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Background

On 28 July 1977 Spain's Minister for Foreign Affairs, Mr Oreja, acting on behalf of his Government, presented to the Council of the European Communities Spain's request for membership of the European Coal and Steel Community (ECSC), the European Economic Community (EEC) and the European Atomic Energy Community (EAEC).¹

The Council agreed at its meeting on 19 September 1977 to set in train the procedure laid down in Articles 98 of the ECSC Treaty, 237 of the EEC Treaty, and 205 of the EAEC Treaty, and specified that in preparing its Opinion the Commission would keep in close contact with the Member States and Spain.

Contact with the Spanish authorities has been maintained through the Ministry for Relations with the European Communities under Mr Calvo Sotelo, and the Commission has been provided with ample documentation on the situation in Spain. The Member States for their part have been kept informed of the progress of the Commission's work on the preparation of this Opinion. The Opinion should be read in the light of the Commission Communication to the Council dated 20 April 1978 on General Considerations on the Problems of Enlargement, and related documents.²

¹ Bull. EC 7/8-1977, points 1.1.1 to 1.1.5.

² Bull. EC 11-1978, points 1.1.1 to 1.1.8; Supplements 1/78, 2/78 and 3/78 — Bull. EC.

Part One

General remarks

1. The Preamble to the Treaty establishing the European Economic Community provides that other European States who share the ideal of strengthening peace and liberty may join in the efforts of the Member States.

It was to respect that ideal that the Community did not respond to the Spanish approach of 1962 aimed at ending a long spell of introspection and insolation from the rest of Europe and forging closer links with the Community via the conclusion of an association agreement. In fact, it was not until 1970 that an agreement,¹ dealing purely with trade matters, was concluded between the European Economic Community and Spain. That agreement was concluded as part of the Community's effort to frame a coherent approach to its trade relations with the Mediterranean countries.

2. Since 1975 King Juan Carlos I and the Government of Spain, supported by the country's political, business and labour circles, have been engaged in restoring a pluralist democracy and providing guarantees for individual liberties. This process has culminated in the emergence of a new constitution, adopted by the Spanish Parliament on 31 October.

At the same time Spain's foreign policy has turned firmly towards Europe. As early as February 1976 Mr Areilza, Minister for Foreign Affairs in the first Government formed by the King, had visited the Commission and announced that Spain wanted the negotiations for the adaptation of the 1970 agreement to be conducted with a view to Spain's eventual integration into the Community.

This new policy led in July of that year to a formal request for membership, presented by the Government of Mr Suarez which had been formed following the elections in June.

3. Spain's decision to apply for Community membership enjoys the unanimous support

of all the political parties represented in the Spanish Parliament and of both sides of industry, and, generally speaking, is backed by the population as a whole. The debate being carried on in Spain is concerned not with the principle of entry but with its consequences, particularly the scale of the efforts required to ensure its success.

Such unanimity makes it all the more desirable that Spain should play its part in European integration at a time when new and decisive ground is being broken—with the commitment to extend membership to Greece and Portugal and the drive for greater internal cohesion, involving the setting up of the European monetary system and direct elections to the European Parliament.

From the economic angle, the addition of a market which has considerable development potential will have beneficial effects on intra-Community trade. The benefits could be enhanced by the opportunities opened to the enlarged Community on Latin American markets as a result of Spain's traditional ties with that continent.

It is useless to pretend, however, that Spain's accession will pose no problems, and it is therefore necessary for the sake of both the Community and Spain to take the necessary measures and precautions to ensure that the enterprise is successful.

4. Success implies that Spain's economy should be integrated with the economy of the Community without intolerable strains on either side—with Spain being able to bridge progressively the gap still separating it from the Community—and that, when the process of integration is complete, the Community should emerge strengthened and not 'diluted'.

The need to strengthen the Community has been proclaimed on many occasions and steps are already being taken in that direction quite apart from the prospect of enlargement, though this prospect, rather than de-

¹ OJ L 182 of 16.8.1970.

tracting from the need for a stronger Community, makes that need all the more pressing and urgent.

The Community authorities will naturally review the steps already taken, with a view to adapting or adding to them to take account of new requirements created by Spain's entry.

5. Admittedly, Spain's economy is relatively small in comparison with the Community's, and this might suggest that Spanish membership should not present the Community with any major difficulties. But in a number of areas Spain competes most efficiently with the Community. In addition, its economy is a developing one and still enjoys conditions of competition, particularly with regard to social costs, which are especially favourable for its expansion. However, despite this assessment account must be taken of certain structural weaknesses in Spanish firms as to size, productivity and technology.

If the necessary measures are not adopted in time, or fail to provide adequate support over the integration period following entry, Spain's competitive position could result in sharp tensions affecting certain sectors of the Community's economy, notably in regions which, because of their economic structure or geographical location, are more vulnerable than others.

6. Similarly, on the Spanish side, unless comparable precautions are taken the weight of the Community's economy could also produce similar stresses in some sectors of the Spanish economy, particularly those that are vulnerable because of the conditions under which they have developed, or in regions that derive the bulk of their income from products which will be unable to withstand competition from the Community.

Furthermore, the employment situation both in Spain and in the Community would considerably increase such strains.

7. It is therefore important to make use of the time remaining to us before Spain's full

integration into the Community in order to take the necessary precautions to mitigate the effects of the two economies' interpenetration. In particular, the gap between their levels of development, which constitutes one of the most obvious sources of strain, should be narrowed as far as possible.

8. To give a clearer picture of these problems and identify the measures needed to ensure Spain's successful integration into the Community, the Commission has, in the following chapters, given an outline of the two economic situations. Only those areas of activity that are of particular significance have been considered.

Outline of the economic situation in the Community

9. Throughout the 1960s, when the common market was being set up, and right up until 1973, strong growth served to oil the wheels of integration and cushion the social impact of structural changes in industry and agriculture. Today the economic climate is not so favourable for the integration of a new member into the Community.

10. The last few years have been stormy ones for the world economy. The disruption of the international monetary system following the United States' decision in 1971 to discontinue dollar convertibility, the quadrupling of oil prices at the end of 1973 and the serious payments imbalance and exchange rate fluctuations which appeared as a result contributed to the start, in 1974, of the worst recession since the war. After an appreciable recovery in 1976, which in the United States has lasted right up to the present time, economic activity in the developed countries as a whole last year expanded by some 3%, which is a distinctly lower rate than that achieved in the past. In this economic climate the volume of world trade has not grown by more than 4.5% a year.

11. The expansion of economic activity in the Community has slowed down considerably since 1974, and will remain sluggish in the near future. In these circumstances, one cannot expect a rapid improvement in the employment situation of the Community, where the number of unemployed exceeded 6 million in 1977/78. At the same time inflationary pressures still persist, though to a lesser degree, with rises in consumer prices reaching 7% in 1978 and likely to be of the same order in 1979. Admittedly, the current account deficit has been replaced by a surplus, largely due to the underutilization of internal capacity and better terms of trade; the restoration of improved equilibrium as regards prices and the external accounts has given governments more room to manoeuvre, and economic policy has become more active. Nevertheless, in certain respects the crisis is still very much a reality.

12. A number of industries are still in difficulties. The iron and steel industry, in particular, is still running well below capacity, despite rationalization measures adopted at Community level and in a number of Member States. The shipyards' order books remain empty. Some restructuring is also necessary in the textile industry, where certain sectors give cause for concern.

13. The general slowdown in the economy has also hit the agricultural sector. The unsatisfactory world trade situation has, by causing a deterioration in the trade balance, focused attention on the deficits in the agricultural trade of certain Member States. Moreover, the economic recession has highlighted the unfavourable position of farmers' earnings in the least-developed predominantly agricultural regions.

14. The economic crisis has also had its effect on the Community's external policy, which, thanks to a favourable economic climate, has traditionally been based on the far-reaching liberalization of trade with both industrialized and developing countries. Such liberalization took the form notably of preferential access to Community markets for

products from developing countries (the ACP¹ and GSP² beneficiaries), and from countries with which the Community had concluded special agreements because of their geographical position or historical and political ties with various Member States (Greece, Turkey, Mediterranean and EFTA countries).

The recession limited the scope for this essentially commercial policy. Its effects on a number of Community industries and lines of agricultural production were finally transmitted to non-member countries, and the full application of certain agreements these countries have with the Community ran into difficulties. The Community tries to maintain the value of such agreements by applying a diversified policy according to different countries and regions.

Outline of the economic situation in Spain

15. Spain's industrial development started off in a closed circuit, giving rise to an industrial sector made up largely of small, low-productivity firms working for the domestic market. Since the 1960s large, export-oriented firms using advanced technology have been set up, in particular following the implementation of a vigorous policy of liberalization of foreign investment.

The development of Spanish industry, which enjoys strong tariff and non-tariff protection, was based on the availability of a large labour force resulting from the migration of the rural population towards the industrial centres and also on substantial domestic savings, added to which there were the remittances by emigrant workers, earnings from tourism and direct foreign investment.

¹ ACP = the Community's partner States signatory to the Lomé Convention.

² GSP = Generalized system of preferences for developing countries.

Overall, Spanish industry occupies an important place at international level, and should continue to develop at a satisfactory rate. However, as in the Community, certain industries, particularly textiles, iron and steel and shipbuilding, which are of great importance in terms of jobs and exports, are experiencing difficulties as a result of the world situation in those industries.

16. The Spanish textile industry was seriously affected by the world recession; restructuring plans have been implemented which will lead to the closure of marginal firms so as to consolidate the position of the more competitive ones. The industry is now less badly off than its counterpart in the Community. It could nevertheless be affected by rises in labour costs if these rises exceed the gains in productivity resulting from the restructuring measures.

17. The iron and steel industry expanded greatly between 1966 and 1975, a period during which production tripled. Present production capacity is 15.3 million tonnes and it is estimated that it will be about 18.3 million tonnes in 1981. This prospect is based on the forecast of a 7.6% increase in consumption per annum, based on the relatively low level of present domestic consumption (305 kg *per capita* as against 451 kg in the Community in 1976). This rapid expansion is based largely on substantial State aids. The low productivity in this sector, which is no higher than the level recorded by the Community in 1965, might well check the growth of exports; this handicap has hitherto been offset by State aids, import barriers and export subsidies.

18. Shipbuilding suffers from considerable overcapacity. A restructuring plan is being implemented and this should result in a 50% reduction in capacity compared with 1975. The problems which this presents, in particular for employment, are being examined by the parties concerned. The Spanish shipyards rank third in the world in terms of output and they are highly competitive.

19. Like industry, agriculture has played a fundamental role in Spain's economic development and has benefited from measures which have protected it from foreign competition. These measures have been part of an agricultural policy aimed principally at promoting products that Spain does not produce enough of and stimulating exports of other products as far as possible.

The relative failure of this self-sufficiency policy, combined with the desire to join the European Economic Community, has in recent years started to give rise to a liberalization process, which is cautiously and progressively beginning to take concrete shape.

20. Generally speaking, Spain's trade in agricultural products has featured a large deficit caused mainly by growing imports of feed grain and protein of vegetable origin and also, though to a lesser extent, of meat and milk products. On the other hand, there is a surplus of fruit and vegetables, olive oil, rice, wheat and wine.

21. Owing to the country's natural conditions, which differ from one region to another, and given the great variety of production structures, which in some cases results in inefficient use of agricultural potential, highly competitive sectors exist alongside others whose productivity is still, on average, much lower than in the Community. This situation is reflected in the level and especially in the hierarchy of 'institutional' prices, which differ greatly from Community prices. In general, for cereals, animal products and sugar, these prices are very close to Community prices or sometimes even higher; for most Mediterranean products, however, the prices are much lower.

22. Crop products account for a greater proportion of final agricultural production than livestock products. Mediterranean products alone, which are very competitive, account for 40% of total agricultural production and are the country's main agricultural export item. They are concentrated mainly in the regions with the most favourable natural

conditions and they also provide the highest incomes and highest employment levels for an abundant supply of labour.

23. There has been considerable development in recent years in livestock products and the major crops. However, they would seem to be less competitive at Community level. They are nevertheless very important for keeping the Spanish trade balance in equilibrium and production is largely located in regions where natural conditions are poor and general economic development prospects limited.

24. The low yields per hectare suggest that there are real development possibilities in the way of improved productivity, especially when general production conditions are favourable. It should, however, be pointed out that, in dealings with Commission staff, the Spanish authorities have stressed that the real potential is very small.

25. The fishing industry is of considerable economic importance, especially in the northern regions. The Spanish fishing fleet ranks third in the world and first in Europe in terms of total gross tonnage, and is equivalent to two-thirds of the Nine's total fleets. Its size is well out of proportion to the fishing opportunities open to Spain as a result of recent international developments concerning the extension of fishing zones in the North Atlantic and off the coasts of Africa.

26. At regional level, Spain's economy is marked by a heavy concentration of the population and secondary and tertiary activities in the coastal provinces, and particularly in the North and North-East of the country. Most of the provinces in the South and North-West are far less developed than the provinces in the North-East. Furthermore, with the exception of the Madrid region, the whole of the interior, which is mainly agricultural and very thinly populated, constitutes the least developed part of Spain.

27. Since 1974, the slackening of world economic activity and the sharp rise in produc-

tion costs owing to the increases in the prices of energy products and in wages have had adverse effects on the Spanish economy's growth rate. They have accelerated inflation and pointed up some of the economy's structural weaknesses. The rate of growth of GDP, which bordered on 7% in real terms during the sixties and the early seventies, fell to 2.5% in 1976/77. Investment has been very slack since 1975 and is not expected to recover until 1979. Furthermore, with earnings from tourism and emigrant workers' remittances tending to level off, Spain's deficit on its external payments grew between 1975 and 1977.

28. Spain is now having to contend with a worsening of the unemployment situation; the country has nearly 900 000 unemployed, representing nearly 8% of the labour force as against 5.6% in the Community. It is caused mainly by an inadequate growth rate, greatly reduced opportunities for emigrating to the industrialized countries and the continuing drift of agricultural workers towards the towns. Although a million workers have left agriculture since 1970, 20% of the labour force still works in this sector, which accounts for only 9% of the country's GDP. This analysis does not take account of continuing latent underemployment, the extent of which should not be underestimated. In the opinion of the Spanish authorities, an annual growth rate of 5% would help stabilize, or even slowly absorb, existing unemployment.

