

Commission Opinion on Spain's application for membership (29 November 1978)

Caption: On 29 November 1978, despite predicted difficulties, the European Commission delivers a favourable opinion to the opening of the negotiations for the accession of Spain to the European Economic Community.

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[...]

Industry

32. In industry three requirements need to be met; elimination of the present imbalance in the dismantling of tariffs between the Community and Spain, harmonization of the basic conditions of competition - notably from the angle of taxation and aids - and the speedy involvement of Spain in industrial restructuring schemes and in the common disciplines adopted for the industries in crisis.

33. The starting-point for the dismantling of tariff and non-tariff barriers will have to be the situation that has resulted from the 1970 Agreement. This Agreement, which reflected the situation existing at the time when it was concluded, when there was a considerable development gap between the Community and Spain, particularly in the industrial sector, provided for phased dismantling in order to enable Spain to narrow that gap. The situation has now changed to a large extent following the very rapid development of Spanish industry; this development has not, however, been reflected in the level of tariff reductions, which has remained unchanged, contrary to the intentions of those who drafted the Agreement, at approximately 57% on the Community side as against 26% on the Spanish side. This disparity must therefore be ended no later than the early years of the transition.

The dismantling of tariffs will have a greater effect on those firms which owe their development or their survival to the protection provided by the customs tariff or by non-tariff measures. In Spain, the dismantling of tariffs will have a relative impact since certain firms developed and survive thanks to the protection of a still high tariff wall accompanied by non-tariff measures. This might even concern some recently established industries. In addition, certain critical sectors, both in Spain and in the Community, will be affected by this dismantling process, however limited it may be for the latter, because their present situation is too delicate.

On the whole, the effects of dismantling tariff and non-tariff barriers will be appreciable only in a relatively limited number of sectors, for the real problems will concern rather the restructuring that will be necessary in Spain and in the Community.

34. Spain will also have to eliminate the anomalies affecting the conditions of competition, notably in the form of taxation. To this effect the necessary implementation, by the date of accession, of the bill presently being worked out about VAT introduction would largely help.

35. Very competitive Spanish industries which have reached or exceeded the limit of the market's current absorption capacity will be added to the Community industries in which there is also surplus capacity. Enlargement could boost investment in these sectors, thus aggravating the problems of overcapacity in the Community.

36. Therefore, in particularly affected sectors such as textiles or steel, restructuring policies must be worked out and implemented with Spain as soon as negotiations start. If public power intervention was necessary to control and support the adjustment efforts of undertakings, it should correspond to the same principles.

Agriculture

37. In agriculture, Spain occupies a special position among the applicant countries: its accession will have the effect of increasing the Community's agricultural area by 30%, its agricultural working population by 31% and the number of holdings by 31%.

38. Problems will result primarily from the level of self-supply which will be achieved by the enlarged Community for a number of products. Adoption of the common agricultural policy's mechanisms, notably price levels and guarantees, will be bound to boost production capacity by stimulating investment attracted by the prospect of greater profitability. This trend will naturally be most marked in the case of

Mediterranean products. For the majority of these products, the simple addition of capacity in Spain and the Community as it is would result in rates of self-supply of close on 85% at least and over 120% in certain cases.

A further stimulus to production will be provided by relative labour costs, which will strengthen Spain's competitive position at a time when it will be receiving the benefit of free movement of products in the enlarged Community. In some cases, moreover, the introduction of a different set of price levels could bring about changes in the current balance of consumption.

Admittedly, present surpluses occurring in the Community in sectors where Spain has a deficit, such as milk products and meat might be slightly reduced, although the elements indicated above show that accession might entail an increase in surpluses of certain products for an enlarged Community, notably for wine, olive oil and some fruit and vegetables.

