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Nine EEC Attitudes to Enlargement

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Introduction

On 28 July 1977, Spain applied for membership in the European Economic Community (EEC), joining Greece and Portugal whose candidacies date from July 1975 and March 1977 respectively. Spain's long expected move put the further enlargement of the EEC in the Mediterranean area near the top of the Community's agenda. Formally the Nine could not but welcome, or at least accept, the three applications. Article 237 of the Treaty of Rome guarantees the right of any European state to apply for membership. All the governments of the Nine have expressed the hope that a closer relationship with the EEC will stabilise democracy in southern Europe. However, the apparent consensus is less simple than it looks. Beneath the surface lie many conflicting attitudes, interests and pressures.

The question of national attitudes to enlargement can be pursued at four levels. First, there is official government policy; such policy is expressed at the EEC Council of Ministers. In February 1976, for example, the Council agreed to accept Greece's application and to begin negotiations, in effect overturning the Commission's opinion[1], formally required by the procedure of Article 237, and which had proposed political preconditions for the talks.

At the second level of analysis – the attitudes of individual ministries and civil servants – the Council decision was greeted with mixed feelings and in some cases dismay. At this level, domestic and departmental interests, rather than a broad Community or strategic view, determine attitudes. The third level of opinion contributing to national attitudes consists of lobbies of farmers, trade unionists, manufacturers, consumer organisations, and so on – which have a direct economic stake in decisions about enlargement. Two cases in point are British textile manufacturers and the Mediterranean farmers of the Italian Mezzogiorno and the French Midi. Political parties transmit group demands to the governmental level when this is likely to pay electoral dividends. Finally there is the fourth level of mass opinion, as yet largely unarticulated on an issue which does not seem to touch daily life.

The interplay of these four levels of opinion significantly altered the position of some member states over enlargement in the two years between the announcement of the Greek and Spanish applications. Initially the French president, Valéry Giscard d'Estaing, viewed enlargement as an instrument of high policy. A more Mediterranean Community would, he thought, enhance France's influence as the bridge between north and south. The Community's centre of gravity would move to the south, counterbalancing the preponderant weight of the Nordic states. Similar views were held in Rome. Since 1975 this analysis has been under attack, in particular in France and Italy, by pressure groups, political parties and ministers of agriculture. They have little interest in enlargement as a means of boosting national prestige. Rather, they view it through the lens of low politics, i.e. the impact of enlargement upon their clients' wealth and welfare. In the first instance, *le défi méditerranéen* mainly affects the Community's less developed southern regions, with their dependence on producing the type of farm products in which the candidates enjoy a competitive advantage. Pressure from groups in these areas and their political champions has transformed the enlargement debate into one which focuses on low rather than high policy issues. This transformation was facilitated by the pre-electoral atmosphere in France before March 1978 and by the persistent recession which has put governments on the defensive everywhere. In this climate metaphors about the Community's 'centre of gravity' and 'fledgling' democracies count for less than concrete economic interests.

Two types of linkage politics are at work in this process, both typical of Community decision-making. First, government stands in Brussels are linked to the demands of sub-national pressure groups. Bargaining positions are determined less by a rational calculation of the national or Community interest than by the desire to appease domestic interests and so dish political opponents. Second, governments choose not to deal with enlargement issues in isolation but rather to link them with demands for the redress of grievances. This is as true of the smaller states with institutional axes to grind as of France and Italy with their Mediterranean preoccupations. Progress can only be made through the negotiation of package deals in which there is something for everyone. The Community method consists as much in the parcelling up of such deals as in the formal provisions for the Council-Commission dialogue.

The key role of the Permanent Representatives Committee (Coreper) and the Council of Ministers in setting Community policy makes it essential to focus on national attitudes as the major determinant of decisions about enlargement. This essay seeks to identify the special interests of each of the nine member states of the EEC in order to predict the kind of package deal which is likely to emerge. This is intended to provide the observer with a better understanding of the negotiations and to cast new light upon the Community's decision-making process.

National attitudes among the Nine break down into three groups: Germany and Britain; the Benelux countries, Ireland and Denmark; France and Italy. Interests, and therefore opinions, within each group are diverse and there is inevitably some overlapping. Nonetheless, such a break-down provides a first approximation of the pattern of opinion. A more refined analysis is provided when countries are considered individually in later sections.

Germany and Britain favour enlargement for broadly political reasons: to provide an element of stability in the Mediterranean region and to bolster the Western alliance. Both states also hope to strengthen their already close bilateral relations with the candidate countries. Neither Britain nor Germany is a major competitor of the candidate countries in those Mediterranean products which dominate their agricultural exports to the EEC. Both see these countries as important markets, or potential markets, for their industrial exports. The costs of enlargement present themselves to Britain and Germany more in budgetary than in trade terms. Germany expects large future demands upon her resources to finance transfer payments to the new members and, indeed, to some of the old seeking compensation. No longer one of the neediest, Britain too would be a source rather than a recipient of multilateral transfer payments in a Community of Twelve.

The **Benelux countries, Ireland** and **Denmark** form the second group of states. They express solidarity with the new democracies of southern Europe and share common interests as the small states of the existing Community. The Benelux countries and Ireland argue that further dilution of the Community's supranational character would be too high a price to pay for the political benefits of enlargement. As small states they have an interest in preserving and strengthening a system which enhances their influence in Community affairs. They therefore seek a package deal in which enlargement would be tied up with new undertakings on the Community's internal decision-making structure. Restriction on the use of the veto in the Council of Ministers would, they feel, give smaller states an assurance that an enlarged Community would not be dominated by a five-power directorate, with Spain's demographic and economic strength entitling her to join the existing 'big four'. Such views are shared by some sectors of Danish opinion, especially within the foreign ministry, but the country's general approach tends to be more pragmatic, given the system of prior scrutiny of EEC legislation practised by the Danish parliament and the persistent scepticism of Danish public opinion about the Community. In some respects, Ireland might also be grouped with France and Italy. Dublin's approach is essentially 'reactionary', to quote an Irish diplomat, seeking to protect existing benefits under the common agriculture policy (CAP) and regional fund from diversion to the candidate countries.

France and Italy are the only Mediterranean states among the Nine and so have a special interest in the proposed accession of Greece, Portugal and Spain. At the political level this interest is a positive one: the desire to group around themselves other Mediterranean states which might be natural allies in negotiations with the Nordic bloc. This political interest is bolstered by hopes of future joint industrial ventures under the Community umbrella. On the other hand, these positive views contend with the far more clamorous arguments of agricultural interests. Already resentful of concessions to third countries under the Community's global Mediterranean policy, these fear economic extinction in the face of the agricultural potential and lower costs of the three candidates, mainly Spain. France and Italy therefore demand a full scale reform of the CAP to benefit their Mediterranean producers parallel with negotiations for enlargement. The two countries are, to some extent, divided over reform proposals. France seeks protection from an influx of Italian as well as Spanish wine through a floor-price mechanism, an approach which meets with considerable reserve in Rome. Italy emphasises the need for structural measures while France calls for stricter Community preference and more price guarantees. Despite such differences of emphasis, France and Italy, as producer-oriented countries, have common interests that pit them against Britain and Germany whose first concern is to protect their consumers from the inflationary consequences of extending aid from the EEC's agricultural fund (FEOGA) to most Mediterranean products.

Public Opinion

National attitudes will be analysed in more depth in later sections. First we shall take a brief look at mass opinion on the enlargement question. It is important to know whether popular attitudes are sufficiently strong to exercise a constraint upon government policies. In November 1976, a sample of 9,000 people across the EEC were asked the following question: "Here for your information is a list of the members of the European Community. Are there other European countries which you would like to see enter the European Community in the near future? Which ones?"[2] The question was open-ended with several responses possible, and no mention of the actual or potential candidates for membership.

Only 53% of those questioned expressed an opinion, indicating the low level of public awareness of the issue. The response rate was lowest in Ireland (36%) and Britain (38%), highest in Germany (65%) and Luxembourg (61%). The response rate was not linked with hostility or sympathy towards European integration as such, since Denmark, a Community sceptic, came fourth from the top with a response rate of 55%. Nonetheless, Britain and Ireland emerged as the countries where public opinion was least open to enlargement.

Table 1 shows the rank ordering of preferred future members. The break-down of preferences by member state in Table 2 suggests the motivation for these choices. Switzerland is seen as peaceful, prosperous and stable, an ideal prospective partner. In Germany and Luxembourg, Switzerland and Austria have the additional appeal of cultural, linguistic and geographical proximity. Spain is joint favourite with Switzerland in Belgium and Italy and sole favourite in France and Ireland. Religious affinities may in part explain Spain's appeal. The Danes look towards Scandinavia for their primary identification; opinion in Britain is also drawn towards Norway and Sweden.

Greece, the only actual candidate when the survey was conducted, was mentioned by only a quarter of the respondents with opinions, though by rather more than a quarter in Italy (34%), Belgium (29%) and Germany (28%). Portugal's scores are, on the average, marginally lower than those of Greece. Turkey, correctly, is not perceived as a contender for full membership.

Table 1

Rank ordering of preferred future partners (November 1976)

	% of those questioned	% of those expressing an opinion
Switzerland	27	50
Spain	23	44
Austria	21	39
Greece	13	24
Portugal	12	22
Turkey	5	10
Other countries	15	29

Source: Office of the Special Adviser, Directorate-General Press and Information, Commission of the European Communities

Table 2

Rank ordering broken down by member state (of those with opinions)†

	Switzerland	Spain	Austria	Greece	Portugal	Turkey	Others
Belgium	54%	53%	36%	29%	29%	15%	24
Denmark	32	14	29	14	10	6	95*
France	36	67	20	17	25	4	25
Germany	64	36	65	28	20	13	8
Ireland	30	56	17	19	13	8	30
Italy	55	43	38	34	32	13	26
Luxembourg	68	41	66	26	28	9	12
Netherlands	45	26	30	15	19	8	31
UK	42	33	21	13	13	7	49*
Community	50	44	39	24	22	5	29

Source: As above

* Mainly Norway and Sweden

† The percentages refer to the number of people with opinions in each member state mentioning the listed prospective partners

Another poll, taken a year later in October-November 1977, suggests some deepening of opinion following the official announcement of the Portuguese and Spanish applications, greater press coverage and public discussion. Unfortunately, no direct comparison can be made between the two polls since the question posed in 1977 was quite different:

> "Three European countries, Greece, Portugal and Spain, have recently asked to join the European Community (Common Market). In your opinion would Greece's entry into the European Community be rather a good thing, rather a bad thing or neither a good nor a bad thing for (your country)?
> And Portugal's entry?
> And Spain's entry?"[2]

Respondents thus only had an opportunity to state their attitudes towards the actual candidate countries and not towards *any* prospective candidate as previously.

Table 3 shows that on balance German, Italian and Irish opinion was most favourable to the accession of the candidates, Danish opinion least so. Of the candidates, Spain was the marginal favourite. Few extrapolations can be made from these figures. The broadly uniform reaction to the three candidates and the high percentage of 'don't knows' suggest that the poll extracted opinions which were not necessarily considered or held with much intensity. The enlargement issue remains of low importance except to those segments of opinion conscious of concrete interests or regional identities to defend (e.g. Denmark with Scandinavia). Evidently no electoral capital is to be made from championing enlargement; the signals from the polls are mostly neutral or negative. Mass opinion can be said to affect decisions on enlargement only by encouraging the tendency towards delay and prolonged negotiations already evident in some capitals. But the situation is dynamic and, as later parts of this study show, the issue has already become partly politicised in some member states.

The following sections provide a country-by-country survey of opinion at the elite level. The survey considers both articulated opinions and sectional economic interests. Besides the sources cited in the footnotes it is based on interviews with Community officials, diplomats and national civil servants conducted during the spring of 1977. It may seem that a disproportionate amount of space is devoted to some countries, e.g. France and Italy, while others are treated comparatively briefly, e.g. Denmark and Britain. Generally such unequal treatment reflects the intensity of discussion and debate on enlargement in the respective countries. While the quality press in Britain is devoting more and more space to the question, it does not command attention at the grass roots. In Italy, by contrast, the impact of enlargement is already being discussed at the local, provincial and regional levels by agricultural groups who believe their livelihoods will be adversely affected. In France, the enlargement question became a lively issue in the partisan political struggles prior to the legislative elections of March 1978.

Table 3

Attitudes towards the accession of Greece, Portugal and Spain to the European Community

October-November 1977

	BEL	DEN	FRA	GER	IRE	ITA	LUX	NETH	UK	EEC (1)
1. Greece	%	%	%	%	%	%	%	%	%	%
– a good thing	47	27	31	51	51	53	41	33	30	42
– a bad thing	21	35	24	11	19	16	22	34	27	20
– neither good nor bad	32	38	45	38	30	31	37	33	43	38
	100	100	100	100	100	100	100	100	100	100
2. Portugal										
– a good thing	45	28	33	50	52	53	43	38	35	43
– a bad thing	24	35	27	14	19	15	20	32	27	21
– neither good nor bad	31	37	40	36	29	32	37	30	38	36
	100	100	100	100	100	100	100	100	100	100
3. Spain										
– a good thing	50	30	41	58	55	53	46	43	39	48
– a bad thing	22	34	25	10	19	18	18	30	28	20
– neither good nor bad	28	36	34	32	26	29	36	27	33	32
	100	100	100	100	100	100	100	100	100	100

Source: *Euro-baromètre*, No.8, January 1978.

(1) Weighted average

National Attitudes

Germany*

The Bonn government has taken the lead in championing enlargement on political and strategic grounds. Politically, the European Community is seen as a framework conducive to democracy; strategically it is seen as a complement to NATO in a region where support for the alliance has wavered in recent years.[3] Community membership is viewed as an incentive to the southern Europeans to establish and maintain order in their political and economic systems. Article 237 of the Treaty of Rome is, according to some sources in Bonn, so clear on the right of any European country to apply for membership that Germany simply could not say no. Although couched in legalistic terms this argument in fact reflects the government's political and strategic concerns. The treaty contains no commitment to negotiate with would-be candidates, still less to admit them, a point demonstrated by General de Gaulle in the 1960s. Only the right to apply is guaranteed. Germany's attitude towards enlargement must, therefore, be explained in less formalistic terms.

The German Social Democratic Party (SPD) is influenced by a particular feeling of solidarity with the Soares government in Portugal. The SPD took a leading role in the Socialist International's rescue operation for democracy in Portugal in 1974–5 and approved the temporary withholding of Community aid to Portugal during the period when the emergence of an authoritarian regime appeared likely. Germany can claim to have contributed more than most member states to the prevention of this outcome and to the establishment of the present political system.

