

Opinion by the Economic and Social Committee of the EC on agricultural aspects of Spain's entry into the EC (Brusseles, January 1982)

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Opinion by the Economic and Social Committee of the EC on agricultural aspects of Spain's entry into the EC (Brussels, February 1982)

A. Own-initiative opinion of the Economic and Social Committee on the agricultural aspects of the enlargement of the Community to include Spain

By opting for enlargement, the Community has expressed a certain political will.

Even if it is seen as both a golden opportunity and a necessity the enlargement of the Community to include Spain must be accepted as a fact that cannot be called into question. The Economic and Social Committee's position and the Opinions it has delivered on this matter are clear.

It is therefore necessary to adopt a resolutely constructive approach to the prospect of enlargement. It must be realized that it will be a complicated undertaking, that the stakes are very high and that both the Community and Spain owe it to themselves to make a success of it.

The task of the present Community, as it embarks on enlargement, is to avoid haste and a rough and ready approach, and to do everything possible to create the conditions for a sound and stable structure. Enlargement must be successful; "cut price" enlargement cannot succeed. The governments concerned realize that they will have to shoulder the responsibilities - especially financial - resulting from the choice they have clearly made in favour of this enlargement of the Community to include Spain.

The integration of Spain into the Community will alter both the size and the make-up of the Community's agricultural sector.

For Spain, as for any applicant state, accession to the Community naturally implies acceptance in its entirety to the "acquis communautaire"; this is the fundamental rule of any Community. Although acceptance of the "acquis communautaire" is a non-negotiable principle, it should not, however be forgotten that the Community is sovereign and there is no thing to prevent it, when faced with an extension of its territory and a possible change in some economic parameters from improving this "acquis communautaire" to further its properly perceived interests and, which is what concerns us, to create greater internal cohesion within the Common Agricultural Policy and the organization of agricultural markets.

This enlargement of the Community naturally implies a strict respect for the basic principles of the CAP including common prices, Community preference and joint financial responsibility.

Of these three principles, it is Community preference which, more than any other, must be implemented immediately and without restriction, since it determines the internal balance of trade and the market systems.

Common prices will have to come into effect gradually, in the course of a transitional period designed to allow the progressive harmonization of costs and prices. This transitional period will have to include effective mechanisms to ensure common prices in trade between the present Community and the acceding State.

While the differences in productivity and costs, and consequently in prices, argue in favour of a transitional period geared to the extent of these differences, alignment with the rules governing production and marketing, as embodied in certain market regimes, must, however, take place immediately, in accordance with the principle of the "acquis communautaire".

Joint financial responsibility means that all the Member States participate on the same bases in the financing of total Community expenditure. This principle incidentally ensures observance of the first two principles mentioned above.

I. General problems raised by the enlargement of the Community to include Spain

The balance of Community markets

Physical features, as well as the country's water resources, limit the capacity for expansion which one might expect of Spanish agricultural production. Nevertheless, an analysis of current yields - well below the average in some sectors of production - suggests that integration into more favourable market regimes, from the point of view both of guarantees and of prices, should help to unleash a latent potential for expansion, at least in some sectors, e.g. fruit and vegetables, wine and olive oil.

The entry of Spain will therefore raise the problem of market balance in those sectors in which the Community is already more than self-sufficient or where the addition of the Spanish produce will bring this about.

For producers a dynamic approach to the problem of market balance implies:

- strict compliance with, and if necessary tightening-up of, production rules in those sectors where the actual nature of the produce or the needs of market organization have led to the adoption of such rules, e.g. the banning of chaptalization in most wine-growing areas;
- strict compliance with, and consequently effective monitoring of, standardization in those sectors where the nature of the produce or the orderly operation of trade require it; the main example of this is the fruit and vegetable sector.

These two courses of action have the advantage of introducing some kind of control over supply, while avoiding any mandatory limitation of production. These measures, applicable in the same way to all producers and forming part of policy on quality, have the additional advantage of promoting on equal terms for all the rather neglected principle of regional specialization.