A second problem is still inflation, although a marked improvement can be discerned. After being as high as 26% in 1977 the Government forecasts that it could drop to 16% for 1978 and to 12% for the whole of 1979.

29. Lastly, as regards external payments, it would seem that the very large deficit recorded in 1975-77 is now being brought under control. Spain's exports should increase by at least 12% in real terms in 1978, whereas world trade will probably have increased by only 4 to 5%; imports could drop slightly. In any event there will be a marked recovery in the trade balance this year.

At the same time, earnings from tourism and emigrant workers' remittances have shown a marked upswing in 1978. For the first seven months of the year operations on current account showed a surplus of close on USD 500 million, whereas a deficit bordering on USD 3 000 million had been recorded for the corresponding period of the preceding three years. Furthermore, capital movements are in surplus once again, as the capital markets' confidence in the future of the Spanish economy has been restored. As a result, Spain's external monetary reserves have been rapidly built up again: having fallen to USD 3 500 million at the end of June 1977, they were back to over USD 10 000 million at the end of October 1978. It is not certain that this tendency will continue because expected acceleration in economic activity might bring about a deterioration in the trade balance.

30. The Spanish Government's efforts to achieve a recovery were greatly facilitated by the conclusion in 1977, between all the political parties represented in Parliament and the Government, of the Moncloa Pact, which received the support of Spanish business and labour.

The objectives of the Pact were twofold: to correct imbalances and to ensure that the social cost of the economic reforms was fairly spread. These aims were to be attained by limiting wage increases, adopting a more active interest-rate policy and introducing stricter liquidity controls, and also by significantly reducing current public expenditure. Furthermore, a tax reform aimed at reducing inequalities and an increase in public investment expenditure designed to create jobs and improve public services should raise the standard of living, as a *quid pro quo* for the efforts which the two sides of industry have been asked to make.

In this respect, it should be noted that the total burden of taxes and social security contributions in the public sector amounts to only 26% of GDP, as against an average of 41% in the Community. It would therefore seem that the Spanish authorities have considerable room for manoeuvre. It is likely

that this total burden will be increased progressively over the next few years, in particular as a result of the tax reform, which should raise the proportion accounted for by direct income tax.

The Moncloa Pact has already produced beneficial effects in that imbalances are being remedied and the confidence of investors, particularly foreign investors, is being restored. For 1979 the authorities expect an increase of 9% in private investment and 14% in public investment. The GDP growth rate forecast for 1979 is 4.8% in real terms, as against a probable 3.5% in 1978.

It is obvious that maintenance of the social consensus in the country and attainment of the economic policy objectives laid down in the Pact would constitute positive factors in the preparations for Spain's accession to the Community.

Impact of accession

31. A comparison of the Community's and Spain's economic situations, which are described above, shows that the problems which will result from Spain's integration will require efforts on both sides if solutions are to be achieved which go beyond mere adaptation. While these problems will arise basically from the impact which accession will have on industry and agriculture, the solutions must take account of the effects they will have at the social and regional levels and on the Community's external policy.

Industry

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

disciplines adopted for the industries in crisis.

33. The starting-point for the dismantling of tariff and non-tariff barriers will have to be the situation that has resulted from the 1970 Agreement.¹ This Agreement, which reflected the situation existing at the time when it was concluded, when there was a considerable development gap between the Community and Spain, particularly in the industrial sector, provided for phased dismantling in order to enable Spain to narrow that gap. The situation has now changed to a large extent following the very rapid development of Spanish industry; this development has not, however, been reflected in the level of tariff reductions, which has remained unchanged, contrary to the intentions of those who drafted the Agreement, at approximately 57% on the Community side as against 26% on the Spanish side. This disparity must therefore be ended no later than the early years of the transition.

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

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

34. Spain will also have to eliminate the anomalies affecting the conditions of competition, notably in the form of taxation. To this effect the necessary implementation, by

the date of accession, of the bill presently being worked out about VAT introduction would largely help.

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

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

Agriculture

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

38. Problems will result primarily from the level of self-supply which will be achieved by the enlarged Community for a number of products. Adoption of the common agricultural policy's mechanisms, notably price levels and guarantees, will be bound to boost production capacity by stimulating investment attracted by the prospect of greater profitability. This trend will naturally be most marked in the case of Mediterranean products. For the majority of these products, the simple addition of capacity in Spain and the Community as it is would result in rates of self-supply of close on 85% at least and over 120% in certain cases.

A further stimulus to production will be provided by relative labour costs, which will

¹ OJ L 182 of 16.8.1970.

strengthen Spain's competitive position at a time when it will be receiving the benefit of free movement of products in the enlarged Community. In some cases, moreover, the introduction of a different set of price levels could bring about changes in the current balance of consumption.

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

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

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

to take account of the degree of severity of problems prevailing in those regions.

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

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

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

Fisheries

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

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

Social aspects

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

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

Propensity to emigrate, traditional in Spain, could therefore increase with the upswing of unemployment, and could push migratory flows towards the Community. Admittedly, Spanish workers represented in 1977 only 10% of total foreign labour—coming from non-member countries—employed in Community Member States. Experience shows that labour demand is generally the main factor affecting migratory flows, even in situations where freedom of movement is granted. However, potential migratory pressures justify provisions for the adoption of a safeguard mechanism and of progressive liberalization phases for access to work, in order to avoid erratic movements of labour.

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

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

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

Regional aspects

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

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

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

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

France, which already benefit less than others from the opportunities made available by Community policies, will find themselves exposed to increased competition, particularly in agriculture. This problem is especially difficult because, for a long time yet, the major part of their resources is bound to come only from Mediterranean agricultural production.

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

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

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

External relations

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

dustrialized countries and, above all, in relations with the Mediterranean countries.

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

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

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

52. Furthermore, the introduction of free movement in the Community for Spanish workers will have considerable repercussions on job opportunities for workers from Mediterranean countries. Transfers of savings

from nationals employed in the Community are an important factor in those countries' current accounts. In view of the foreseeable limits to the future improvement of the employment situation in the best of circumstances, this factor could prove of particular importance.

Conclusions

53. The preceding chapters have pointed up the scale and complexity of the problems arising from Spain's accession, for accession requires the applicant country to accept the whole of the 'acquis communautaire' and the economies concerned to be integrated smoothly.

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

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

54. In this transitional period, therefore, progress will have to be made as speedily as possible in the dismantling of tariffs between Spain and the Community, the alignment of the Spanish tariff on the Common Customs Tariff and the adoption by Spain of the common agricultural policy and the Community's external commitments.

55. In *industry*, it will be necessary to eliminate as rapidly as possible—in the first few years of the transitional period at the latest—the imbalances resulting from the way in which the 1970 Agreement has been applied, notably the tariff anomalies and measures or practices of whatever nature in the field of taxation that distort the conditions of competition. In this connection, Spain will have to introduce the value added tax system by the date of accession at the latest. With regard to aids, upon accession, Spain will have to implement the rules of Article 92 *et seq.* of the EEC Treaty, as far as procedures and contents are concerned, as well as relevant secondary legislation. Before accession, therefore, it will be necessary to try and adapt Spanish aids to the relevant Community rules.

The dismantling of tariffs, given this need to eliminate existing disparities, will have greater implications for Spain than for the Community, which at present applies an average duty of only 3% on imports of Spanish products.

56. In *agriculture*, examination has shown that the toughest problems will be centred on Mediterranean products and hence will have repercussions on certain regions which are already among the least developed in the Community. For this reason, although Spain will have to adopt the common agricultural policy immediately upon accession, the alignment of prices will have to be undertaken progressively during the transitional period and mechanisms will have to be set up to ensure that the free movement of goods does not result in disturbances on Community markets in this period.

57. The tariff and price alignment problems referred to above are not so pressing that they cannot be resolved within fairly short periods fixed in advance.

58. The integration process cannot, however, be confined to the removal of customs duties or quantitative restrictions. What has gone before shows that in the case of Spain's

accession, the conditions permitting the integration of its economy into that of the Community without undue disturbance will be met only if the Community takes or steps up measures to improve certain sectoral or regional structures. It also shows that mutual interest will cause Spain and the Community to make sure that the objectives they pursue converge and that the means used are compatible.

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

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

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

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

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

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

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

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

65. The need to take firm action to ensure the success of enlargement, and notably of Spain's integration, raises once again the question of the Community's decision-making capacity. The Commission would stress the importance of this question. It has already indicated the ways and means which in its opinion would make it possible to accomplish the aims set out above and strengthen the decision-making powers needed by an enlarged Community.¹ The Commission

¹ Supplements 1/78 and 2/78 — Bull. EC.

urges the need to resolve these questions rapidly, since enlargement will accentuate the differences between the situations of the various Member States and is liable to aggravate the Community's difficulties in adopting and implementing common policies.

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

Part Two

Specific considerations

Customs Union

67. The establishment of the Customs Union must take as its starting-point the situation resulting from application of the Agreement between the European Economic Community¹ and Spain, which has been in force since 1 October 1970.

EEC-Spain Agreement

68. The 1970 Agreement provides for barriers to be abolished in two stages for the bulk of trade, with partial tariff preferences being granted by both parties for industrial and agricultural products in the first stage.

In the industrial field, the Community applies 40% or 60% tariff concessions (according to the product) on 98% of its imports originating in Spain (1976), which represents an average tariff reduction of 57%. In agriculture, the Community concessions cover 46% of imports and their tariff incidence is 20%.

Tariff concessions of 25% or 60% according to the product, are granted by Spain for industrial products; they also apply to charges having an effect equivalent to customs duties and cover 88% (1973) of imports from the EEC, their weighted tariff incidence being only 26%. With regard to agricultural products, coverage is 57% and the tariff incidence is 25%.

The Community does not apply quantitative restrictions *vis-à-vis* Spain. Quantitative restrictions maintained by Spain in respect of the Community, however, cover a volume in excess of 5% of total imports from the Six in 1966-69, which is contrary to what is laid down by the Agreement as from 1 October 1976.

Spain's multi-stage tax system creates another major problem in the administration of the Agreement since the rate at which im-

port and export charges are applied can result in discrimination. The difficulties frequently encountered in connection with the issue of licences and the liberalization of quotas run contrary to the provisions of the Agreement and add to the difficulties of administering it.

69. Lastly, it should be pointed out that it has not been possible to undertake the adaptation of the Agreement which was rendered necessary by the enlargement of the Community in order to take account *inter alia* of trade flows between Spain and the new Member States, above all the United Kingdom. Negotiations have not proved successful because Spain no longer wishes to continue along the road marked out by the Agreement, in view of its wish to become a member of the Community, and because of the failure of the parties to reach agreement on the necessary concessions. Both parties have been applying the provisions of the 1970 Agreement autonomously since 1 July 1977 by means of purely technical adaptations.

70. The result is that if no economic adaptation of the Agreement were to be undertaken between now and Spain's accession, the imbalance in the concessions would be maintained for several more years and the bulk of the dismantling of barriers to trade—especially on the Spanish side—would be left to the transitional period, unlike in the case of Greece and Portugal, where the application of the agreements in the tariff field means that decisive progress will have been made in this direction by the time of accession. To conclude, it is clear that adaptation of the 1970 Agreement would have very much facilitated the negotiations by resolving certain major difficulties in trade relations. At all events the climate of the negotiations would be helped by a more dynamic application of the Agreement, in as much as this would lessen the strains due to conditions of competition created by an im-

¹ The Agreement does not cover ECSC products.

balance in the tariff concessions granted by the two parties that is no longer justified by Spain's economic situation.

Adoption of the CCT and customs legislation

71. The duties applied by Spain in respect of non-member countries are in most cases distinctly higher than the corresponding Common Customs Tariff duties (more than double on average).

Nevertheless it seems unlikely that Spain would encounter any particular difficulties in dismantling its tariffs *vis-à-vis* the Community or in progressively adopting the Common Customs Tariff. To this end work has been done on making the Spanish customs tariff coincide with the Common Customs Tariff to some extent.

However, there remains the tariff problem arising from the existence of two monopolies: tobacco and petroleum products. The Spanish tariff does not provide for customs duty on these products, but the Common Customs Tariff does.

Customs legislation proper which forms part of secondary legislation will have to be adopted by Spain, subject of course to certain adjustments that prove necessary because of accession. So far no problem has been raised that would require more substantial adaptation.

Territorial application of the customs union

72. The Canary Islands at present enjoy a special customs status, which will have to be examined together with the customs status of the ports of Ceuta and Melilla, Spanish territories situated on the African continent that have been made free zones.

Moreover, Spanish accession will intensify the special position of the Principality of Andorra, whose territory will be an enclave in Community customs territory but not part of

it, since its trade with France and Spain is governed by special arrangements.

Agriculture and fisheries

Agriculture

73. Spain's agricultural area covers about 275 000 km², i.e. approximately 55% of the country's territory. Out of a total population of about 35 million, 2 500 000 i.e. nearly 20% of the country's working population are engaged in agriculture and there are nearly 1 710 000 holdings. Agriculture accounts for 9% of Spain's GDP (as against 4% of GDP in the Community, where less than 8% of the working population is engaged in agriculture). The contribution made to final agricultural production by each person engaged in agriculture is only 3 522 EUA, whereas for the Community the figure is 11 381 EUA.

74. There have been a marked decrease particularly over the last decade, in the agricultural labour force, although overall, there has been no decline in production in this sector of the economy. Indeed, there has even been an appreciable increase in the production of certain crops owing in particular to the large-scale use of irrigation and some rationalization of various lines of production.

Agricultural exports, which represent nearly 23% of total exports, play an important part in the country's trade balance. About 58% of these exports go to the present Community, whereas only 10% of Spain's imports come from the Community.

Spain's agricultural trade balance shows a deficit, however for like the Community of Nine, it imports large quantities of feed grain (mainly maize) and oil seeds. As a result of Spain's membership, the Community will have a greater shortfall in these products, and this will make it more dependent for its supplies on the world market, and in particular the North American market.

Structures

75. Spain's agricultural structures are less efficient than the Community's on the whole. This situation stems mainly from generally unfavourable weather and soil conditions, the existence of very small farms reduced to a subsistence economy alongside very large, under-utilized farms, insufficient mechanization, the ageing of the farming population and inadequate vocational training.