These same considerations naturally have a different impact on attitudes among the opposition Christian Democratic – CDU/CSU – leaders. They tend to stress the drift to the left not only in Portugal and Spain but also in Italy and France. On its *Europa-Tag* in Hannover on 25 May 1976 the CDU expressed its concern over the prospect of a socialist Europe. Helmut Kohl, the party leader, said that "many Europeans would dislike a Community united under red colours". Even making allowances for political rhetoric, there is a real fear that direct elections to the European Parliament will strengthen

*Thanks are due to Johann Wilhelm Scheidt for research assistance on this section.

the position of the socialists, already the largest group in the assembly. Such fears were partially allayed by the orderly general election in Spain in June 1977 and the victory of Mr. Adolfo Suarez's centrists. The CDU supported the decision by the Christian Democratic Group in the European Parliament to approve the principle of enlargement, while it reserved its position on questions of detail.[4]

Supporters of European integration in the Free Democrat Party (FDP) have expressed concern about dilution in a Community of Twelve. Many were sceptical about the 1973 enlargement and believe that their fears have been justified by the weakness of Community spirit in Britain and Denmark. Despite doubts about the political complexion of southern Europe and the risk of further diluting EEC institutions, the political arguments for enlargement are overwhelmingly positive in the view of most German leaders.

The economic arguments are less clear. They can be summed up under four headings: exports and investment; agriculture; budget; and migrant labour. The first two add to the case for enlargement. The second two raise further doubts. Each will be considered in turn.

Germany is the main European Community exporter to the candidate countries, running large trade surpluses with them. She is Spain's principal source of imports from the EEC, followed by France and Italy. Germany's exports to Spain consist mainly of manufactured products and chemicals. In 1976 her share of Greek imports was 13%, compared with 9% for France and 8% for Italy.[5] Germany supplies approximately 10% of Greece's car imports, 25% of her imports of machines and machine tools and 12% of her imports of electrical and technical equipment.[6] Germany is Portugal's main EEC supplier with 12% of her total imports in 1976.[7]

Although Germany looms large in the foreign trade of the candidate countries, they absorb only a marginal part of her total exports. For instance, Spain counts Germany as her second largest export market, but for Germany Spain is only twentieth among her foreign clients.[8] Nonetheless, the exchange of goods between Germany and Spain has grown from DM 3.5 billion in 1970, the year in which Spain signed her trade agreement with the EEC, to DM 6.0 billion in 1976. This represents a marked increase, even taking inflation into account, with the balance in Germany's favour.

Under existing agreements between the EEC and "the Three", as Greece, Portugal and Spain may be called, certain quotas, ceilings and duties are permitted to protect infant industries. Portugal's 1972 agreement, for instance, contains protocols allowing protection for certain steel and petroleum products, machine tools and the motor assembly industry, all items of interest to German exporters. Spain's 1970 agreement leaves most of the country's protectionist instruments intact, rendering competition, e.g. from imported cars, difficult.

German leaders accept the need for industrialising countries to protect the most vulnerable parts of their economies; Germany herself often has a financial stake in their infant industries. But business leaders and trade unionists see a clear long-term interest in maximum trade liberalisation. For this reason they favour the accession of the candidates to the Treaty of Rome but insist that the treaty's provisions for free and unimpeded competition should then be respected. German business leaders also hope that full membership will guarantee the free movement of capital and create an economic and political climate favouring new investment.

Investment complements trade in furnishing Germany with economic arguments for enlargement. Germany's investments in the region have already reached impressive proportions. She accounts for 30% of the EEC's overall investments in Spain, equivalent to 10.5% of all foreign investment. According to a study conducted by the Germano-Portuguese Chamber of Commerce and Industry, the Federal Republic is the largest foreign investor in Portugal, accounting for approximately 30% of all foreign investment, followed by the United States, the United Kingdom and France.[9] One hundred and fifty German firms, employing a total of 28,000 people, were established in Portugal at the beginning of 1976. The following year German firms were amongst the bidders to provide the capital and technology to develop a car industry in Portugal, though it now seems that the contract will go to the French firm Renault. Investment also plays a key role in Germany's bilateral economic relations with Greece.

As President of the German Chamber of Commerce and Industry, Otto Wolff von Amerongen has observed that an economic climate favouring a reasonable rate of return and freedom to decide on the best use of profits were essential conditions for the development of German investments in Portugal. He has also mentioned non-discriminatory access to capital markets, fiscal policies favourable to investment and a legal order guaranteeing property rights as factors favouring foreign investment.[10] Many German businessmen see enlargement as a means for attaining these goals and, in time, for removing existing impediments to free trade. These observations apply, in varying degrees, to all three candidate countries. Membership in the European Community is considered desirable to the extent that it promotes political and economic stability, trade liberalisation and the free movement of capital. (The free movement of labour raises other questions which are considered below.)

Agriculture furnishes Germany with additional arguments for enlargement. Food products account for 25% of Spanish exports to Germany; fruit is by far the largest sector, worth US $16.5 million in 1976.[11] Food has declined as a proportion of total Spanish exports to Germany from approximately two-thirds in 1966 to one-quarter today, but Spain is still an important source of cheap food for Germany. Spain is much more efficient in the production, distribution and marketing of Mediterranean products than Italy, her main competitor inside the EEC. Consequently Spain, even from outside the EEC, has been far more successful than Italy in penetrating the German and other northern European markets with products such as mandarines, clementines, table grapes, vegetables, tomatoes, wine and, of course, oranges.

The agricultural provisions of the EEC-Portugal trade agreement have enabled Portugal to sell her sardines, tomato concentrate, fresh fruit and vegetables and wines on preferential terms; German consumers have benefited from these provisions. Food and other agricultural products represent a declining share of Greek exports to Germany, but they still account for some of the largest items in the export bill.[12]

In a sense the satisfactory nature of present economic relations between Germany and the candidate countries in fields such as trade, investment and food removes any incentive to press for enlargement. A recent report conducted within the Germany government, whose content became public in September 1977, suggests that there are far more disadvantages than advantages in enlargement from Germany's point of view. (The details of the report are considered below.) Nevertheless, most spokesmen for German interest groups and political parties take a more positive view in the light of the expected trade-creating effects of enlargement.

French agriculturalists suspect that Germany sees Spain as a potential ally in resisting Franco-Italian demands for more CAP funds to aid Mediterranean agriculture. Germany, Spain (and Britain), the argument goes, have an interest in trade liberalisation rather than managed markets, price guarantees and intervention regimes. Spain's lower standard of living and labour costs make her agricultural exports so competitive that she does not need elaborate protection. Germany seeks to avoid the extension of costly and wasteful support mechanisms to the Mediterranean products of Spain, Portugal and Greece. Instead, she wants continued access to low cost supplies, without creating new burdens for the Community (and hence German) budget. Since Germany also has an interest in industrial free trade, enlargement raises the spectre of a return to the free trade area principle which was thought buried in 1958. Anglo-German-Spanish collusion to this end would thwart France's vision of a more Mediterranean Community under her own leadership. Instead, the Community of Twelve would be divided between those southerners seeking an extension of the CAP's guarantee provisions to most Mediterranean products, notably France and Italy, and those best able to trade in market conditions, notably Spain. This scenario is based on fears and uncertainties. It is meant to push French negotiators to secure new guarantees for French farmers before enlargement occurs. It nonetheless contains more than a grain of truth and pinpoints Germany's interest in free trade, rather than complicated and costly new means of protection.

The budgetary implications are probably the key economic consideration in German thinking about enlargement. In recent years Bonn has grown restive over the Federal Republic's large and increasing contributions to the Community budget.[13] Helmut Schmidt, the German chancellor, insists that Germany will do her financial duty providing there is a pay-off in terms of increased integration. "I'm prepared to pay more," he told *Der Spiegel* in October 1975, "but it seems senseless to make such sacrifices if they result only in agricultural surpluses rather than an increase in European integration."[14] The problem is that enlargement would require Germany to pay more while, in all probability, raising surplus production and making the Community less, rather than more integrated.

The following table shows estimates of the impact of enlargement to Twelve upon the FEOGA budget. The figures derive from the report by a committee of state secretaries which was leaked in September 1977:[15]

Table 4

Estimated impact of enlargement on EEC agricultural budget in millions of units of account*

	Greece		Spain		Portugal		Total	
	1976	1980	1976	1980	1976	1980	1976	1980
FEOGA (Guarantee)	231	411	333	680	68	128	632	1.219
FEOGA (Guidance)	60	60	175	175	40	40	275	275
Receipts	50	82	161	272	63	120	274	474
Net costs	241	389	347	583	45	48	633	1.020

Source: *Agence Europe Daily Bulletin*, 5/6 Sept., 1977.
*On 1 August, 1977 the European unit of account was worth $1.14590

The first column gives the estimated gross and net cost to the budget on the assumption that the candidate was a full member in 1976. The second column projects the budget forward to 1980. The extra cost to the budget is attributable to aid for such products as tobacco, olive oil and hard wheat and intervention to take surplus production of wine, fruit and vegetables off the market. Germany would have to provide about a third of these additional sums.

Although these figures give Germany cause for concern, they are less alarming, at least in the case of Greece, than the Commission's own calculations. However, they would be inflated beyond these first order costs if the Community agrees to meet French and Italian demands for compensation.

At an informal meeting of the foreign ministers of the Nine at Leeds Castle in Kent, on 22 May 1977, Herr Hans-Dietrich Genscher, the German foreign minister, is reported to have acknowledged that enlargement implied a major re-orientation of the CAP.[16] At the same time, he pointed out that an increase in FEOGA spending on Mediterranean agriculture would lead to an unacceptable overall increase in the EEC budget.

Germany's preoccupations with the budgetary implications of enlargement seem to rest on the federal government's view of itself as the paymaster of Europe, a view which has been openly challenged in recent months. In March 1978, Christopher Tugendhat, the EEC commissioner with responsibility for the budget, pointed out that Germany's per capita contribution to the EEC's 1977 budget (DM 149) was less than that of Belgium (DM 192) and Holland (DM 205). Moreover, Germany's policy of seeking high prices for its farmers was, he added, a major factor in inflating the Community's budget. Seventy-three per cent of the Community's butter mountain and 61% of its powdered milk mountain were stocked in Germany. At real rates of exchange, farm support prices in Germany were 35% higher than in France, 40% higher than in Britain and 20% above the Community average.[17]

In these circumstances the repeated statements by German ministers that their government will not tolerate an ever-increasing farm budget become hard to interpret. If the CAP is in future to give more support to Mediterranean products and is not, at the same time, to increase its overall size by very much, there would have to be cuts in its subventions for such temperate products as meat, sugar, cereals, milk and butter. The German government could scarcely demand cuts for these products without causing uproar in Bavaria and major problems in the governing coalition. Bonn's strictures on the need to contain CAP spending are, therefore, best understood as designed to deter France from jeopardising her existing CAP benefits by campaigning too vigorously on behalf of her Mediterranean farms.

The budgetary implications of enlargement are the main factor in Germany's insistence on sufficient preparatory measures to permit the new members to bring their economies into closer alignment with those of the Nine. Even then a massive transfer of resources would be needed to reduce disparities between the economic performance of the Three and the more prosperous of the Nine. With this in mind, the Executive Committee of the SPD has proposed a 'Marshall plan' for the depressed regions of southern Europe.[18] The proposal would involve a fund of DM 20/30 billion, subscribed by Germany, Belgium, Holland, Sweden (not a member of the Community, of course) and perhaps France, to provide long-term loans at low interest rates. In the short-term, the Bonn government has taken the initiative by allocating DM 300 million in its 1978 budget for aid to Spain, Greece and Portugal. Government officials are quoted as linking this aid with the need to prepare the Three for Community membership. The allocation is seen as part of a 'solidarity programme', to which it is hoped other member states of the Community will contribute, designed to shorten the period needed for the integration of the Three into the Community. A programme of subsidised credits for the candidates is also under discussion in Bonn.

An afterword should be added on the question of migrant labour. Herr Schmidt indicated the importance he attached to this issue in remarks following the European Council in London at the end of June 1977. Germany has imposed a freeze on the employment of migrant labour because of the depressed condition of the labour market. Yet full membership in the EEC implies free movement of labour. The accession of the Three might aggravate unemployment in Germany because it would permit an influx of migrant workers.

In fact, German officials and trade unionists do not expect a flood of Greek, Portuguese and Spanish workers following enlargement. In the last three years there has been a tendency for workers from the Three to return to their

countries of origin without replacement. The number of Greek migrant workers in Germany declined from 250,000 in 1973 to 196,000 in 1975[19] and 179,000 in 1976.[20] Net emigration of labour from Greece stopped in 1974 and became a net immigration of 14,000 in 1975 and 1976.[21] The combination of low population growth and relatively high economic growth (GDP rose 5.4% in 1976 and 3.5% in 1977) has raised demand for labour in developing sectors of the Greek economy and forced Greece herself to employ migrant labour from Yugoslavia and the Sudan.[22] Labour freed through the modernisation of agriculture is not expected to meet Greece's own industrial needs over the coming decade. It is unlikely, therefore, that Germany will be faced with a new surge of migrant labour from Greece on the scale seen in the past. Portugal supplied only 3.3% of Germany's migrant labour in 1976, equivalent to 63,000 workers. This was a decline from 85,000 in 1973. Portugal's main links in this field are with France who employs close to 500,000 Portuguese. Spain supplies a much larger share of Germany's migrant labour force, equal to 190,000 workers or 7% of the total in 1973. By 1975 this figure had fallen by 34.5% to 124,500 and by 1976 to 110,000 or 5.7% of the total. German officials expect the trend to continue even if Spain joins the Common Market. They point out that Spanish migrants are mostly skilled and that in this category workers enjoy narrower differentials from salaries in their home country than in unskilled employment. Germany's high taxes, living costs and the social conditions of many migrants act as a further deterrent.

Migrant labour is an issue which affects German calculations about enlargement only indirectly. Turkey, it is feared, may press for faster progress towards full free movement of labour, under its association agreement, in compensation for the rights won by Greece, Portugal and Spain as full members of the Community. There are more than a million Turkish workers and dependents in the Federal Republic already. Turkey's high birth rate and its high level of unemployment and under-employment, despite an impressive rate of growth in national income until the present recession, continue to create pressures for freer migration. German health, education and social security ministries are reluctant to increase their spending on services for the migrants so that the ministry of foreign affairs can compensate Turkey for its comparative loss of status. A more interesting approach, from the German point of view, might be provided by the OECD's plans to create a fund to stimulate job creation for returned migrants in their countries of origin. Yet even the fear of Turkish pressure for rapid progress towards free movement of labour now seems exaggerated. Turkish leaders are aware that, in conditions of persistent high unemployment, they are more likely to make progress with claims for compensation in fields other than labour migration.[23]

German requests for limitations on the free movement of labour during the transition periods of Greece, Spain and Portugal cannot be excluded. Migrant labour is a sensitive issue but marginal to overall German thinking about enlargement. This remains cautiously favourable in the political sphere with the hope that, in time, trade creation may offset the inevitable budgetary costs.[24]

Meanwhile it is hoped that if other member states follow Germany's initiative in the solidarity programme, the time needed to enable Greece, Spain and Portugal to accept the discipline of Community membership may be reduced.