Parallel to these efforts by producers, the Community, for its part, should :

- stimulate demand in the Community; although food consumption in the Community seems to have been levelling out or showing little elasticity in its growth for a number of years, it is by no means certain that the "crisis" will go on for ever or even that the changes in households' behaviour during the crisis will have an adverse effect on food consumption;
- make a determined effort to conquer external markets. The Community is the world's leading importer, buying from the rest of the world three times more agricultural and food products than it sells, but its export performance has hitherto been determined more by accident than advantage deliberate policy. Export policy must cover the broadest possible range of processes and unprocessed products.

Community trade with certain non-member countries, especially Mediterranean countries

Over the years, the Community has concluded a whole series of agreements with countries in the Mediterranean basin involving in the main the granting of privileged access for these countries' farm exports. The accession of Spain to the Community, which will eventually result in the abolition of all Restrictions on the sales of that country's goods on the enlarged Community market, may seriously jeopardize the current flows of exports from the Mediterranean countries to the EEC. The products affected are mainly tomatoes, olive oil and wine.

While it is true that Spain, as (at present) a non-EEC country, already sends a very considerable proportion of its farm exports to the market of the Nine (82% of its total export of fresh fruit and vegetables; 88% in the case of mandarins, 80% in the case of oranges, 85% in the case of tomatoes, 66% in the case of wine, etc.), the fact remains that a switch towards the Community of some of its exports which at present go elsewhere may, in itself, compromise to a relatively much greater degree the exports of non-EEC Mediterranean

countries.

This "substitution effect", presented here in static terms, would be further aggravated by an increase in Spanish production in the sectors concerned.

For instance, the 77% of Spanish olive oil exports which are at present sold outside the Community represent more than 100% of the total exports of olive oil from the countries concerned. Similarly, the proportion of Spanish tomato exports which do not go to the EEC (15%) represent 40% of the volume of these Mediterranean countries' exports to the Community, which accounts for over 90% of their outlets.

The Community cannot disregard this problem. At the same time, whatever importance it rightly attaches now, as in the past, to the "global approach" in the Mediterranean area, it must not succumb to internal divisions. In theory, once Spain has joined (although in practice from the end of the transitional period) no mechanism can be allowed which is designed to stand in the way of the replacement of the present exports from the Mediterranean countries by Spanish products.

It is therefore necessary to consider the alternatives that will make it possible to continue to give substance to this "Mediterranean policy", which the Community must pursue and develop.

The following suggestions can be made :

a) The Community could strengthen and reorientate its technical, scientific and financial cooperation to help the third countries concerned to increase their output of products not easily grown in the EEC (avocados, grapefruit, kiwi fruit) and for which there is a mounting demand in the Community. Under new agreements these products could replace those currently covered by these trade agreements (tomatoes, peppers, etc.).

b) The Community should give its full attention to the structural deficit in the agro-foodstuffs balance of these non-EEC Mediterranean countries. This is in fact due to a rising demand for basic products such as milk, cereals, etc. In an attempt to close the trade gap these countries export fruit and vegetables to the Community market. To complement the reorientation of production the Community could supply basic products on terms calculated to reduce the import costs of these countries. Supplying goods on special terms would, however, raise problems both inside and outside the Community and these problems would have to be faced.

Community finances

The budget question concerns the operation of the Community as a whole but it also has a special bearing on the CAP, since this is the only policy so far to involve integrated management at Community level, so that it naturally accounts for a decisive portion of the budget. The accession of Spain is bound to have a considerable impact on Community resources, on which the CAP'S operating instruments are primarily dependent.

Estimates made by the Commission indicate that Spain's accession will result in a net increase in agricultural expenditure' of the order of 1,200 MEUA per year - this at the end of the transitional period.

To this must be added the potential expenditure involved in applying regional development policy, social policy, etc. to Spain. This should of course be viewed in a dynamic context - that of an acceleration of needs. While there is no question of the Community wanting to do more tomorrow for the latest member of the "club" than it has done so far for itself, one can appreciate that the integration in the Community of a vast country (which by itself would in 1981 increase by 32% the total Community working population engaged in agriculture and whose standard of living is at the lower end of the Community scale) will pose once again, but more acutely than in the past, the "structural question", i.e. the need to establish a balance between the regions of the Community with all the challenges and the financial requirements that this implies.