Farms of 1 to 5 hectares make up more than half (57%) of all Spanish holdings and occupy 10% of the utilized agricultural area, whereas farms of more than 50 hectares make up only 4% of the total number while occupying more than 45% of the utilized agricultural area. Although this situation seems to correspond in some respects to the situation in the Community where farms of 1 to 5 hectares make up 41.9% of all holdings and occupy 6.2% of the utilized agricultural area and units of over 50 hectares represent 6.3% of all holdings while occupying 41% of the utilized agricultural area, it is nevertheless necessary to stress the importance in Spain of the *minifundia* and *latifundia*. Spain has a very large number of farms of less than 1 hectare (860 265, a figure fairly close to the number of farms with 1 to 5 hectares) which occupy only 1.4% of the agricultural area. Furthermore, there are 5 045 farms of more than 1 000 hectares (i.e. 0.3%) occupying about 27% of the total agricultural area.

Production

76. Crop products, mainly wheat, olive oil, fruits and vegetables and wine, account for about 58%, and livestock products for about 42% of final agricultural production. In this context it must be pointed out that Mediterranean products, namely vegetables, fruit, wine, tobacco, oleaginous products, cotton and products from sheep and goats, represent a large share (about 40%) of final production.

Spain has surpluses of certain products, for example, fruit and vegetables (self supply

rates: citrus fruit 243%; other fresh fruit about 110%; fresh vegetables 105-115%; olive oil 169%; rice 125%; wheat 111%; wine 101%).¹

For products in which there is a shortfall, the development of production has been encouraged by domestic measures and protection at the frontiers; this policy has had beneficial effects in the case of barley (101%), pigmeat (92%), poultrymeat (99%) and eggs (102%). However, because it isolates the national market from the outside world and limits the effects of competition on the domestic market, such policy poses the problem of how domestic demand will develop in Spain when the products in question are subject to the common agricultural policy.

Spain nevertheless continues to have a shortfall in a range of products, such as maize (self-supply rate only 31%), vegetable oils and fats (40%, with the exception of olive oil) and beef and veal (85%).

Potential

77. The development of Spanish production is linked to the measures already taken and to the guidelines followed. Major efforts have been made to improve farm structures and develop irrigation, on which large sums of money have been spent. The aims of these structural measures are to absorb unemployment, to find appropriate uses for irrigated land, in particular the cultivation of products in which there is a shortfall, and, at the same time, to extend the forest areas and intensify reafforestation.

78. Generally speaking, the low level of productivity, and particularly the fact that, in the case of most major agricultural products, yields per hectare are lower than in the Community, suggest that there is real potential for development. The positive development of Spanish agriculture naturally depends on the

¹ Table 14.

country's general economic situation, and in particular on the injection of capital so as to enable certain obstacles inherent in the factors of production to be overcome, but this capital will not be forthcoming unless there is the prospect of an improved return.

79. In the context of Spain's accession to the Community, this outlook will be influenced by a new factor. Given the present level of prices in Spain, the combined application of the Community prices system and guarantee mechanisms may foster the development of certain lines of production mainly by increasing the prospects of a good return on investment.

80. Combined with the fact that the cost of Spanish labour will remain lower than that of Community labour for some time yet, this factor could serve to strengthen the competitive position of Spanish agriculture, increase surpluses in the enlarged Community, and reduce the low level of complementarity even further by cutting Spain's shortfalls. Furthermore, in certain cases, the introduction of a different price scale could cause fresh imbalances in consumption.

Mediterranean products, especially citrus and other fruit, vegetables, olive oil and wine, are, in this context, the products most likely to boost the income of a certain category of producer, while also being highly labour-intensive.

81. On the basis of the present situation, Spain's accession will result in a considerable increase in the Community's self-supply rates. On the basis of 1976 data these rates would increase from 50% to 83% for citrus fruit, from 85% to 90% for other fruit, from 96% to just over 100% for tomatoes, from 98% to nearly 100% for vegetables, from 103% to 123% for olive oil, and from 63% to 69% for sheepmeat. The self-supply rate for wine will remain about the same in the enlarged Community. While the yields per hectare are of course of present well below those of the Community (16 hl compared with 61), the climatic and soil conditions, to-

gether with the present ban on irrigation in Spain, suggest that the difference from the Community level will in any case remain significant.

Prices

82. The system of 'institutionalized' prices in Spain covers about 65% of final agricultural production and is made up of three types of prices:

- (i) fixed prices for wheat, tobacco, sugar beet and cane, sunflower seed and hops;
- (ii) minimum guaranteed prices, being producer prices only, for olive oil, cotton, cereals, feedingstuffs (legumes and grain);
- (iii) intervention prices for rice, wine, beef and veal, pigmeat and poultrymeat, eggs and cows' milk.

It should be stressed that there is no 'institutionalized' price system for fruit and vegetables. It would seem that the only prices which are slightly higher in Spain than those set in the Community are common wheat, maize and sugar beet prices. For other products, Spanish 'institutionalized' prices are lower than Community prices.

The mechanisms used to achieve these prices consist partly of measures for administering the domestic market (intervention, premiums and subsidies) and partly of measures operated at the frontiers comprising quota systems, arrangements in respect of price levels, import charges and export refunds. Emphasis should be laid here on the overriding importance of public bodies in controlling the domestic market and foreign trade in nearly all the products subject to these price systems.

Fisheries

83. Some 114 000 people, or nearly 1% of the labour force, are employed in the fishing industry (Community of Nine: 0.2%). It is of considerable economic importance, especially in the northern regions.

Exports of fish and fish products greatly exceed imports, especially in the case of preserves, tinned sardines in particular. These exports are likely to increase still further in the event of accession. Over two-thirds of Spanish catches used to come from water outside the country's present fishing zone, and a large part of those waters have now become the Community fishing zone.

84. The Community has recently negotiated with Spain a framework agreement on fisheries based on reciprocity with a view to establishing a satisfactory balance in the fishing opportunities granted by each party to the other party's vessels in its waters. Each year the two parties will hold consultations in order to determine these fishing opportunities, on the basis of the scientific data available concerning the state of the stocks of mutual interest. Should the achievement of such a balance in the fishing opportunities accorded to each party in the fishing zone of the other mean a reduction of present fishing opportunities for Spain in the Community zone, the agreement makes provision for reducing to a minimum any difficulties encountered by the latter party.

85. In order for Spain to adopt the common fisheries policy, it will have to denounce the fisheries agreements it has concluded with third countries, and the agreements concluded by the Community will have to be revised. It will also be necessary for Spain to denounce its participation in certain international organizations within which the Community is required to replace the Member States in order to be able to exercise its own powers.

Industry and energy

Industry

86. In 1976, industry accounted for about 41% of Spain's GDP, a proportion comparable with that in France and the Nether-

lands, and employed about 38% of the civilian labour force.

The present breakdown of production between the various sectors is as follows: extractive industries, gas and electricity 6%, metal products approximately 22%, textiles and foodstuffs approximately 15% and chemicals 10%.

87. In recent decades, the chemical industry has recorded the fastest growth of all the sectors of industry, its production more than doubling since 1970. Progress has been almost as rapid in the engineering and metal products industries, and in the transport sector, particularly the motor and shipbuilding industries. There has also been very vigorous growth in the iron and steel industry, the basic metal industries and the manufacture of non-electrical machinery. Starting from the base level of 100 in 1970, the index figures for those industries had risen to around 185 in 1977.

88. In 1977, 75% of firms employed fewer than 6 workers, 22% employed from 6 to 50 persons, 3.13% employed from 50 to 500 and only 22% employed more than 500 persons. These small and medium-sized undertakings predominate in the sectors regarded as traditional (clothing, leather, ceramics, toys, etc.). Only in the industries such as iron and steel, shipbuilding and petrochemicals is there a predominance of large-scale firms.

As in the Community, restructuring efforts are planned in the iron and steel industry, shipbuilding and the textile industry. This does not mean however that other industrial sectors are not also experiencing difficulties.

The iron and steel industry

89. Spain occupies tenth position in the world steel-producing league with an estimated production of 11 million tonnes in 1978. This industry employs 77 800, which is 1.7% of the labour force employed in the secondary sector. The production capacity

utilization rate has fallen from 85% in 1974 to 70% in 1978.

Under a five-year plan to improve productivity and competitiveness, the Spanish Government has projects for investment operations amounting to some Ptas 5 000 million. They concern primarily the bringing into full operation of installations set up in the period 1964-73 and their rationalization without a labour force reduction. In certain branches (e.g. wire rod) it is planned to expand production capacity, and this will bring Spain's total iron and steel capacity up to 18.3 million tonnes in 1982.

90. As far as accession is concerned, three remarks should be made. Firstly, the extension of Spain's capacity, in so far as this involves flat products, is not in line with what is being done in the Community iron and steel industry, where a number of firms are currently abandoning their expansion projects for this range of products because of the market situation. Secondly, the equilibrium between manufacturing processes, which is already precarious in the present Community because of the limited scrap supply possibilities, will be even more so in the enlarged Community since the Spanish industry is developing electric steelworks using scrap as their raw material. Lastly, the financing of the Spanish programme could pose problems for their firms, which might in the future have considerable recourse to the financing possibilities of the ECSC. Spain's future contribution to the guarantee fund must make allowance for this.

Shipbuilding

91. Through the intermediary of the Instituto Nacional de Industria (INI), the Spanish State controls virtually the entire industry. The three largest shipyards, Astilleros with 53% of national output, Astano with 21% and Bazan with 11%, are owned by the State respectively to the proportion of 50%, 60%, and 100%.

In the past, shipbuilding was mainly located on the north and north-west coasts of Spain. It is only in the last few decades that Andalusia and Levante have become important centres. Today Cadiz is the major centre of the industry.

92. Like the steel industry, shipbuilding has recently suffered heavy financial losses. The State was able to step in owing to the fact that all three major shipyards come under the INI. The losses of Astilleros and Astano have been offset by capital grants, and those of Bazan by the grant of credit. The Bazan shipyard will specialize more in manufacturing naval vessels, which the Government is going to purchase in larger numbers.

In view of Spain's surplus capacity, especially among the builders of large vessels, the Government is now preparing a plan which will probably include a cut in capacity of 50% compared with 1975 and a reduction in the workforce of about 20% to 30%, which would mean about 10 000 redundancies.

93. Internationally, the Spanish shipyards stand third in world production, and both technologically and commercially can seriously compete with Community shipyards. They have privileged access to the countries of South America and to certain countries on the southern shores of the Mediterranean. Spanish shipbuilding capacities will add about 25% to Community capacity, and after Spain joins the Community the EEC's output will increase from 20% to 25% of world production; this will give it a bigger say in international negotiations.

Textiles

94. Spain has not escaped the textile crisis, and the Spanish authorities have been obliged to implement restructuring plans with the aim of closing marginal firms and promoting activity in more competitive industries. Capacity cuts have affected the cotton, silk, synthetic fibres and wool sectors.

Spain is endeavouring to improve the productivity of its remaining capacity. At present, the productivity of Spanish firms is more or less the same as in Italy, slightly higher than in the United Kingdom, but below the level of the other Member States.

It should be noted that the costs of restructuring have to a large extent been borne by the companies themselves, which have set up a fund to finance the early retirement of the workers concerned. The State contributes to the replacement of plant by means of subsidies.

95. Altogether, the situation in this industry appears to be less difficult than in the Community, although it could well deteriorate if the likely increase in the cost of labour were not offset by improved productivity. Annual *per capita* consumption of textiles is only 9 kg in Spain, compared with 14.5 kg in the Community. Spanish consumption should increase over the next few years and absorb a good proportion of domestic production.

Footwear

96. Spain's production of leather footwear amounted to 126.6 million pairs in 1977, putting Spain in seventh position in the world production table. In 1975, the footwear industry employed some 61 000 workers, representing 1.3% of the labour force employed in the secondary sector. Exports are dependent to a large extent on the possibilities of access to the North American market, which absorbs approximately half Spain's exports. Footwear exports are an important and positive item in the country's trade balance. The Spanish industry is competitive and is equal to one-quarter by volume of Community production. After a decline following the world economic crisis, there seems to have been a recovery in growth because of the fairly low prices. However, this competitive advantage will diminish with the increased cost of labour.

97. The Spanish market is potentially of interest to the Community industry provided the import barriers disappear.

The Spanish tanning industry is modern and one of the largest in Europe. At present Spain applies restrictions to the export of hides and skins, and so enlargement is likely to improve the raw material supply situation for the Community.

Motor vehicle industry

98. Spain is still considerably under-motorized compared with the Member States. The experts see a considerable development potential in the market. The present figure of 6 million vehicles should double by 1985 and the prospect is therefore one of a real domestic growth market.

99. Though an increase in exports is expected the rate of growth on the home market is far higher.

The possibility of a large inflow of Spanish cars into the Community is not therefore so much to be feared. Furthermore, the obligation to export which Spain is currently imposing on its industry will disappear following Spanish accession to the Community.

Spanish imports, on the other hand, could triple by 1985. As a result, the EEC motor vehicle industry would have increased export opportunities following the elimination, with accession, of all restrictions on vehicle imports into Spain. At present, Spain is a closed market where only those manufacturers that produce in Spain are allowed to sell their vehicles on the domestic market.

100. For most of the manufacturers established in Spain, the opening of the Spanish market will require certain investment operations either to raise the low level of productivity of their plants or to integrate their subsidiaries into the parent company so that they specialize in the production of components for the group as a whole. In contrast, the Ford Spain plant, established in Valencia

since 1976, obtains 30% of its components from outside Spain. The plant will this year produce 280 000 cars (31% of Spanish production). Even if the coming years it reaches its maximum capacity of 450 000 vehicles per annum, it will account for only 29% of Spanish production forecast for 1985 (1 550 000 vehicles).

Ceramics

101. The Spanish ceramics industry has undergone considerable development and modernization in recent years and has become very competitive. While the Community's china and tile industry suffers from overcapacity, the Spanish production capacity utilization rate varies between 81% and 94% according to the subsector. Because of the disparities in the general conditions of competition, Spain's exports to the Community increased appreciably in the period 1975-77. The major Spanish export item in this industry is ceramic tiles, exports of which increased by 43% in the above three reference years.