Even if the potential in Spain proved to be limited, because production of some of these products is concentrated in regions that are already experiencing serious development difficulties and because of the characteristics of the Community rules applied to them their sensitivity would require the integration process to be progressive and cautious. This process must, for instance, be coordinated with the adjustments in the economy as a whole. Appropriate mechanisms will have to be applied in order to avoid excessive shocks during the transitional period. At the same time there must be further Community efforts to round off the common agricultural policy by establishing market organizations for certain products not covered by such organizations (sheep meat, new potatoes, alcohol), and tightening the disciplines of some of the existing market organizations.

39. Enlargement will bring with it a more than proportionate increase in the problems linked with the farm structural shortcomings and with differences in farmers' incomes. It will therefore be necessary to step up efforts to reduce productivity differences between farms in the Community. Structural reform will have to match regional and sectoral requirements and will have to make allowance in particular for the situation of the least developed areas, which in fact would be the ones most affected by Spain's accession. The Community's financial participation will have to take account of the degree of severity of problems prevailing in those regions.

40. The multiplication of the problems, affecting structures and markets, will make it all the more necessary for Community and national action in the various fields to be coordinated. Care must be taken here to see that choices made in common market policy do not hamper the reduction of the differences in incomes, or even, in a broader context, of the differences in stages of development. The different sectoral policies should be directed increasingly towards seeking to render the economies of the Member States more compatible, with a view to the goal of Economic and Monetary Union.

41. The common agricultural policy, via the funds and other means brought into play, results in transfers of resources. It must be used more and more to redress certain sectoral or regional imbalances; it must not have the effect of aggravating them, as it has often had up to now.

42. We must not, however, lose sight of the fact that the most acute problems confronting the Community's agriculture and that will confront it in the future, be they surpluses, structural differences or, even more important, problems connected with monetary disturbances, are only the agricultural component of a range of problems confronting the Community's economy as a whole. Consequently, it seems obvious that a sectoral policy, even one backed by plenty of funds and effective means, cannot solve these problems completely.

Fisheries

43. The present imbalance in the fisheries sector between the tonnage of the Spanish fleet and the fishing zones available to Spain will make it necessary, in view of the fact that the situation is the same in the Community, to reorganize the fleet and retrain a large number of fishermen. It could also affect the

distribution of quotas in the Community's fishing zones. This constitutes a body of problems which the Member States have already tackled in this sector.

Social Aspects

44. Restructuring measures already begun in several industrial sectors, both in Spain and in the Community, and which must be encouraged and developed in view of accession, might have the effect, in a first stage, of increasing job losses. The hypothesis of the rural exodus tied to the accession process and aggravating this situation, cannot be disregarded.

The expected trend of the population of working age points to an appreciable growth between now and 1985 in Spain, even more than in the Community, of the number of young people seeking their first job. Likewise, since the female employment rate is far lower in Spain than in the Community, it is foreseeable that strong pressure will be exerted on the employment market by the female labour force.

Propensity to emigrate, traditional in Spain, could therefore increase with the upswing of unemployment, and could push migratory flows towards the Community. Admittedly, Spanish workers represented in 1977 only 1096 of total foreign labour - coming from non-member countries - employed in Community Member States. Experience shows that labour demand is generally the main factor affecting migratory flows, even in situations where freedom of movement is granted. However, potential migratory pressures justify provisions for the adoption of a safeguard mechanism and of progressive liberalization phases for access to work, in order to avoid erratic movements of labour.

45. The size of the problems which the enlarged Community will face in the field of labour makes it even more necessary that special attention be paid to employment in the Community's coordination of Member States' economic and social policies.

The coordination must, in the field of employment, have as its final objective the progressive reduction of the disparities between regional employment levels which the Community will face. In the framework of this objective, it will be essential to avoid migration as a result of the constraint of unemployment.

