law)</p>	30.06.78	<ul style="list-style-type: none"> <li>- Royal Decree No. 465/1978 of 27 January 1978 setting up an Interministerial Committee on Cooperatives</li> </ul>	<ul style="list-style-type: none"> <li>- Currently being examined by the Cortés</li> </ul>
<p>3.3 Agricultural and livestock cooperatives - Farm processing businesses (draft law)</p>	30.06.78	<ul style="list-style-type: none"> <li>- Approval of criteria for crop development by the Council of Ministers on 30 March 1978</li> </ul>	<ul style="list-style-type: none"> <li>- No progress since last January</li> </ul>
<p>3.4 Crop development plan</p>	31.12.78	<ul style="list-style-type: none"> <li>- Approval by the Council of Ministers on 13 January 1978 and subsequently submitted to the Cortés</li> </ul>	
<p>3.5 Farm insurance (draft law)</p>		<ul style="list-style-type: none"> <li>- Royal Decree No. 320/1978 of 17 February 1978</li> </ul>	
<p>3.6 Reform of Chambers of Agriculture with a view to setting them to accept the principle of union independence</p>		<ul style="list-style-type: none"> <li>- Ministerial order of 6 March 1978</li> </ul>	
<p>3.7 Reform of the General Commissariat for Supplies and Transport</p>	(1978)	<ul style="list-style-type: none"> <li>- Existence of a Preliminary Draft</li> </ul>	<ul style="list-style-type: none"> <li>- The aim is to open up markets by cutting down on State intervention</li> </ul>

Principal Measures	Deadline	Progress made	Comments
<p>3.8 Rules governing family-run farms</p>	<p>(1978)</p>	<p>• Law 15/1978 of 20 February 1978</p>	<p>• Falls within the framework of the draft law on agrarian reform and agricultural development (3.1.) but will be covered by special rules</p>
<p>3.9. Extension of waters under Spanish jurisdiction to 200 miles</p>	<p>30.06.78</p>	<p>(1978)</p>	<p>• The Plan is still awaited</p>
<p>3.10 Plan to reorganize the fisheries sector</p>	<p>31.03.78</p>	<p>• Royal Decree No. 300/1978 of 2 March 1978</p>	<p>• Being studied</p>
<p>3.11 Greater technical and commercial standardization of products sold on the domestic market</p>	<p>31.03.78</p>	<p>• Order of the Ministry of Commerce and Tourism of 29 March.</p>	
<p>3.12 Reform of the rules governing the operation of the National Consumer Institute</p>			
<p>4. <u>Employment policy and employment relations</u></p>			
<p>4.1 Right of employers to make workers redundant (with automatic compensation) for contracts concluded from 1 January 1978 onwards</p>			

Principal Measures	Deadline	Progress made	Comments
<p>4.2 Rules governing the status of workers</p>	<p>31.12.77</p>		<ul style="list-style-type: none"> <li>• Article 33 (para. 2) of the Draft Constitution: the draft rules on the status of workers should be examined by Parliament after the vote on the Constitution</li> </ul>
<p>4.3 Rules governing trade union action within firms</p>	<p>31.12.77</p>		
<p>4.4 Rules governing the right to strike</p>	<p>31.12.77</p>		<ul style="list-style-type: none"> <li>• Recognition of the right to strike is given in the second para. of Article 26 of the Draft Constitution (the draft law covering the right to strike should be examined after the vote on the Constitution)</li> </ul>
<p>5. <u>Financial policy</u></p>			
<p>5.1 Rules permitting the establishment of new banks; the banks are free to set up branches</p>	<p>31.12.77</p>		
<p>5.2 Rules governing the system of bank control; financial inspection; rules relating to the methods of extending credit</p>			<ul style="list-style-type: none"> <li>• It was envisaged that the Bank of Spain would prepare draft rules limiting the credit granted by Banks to joint-stock companies (being studied); rules designed to help Savings Banks and small and medium-sized undertakings are also awaited.</li> </ul>

Principal measures	Deadline	Progress made	Comments
<p>5.3 System of insurance for bank deposits</p>	<p>31.12.77</p>	<ul style="list-style-type: none"> <li>• Royal Decree No. 3307/1977 of 1 December 1977</li> </ul>	<ul style="list-style-type: none"> <li>• A State Inspector ("Inter-ventor General") is responsible for this control)</li> </ul>
<p>6. <u>Social security policy</u></p> <p>6.1 Direct control of the social security budget</p>	<p>30.06.78</p>	<ul style="list-style-type: none"> <li>• Royal Decree No. 2890/1977 of 28 October 1977</li> <li>• Resolution of the Under-Secretary of Health and Social Security on 12 November 1977</li> </ul>	
<p>6.2 Establishment of machinery to ensure the control of social security benefits (with the participation of the two sides of industry)</p>	<p>31.05.78</p>	<ul style="list-style-type: none"> <li>• Royal Order in Council No. 4/1978 of 24 January 1978</li> <li>• Royal Decree No. 95/1978 of 25 January 1978</li> <li>• Order of the Ministry of Health and Social Security of 4 February 1978</li> <li>• Order of the Ministry of Health and Social Security of 13 February 1978</li> </ul>	<ul style="list-style-type: none"> <li>• The aim is to fix new criteria (progressive contributions, principle of redistribution and principle of social effectiveness)</li> </ul>
<p>6.3 Transfer of one billion pesetas from the state budget to the social security budget in 1978</p>	<p>30.11.77</p>		
<p>6.4 Reform of the system of contributions</p>			