Britain

Like Germany, Britain has an interest in stability in the Mediterranean region and hopes that the European Community can complement NATO in fulfilling this objective. Budgetary constraints limit Britain's own ability to aid the new democracies of southern Europe, so assistance through multilateral channels, including the EEC, is welcome. Britain's Labour leaders supported the Socialist International's efforts to assist Mario Soares and the Portuguese Socialist Party. This assistance has reinforced traditional links between the two countries. Both are members of NATO and were founding members of the European Free Trade Association (EFTA). Britain's decision to apply for membership in the Common Market was the decisive factor in Portugal's moves to establish closer links with the Community. In 1972, parallel with Britain's own negotiations for full membership, Portugal reached a new agreement with the Community, partly to safeguard established trading connections with Britain. Then in 1977, following the general elections of the previous year, the Soares government lodged its formal application for full membership with the Council and Commission in Brussels.

Britain's attitude towards Spain has been more circumspect, partly because of a large 'old left' contingent in the Labour Party and Trades Union Congress for whom memories of the Spanish civil war are still vivid. But this restraint is likely to diminish in the future for two main reasons. First, the legalisation of Spanish political parties, including the communist party, has removed the stigma of authoritarianism. The general election of June 1977 allayed lingering doubts about the legitimacy of the post-Franco regime and confirmed the strength of moderate centre-left political forces. Second, the expiry of Britain's transition period to full alignment with the Community's common external tariff (CET) has brought to a head the problem of future trade relations between Britain and Spain.

In principle, Britain, Ireland and Denmark were obliged to apply the full CET to imports from Spain after the expiry of their transition periods, except where derogations were provided for in the 1970 preferential commercial agreement between Spain and the Community. Against this, Spain has argued that the extension of the 1970 agreement to Britain, Ireland and Denmark imposes sacrifices upon her without any compensating concessions by the Community. For Britain the obligation to impose higher duties on Spanish products threatens to eliminate a traditional source of cheap food. In the case of oranges, for example, the Community applies the CET minus 40% (equivalent to a 12% tariff). Spain complains that the Maghreb countries enjoy a more generous 80% cut in the CET (equivalent to a 4% tariff) and is afraid of losing part of her share of the British market.

These preoccupations led the Community and Spain to prepare for

negotiations early in 1978 designed to harmonise the conditions of Spanish trade with the Six and the Three who joined the Community in 1973. Essentially the Community is proposing agricultural concessions to Spain in exchange for Spanish concessions on industrial goods imported from the Community. Spain is doubtful about such an approach especially in light of recent Community actions in the steel and textile sectors, both important export industries for Spain. The Spanish authorities demand that a new agreement should enable them to maintain their position on the British, Irish and Danish markets.[25] For citrus products, Madrid seeks the same level of concessions that the Community extends to the Maghreb countries. In general, Spanish negotiators insist that a new agreement with the Community, embracing Britain, Ireland and Denmark, should be no more restrictive than the 1970 agreement. They also express the view that the present round of talks should be the last prior to formal negotiations for Spanish entry.

Although Spain's trade agreement with the Community and her proposed accession remain separate issues for the moment, it is clear that a definitive solution to outstanding difficulties between the two can only be found within the framework of future accession negotiations. From Britain's point of view only Spanish membership in the Community can, in the long term, assure access to her agricultural products on favourable terms.

Britain's attitude towards Greek membership is not influenced by strong political connections, as in the case of Portugal, or strong trading interests, as in the case of Spain. Rather it is influenced by the general desire to bolster Greek democracy and to ensure an element of stability in the eastern Mediterranean. Britain has proved unable to exercise any special influence in the Cyprus conflict; officials and diplomats express the hope that the European Community may, indirectly, assume a moderating role. Since Turkey has, for the time being, renounced any intention of pushing for full membership in the European Community, there is no contradiction between Greek accession to the Treaty of Rome and an intensification of relations with Turkey through a revision of the 1963 association agreement. It is hoped, therefore, that economic incentives to both Greece and Turkey will encourage a resolution of the Cyprus and Aegean conflicts. On political grounds Britain concurred in the decision of the Council of Ministers, taken in February 1976, to accept the Greek application without posing preconditions. In the economic sphere, Greek membership, like that of Portugal, raises several budgetary problems for Britain that will be considered below.

As with Germany, Britain's economic interests in enlargement can be analysed under the headings – trade and investment, agriculture and budget. Britain has formidable interests in Iberia with respect to trade and investment. Spain is a growing market for British exports, mostly of finished manufactured goods. Britain is Spain's fourth largest supplier in the EEC, after Germany, France and Italy.[26] Despite this good record, British manufacturers claim that Spanish protective measures harm their exports. Tariffs, import taxes, the rigid administration of import licences and quotas are said to harm British exports of steel, iron products, machinery, synthetic fibres, footwear, textiles and certain food products. The Spanish government's public procurement policies are so discriminatory, according to British exporters, that imported goods are automatically excluded from consideration.

In the view of the Confederation of British Industries (CBI),[27] entry negotiations should provide a framework for the removal of trade restrictions and nationalistic public procurement policies. The negotiations should also permit the Community to put an end to various practices by which Spain subsidises her exports to the EEC. Such measures as state aids, cheap export credit, duty drawbacks, tax exemptions and other export subsidies are seen as unfair at least in those sectors capable of being competitive with industry in the Nine. Recent dramatic increases in Spanish exports to Britain of textiles, footwear, paper and paper board products and automobile components accentuate the fears of British manufacturers. Spanish accession to the Community, in the view of industrialists in Britain, could put an end of 'unfair' competition by imposing Community discipline on Spanish exporters. The CBI even suggests that the Community should maintain sectoral safeguard clauses after Spain's accession to protect vulnerable industries in the Nine. Such action would conflict with the principle of a common market and with Community law, which should be sufficient to prohibit discriminatory practices once Spain joins the Community.

Members of the CBI also see the forthcoming entry negotiations as an opportunity to challenge Spanish policies on foreign investment. Restrictions on the repatriation of profits and the employment of non-nationals, together with the screening of licensing agreements for consistency with government policy, are seen as unwarranted abridgments of the free movement of capital, persons and goods. The CBI considers that the guarantee of equal treatment for Spanish and EEC-based firms should be an important negotiating objective.

The European Community absorbs almost 50% of all Spanish exports, of which more than 70% are now industrial, but food still plays an unusually large part in Spanish exports to Britain. Britain is Spain's most important customer in the EEC for agricultural products; wine, fruit, fresh and processed vegetables account for 70% of British imports from Spain. During Britain's transition period, which ended on 30 June 1977, Spanish food arriving in Britain was not subject to Community tariffs, safeguards or reference prices. British imports of Mediterranean products were not, therefore, diverted from comparatively low cost sources of supply in Spain and the Canaries to comparatively high cost sources inside the Community. Spanish exports to Britain benefit from competitive prices and efficient marketing and distribution systems. Sea transport confers a natural advantage which helps hold prices down.

In the long run Britain can only hope to maintain her food connection with Spain through the latter's admission to the European Community. This solution would lose its value if Spanish farm products became the beneficiaries of a new system of price supports and intervention buying. Such a system is precisely the price which French and Italian farms hope to exact from the Community, in

exchange for their countries' consent to enlargement. If successful, such a development would place a double burden upon Britain: it would push up the cost of imports from Spain and increase Britain's contribution to the Community budget. Besides the direct financial cost, public opinion in Britain, already traumatised by the contrast between CAP prices and traditional cheap food, which is easily pointed up by anti-marketeers, would be affronted by the destruction of fruit and vegetables which an intervention system for perishable Mediterranean products would make inevitable. Britain's agricultural trade with Spain creates an interest in Spanish membership in the EEC but on terms which will not lead to a drastic inflation of food prices. Britain can, therefore, be expected to resist Franco-Italian demands for a general system of guaranteed prices for Mediterranean products or to insist that any new guaranteed prices be closer to those prevailing in the candidate countries than in the Community. Britain's large windfall gains from the green currency/monetary compensatory amounts system provide an additional motive for preventing scarce Community funds from being siphoned off to southern Europe.

Similar preoccupations apply to Britain's attitude towards the Greek and Portuguese applications, though the issue is less urgent since the volume and value of trade are much lower. Britain is Portugal's second largest supplier in the EEC, after Germany, and her largest customer. Chemicals, metals, textiles, machinery and cars are prominent among Britain's exports. On the import side, the most important items include fruit, vegetables, tomato paste, cork, paper, textiles and clothing. The UK is Portugal's largest market in the EEC for canned fish, mostly sardines, and the second largest market for port wine in the world, following France. In 1975 Britain accounted for 12.7% of world imports of port.

Trade liberalisation does not present Britain with a compelling argument in favour of Portugal's accession to the EEC. The advantage of free access to Portuguese markets might well be outweighed by the loss of ceilings and duties by which the Community can protect itself under the present trade agreement. Britain has an interest in restricting rather than liberalising trade in several items which come high on Portugal's export bill, notably clothing and textiles. Textiles regularly account for well over a third of Portugal's exports to Britain.[28] Britain has resisted the elimination of ceilings for Portuguese exports of certain textile and cordage products and demanded the partial restoration of customs duties. The British government is obliged to choose between protecting British firms which, in some cases, are faced with bankruptcy through the combined effects of the recession and low-cost imports, and maintaining an open policy towards competitors in the developing world (which for practical purposes includes Portugal). Britain's own declining industries, in which the government is anxious to save jobs, are often the very sectors upon which developing countries depend for their exports. Aware of this conflict of interests, British industrialists have urged that the Community maintain safeguard provisions even after Portugal is a full member of the Community. The CBI advocates a prolonged pre-adhesion period for Portugal during which the economic adjustments could be made which would enable Portugal to dismantle its system of import deposits, surtaxes, investment controls and export subsidies. Such adjustments would, of course, require a large injection of resources from outside the country.

Despite the sensitivity of certain industries like paper, clothing and textiles, trade with Portugal is too marginal a part of Britain's overall balance of payments to play a key role in determining Britain's attitude towards her entry into the EEC. But a general case can be made that economic stability in Portugal favours British interests when investment, tourism and contract work by British companies are taken into consideration. Portugal's economic difficulties are sufficiently grave to cast a shadow over Mario Soares' political achievements. Britain's reaction to the Portuguese application will be based, therefore, on broad political and economic considerations, rather than upon sectoral interests.

British agriculture is generally complementary with that of the candidates and so there is little fear of direct competition. Food processing and horticulture are partial exceptions to this observation. At the annual meeting of the National Farmers' Union in January 1977, tomato growers expressed the fear that Britain would be flooded with cheap tomatoes if Spain joined the EEC. Such fears overestimate the effect of the Community's existing protective measures on the degree of market penetration by third countries. Spain already has a strong position on the British market thanks to the quality of its products and the efficiency with which they are marketed and distributed. The removal of import controls would only lead to the feared flood of horticultural products if accompanied by price guarantees high enough to stimulate excess production. This is something which the British government, amongst others, is determined to resist.

Fishing is another sector in which British interest groups have expressed fears about the consequences of enlargement. Spokesmen for the UK White Fish Authority point out that the entry of Spain and Portugal into the Community would almost double the gross tonnage of fishing vessels in the Community. If it is accepted that Community fish stocks represent resources which are common to all member states, British fishermen fear that the new members will add to the pressure on what is an increasingly scarce commodity.

These fears are real enough, though they depend on a simplification of a complex set of factors (vessel sizes, Community conservation measures, quota allocations between member states etc.). But the expression of concern by organisations such as the White Fish Authority is to be seen more as an attempt to secure a common fisheries policy favourable to Britain than as an important element in the debate about enlargement of the Community. Fisheries problems will, no doubt, be raised again in the context of enlargement when negotiations are well advanced.

The first order budgetary effects of the admission of Greece, Spain and Portugal would not be too startling from Britain's point of view. It has been estimated that the three countries would have added approximately 850 m.u.a. net, to the EEC budget if they had been full members in 1976.[29] Britain would have been responsible for something less than 20% of this figure. This

additional burden is not negligible but, in itself, might not be judged too high a price to pay for the political benefits of enlargement.

Second order budgetary effects give Britain more cause for alarm. First there is the problem of compensation for France and Italy. After the decisions of the Council of Ministers meetings in May, it looked as if she would have to pay at least £190 m. over five years for a programme of structural reforms in the Midi and Mezzogiorno. It is hoped this might even obviate the need for a new system for financing Mediterranean farmers in France, Italy and the Three. Such a system would impose new burdens on the EEC budget and push up food prices for the British consumer. Second, with a per capita GDP well above that of Italy, Spain, Greece and Portugal, Britain will find it increasingly difficult to make a case for special treatment. If Greece is not budged far from her claim to have the entire national territory designated a development region, and if large areas of Portugal and Spain are similarly considered, Britain could not hope to be a net beneficiary of the regional fund. Similarly, Britain will find it hard to keep her windfall gains from the Community's green currency and monetary compensation amount systems if resources are needed for Europe's poorest regions.

Despite these economic caveats Britain can be expected to remain a strong supporter of the three southern European candidacies. Britain is not obsessed with the need to preserve the Community method and so is less worried about dilution than some other member states. Indeed, the prospect of a more diverse and diluted Community of Twelve, including new members with important socialist and communist parties, might help the government to pre-empt left-wing anti-market calls for the replacement of the EEC by a looser, more pan-European, grouping of states. Mr. Callaghan's critics in the Conservative Party and in other member states have even charged that he sees dilution as a positive advantage of enlargement.[30] In short, Britain's approach to enlargement is likely to remain positive on political grounds. Solutions in sensitive areas will be sought during the negotiations and in the relatively prolonged period before the candidates achieve full membership.

Ireland

As a neutral state, outside NATO, Ireland does not actively share the preoccupation with the stability of the Western alliance's southern flank which, to some extent, influences Anglo-German attitudes towards enlargement. Ireland's industrial base is still too weak for trade liberalisation with Spain, Portugal and Greece to offer tempting export prospects. To be sure, there is evidence of trade creation effects between Ireland and the EEC, following accession in 1973. Since accession, the share of Irish export markets of the EEC countries other than Britain has risen from 16% to 27%, while that of Britain and Northern Ireland has declined from 61% to 49%.[31] But Irish industry would find it impossible to compete with manufactures from Germany or Benelux on southern European markets. On the contrary, some Irish industries, notably footwear and textiles, might face new competition on the home market. These industries have already suffered from overseas competition; in July 1975, the Commission authorised Ireland to take protective measures against imports of footwear. Ireland lacks the strategic and industrial interests which contribute to the favourable Anglo-German attitude towards enlargement. It has no special interest in the Franco-Italian concept of a more Mediterranean Community (except, perhaps, at the level of religious affinities, discussed in the section on public opinion above).

Ireland's approach is conditioned by two sets of attitudes. The first is a determination to safeguard existing financial benefits from erosion by newcomers. Ireland's attitude can be likened to that of Italy and France inasmuch as all three seek to protect and, if possible, extend national benefits from Community spending before agreeing to enlargement. The second set of attitudes finds Ireland in the same camp as the Benelux countries. These four small states have an interest in guarding the Community method against tendencies towards inter-governmentalism and a directorate among the EEC's four (or in a further enlarged Community, five) largest states. Their interest takes the form of advocating new assurances concerning the supra-national character of Community decision-making before giving their consent to a further enlargement.

