

1 JANUARY 1986 : A EUROPEAN COMMUNITY OF TWELVE

As from 1 January 1986, the Community will embrace more than 321 million Europeans, almost twice as many as there were when the Community was established in 1958. Originally made up of six Member States, the Community will now have twelve, and the entry of Portugal and Spain will bring into the Community a population much younger than the Community average.

The population of the Community thus becomes larger than that of the United States by more than a third.

Portugal made a formal request to accede on 28 March 1977, followed by Spain on 28 July of the same year.

On 20 April 1978, the Commission gave its opinion on the requests for accession and their consequences. The Council then adopted the principle of enlargement. Official negotiations with Portugal opened in October 1978, and those with Spain on 5 February 1979.

In June 1984 the Fontainebleau European Council set January 1986 as the date for accession, after a solution had been found to the Community's budgetary problems. On 29 March 1985 the last obstacles were overcome and the following day the European Council noted with great satisfaction that the fundamental issues of the negotiations with Portugal and Spain had been resolved.

The Accession Treaties were signed in Lisbon and in Madrid on 12 June.

THE MAIN PROVISIONS OF THE ACCESSION AGREEMENTS1. Institutions

From 1 January 1986 Council will have twelve members. Spain's eight votes and Portugal's five will bring the total number of votes to 76, with 54 being required for a qualified majority (Germany, France, Italy and the United Kingdom : 10 votes; Belgium, Greece and the Netherlands : 5 votes; Denmark and Ireland : 3 votes; Luxembourg : 2 votes).

The two Spanish members and one Portuguese member of the Commission will bring the total number of Commissioners to 17.

The European Parliament will have 518 members with the addition of 60 Spanish and 24 Portuguese members, designated by their national parliaments in the first instance and then by direct universal suffrage before 31 December 1987.

The number of the judges at the Court of Justice will rise from 11 to 13, Portugal and Spain each sending one. There will be six Advocates-General, Portugal and Spain taking it in turns to designate the sixth.

Membership of the Economic and Social Committee will increase by 21 members for Spain and 12 for Portugal, making 189 in total.

The Court of Auditors will also be expanded, with each new Member State sending one member.

Adjustement will also be made to the ECSC Consultative Committee, the Scientific and Technical Committee of Euratom, the Advisory Committee and the capital of the Euratom Supply Agency and the administration of the European Investment Bank.

## 2. Customs Union

Spain : progressive abolition of customs duties over a seven-year transitional period; abolition of quantitative restrictions on the date of accession; alignment of the Spanish customs tariff on the Common Customs Tariff over a period of seven years; application of competition rules and introduction of VAT on the date of accession; special provisions for motor vehicles, textiles, the steel industry and national monopolies.

Portugal : progressive abolition of intra-Community customs duties over seven-year transitional period and, simultaneously, alignment of the Portuguese tariff on that of the Community; a two-stage abolition of quantitative restrictions and other measures; postponement of full introduction of VAT until the fourth year after accession; special provisions for motor vehicles, textiles and national monopolies.

## 3. Agriculture

Spain : progressive application of the machinery of the common organizations of the markets and establishment of the free circulation of goods after transitional periods varying according to the products; general or "classic" arrangements will apply to most agricultural products over a seven-year period with a progressive alignment of prices and aids, accession compensatory amounts, the gradual implementation of customs union and Spain's progressive application of the Community's preferential arrangements; special arrangements for wine, vegetable oils, and fresh fruit and vegetables, and a surveillance system for imports of sensitive products (fruit and vegetables, milk, butter, cheese, beef/veal, common wheat, milk powder, potatoes and wine).

Portugal : same general principles as for Spain with "classic" transitional arrangements which will apply to processed fruit and vegetables, sugar and isoglucose, and vegetable oils, in general over a seven-year period (10 years for vegetable oils), with the Community bringing forward tariff dismantlement by one year, and indeed four in the case of tomatoes; specific transitional arrangements for 85% of Portuguese production (cereals, rice, milk and milk products, beef/veal, pigmeat, eggs and poultry, fresh fruit and vegetables, and wine); a surveillance system for imports, a specific development programme and production rules for tomato concentrates, canned tomatoes, sunflowers, colza and rapeseed; special arrangements for sugar and the same arrangements as for Spain in the case of vegetable oils.