Principal measures	Deadline	Progress made	Comments
<p>6.5 Reform of the financing of social security, the six being for the State to cover 20% of the budget in 1983</p>	<p>05.78</p>		<ul style="list-style-type: none"> <li>. At the start (1977) the State paid 3.5% of budget : in 1978 this proportion should go up to 8.2%; the study which should have been submitted in May 1978 is still awaited</li> </ul>
<p>6.6 Transfer to the State of :</p> <ul style="list-style-type: none"> <li>. the job allocation service and training schemes</li> <li>. vocational training and advancement schemes for workers</li> <li>. the Spanish Institute for Emigration</li> <li>. workers' university</li> <li>. hygiene and safety schemes</li> </ul>	<p>(1978)</p>		
<p>6.7 Measures necessary to increase the efficiency of the system for covering contributions and controlling social security</p>	<p>(1978)</p>		<ul style="list-style-type: none"> <li>. Being studied. The social security budgets for 1979 are being analysed</li> </ul>

Principal measures	Deadline	Progress made	Comments
<p>6.8 An all in all 30% increase in social security pensions by applying the principle of progressiveness</p> <p>6.9 Unemployment benefits :</p> <ul style="list-style-type: none"> <li>. financial burden covered to a gradually increasing degree by the State</li> <li>. control of statistical returns, of job placement bureaux, of the efficiency of benefit schemes</li> <li>. prolongation, in certain cases, of right to benefits</li> <li>. change in actual amounts of benefits paid out</li> <li>. increase in subsidies designed to reduce unemployment in farming</li> <li>. fixing of a ceiling for unemployment benefits</li> </ul>	<p>01.01.78</p>	<ul style="list-style-type: none"> <li>. Royal Decree No. 85/1978 of 24 January 1978</li> <li>. Order of the Ministry of Health and Social Security on 24 January 1978</li> <li>. Order of the Ministry of Finance on 27 January 1978 (civil and military functionaries)</li>   <li>. Royal Order in Council No. 44/1977 of 21 December 1977</li>   <li>. Royal Decree No. 3397/1977 of 28 October 1977</li>   <li>. Royal Order in Council No. 4/1978 of 24 January 1978</li> </ul>	

Principle measures	Deadline	Progress made	Comments
<p><b>7. Price and incomes policy</b></p> <p>7.1 Maintenance of system of officially authorized prices for essential products</p> <p>7.2 New import policy; reform of customs tariffs</p>		<ul style="list-style-type: none"> <li>An unilateral and provisional (three months) 15% reduction of customs duties was decided by a Decree of 29 July 1978</li> </ul>	<ul style="list-style-type: none"> <li>This lowering of customs duties seems to have been dictated by short-term economic considerations (to check an inflow of foreign currency that would compromise the monetary policy of the Government) more than by the questions of principle (less protectionism), which seem to have inspired this part of the Moncloa Pact</li> </ul>
<p><b>8. Budgetary policy</b></p> <p>8.1 Acquisition in 1978 and 1979 of the receipts needed to finance State expenditure, including a certain proportion of the social security budget</p> <p><b>9. Tax reform</b></p> <p>9.1 Exceptional tax on the wealth of natural persons</p>		<ul style="list-style-type: none"> <li>Comes under Law No. 55/1977 of 14 November 1977 authorizing the Government to make urgent tax reforms</li> </ul>	<ul style="list-style-type: none"> <li>The relevant funds are higher than those provided for by the Finance Law (36% more between January and July 1978 than for the same period the previous year)</li> </ul>

Principal measures	Deadline	Progress made	Comments
<p>9.2 Exceptional tax on high incomes (starting at two million pesetas, i.e. approx. 110,000 francs)</p> <p>9.3 Tax on certain luxury consumer goods</p>		<ul style="list-style-type: none"> <li>Comes under the previous Law</li> </ul>	
<p>9.4 Introduction of the notion of tax offence and partial lifting of the obligation on banks to maintain professional secrecy (this in order to help fight fraud)</p>		<ul style="list-style-type: none"> <li>The Law of 14 November 1977 increases the rate of taxation on expensive drinks and on vehicles of more than 13 HP engines</li> <li>Provisions to this effect are contained in the above-mentioned Law of 14 November 1977</li> </ul>	
<p>9.5 Reform</p> <ul style="list-style-type: none"> <li>of taxes on the income of natural persons (creation of a general tax on all incomes to take the place of the existing scheduled taxation system)</li> <li>of estate duties</li> </ul>		<ul style="list-style-type: none"> <li>Law reforming the general tax on the income of natural persons published in the Official State Bulletin on 11 September 1978 (application from 1979)</li> </ul>	<ul style="list-style-type: none"> <li>The implementing decisions are being prepared</li> </ul>
<p>and final introduction of a wealth tax</p>		<ul style="list-style-type: none"> <li>The principle involved was set out in the afore-mentioned Law of 14 November 1977</li> </ul>	<ul style="list-style-type: none"> <li>The draft legislation, approved by the Council of Ministers, has been submitted to the Cortés</li> </ul>

Principal measures	Deadline	Progress made	Comments
<p>9.6 Reform of corporation tax</p> <p>9.7 Reform of indirect taxation: introduction of value added tax</p>			<ul style="list-style-type: none"><li>• The draft law approved by the Council of Ministers on 23 June 1978 has been submitted to the Cortés</li><li>• Pending introduction of value added tax, the Government proposes to push through a draft law creating a provisional system of indirect taxes which will change the current general tax on business transactions (IGTE) and the tax on luxury goods.</li></ul>

TRADE IN TEXTILES BETWEEN THE EEC AND SPAIN

1970 - 1977

Textiles and garments make up about 8% of Spain's exports in manufactures.

