



<u>SPAIN AND THE EUROPEAN COMMUNITY</u>	69/83
I. INTRODUCTION	1
II. THE 1970 EEC-SPAIN TRADE AGREEMENT	1
1. Provisions of the Agreement	1
2. Adaptation of the Agreement after the first enlargement	2
3. Adaptation of the Agreement on Greece's accession	3
III. SECTORAL ISSUES	3
1. Steel	3
2. Fisheries	3
3. Textiles and footwear	4
IV. SPAIN'S ASSOCIATION WITH COMMUNITY RESEARCH ON CONTROLLED THERMONUCLEAR FUSION	4
V. THE ROAD TO SPANISH MEMBERSHIP OF THE COMMUNITY	4
1. Spain's application for membership	4
2. The Commission Opinion	5
3. Reactions of the Council, Parliament and Economic and Social Committee	5
4. Progress of the negotiations	6
5. The effects of enlargement on non-member countries	8
6. "Stop Press"	9
VI. ECONOMIC PROFILE OF SPAIN	9

191/X/83

June 1983

Free reproduction authorized, with or without indication of source. Voucher copies would be appreciated.

I. INTRODUCTION

The negotiations for Spain's accession to the European Community are now well under way with both sides having outlined initial negotiating positions. This is therefore a good moment to take stock of the situation, and update the information on Spain and the Community published in a previous issue of "Europe Information" (43/81 of March 1981).

The accession talks are taking place in a gloomy economic climate, and at a difficult time for the Community. But a clear distinction must be drawn between the specific problems posed by the prospect of Spanish membership and those affecting the present Community, such as the limitation of budget resources and reform of the CAP.

The questions are already being tackled within the present Community, and account will be taken of the consequences of the accession of new members, including Spain, which could be brought into the discussions at a later stage.

II. THE 1970 EEC-SPAIN AGREEMENT

As early as 1962 the Spanish Government expressed interest in an association possibly leading to eventual full integration. Exploratory talks were held from 1964 to 1966 with a view to negotiating a purely commercial agreement. The negotiations proper lasted from 1967 to 1970, and the EEC-Spain Agreement, signed on 20 June 1970, came into force on 1 October of the same year (1).

1. Provisions of the Agreement

The contracting parties undertake to consolidate and to extend their economic and trade relations and establish the basis for a progressive expansion of trade with each other. The agreement also emphasizes the EEC's desire to develop economic and trade relations with the countries bordering on the Mediterranean.

It is a preferential agreement based on Article 113 of the EEC Treaty and provides for the progressive elimination, over a first stage of not less than six years, of obstacles to the main body of trade between the Parties. Transition to the second stage, in which a free trade area is to be established in a manner left unspecified, was made subject to further negotiations.

A Joint Committee composed of representatives of the Community and Spain was set up to monitor implementation of the Agreement. The Agreement can be terminated by either Party at six months' notice. It does not cover coal and steel, which come under the ECSC Treaty.

(1) Official Journal of the European Communities, N° L 182, 16.8.1970.

In the industrial sector the Community applies tariff concessions of 40% or 60%, depending on the product, to nearly all imports originating in Spain, while about half of agricultural imports are granted tariff preference of between 25% and 60%.

Spain offers tariff concessions of 25% or 60%, again depending on the product, to a sizeable proportion of its imports from the Community.

2. Adaptation of the Agreement after the first enlargement

Shortly after the Agreement came into force, both Spanish and Community authorities turned their attention to the repercussions expected from the entry of three new Member States - particularly the United Kingdom - in 1973. The United Kingdom was Spain's main export market for its agricultural products, many of which were not covered by the Agreement, and now the UK tariff was to be raised to the level of that of the rest of the Community.

Spain could not accept a mere technical adjustment of the 1970 Agreement to the new legal situation; instead, it wanted substantive adaptations to take account of the full implications of enlargement, including the concessions already granted to other Mediterranean countries.

On 29 January 1973 a protocol was signed, waiving applications of the Agreement to the new Member States for that year. Negotiations for a new agreement, to form part of the Community's comprehensive Mediterranean policy, then went on through 1973 and 1974, but reached deadlock; the Community was offering eventual industrial free trade plus fresh agricultural concessions, while Spain wanted links between free trade in the industrial and agricultural sectors.

By 1975 compromise was in sight, but the Community broke off negotiations in protest against human rights violations in Spain.

After the coronation of King Juan Carlos on 22 November 1975 contact was resumed, however, and at the beginning of 1976 the Spanish Government indicated that it now wished to conduct its relations with the Community with a view to future membership. This, in Spain's view, made it pointless to conclude the proposed free-trade agreement within the framework of the Community's overall Mediterranean policy.