Energy

102. The country is poor in energy resources. Despite its hydro-electric and coal production, Spain is more dependent than the Community on external energy supplies. In 1976, home-produced primary energy supplied no more than 24% of the country's domestic consumption, whereas production

in the Community in the same year was 43% of domestic consumption.

In 1976, the gross *per capita* domestic consumption of energy was 1.8 tonne of coal equivalent (65 912 000 tonnes for a population of 35 849 000). *Per capita* consumption in the Nine for the same year was 3.5 tonnes (916 130 000 tonnes for a population of 258 577 000).

103. The Energy Plan for 1978-87 provides for an increase in primary energy production in order to reduce net imports in the future.

This is illustrated by the table below.

Nuclear energy

104. There are significant reserves of uranium for a nuclear energy programme. Spain has launched a major investment programme for the construction of nuclear power plant in order to reduce its heavy dependence on oil imports. In 1980, ten nuclear power plants (three already operating today and seven under construction) should be producing 8 000 MW. This programme has been financed by supplier firms from own resources and by inputs from the capital market. Most of the firms concerned are in the private sector.

Another expansion programme which originally involved eight new nuclear power plants has been reduced to three for political and economic reasons. Financing has not yet

(in million tonnes of coal equivalent)

	Total primary energy demand	Production		Net imports ¹	
		m tce	%	m tce	%
1977 (provisional figures)	99.1	29.7	30	69.1	70
1982	119.6	48.1	40.2	71.5	59.8
1987	145	66.4	45.8	78.6	54.2

¹ Excluding fluctuations in stocks.

been secured for this programme, which will cost in the region of 150 000 to 200 000 million pesetas. The State enterprise ENUSA has earmarked a large volume of investments for the manufacture of the fuel elements.

Solid fuel

105. Solid fuel production capacity is inadequate to meet the country's own requirements. Coal reserves are estimated at 453 million tonnes and output in 1976 was 10 553 000 tonnes, i.e., about 4.3% of EEC output (247 695 000 tonnes).¹

The Spanish Government is planning an extensive investment programme to expand and mechanize the country's coal production.

More than 80% of output is accounted for by the State enterprise HUNOSA, which has suffered big losses in recent years and cannot finance the investment programme from its own resources. Spain will have to continue importing coal to a large extent. The prices of imports are in any case lower than the cost prices of coal mined in Spain.

Hydrocarbons

106. Crude oil production capacity is wholly inadequate. Oil reserves, particularly offshore, scarcely cover 4% of domestic oil demand. Crude oil production in 1976 was nearly 2 million tonnes, while imports for the same period totalled about 50 million tonnes.¹ The figures for the EEC in the same year were 20 644 000 tonnes and 518 865 000 tonnes respectively.¹

Refining capacity expanded from 1974 to 1977 as follows:

('000 tonnes)			
1974	1975	1976	1977
43 850	50 850	50 850	54 850

The Spanish Government is pursuing a policy of diversifying crude oil supply sources. At present, 60% of supplies come from Sau-

di Arabia and Iran. Oil is distributed by a semi-State monopoly (CAMPSA). The problem of refining capacity in Spain will aggravate the problem of surplus capacity already existing in the Community.

Gas

107. The 'SEGAMO' project to supply the country with natural gas provides for imports from Algeria (in cooperation with France).

Spain's consumption of natural gas was 1.7 million tonnes of coal equivalent (m tce) in 1977 and is expected to increase to 5.5 million in 1982 and 7.7 million in 1987.

The role of the State in the energy sector is underscored by the expanding activities of the 'Empresa Nacional Adaro de Investigaciones Mineras', by the establishment of an Interministerial Committee for oil supplies and by the reorganization of government departments concerned with energy, in particular nuclear energy.

New sources of energy

108. The Government is also planning steady expansion in the exploitation of new or renewable sources of energy. Major solar energy installations have been built.

109. To sum up, Spain will be having to take serious policy decisions on investment in the iron and steel industry and the energy sector. Firms, the Government and the banks will be confronted with huge problems in financing the 2 500 million EUA programme for the iron and steel industry and nuclear energy over the next few years. The Spanish nuclear energy programme could be supported by the financing arrangements that exist under the Euratom Treaty.

¹ Sources: OECD, International Energy Agency and SOEC Energy Statistics.

Non-Proliferation Treaty

110. Spain's accession to the European Communities will not, of itself, commit this country to signing the Non-Proliferation Treaty (NPT). Nevertheless, to ensure that the Euratom supply system operates normally and that nuclear materials move freely within the enlarged Community, Spain should conclude a safeguards agreement with Euratom and the IAEA. Such an agreement would enable the IAEA to keep a check on the controls carried out by Euratom on nuclear materials which cannot enter Spain unless covered by IAEA safeguards.

Should Spain decide to sign the NPT, it should become Party to the Mixed-type Agreement of 5 April 1973 concluded pursuant to the NPT between Euratom, its seven non-nuclear Member States which are signatories to the NPT and the IAEA.¹

Social aspects and movement of workers

Social aspects

111. Spain, like the Community, has a serious employment problem. Two related issues are increasing unemployment, especially among young people, and the difficulty of assimilating women on the labour market.

A comparison of Spain's situation in the fields of employment, vocational training, living and working conditions, social facilities and community services or socio-cultural matters with that of the Community shows that the similarities are greater than the differences. Admittedly there are major divergencies at regional level, for instance in Andalusia or Galicia, but these are no greater than in other Community regions with similar geographical features and climates.

112. After accession, the financial instruments that exist under the social policy (first and foremost the European Social Fund),

plus the aid made available under Art. 56(2)(b) of the ECSC Treaty for the readaptation of coal and steel workers and the aid for vocational training under the European Agricultural Guidance and Guarantee Fund (EAGGF) could do much to solve the vocational training problems that accompany rural depopulation and the restructuring and rationalization that are necessary in any event, especially in regions with a high unemployment rate or extensive underemployment in the agricultural sector.

113. Though no special technical difficulties should arise as regards the compatibility of Spanish vocational training structures with the European Social Fund system, the vocational training and retraining requirements are on such a scale, given the size of the working population in Spain, that this might raise the problem after accession of adapting the Social Fund to the increased volume of needs.

Freedom of movement

114. The employment situation and prospects both in the Community and in Spain give rise to the fear that if workers were allowed completely unrestricted freedom of movement after accession, this would accentuate the serious problems that the present Member States are already up against in this sector.

115. Admittedly, as the Community's experience to date has shown, the decisive factor is not the supply of labour but demand by firms: the lack or diminution of concrete job opportunities is a major deterrent to movements of labour. There is therefore a clear correlation between one the one hand, the increase in immigration, and the growth of GDP and unemployment on the other. However, legal or administrative factors (freedom of movement or restrictive measures on migration) sometimes restrain certain migra-

¹ Bull. EC 4-1973, points 2325; OJ L 51 of 22.2.1978.

tory flows. Nevertheless, strong migratory pressure has built up in Spain, due to steeply rising unemployment.

116. As a result of the dramatic slowdown, or even stoppage, of immigration into the main host countries since 1974, the number of Spanish workers taking up jobs in the Community for the first time dropped from 45 700 in 1973 to 2 100 in 1977.

However, the seasonal migrations to France, which involve around 100 000 Spanish workers every year and have hardly decreased at all, would cause acute problems if the provisions on freedom of movement were to be fully implemented immediately upon accession, for if this were the case Spanish seasonal workers would automatically have free access to jobs in the same way as French workers.

117. All in all, there is some justification for the fear that there would be a sudden flood of immigrants if access to employment were to be made completely free upon accession, and it would therefore seem essential to remove restrictions gradually and in an orderly fashion if large scale and haphazard movements of labour are to be avoided.

118. However, in the case of Spanish workers already residing on a regular and permanent basis in a Member State, any discrimination in employment should be abolished upon accession at the latest.

Regional aspects

119. Regions in Spain present great disparities. Three groups of regions can however be distinguished:

- the most developed provinces are situated in the north-east of Spain, and with the exception of Madrid the most populated are the coastal provinces. Thus four provinces¹ (Vizcaya, Guipúzcoa, Barcelona and Madrid), where population density exceeds 340 inhab./km² account for 28.5% of the popula-

tion, 39% of GDP and 43% of industrial production on 4% of Spanish territory. However, the average *per capita* GDP in these provinces is only 74% of the Community average;

- Andalusia and Galicia are lagging behind the north-east regions in their development. However, their population level is sufficiently high to serve as a basis for economic development and they have the advantages of their coastal position and their agricultural potential;

- inland, around Madrid and along the frontier with Portugal, there is a vast sparsely populated and generally poor agricultural region. This region, which includes provinces with population densities of between 10 and 40 inhab./km², accounts for only approximately 24% of Spain's population on 45% of its territory.

The ten poorest provinces have a *per capita* GDP which, in 1975, was between 32% and 37% of the Community average.

120. Since a number of these provinces adjoin Portuguese regions which are in a similar situation, it should be remembered that, with the entry of both Spain and Portugal, the Community would also have to tackle the problems of an area with major development difficulties straddling the frontier.

121. Not all of the factors which led to a major concentration of the population and secondary and tertiary activities in the coastal provinces, particularly the north and the north-east of the country, and to the depopulation of a major part of the inland region, seem to have disappeared. The rural exodus can be expected to continue to affect most of the agricultural provinces for the following reasons:

- the large proportion of the working population that is engaged in agriculture (in 41 provinces out of 50 the proportion is over 20% and in 18 it is over 40%);

¹ Spain is divided up administratively into 50 provinces.

- the low level of agricultural productivity. In 12 provinces, for example, the average productivity of agricultural workers is between 20% and 40% of that in other sectors;
- the low level of productivity in the industrial and service sectors, compared with that in the north-east provinces.

122. Accession will no doubt bring further problems on top of Spain's existing internal regional problems. The north-west provinces, where agricultural productivity is less than 50% of the national average, have an agricultural sector that is mainly geared to beef and maize production—products for which the prices, aids and guarantees under the Spanish agricultural policy have tended in recent years to be higher than under the common agricultural policy. The adoption of the CAP will therefore raise serious problems in the above provinces, where structural weaknesses in the economy and agriculture will necessitate restructuring measures—the effects of which will take a particularly long time to be felt—or the development of alternative economic activities—which are particularly difficult to create. On the other hand, the application of the common agricultural policy should have positive effects in certain regions where the agricultural possibilities are considerable.

123. The foreseeable restructuring of the industrial sectors in difficulty in Spain and in the Community, and the constraints peculiar to the artisanal sector, which is very extensive in Spain, suggest that accession will bring with it an increase in the problems of adaptation and redevelopment in several provinces.

If, for reasons of short-term effectiveness, the industrial restructuring policies were to favour the areas providing the motive power for development, in the long term they would be helping to aggravate the present regional imbalances.

124. As regards the Community, it is largely the poorest regions, with essentially agricultural economies, which will most feel the

competition of Spanish production. This is the case, for instance, of certain Mediterranean regions which are suffering from serious development and unemployment problems. In the past these areas have been less able than other Community regions to take advantage of the opportunities offered by the common market, because of the characteristics of their production structures and the features of the common policies.

Of these, the French regions adjoining Spain are moreover in a special position, which derives from the volume of their very unbalanced trade with Spain, and their proximity to the most developed and most populated Spanish regions. The laws of the market economy suggest that accession will create certain advantageous effects; Community experience has shown however that when the initial imbalances are considerable, the negative effects can exceed the positive. Thus in this vast zone straddling the frontier, which is characterized by very marked development disequilibria, the harmonious integration of economies can come about only through the progressive, sustained improvement of the economic structures of the poorest regions and most vulnerable sectors.

Of the other Mediterranean regions, the Mezzogiorno, whose economy depends largely on Mediterranean agriculture, will meet increased competition on its traditional markets and the development of its agriculture on the basis of its potential strong points will be curbed. It will therefore be more difficult to absorb the underemployment in its agriculture and to put a stop to unemployment in those regions since the weakness of the economic structures does not permit available labour to be absorbed by other sectors of the economy.

125. Spain's accession will increase regional economic disparities in the Community, for it will considerably increase the proportion of underdeveloped regions and regions with redevelopment problems situated in weak economies, and it will aggravate the difficulties of a number of already underdeveloped regions.

External relations

126. Spain's acceptance of the 'acquis communautaire' in the sphere of external relations will involve in particular its acceptance of the preferential and non-preferential agreements concluded by the Community, measures such as the generalized system of preferences (GSP) which come under the Community's development policy, and other Community aid operations (such as food aid, aid to developing countries and aid to non-associated countries), including those carried out via other international organizations.

127. Generally speaking, Spain's participation in the Community's external policy will have a twofold effect. First of all, modifications in the applicant country's foreign policy. Spain will be obliged to denounce certain agreements it has concluded in areas which come under the Community's jurisdiction or amend certain undertakings it may have entered into with other countries that also maintain relations with the Community. Secondly, integration into the Community, and in particular the application of the common policies and the Community preference, could lead to changes in the traditional trade flows between Spain and certain other countries. For the Community, the integration of a country with a fairly well-developed foreign, and in particular commercial policy will mean that its importance in world trade will increase, as will its influence in the Mediterranean.

128. Spain's accession, as we have said earlier, will certainly pose some problems for the Community.

The first area most affected will be the Mediterranean. Turkey, the Maghreb and Mashreq countries, Israel, Malta and Cyprus, which belong to the same geographical area as Spain, and which produce only certain types of product, some of which are already on the present Community's 'sensitive' list and most of which are exported to the Community, will be faced with direct competition from Spanish products. Table 24 shows the

present importance of the Community market for these countries. It is obvious that the difficulties will vary according to the country concerned and that the sectors affected will not always be the same.

129. In agriculture, problems will be raised particularly for the main agricultural exports from Turkey, Israel, Morocco, Tunisia and Cyprus¹ because of the Community preference and the possibility that production will increase owing in certain cases, to the stimulus given to Spanish potential by implementation of the common agricultural policy. In these sectors, therefore the enlarged Community will be self-sufficient, or at least will have virtually reached such a level.