Approximately 47% of these exports of textiles and garments go to the EEC.

EEC imports

These increased by a factor of 6 between 1970 and 1977, with knitted and crocheted goods (10 fold increase) and clothes (11 fold increase) doing particularly well.

The Federal Republic of Germany and France are far and away the biggest market for the export of Spanish textiles to the EEC. But between 1970 and 1977 the share of imports taken by the FRG fell slightly, whilst the share taken by France and the Benelux countries showed a substantial increase. During the same period the share of the United Kingdom fell sharply.

EEC exports

Exports increased by a factor of 3.3 between 1970 and 1977 with garments (4 fold increase) registering a somewhat more rapid growth rate.

France is Spain's main supplier from the EEC, coming ahead of Germany and Italy. France's position has improved slightly by comparison with that of the other EEC countries, whilst Italy has maintained its position, the Benelux countries have improved their position and the United Kingdom has lost ground.

Trade balance

The export-import ratio of the EEC went down from 90% to 51% between 1970 and 1977.

In 1970 Italy and France had a trade surplus with Spain while Great Britain's trade with Spain was in overall balance. In 1977 only Italy had a trade surplus in all three categories (\*) whilst the United Kingdom still had a surplus in knitted and crocheted goods, and in garments. France's trade with Spain fell into a deficit in yarn and fabrics in 1977 and her deficit in knitted and crocheted goods increased. Germany's trade deficit with Spain worsened in all categories.

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(\*) See table on page 89.

STATISTICS (in '000 US dollars)

1) EEC imports from Spain

		65 yarn fabrics	841-4 knitted/ crocheted goods	Balance 841 garments	Total
1970	EEC	35,868	3,748	7,032	46,648
of which	Germany	10,252	857	3,076	14,285
	France	6,394	1,746	1,320	9,460
	Italy	2,220	58	640	2,918
	Netherlands	2,085	201	908	3,194
	Benelux	3,835	194	472	4,501
	UK	6,512	377	475	7,364
1977	EEC	150,835	37,591	86,732	274,798
of which	Germany	35,615	9,245	31,770	76,630
	France	44,840	13,362	16,399	74,601
	Italy	10,455	1,298	5,084	17,737
	Netherlands	8,420	4,950	23,588	36,928
	Benelux	26,268	6,914	5,231	38,413
	UK	19,031	831	2,653	22,515
Share of EEC imports from Spain (%)					
Germany	1970	28.6	22.9	43.7	30.4
	1977	23.6	24.6	36.6	27.9
France	1970	17.8	45.6	18.8	20.3
	1977	29.7	35.5	18.9	27.1
Italy	1970	6.2	1.5	9.1	6.3
	1977	6.9	3.4	6.9	6.5
Netherlands	1970	5.8	5.4	12.9	6.8
	1977	5.6	13.2	27.2	13.4
Benelux	1970	10.7	5.2	6.7	9.6
	1977	17.4	18.4	6.0	14.0
UK	1970	18.2	10.1	6.8	15.8
	1977	12.6	2.2	3.1	8.2

2) EEC exports to Spain

1970		65 yarn fabrics	841-4 knitted/ crocheted goods	Balance 841 garments	Total
1970	EEC	32,056	4,382	5,758	42,196
	of which Germany	8,443	540	797	9,780
	France	10,482	735	2,023	13,240
	Italy	5,669	1,859	1,644	9,172
	Netherlands	1,097	19	51	1,167
	Benelux	1,465	4	35	1,504
	UK	4,864	1,217	1,203	6,963
1977	EEC	104,699	12,815	23,472	140,986
	of which Germany	23,979	1,907	1,728	27,614
	France	35,868	3,547	9,992	49,407
	Italy	18,247	4,171	8,556	30,974
	Netherlands	5,822	97	258	6,177
	Benelux	10,651	39	211	10,901
	UK	9,215	3,027	2,692	14,934
Share of EEC exports to Spain (%)					
Germany	1970	26.3	12.3	13.8	23.2
	1977	22.9	14.9	7.4	19.6
France	1970	32.7	16.8	35.1	31.4
	1977	34.3	27.7	42.6	35.0
Italy	1970	17.7	42.4	28.6	21.7
	1977	17.4	32.5	36.5	22.0
Netherlands	1970	3.4	0.4	0.3	2.8
	1977	5.6	0.8	1.1	4.4
Benelux	1970	4.6	0.1	0.6	3.6
	1977	10.2	0.3	0.9	7.7
UK	1970	15.2	27.8	20.9	16.5
	1977	8.8	23.6	11.5	10.6

Source : Statistical Office of the  
European Communities  
(1977 figures converted from EUA  
into US dollars)

3) Export/import Ratio of EEC with Spain (%)

		65 yarn fabrics	841-4 knitted/ crocheted goods	Balance 841 goods	Total
EEC	1970	89	117	82	90
	1977	69	34	27	51
of which Germany	1970	82	63	26	69
	1977	67	21	5	36
France	1970	164	42	153	140
	1977	80	27	61	66
Italy	1970	255	3,205	257	314
	1977	175	321	143	175
Netherlands	1970	52	9	6	37
	1977	69	2	1	17
Benelux	1970	38	2	7	33
	1977	41	0.6	4	28
UK	1970	75	323	253	99
	1977	48	364	101	66

QUANTITATIVE LIMITATIONS IN SPAIN

Under the EEC Spanish agreement of 1970, Spain opens quotas to the EEC each year. These are expressed in pesetas per group of non-liberalized products.