In April 1977, therefore, towards the end of the transitional period provided for in the Act of Accession governing the entry of the United Kingdom, Denmark and Ireland, a start was made with negotiations to regularize economic relations between Spain and the nine-member Community. These talks culminated in an exchange of letters dated 25 July 1977, in which the representatives of either side notified each other of the trade arrangements to be applied unilaterally as from 1 July of that year, thus adapting the 1970 Agreement to the situation created by the first enlargement.

3. Adaptation of the Agreement on Greece's accession

The Community has concluded an Additional Protocol to the Agreement to take account of the accession of Greece.

III. SECTORAL ISSUES

1. Steel

Traditionally an importer of Community iron and steel products, Spain has also become one of the Community's three chief suppliers.

In 1978 a series of arrangements was concluded with the main countries which supply the Community with steel. These arrangements comprised voluntary limitation agreements by the producer countries designed to preserve their traditional export markets in the ECSC, albeit at a volume reduced in line with the decline in internal demand, and price discipline, offering them the chance to sell at prices more favourable than those on the open market while avoiding disturbances which would make the position of the Community market even worse.

The arrangement with Spain, concluded in April 1978 and valid for that year only, has been renewed each year by an exchange of letters. The 1982 renewal set Spain's share of the Community market at 780 000 tonnes. This figure was arrived at on the basis of the Council decision of 22 November 1982 which authorized the Commission to negotiate with supplier countries on the basis of the figures agreed in 1980 - the last normal year before production quotas and more stringent price discipline within the Community were imposed - less 12.5% to take account of the fall in internal demand. This renewal included extension of the arrangements to wide-flanged beams, for which subquotas had been allocated on 30 June 1982, and suspension of antidumping duties for 1983, to be followed by their total abolition in 1984 if quantities and price arrangements are respected this year.

2. Fisheries

On 1 January 1977 the Member States by common accord extended their Atlantic and North Sea fishing limits to 200 miles. The Council then called on the Commission to hold negotiations with various non-member countries regarding their access to fishery resources within that zone.

A framework agreement worked out by the Commission and Spain (which extended its own economic zone to 200 nautical miles from the Atlantic coastline with effect from 15 March 1978) was signed on 15 April 1980 (1) and approved by the Council on 25 November (2).

The agreement provides for consultations to be held to work out each side's fishing rights and catch levels year by year, and is aimed at ensuring a satisfactory balance between the respective fishing resources. At the same time fishing vessels operating in a zone coming under the other party's jurisdiction must comply with conservation and control measures and observe all other rules governing fishery activities within the zone.

The agreement is valid until Spain's entry into the Community. After accession, Spanish fishermen will operate in Community waters in accordance with the common fisheries policy.

(1) O.J. N° C 263, 10.10.1980

(2) O.J. N° L 322, 28.11.1980

Each year, Spain and the Community have determined quotas and licensing arrangements for fisheries on the basis of this agreement. The 1983 arrangements, agreed on 18 March, gave Spain a quota of 8 300 tonnes of hake plus quotas for other species and 123 licences for hake fishing.

3. Textiles and footwear

At the end of 1977 the Community concluded over 20 five-year agreements with non-member countries within the framework of the Arrangement regarding International Trade in Textiles (Multifibre Arrangement), with the aim of providing guaranteed but regulated access to its markets at a time when its own manufacturers were being threatened by competition from low-cost supplying countries.

Naturally, the situation was more complex when it came to countries such as Spain which are linked to the Community by preferential agreements. The consultations held with a view to regulating textile imports from Spain led to the introduction of a system of Community surveillance for certain products (1), initially valid for 1978 but thereafter renewed successively for 1979, 1980 and 1981.

In April 1982 Spain and the Community signed a Memorandum of Joint Action on textiles which fixed export quantities in the light of traditional trade flows and established a formal system of administrative cooperation.

Retrospective Community surveillance of all countries supplying footwear including Spain, was also introduced.

IV. SPAIN'S ASSOCIATION WITH COMMUNITY RESEARCH ON CONTROLLED THERMONUCLEAR FUSION

On 14 July 1980 Mr Leopoldo Calvo Sotelo, at that time Spain's minister for relations with the Community, and Mr Guido Brunner, then member of the Commission with responsibility for energy, signed a cooperation agreement associating Spain for the first time with the Euratom research programme in the field of controlled thermonuclear fusion (2).

The aim of the agreement is to set up exchanges between scientists from the Commission and its associates and Spain in order to direct and develop Spain's fusion programme along lines compatible with that of Euratom so that eventually a broader association can be formed, with a view to Spain's entry into the Community.