Ireland's decision to apply for membership in the EEC was determined by Britain. The sterling link and the dominant place of the United Kingdom in Ireland's trade gave the government little choice. Once a prospective member of the Community, however, Ireland discovered other benefits. It welcomed the chance to escape from the stifling weight of the exclusive bilateral relationship with Britain, politically and economically. In addition to the diversification of export markets, Ireland, as the Community's poorest member state, was a candidate for receiving a significant transfer of resources. Her hopes in this area have not always been satisfied. The decline of sterling, the green currency system and the use of monetary compensation amounts have severely limited Ireland's receipts from FEOGA. However, Ireland has done well from the Community's regional fund and hopes that the fund will support more development projects in the future. The transfer of resources to Ireland for the purpose of industrial development remains one of the main attractions of Community membership. Irish officials and businessmen are afraid that this source of funds may be reduced to a trickle if Greece, Spain and Portugal join the EEC. In 1975 per capita GDP at market prices in the Nine varied from $6870 in Germany to $2480 in Ireland. Comparable figures for the candidates were Greece $2320, Spain $2870, and Portugal $1550.[32] Per capita GDP is not the only index of economic development and is in some ways deceptive. Spain has a far more developed industrial infrastructure than Ireland; Greece has a more rapid rate of growth. But Spain has, by some estimates, the most unequal distribution of income in Europe[33] with sharp regional disparities; Greek industry is little developed outside the Athens area and the government claims that the entire country should be considered a development region. (This is unlikely to be accorded to the Athens area and even that of Thessalonica is in question.) Portugal is the poorest country in Europe, besides Turkey, and

would have a major claim to EEC resources in an enlarged Community.

Faced with the prospect of an enlarged Community in which Ireland's problems would be overshadowed by those of southerners, the government decided to seek guarantees that Ireland would, at least, be no worse off in a Community of Twelve than it is in the Community of Nine. Shortly after negotiations with Greece formally opened in July 1976, Ireland tried to persuade the Council of Ministers to pass a resolution to this effect. But the principle, self-evident from an Irish point of view, is very difficult to translate into a concrete undertaking. The EEC budget has to be fixed each year and it would be difficult for a single member state to pre-empt a given sum, or even proportion, in advance. Many appropriations are linked to specific projects and to the initiative of individuals, companies and governments in seeking Community support.

The most that the Council of Ministers has been prepared to do to reassure Ireland has been to agree to a general statement of the principle that enlargement should not be detrimental to existing or planned Community projects. Irish ministers maintain that any final decision on enlargement depends on this principle being fulfilled. Observers may question the credibility of Ireland's implied veto threat and its consistency with the desire to promote majority voting in the Council of Ministers. Nonetheless, Ireland's bargaining position indicates the deep concern in Dublin about the impact of enlargement upon the national economy and the institutions of the Community.

On the positive side, Irish officials have noted that both Spain and Portugal are food deficit countries. Two of the items in which they have a deficit – meat and dairy products – correspond with surplus production in Ireland. Ireland has already found outlets in the EEC for some of its surplus, buying back and re-selling part of the stocks previously taken into intervention. Irish meat production exceeds home consumption by 33% and the chance that Greece, Spain and Portugal might absorb part of the surplus is an intriguing one. Greece, for example, has one of the highest meat consumption rates in Europe. Only about 60% of Greece's demand is satisfied by domestic production. Ireland hopes that it may replace such suppliers as Yugoslavia, now a major source of Greece's meat imports, once Greece is a full member of the EEC.[34] An increase in Greek agricultural exports to Ireland would pose little problem to Irish producers since they would be concentrated in products such as fruits, raisins, sultanas and olive oil.

The Greeks have launched a major campaign to persuade the Irish that their fears concerning Greek accession are without foundation, and that the 360 m.u.a. net which Greece might cost the Community during the first year of membership would have little effect on Irish receipts. The then Greek foreign minister Mr. Bitsios told his Irish counterpart, Mr. O'Kennedy, during a visit to Athens in September 1977, that Greece's interest in the Community was largely political.[35] Greece would not demand so much economic aid that nothing would be left for Ireland. Similar arguments have been elaborated by Greek academics and politicians in the press and at the many conferences on Greece and the EEC held in recent years.[36]

Ideally, Ireland would like to see two sets of negotiations: one, with the candidate countries, to determine their terms of entry; the other, between the Nine, to guarantee the continued transfer of resources to Ireland and to streamline the Community's decision-making procedure. Given Ireland's modest political influence within the Community, she is unlikely to secure these objectives. However, Ireland is not without allies in her other objective, the need to make progress towards more majority voting in the Council of Ministers.

Benelux

Ireland's most conspicuous allies on this issue are the Benelux countries, whose attitudes towards enlargement and the Community method are frequently described as theological by other member states. This sobriquet is vigorously rejected by Benelux officials and diplomats, who argue that the Community can only advance in substantive economic fields if it has an effective internal decision-making structure.

Gaston Thorn, the Luxembourg prime minister, does not hesitate to make the connection between closer internal integration and enlargement. In December 1976 he deplored the fact that the recommendations of the Tindemans report had not been adopted and indicated that he was less than enchanted at the prospect of a second wave of accessions to the European Community. He did not wish to see the Community enlarged to "countries which would bring their problems with them", especially before the effectiveness of Community institutions had been increased.[37] Henri Simonet, the Belgian foreign minister and former EEC commissioner, shares the fear that further enlargement would weaken the Community if it went ahead before existing agricultural and institutional problems were solved. The Dutch, true to their foreign policy traditions, give considerable weight to the moral imperative to sustain democracy in southern Europe. Most Benelux leaders agree that if enlargement reduces the pace of integration still further, the price may not be worth paying.

Some Benelux officials are preoccupied with the lack of stability in Greece, Spain and Portugal and refuse to accept as self-evident the view that Community membership will itself be a stabilising factor. They point out the dilemma the Community would face in the event of a lapse into authoritarianism once enlargement had occurred. Nor do they discount the possible incompatibility between the political and cultural traditions of the candidates and those of the Nine – especially the northern European member states. While rejecting the theological label, they do insist that enlargement should not lead to modifications in the Treaty of Rome. It is for the newcomers to accommodate themselves to the Community system. Transition periods should be long enough to permit them to do so. New protocols to the treaty, similar to those negotiated by Ireland and Britain, may be needed to cater to the special economic needs of the candidates.

The Belgian prime minister, Leo Tindemans, floated the idea that participation in the Community's political co-operation procedure might give the candidates a sense of sharing in the European enterprise before their economies are ready to assume the discipline of full membership. The French responded favourably to the idea; it would involve no financial commitment and might help to make pre-accession periods politically more acceptable. The idea was stillborn nevertheless. Greece and Spain strongly rejected long delays before achieving full membership, even if sweetened by participation in political co-operation.

Benelux officials and interest group representatives have expressed deeper concerns about the impact of enlargement on the Community's foreign policy. So far as political co-operation is concerned, they fear that a more variegated Community, possibly broken up into blocs, might upset the fragile procedure for co-operation set up after the first Davignon report. To prevent this happening, it has been suggested that political co-operation might be given a legal basis and a more definite institutional structure before enlargement occurs. This idea, though attractive in principle, is likely to encounter grave difficulties at the level of practical politics. Political co-operation is an inter-governmental procedure. Nonetheless, the effect of enlargement upon political co-operation is a subject for concern at political director level and may re-emerge as an issue when the Nine invite the Three to their discussions under the Davignon procedure.

The impact of enlargement on the Community's external relations (the other, more formal part of its foreign policy), is of even greater concern. A survey of Dutch trade and industry finds that businessmen are worried about the ability of an enlarged Community to maintain existing undertakings to third countries. "One should be on one's guard," the survey concludes, "against an increasingly inwardly-directed protectionism as a result of the accession of less industrialised countries."[38] The benefits accruing to Greece, Spain and Portugal would greatly reduce the value of present Community concessions to other Mediterranean and developing countries. If their good will is to be maintained it may be necessary to offer them fitting compensation. Where this compensation takes the form of grants or loans there will, of course, be budgetary implications, a problem foreseen in the German state secretaries' report referred to above.

Beyond general fears that concessions to the new member states might set off a wave of demands by third countries, Benelux officials mention certain specific problems. Greece and Spain, for example, would have to honour the Community's agreements with Israel despite the fact that, as yet, they have no formal diplomatic relations with her. Spain would have to reconcile her special political and economic links to Latin America with her obligations under the Treaty of Rome and the accession treaty, notably concerning Community preference. The new members' assumption of the Community's obligations to third countries is obviously the subject for detailed negotiation, but the sources referred to here perform a useful service by signalling the importance of the issue in a debate which might, otherwise, be limited to institutional questions, the budget and Mediterranean agriculture.

As the producers of finished goods for which the demand is likely to increase in southern Europe as the region becomes more developed, the Benelux countries have an interest in trade liberalisation. They look forward to the dismantling of import controls which currently inhibit trade. Dutch exporters see the prospective enlargement of the Common Market by 55 million consumers as a positive factor.

On the import side there are certain sensitive areas. Dutch businessmen in the following sectors express fears about their exposure to competition from the new members once existing safeguards have been eliminated: steel, textiles, footwear, leather, ceramics, food-processing and shipbuilding. The cold draught of competition would be felt both on the domestic market and elsewhere in the Community. The Spanish steel industry in particular is viewed as an additional burden for an already depressed market. The Belgian government has been much preoccupied by threatened losses of jobs in uneconomic plants in Wallonia. It would be reluctant to see this already politicised problem exacerbated by an influx of cut-price Spanish steel. In the short-term the problem has been contained by the Community's anti-crisis measures which impose minimum prices on steel imports from third countries. In the long term it can be argued that the challenge from the Spanish steel industry can best be met by imposing upon Spain the discipline of full membership in the European Coal and Steel Community.

Horticultural interests see a threat from low-cost fruit and vegetable production in the candidate countries. The Belgian *Association des Exploitants Agricoles* has questioned the ability of Greek exporters to meet Community quality control standards.[39] It has also complained of the handicap imposed on horticulturalists in north-western Europe by their high costs of production. Such fears no doubt contribute to the hesitancy felt by Benelux ministers over enlargement, but they must be seen against the background of a generally strong export performance by Benelux horticulturalists.

In general, an interest in continued access to comparatively cheap sources of food and in trade liberalisation with the candidate countries mean that the Benelux countries' basic attitude towards enlargement remains positive. This attitude is reinforced, especially in Holland, by the feeling of a moral obligation to support democracy in southern Europe. The Benelux countries do not support a full scale reorientation of the CAP towards the needs of Mediterranean regions as a precondition to enlargement, though Belgian representatives, with a view to possible compromise solutions, have expressed sympathy for the French position.[40]

The Benelux countries are hardly enthusiasts over enlargement. They may not be theologians but they do see clear national interests in European integration and so react against developments likely to reduce the Community's coherence. Like Ireland, they hope to secure undertakings concerning the Community's decision-making structure before enlargement occurs. It is unlikely that the Community's 'big four' will entertain the idea of a major shift towards majority voting in the Council of Ministers as the smaller countries wish. But these can draw some comfort from the agreement apparently reached at the Leeds Castle discussions in May 1977 that, after enlargement, each member state would nominate only one commissioner. This has calmed fears of a new five-power directorate with Spain's population and GNP entitling her to join France, Britain, Germany and Italy as the Community's major powers with two commissioners each.

Denmark

Denmark has few political or economic interests at stake in the prospective enlargement of the Community. The Danish foreign ministry shares the concern of Ireland and the Benelux countries over the risk of diluting the Community method. But given the persistent scepticism of public opinion in Denmark about the Community and the Danish parliament's jealous control over the positions taken by Danish ministers in the Council of Ministers, the foreign ministry is unlikely to press too hard for institutional deepening in Brussels.

In principle, the expiry of Denmark's transition period puts it on the same footing as the other member states in economic relations with Greece, Spain and Portugal. Like Britain, Denmark hopes to bring the candidates into the Community on terms which will not inflate food prices to the domestic consumer. As long as Greenland remains an integral part of the Danish kingdom and, as such, a part of the European Community, Copenhagen has an interest in assuring a flow of funds from the Community budget to Greenland. It would, therefore, look askance at a diversion of development funds to southern Europe at Greenland's expense.

The only controversial question posed by enlargement in Copenhagen, aside from these rather minor economic points, concerns the overall orientation of the country's external relations. The Danish foreign minister, Mr. Andersen, has made several speeches which can be interpreted as suggesting that a more Mediterranean Community would lead Denmark to lay greater stress on its nordic connections in the future. For instance:

> "We must remember that the European Community is not Europe. There will still be countries even in western Europe who do not see membership of the Community as an adequate policy for them. There are neutral countries in central Europe – Switzerland and Austria – and to us in Denmark it is natural to be very conscious of our traditional ties with the other Nordic countries. We shall continue to develop our co-operation with those countries in the wider framework of the Council of Europe and in the various bodies of Nordic co-operation. In fact, with the admission to the Community of several south European members our interest in Nordic co-operation will grow, as you can easily understand."[41]

This point of view is reinforced by opinion polls which show that Scandinavia still provides the major point of reference and identification for the Danish public. A belief that regional interests might suffer in a Community which contained a large southern bloc is quite widespread.

To counter such a trend the Danish government has been reported to be considering proposals which would strengthen links between the EEC and EFTA. Such links would both counterbalance the increasingly southern complexion of the Community and provide an additional means of support for Greece, Spain and Portugal. Danish sources have suggested that Norway, Sweden, Finland and Austria might subscribe to an economic development fund for the prospective new members of the Community. Such a fund could build upon the plan already under consideration by EFTA to aid Portugal. Greater involvement on the part of Denmark's former EFTA partners, especially those in Scandinavia, might check further disenchantment with the European Community on the part of those sectors of Danish opinion which might otherwise regard a more Mediterranean Community with suspicion. This informal Danish initiative might dovetail with the German SPD's call for a 'Marshall Plan' to assist southern Europe and the German government's initiation of a 'solidarity programme'. Both approaches foresee aid from developed countries outside as well as within the EEC.

The Danish foreign minister has been at pains to argue that Denmark's preoccupation with the future character of the Community does not imply a retreat from Europe in the event of enlargement. He chided a British newspaper for drawing the conclusion that Denmark does not want the Community to be "too Mediterranean in flavour".[42] Denmark's co-operation with the Community and with other Scandinavian countries was, he said, complementary not contradictory. Like Holland, Denmark recognises a moral obligation to sustain democracy in southern Europe and so is willing to make room for the candidate countries in the Community. There remain the many specific problems of enlargement which Danish ministers have taken up with the candidates in bilateral discussions. Mr. Andersen pointed out that his visit to Madrid in May 1977 was the first by a Nordic foreign minister.