These quotas are increased each year by a tranche worth 13% of their original value. Quotas have thus doubled in 8 years but the increase has obviously been affected by inflation.

Since 1970 Spain has - from the point of view of international trade - only made minor changes to its list of liberalized goods.

Liberalized products are imported on production of an import declaration.

A certain number of liberalized products have been brought under supervision since 14 June 1977. These measures were reinforced in April 1978, causing clear embarrassment to Community exporters. In many cases, this supervision by the Spanish authorities can be regarded as a form of protection.

The following table shows the system applied to the main textile products on entering Spain.

IMPORTS TO SPAIN

Main textile products

		Quota	Supervision	Free with ID
50.09	Silk fabrics	X		
51.01	Yarn of man-made fibres (continuous)			X
51.04	Fabrics of man-made fibres (discontinuous)		X	
53.07	Yarn of combed sheep's or lambs' wool			X
53.10	Yarn of sheep's or lambs' wool (put up for retail sale)			X
53.11	Fabrics of sheep's or lambs' wool			X
55.05	Cotton yarn	X		
55.07, 08 and 09	Cotton fabrics	X		
56.01	Man-made fibres			X
56.05 A, 56.06 A, 56.07 A,	(Yarn and fabrics of man-made fibres - (discontinuous)		X	
56.05 B, 56.06 B, 56.07 B,	(Yarn and fabrics of regenerated textile fibres (discontinuous)			X
57.06 and 57.10	(Yarn and fabrics of (jute	X		
ex 58.04	Pile fabrics of cotton	X		
" "	Pile fabrics of man-made fibres	X	X	
" "	Pile fabrics of other textile materials			X

	Quota	Supervision	Free with ID
58.08 and 58.09 Lace	X		
58.10 Embroidery		X	
59.04 Twine and ropes	X		
59.08 Coated fabrics	X		
59.10 Linoleum		X	
ex 60.01 Knitted or crocheted fabrics, cotton	X		
" " Knitted or crocheted fabrics, others		X	
ex 60.04 (under garments, knitted (or crocheted, cotton	X		
ex 60.05 (under garments, knitted (or crocheted, " " (other fibres			X
62.01 and 62.02 (Travelling rugs and (blankets, house linen, (cotton	X		
" " (Travelling rugs, house (linen, others			X

LEVEL OF CUSTOMS DUTIES FOR CERTAIN TEXTILE PRODUCTS

(ad valorem %)

	On entry into the EEC	On entry into Spain
51.01 A yarn of man-made fibres (continuous)	3.6	12.2
51.04 A fabrics of man-made fibres (continuous)	5.2	29.3
53.07 yarn of combed sheep's or lamb's wool	2 or 4	16.0
53.11 fabrics of sheep's or lamb's wool	7.8 or 10.8	19 to 25.8
55.05 cotton yarn not put up for retail sale	7 or 8	20.5 to 24.5(**)
55.09 cotton fabrics	5.2 or 5.6 or 6 within a quota ceiling	23.2 to 25.8
56.01 A man-made fibres	3.6	11.4
56.05 A yarn fabrics not made up for retail sale	.11(*)	16
56.07 A man-made fibres not made up for retail sale	6.4	24.3
58.04 pile fabrics	15(*)	23.2 to 28.9
60.01 knitted or crocheted fabrics	5.2 or 5.6	22.4 to 27
60.04 under garment, knitted or crocheted	10.2	22 to 27
60.05 garments : knitted or crocheted	7.2	24.3 to 29.3
58.09 lace	4.6 to 5.6	24.7 to 28.1
58.10 embroidery	3.6 to 5.2	24.3
59.04 twine and ropes	5.2	16 to 20.1
62.01 blankets	8.4	16 to 17.5
62.02 house linen	11.4	28.5

(\*) CCT at full rate

(\*\*) Spanish tariff at full rate

THE STEEL INDUSTRY

The expansion of production

In the last decade, Spanish steel production has almost tripled, from 3.8 million tons in 1966 to 11.1 million tons in 1975. Production in Spain expanded faster than in the rest of the world, particularly the European Community.

(in million of tons)

	1967	1970	1974	1977	1978
World	496.9	595.3	708.7	673.1	712.0
The Nine	114.6	137.6	155.6	126.1	132.5
Spain	4.5	7.3	11.5	11.1	11.3

The drop in production between 1974 (a record year) and 1977 was much less marked in Spain than in the Community. The actual level of production in Spain in 1977 fell far short of the estimates of the Plan, which had set a production target of 14.3 million tons.

Spanish sources put the annual capacity of the steel industry in Spain at approximately 15 million tons of crude steel, including 8.8 million tons for integrated plants and 6.5 million tons for non-integrating plants. The latter could produce 4.3 million tons of ordinary steel and 2.2 million tons of special steel. The fifth four-year Plan anticipates a capacity of 20 million tons for 1982. In 1976, the breakdown of total crude steel production was as follows :

- . 53.8 % LD steel
- . 8.5 % open-hearth steel
- . 37.7 % electric steel

### Employment

In 1978, 77,000 people were employed in Spain's steel industry, including 5,000 in the processing sector.