V. THE ROAD TO SPANISH MEMBERSHIP OF THE COMMUNITY

1. Spain's application for membership

On 28 July 1977, following elections held in June, the Spanish Foreign Minister Mr Marcelino Oreja Aguirre formally presented his

(1) O. J. N° L 155, 13.6.1978 and O. J. N° L 239, 29.8.1978

(2) O. J. N° L 190, 24.7.1980

country's application for Community membership to the President of the Council, two years after a similar application by Greece (June 1975) and four months after that of Portugal (March 1977).

The Commission welcomed Spain's application, which on 20 September 1977 was formally acknowledged by a Council decision to initiate the procedures laid down in the Treaty. The Council also called on the Commission to submit an Opinion on the application, to be drafted in collaboration with Spain and the Member States.

Discussions and meetings with the Spanish authorities were held in Brussels and Madrid in order to identify the problems which might arise from Spain's accession and formulate the conclusions to be set out in the Opinion.

The Commission adopted the Opinion on 29 November 1978, and it was then sent to the Council (1).

2. The Commission Opinion

In the Opinion the Commission expressed itself in favour of Spain's membership application and welcomed the prospect of a democratic Spain taking part in the unification of Europe. It recommended that the accession negotiations should get under way as soon as possible and aim at finding the most satisfactory solutions possible to the various problems involved.

The Commission felt that bringing the Spanish market, with its substantial development potential, into the Community would have a beneficial effect on intra-Community trade, while Spain's traditional ties with Latin America would open up new possibilities on those markets too.

But accession was bound to present difficulties, and it was therefore in the Community's interest as well as Spain's to adopt the measures and take the precautions needed to make it a success.

After outlining the economic situation in Spain and the Community, and assessing the probable impact of accession on various economic and social sectors, the Opinion suggested guidelines for Community and Spanish action to overcome the difficulties.

In view of the complexity of these problems, the Commission also suggested transitional measures for the period following accession, to ensure smooth progress towards customs union and the free movement of workers, and to phase in the provisions governing the common agricultural policy and agreements with non-Community countries.

3. Reactions of the Council, Parliament and Economic and Social Committee

The Council, having taken note of the Commission Opinion, approved Spain's application at its meeting of 18 and 19 December 1978. It was

(1) Supplement 9/78 to the Bulletin of the European Communities

agreed that the preparatory work needed to establish a joint negotiating position would be undertaken as swiftly as possible and in a positive spirit, and that the accession negotiations with Spain would start officially in February 1979.

The European Parliament has expressed its support for Community enlargement on a number of occasions. In January 1979 it reaffirmed its political will to see the applicant countries join the Community and noted with satisfaction the establishment of regular contacts with the Spanish Parliament (Cortes) (1). It also called for an extension and strengthening of the various links between the institutions of the Community, the Member States and the applicant countries, including Spain.

In a further resolution, adopted in May 1979, on the industrial impact of enlargement, Parliament expressed concern that despite favourable long-term prospects, enlargement could lead to serious economic difficulties, and demanded that the necessary specific action be taken in the different sectors of the economy.

Parliament also asked to be more directly and closely involved in both the negotiations for and the conclusion of accession agreements. Since its May 1979 resolution, Parliament has adopted a number of other resolutions on enlargement, in November 1981, July 1982 and, most recently in November 1982.

The Economic and Social Committee, in its Opinion on the Greek, Portuguese and Spanish membership applications, adopted on 28 June 1979, noted that in political terms enlargement would help stabilize and strengthen democracy in southern Europe and thus consolidate the democratic system in Europe as a whole. This overriding objective made it imperative to arrive at appropriate and equitable solutions to the economic and social problems involved in enlargement. The Opinion further stressed the importance of adapting the Community's institutions, and particularly its decision-making machinery, to its new tasks.

4. Progress of the negotiations

a. Formal opening session

The negotiations for Spain's accession to the Community officially got under way at a formal opening session held in Brussels on 5 February 1979.

Mr Jean-François Poncet, President of the Council, acting as spokesman for the Community, described the context in which the negotiations would take place. Spain, he said would have to accept the Treaties establishing the European Communities and their political objectives and also the decisions adopted since their entry into force, plus all commitments entered into externally - what was generally known, in other words, as the acquis communautaire. Full acceptance of the acquis communautaire meant resolving the adjustment problems which could arise for either side by laying down

(1) Regular meetings of the Joint Committee of the European Parliament and the Spanish Cortes have been held twice a year, the last one taking place in June 1982 in Madrid. These have been attended by Mr Lorenzo Natali, one of the Commission Vice-presidents, and the Spanish ministers for European relations or foreign affairs. The discussions have centred on the main problems raised by Spain's integration into the Community.

transitional measures rather than changing Community rules.