Faced with this prospect, the Community has no alternative. If the Community wishes to implement the choice it has made in favour of enlargement, it will have to be prepared to accept the financial consequences of this choice, which represent an additional factor mitigating in favour of a change in the ceiling on the Community's own resources as soon as the need is felt, which will be before long. This is a political decision that will have to be made primarily by the Member States.

At the same time, the Community should acquire new types of resources alongside its "own resources", which will remain strictly, limited for the time being.

II. Sectoral problems posed by enlargement

Spain's entry into the Community will pose specific problems in a number of sectors. Whilst the extension of the "acquis communautaire" to Spain is liable to create difficulties on certain markets (sensitive products, which are or will be olive oil, wine, and fruit and vegetables) thought should also be given to the difficulties that entering the Community could cause some Spanish sectors, in particular certain animal products such as milk or beef and veal.

As regards overall trade in agricultural and food products between Spain and the Community, there will have to be mechanisms during the transitional period to offset the differences in prices between the present Community and the acceding State. These mechanisms will have to be particularly effective because, on the one hand, price differences will be greater at the start of the transitional period and, on the other, market prices will be subject to greater fluctuations according to the type of guarantees or support mechanisms in the sectors in question.

Enlargement could bring problems for some Spanish sectors covering the so-called "northern products".

As a result of structural factors, changes in supply conditions and producer prices sometimes far in excess of Community prices, certain sectors such as milk, beef and veal and perhaps sugar beet, could find themselves in difficulty.

The role of the transitional period, whose importance both for the present Community and for Spain itself is evident, will be to enable the necessary transitions and adjustments to be made.

Fruit and vegetables

The available statistics on production and prices indicate that, in this sector, the enlargement of the Community to include Spain will create problems in maintaining a balance from the quantitative point of view, in the case of some products. Much will depend, of course, on the way in which Spanish production in this sector develops; the products which are already emerging as potential surplus products, or seem likely to be subject to regional market imbalances, include apples, pears, table grapes, lemons, peaches, tomatoes, onions, peppers, lettuce, etc.

In addition to the purely quantitative factors affecting this sector - which is one of the most 'sensitive' and has only very limited support mechanisms for a very small number of products - there arises the question of price. The risk of market disruption as a result of too rapid a link-up between the present Community and Spain without adequate precautions depends more on the price levels prevailing in the applicant State than on questions purely of quantity.

In the face of the quantitative problems which will confront the Community after enlargement, we must seek ways of bringing cohesion and balance to the sector as a whole in the enlarged Community. Steps must be taken to prevent disruptions, which could affect whole regions. With these aims in view, there is a need to seek a certain measure of complementarity between regions of the Community which takes account of the climatic characteristics of the regions concerned and could alleviate market difficulties and meet consumer requirements.

In order to achieve greater stability in the fruit and vegetable sector there is a need to strengthen Community preference, strictly apply and monitor the observance of Community quality standards, from the producer stage to the consumer stage, to organize along economic lines and, finally, to introduce more efficient methods of managing the Community market.

The need to extend greatly the list of products subject to reference prices has been apparent for a long time, and the prospect of Spanish entry has made this need more pressing. When the Common Market was set up, the Community showed a large deficit in the vast majority of products in this sector; the level of production today makes it urgently necessary to extend reference prices so as to ensure market stability (and this will be even more necessary in the future with the enlargement of the Community). The list of products subject to reference prices should be extended straightaway so that even during the transitional period it will be possible to prevent Spanish produce from causing unacceptable disruptions on the market.

As regards the products for which (in two Member States at certain periods) there are restrictions on imports from non-member countries (cf. Annex III to Regulation 1035/72), experience has shown that this so-called "timetable" system is especially effective in the case of products without a reference price. Since an existing "good solution" should never be abandoned in favour of a possible "better solution", it would be wiser to keep the timetables in force throughout the transitional period. The timetables would only be abolished when reference prices are fixed in advance vis-à-vis non-member countries for the products in question.