According to Spanish sources, labour costs increased by 22% in 1977. The average wage is higher than in the United Kingdom and Italy.

### Location of production centres

Spanish production is centred in the North and in Valencia.

The development plan put into effect by the government in 1969 set the industry the target of covering 90% of domestic needs by 1982. (The Spanish authorities do not wish to turn steel into an exporting industry).

At present, Spain has a surplus capacity in merchant bars, beams and heavy plates. But Spanish production falls short in cold rolling and hot coiling.

With regard to non-integrated plants, the 1973 development plan provides for aid for restructuring the sector by means of concentrations and cooperation in projects of common interest.

The 47 non-integrated companies - the "resciani" of Spain - are spread out over the whole country. These companies are generally family-owned businesses with electric-arc foundries and it is hard to keep a check on their production, distributive network and prices.

The large amount of aid promised to these producers at the start of the plan has since been reduced to a more modest scale and even stopped altogether in the case of companies which have not yet started on their investment projects.

The 1982 production target for the non-integrated sector has been set at 7,500,000 tons as against the present 6,500,000 tons.

With regard to the integrated companies, the breakdown of steel production in 1977 is as follows :

. ENSIDESA	:	5,500,000 tons
. A.H.V. (Altos Hornos del Vizcaya)	:	1,300,000 tons
. A.H.M. (Altos Hornos del Mediterraneo)	:	900,000 tons

The development plan provides for these three companies to set up plants to supply their own semi-finished products and hot-rolled coils. The following projects have been proposed, but no final decision has yet been reached :

#### ENSIDESA

- installation of a continuous casting oxygen mill (2 million tons capacity),

- final closure of an open-hearth mill with a 900,000 tons capacity.

A.H.V.

- installation of a continuous casting oxygen mill (2.3/2.5 million tons capacity),
- closure of an open-hearth mill with a capacity of 1,300,000 tons.

A.H.M.

- installation of a continuous casting mill with a 900,000 tons capacity,
- installation of a hot rolling mill with a 2-4 million tons capacity.

The production of the integrated plants is largely geared to flat products, with long products being made by the non-integrated sector.

The estimated figures for 1985 are subject to revision, since the present crisis has led to a reduction in the proposed extensions and delays in carrying out the work involved.

These indications show that the steel industry is likely to be expanded in the Valencia region (Altos Hornos de Vizcaya). The Spanish industrial policy-makers regard the Sagonte project (proposed initial annual capacity : 6 million tons) as a counterpart to the Italian plant at Tarente and the French plant at Fos. The first section to start up was the cold-rolling section; the plant developers intend to complete

the construction of the plant in stages "upstream", with the blast furnaces last. The crisis in the steel industry highlighted the problem of the saturation of the existing equipment and halted the construction of the plant at the rolling mill stage. There were a number of plans to complete the construction with public assistance, but none came to fruition, largely because of the reticence of US Steel, who own 35% of the capital. (Source : "L'Usine Nouvelle").

### Foreign trade

In 1977, Spain exported 2.68 million tons of steel products (an equivalent of 3.52 million tons of crude steel), as against 2.44 million tons in 1976 (3.23 million tons of crude steel). The value of these exports was 51,495 thousand million pesetas, as against 40,113 thousand million pesetas in 1976. Exports for 1978 are put at 3.5 million tons, including 900,000 tons to the EEC. Internal demand dropped by 18%.

In 1977, Spain imported 1.2 million tons of steel products (an equivalent of 1.45 million tons of crude steel); this represents a 50% drop from the 2.73 million tons imported in 1976 (3.29 million tons of crude steel). The value of these imports was 38.594 thousand million pesetas.

In 1977, Spain imported 1.01 million tons (equivalent in crude steel) from the EEC and exported 1.21 million tons (equivalent in crude steel) to the EEC.

In tons, the balance of trade with the EEC is thus slightly in Spain's favour, but in value the EEC shows a surplus of 7.2 thousand million pesetas.

(Source : Metal Bulletin, 21.2.1978, and others)

The customs duties on steel imports entering Spain are from 8 to 25% depending on the product, as against 4 to 8% under the common external tariff of the European Community. In addition to this customs protection Spain provides protection for the industry in the form of levies on imports into Spain (see under "Conditions of competition").

### Industrial policy

The Spanish steel industry is following a continuous expansion policy with the full support of the government, which also has holdings in the industry. There are in fact three distinct sectors within the Spanish steel industry :

- 1) A nationalized sector consisting of the Ensidesa group, with most of its plants in Asturia and a turnover of 73.4 thousand million pesetas in 1976.
- 2) A private integrated sector consisting of the AHV group (Altos Hornos de Vizcaya) with a turnover of 35.4 thousand million pesetas and the AHM group (Altos Hornos del Mediterraneo) with a turnover of 7.4 thousand million pesetas.
- 3) A private non-integrated sector consisting of a large number of small companies working largely with scrap.

(Source : Metal Bulletin Monthly, July 1977).

The plan aims to achieve a roughly equal distribution of capacity between each of these three sectors.

According to the fifth national steel plan, the Spanish steel industry should reach a capacity of 20 million tons of crude steel in 1982, based on an estimated internal consumption of 18.8 million tons by that date.