For the Spanish side, Mr Calvo Sotelo described Spain's membership application as a step along the path which had led his people to freedom. He reaffirmed his Government's readiness to accept the Treaties and the acquis communautaire "not passively or apathetically, but actively and resolutely, because we share the political ideals of peace and freedom on which the Treaties are based".

b. The negotiations

The negotiations proper started in September 1979, the initial aim being to identify the problems and then proceed to in-depth negotiations on each area.

So far, there have been fourteen sessions at ministerial level and twenty-five at deputy (ambassadoral) level..

The negotiations have reached virtual agreement, subject only to the final overall agreement, on six "chapters": regional policy, transport, capital movements, harmonization of legislation, the right of establishment and freedom to offer services and economic and financial matters.

The efforts of both parties have achieved considerable progress in a number of other areas, including taxation, patents, Euratom, the ECSC and the industrial aspects of the customs union and external relations. A successful conclusion to these negotiations should be achieved in the near future by further discussion. Unfortunately, the same progress has not been achieved in social affairs, agriculture and fisheries.

Although negotiations on social affairs began quite a long time ago, little common ground has so far emerged particularly on the free movement of workers.

Negotiations on agriculture have not moved as fast as was hoped, both because of the extent of the issues involved and because of the need to review what has been achieved so far, with regard to Mediterranean products. This is expected to be concluded in the near future with the result that negotiations will then progress more rapidly.

Now that the Council has adopted a common fisheries policy, negotiations in that sector can now begin.

This leaves the chapters of own resources and institutional matters which, by their nature, must be left until the end of the negotiations.

Simultaneously, the Commission has been working jointly with Spain on an examination of secondary legislation in the various fields of Community activity, with the aim of pinpointing the formal amendments which would be needed to take account of Spanish membership and the substantive issues which would have to be covered in the negotiations.

The Community has also recommended the European Investment Bank (EIB) to establish financial cooperation with Spain by providing access to loans from EIB own resources to fund projects designed to pave the way for accession.

5. The effects of enlargement on non-member countries

Spain's adoption of the acquis communautaire will include acceptance of preferential and other agreements which the Community has concluded with non-member countries, undertakings towards associated and non-associated developing countries (the Lomé Convention with some sixty African, Caribbean and Pacific States, the system of generalized preferences accorded to many more countries, and food aid operations), and commitments based on multilateral agreements (e.g. on commodities) concluded in the framework of GATT or elsewhere.

The means that Spain will have to terminate certain agreements previously entered into in fields of Community competences and modify its undertakings towards other non-member countries which have relations with the Community.

In the field of trade, the effects of enlargement on non-Community countries in general are likely to be beneficial, as the applicant countries align their tariffs on the CCT (1) and adopt the Community's commercial policy.

But difficulties may arise with the Mediterranean countries with which the Community is linked by cooperation or association agreement as part of the "overall approach" to the area adopted in 1972. Honouring undertakings given in 1979, on 24 June 1982 the Commission sent to the Council a communication on a Mediterranean policy for the enlarged Community in which it analysed the reasons why the Mediterranean policy had not achieved the results expected. It also pointed out that, although enlargement of the Community was not to blame for any of these problems, it could aggravate some of them and that, in any case, the economic context as it then existed and as it was likely to develop in the short term meant that the relationship between the enlarged Community and the Mediterranean countries was very different from the one which had obtained in 1972. The Commission concluded by setting out the guidelines which it considered necessary for the enlarged Community to maintain the extremely important economic and political links which it had formed with all the Mediterranean countries.

If it is to succeed in doing this, the Community must maintain and develop traditional trade flows, trade cooperation in order to avoid crisis situations and encourage complementary production and increased Community participation in the development of these countries through technical, technological and financial cooperation and promote cooperation among the Mediterranean countries themselves.

The Commission has made contacts with the applicant countries and the Mediterranean countries on the basis of these guidelines, which are still being discussed by the Council, and intends, at the right time, to incorporate them as amendments into the agreements with those countries.

The ACP States have expressed concern over the idea of Spanish accession, but the Commission judges that for them the effects should on the whole be beneficial. Admittedly, Spain's entry into the Community may alter the competitive positions of various Spanish and ACP products on the Community market, but Spain's adoption of the acquis communautaire in respect of the ACP States will lead to considerable liberalization of

(1) Common Customs Tariff