Provision should be made in the economic organization of the sector for the strengthening of producers' groups. By controlling sales, or the initial placing of goods on the market, and thus exerting a certain control over supplies from farmers, the producers' groups should, in the long term, indirectly influence the general pattern and development of production.

If producers' groups are to play their part effectively in stabilizing the markets, the Community must deal satisfactorily with the problem posed by the failure of non-members of producer groups to respect the disciplines which group members impose on themselves.

The producers' groups need more comprehensive instruments to improve their management of the market. The intervention mechanisms (purchase on the open market or withdrawal by producers' groups) which at present apply to only a few products, should be extended to a considerably larger number of products. In addition to considerations of fairness towards a sector which has much lower guarantees than certain other major areas of production, it is also a question of efficiency. Indeed, there are reasons to believe that the extension of intervention mechanisms to a large number of products will have the effect of restoring balance within the sector and will promote diversification of production, instead of the present concentration on the few products benefiting from intervention, which results precisely in more frequent intervention.

Finally, it is important that, in adapting the regulations, provision should be made for more rapid and more efficient implementation of remedial measures in the event of a crisis (e.g. a fall in prices).

Citrus fruit

In addition to the general problems of the fruit sector, the question of marketing premiums arises in the case of citrus fruit; Spanish accession would eventually deprive these of much of their meaning. Marketing premiums, however, in addition to taking account of peripheral and scattered location, are also in keeping with the specific nature of some types of citrus fruit production in some parts of the Community.

If the marketing premium is abolished, it goes without saying that the corresponding reference prices - which have occasionally been neutralized in exchange for the premium - should be revived and updated at regular intervals. This process should at all events not take place until the end of the transitional period.

Because of their present variety policy (blood oranges), Italian orange producers should retain the marketing

premium for the duration of their ambitious conversion programme.

Wine

There must be no delay in applying the Community ban on new plantings to Spain too.

Similarly, the adoption by Spain of the "acquis communautaire" will mean the abolition of the practice of "coupage" between red wines and white wines. Continuation of this practice would not only make the long-term management of vineyards more difficult, but would also make the Community's intervention mechanisms, which apply to red wines on the one hand and to white wines on the other, impracticable or difficult to check.

The banning of red/white "coupage" will aggravate the surpluses of Spanish white wine, which will depress Community prices. In this context proposals will be made, firstly, for a reorganization plan and a change to red grape varieties in definite wine-producing areas, and, secondly, for programmes for grubbing and abandonment of production in those areas which do not meet the criteria for wine-growing areas and where white wine production predominates. These measures would be in line with reorganization and conversion programmes undertaken in the past in certain parts of the Community.

The ban on irrigation which has already been imposed in Spain and which applies either as a custom or a rule in the present Member States, should be formalized and extended to the whole Community, with the exception of specific and strictly delimited areas in which occasional irrigation is a *sine qua non* for the viability of vineyards.

At the same time, the use of products obtained from grapes (grape must or grape sugar) - which should in due course be laid down as the sole method in the regulations - should gradually replace traditional chaptalization (beet sugar) in the wine-growing areas where enrichment by the addition of sugar is still allowed.

Above and beyond the guidelines proposed above concerning supply, there are greater risks of imbalance than the Community has ever faced before, as a result of the addition to the Community's potential of the world's largest area under vines.

In this context, the regulations governing wine-growing should provide for an increase in preventive distillation which could be carried out at the start of the year on the basis of the most recent forecasts of harvests and stocks. To enhance the effectiveness of preventive distillation, means must obviously be provided for achieving the target quantities. Making distillation more attractive by means of price levels would not seem to be the most effective way : either the objective will not be achieved because the price will be too low, or the price will be "too adequate" and preventive distillation will overshoot the target.

Two possibilities are worth considering :

- a) making preventive distillation obligatory, like the wine deliveries which can at present be required depending on the yield;
- b) making preventive distillation more attractive by, for example, making those engaging in it eligible for storage contracts in the course of the year.