The major expansion of the Spanish steel industry is today one of its main weaknesses, while it is also encouraging producers to pursue an aggressive export policy. The loans contracted to finance this expansion and the interest on them must be repaid, even if no profits are made. Spain's steel companies are therefore in a very difficult situation. In February 1978, their overall deficit reached 60 thousand million pesetas. The repayment of interest accounted for 11-12% of the turnover, payable in part in foreign currency. The State intervenes on a large scale to maintain the solvency and liquidity of the companies. There are plans to nationalize a large section of the Spanish steel industry, which has lost all capacity to show profits, at least in the short term.

The following information indicates the extent of public financial aid to the steel industry :

After hesitating for some time, the Council of Ministers on 25 August 1978 finally approved a Bill for financial aid to the steel industry to be sent to the Cortes (Spain's Parliament). The Ministry for Finance had had serious reservations on the subject, but accepted the programme submitted by the Ministry for Industry.

The Cortes will have to approve the necessary special funding, since the Spanish Budget for 1978 had not foreseen that the economic crisis would require special financial resources for industrial restructuring programmes such as for the integrated steel industry. In 1978-1979, the reorganization of this sector will require considerable financial aid, as shown in the following table :

	Funding for the Sector		Appropriations	
	Capital Investment (in millions of pesetas)		(in millions of pesetas)	
	<u>public</u>	<u>private</u>	<u>public</u>	<u>private</u>
Altos Hornos del Mediterraneo (AHM)	4,080	7,920	8,000	-
Altos Hornos de Vizcaya (AHV)	-	1,000	4,500	7,500
Ensidesa	11,000	-	11,000	-
Total	15,080	8,920	23,500	7,500

The 11,000 million pesetas' credit for Ensidesa could represent the company's foreseeable losses in 1978. The State's participation in the reorganization programme amounts to 38,580 million pesetas and that of the private sector 16,420 million pesetas. The Ministry for Industry had stipulated that effective participation by the private sector in the programme would be a prerequisite for public financial aid.

### Supplies of raw materials

The Spanish steel industry is very dependent on foreign supplies. In 1976, 55.9% of the ore and 77.2% of the coal used were imported (Metal Bulletin Monthly, July 1977). The coal deposits are mainly found in the north of Spain, with the principal foreign suppliers being the United States and Poland. The ore comes from Sweden, North America, Africa, Australia and Spain. Ore deposits estimated at 30 million tons were recently discovered in Alcuife in the province of Grenada. (Source : Iron and Steel International, October 1976).

The Spanish steel industry uses a lot of scrap, which sometimes leads to supply difficulties. The Plan therefore aims at developing the direct reduction method for processing ore.

### Conditions of Competition

The main reason why the European Community's steel industry feels the effects of Spanish competition so strongly is because Spain is not bound by the Treaty of Paris' rules on competition, while the steel industry of the Nine is.

- 1) The Spanish steel industry receives considerable investment aid from many sources, both when a factory is first set up and when it is extended or modernized (see table on page 103).
- 2) As well as applying customs duties that are three times those of the European Community, Spain also levies so-called "countervailing duties" on imports, which have clearly protectionist effect.

- 3) Spanish exporters, on the other hand, are given "compensatory" refunds when they export; as these are higher than the fiscal charges actually levied, they in fact act as export subsidies.
- 4) Most steel goods in Spain have to have an import licence. On numerous occasions imports have been held up because of delays in issuing licences.

The Spanish tax code applicable to steel goods is as follows :

- Home-produced goods sold in Spain :
  - Graduated turnover tax with low rates :
    - 2% on industrial sales to other industries or to wholesalers;
    - 2.4% on sales to retailers or consumers.
- Goods imported into Spain :
  - "Internal countervailing taxes" (ICGI) added on to customs duties;
  - The ICGI's on steel are :
    - 12-15% on semi-finished products in ordinary steel;
    - 16% on hot-rolled coils and finished goods in ordinary steels.

Spanish goods which are exported are exempted from taxes. The present exemption rates for steels correspond to those of the countervailing duties on imports, so exports have a tax advantage of more than 10%.

The Commission has just introduced a temporary anti-dumping duty on certain sectors not further worked than hotrolled or extruded in U, I or H (Common Customs Tariff Heading ex. 73.11 AI) originating in Spain. Following a complaint from Belgium, the Commission has noted that the import prices of the above products is again below the basic prices, and so a preliminary investigation indicates that dumping is being practised.

The Commission has also taken a positive stand as regards the damage suffered by Community production. The undercutting practised by Spain prevents European producers from obtaining guide prices and compromises the balance of the whole pricing system, both for European producers and for producers in other supplying countries who have renewed the arrangements covering trade in steel products. Apart from Brazil, Spain is the only country that has not yet renewed the arrangement for 1979.

The Commission also notes that Community imports of U, I and H sections rose from 347,000 tonnes in 1974 to 517,000 tonnes in 1977 and that imports from Spain during the same period rose from 32,000 tonnes to 259,000 tonnes. Imports have therefore acquired a market share of 10.3% and imports from Spain a market share of 5.1%.

Position of the European Community's Steel Industry with regard to Spanish Accession

Spain provides fierce competition on the Community's home market. To impose some discipline on this competition, which at present is often disorderly, the Community's steel

industry would really like Spain to become a member of the Community as rapidly as possible and the Community's rules on competition to be applicable to the Spanish steel industry immediately. This would open up Spain's home market to Community steel producers.

The official position of the Community's steel industry is set out in the memo below drawn up by EUROFER, the trade organization for steel producers in the nine Member States. The memo dates from November 1977.