130. Likewise in industry, and in other fields equally important to them, the countries in question will have to compete on a market which is today having difficulty in maintaining certain activities and whose production capacity in those same sectors will increase.¹

131. The remaining area to be affected is the social sphere, because of the Community's employment priority which will have to be applied to Spanish workers.²

132. In other areas of development policy, there should not be any major difficulties as regards relations with the ACP States as a result of enlargement. Even if there may be certain problems with particular products, the difficulties will be abundantly offset by the opening up of a new market, at present strongly protected, for other exports (coffee, tea, cocoa, spices), so that the overall effects will not therefore be negative.

133. On the other hand, the development of the GSP is liable to be slowed down. It might prove difficult to maintain or to improve certain concessions in agriculture. In the industrial field, the problem of surplus Community production in certain sectors

¹ Tables 25 and 26.

² Table 27.

might raise difficulties for the export trade of these countries (textiles, footwear, steel, petrochemicals).

134. As for relations with the non-associated developing countries, relations with the Latin American countries could develop. For a while now, Spain has been building up a fairly vigorous trade and investment policy in that part of the world.¹ In addition, up to now, these countries have received a considerable share of Spain's total aid.² All these factors are bound to help tighten the links. There may be some problems, however, with certain exports from these countries to Spain as a result of the implementation of the common policies for they are among the main suppliers of certain products, particularly agricultural products (meat and meat preparations, cereals, sugar, coffee, tobacco).³

135. As far as relations with the industrialized countries are concerned, in June 1977 Spain opened negotiations with EFTA for the conclusion of a free-trade agreement, accompanied by agricultural concessions, products and aimed at providing for the two parties' exports treatment comparable to that afforded under the 1970 Agreement between the Community and Spain. Spain would have to denounce this agreement as soon as it became an EEC member and accede to the Agreements the Community has concluded with the EFTA countries, subject to the necessary adjustments being made.

Banking and insurance

Banking

136. The Spanish banking system comprises approximately 107 private banks administering assets of almost 7 000 000 million pesetas. To this must be added the assets of savings banks which amount to almost 3 000 000 million pesetas, and those of public credit institutions and cooperatives with approximately 1 000 000 million pesetas. The

total assets available to the Spanish economy approximate therefore to one and a half times the annual gross national product, a ratio which is very close to that of most Community countries.

137. The regulations currently applied in Spain to banking institutions differ according to whether the banks are national or foreign ones. The latter are authorized to operate through subsidiaries or branches, but must meet the following discriminatory requirements:

— they must be established with own assets which are double and, in certain cases, three times those required of Spanish banks;

— five-sixths of their capital must be paid up immediately, whereas Spanish banks need to have only one-half of their capital paid up;

— they are prohibited from opening more than three branches, including their head office, on Spanish territory;

— restrictions are imposed on certain of their activities which do not apply to Spanish banks and on transfers of profit;

— restrictions are imposed on the transfer of shares in the capital by shareholders of foreign-owned subsidiaries and on subscriptions for increases in capital.

138. Although Spanish banking law as such was made more flexible when the reforms were introduced in 1974 and 1977 in respect of the establishment of new banks and the opening of branches, it is still based to a large extent on the discretionary powers of the Minister for Economic Affairs. This situation could create problems on the accession of Spain in view of the provisions of the first Community coordination directive on banks, which prohibit the use of the criterion of the economic needs of the market.⁴

¹ Table 28.

² From 1969 to 1973 these countries received 69% of Spain's total commitments, i.e. an average of USD 54 million *per annum* (OECD statistics — excluding grants).

³ Table 29.

⁴ OJ L 322 of 17.12.1977.

Among the objective requirements laid down by law, particular attention should be drawn to the rules whereby foreigners may hold not more than 15% of the shares in Spanish banks, a rule which appears to be incompatible with the EEC Treaty in so far as Member States' nationals are concerned.

Insurance

139. There are almost 700 insurance undertakings operating in Spain and their receipts from premiums amount to approximately 200 000 million pesetas. Only 154 insurance companies have a turnover of more than 100 million pesetas from premiums, however. Twelve Spanish companies operate abroad, where their receipts from premiums amount to 40% of those collected in Spain.

140. The accession of Spain will not give rise to any special difficulties in the field of insurance. Any problems which arise will be similar to those already encountered when integrating insurance within the Community.

Transport

141. The transport industry contributes 6 to 7% to Spain's gross national product and employs 4.5% of the country's workforce.

The transport situation in Spain is dominated by the leading role played by sea transport in the country's foreign trade as a whole (around 88% in 1977) and, to a lesser extent, in its trade with the Community (around 62% in 1977), with road transport accounting for about 30%. In the case of internal trade on the other hand, road transport plays the leading role (around 65% in 1977).

142. In so far as sea transport is concerned, Spain possesses a large merchant navy which has increased five-fold over the last 20 years. With a gross registered tonnage of around 7 400 000 it now occupies twelfth place in the world and, according to current forecasts,

would come sixth place in a Community of Twelve. Accession will create a problem for the development of Community transport policy in this area. Spanish legislation provides that imports of goods which are subjects to State trading (e.g., coffee, tobacco, cotton, soya bean, crude oil) and, in some cases, goods exported under export credit arrangements may be transported only by vessels flying the Spanish flag. Other problems may arise involving right of establishment (foreign holdings in the capital of Spanish shipping undertakings are restricted to 40%) and the free movement of seamen (all vessels flying the Spanish flag must, with certain exceptions in the case of minor posts, carry a Spanish crew). In addition, the Spanish Government grants shipping companies investment premiums and tax deductions which could distort the conditions of competition within the common market.

143. Problems could arise in the road transport sector in connection with the introduction of a number of liberalization measures adopted at Community level, especially those relating to access to the market. Spain will undoubtedly have to comply with stricter rules on access to the occupation of carrier, the control of charges and the application of penalties in the event of failure to apply stipulated charges, and in respect of arrangements of a social nature, including the use of the tachograph. A special problem could arise in the case of the alignment of Spanish taxation arrangements for commercial vehicles on the Community system, the principles of which have been adopted by the Council.

144. Transport infrastructure in Spain is satisfactory on the whole. The road infrastructure is not quite adequate but the current expansion and improvement of certain roads give grounds for believing that future requirements will be met. The railways give rise to a particular problem owing to the difference in gauge between railway networks in the Community and in Spain. It is planned to apply technical solutions to rolling stock rather than re-lay the lines.

145. It should be noted finally that Spanish transport policy is currently undergoing a complete transformation, featuring in particular an endeavour to decentralize towards the regions and carry out law reform. All of these restructuring problems will be dealt with in a white paper on transport to be adopted by the Spanish Government. The implications of Spain's accession for the transport sector will thus have to be revised in the light of the conclusions reached in the Government report.

In conclusion, it may be stated in a general way that the accession of Spain should not create problems in the transport sector that are any more difficult or sensitive for the Community than those encountered during the previous or current accession operations.

Competition and aids

Rules applicable to undertakings

146. Since the Spanish Law of 2 July 1963 is sufficiently similar in its general approach to the system introduced by Articles 85 and 86, the introduction of EEC Treaty provisions into Spain should not give rise to any special problems. As regards the application of secondary legislation, provision will have to be made for transitional measures similar to those adopted on the occasion of previous accessions.

147. In the ECSC field, the immediate implementation of Articles 60 and 66 should not give rise to any difficulties, in view of the structure of the Spanish coal and steel industries and the new law on steel prices planned by Spain. With regard to the application of Article 65, provision should be made for transitional arrangements similar to those applied in 1973, i.e. a time limit of three months for notifying agreements existing at the time of accession and the possibility of continuing to apply them until such time as the Commission gives its decision on

their compatibility with the rules of the ECSC Treaty.

State aids

148. An examination of the systems of State aids, within the meaning of Article 92 *et seq.* of the EEC Treaty, in force in Spain does not reveal a situation that differs to any considerable extent from that of certain systems currently existing in the Community. This observations is however subject to the following reservations:

(i) the types of intervention used consist to a large extent of tax exemptions which are themselves based on a form of taxation that is to be greatly modified. Tax reform has begun, with the aim of improving control of the tax situation. The reform could allow elimination of certain advantages at present enjoyed by certain enterprises; if these advantages were maintained after accession, they would be difficult to control and to align with the Community constraints on aids;

(ii) Spanish aid policy at sectoral and regional levels does not yet appear to be very consistent. Most measures have been adopted in response to specific, temporary pressures without general economic and social objectives being clearly defined. This policy is under review but the Spanish authorities are unable at present to give any indication of the nature of the aids which will result. Consequently, this assessment is of temporary value only.

149. It remains true, nevertheless, that the difficulties currently being experienced in some Community sectors, (steel, shipbuilding, textiles and footwear) could be made more acute by reason of the fact that Spanish undertakings, although enjoying certain competitive advantages, are themselves faced with similar problems of structural adjustment. The abolition of all forms of protection *vis-à-vis* the other Member States of the Community will probably create difficult adjustment problems for other sectors and for

certain categories of Spanish undertakings, such as inefficient small and medium-sized undertakings.

150. In the exercise of its powers under the Treaty in respect of aids, it will be even more essential than in the past for the Commission to satisfy itself that the various national aids correspond strictly to requirements, and to ensure that they are consistent. In order to facilitate transition, efforts would have to be made prior to accession to seek a means of aligning Spanish aid on the objectives which will continue to be those of the enlarged Community.

151. Accordingly, on accession, Spain will have to apply the provisions, both of procedure and of substance, of Article 92 *et seq.* of the EEC Treaty and of secondary legislation. Apart from the tax problems referred to in point 148, experience has shown however that these provisions are sufficiently flexible to take account of problems which are special to each Member State so that transition and the necessary constraints are both effective.

State monopolies

152. State monopolies of a commercial character involving exclusive importation, marketing and export rights exist in Spain, primarily for leaf and manufactured tobacco, crude oil and petroleum products,¹ and come within the scope of Article 37 of the EEC Treaty.

153. Appropriate transitional measures will have to be laid down for adjusting monopolies in Spain and those in other Member States with which it has reciprocal arrangements.

154. Products listed in Annex II to the EEC Treaty which are subject in Spain to production monopolies or monopolies of a commercial character will be made subject at the same time to the provisions adopted under the common organization of agricultural markets.

Public undertakings

155. The public sector occupies a significant position in the national economy and especially in certain sectors faced with serious industrial problems. The prospect of Spain's accession makes it all the more necessary that the financial relations maintained by Member States with their public undertakings be clarified, particularly in the abovementioned sectors.

Taxation

156. The accession of Spain implies first of all compliance by that State with the provisions of Article 95 *et seq.* of the EEC Treaty relating to taxation. It implies further the need for Spain to align its legislation on Community secondary legislation.

157. As far as indirect taxation is concerned, the existing system of compensation at frontiers (countervailing charges on imports and refunds on exports) applied by Spain creates difficulties in some economic sectors of the Community. The level of compensation applied in respect of turnover tax appears to be excessive for some products at least. Other problems involving discrimination also arise in the field of excise duty, particularly in the manufactured tobacco industry, and should in the normal course of events, be resolved in the context of the 1970 Agreement.

158. It is essential that VAT, which Spain must in any event adopt, be introduced not later than accession in order to ensure that integration is achieved smoothly and the system of own resources operates effectively.

¹ A range of agricultural products is also subject to State-trading arrangements.

Community budget

159. With regard to the general budget, the most important questions are the details of how Spain is to be integrated from the angle of resources and the overall financial implications of its accession.

Integration from the angle of resources

160. When Spain accedes to the Community the full own resources system will be in operation. The Commission wishes to emphasize the importance it attaches to safeguarding the 'acquis communautaire' in this field. The 1973 Treaty of Accession cannot therefore be used as a model. The safeguarding of the 'acquis communautaire' in so far as own resources are concerned does not rule out the possibility of financial compensation being accorded to Spain during the transitional period. Such compensation would have to be determined through the application of appropriate criteria.

Overall financial implications

161. An estimate was given of the costs of Spain's accession in the Commission communications on the problems of enlargement;¹ this estimate took account of the enlargement of the Community to include the other two applicant countries, Greece and Portugal as well.

Confronted with the complexity of the problem, the number of possible hypotheses and the extent of the imponderables, the Commission confined itself to determining the financial implication of the assumption that Spain is fully integrated as early as 1978; the calculations were set in a very static context—full application of existing instruments, absence of monetary compensatory amounts and impossibility of quantifying the effect on supply of introducing the common agricultural prices.

162. Cross-checking since carried out in respect of the Guarantee Section of the EAGGF—the most substantial item—on the basis of improved statistics, broken down by product, confirms the orders of magnitude obtained; it is highly probable that there will be a substantial increase in intervention expenditure on the internal market, notably for fruit and vegetables and olive oil. Although Spain's exports to non-member countries will involve additional expenditure in the form of refunds, on the other hand there will be savings in respect of current exports from the Nine to Spain.

163. Given the existing structural difficulties, expenditure under the various funds (EAGGF Guidance Section, Regional Fund, Social Fund) will have to increase more than proportionately to the population. The figures given in this connection in the Commission communication² are still valid on the basis of the assumptions stated.

164. There remains the risk that the Community intervention instruments in their present form would not meet Spanish needs and that Spain might not be able to benefit fully from them.

Other Community policies

165. At this stage in examining the problems, the adoption by Spain of other Community policies does not appear to give rise to any particular difficulties.

¹ Supplements 1/78 and 3/78 — Bull. EC.

² Supplement 3/78 — Bull. EC.

Annexes

Tables

Table 1 — Per capita GDP in the Community¹ — Calculated by different methods (Average level EUR 9 = 100)

	At current prices and exchange rates ³		SOEC - PPPs ² at: current prices and purchasing power parities ⁴		Kravis PPPs ² Extrapolation ⁵
	1960	1976	1960	1976	1976
D	112.5	134.7	116.5	117.6	115.9
F	113.8	122.7	99.6	113.3	115.7
I	59.6	57.2	68.9	73.3	73.0
NL	83.0	120.9	105.2	107.8	104.2
B	105.7	125.1	97.7	108.1	115.1
L	140.5	128.0	135.5	107.1	110.6
UK	117.5	72.8	112.1	92.8	92.4
IRL	54.4	46.7	58.7	60.7	61.3
DK	111.5	141.1	112.6	113.4	109.6
EUR 9	100.0	100.0	100.0	100.0	100.0
GR	36.4	44.9	.	.	65.3
SP	33.4	53.9	.	.	64.5
POR	24.3	30.4	.	.	41.9
EUR 12	88.9	90.9	.	.	93.1

¹ As regards the specific rates applied to the flows with the rest of the world, the purchasing power parity calculation utilizes exchange rates.