Measures to be taken in connection with enlargement should be concerned with the normal development of demand no less than with controlling supply. It is therefore essential that the Community take the necessary steps to remove the barriers to consumption and, in particular, that it complete as soon as possible the harmonization of customs and excise duties, first of all among the different types of beverages within each State and then among the States themselves.

Olive oil

Spain far exceeds self-sufficiency and has a self-supply rate of the order of 140%.

Although lower than in Greece, for example, Spanish consumption per head of population is considerably higher than the Community average.

Whereas in the Community the price ratio of olive oil to other vegetable oils is 2.4 : 1 for the consumer (i.e. taking into account aid to consumption) in Spain it is 1.6 : 1

Community protection for oilseeds is non-existent and for vegetable oils it is minimal; protection is greater in Spain.

The price guaranteed to the Community's producers (including production aid) is approximately twice the current Spanish intervention price, which could encourage an increase in production in Spain.

If Spanish protection for oilseeds and oils is reduced to bring it into line with Community protection, and at the same time Spanish prices are raised in line with Community prices, the resulting change in the price ratio of olive oil to other vegetable oils could well have a serious effect on Spanish consumption and lead to surpluses whose disposal would involve considerable expenditure.

The question of olive oil and other vegetable oils affords an example of the way in which the concept of the "acquis communautaire" can be interpreted both strictly and in a liberal spirit.

The main aim in fact in the olive oil sector is to achieve a price ratio which would allow consumption levels to be maintained in the enlarged Community without this consumer price ratio entailing a marked increase in expenditure.

Spain and Italy are the largest producers of olive oil in the world. The equation is changing, so the approach must change.

Simple extension to Spain of the existing Community price and protection systems in respect of imported oilseeds and vegetable oils would necessitate - if overall consumption is to be maintained in the enlarged Community - a level of aid to consumption which would place a heavy burden on Community finances : the extra expenditure arising from the application to Spain of the current Community regime as it stands is estimated at about 650 MEUA by the end of the transitional period.

Spain and Italy are the largest producers of olive oil in the world. The equation is changing, so the approach must change.

Instead of applying the present Community system to Spain it would be better to seek a regime less costly to the Community within the framework of an overall policy on oils and fats that takes account of the economic and social importance of olive oil in the enlarged Community.

It is all the more essential to consider a less costly regime of this kind in view of the fact that the particularly liberal arrangements governing imported oilseeds and vegetable oils seem to be increasingly incompatible with the Common Agricultural Policy.

The various proposals which have been put forward since the establishment of the EEC, in particular the introduction of a tax on all oils and fats - a proposal which has always come up against considerable practical difficulties - make it essential to carry out a thorough consideration of this problem with a view to removing the many outstanding ambiguities.

The Committee has called upon the Commission to carry out such an examination on a number of occasions.

As the Commission has so far not acted upon this request, the Section will shortly endeavour to meet this need.

In conjunction with the measures to restore general balance to the market for olive oil, measures should be taken at the production level with a view to :

- 1) adopting programmes to encourage grubbing in areas where a switch to other crops is possible;
- 2) adopting re-organization programmes to improve the productivity of olive plantations, eventually reduce production costs and thereby cut marketing costs by adjusting to market demands;
- 3) ensuring that as soon as Spain becomes a member of the EEC no grants may be provided in that country in respect of new planting over and above those permitted by the rules in the present Community.

On the demand front, there is a need to take stock of and make an economic assessment of potential outlets on outside markets, including the Middle East and Latin America, where eating habits should provide scope for an increase in olive oil consumption.

III. Final comments

It is not a matter, therefore, of isolating the markets of the Community in its present form from Spanish markets, but of taking account of the special characteristics of -all partners - present and future - to achieve greater cohesion, which must remain the prime objective of the Community.

The venture is fraught with many difficulties. The present Community will have to proceed with great caution. We have seen this in connection with the transitional period, during which there will have to be effective mechanisms for adjusting prices in trade as Spanish prices are brought into line with Community prices. This will have to take place over an appropriate period so that on either side of the boundaries of the present Community, agricultural activities regions and ultimately the people behind these activities and these regions, can adjust to the new Community dimension.