\*

\*           \*

Memo on Spanish membership of the EC

1.           EC steel producers are in favour of Spanish membership of the European Communities, in particular the ECSC.

They see Spanish membership of the EC as providing a way of integrating Spanish steel production and the Spanish steel market more closely with the EC by :

- a) removing all the customs barriers, barriers having similar effect to customs barriers and tax barriers which currently limit trade between the EC and Spain;
- b) introducing a common external tariff which would ensure the homogeneousness of the Community and would make it possible for the EC and Spain to carry out a joint policy on trade with other countries;

- c) bringing about the involvement of the Spanish steel industry not only in ECSC pricing rules but also in the whole of the EC policy on steel.

2. Given these conditions, EC steel producers do not ask for a transitional period. They want Spain to become an integral part of the EC as soon as possible and without any form of derogations. They hold the view that the Spanish steel industry has reached a sufficient level of development to enable it to be integrated into the EC market without delay.

3. In the event of a transitional period being applied, at the request of the Spanish Government, or in the event of derogations being introduced with regard to the following conditions :

- tariff reductions,
- the removal of barriers having similar effect to tariff barriers and the removal of fiscal barriers,
- pricing rules and rules with regard to alignment,
- relations with other countries,
- Spanish involvement in EC steel policy,

there would, of course, have to be a strict reciprocity of treatment between the EC and Spain.

4. There can be no free movement of ferrous scrap until Spain becomes a full member of the EC, i.e. upon expiry of any temporary derogations. Only once this stage has been reached can there be said to be free movement of steel between the current Community and Spain and there would seem to be no justification for giving more favourable treatment to trade in scrap than trade in steel products.

The most favourable treatment which could be extended to Spain during any transitional period would be to grant it preferential treatment as regards increases in all or part of the export quotas fixed at regular intervals by the Council.

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### Trade organization

The Spanish iron and steel industries have an umbrella organization known as the "Union de Empresas y Entidades Siderurgicas" (UNESID) which brings together fifty steel manufacturers and is also the trade organization for foundries, manufacturers of tubes, wire manufacturers and re-rolling mills.

An agreement has been concluded between the European Commission and Spain on imports of Spanish steel into the Community. Under this agreement Spanish suppliers have undertaken to apply delivery prices not more than 6% lower than the price scales of Community manufacturers in the case of ordinary steel and not more than 4% lower in the case of fine and special steel. The agreement also provides for a ceiling of 800,000 tonnes in respect of Spanish exports to the Community in 1979. The ceiling for 1978 was 900,000 tonnes but this was in fact exceeded by approximately 300,000 tonnes. In a Decision dated 9 May 1979 the Commission prohibited the linking of the price of imported Spanish iron and steel products to the supply.

Spain's economic relations with Latin America

1. Trade (Source : Informacion Comercial Espanola)

a) By area

Exports : the EEC was Spain's major export market in 1977, accounting for 46.3% of Spanish exports (46.4% in 1976), followed by the United States with 9.8% (10.2%), Latin America with 9.8% (9.6%) and the Near East (including Algeria) with 7.5% (6.6%).

Imports : the EEC was Spain's major supplier in 1977, accounting for 34.1% of Spanish imports (33.1% in 1976), followed by the Near East (including Algeria) with 22.7% (24.7%), the United States with 12% (14.2%) and Latin America with 9% (7%).

b) By country

Exports : the only Latin American country among Spain's 12 most important export markets in 1977 was Venezuela (10th position).

Imports : the only Latin American country among Spain's 12 most important suppliers in 1977 was Brazil (8th position).

General Remarks

Trade with Latin America still accounts for only a small proportion of Spain's overseas trade. However, in area terms, there was a marked increase in trade with Latin America from 1976 to 1977, particularly in imports.

By country, imports from Brazil increased by 36.4% from 1976 to 1977 and imports from Venezuela by 68.8%.

Spain's 5 most important suppliers (in 1977) in Latin America were Brazil, Argentina, Cuba, Venezuela and Colombia. Spain's 5 most important markets were Venezuela, Cuba, Argentina, Brazil and Mexico.

## 2. Foreign investment

Latin America is the most favoured area for Spanish foreign investment.

### Development of Spain's direct foreign investment (in millions of pesetas)

	Total 1963-1973	Total 1974-1977	1974	1975	1976	1977
World total (1)	15,864	28,411	8,673	1,990	4,253	13,495
Latin America (2)	4,595	13,945	2,807	369	1,905	8,864
Ratio $\frac{(2)}{(1)}$	29 %	49%	32.4%	18.6%	44.8%	65.7%

Sources : Spanish Ministry of Trade and Tourism figures.

In 1977, Spain invested directly in Latin America in industry (59% of the total), the financial sector - banks (30.2%) and the primary sector - agriculture, stock-farming and fishing (9.3%), with the remaining 1.5% being distributed over all sectors.

### 3. Lines of credit

The growing volume of credit granted to Latin America is an indication of Spain's interest in that area.

Of the 22 lines of credit opened by the Banco Exterior de Espana (as of 30.6.1978), 12 were granted to Latin America, 5 to Africa and 5 to Europe.

The credit granted in dollars to Latin America (10 out of 15 lines) represented 620 million (out of a total of 1,021) and the credit in pesetas (2 lines out of 7) represented 7,786 million (out of a total of 34,886).

These lines of credit in Latin America had positive results, since the percentage of credit used was 60% (as at 30.6.1978).