² PPPs: Purchasing Power Parities.

³ Source: Eurostat, National Accounts ESA, Aggregates; for Greece, Spain and Portugal: OECD National Accounts.

⁴ GDP per capita calculated on the basis of the purchasing power parities of the Statistical Office of the European Communities.

⁵ Extrapolated from 1970 to 1976 by the Commission² staff with real GDP per head; PPPs source of the purchasing power parities from 1970: J.B. Kravis, A.W. Heston, R. Summers 'Real GDP per capita for more than one hundred countries', The Economic Journal, No 350, Vol. 88, June 1978, for D, F, I, NL, B, UK: Table 1, col. 3, for the other countries: Table 4, col. 6, except L (col. 2).

Table 2 — *Gross domestic product by branch at 1970 prices*

	Branch	1970		1975		1976	
		Ptas '000 million	%	Ptas '000 million	%	Ptas '000 million	%
1	Agriculture and fishing	285.1	11.8	328.7	10.3	335.3	10.3
2	Mining and quarrying	34.1	1.4	41.0	1.3		
3	Manufacturing	653.8	27.0	945.9	29.5	1 103.6	33.8
3.1	Food, beverages, tobacco	87.1	3.6	105.8	3.3		
3.2	Textiles, wearing apparel, leather	114.6	4.7	144.7	4.5		
3.3	Wood and furniture	37.4	1.5	45.2	1.4		
3.4	Paper, printing and publishing	33.1	1.4	49.6	1.5		
3.5	Chemicals	74.5	3.1	110.3	3.4		
3.6	Non-metallic mineral	37.7	1.55	60.8	1.9		
3.7	Basic metal industries	56.8	2.4	86.0	2.7		
3.8	Metal products and machinery	187.5	7.7	314.8	9.8		
3.9	Other	25.1	1.0	28.7	0.9		
4	Construction and public works	208.0	8.6	243.3	7.6	237.6	7.3
5	Electricity, gas, water	59.9	2.5	79.3	2.5		
6	Wholesale and retail trade restaurants and hotels	394.6	16.3	488.4	15.3	1 588.4	48.6
7	Transport, storage and communications	160.2	6.6	227.4	7.1		
8	Banking and insurance	201.6	8.3	295.9	9.2		
9	Administration	188.1	7.8	238.8	7.5		
10	Community services and real estate	219.0	9.0	287.1	9.0		
1	Domestic services	20.1	0.8	22.7	0.7		
	GDP at factor cost	2 424.4	100.0	3 198.5	100.0	3 264.9	100.0

Source : OECD.

Table 3 — Volume indices of gross domestic product at market prices

(1970 = 100)

Country	1971	1972	1973	1974	1975	1976	1977
Community of 9	103	108	114	116	114	120	122
Community of 12	104	108	115	117	115	121	124
FR of Germany	103	107	112	113	111	117	120
France	105	112	118	121	122	127	131
Italy	102	105	112	117	113	119	121
Netherlands	104	108	115	120	118	124	127
Belgium	104	110	117	123	120	127	128
Luxembourg	104	110	122	127	115	117	119
United Kingdom	103	105	112	111	109	113	114
Ireland	104	110	115	117	119	122	129
Denmark	102	108	114	114	113	120	122
Spain	105	114	123	130	131	133	137
Greece	107	117	125	121	128	135	140
Portugal	106	115	127	128	123	131	139
United States	103	109	115	113	112	118	124
Japan	105	115	126	126	128	136	143

Source : OECD.

Table 4 — Population¹

	By sex ('000)			By age-group (%)			
	M	F	Total	0-14	15-64	65+	Total
1975	17 377	18 223	35 600	27.0	62.3	10.7	100
1976	17 559	18 412	35 971	27.0	62.3	10.7	100
1977	17 744	18 607	36 351				
1975/80 ²			+6.1				
1980/85 ²			+5.0				

¹ Average at 30 June of each year.

² Projection.

Table 5a — Civilian employment by branch of activity

	1975		1976		1977	
	'000	%	'000	%	'000	%
Agriculture	2 799	22.0	2 701	21.5	2 583	20.7
Industry	4 857	38.3	4 659	37.2	4 666	37.5
Services	5 036	39.7	5 185	41.3	5 213	41.8
Total civilian employment	12 692	100	12 545	100	12 452	100

Source : SOEC.

Table 5b — *Unemployment by age group, branch of activity and sex in the second quarter of 1978 in Spain*

Branch of activity	Unemployed Total	Age group			
		from 14 to 19	from 20 to 24	from 25 to 54	55 and over
Men and women ('000)					
Total	938.0	331.5	193.6	347.0	66.0
Agriculture	78.9	19.7	10.0	37.0	12.1
Industry	145.9	32.0	31.9	71.0	11.0
Building	193.8	17.0	30.4	120.8	25.6
Services	156.3	46.4	36.2	62.2	11.6
Other ¹	363.2	216.4	85.1	55.9	5.7
Men ('000)					
Total	629.1	175.3	116.1	277.9	59.8
Agriculture	69.8	16.0	7.8	34.9	11.0
Industry	98.0	15.0	19.0	55.4	8.6
Building	191.5	16.6	29.2	120.1	25.6
Services	91.6	24.0	18.5	39.3	9.8
Other ¹	178.2	103.6	41.6	28.2	4.8
Women ('000)					
Total	308.9	156.2	77.5	69.1	6.2
Agriculture	9.1	3.7	2.2	2.1	1.1
Industry	47.8	17.0	12.9	15.6	2.4
Building	2.2	0.4	1.2	0.7	0.0
Services	64.8	22.3	17.7	23.0	1.8
Other ¹	185.0	112.8	43.5	27.7	1.0

Source: INE active population survey, second quarter of 1978, figures in thousands.

¹ The heading 'Other' also includes unemployed seeking a first job and who cannot therefore be classified by economic sector.

Table 5c — *Unemployment and active population¹ in thousands by age group and sex in the second quarter of 1978 in Spain*

	Men			Women			Total		
	Active population	Unem- ployed	%	Active population	Unem- ployed	%	Active population	Unem- ployed	%
From 14 to 19 years	858.7	175.3	20.4	647.2	156.2	24.1	1 505.9	331.5	22.0
From 20 to 24 years	827.6	116.1	14.0	657.0	77.5	11.8	1 484.6	193.6	13.0
From 25 to 54 years	6 020.3	277.9	4.0	1 910.4	69.1	3.6	7 930.7	347.0	4.4
From 55 and over	1 630.2	59.8	3.7	588.5	6.2	1.1	2 218.7	66.0	3.0
Total	9 336.9	629.1	6.7	3 803.0	308.9	8.1	13 139.9	938.0	7.1

¹ Source: INE active population survey, second quarter of 1978, figures in thousands.

Table 5d — *Employment and unemployment as percentages of active population by province in the second quarter of 1978 in Spain*

Province	Total active population ('000)	Employment (as %)	Unemployment (as %)
Total	13 139.9	92.86	7.14
Alava	97.5	96.10	3.90
Albacete	104.7	97.39	2.61
Alicante	408.3	93.08	6.92
Almeria	131.5	91.81	8.19
Avila	61.2	96.04	3.96
Badajoz	205.6	88.35	11.65
Baleares	232.9	95.64	4.36
Barcelona	1 703.8	92.35	7.65
Burgos	125.5	94.99	5.01
Caceres	128.8	92.39	7.61
Cadiz	280.0	85.70	14.30
Castellon	159.8	95.39	4.61
Cordoba	206.8	90.41	9.59
Coruna (La)	384.7	98.21	1.79
Ciudad Real	162.5	88.22	11.78
Cuenca	68.4	97.62	2.38
Gerona	197.9	98.12	1.88
Granada	227.2	88.43	11.57
Guadalajara	50.7	94.87	5.13
Guipuzcoa	262.9	91.75	8.25
Huelva	119.7	89.95	10.05
Huesca	75.5	98.10	1.90
Jaen	183.9	91.02	8.98
Leon	210.2	96.43	3.57
Lérida	133.2	97.97	2.03
Logroño	95.6	97.17	2.83
Lugo	207.8	97.60	2.40
Madrid	1 659.3	91.15	8.85
Malaga	300.5	85.18	14.82
Murcia	311.8	93.99	6.01
Navarra	180.1	95.49	4.51
Orense	215.9	96.14	3.86
Oviedo	431.3	94.88	5.12
Palencia	57.7	96.47	3.53
Palmas (Las)	228.1	88.13	11.87
Pontevedra	385.7	96.67	3.33
Salamanca	109.2	92.98	7.02
Sta Cruz de Tenerife	233.7	91.36	8.64
Santander	188.6	95.12	4.88
Segovia	50.9	96.76	3.24
Sevilla	418.9	83.79	16.21
Soria	33.6	97.11	2.89
Tarragona	183.8	96.43	3.57
Teruel	51.5	97.39	2.61
Toledo	159.9	94.24	5.76
Valencia	728.7	95.58	4.42
Valladolid	149.1	93.27	6.73
Vizcaya	442.9	92.12	7.88
Zamora	86.2	95.35	4.65
Zaragoza	305.9	94.10	5.90

Source : INE, Active population survey, second quarter 1978, figures in thousands.

Table 6 — Consumer price indices 1960-1977

(1970 = 100)

Year	D	F	I	N	B	L	UK	Irl	DK	Portugal	Spain	Greece
1960	76	67	68	65	74	77	67	63	59	65	55	81
1961	79	69	70	66	75	77	69	65	61	66	56	83
1962	82	73	73	68	76	78	73	67	65	67	59	83
1963	84	76	78	71	78	81	74	69	69	69	64	85
1964	86	79	83	74	81	84	76	74	71	71	69	86
1965	89	81	87	79	84	86	80	77	73	74	78	88
1966	92	83	88	84	88	89	83	80	78	77	83	93
1967	93	85	91	86	90	91	85	82	84	81	88	94
1968	95	89	93	89	92	93	89	86	91	86	93	94
1969	97	95	95	96	96	95	94	92	94	94	95	97
1970	100	100	100	100	100	100	100	100	100	100	100	100
1971	105	105	105	108	104	104	109	109	106	112	108	103
1972	111	112	111	116	110	110	117	118	113	124	117	108
1973	119	120	123	126	118	117	128	132	123	140	131	124
1974	127	136	146	138	133	128	149	154	142	175	151	158
1975	135	152	171	152	150	142	184	186	156	202	177	179
1976	141	167	200	165	163	156	215	220	170	244	208	203
1977	146	183	237	176	175	166	249	250	189	303	259	227

Source : SOEC, National series.

Table 7 — Spain's energy situation

(million tonnes oil equivalent)

	Hard coal, lignite and derived products		Crude oil and derived products		Natural gas		Electrical energy		Total	
	1975	1976	1975	1976	1975	1976	1975	1976	1975	1976
	Primary production	7 210	7 400	2 030	1 770	—	—	7 800	6 910	17 040
Imports	3 020	3 450	43 450	50 450	1 114	1 460	70	140	47 659	55 500
Exports	—	—	2 600	3 200	—	—	120	210	2 720	3 410
Variation of stocks	+420	-550	+870	-460	+15	+12	—	—	+1 305	-998
Gross consumption	10 650	10 300	43 750	48 560	1 129	1 472	7 750	6 840	63 279	67 172
Bunkers	—	—	1 130	1 260	—	—	—	—	1 130	1 260
Gross inland consumption	10 650	10 300	42 620	47 300	1 129	1 472	7 750	6 840	62 149	65 912
Transformation	8 460	8 800	51 880	62 090	179	432	—	—	60 519	71 322
Derived products	4 140	4 210	41 400	48 940	—	—	11 700	15 070	57 240	68 220
'Energy' sector	1 510	1 550	—	—	66	40	1 456	1 880	3 032	3 470
Distribution losses	—	—	—	—	14	10	1 854	2 390	1 868	2 400
Final non-energy consumption	—	—	2 000	2 080	—	—	—	—	2 000	2 080
Final energy consumption	4 960	4 390	29 980	33 190	870	990	16 140	17 640	51 950	56 210
Statistical differences	-140	-230	+160	-1 120	—	—	—	—	+20	-1 350

Source : SOEC.

Table 8 — *Some agricultural indicators for Spain and the Community*

	Spain	Community of 9	Spain/ Community of 9 (%)
Utilized agricultural area ('000 ha)	27 576 (1976)	92 782 (1977)	29.7
Agricultural working population	2 476 700 (1977)	8 080 000 (1977)	30.6
Agricultural working population as a percentage of total working population	19.9% (1977)	7.7% (1977)	—
Final agricultural production (million EUA)	8 696 (1977)	91 963 (1977)	9.5
Contribution of agriculture to GDP	9.0% (1977)	4.0% (1977)	—
Contribution to final agricultural production per person engaged in agriculture (EUA)	3 511 (1977)	11 381 (1977)	30.8
Farm structure (size in ha of utilized agricultural area):			
— Distribution of total number of farms (%)			
≥ 1 < 5 ha	57.0%	41.9%	—
> 5 < 10 ha	18.5%	17.4%	—
> 10 < 20 ha	12.0%	17.6%	—
> 20 < 50 ha	8.2%	16.8%	—
≥ 50 ha	4.3%	6.3%	—
— Distribution of agricultural area (%)			
≥ 1 < 5 ha	10.8%	6.2%	—
> 5 < 10 ha	10.2%	7.3%	—
> 10 < 20 ha	13.1%	14.7%	—
> 20 < 50 ha	19.8%	29.9%	—
≥ 50 ha	46.1%	41.9%	—

Table 9 — *Composition of final agricultural production in Spain, the Community of Nine and Italy*

Products	Share of final agricultural production for 1975 (excluding forestry)		
	Spain	Community of 9	Italy
Oils	4.4	1.6	6.5
Wine	4.9	4.6	8.2
Fruit and vegetables (including potatoes)	27.6	14.9	25.7
Cereals (including rice)	10.6	10.8	11.9
Meat	27.3	34.8	23.8
Milk	9.6	18.7	10.0
Eggs	4.3	3.8	3.5
Other agricultural products	11.3	10.0	10.0
Total livestock products	41.2	40.3	60.0
Total crop production	58.8	58.9	39.6
Total	100	100	100

Sources: The Agricultural Situation in the Community. For Spain: national sources.