Denmark's presidency of the Council of Ministers during the first half of 1978 coincided with a delicate phase of the negotiations with Greece and with the submission of the Commission's opinion on the Portuguese application. (The opinion on Spain's application will not be ready before the beginning of 1979.) Denmark's relatively objective position helped in the search for compromise formulas satisfactory to those member states with more pressing economic interests involved in enlargement.

France and Italy

French and Italian attitudes towards enlargement are not identical, but both countries are intensely concerned over the one problem raised by enlargement which is most salient for their domestic interests: the future of Mediterranean agriculture. This section seeks to bring out the differences and similarities in their respective approaches to this question. It has been thought valuable to consider France and Italy together both because they are the Community's only existing Mediterranean countries and because, in their

different ways, they have been responsible for putting Mediterranean agriculture near the top of the Community's agenda for the late 1970s and of linking it to the enlargement question.

French and Italian leaders have welcomed the prospect of Greek, Portuguese and Spanish membership in the EEC. President Giscard has often stressed the need for a southern second enlargement to redress the balance after the Community's Nordic first enlargement of 1973. France is both a Mediterranean and a northern European country and so sees herself as a pivot of an enlarged Community stretching from Athens to Copenhagen. Such geopolitical ideas are reinforced by personal connections between Giscard and Constantine Karamanlis, the Greek prime minister, who spent his exile in Paris during the colonels' rule in Greece. French ministers have also gone out of their way to encourage Spain's European vocation. Portugal has been less favoured by France. The ostensible reason for this is Portugal's economic backwardness which makes its integration into the EEC more difficult. France is already host to around half a million Portuguese migrant workers and does not wish to see their ranks further swollen. However, domestic political factors have also played a part, notably the close links with the Socialist International of the socialist prime minister, Mario Soares. France's future attitude towards Portugal's candidacy will depend, *inter alia,* upon whether political developments in the two countries in 1978 close the gap between a right-of-centre government in Paris and a left-of-centre oné in Lisbon.

Italian ministers engaged in a period of intense diplomacy during the first half of 1977, designed to reassure Greek, Spanish and Portuguese leaders of Italy's support for their European vocation. Rinaldo Ossola, the minister of foreign trade, suggested on a visit to Spain in March 1977 that a shift in the Community's centre of gravity towards the Mediterranean could form the basis for a new European *relance.* These sentiments were endorsed by the Spanish prime minister, Adolfo Suarez, who favours the concept of a Mediterranean bloc not only in the EEC but also in other international organisations such as the IMF. Mr. Ossola developed the theme of Mediterranean solidarity further in visits to Portugal and Greece during the spring. The prime minister, Giulio Andreotti, and foreign minister, Arnoldo Forlani, reassured Mr. Karamanlis, on a visit to Athens in May, that the Italian government did not intend to place artificial obstacles in the way of Greek accession. The Italian Communist Party has also shown itself willing to minimise economic difficulties and to emphasise the political gains from a further enlargement of the Community.[43]

The Franco-Italian case in favour of enlargement has generally been argued in political rather than economic terms. The need to bolster the new democracies of southern Europe and to prevent the restoration of authoritarianism is paramount. The French also hope to restore their leadership of the Community by creating a latin Latin francophile bloc to counterbalance the predominance of Nordic states following the 1973 enlargement. For the Italians, enlargement creates a framework within which to pursue their own

Mediterranean policy; this policy is designed to enhance the country's bargaining position within the EEC and to build bridges with potential or actual partners in the Mediterranean region. The Italian communists suggest that the accession of Spain, Greece and Portugal might in some general way favour *détente* by helping to improve relations with middle eastern and third world countries.

All these political arguments, which were always rather nebulous, have been stridently challenged by those with more immediate economic interests in mind. They demand that the government's attention be shifted away from Latin culture, democracy and *détente* towards fruit, wine and vegetables. There are similarities between the objectives, methods and results of these campaigns in France and Italy, but also important differences.

In both countries the agricultural lobby has tried to politicise an otherwise rather specialised, sectoral set of issues. The French lobby has succeeded to a greater extent than its Italian counterpart in making the plight of Mediterranean agriculture an issue in the national struggle for power though the French problem is significantly less than the Italian. Both French and Italian campaigns have raised the enlargement debate from obscure agricultural journals and provincial congresses to the national level. Naturally, the question has become more urgent as successive applications are lodged in Brussels.

By July 1977 the claims of the Midi had become an issue worthy of a major presidential address in France, when twelve months earlier the problem was hardly mentioned in the national press.[44] The lobbyists have succeeded in altering their governments' bargaining positions in Brussels; French and Italian representatives now insist on major concessions to their Mediterranean farmers parallel with negotiations on enlargement. The following sections compare the way interest group pressure has modified national policy in France and Italy.

French discontent with the Community's Mediterranean policy pre-dates the debate over enlargement which was precipitated by Greece's application for membership in the EEC in 1975. The Community's various agreements with Tunisia, Morocco, Algeria, Egypt, Israel, Lebanon, Cyprus, Turkey, Greece, Yugoslavia, Malta, Spain and Portugal were viewed in France as unbalanced, the Community's concessions being more generous than those required of third countries. While, in some cases, these concessions were justified in light of the partners' comparative lack of development, they were also seen as detrimental to the interests of French farmers. Nonetheless, the issue remained below the horizon of partisan politics. In the 1974 election campaign, President Giscard could safely assume that he would win votes by calling for a more Mediterranean Community in a speech at Perpignan. With the gaullists gathered, however reluctantly, under M. Giscard's banner, and François Metterand, the socialist leader, concentrating on the plight of the economy, there was little fear that, in playing on regional affinities with Spain, M. Giscard would be handing his opponents an issue with which to beat him.

Between 1974 and 1977 the situation changed. The Community's future relations with Mediterranean countries became a stake in the domestic political struggle; there were at least four reasons for this. First, the wine wars with Italy, following the bumper harvests of 1973/74 and the fall of the lira, dramatically drew attention to the threat posed by cheaper Mediterranean products from neighbouring countries. Second, the agricultural lobby reacted to these developments by mounting a campaign for more protection from Italian and extra-Community competition. Preventing full Spanish membership in the EEC became the prime target of this campaign, which is considered in more detail below. Third, M. Giscard's attempt to build a new presidential majority committed to creating an advanced liberal society failed. This failure, which can be attributed both to poor political tactics and the persistent recession, reinforced opposition to Giscard on the right and the left. Before the elections of March 1978, Jacques Chirac, for the gaullists, Georges Marchais for the communists and, to a lesser extent, François Mitterand, were ready to seize upon any issue which could be turned against the beleaguered president. The agricultural lobby furnished them with arguments which they did not hesitate to use. Fourth, the collapse of authoritarianism in Greece, Portugal and Spain removed the one obstacle which had prevented these countries from seeking full membership in the EEC. Partly as a response to M. Giscard's encouragement, the new leaders of Greece and Spain increasingly tied their countries' futures as democracies to acceptance by the Community. The successive applications of Greece (July 1975), Portugal (March 1977), and Spain (July 1977), kept the issue on the front pages and put M. Giscard further on the defensive.

The first serious attempt to marshal data and arguments to support the southern farmers' claims of unfair treatment by the Community was made by the Economic and Social Committee (Ecosoc) at the prompting of COPA, the main Community-wide farm lobby. In a report on 'Current perspectives for the Community's Mediterranean agricultural production' dated 17 October, 1975,[45] the Ecosoc sounded many of the themes which were to echo through the debate over enlargement. The study, whose rapporteur was Jean-Claude Clavel of the French Permanent Assembly of Chambers of Agriculture, found that earlier responses by national governments and Community institutions to complaints from Mediterranean farmers had been inadequate. Negotiations with other Mediterranean countries had been pursued with political motives and the only response to the fears expressed by the Community's own Mediterranean farmers had been appeasing gestures without any fundamental study of the problem. There would inevitably be political consequences unless something were done to redress the balance in favour of the Mezzogiorno and the Midi. The Ecosoc offered some proposals for the short and medium term, upon the assumption that Greece and Spain would soon seek membership in the Community. These proposals included a programme to restructure the economies of Mediterranean regions in the industrial as well as the agricultural fields. Such a programme would not draw its funds exclusively from FEOGA but also from other Community sources. The Ecosoc report stressed the need to strengthen the food processing industry and to provide incentives to producers to form co-operatives for more efficient production, distribution and marketing. The enforcement of Community preference through stricter application of safeguard clauses was also recommended. The report included some general proposals for encouraging co-operation throughout the Mediterranean region.

Most of the suggestions in the Ecosoc report went beyond the existing political consensus in the Community. Critical both of the Commission and of national authorities, the report was unlikely to find a political champion with an interest in demanding the implementation of its proposals. Nonetheless, it did raise issues which were later elaborated in more forceful polemical style. These issues were the subject of discussions between the representatives of French and Italian agricultural organisations in the autumn of 1975.[46] By April 1976, when the pamphlet 'Spain: A Shock for Europe'[47] was published by the *Centre National des Jeunes Agriculteurs* (CNJA) the atmosphere in Paris was ripe for a politicisation of EEC-related issues. The gaullist ultras, never reconciled to M. Giscard's brand of Europeanism but relatively quiescent for fear of splitting ranks in face of the enemy on the left, lost their few remaining hesitations in face of the rift between Giscard and his gaullist prime minister Jacques Chirac.[48] The immediate issue was Giscard's commitment to direct elections to the European Parliament. But as the break between M. Giscard and M. Chirac widened, gaullist wrath spilled over into other areas of Community policy. After resigning as prime minister, M. Chirac, a former minister of agriculture known in Brussels for his staunch defence of national interests, was not slow to see the electoral possibilities in the enlargement issue.

The CNJA report virtually supplied him with speaking notes. It ridiculed the notion of a Mediterranean bloc in an enlarged Community, better able to fight for common interests. It argued that Spain would rally to the side of Britain and Germany, not that of France and Italy, in promoting agricultural free trade rather than managed markets and price guarantees. Spain's vast agricultural potential, the cheapness of labour, the pace of irrigation plus favourable climatic elements gave her considerable advantages over the Midi and the Mezzogiorno. Spain did not need the kind of protection, demanded by France and Italy, in order to secure her hold over European markets. It was imperative to prevent Spain from joining the Common Market or, failing that, to secure as preconditions a tougher version of the kind of reforms advocated in the Ecosoc report. Nor did the CNJA accept that enlargement would bring benefits sufficient to compensate for increased competition in wine, fruit, vegetables, olive oil and other Mediterranean products. Optimists argued that Spain's deficit in temperate products such as sugar beet, cereals, meat, dairy products, maize and soya could provide attractive outlets for northern European farmers. Spain traditionally imported such goods from the United States and Latin America. To be sure, the discipline of the common external tariff would be an incentive to reorient these purchases towards Community suppliers. But, the report claimed, Great Britain had demonstrated in its trade with New Zealand an ability to maintain traditional sources of supply even after accession and, anyway, the Community did not have the elasticity of supply or productive potential to replace Spain's American suppliers. Some had suggested that Mediterranean regions should partially switch over to temperate products in order to restructure their economies and make the Community more self-sufficient. The argument was technically unconvincing in light of the rigidities of production, climate, topography and the age structure of the farm population. As a result only the northerners would benefit from enlargement by finding larger markets for their industrial exports and investment. France would be flooded by cheap Spanish wine and would lose existing outlets on Community markets for Mediterranean fruit and vegetables. Since the structure of Spanish agriculture was so backward, the problem would grow in magnitude with every step taken towards modernisation.

The storm created by the CNJA report increased as the 1977 municipal elections approached. Jacques Chirac, now estranged from the president, could not resist the temptation to use farmers' fears to mobilise votes for the *Rassemblement pour la République* (RPR), his new-look gaullist party. In April 1977, he declared that enlargement could only exacerbate the Community's problems. Enlargement, he said, "would carry considerable risks for the economic well-being of several of the Community's regions, notably the French Midi".[49] He added that "the RPR confirms its opposition to the adhesion of new members to the common agricultural policy, without denying the necessity of European Community assistance to the young democracies of southern Europe which have requested it".

Goaded by Chirac's attempt to comandeer the enlargement issue, Raymond Barre, his successor as prime minister, set out to demonstrate that the government was second to none in its defence of the Midi. During the municipal election campaign he told farm audiences that he would demand regulations to protect French wine, fruit and vegetables before agreeing to the admission of new members of the Common Market.[50] Pierre Mehaignerie, the minister of agriculture, added that policies for Mediterranean products "must be redefined and implemented before the Commission is given a mandate to negotiate with the candidates for admission".[51] Other government spokesmen hinted that France might seek to renegotiate her share of the regional fund as a precondition to enlargement.

With these statements, made in the heat of a sustained attack on the government from right and left, official policy shifted towards accommodating the demands of the agricultural lobby. Yet the political motives for favouring enlargement remained. Partly in order to reconcile the conflicting demands of high and low policy, the French foreign minister, Louis de Guiringaud, proposed a global analysis of the problems raised by the three candidatures.[52] This, he hoped, might facilitate the negotiation of a single package which would tie up enlargement with compensation for France and Italy. Each of the candidate countries reacted to this by pointing out why its case should not be confounded with that of the other two. Greece's candidacy dated from July 1975 and had been prefigured by an association agreement of fifteen years standing. This gave Athens the right to prior, separate consideration in the view of the Greek government. Mario Soares argued that Portugal's recent defeat of authoritarianism and the relative complementarity of its economy gave Lisbon the right to be considered before Madrid. Portugal's application pre-dated Spain's application and first free election. Spain's economy posed far graver problems for the Community. In light of these protests, globalisation rapidly came to refer to the Community's reflections on the consequences of enlargement but not to the negotiations themselves. These would occur in parallel but would remain separate. Despite this inevitable watering down of the globalisation concept, M. de Guiringaud's initiative succeeded in placing enlargement on the agenda of the special meeting of foreign ministers at Leeds Castle in Kent on 22 May 1977.

Even before the Leeds Castle meeting convened, two reports were published in France which further stiffened the government's position. The first report, written by M. François Desouche, reflected the views of a mixed government-professional working group set up by the ministry of agriculture to look into problems of Mediterranean agriculture.[53] The report took a hard line on enlargement. A long chapter listed the dangers of permitting the EEC to take on a more Mediterranean character. Apart from the well-known risks of surplus production and excessive competition on Community markets, the report claimed that the opportunities for finding outlets in the candidate countries for products now in surplus had been greatly exaggerated. Spain and Greece, it argued, were already on the way to self-sufficiency in meat and dairy products. Furthermore they would run away with Community outlets in third countries because their production costs were much lower than those in France. The common agricultural policy, already in grave difficulty in a Community of Nine, would risk destruction in a Community where costs of production could vary by a factor of two between member states. M. Desouche estimated the short term costs of enlarging from Nine to Twelve at between 1.2 and 1.5 billion units of account.