Agricultural statistics

Total area and total agricultural area ('000 ha)

Spain .....	50,480	32,078)	
Greece .....	13,200	9,155)	45,403
Portugal .....	9,160	4,170)	
(9 EEC States .....	152,860	93,484)	
(12 EEC States .....	225,700	138,887)	

Percentage of Agriculture in the GDP

Spain .....	8.9%
Greece .....	16.5%
Portugal .....	14.5%
(9 EEC States .....	4.4%)
(12 EEC States .....	5.0%)

Percentage of population employed in agriculture

Spain .....	22.0%
Greece .....	35.4%
Portugal .....	28.1%
(9 EEC States .....	8.7%)
(12 EEC States .....	11.3%)

Agricultural exports as percentage of total exports

Spain .....	25.4%
Greece .....	31.7%
Portugal .....	17.1%
(9 EEC States .....	12.1%)
(12 EEC States .....	12.5%)

Production of fruit, vegetables, wine and olive oil as percentage of total agricultural production

Spain .....	34.8%
Greece .....	28.4%
Portugal .....	38.1%
(9 EEC States .....	16.9%)

Exports of fruit, vegetables, wine and olive oil as percentage of total agricultural exports

Spain .....	74.0%
Greece .....	67.0% (+ 21% for tobacco)
Portugal .....	59.0%

Percentage of farms less than 10 hectares in size

Spain .....	70.5%	(50%	5 ha)
Greece .....	93.6%	(73%	5 ha)
Portugal .....	87.5%	(72%	5 ha)
Italy .....	86.2%		
France .....	40.5%		
Germany .....	59.0%		
UK .....	31.1%		

Total population ('000) and estimated per capita GDP

Spain .....	35,472	2,384	US dollars
Greece .....	9,047	2,309	
Portugal .....	8,762	1,504	
(9 EEC States .....	258,462)		
(12 EEC States .....	311,743)		
Germany .....		3,753	
France .....		3,945	
Italy .....		2,742	

EEC share of agricultural trade

	<u>Imports</u>	<u>Exports</u>
Spain .....	11.2%	55.8%
Greece .....	28.7%	54.3%
Portugal .....	12.1%	45.4%

Some yields (q/ha)

	<u>Wheat</u>	<u>Barley</u>	<u>Maize</u>	<u>Potatoes</u>	<u>Beet</u>
Spain .....	15.5	18.1	37.3	141.1	321
Greece .....	15.4	23.4	35.6	151.4	592.2(?)
Portugal .....	8.2	8.4	11.9	86	-
(9 EEC States).	37.2	36.5	48	240.1	399.2

N.B. : There are also low yields (20-25 hl/ha) in Spanish wine-growing, where there is considerable potential for improvement.

Consumption of selected products in kg. per capita

1 9 7 5	9 EEC States	SPAIN	GREECE 66/77	PORTUGAL
All meats .....	81.9	60.1	59.1	51.1
Liquid and processed milk .....	102.1	102.4	94.4	63.8
Butter .....	6.8	0.4	0.9	0.7
Cheese .....	10.9	3.4	14.8	3.2
Wheat .....	63	78	115	76
Potatoes .....	82	112	52	112
Sugar .....	38	27	17	30
Fresh vegetables .....	98	127 (66/67)	137	148
Fresh fruit .....	56	96	120	78

Agricultural production (1974-76) in 1000 T and degree of self-sufficiency (d.s.-s.) (1973-75)

	SPAIN		GREECE		PORTUGAL		9 EEC States	
	Prod.	d.s.-s.	Prod.	d.s.-s.	Prod.	d.s.-s.	Prod.	d.s.-s.
	Wheat .....	4,424	95.8	2,241		605.	67.7	40,846
Maize .....	1,777	34.5	483		431	33.9	13,202	54.8
Rice .....	384	82.6	96		117		1,053	82
Potatoes .....	5,563	113.2	868		985	94.9	33,607	101
Sugar-beet .....	6,791	69.9	2,350		-		71,702	90
Tobacco .....	26		109		-		169	
Vegetables .....	6,726		2,770		1,692		25,569	93.3
Citrus fruit .....	2,792	244.9	801		164		2,846	40.1
Other fruit .....	5,131	105.1	1,884		462	96.6	15,548	78.7
Wine .....	3,114	81.5 <sup>+</sup>	459		1,046	122.9	15,182	99.1
Olive oil .....	437	138	259		45	102	442	
Cotton .....	46		116		-		1	
Beef and Veal .....	413	93	99		87	77.7	6,148	94.3
Pigmeat .....	633	96.3	102		118	93.6	8,316	99.7
Sheepmeat and Goatmeat .....	149	99.3	111		23	104.5	493	71.4
Poultry .....	613	100	106		89	100	3,146	102
Milk .....	5,188	96.6	1,625		625	91.2	98,527	99.1
Butter .....	11	84.6	7		1.3	216	1,706	98.5
Cheese .....	104	95.5	132		23	92	2,824	101.8
Eggs .....	505		102		42	100	3,754	99.9

<sup>+</sup> Wrong figure - should be approximately 115

Source : OECD and FAO

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This Study was undertaken with a view to Spain's joining the Community.

The Study hopes that the forthcoming negotiations on Spanish membership will be successful, but stresses the many problems that will arise for Spain and the Community. It analyses sector by sector the situation of the Spanish economy, the changes that EEC membership will entail and the views of the various interest groups (industrialists, farmers, trade unionists) in Spain and the nine Member States.

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