They will not be able to do this on their own however. The burden of enlargement cannot fall on agricultural production alone and on farmers located (in the case of those who are most directly affected by enlargement) in what are already the most difficult regions of our Community.

By opting for enlargement the Community has expressed a very clear political will. But every political decision entails the commitment of the financial resources necessary for success. Unless these funds are available the enlargement of the Community would bring increased difficulties for all parties. These difficulties could make the existing obstacles in the Community more serious and could heighten the disappointments which have already occurred. If we were to fail in this venture the Community would suffer a severe blow; failure might sow seeds of disintegration which could have the most far-reaching effects. Enlargement is a challenge. We have accepted the challenge. Failure is out of the question for both the Community and Spain.

B. Report of the Section for Agriculture (Rapporteur: Mr LAUGA)

[...]

6. General problems posed by enlargement as seen by the Economic and Social Committee

Spanish membership of the Community will have a major impact on the CAP for a variety of reasons.

- (i) Because of its size, Spanish farming will change the face of farming in the Community. Spanish membership will increase :

- the Community's utilized agricultural area by 29%;
- its irrigated Mediterranean farmland by 80%;
- its working population engaged in agriculture by 32%; and
- the number of farms in the Community by 32%.

When these increases of close on one-third in the Community's farmland and farming population are considered alongside the 14% increase in the Community's consumption potential, it is clear where one problem will lie.

(ii) The present Community's internal problems are in danger of being compounded by Spanish accession.

Firstly, there is the problem of those products which are in surplus. The greater market provided by Spanish membership will not be able to absorb the products in surplus in the Nine or the products which are likely to be in surplus once Spanish products are integrated in the Community market (wine, fruit, vegetables).

Secondly, the accession of three Mediterranean countries is going to give a new dimension to the problems facing the southern regions of the present Community, which are already the most backward in socio-structural terms. There is already a North-South conflict within Spain and one of the main weaknesses of the CAP has been its inability to correct structural differences. Will it then be able to prevent further inequalities from being born? On the other hand, the accession of three Mediterranean countries will give more political weight to producers in the south of the Community.

Finally, notwithstanding current financial problems, enlargement will mean a more rapid increase in expenditure than revenue if the aforementioned disequilibria are to be wiped out. The Commission has estimated that enlargement will cost 1,200 MEUA/year net.

(iii) The Community's trade with the rest of the world will be affected in two main ways by Spanish membership :

- The Community's deficit in agricultural products will increase, since Spain obtains 90% of its agricultural imports from outside the Nine;
- The enlarged Community will be more than 100% self-sufficient in wine, olive oil and numerous fruits and vegetables.

Consequently serious problems will be encountered by our non-EEC suppliers of these products, in particular those of the Mediterranean area (Tunisia, Morocco and Cyprus and, to a lesser extent, 'Egypt, Turkey and Israel). To offset these countries' loss of earnings, the enlarged Community will no doubt be under pressure to provide financial compensation.

[...]

The main problems

Spain's accession to the Community is likely to prove complicated, mainly because of the imbalance between the size of its fishing fleet and its own fish stocks. To make matters worse the present Community is also confronted with the same problem, though to a lesser degree.

There are bound to be conflicts of interest when the time comes to include Spain in the allocation of the quotas for fishing grounds where Spain has traditional fishing rights.

Non-Community stocks are also going to pose some problems. A part of the Spanish fishing fleet depends on the numerous agreements concluded by Spain, but the Community is likely to find it difficult to accept some of these agreements, especially where they provide for tariff concessions.

All the problems associated with fleet structure will depend largely on the solutions found with regard to Community and non-Community stocks. However, it is already clear that the tariff regime provided for in the provisions on joint ventures is incompatible with Community rules and regulations. Once again, however, these joint venture provisions are of considerable help in keeping the Spanish fishing fleet in operation.

Because Spanish sardine and tuna-fish canners are particularly competitive, Spanish membership of the Community is likely to pose serious problems for canners in the present Member States. Not only does the Common Customs Tariff protect Community canners at the moment, but it is also possible in some Member States to impose quantitative restrictions (there still being no common regime for trade with non-Community countries in these products).