This catalogue of woes did not necessarily imply a negative answer to Greece, Spain and Portugal. Rather, according to the report, it implied a need for radical reform of the CAP before enlargement occurred. Fruit and vegetable production should be held back and quality improved. There should be a temporary halt to the planting of vines and the *coupage* of Community wines should be forbidden. Minimum prices should be imposed for fruit and vegetables and importers should be forced to observe the reference price for wine. As for tactics, the Desouche report recommended that no predetermined transition period should be fixed for the new member states. Their transition should be timed to reflect the pace at which their economies were actually approaching Community levels. This was a process which might well take ten years or longer. The findings of the report formed the basis for discussions between the government and leaders of the agricultural profession in July 1977.

Meanwhile the Senate of the French parliament published its own report on the agricultural repercussions of the Mediterranean policy of the EEC on the regions of the south of France.[54] The Senate report, prepared by Edgard

Pisani, a former minister of agriculture, now socialist senator from Haute-Marne, and Michel Sordel, president of the national union of cereal producers' co-operatives and independent republican senator from Côte d'Or, reviewed the impact of the Community's existing Mediterranean policy as well as the possible implications of enlargement. Although the report reached conclusions broadly similar to those of M. Desouche, including advocacy of phased transition periods, it was greeted far more coldly by the agricultural profession. Several reasons can be adduced to explain this reaction. First, the authors represented regions not directly affected by competition from Mediterranean countries and so were not political advocates for the farmers of the Midi. Second, the statistical part of the study was conducted by a private economic institute with no particular axe to grind. Its conclusions, therefore, pointed to both positive and negative aspects of the problem. The report did not paint an unremittingly bleak picture of the effects of the Community's Mediterranean policy and further enlargement on southern agriculture. M. Pisani had a record for realism and outspokenness which did not always commend him to the wine growers of Provence and Languedoc. On 21 April 1977 he had the temerity to tell a regional assembly of wine growers that the economic way of life which they wished the Community to protect, and which was further endangered by the prospect of enlargement, could not go on for ever.[55] It was not reasonable, he said, to hope that French vineyards could remain as extensive as at present or to believe that they could go on producing wines on the low quality of some now being placed on the market. Wine growers had to be given more training in order to concentrate their production of wines of superior quality. While these home truths conformed with the government's and the Community's policy of promoting quality wines, they were hardly welcome to men seeking to preserve a traditional way of life.

Some of the statistics appearing in the Pisani and Sordel report tended to confirm the farmers' diagnosis of the foreign origin of their economic difficulties, but others suggested that enlargement would pose a greater threat to Italy than to France. For some products the candidates' cost advantages were sufficiently great to create a serious competitive problem in the absence of protective measures. Greek tomato growers received only the equivalent of 20 French centimes a kilo in 1976 compared with 40 centimes for their French counterparts, a price differential of 100%. A five kilo container of tomato concentrate left the factory in Greece worth 15 francs, against 19 francs in France, a difference of 26%.

In the most sensitive area of all, wine, the report carried mixed conclusions for French producers. It estimated that Spain, whose total wine exports stood at 5.2 million hectolitres in 1975, of which 40% was sent to the EEC and 60% to the rest of the world, would reverse these proportions after joining the Community. Spain would have five million hectolitres available for export to the Community by 1980 and six million by 1985. If Portugal similarly reoriented her exports (mainly of port wine) to the EEC, she would be able to place one million hectolitres on Community markets by 1985 compared with 600,000 hectolitres in 1975. Greece's exports to the Community might rise from 330,000 hectolitres in 1975 to 800,000 in 1985. Together the three new members would add four million hectolitres to the quantity of wine available for export to the Nine by 1980 and five million by 1985.

These estimates would seem, at first sight, to confirm the worst fears of French wine growers. But several factors modify the seriousness of the challenge to the French wine industry posed by enlargement, according to Pisani and Sordel. Three-quarters of the wine surplus on Community markets predicted for the mid 1980s will arise from falling consumption in the EEC and increased imports from the Maghreb countries of north Africa under existing arrangements. To the extent that Spain is responsible for augmenting supplies on Community markets, the Italian wine industry is likely to suffer more than the French. This is because Spanish wine will tend to displace Italian wine on the French market. French importers generally prefer Spanish to Italian wine, whose presence in large quantities on European markets is comparatively recent. Production costs in Spain are lower than in Italy and the Spanish government's system for controlling the labelling and distribution of wine is taken more seriously in France than the Italian DOC system. The deleterious effects of opening the Common Market to Spanish wine would, therefore, be felt more in Italy than in France. The arrival of so much Spanish table wine would still challenge the policy of quality being pursued by the French government and the EEC. While not having the disastrous effect on French living standards so often predicted, enlargement would make the case for structural aid and price guarantees even more pressing.

The production potential of Greece and Portugal is clearly much lower than that of Spain. Portuguese wines are highly specialised and cannot be said to compete with French table or quality wines to any significant extent. The volume of production in Portugal and Greece, even if stimulated by new Community measures, would not be sufficient to give French producers cause for alarm.

The conclusions of the Pisani and Sordel report were endorsed by the French ministers of foreign affairs and of agriculture in a debate in the Senate on 31 May 1977. There were, however, gaps in places between the conclusions and the analysis on which they were based, and it is probable that the official endorsement went rather to the action proposals, which resembled the Desouche report, than to the background described above which was at times strikingly critical and forthright, especially on wine.

It was against this background that the annual conference between the government and the four major agricultural organisations took place at the Hôtel Matignon on 7 July 1977. The prime minister undertook to seek effective transitional measures to protect French producers from market disturbances, especially in peaches and tomato concentrates, provoked by the accession of new member states. The government also announced a new programme of national credits to help producers in the Midi improve their orchards and vines. But the government was not willing to make the reform of

the CAP a *precondition* to conducting negotiations with the candidate countries. It preferred *parallel* negotiations over enlargement and the reform of the CAP.[56]

The government's conversion to the cause long argued by the farm lobby was underlined by the president in a speech at Carpentras in the Midi. M. Giscard's erstwhile attachment to shifting the Community's centre of gravity southwards now took second place to the political need to placate agricultural interests. France, he said, did not intend to sacrifice her southern farmers to the enlargement of the European Community. "The regulations concerning wine, fruit, vegetables and horticulture must be recast," he said. "Rules concerning minimum prices must be fixed so that the rapprochement between countries at different levels and costs of living does not ruin the efforts of our Mediterranean producers."[57] The president promised that a memorandum would be submitted to France's Community partners within a month detailing the desired reforms. With this step, arguments which a year previously had been canvassed almost exclusively amongst like-minded agricultural organisations had now been adopted by the president.

M. Giscard, to all appearances, had neutralised enlargement as a political issue by adopting the lobbyists' cause. But the gap between the government's promises and the lobbyists' demands was wide enough to give some hope to M. Giscard's opponents that they had not lost the issue entirely. The government still refused to make CAP reform a *precondition* to negotiations with the candidates. Furthermore, even if the government's memorandum met with the lobbyists' entire approval, there was no guarantee that other member states would share their enthusiasm. Even France's 'natural ally' Italy had interests to defend which conflicted with the lobbyists' demands. Encouraged by these chinks in M. Giscard's armour and stimulated by the news that Spain would lodge its long expected application in Brussels on 28 July, M. Giscard's political opponents again took to the hustings. On 26 July, the French Communist Party (PCF) issued a communiqué declaring that it was "resolutely opposed" to the enlargement of the EEC to Spain, Portugal and Greece which would "ruin an important part of the French peasantry".[58] Such an enlargement would accelerate the drift from the land, aggravate regional employment problems and, according to the PCF, play into the hands of monopoly capital.

The next day, Jacques Chirac, leader of the gaullist RPR party and M. Giscard's main challenger on the right, gave an interview to the regional daily *Ouest-France* in which he declared himself "fundamentally opposed to the entry of Spain into the European Community". M. Giscard's speech and the French government's memorandum changed nothing. "The entry of Spanish agriculture into the common market is intolerable," he said, "and no crafty manoeuvering is capable of bringing a solution to this problem in the current state of affairs."[59] Timing his speech to fall on the eve of the Spanish application and so to cause the government maximum embarrassment, M. Chirac repeated his opposition to Spanish membership before an audience at Caen.[60] In a later speech he said that association rather than full membership was the appropriate framework for Spanish participation in the European Community.

M. Chirac's stand deprived M. Giscard of some of the political benefit he hoped to derive from adopting the farmers' cause. It reduced the political impact of his remarks at Carpentras and prevented the submission of the French memorandum to the Council of Ministers on July 26 from pre-empting the enlargement issue. Nonetheless, M. Chirac's remarks have to be taken with a grain of salt. They were made in the electoral climate which preceded the March 1978 legislative elections. There was nothing to be lost from adopting extreme positions which could be modified in the event that a Chirac-led right managed to defeat the left in the elections. By focusing his opposition on Spain participation in the CAP, M. Chirac seemed to leave the door open to participation in other aspects of Community activities which might culminate in full membership.

Despite the cold water thrown on M. Giscard's proposals from right and left the French memorandum represented a considerable victory for the farm lobby.[61] The proposals themselves did not guarantee that France would be supported on every point by its 'natural ally' Italy. France emphasised price guarantees rather than structural reforms, Italy's pressing need. More controversially, the memorandum called for minimum prices in *intra-Community* trade, a measure clearly designed to keep out cheap Italian produce. Other proposals, such as the harmonisation of duties on wine, made common cause with Italy against certain other member states, like Britain, whose high duties on wine were thought to discriminate in favour of beer. The French minister of agriculture conceded that an alignment between the two countries' negotiating positions was not yet possible.[62] The following pages examine the political and economic factors which determined Italy's approach to enlargement.

Italian farmers fear competition from the candidate countries even more than their French counterparts. Most of Italy can be classified as a Mediterranean region if this is defined as an area in which typically Mediterranean products make up at least 40% of total agricultural production.[63] The main Mediterranean products are hard wheat, rice, vegetables, flowers, tobacco, wine, olive oil, fruit, citrus products and sheep meat. Mediterranean agriculture accounts for only 18% of final agricultural production in the EEC but it dominates the economic life of regions such as Calabria, Sicily, Apulia and Campania. In the Mezzogiorno, 28% of the active population are engaged in agriculture (a proportion similar to those in the candidate countries but three times the EEC average) with a high degree of product specialisation. Competition from Greece, Spain and Portugal does not threaten the overall agricultural situation in the Community, but farmers fear that it may spell ruin to certain Italian regions.

Agricultural interests in these regions claim that the CAP has denied them a fair deal.[64] Marketing regimes for their products are weak or non-existant. Before the wine war between France and Italy, following bumper crops in 1973 and 1974 and the decline in the value of the lira, wine received only 0.3% of FEOGA's disbursements under the guarantee section. This figure rose to 4.6% in 1975 but then fell back to an estimated 1.5% in 1977.[65] Wine accounted for 2.5% of final Community agricultural production, by value, in 1977. Fresh fruit and vegetables constituted 11% of final Community farm production in 1977 but attracted only 1.7% of FEOGA expenditure under the guarantee section. Proponents of more aid for Mediterranean agriculture are obliged to concede that rice (0.2% of final Community farm production attracting 0.3% of the guarantee fund), olive oil (0.7% and 4.1%) and tobacco (0.4% and 2.8%) did rather better in gaining support from the FEOGA guarantee section than the statistics for their share in final production might suggest. They are still appalled at the vast sums attracted by products which are not of primary interest to Mediterranean farmers, notably cereals, milk products, beef and veal. A close scrutiny of the relationship between these products' share in final Community production and their share in FEOGA guarantee funds does not, however, reveal a dramatic imbalance. Indeed, beef and veal, for example, accounted for 15.8% of Community production in 1977 but attracted only 7% of FEOGA guarantee funds.

Such figures must, of course, be treated with cuation. They vary considerably from year to year and the rubric 'share in final Community agricultural production by value' itself presupposes a system which has established a high nominal value for certain products regardless of the demand and supply situation. To the Italian observer the most salient statistic is that which compares overall expenditure to support the prices of continental and Mediterranean products. On the occasion of the visit of the Spanish prime minister to Rome in September 1977, Sig. Andreotti, his Italian counterpart, claimed that 62% of the EEC's agricultural budget went to support the prices of meat, sugar, cereals and dairy products. By comparison, he said, southern products received only 7.5 per cent of FEOGA's disbursements.[66] How he reached this last figure is not clear; his political point, however, is.

This imbalance is far more worrying for Italy than for France. France is a large producer of those temperate goods which do well under the CAP. Only her Mediterranean regions suffer. In contrast, nearly all of Italy consists of Mediterranean regions and the country is a large importer of temperate foodstuffs. The common agricultural policy keeps the prices for these temperate foodstuffs high (though it must be remembered that before the common agricultural policy was created in 1967, Italian prices for these were amongst the highest in the six individual member states at that time). In contrast, highly managed markets are particularly unsuited to the most important Mediterranean products, by value, fruit and vegetables, and so the Italians receive relatively less for some of the most important goods in which they hold a comparative advantage.

This imbalance is made worse by the system of monetary compensatory amounts (mca's) introduced to bridge the gap between green and market exchange rates for the lira. The green rate for the lira was introduced in the years when the Italian lira lost much of its value relative in particular to the German deutschmark and the Italian authorities, trying to hold down inflation, decided not to pass on the full increase in European farm prices which the fall of the lira would otherwise have meant for the Italian consumer. This is exactly similar to the situation produced in Britain by the fall of the pound sterling, with the important difference that Britain is a negligible exporter of farm products while Italy is an important one. As a result, German dairymen, for example, are subsidised by the Community to sell their products at Italian prices on the Italian market (which are lower in DM terms than they would be in Germany), while Italian fruit and vegetables sold in Germany have a Community export tax placed on them to bring them up to the higher prices they fetch there. Ultimately, the choice behind this has been an Italian one, the determination (as in Britain) to hold down food prices to the consumer, but the Italian farmers and balance of payments have to pay the price in export income foregone, and the effect on Italian opinion is predictably adverse.

The common agricultural policy is seen, in general, as contributing, through high price levels for temperate products, to Italian inflation and balance of payments deficits. In addition, the monetary compensatory amounts, or subsidies, are seen as transferring resources from Italian farmers to, say, better-off dairymen in Bavaria, a process for which it is felt no argument in equity can be found. The lack of a sizeable regional fund to help tackle southern Italy's underdevelopment exacerbates the injustice inherent in the CAP's comparative neglect of Mediterranean agriculture.[67]

The second charge brought by Italian farm groups is that their interests have been betrayed by the Community's various association and trade agreements with their Mediterranean competitors. It is argued that tariff concessions to Greece, Turkey, Cyprus, Malta, Spain, Israel, Portugal, Morocco, Tunisia and Algeria have enabled those countries to penetrate Community markets at the expense of farmers in the Mezzogiorno and the Midi. Full membership for Greece, Portugal and especially Spain, with its vast agricultural potential and low prices, would, it is feared, further damage Italian exports.