Table 10 — *Total production of certain agricultural products in Spain as compared with the Community*

(Quantities: '000 tonnes unless otherwise specified)

Products	1975			1976		
	Spain	Community of 9	Spain/Community %	Spain	Community of 9	Spain/Community %
1	2	3	4	5	6	7
<i>Cereals</i>						
Total wheat	4 302	38 090	11.3	4 436	39 196	11.3
Rey and meslin	241	2 862	8.4	214	2 872	7.4
Barley	6 728	32 327	20.8	5 473	29 876	18.3
Oats & mixed summer cereals	609	9 431	6.5	528	7 080	7.5
Maize	1 794	14 047	12.8	1 545	11 142	13.9
<i>Rice</i>	379	846	44.8	406	736	55.2
<i>Wine ('000 hl)</i>	33 194	160 617 ¹	20.7	25 055	145 759 ²	17.2
<i>Tobacco</i>	25.9	179.1	14.5	29.1	180.9	16.1
<i>Hops</i>	2.3	44.7	5.3	2.5	39.9	6.4
<i>Olive oil</i>	368	692	53.2	510	324	157.4
<i>Fruit</i>						
Oranges	2 015	1 532	131.6	1 805	1 798	100.4
Mandarins & clementines	651	355	183.6	660	373	177.0
Lemons	253	802	31.6	237	741	32.1
Grapefruit	7.0	1.6	437.5	6.5	2.7	240.7
Table grapes	448	1 028	43.6	455	947	48.1
Apples	1 078	7 551	14.3	1 007	6 482	15.5
Pears	413	2 405	17.2	512	2 670	19.2
Apricots	132	154	86.0	216	219	98.8
Peaches	284	1 215	23.4	459	1 929	23.8
Cherries	66	482	13.8	77	492	15.8
Plums	72	371 ³	19.6	86	806 ³	10.7
Hazelnuts	20	98	20.4	28	94	30.4
Almonds	255	102	250.4	316	133	238.0
Walnuts	8.0	95	8.4	9.8	86	11.4

¹ 1974/75.

² 1975/76.

³ Break in series.

Table 10 (continued)

Products	1975			1976		
	Spain	Community of 9	Spain/Community %	Spain	Community of 9	Spain/Community of 9 %
1	2	3	4	5	6	7
<i>Vegetables</i>						
Cauliflowers	193	1 429	13.5	192	1 359	14.2
Spinach	46	310	15.0	48	280	17.3
Lettuce	445	1 100	40.5	432	1 023	42.2
Endives	59	439	13.5	65	419	15.5
Peas	62	710	8.7	56	465	12.0
Beans	204	673	30.4	207.5	566	36.7
Onions	821	1 272 ¹	64.5	860	1 150 ¹	74.8
Garlic	192	101	190.3	168	91	184.6
Asparagus	37	115	31.9	47	114	41.4
Artichokes	226	730	31.0	227	716	31.7
Cucumbers and gherkins	176	733	24.0	186	702	26.5
Carrots	58	1 695	3.4	65	1 506	4.3
Tomatoes	2 488	4 609	54.0	2 078	4 120	50.4
Potatoes	5 338	33 478	15.9	5 659	29 066	19.5
<i>Cow's milk</i>	5 133	101 175	5.1	5 368	102 649	5.2
<i>Meat</i>						
Pigmeat	602	8 302	7.2	649	8 515	7.6
Beef and veal	454	6 617	6.9	418	6 535	6.4
Sheepmeat and goatmeat	148	230	64.3	146	247	59.1
Poultrymeat	631	3 162	20.0	696	3 303	21.1
<i>Eggs</i>	583	3 766	15.5	623	3 773	16.5

¹ Break in series.

Table 11 — *Yields per hectare in Spain as compared with the Community for cereals, rice and potatoes*

Products	Yields in kg/ha			Spain/lowest national level in the Community %
	Spain 1973	Community of 9 1975	Lowest in the Community	
Wheat				
durum	1 330	2 330	2 230	60
common	1 600	3 850	2 530	63
Barley	1 690	3 580	2 620	65
Maize	3 580	4 700	2 850 ¹	126
			(second lowest level: 4 100)	(second lowest level: 87)
Rice (paddy)	6 300	4 590	3 770	167
Potatoes	13 900	24 400	16 500	84

Source: For Spain: INE, Yearbook of Agricultural Statistics, 1977.

For the Community: Annual Report 1976. The Agricultural Situation in the Community.

¹ The figure of 2 850 kg/ha relates to the United Kingdom. Since the United Kingdom accounts for a very small proportion of maize production in the Community, the second lowest yield is given (4 100 kg/ha).

Table 12 — *Irrigation in Spain*

Regions	Irrigated area (ha)	Area of region (km ²)	%
Galicia	133 000	29 434	4.5
Norte	10 000	23 115	0.4
Ebro:			
Navarra	67 000	10 421	6.4
Logroño	47 000	5 034	8.3
Aragón	343 000	47 669	7.2
Cataluña	260 000	31 990	8.1
Duero	450 000	94 147	4.8
Centro	240 000	87 221	2.8
Levante	440 000	34 622	12.7
Estramadura	200 000	41 602	4.8
Andalucía	535 000	87 268	6.1
Islands:			
Canary Islands	50 000	7 273	6.9
Balearic Islands	25 000	5 014	5.0
	2 800 000	504 810	5.5

Table 13 — Per capita consumption of various agricultural products in Spain and the Community

Products	Consumption kg per capita per annum		
	Spain	Community of 9	Highest and lowest national levels of consumption in the Community of Nine
Wheat	75	74	120 - 41
Potatoes	116	75	118 - 36
Sugar	31	37	48 - 28
Fresh fruit (except citrus fruit)	99	59 ¹	85 - 27 ¹
Fresh citrus fruit	24	24	46 - 11
Fresh vegetables (excluding tomatoes)	89	77	118 - 37
Fresh tomatoes	32	20	35 - 9
Wine ²	61	50	103 - 2
Fresh milk products (except cream)	96	102	213 - 75
Butter	0.5	6 ³	11 - 2 ³
Eggs	17	14	17 - 11
Total meat	64	77 ⁴	92 - 64 ⁴
Total oils and fats of which:	24	19 ⁵	25 - 9 ⁵
Olive oil	8.4	2.6 (6)	11.5 - 0

¹ Including preserves and fruit juices.

² In litres per capita per annum.

³ Average 1974/1975/1976.

⁴ Excluding offals.

⁵ Excluding butter.

⁶ Estimate.

Spain: 1976.

Community: average 1975/1976/1977.

Table 14 — *Production, availability and degree of self-supply in the Community of Nine plus Spain — Principal agricultural products*

(1976)

Products	Production = P Availability = A	Quantities ('000 tonnes)			Degree of self-supply as %		
		Spain	Community of 9	Community of 9 + Spain	Spain	Community of 9	Community of 9 + Spain
1	2	3	4	5	6	7	8
<i>Cereals (Total)</i>	<i>P</i>	12 367	96 351	108 718	78.3	87.4	86.3
(excluding rice)	<i>A</i>	15 793	110 200	125 993			
of which: total wheat	<i>P</i>	4 436	37 709	42 145	111.1	113.5	113.2
	<i>A</i>	3 992	33 218	37 210			
maize	<i>P</i>	1 545	14 031	15 576	30.7	52.7	49.2
	<i>A</i>	5 028	26 602	31 630			
rye	<i>P</i>	214	2 784	2 998	97.7	91.7	92.1
	<i>A</i>	219	3 036	3 255			
<i>Rice</i>	<i>P</i>	406	827	1 233	124.9	72.1	83.8
	<i>A</i>	325	1 147	1 472			
<i>Sugar (in form of white sugar)</i>	<i>P</i>	862	9 718 ¹	10 580	78.4	104.7	101.9
	<i>A</i>	1 100	9 283	10 383			
<i>Olive oil</i>	<i>P</i>	510	692	1 202	168.9	103.1	123.5
	<i>A</i>	302	671	973			
<i>Vegetables oils and fats</i> (excluding olive oil)	<i>P</i>	172	3 140	3 312	40.2	74.2	71.1
	<i>A</i>	428	4 230	4 658			
<i>Wine ('000 hl)</i>	<i>P</i>	25 055	148 416	173 471	101.6	102.0 ²	101.9
	<i>A</i>	24 660	145 502	170 162			
<i>Fresh fruit (total)</i> (excluding citrus fruit)	<i>P</i>	5 177	12 861	18 038	106.1	85.4	90.5
	<i>A</i>	4 881	15 052	19 933			
<i>Citrus fruit (total)</i>	<i>P</i>	2 871	2 750	5 621	243.1	49.5	83.4
	<i>A</i>	1 181	5 560	6 741			
<i>Fresh vegetables (total)</i> (excluding tomatoes and potatoes)	<i>P</i>	4 402	19 587	23 989	107.5	98.1	99.7
	<i>A</i>	4 094	19 958	24 052			
<i>Fresh tomatoes</i>	<i>P</i>	2 078	4 454	6 532	112.2	96.0	100.6
	<i>A</i>	1 852	4 639	6 491			
<i>Potatoes</i>	<i>P</i>	5 659	25 931	31 590	101.7	102.5	102.3
	<i>A</i>	5 563	25 303	30 866			
<i>Meat</i>							
Pigmeat	<i>P</i>	649	8 515	9 164	92.3	98.8	98.3
	<i>A</i>	703	8 617	9 320			
Beef and veal	<i>P</i>	418	6 450	6 868	84.8	99.0	98.0
	<i>A</i>	493	6 517	7 010			
Sheepmeat and goatmeat	<i>P</i>	146	501	647	97.3	63.5	68.9
	<i>A</i>	150	789	939			
Poultrymeat	<i>P</i>	696	3 303	3 999	99.4	104.0	103.2
	<i>A</i>	700	3 175	3 875			
<i>Eggs</i>	<i>P</i>	623	3 773	4 396	102.5	100.2	100.5
	<i>A</i>	608	3 766	4 374			
<i>Cow's milk</i>	<i>P</i>	5 368	95 424 ³	100 792	99.0	100.1	100.0
	<i>A</i>	5 420	95 340	100 760			
<i>Skimmed-milk powder</i> (+ buttermilk)	<i>P</i>	18	2 055	2 073	21.7	113.9	109.9
	<i>A</i>	83	1 804	1 887			
<i>Butter</i>	<i>P</i>	15	1 810	1 825	83.3	104.4	104.2
	<i>A</i>	18	1 733	1 751			

¹ Including overseas departments.

² 105.9% if calculated to take account of quantities distilled under intervention measures.

³ Milk from dairy cows.

Table 15 — *Spain's external trade*

(million EUA)

	1974	1975	1976	1977
<i>Absolute values</i>				
Total imports	12 912.7	13 084.0	15 683.6	15 576.7
Agricultural imports	1 914.9	2 090.4	1 975.6	2 346.3
of which: originating in Community of 9	268.9	233.5	230.6	239.1
Total exports	5 927.9	6 192.4	7 797.0	8 042.2
Agricultural exports	1 382.2	1 321.4	1 692.3	1 824.3
of which: to Community of 9	829.8	844.3	1 020.4	1 066.6
Total trade balance	-6 984.8	-6 891.6	-7 836.6	-6 634.5
Agricultural trade balance	- 532.7	- 768.9	- 283.3	- 522.1
Agricultural balance <i>vis-à-vis</i> Community of 9	+ 560.9	+ 610.9	+ 789.7	+ 827.5
<i>Relative values (as %)</i>				
Agricultural imports/ total imports	14.8	16.0	12.6	15.1
Agricultural exports/ total exports	23.3	21.3	21.7	22.7
Agricultural imports/ agricultural exports	138.5	158.2	116.7	128.6
Agricultural trade deficit/ total trade deficit	7.6	11.2	3.6	7.9
Agricultural imports from Community of 9/ total agricultural imports	14.0	11.2	11.7	10.2
Agricultural exports to Community of 9/ total agricultural exports	60.0	63.9	60.3	58.5

Table 16 — Spain's exports (agricultural products) (million ECU)

CCT Chapter	Products	1974			1975			1976			1977		
		World	Community of 9	Community World %	World	Community of 9	Community World %	World	Community of 9	Community World %	World	Community of 9	Community World %
Total exports (of which products covered by Annex II to the EEC Treaty)		5 927.9	2 811.3	47.4	6 192.4	2 764.1	44.6	7 797.0	3 617.2	46.4	8 942.2	4 138.6	46.3
Main products:		1 382.2	829.8	60.0	1 321.4	844.3	63.9	1 692.3	1 020.4	60.3	1 824.3	1 066.6	58.5
3	Fresh fish	117.5	25.7	22.0	95.1	26.2	28.0	147.2	38.8	26.0	123.8	49.3	40.0
7	Fresh veg.	89.8	73.0	81.0	152.0	131.7	87.0	169.9	144.9	85.0	202.7	165.6	82.0
8	Fresh fruit	360.7	298.7	83.0	454.6	393.4	87.0	478.9	410.2	86.0	472.6	389.1	82.0
9	Coffee, tea, spices	23.5	7.5	32.0	19.8	6.8	34.0	25.4	8.2	32.0	35.7	12.8	36.0
15	Fats & oils	225.3	124.5	55.0	100.4	41.4	41.0	160.8	38.7	24.0	201.0	65.4	33.0
16	Preparations of meat or fish	59.4	21.6	36.0	52.9	17.7	33.0	72.9	20.4	28.0	83.3	21.4	26.0
20	Preserved veg. or fruit	221.1	108.7	49.0	199.5	100.5	50.0	277.5	136.7	49.0	301.0	158.0	52.0
22	Beverages	179.7	122.0	68.0	151.8	88.7	58.0	213.2	143.9	68.0	225.2	127.2	57.0
23	Residues	9.6	7.5	78.0	10.6	7.5	71.0	25.3	20.5	81.0	29.5	25.2	85.0
Total of these nine products		1 286.6	789.2	61.0	1 236.7	813.9	66.0	1 571.0	962.3	61.0	1 674.8	1 014.0	61.0
As % of total Annex II products		93%	95%		94%	96%		93%	94%		92%	95%	