#### 4. Fisheries

Spain : reciprocal access to maritime zones and respective stocks with monitoring arrangements; on accession, application of the common fisheries policy subject to certain conditions; progressive dismantling of intra-Community customs tariffs and alignment on the common external tariff over a seven-year transitional period, except for special circumstances, with special provisions for access to the zone lying between 6 and 12 nautical miles for the exclusive economic zones and for certain sensitive species; pre-accession aid of 28.5 million ECU.

Portugal : no access for vessels of the present Member States to the 12 nautical mile coastal zone off Portugal and vice versa; varying restrictions in the exclusive economic zone beyond the 12 mile line, to be reviewed by 31 December 1995; application of the common fisheries policy subject to certain reservations; customs dismantling over seven years for Portugal and six years for the Community, with some special arrangements; same provisions as for Spain concerning relations with non-member countries; special provisions for sardines and structural matters.

#### 5. Social Affairs

Spain : application of social legislation, including that concerning the Social Fund, on accession; seven-year transitional period during which certain restrictive national measures may be retained; five years after accession, review of the transitional arrangements for free circulation of workers; special provisions for equal treatment, access to employment and social insurance benefits.

Portugal : same provisions as Spain.

#### 6. Budgetary provisions

Spain : full participation in the financing of the budget and in expenditure, subject to certain transitional measures, Spain will qualify for the various structural funds on accession; special provisions for the repayment of the VAT contribution, the amount repaid being set according to a sliding scale until 1992.

Portugal : full participation in the financing of the budget and in expenditure, subject to certain transitional measures; postponement of the full introduction of VAT until the fourth year after accession; special provisions on the graduated refund of VAT contributions based on GNP applicable for six years; aid to the balance of payments in the form of a 1 million ECU loan over six years.

### EFFECTS OF ACCESSION

#### 1. Agriculture

Spain's accession will increase Community's agricultural land area by 30%, the farm labour force by 25% and the number of holdings by 32%, while the number of consumers will grow by 14%. Portugal's accession will increase the area by only 4%, the agricultural labour force by 12.8% and the number of consumers by 3.6%.

As for agricultural production, Spain's entry will increase vegetable production by 25%, that of fresh fruit by 48% and that of olive oil by 59%. Full cream milk output will rise by only 6% and that of cereals by 14.5%. Livestock numbers will rise by only 6%.

Overall, the Community will increase its degree of self-sufficiency in Mediterranean products (wine, fruit and vegetables, olive oil), with surpluses arising for some products, while the level will fall in the case of some livestock and cereal products.

The greatest problems will occur in olive oil, fruit and vegetables, and wine.

It is estimated that the Community of Twelve will have a surplus of 230.000 tonnes of olive oil, making it 122% self-sufficient, not only because of increased production following Spain's entry (increasing the self-sufficiency level by approximately 109%) but also because of the fact that consumers are substituting cheaper vegetable oils for olive oil. The cost of the Community of Twelve's overproduction is estimated at 1 645 million ECU against 845 million ECU for the Community of Ten.

Portugal's entry will not have any great impact on the self-sufficiency levels for citrus fruit and other fresh fruit and vegetables. But Spain's entry is another matter : Spain produces a large surplus of citrus fruit (235%) and, to a lesser extent, other fruit and vegetables (percentages varying between 100% and 120%).

Spain has 2.8 million hectares of irrigated land, increasing the area of irrigated land in the Mediterranean regions of the Community by 80%.

With twelve members, the Community's degree of self-sufficiency in citrus fruit will increase considerably, reaching 89%. The Community will become fully self-sufficient or more in the case of other fresh fruit and vegetables.

In the wine sector, Portugal does have a surplus (122%), but the country represents only 5% of Community production. In Spain, 1.7 million hectares are planted to vines and Spanish production is 24% of the Community figure. Broadly speaking, the Community of Twelve should be self-sufficient in wine, with the danger of increased surpluses of white wine.

## 2. Fisheries

As regards fisheries, the main problem posed by Spain's accession is that of access to the Community's resources and restructuring measures in the sector.

Spain is a major producer and consumer of fishery products. A quarter of all fishermen in the Community of Twelve will be Spanish, and Spanish catches will account for a third of catches by value and a quarter by quantity. The tonnage of the Spanish fleet is equivalent to 70% of the tonnage of nine Community Member States (excluding Greece). Despite this, Spain has an overall deficit in fishery products.