Like their French counterparts, Italian farm lobbies have mounted a campaign to make enlargement dependent upon prior compensation for the most affected Community regions. The campaign takes the form of heavy coverage of the risks of enlargement in agricultural journals such as *Mondo Agricolo* and *Terra e Vita;* local and regional conferences to mobilise opinion at the grass roots; speeches by the leaders of the major farming confederations; and direct representations to the minister of agriculture, Giuseppe Marcora. Contacts have also been established with French groups, such as the *Assemblée Permanente des Chambres d'Agriculture,* to co-ordinate positions.

In May 1977 *Confagricoltura* published detailed proposals for guarantees to be sought before the accession of new members to the European Community.[68] Past mistakes, it maintained, should be avoided, notably the admission of new members in 1973 without any prior guarantees of the strengthening of Community structures. This time direct elections to the European Parliament should create the framework for a deepening of integration before enlargement occurs. The prospective new members should be obliged to accept the same disciplines as the Nine, especially in the field of agriculture. Serious measures would be required to safeguard the interests of Mediterranean farmers within the Nine. Transition periods should be sufficiently long to permit Italy to ensure assistance from the Community and to improve her overall balance of trade in food and farming products.

The pressure brought to bear by the Italian farm lobby has undoubtedly had an impact on national policy. The minister of agriculture has adopted the lobby's cause and has come to be seen as a formidable adversary by the candidate countries. A note issued by the ministry of agriculture in March 1977 linked the redress of long standing grievances, concerning the CAP's lack of balance and the damage done to Italy by Community concessions to third countries, with the question of enlargement.[69] It said that new regulations to protect the southern Italian fruit and vegetable sector were a precondition to the admission of new member states to the EEC. In May 1977 Sig. Marcora told *Corriere della Sera* that he was "absolutely opposed to the admission of Greece, Portugal and Spain into the Community as matters now stood".[70] He said that he wished to avoid a situation where, as in the past, Italian agriculture had to pay the price for the Community's foreign policy towards other Mediterranean states.

The success of the campaign mounted by the farm lobby was marked by the transmission of a memorandum by the Italian Representation in Brussels to the Council of Ministers on 5 July 1977.[71] Like the French memorandum which followed three weeks later, the Italian paper contained an analysis of the shortcomings of the c.a.p. with respect to Mediterranean agriculture and advocated measures of reform. These measures resembled those being urged on behalf of the Midi, though with a greater emphasis on structural reform: financial aid for the rationalisation and modernisation of the olive, wine, fruit and vegetable sectors; Community aid for irrigation, especially to promote the production of crops in which the Community had a deficit, such as feed for cattle; financial assistance to food-processing industries, including soft loans as well as direct subsidies; tighter (i.e. more protective) organisation of markets, especially for products like clementines, new potatoes, artichokes and melons not presently benefiting from an intervention system; the stricter enforcement of Community preference; a protective market regime for sheep meat; the promotion of wine consumption in the Community by various means including pressure to equalise duties on wine and beer.

The emphasis of the Italian memorandum naturally fell upon issues of greatest concern to Italian farmers. It did not include the French demand for the enforcement of minimum prices in intra-Community trade, a measure designed to limit Italian exports to France. It stressed aid to products such as citrus and sheep meat of only marginal interest to France. But the broad lines of the analysis concerning safeguard measures for Mediterranean products and the enforcement of Community preference were similar. Italy's declining citrus sector and the particular susceptibility of her expanding wine sector to Spanish competition created an even more compelling interest in reform than that felt in France. Italy could look forward to few of the hypothetical benefits available to France through the opening up of the candidate countries' markets to Community exports of surplus temperate products. The advance of irrigation in the Mezzogiorno threatens to exacerbate the production of table wine in Italy, whereas the French government is trying to persuade the growers of Languedoc that thousands of hectares, producing mediocre wine, should no longer be under vine. In light of the Mezzogiorno's dire condition, the Italian government argues in Brussels that the Community's own Mediterranean problems, social and industrial as well as agricultural should be tackled at once, as a separate dossier, without waiting for the Commission's ruminations over enlargement to mature.

The submission of the Italian memorandum in July 1977 was a considerable victory for the farm lobby. It nevertheless failed to politicise the enlargement issue to the same extent as in France. It did not create a situation in which rival political forces attempted to outbid each other in their zeal to prevent a precipitate enlargement of the Community. Unlike France, Italy did not face the prospect of a divisive general election in 1978. There had been such a wide consensus over Italian participation in the EEC for so long that the Italian system did not lend itself to partisan polemics over enlargement.

In France, enlargement slotted neatly into existing divisions between M. Giscard on the one side and gaullist and communist nationalists on the other. The president's European record made him vulnerable to nationalist attacks whenever this appeared to be a vote-winning strategy. Positions struck over issues such as direct elections to the European Parliament could be adapted to the enlargement debate. (There was little echo of the view sometimes heard in Britain that the Community should be allowed to enlarge itself out of existence.)

In Italy, Sig. Marcora's tough pronouncements did not always reflect the views of his ministerial colleagues. The minister of foreign trade, Rinaldo Ossola, adopted a much more positive line during his visits to the candidate countries in the spring of 1977 with the apparent approval of the prime minister and foreign minister.[72] Possible gains to the ailing Italian economy from industrial co-operation with other Mediterranean states within the framework of an enlarged Community should not, he argued, be sacrificed to the perennial needs of the Mezzogiorno. Agricultural reforms were more likely to be achieved in a Community containing five Mediterranean states rather than two. Sig. Ossola told his hosts in Athens, Lisbon and Madrid that the remarks of the minister of agriculture should not be over-dramatised.

The attitude of the Italian Communist Party (PCI) is another element making for comparative moderation in the government's position. Unlike the French Communist Party, the PCI is in favour of enlargement on both economic and political grounds. In June 1977, the Communist deputy, Emilio Rubbi, told the Chamber in Rome of his party's "full and sincere" support for the accession of Greece, Spain and Portugal.[73] It was absurd, he said, to blame the candidate countries for a crisis which had long affected the Community's Mediterranean regions. Their accession could, on the contrary, help resolve the problem. Altiero Spinelli, the former EEC commissioner, now an independent member of the Italian parliament elected on the communist ticket, foresees an alliance between left-wing forces in southern Europe and the injection of more progressive policies into Community decisions.[74] Other communist spokesmen have expressed the hope that enlargement will hasten the 'democratisation' of the EEC.

The reception accorded to Adolfo Suarez, the Spanish prime minister in Rome and Paris during his visits to win support for Spanish accession in September 1977 symbolised the difference between the French and Italian approaches. M. Giscard said that "France has every reason to look forward to the accession of Spain, a friendly, democratic, Latin neighbour",[75] but added that France would not sacrifice its Mediterranean agriculture to this end.[76] The reiteration of gaullist and communist opposition to Spanish entry (an opposition extending to Greece and Portugal on the part of the PCF) gave M. Giscard little room for manoeuvre. For all the delicacy of the Italian political scene, Sig. Andreotti was far less constrained by electoral considerations. Enrico Berlinguer, the secretary-general of the PCI was amongst those to greet the Spanish delegation at the reception given by the president of the republic in Rome. The political consensus over enlargement enabled Sig. Andreotti to take a calmer view of the Spanish application. He told the Spanish prime minister that "The problem of the revision of the CAP, raised by Italy, would have come up in any case, even if the possible entry of Spain, Greece and Portugal has dramatised it. But we don't want to make your entry into the Community depend upon the revision of the common agricultural policy."[77] *L'Unità*, the communist party daily, was of much the same opinion. Solutions had to be found to the vast structural imbalances in Community agriculture, but if solutions in such difficult fields as wine were preconditions for enlargement, the three candidates would never enter the Community. "Europe cannot amputate an important part of herself if it truly wishes to become competitive and to eliminate the wide zones of underdevelopment from which it is suffering."[78]

This section has emphasised the agricultural question because it is the most salient issue in Franco-Italian thinking about enlargement. In part the preoccupation is exaggerated: interest groups are using the enlargement issue to seek the redress of long-held grievances. They are establishing extreme positions in the hope that Germany, Britain and the other member states will finally concede some of their demands. Since many French and Italians are convinced that their agriculture has suffered through the Community's existing concessions to the Three, it may legitimately be asked how much difference full membership would make. Trade barriers are not the critical factor in determining the comparative performance of Spanish and Italian exports on European markets. Tariffs are only one of the elements which determine price and price is only one of the elements which determine competitive capacity. More important are quality, efficient marketing and distribution. It is through superior performance in these areas that Spain has penetrated so deeply into EEC markets despite exclusion from the EEC itself.

Enlargement will undoubtedly exacerbate the Community's problem of over-supply in certain Mediterranean products. But as Italian ministers have pointed out, these problems exist already and enlargement only makes their resolution, long overdue, more urgent.[79] On the positive side, it can be said that the Three will have to submit to Community discipline. Regional development aid, from whatever Community source, can be guided towards the development of complementary crops and industries once the Three are members. As members they would no longer be able to apply discriminatory measures to exports from the Nine.

In the agricultural field, the main 'victims' of enlargement would probably be neither the Mezzogiorno nor the Midi, but countries of the southern Mediterranean like Israel, Morocco, Tunisia and Cyprus. They would continue to face quotas, safeguards, and entry prices after such restrictions had been dismantled for Greece, Spain and Portugal. If Spain realises some of its potential for growth in agriculture and food processing, it will tend to displace extra-Community suppliers on European markets. Unlike the Three, such traditional suppliers as Israel would not benefit from major injections of capital for modernisation and structural reform.

Industry furnishes France and Italy with both positive and negative arguments about enlargement. On the negative side must be placed direct competition from lower cost products such as textiles, paper, footwear, clothing and domestic appliances. Despite these challenges, French and Italian industrialists have been more influenced by positive arguments in favour of free trade with the candidates within the framework of Community membership.

Representatives of the main French employers' organisation, the *Conseil National du Patronat Français* (CNPF) have repeatedly argued that they have more to gain than to lose from rapid progress towards full Spanish membership.[80] It is pointed out that the 1970 trade agreement between Spain and the Community favours Spain which is still able to discriminate against Community exports in many fields. France's trade with Spain, traditionally in surplus, went into deficit in 1976 to the extent of 591 million francs. This compared with a surplus of 531 million francs in 1975 and 428 million in 1974. In 1977 the deficit reached 1,500 million francs. Repeated devaluations of the peseta, although eroded by galloping inflation, give fresh cause for concern.

These figures, in the view of the CNPF, reflect the lopsided nature of the trade agreement with Spain and the persistence of Spanish protectionism. Spain applies tariffs and quotas to EEC imports, the former often very high (e.g. 23% for paper, 40% for toys, 51% for cars). France has been obliged to impose unilateral restrictions on imports of Spanish domestic appliances. The best solution to this situation, in the view of François Ceyrac, president of the CNPF, is full Spanish membership in the Community. This should be achieved in as short a period as possible to speed up Spain's tariff disarmament. Since Spain now ranks among the ten most industrialised states it is, he argues, unjust for her to continue to benefit from a tariff structure more appropriate to a developing country. Investment provides additional reasons for favouring Spanish membership, according to the CNPF. France's investments in Spain total around two billion francs and there are more than fifty French firms among the thousand largest enterprises in Spain. M. Barre took advantage of the visit of Adolfo Suarez to Paris in September 1977 to remind him that opportunities existed to help balance Franco-Spanish trade.[81] Spain could, for example, choose the SECAM colour television system in preference to PAL, although the latter is already in partial use; M. Barre hinted that Iberian airlines might adopt the Airbus and that France could play a valuable role in the development of the Spanish nuclear reactor, Vandellos III.

For Italy, too, industry furnishes arguments which run counter to the anxieties of agriculturalists. In 1975, Italy had the third highest level of exports to Spain amongst the Nine, with 15% of total Community sales. Many large Italian companies are present in Spain, Portugal and Greece through joint industrial ventures, subsidiaries or licensing agreements. Italy is particularly interested in supplying capital and technology for extractive industries in the candidate countries. A joint venture is under discussion for the production of aluminium from Greek bauxite; ENEL, the Italian energy giant, has put forward plans for a geothermal energy plant in Greece; Montedison, the foundering semi-public chemical conglomerate, has made proposals for a petrochemical plant in Greece, with a value of half a billion dollars.[82] In the longer term, Italy hopes to share in the exploitation of possible oil reserves in the Ionian area. Fiat produced 20,000 cars in Portugal in 1976 in addition to the output of SEAT in Spain. Fiat is strong in fields such as tractors and agricultural machinery, items for which demand will certainly grow with the modernisation of agriculture.

The enlargement of the European Community presents Italy with opportunities as well as dangers in the industrial field. These opportunities form the basis for the case in favour of enlargement argued by the foreign trade minister, against the more cautious views of the minister of agriculture. The prospect of intensified co-operation with the three candidates in the industrial field forms part of a more general strategy for overcoming Italy's deficiencies in energy and raw materials through joint ventures with other states in the Mediterranean region.

France and Italy remain the principal protagonists in the debate over the enlargement of the European Community. Their attitudes, though differing from each other, can be reduced to the following propositions:

1. Enlargement is a goal sought by member states for essentially political motives. While France and Italy share these motives, and can expect to gain from a shift towards a more Mediterranean Community, their southern regions must not be made to pay the price for enlargement.

2. Ultimate consent to enlargement is dependent on adequate compensation in the agricultural field.

3. Compensation should take the form of structural aid, stricter enforcement of Community preference and price guarantees for products now benefiting only marginally from the CAP. Italy also stresses the need for action in the industrial and social spheres.

Prospects for the Negotiations

Pressures from interested segments of public opinion in the member states have contributed to the positions taken by national delegations in discussions about enlargement at the Community level. Community-wide interest groups such as COPA have added their voices to the demand for internal reform of the Community's institutions and its agricultural policy before further enlargement occurs.[83] The foreign ministers of the Nine placed Mediterranean agriculture at the top of the list of problems raised by enlargement during their restricted meeting at Leeds Castle in Kent in May 1977. Priority was also given to the issue at the London European Council in June and at several subsequent meetings of the foreign ministers and the Commission.

The question of greatest interest to the candidate countries and to observers among the Nine is whether the diverse national positions outlined in this study can be distilled into a coherent approach towards enlargement which can be expected to yield positive results. If not, the prospect is for prolonged wrangling amongst the Nine while the pressing problems of economic development in the poorer regions of the Community and of the candidates are neglected.

The Commission has made several moves towards tackling the problems raised by France and Italy. The first step was a major stocktaking of the condition of Mediterranean agriculture in the Community, conducted by a group under the direction of Sig. Adolfo Pizzuti.[84] While documenting in considerable detail the plight of the Midi and the Mezzogiorno, the Pizzuti report did not sustain the thesis that the penetration of EEC markets for Mediterranean products by third countries, including the candidates for accession, can be attributed primarily to tariff concessions. This is a critical point for the enlargement debate since Italian and French farmers fear that further concessions will prove ruinous.