At the level of accompanying social measures, it is important to stress that any measure intended to create additional jobs would be hampered if there were no increased effort to provide vocational training for workers, particularly agricultural workers. So that the labour force, freed by restructuring, can be redeployed progressively, without any serious difficulties, the Community will have to participate in measures which the Member States will take to maintain, before their re-employment, the income of workers concerned by these changes, in the regions most affected by accession and where weak economic structures make any possibility of re-employment very unlikely.

Regional aspects

46. In the enlarged Community the proportion of underdeveloped regions faced with redevelopment problem and characterized by a weak economic environment will be appreciably higher.

47. Moreover, the foreseen restructuring in Spain of industrial sectors in difficulty and the constraints peculiar to the artisan sector, which is extensive in that country, suggest that the problems of adaptation and redevelopment will be particularly acute in certain provinces.

In the present Community, difficulties in a number of underdeveloped regions, already aggravated by the impact of the crisis, will be further accentuated because of the adaptations resulting from the progressive integration of the Spanish economy.

Certain Community regions, among them the Mezzogiorno and the southern regions of

France, which already benefit less than others from the opportunities made available by Community policies, will find themselves exposed to increased competition, particularly in agriculture. This problem is

especially difficult because, for a long time yet, the major part of their resources is bound to come only from Mediterranean agricultural production.

For the French regions bordering Spain, these problems will be aggravated initially by socio-political tensions created, in the economic situation described above, by the impact of competition from highly competitive regions from which they have up to now been protected. However, in the long term, the existence of centres of industrialization on both sides of the frontier could lead to the establishment of an industrial zone whose positive effects must not be underestimated.

48. Moreover, accession is likely to have the effect of giving greater advantage to the areas providing the motive power of development and, consequently, of helping to increase regional imbalances in the enlarged Community. It is therefore indispensable to set up rapidly the mechanisms to control the effects of accession.

With this in mind, it will be necessary to implement far-reaching, long-term measures in the framework of regional programmes, prepared with a view to accession and co-financed by the Community and the Member States concerned; to this end adequate fund should be made available for the Community's regional policy. Measures will be extended to the least-developed regions of Spain, after accession.

External relations

49. Accession will have a dual impact on the Community's external relations. Firstly, it will further reinforce its commercial power, which is already the foremost in the world. Secondly, it will affect certain aspects of external policy, both in relations with the industrialized countries and, above all, in relations with the Mediterranean countries.

50. In the Community's relations with the industrialized countries, although the accession of Spain may lead to some difficulties in certain sectors the overall effects will be positive, thanks to the opening of the Spanish market to the products of those sectors as a result of the considerable reduction of the Spanish tariff, through its alignment on the CCT, and for certain countries, through the adoption by Spain of free-trade agreements and the elimination of non-tariff barriers consequent upon the adoption of the common commercial policy.

51. On the other hand, in relations with the developing countries, whose exports compete most strongly with Spain's, the difficulties already being encountered will be aggravated.

Exports of products for which Spain enjoys certain comparative advantages vis-à-vis the Member States will tend to grow - which is in line with the objective of reducing the development gap between Spain and the Community. However, the principal exports of Mediterranean countries (especially Israel, Morocco, Tunisia, Cyprus) are in general those on which Spain can count in order to improve its trade balance vis-à-vis the other member countries. Therefore the consequences of Spain's accession will be most severe for certain of the Community's Mediterranean partners. The Community must as soon as possible undertake an active policy of concertation with them to seek ways and means of restructuring trade. This common effort will have to be decided rapidly if it is to have any effect during the enlargement process. It goes without saying that such adjustments can only be made over a relatively long time period which justifies the proposal for a rapid decision.

52. Furthermore, the introduction of free movement in the Community for Spanish workers will have considerable repercussions on job opportunities for workers from Mediterranean countries. Transfers of savings from nationals employed in the Community are an important factor in those countries' current accounts. In view of the foreseeable limits to the future improvement of the employment situation in the best of circumstances, this factor could prove of particular importance.