In view of the fact that the Community is undergoing the same difficulties as Spain regarding fishing capacity in relation to the fishing grounds available, Spanish accession will aggravate the problem and entail major and costly restructuring measures.

Further difficulties are expected because the Community will represent Spain internationally. Spain has concluded many fisheries agreements with non-Community countries on the basis of financial compensation in order to compensate for the loss of natural resources and these agreements provide a great deal of work for part of the Spanish fleet.

### 3. Industry

The 1970 preferential agreement between Spain and the Community and the 1972 agreement with Portugal offered these two countries substantial tariff concessions on an already low common external tariff. In general, the main impact of accession has already been felt in the Community of Ten. The opposite is true for the acceding countries. Spain in particular has to dismantle extremely protectionist customs duties and its tax and aids system has to be adapted to Community rules. In this respect, the introduction by Spain of VAT on 1 January 1986 is a notable step forward. Portugal has to abolish customs duties on a long list of products and its non-tariff barriers. The productivity of Spanish industry stands at about 40% of that of the Community, and the gap is even wider in the case of Portugal. The drop in productive investment is also a major problem.

However, the most tricky problems are those of sectors with structural overcapacity (steel, shipbuilding, textiles) and the promotion of growth sectors (electronics and information technology, chemicals, agrifood).

### 4. Employment

The effect of the accession of Portugal and Spain will be to reduce the percentage of active population in the Community. In 1984, 44% of the population in the Community of Ten was in work or unemployed against only 35% in Spain but 45% in Portugal.

Spain's situation is particularly critical since a fifth of its active population (20.2%) is unemployed, making Spain the country with the most unemployed according to the spring 1984 figures, followed by Ireland (16.5%), the Netherlands (12.8%), Belgium (11.9%) and Italy (9.6%).

The 2.6 million Spanish unemployed will thus be added to 12.7 million in the Community of Ten, which together with those of Portugal brings joblessness in the Community of Twelve up to 10.4%.

### 5. The Budget

In view of the present situation regarding the 1986 budget, it is difficult to specify the effects of enlargement. It should, however, be noted that the resources of the various structural funds (EAGGF, ERDF, ESF) will rise considerably; enlargement will mean an increase of some 2 500 million ECU in 1986.

However, additional resources may prove necessary to ensure that Spain, and in particular Portugal, do not become "net contributors" to the Community budget on accession.

SOME FIGURES

	<u>EEC</u>	<u>SPAIN</u>	<u>PORTUGAL</u>
Area ('000 km <sup>2</sup> )	1.658	505	92
Total population ('000 000)	272,8	38,4	10
Population density (inhabitants/ km <sup>2</sup> )	182	76	110
Employment (% of total)			
- agriculture	7,5	17,8	23,3
- industry	34,6	32,4	33,4
- services	57,9	49,8	43,3
Unemployment rate	9,4	20,2	8,1
GDP (at market prices, in thousand million ECU)	2.777,1	207,7	25,4
GDP per head (ECU)	10.197	5.370	2.647
Increase (%) in consumer prices in 1984	6,1	11,3	30,7

Source : Eurostat

TRADE BETWEEN THE COMMUNITY OF TEN AND SPAIN AND PORTUGAL  
(million ECU)

<u>EEC</u>	<u>1977</u>	<u>1980</u>	<u>1982</u>	<u>1984</u>
- Imports from Spain	4.769	8.041	10.372	14.648
- Exports to Spain	5.435	7.580	10.432	12.850
- Balance	666	- 461	60	- 1.798
- Imports from Portugal	996	1.956	2.553	4.023
- Exports to Portugal	1.949	2.895	3.921	3.624
- Balance	953	939	1.368	- 399
	<u>Imports</u>	<u>Exports</u>	<u>Imports</u>	<u>Exports</u>
	<u>from</u>	<u>to</u>	<u>from</u>	<u>to</u>
	<u>Spain</u>	<u>Spain</u>	<u>Portugal</u>	<u>Portugal</u>
1. Food products and live animals	286	96	177	13
2. Beverages and tobacco	582	1.096	451	107
3. Fuel and lubricants	1.441	668	104	449
4. Oils and fats	65	16	20	7
5. Chemicals	772	1.514	276	525
6. Manufactures	2.991	1.866	1.128	702
7. Machinery and transport equipment	4.992	5.497	788	1.253
8. Various manufactured items	1.224	869	954	218
9. Other	164	844	24	254

Source : Eurostat