The Pizzuti report dealt only with historical aspects of Mediterranean agriculture. Its terms of reference did not include an analysis of the problem in light of the prospective enlargement, and it proposed few concrete measures of reform. The Commission took a more practical step on 4 April 1977 when it submitted to the Council proposals to aid Mediterranean farmers mainly in the Languedoc and the Mezzogiorno.[85] It proposed measures to extend irrigation in the Mezzogiorno, to encourage the formation of producer groups, to restructure the pattern of wine-growing in the Languedoc and to help with modernisation and rural education. It emphasised the need to improve the quality and reduce the quantity of wine from the Midi and to convert marginal vineyards to the growing of maize. This would help to ease the Community's fodder deficit (which is mainly with the USA). New and more protectionist market regimes for fruit, venetables and sheet meat were mentioned together with a tightening up of the market organisation for olive oil.

These proposals failed to impress Italian opinion. In one of the most outspoken reactions, *L'Unità* wrote of "a cold shower on Italian hopes for a new EEC Mediterranean policy capable of reconciling the interests and development of the southern regions of the Community (the Italian Mezzogiorno and the French Midi) with the prospect of the admission of new member states from the southern part of the continent".[86] In light of past experience it was feared that the Commission proposals would boil down to some additional assistance to the Italian government's programme for the irrigation of the Mezzogiorno.

The need to respond to the French and Italian memoranda of July 1977 gave the Commission an opportunity to reflect on its overall approach to enlargement, but it was unable to agree to general proposals to put before the Council of Ministers in Luxembourg in October.[87] The far-reaching proposals in the agricultural and regional fields envisaged by the two Italian commissioners did not command a consensus of the Commission. Instead of the detailed strategy document which the ministers expected, the Commission was able to send to the Council no more than a short letter containing an annex concerning Mediterranean agriculture. The disappointment of France and Italy at the modesty of this document[88] was partially allayed in December when the Commission made detailed and specific proposals to the Council. These proposals contained provisions to strengthen the market organisation for olive oil, fruits and vegetables and wine. The most far-reaching aspect of the proposals dealt with improving the structure of Mediterranean agriculture. This included measures to speed up the irrigation of the Mezzogiorno and to improve the quality of the vines in the Languedoc-Roussillon region, measures to improve infrastructure in rural areas (roads, electricity etc.), to encourage the afforestation of dry Mediterranean regions and to encourage the formation of producer groups in the fruit, vegetable and olive oil sectors. The budgetary cost of this package of structural measures was estimated at more than one billion units of account over five years.[89]

These proposals indicated that the Commission was leaning towards the Italian view that reform of Mediterranean agriculture should be accomplished primarily through modernising farm structures. The Commission explicitly ruled out a large scale increase in protection against third country producers and an elaborate price guarantee system for Mediterranean products.

If this Mediterranean package went some distance to meeting Italian concerns it did not tackle directly the most sensitive issue for France: the risk of large inflows of low-cost wine from Italy and from the candidate countries. The problem was the subject of new proposals in February 1978 whose centre-piece was the establishment of minimum prices for wine in intra-community trade during crisis periods. In times of chronic over-supply the proposals suggest that the Council of Ministers could decide to impose a minimum price which might be around 70% of the market price. Related proposals include mandatory storage of wine for a fixed period in conditions of surplus and the creation of a Community-level professional body to represent the wine industry.

These proposals were acceptable to France in principle, but the French agricultural minister complained that the floor price suggested was too low and that the price to be paid for wine taken into intervention was too high.[90] The former would not prevent the influx of low-cost wine and the latter would not encourage the production of quality wines, to which both France and the Community were committed.

For Italy, the proposals raised exactly opposite concerns.[91] A minimum price for intra-community trade appeared in Rome as an assault on the principle of free trade and as a measure which would, in practice, discriminate against Italian wine imported into France. Unlike France, Italy sought a price for wines taken into intervention for distillation which was as high as possible, to guarantee a reasonable return to producers of unsaleable table wine. Other member states, notably Britain and Germany, were agreed that a minimum price would aggravate the problem of surplus production and lead to massive expenditures for distillation.

Differences in the positions of member states over the wine question and the wider Mediterranean package meant that definite decisions were postponed until the spring of 1978. At that time the Commission's Mediterranean proposals were considered by the Council of Ministers in Luxembourg during the annual agricultural price fixing marathon. The Italian delegation linked the Mediterranean question with the general price review. The Italian government let it be known that its consent to the *ensemble* of price proposals for 1978/79 was dependent on Rome's receiving satisfaction on the Mediterranean package.

In the last resort, the establishment of a new deal for Mediterranean agriculture which is attractive enough to neutralise Franco-Italian fears about enlargement depends on finding the funds to finance it. While most member states acknowledge that enlargement will require a massive transfer of resources if regional disparities are not to wreck the Community, few are ready or able to dig deeply into their own treasuries to provide the cash.

The German state secretaries' report, referred to above,[92] drew attention to the budgetary implications of accommodating the candidate countries. No doubt the Commission's decision not to propose an expensive system of price guarantees for Mediterranean products owes something to German and other northern European fears about exacerbating the problem of over-supply. Such measures could create a precedent leading the candidates to demand even more

costly guarantees once they acceded to the Community.

Enlargement would reduce the margin of advantage enjoyed by non-acceding countries under their various agreements with the Community, prompting a second wave of demands for compensation. Such demands, which would have to be considered seriously, might have severe budgetary implications for the Community. The state secretaries' report raises other problems of enlargement, notably in the monetary, institutional, economic, social and agricultural fields. It refers to the undesirability of creating blocs within the Community and urges extreme prudence in meeting demands for compensation.

The report is more severe than the official German position. The latter accepts the need for a transfer of resources to the less developed regions of the Community and of the candidates, as witnessed by Bonn's decision to allocate DM 300m to the 'solidarity programme' from the 1978 German federal budget. It is hoped in Bonn that economic assistance to the candidates from a variety of sources – the 'solidarity fund', the Community's financial protocols concluded with Greece and Portugal, EFTA, the IMF and bilateral aid – will enable the candidates to reduce more rapidly the disparities between their economic situations and those of the Nine. In turn, this will obviate the need for pre-accession periods (which are in any event rejected by the candidates themselves) and bring forward the date when the new members are able to assume all the rights and duties of a party to the Treaty of Rome.

By the spring of 1978, the general situation appeared to be as follows. Mediterranean agriculture and enlargement had resolved themselves into separate dossiers. France and Italy continued to imply that satisfaction on the former was a pre-condition for their consent to the latter, but they also argued that a new deal for the Mezzogiorno and the Midi was a necessity, long postponed, regardless of the enlargement issue. Thus they reserved their right to return to Brussels seeking measures to cope with new problems stemming from enlargement.

The Mediterranean package which appeared likely to emerge from bargaining in the Council of Ministers would not satisfy the maximum demands of French and Italian lobbyists. The French Communist Party made a point of reiterating its opposition to enlargement on the eve of the French legislative elections in March 1978.[93] Following the elections, Jacques Chirac announced his intention to challenge M. Barre's government on a number of issues, including its commitment to the Community.

Any thought of 'globalising' the negotiations with the candidates had been abandoned by the end of 1977. Nonetheless, Lorenzo Natali, the vice-president of the Commission with responsibility for enlargement, provided a focus for the Community's reflections about the implications of enlargement. In April 1978 he transmitted to the Council a much awaited study of these implications, known in Community parlance as a *fresque*.

The study synthesised many of the concerns expressed by member states and provided new analyses of the budgetary consequences of enlargement based on simulations run by the Commission.[94] The *fresque* was a classic response by the Commission to the demands of member states. It contained something for everyone. On the economic level it proposed new forms of financial assistance for the candidates, to reduce regional disparities. Lest this assistance should appear too burdensome to the Nine, the study linked such aid to an economic upturn in the Community which, it said, was an essential condition for successful enlargement from Nine to Twelve. Sig. Natali observed that Portugal merited special treatment both before and after its accession because of its peculiarly disadvantaged position.

On industrial questions, the Commission's paper steered a narrow course between the manifest need for development in southern Europe and the risk of further harming sensitive industries in the Nine. It suggested that without waiting for entry negotiations to reach their conclusion the Nine should concert with the Three on industrial questions with a view to promoting harmonious development. While this proposal may calm fears about jobs in the Nine's declining industries, it may awaken fears in southern Europe. It will be recalled that the Confederation of British Industries, in its study, considered the possibility of sectoral safeguards even after accession.

Concerning agriculture, the Commission's report grappled with the problem of over-supply in a Community of Twelve, but it did not manage to reconcile the desirability of the candidates switching to crops in which the Community will remain in deficit with the obvious geographical and climatic limits to such a manoeuvre. Sig. Natali saw clearly enough that a rationalisation of agriculture in southern Europe could only be achieved at the cost of increasing unemployment, a daunting prospect considering that the Twelve can already count among them more than seven and a half million unemployed. Here too the solution seemed to the Commission to lie in a general economic upturn, coupled with greater Community involvement in economic, monetary, regional, industrial and social policy. The Commission's study made repeated reference to the calls by the president, Roy Jenkins, for new steps towards an economic and monetary union. In current economic conditions, this must remain a dim prospect.

The smaller member states of the Community received some satisfaction in the Commission's insistence that all member states should continue to be represented in all Community institutions. This would preclude the emergence of a great power directorate or a two-level Community which some had feared. They could also be gratified by the Commission's call for greater use of majority voting in the Council, i.e. a more rigorous definition of essential national interests in the terms of the Luxembourg compromise of 1966. The Benelux countries in particular could be expected to support the proposal for a greater devolution of authority to the Commission for executive and management functions.

The Commission's ideas concerning transition periods for the new members picked up a number of suggestions which had been floated in national capitals.

Pre-accession periods were ruled out as politically unacceptable. The main innovation lay not in the length of the proposed transition periods – from five to ten years – but in the idea that they should be divided into two periods. During the first period the candidates would be expected to achieve certain objectives to be set during the negotiations. Only when these objectives had been reached would the second stage begin. The Council would have to take any decision to prolong the first stage.

These reflections on the part of the Commission can be expected to raise as many questions as they answer. The Irish and Italian authorities were quick to point out that during the first stage of the transition periods the poor regions of the Nine would be the most vulnerable because of the risk of siphoning off resources to the candidates. Since the Commission's *fresque* is a characteristic attempt to balance Nine separate sets of interests which do not always converge, it is unlikely to win general approval. But it does serve the useful purpose of synthesising the attitudes expressed by the member states on the overall enlargement question, without awakening the candidates' fears of 'globalisation'. Each application will continue to be dealt with on its merits while the Community will not lose sight of the broader implications of enlargement.

Although the Greek negotiations have been progressing slowly, this country will clearly be in a position to accede to the Community much sooner than the other two candidates. The dates when the Commission expected to be able to give its opinion on the Portuguese and Spanish applications were pushed back so far that the former was not expected before May 1978 and the latter before the beginning of 1979.

During his European tour in January 1978, the Greek prime minister, Mr. Karamanlis, put forward a timetable for Greece which foresaw the conclusion of the negotiating phase by the end of 1978, ratification of the treaty of accession in 1979 and Greek accession at the beginning of 1980. This timetable was described by Mr. K. B. Anderson, the Danish president of the Council, as "rather optimistic but not unrealistic".[95] French and German representatives, anxious to make a positive response to Mr. Karamanlis' initiative, suggested that the Community might express its willingness to conclude the negotiations by the end of 1978. But to the British such a statement would appear to single out Greece for special treatment, with the risk of invidious comparisons being made in Madrid and Lisbon. To other observers, Mr. Karamanlis' bid to bring the negotiations to an end during 1978 reflected the political importance attached to an early accession by Greece and the latter's apparent willingness to subordinate some of its economic desiderata to that end.

If the Commission's suggested approach to transition periods is accepted, one of the most complicated tasks in the negotiations will be the specification of criteria which will determine a candidate's right to progress to the second stage. This approach carries certain dangers as well as clear advantages. Spain, for example, might revise her opinion about the attractiveness of Community membership if forced to submit to industrial free trade before enjoying the expected benefits of the CAP. Left-wing accusations of neo-imperialism might gain new force if the Nine obliged the Three to accept the free movement of capital while postponing the free movement of labour. The notion of sectoral safeguards, even after the expiry of the transition periods suggested, *inter alia,* by the Confederation of British Industries, would challenge the notion of a common market amongst the Twelve and might lead to new recriminations.

The overriding factor leading the member states to support further enlargement, with all its difficulties, is political. Earlier sections of this study outlined the political, strategic or idealistic motives of each of the Nine for supporting the candidacies of Greece, Spain and Portugal. Officials and ministers in most national capitals assume that there is some sort of link between membership in the Community and political stability. The reasoning appears to be analagous to that of the proponents of the Marshall plan in the United States in the late 1940s. In the present case, Community membership is presumed to imply more rapid economic development. Greater prosperity is presumed to give the governments of the candidates, and major political parties and interest groups within them, such an interest in maintaining political stability that they will eschew radical and revolutionary alternatives. The enlargement of the Community can therefore be expected to have positive effects on the West's strategic position on the northern shore of the Mediterranean, an area in which the Atlantic alliance has not been conspicuously successful in recent years.

It can be argued that there are many *non sequiturs* in this implicit line of reasoning. Nonetheless, only such considerations can explain the willingness of national authorities to accept the new burdens which enlargement implies. To judge by the attacks on Greek, Spanish and Portuguese accession emanating from Moscow, the Soviet leadership shares the view that there is a link between EEC enlargement and the West's strategic position.

The preamble to the Treaty of Rome speaks of the resolution of the founding fathers of the Community "to preserve and strengthen peace and liberty" and their call "upon the other people of Europe who share their ideal to join in their efforts". Given the shaky political history of democracy in Greece, Spain and Portugal, fears have often been expressed about the risk of a lapse into authoritarianism in those countries after enlargement occurs. To meet this risk the heads of state and government of the Nine, meeting in Copenhagen in April 1978, subscribed to a declaration to the effect that "respect for and maintenance of representative democracy are essential elements for membership" in the Community. This declaration, which the Three will be expected to sign, is intended to reinforce the incentive to maintain democratic regimes in the candidate countries.

A study of this length does not require a detailed conclusion. The official attitudes of the Nine to enlargement are positive. The political case for solidarity with the southern Europeans is felt to be so compelling that no government has come out openly against enlargement. The one important political party whose leader has explicitly rejected the admission of one of the candidates, Spain, is the French *Rassemblement pour la République.* But the insistence with which this position is maintained will clearly depend on the vicissitudes of French politics. It seems much more likely that M. Chirac's stand will be translated into demands for adequate compensation and guarantees than into a decision to block enlargement. There is, therefore, little question of fundamental opposition to enlargement from any of the Nine. On the other hand, each member state has its special interests. These will grow more clamorous as the enlargement issue is brought to the attention of wider segments of elite and mass opinion and the question becomes more politicised. The enlargement debate coincides with continued political turbulence and change in southern Europe, with persistent economic difficulties throughout the international economy and with the run up to the first direct elections to the European Parliament. In light of the number of uncertainties, it is impossible to predict outcomes in any detail. The purpose of this paper has been a more limited one – to pinpoint the pressures to which the governments of each of the member states is subjected by domestic interests and so to identify the main features of the compromise package which is likely to emerge.

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