Table 17 — Spain's imports (agricultural products)

		1974				1975				1976				1977			
		World	Communi- nity of 9	Communi- nity World %	World	Communi- nity of 9	Communi- nity World %	World	Communi- nity of 9	Communi- nity World %	World	Communi- nity of 9	Communi- nity World %	World	Communi- nity of 9	Communi- nity World %	
Total imports (of which products covered by Annex II to the EEC Treaty)		12 912.7	4 643.2	35.9	13 084.0	4 540.6	34.7	15 633.6	5 180.2	33.1	15 576.7	5 320.1	34.2				
Main products		1 914.9	268.9	14.0	2 090.4	233.5	11.2	1 975.6	230.6	11.7	2 346.3	239.1	10.2				
CCT Chap.	Products																
2	Meat, offals	44.0	7.8	18	89.9	5.4	6	128.4	7.8	6	84.8	3.6	4				
3	Fresh fish	134.0	38.5	29	108.7	41.6	38	128.4	49.4	38	123.8	43.4	35				
4	Milk products	95.7	89.0	93	83.6	73.1	87	69.1	47.7	69	68.3	47.1	69				
9	Coffee, tea, spices	116.8	1.6	1	100.3	1.6	2	205.5	2.0	1	403.3	3.7	1				
10	Cereals	570.6	13.4	2	543.5	3.5	1	462.3	6.0	1	480.0	0.5	—				
12	Oil seeds & oleaginous fruit	402.1	8.1	2	382.5	10.7	3	424.8	14.3	3	496.8	10.2	2				
15	Fats & oils	46.0	7.0	15	127.5	12.8	10	59.3	14.2	24	67.3	10.9	16				
17	Sugar, syrup	176.2	22.0	12	321.9	5.8	2	29.6	3.0	10	70.9	6.9	10				
18	Cocoa	46.0	—	—	56.4	0.2	—	51.4	—	—	110.6	0.3	—				
19	Residues	61.3	9.4	15	50.2	7.9	16	116.6	7.1	6	115.1	6.6	6				
24	Tobacco	80.4	1.3	2	77.3	0.7	1	122.5	0.7	1	112.1	0.8	1				
Total of these eleven products: As % of total Annex II products		1 773.1	198.1	11	1 941.8	163.3	8	1 797.9	152.2	8	2 133.0	134.0	6				
		93%	74%		93%	70%		91%	66%		91%	56%					

Source: Spanish national statistics.

Table 18 — *Trend of Spain's trade 1958-1977*

Year	Trade balance (million EUA)		Exports						Imports					
	World	Community of 9	World		Community of 9		World		Community of 9					
			Million EUA	Index 1958=100	Million EUA	Index 1958=100	Million EUA	Index 1958=100	Million EUA	Index 1958=100	As % of world total			
1958	—	50	485	100	223	100	46	872	100	273	100	31		
1959	—	11	499	103	228	102	46	793	91	239	88	30		
1960	4	165	726	150	417	187	57	722	83	252	92	35		
1961	—	24	710	146	400	179	56	1 092	125	376	138	34		
1962	—	230	735	152	407	183	55	1 570	180	637	233	41		
1963	—	462	737	152	409	183	55	1 956	224	871	319	45		
1964	—	533	955	197	525	235	55	2 260	259	1 058	388	47		
1965	—	955	945	195	490	220	52	3 025	347	1 445	529	48		
1966	—	1 143	1 255	259	573	257	46	3 592	412	1 716	629	48		
1967	—	1 015	1 383	620	604	271	44	3 485	400	1 619	523	46		
1968	—	873	1 588	712	641	287	40	3 511	403	1 514	555	43		
1969	—	1 031	1 896	391	797	357	42	4 228	485	1 898	670	43		
1970	—	806	2 337	482	1 082	485	46	4 645	533	1 888	692	41		
1971	—	658	2 805	578	1 309	587	47	4 739	543	1 967	721	42		
1972	—	1 024	2 748	567	1 534	688	56	6 058	695	2 558	937	42		
1973	—	1 338	4 188	864	2 000	897	48	7 786	893	3 338	1 223	43		
1974	—	1 835	5 942	1 225	2 817	1 263	47	12 942	1 484	4 652	1 704	36		
1975	—	1 635	6 192	1 277	2 766	1 240	45	13 106	1 503	4 401	1 612	34		
1976	—	1 553	7 806	1 609	3 621	1 624	46	15 618	1 791	5 174	1 895	33		
1977	—	667	8 942	1 843	4 768	2 138	53	15 576	1 786	5 435	1 990	34		

Source : SOEC.

Table 19 — *Spain's principal suppliers and customers in 1977*

(in %)

Country	Exports	Imports
<i>Europe</i>	54.59	39.56
Community	46.26	34.11
FR of Germany	10.58	10.07
France	15.95	8.37
Italy	5.08	5.04
Netherlands	4.46	2.69
Belgium-Luxembourg	2.88	1.94
United Kingdom	6.32	5.28
Ireland	0.27	0.27
Denmark	0.72	0.45
Portugal	2.28	0.25
Sweden	1.07	1.42
Switzerland	1.53	2.07
USSR	0.99	0.68
<i>Africa</i>	11.96	7.97
Morocco	3.12	0.75
Algeria	2.79	0.82
Libya		2.80
<i>America</i>	21.03	21.89
United States	9.8	11.99
Venezuela	2.34	0.53
<i>Asia</i>	6.93	26.77
Japan	1.15	3.17
Saudi Arabia	1.06	8.67
Iran	1.06	6.72
<i>Other</i>	5.49	3.81

Source: SOEC.

Table 20 — EEC-Spain trade by category of product

SITC Products	Imports										Exports										Index 1977/1973
	1973		1974		1975		1976		1977		1973		1974		1975		1976		1977		
	Million EUA	%	Million EUA	%	Million EUA	%	Million EUA	%	Million EUA	%	Million EUA	%	Million EUA	%	Million EUA	%	Million EUA	%	Million EUA	%	
1 to 9 <i>Grand total</i>	174 664	100.0	246 509	100.0	242 787	100.0	308 570	100.0	339 363	100.0	194	100.0	231 290	100.0	239 571	100.0	292 651	100.0	332 494	100.0	195
Intra-EC	90 358	51.7	115 708	46.9	117 336	48.3	148 980	48.2	168 133	49.5	186	52.7	117 066	50.6	118 359	49.4	151 351	51.7	168 355	50.6	187
Extra-EC	84 306	48.3	130 802	53.1	125 451	51.7	159 590	51.8	171 230	50.5	203	80.673	114 224	49.4	121 212	50.6	141 300	48.3	164 140	49.4	203
Spain	2 312.4	100.0	2 950.9	100.0	2 996.1	100.0	3 974.0	100.0	4 768.3	100.0	206	3 183.5	4 346.2	100.0	4 094.1	100.0	4 914.3	100.0	5 435.0	100.0	170
0 + 1 Food, beverages, and tobacco	824.6	35.7	870.0	29.5	904.3	30.2	1 150.1	28.9	1 228.3	25.8	149	119.5	205.5	4.7	156.4	3.8	142.9	2.7	160.1	2.9	134
3 Fuel products	127.5	5.5	173.3	5.9	130.1	4.2	126.3	3.2	79.3	1.7	62	57.1	121.9	2.8	125.8	3.0	144.6	2.9	148.7	2.7	260
+ 4 Raw materials	170.3	7.4	282.6	9.6	194.2	6.5	215.1	5.4	252.8	5.3	148	223.9	302.8	6.7	287.1	7.0	363.5	7.5	378.8	7.0	169
5 Chemicals	86.1	3.7	180.1	6.1	128.8	4.3	177.8	4.9	206.1	4.3	239	510.2	775.4	17.8	612.4	14.9	834.6	17.4	787.9	14.5	154
7 Machinery and transport equipment	383.0	16.6	522.8	17.7	586.5	19.6	869.4	21.7	1 302.7	27.3	340	1 370.0	1 718.4	39.5	1 752.9	42.8	2 065.6	42.9	2 204.3	40.6	161
6 + 8 Other manufactured articles	705.4	30.5	907.9	30.8	1 036.1	34.6	1 416.1	35.6	1 630.6	34.2	231	851.1	1 156.7	26.6	1 095.5	26.8	1 180.2	24.5	1 412.6	26.0	166
9 Other (not elsewhere included)	15.5	0.6	14.2	0.4	16.1	0.6	19.3	0.3	68.5	1.4	442	51.7	65.5	1.9	64.0	1.7	182.9	2.1	342.6	6.3	663

Source : SOEC.

Table 21 — Balance of payments

(million u.a.)

	Spain			Community of 9			Community of 12		
	1975	1976	1977	1975	1976	1977	1975	1976	1977
	Exports	6 292	8 114	9 173	231 069	280 466	326 106	240 499	291 983
Imports	12 245	14 722	14 442	222 326	281 085	319 294	240 959	303 732	342 368
Trade balance	- 5 924	- 6 608	- 5 269	8 743	- 927	7 812	- 459	- 11 827	- 3 097
Services	2 222	1 702	2 267	1 535	4 445	3 909	4 103	6 769	8 572
Private transfers	936	1 043	1 037	- 3 460	- 4 045	- 11 067	- 1 104	- 1 373	
Official transfers	- 16	- 14	9	- 5 595	- 5 872		- 5 625	- 5 915	
Current balance	- 2 812	- 3 877	- 1 974	- 1 194		650	- 3 084	- 12 345	- 3 755
Capital of non-monetary sectors	1 544	1 776	3 044	4 850	5 330	9 158	6 684	7 682	12 822
Capital and gold of monetary sector	1 243	1 664	448	- 7 240	165	- 17 664	- 4 599	3 354	- 16 096
Errors and omissions	25	437	622	1 196	- 115	7 733	1 099	1 312	7 026

Source : SOEC.

(million EUA)

Table 22 — Gross official reserves

End of period	Germany (FR)	France	Italy	Netherlands	Belgium	Luxembourg	United Kingdom	Ireland	Denmark	Community of 9	Spain	Greece	Portugal
Total reserves													
1975	26 632	10 807	4 097	6 101	4 975	—	4 685	1 315	753	59 365	5 226	779	1 316
1976	30 798	8 609	5 889	6 537	4 607	—	3 743	1 626	810	62 619	4 676	818	1 152
1977	32 437	8 321	9 493	6 583	4 703	—	17 189	1 936	1 364	82 026	5 379	833	1 124
May 1978	32 669	9 154	9 994	6 380	4 819	—	14 105	1 735	1 974	80 830	6 291	860	1 036
GOLD													
1975	4 135	3 549	2 901	1 909	1 483	—	740	16	64	14 797	501	128	975
1976	4 232	3 635	2 968	1 955	1 518	—	757	17	65	15 147	513	131	996
1977	4 105	3 528	2 877	1 896	1 473	—	771	17	67	14 734	500	130	837
May 1978	4 122	3 542	2 889	1 903	1 480	—	775	16	67	14 794	503	130	788
SDRs													
1975	1 458	245	83	523	618	7	699	41	82	3 757	122	18	7
1976	1 796	233	80	546	409	8	620	47	84	3 823	93	17	9
1977	1 166	231	117	559	404	7	496	44	96	3 122	48	13	4
May 1978	796	236	193	412	412	7	487	46	97	2 687	112	13	—
Reserve position in the IMF													
1975	1 588	626	—	750	594	5	305	39	61	3 969	—	—	—
1976	2 193	866	—	925	837	9	—	71	69	4 970	—	—	—
1977	2 166	731	—	945	773	9	—	65	72	4 761	—	—	—
May 1978	2 035	565	157	888	660	9	—	64	71	4 449	90	34	—
Convertible currencies													
1975	19 451	6 386	1 113	2 919	2 279	—	2 940	1 218	545	36 851	4 603	654	335
1976	22 576	3 873	2 840	3 111	1 843	—	2 366	1 492	591	38 692	4 070	669	147
1977	24 999	3 832	6 498	3 183	2 053	—	15 921	1 809	1 128	59 423	4 831	690	283
May 1978	25 716	4 810	6 756	3 177	2 267	—	12 843	1 609	1 738	58 916	5 586	683	248

Source: IMF, September 1978; figures given in USD million. EUA rate: USD at end of period.

Table 23 — Liquidity of the economy (money and near money)

(million EUA)

End of period	Germany (FR)	France	Italy	Netherlands	Belgium	Luxembourg	United Kingdom	Ireland	Denmark	Spain	Greece	Portugal
<i>Money</i>												
1975	60 023	82 614	84 330	15 072	13 721	370	28 864	1 175	7 607	28 405	3 103	7 725
1976	69 998	82 692	81 704	18 137	16 454	444	28 415	1 191	8 893	30 885	3 824	7 890
1977	80 631	89 927	92 275	—	18 412	514	35 281	1 529	8 956	28 733	4 300	6 550
<i>Near money</i>												
1975	33 047	66 326	76 491	8 108	10 247	—	34 092	3 050	7 464	47 027	6 244	5 367
1976	41 706	73 104	77 943	13 919	15 887	—	32 492	3 032	9 602	50 266	7 728	6 127
1977	47 949	83 308	84 584	—	17 545	—	33 395	3 547	9 794	46 283	9 363	6 132
<i>Total liquidity</i>												
1975	93 070	148 940	160 821	23 180	23 968	370	62 956	4 225	15 071	75 432	9 347	13 092
1976	111 704	155 796	159 647	32 056	32 341	444	60 907	4 223	18 495	81 151	11 552	14 017
1977	128 580	173 235	176 859	33 620	35 957	514	68 676	5 076	18 750	75 016	13 663	12 682

Source : SOEC; for the Member States.
 OECD; September 1978; figures given in national currency for Spain, Greece and Portugal.
 EUA rate for end of period.

Table 24 — EEC share (1976) of exports and imports

(USD million)

	EEC share of exports from	EEC share of imports into
Algeria	45.4	59.9
Morocco	57.2	52.0
Tunisia	51.8	61.0
Egypt	21.7	37.4
Jordan	3.7	41.0
Lebanon	6.1	22.0
Syria	54.4	38.2
Israel	36.8	31.0
Cyprus	32.8	47.6
Malta	60.2	65.7
Turkey	48.9	45.6
Spain	33.1	46.4

Source: IMF, Trade Department.