7. The general problems posed by the Spanish application for membership as seen by Spanish socio-economic interest groups

In agriculture, there is a great deal of common interest but the problems which will arise in a number of key sectors - such as milk, livestock farming, sugar, soft wheat - will affect wider areas, and doubtless more people, in Spain than in the present Member States.

Spanish food products will help to secure better living standards for Community consumers.

Spain will have no truck with the idea that Spanish membership would reinforce the recession in individual regions and sectors, and thus impose a strain on the Community.

Spain deplores the continuing failure to work out an arrangement for her official and private interests to be represented at talks on the improvement of current Community rules. It is also concerned by the unjustified delay in opening proper negotiations on the agricultural sector. This contrasts with the progress already made in other sectors.

The terms of membership must be completely consistent with the three underlying principles of the CAP - free movement of goods, Community preference and genuine financial solidarity. Furthermore, rules should be established to ensure that agriculture functions properly, and better and better, throughout the Community and in each individual Member State.

Spanish interests consider the following necessary :

- a) The agricultural sector in the present Member States and Spain should seek to maintain the production levels indispensable for sectoral socio-economic balance. No rundown liable to jeopardize the economic activity of Community and Spanish farmers should be allowed.
- b) The expansion of intra-Community trade should be ensured by imposing symmetrically identical taxes on all agro-food exports and imports.
- c) Steps should be taken to ensure that Spanish agro-food exports will not have worse conditions of access to Member State markets than third countries.
- d) Since Spanish living standards are below those in the present Community, steps should be taken to ensure that there is a net transfer of financial resources to Spain.
- e) Specific solutions must be sought for Spanish regions which have a special economic and tax system, and on which membership will exert specific inflationary pressures.

f) Steps must be taken without further delay, to allow Spanish social and economic interests to participate in CAP decision-making.

g) Arrangements must be made to ensure the continuity and strengthening of traditional Spanish ties with Spanish-speaking countries, in order to establish closer links between the Community and those countries.

h) The implications of having to express common farm prices in ECUs must be assessed. Although monetary problems have been curbed by the establishment of the EMS, the difficulty remains of reconciling exchange rates when these are expressed in a currency unit which cannot register differing inflation rates in the Member States. In the absence of a common currency, common farm prices are theoretical and alter the terms of competition on the market.

i) During the discussions between members of the Section for Agriculture and the Spanish delegation, the latter was asked a number of specific questions, in particular :

- Whether Spanish farmers would be prepared to accept limitations on some agricultural products (especially olive oil, wine, fruit and vegetables) with a view to avoiding surpluses in the Community.
- Whether Spain would be prepared to accept, as a goodwill gesture, the abolition of state-trading, a decrease in tariffs and the introduction of VAT.
- Whether the Spanish socio-economic groups would accept the possible consequences for Spanish agriculture of the current revision of the common agricultural policy.
- How could the huge increases in the production of certain agricultural products (wine and cereals in particular) over the last two years be explained?

The Spanish delegation replied as follows :

From the Spanish point of view it does not seem fair to impose limits on certain products where there is still room for technical improvements, with the consequent effect on farmers' incomes, while other sectors of Community agriculture have already reached a high level of development. Any limitation on production should be carried out in a comprehensive manner, i.e. all products and all countries should be considered. Community preference should be used, including for substitute products, in such a way that the problem of surpluses, e.g. in olive oil, cannot be considered in isolation from Community imports from other sources.

Although the points raised in the second question are obviously problems for the Government, the view of the Spanish socio-economic groups is that these steps cannot be taken without adequate guarantees that production will be safeguarded while uncertainties still persist regarding our integration into the Community. The Spanish public feels that the present members of the Community do not really want Spain to join, given the constant obstacles and delays in the accession negotiations (theoretically now underway).

As far as acceptance of the consequences of the reform of the CAP is concerned, we confirm that these changes will be accepted in full if Spain has a say in them and the new factors arising from our accession are taken into account.

Regarding the increases recorded for certain products over recent years, the statistics show just how heavily dependent Spanish agriculture is on climatic conditions; it is not unusual for there to be substantial increases or decreases in harvests from one year to the next.