Conclusions

53. The preceding chapters have pointed up the scale and complexity of the problems arising from Spain's

accession, for accession requires the applicant country to accept the whole of the “acquis communautaire” and the economies concerned to be integrated smoothly.

For all members of the Community, the application of the Treaties and of the “acquis communautaire” is a fundamental rule from which there can be no derogation upon accession except in the form of exceptions that are strictly limited as regards both scope and duration. For this reason the period by the end of which the common market must be fully operational as a single market, particularly as regards the free movement of persons, goods, services and capital, must be fixed - and at the same time the features of this transitional period must be decided by reference to the problems arising in each particular case and notably in each sector, both in the Community and in the applicant countries.

This rule governed the establishment of the Community pursuant to Article 8 of the Treaty of Rome and subsequently determined the detailed rules adopted for the accession of the new Member States.

[...]

58. The integration process cannot, however, be confined to the removal of customs duties or quantitative restrictions. What has gone before shows that in case of Spain's accession, the conditions permitting the integration of its economy into that of the Community without undue disturbance will be met only if the Community takes or steps up measures to improve certain sectoral or regional structures. It also shows that mutual interest will cause Spain and the Community to make sure that the objectives they pursue converge and that the means used are compatible.

In industry, the Commission would point out the need to undertake as rapidly as possible - by the opening of the accession negotiations at the latest - the concerting of efforts needed to ensure Spain's involvement in the determination and implementation of Community policies on restructuring the sectors in crisis. Free movement of goods would therefore be linked to Spain's observance of the common disciplines agreed for that purpose, and in return Spain would benefit from support measures adopted by the Community.

In agriculture too it will be necessary to press ahead, before accession, with Community action in the field of structures and certain market organizations. The active concerting of efforts with Spain will also be needed in order to ensure that any difficulties that might be encountered by the enlarged Community are not aggravated by divergent measures.

59. Lastly, the Community will have to contribute to schemes undertaken by the Member States, notably for the purpose of helping regions likely to be affected by enlargement.

60. More generally, the preparatory measures should make it possible to achieve, both in industry and in agriculture, the fullest possible harmonization of the conditions of competition. Such measures should also be aimed at progressively diminishing regional problems in the Community which might be exacerbated by the mere fact of enlargement. Only in this context can free movement of goods be introduced without the danger of excessive disturbances.

61. In view of the current situation on the labour markets, the establishment of free movement of workers could create serious social and political difficulties if it were not backed up by measures to align terms of employment.

62. The above considerations show that it will be necessary to be able to maintain throughout the transitional period measures permitting the orderly introduction of free movement of workers and goods, in particular the possibility for both sides to apply a general safeguard clause.

63. The time required for the proposed measures to bear fruit makes it essential that they be undertaken without delay and that work should begin as soon as possible on the coordination with Spain of common measures and disciplines to be decided on with that country.

64. On the assumption of the effective implementation of the various principles set out above, the Commission considers that the transitional measures should be applied for a period of up to ten years. The duration of each of the transitional provisions will be established in the negotiations. If in the course of the transitional period, conditions were such that the timetable for the integration process could be adjusted in a given sector, a decision to that effect could be taken by the Council.

65. The need to take firm action to ensure the success of enlargement, and notably of Spain's integration, raises once again the question of the Community's decision-making capacity. The Commission would stress the importance of this question. It has already indicated the ways and means which in its opinion would make it possible to accomplish the aims set out above and strengthen the decision-making powers needed by an enlarged Community urges the need to resolve these questions rapidly, since enlargement will accentuate the differences between the situations of the various Member States and is liable to aggravate the Community's difficulties in adopting and implementing common policies.

66. In conclusion, the Commission would return a favourable opinion on Spain's application for membership of the Community. The Commission considers that the accession negotiations should start as soon as possible and be conducted with determination to find the most satisfactory solutions to the problems to be tackled. Finally, the Commission would emphasize once again the need to undertake concerted action in parallel with the accession negotiations.