



## SPAIN AND THE EUROPEAN COMMUNITY

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## I. INTRODUCTION

The negotiations for Spain's accession to the European Community are now well under way with both sides having outlined initial negotiating positions. This is therefore a good moment to take stock of the situation, and update the information on Spain and the Community published in a previous issue of "Europe Information" (29/80 of May 1980).

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

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

## II. THE 1970 EEC-SPAIN TRADE AGREEMENT

As early as 1962 the Spanish Government expressed interest in an association possibly leading to eventual full integration. Exploratory talks were held from 1964 to 1966 with a view to negotiating a purely commercial agreement. The negotiations proper lasted from 1967 to 1970, and the EEC-Spain Agreement, signed on 29 June 1970, came into force on 1 October of the same year.

### 1. Provisions of the Agreement

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

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

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

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(1) Official Journal of the European Communities, No L 182, 1970.

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

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

## 2. Implementation of the Agreement

Meetings of the EEC-Spain Joint Committee give the two sides an opportunity to deal with any problems arising from the implementation of the Agreement.

Currently of concern to the Community are the taxes or other measures imposed by the Spanish authorities which affect imports from the Community or promote Spain's exports.

One example of a problem solved concerned the temporary agreement on Spain's cheese imports. On 7 May 1980 Spain took safeguard action against imports of cheese, citing Article XIX of GATT. At the Community's request consultations were held the same month to find a temporary solution which would enable Spain to deal with its problems, while making sure that the Community could still export its cheeses at fair prices, on a regular basis and in reasonable quantities.

## 3. Adaptation of the Agreement after the first enlargement

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

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

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

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

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

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

#### 4. Adaptation of the Agreement on Greece's accession

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

Pending completion of the procedures for approval by the contracting parties, the Council has adopted unilateral measures to ensure application of the Protocol's trade provisions by the Community as from 1 January 1981, the date when Greece became a member.

### I. SECTORAL ISSUES

#### 1. Steel

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

Three years ago a series of arrangements was concluded with the main countries which supply the Community with steel, with the aim of curbing imports and achieving price discipline and thus preventing even greater disturbances on the Community market.

The arrangement with Spain, concluded in April 1978 and valid for that year only, was renewed in 1979 by an exchange of letters signed on 11 April 1979. A second exchange of letters, dated 25 February 1980, again extended the arrangement, the import quota allocated to Spain for 1980 being set at 850 000 t.

On the basis of negotiating directives handed down by the Council on 24 and 25 November 1980, the Commission opened negotiations for a further renewal of the arrangement for 1981.

The Commission proposed to extend the 1980

arrangement but at a lower quota level, because of the decline in consumption in the Community and the temporary crisis measures being applied to its own steelmakers. Spain, on the other hand, pointed out that as well as being a supplier, it is also one of the Community's major customers for steel products, and moreover a prospective Community member.

The 1981 arrangement was signed on 23 March 1981. It provides for a linear reduction of 15 % of the import quotas for steel products from Spain into the Community.

## 2. Fisheries

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

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

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

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

The 1980 quotas and licences granted to Spain expired on 31 January 1981 after a one-month extension. The negotiations opened in November 1980 with a view to setting 1981 catch quotas, turned out to be difficult. Because the Community's own fishermen are having to reduce their catches under the annual TAC system (3), and take practically no fish from Spanish waters, the Community negotiators initially proposed that Spain accept a cut in maximum licence numbers from the 1980 figure of 168 to 115.

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(1) OJ No C 263, 10 October 1980

(2) OJ No L 322, 28 November 1980

(3) TAC = total allowed catch

This proposal Spain found unacceptable, in view of the needs of its fishing fleet, one of the world's largest, and its status as an applicant for Community membership. It pointed to the steady increase in its imports of fisheries products from the Community, which in its view was an element of the reciprocity aimed at by the agreement and should therefore be taken into account by the Community.

Finally on 17 February the two sides reached agreement on fisheries arrangements for 1981, under which Spain is allocated 142 licences and a 10 500 t quota for hake plus quotas for other species.

To allow prompt application of the agreement the Council adopted a temporary regulation on 27 February (1), which will be valid until 31 May and will then be replaced by a definitive regulation, which can only be adopted after Parliament has been consulted.

### 3. Textiles and footwear

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

Naturally, the situation was more complex when it came to countries such as Spain which are linked to the Community by preferential agreements. The consultations held with a view to regulating textile imports from Spain led to the introduction of a system of Community surveillance for certain products (2), initially valid for 1978 but thereafter renewed successively for 1979, 1980 and 1981.

On 20 February 1979 Spain and the Community signed a Memorandum of Joint Action on textiles, setting quantified export objectives and formally establishing administrative cooperation arrangements. The Memorandum was based on the observance of traditional trade patterns, to be notified unofficially, and was valid for two years. It expired on 31 December 1980.

Exploratory talks started in July 1980 with a view to striking an arrangement to replace the Memorandum from 1 January 1981 onwards. The Commission's proposals were sent to the Council on 27 January, and on 10 March the Council gave the Commission a mandate to open formal negotiations. It is hoped that agreement will soon be reached on an arrangement which, subject to possible renegotiations, will remain in force until Spain becomes a member of the Community. After that the relevant provisions of the act of accession will apply.

A system of retrospective Community surveillance has also been adopted for imports of footwear from all sources including Spain.

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(1) OJ No L 57, 4 March 1981

(2) OJ No L 155, 13 June 1978 and OJ No L 239, 29 August 1978.

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

On 14 July 1980 Mr Leopoldo Calvo Sotelo, at that time Spain's minister for relations with the Community, and Mr Guido Brunner, then member of the Commission with responsibility for energy, signed a cooperation agreement associating Spain for the first time with the Euratom research programme in the field of controlled thermonuclear fusion (1).

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

#### V. THE ROAD TO SPANISH MEMBERSHIP OF THE COMMUNITY

##### 1. Spain's application for membership

On 28 July 1977, following elections held in June, the Spanish Foreign Minister Mr Marcelino Oreja Aguirre formally presented his country's application for Community membership to the President of the Council, two years after a similar application by Greece (June 1975) and four months after that of Portugal (March 1977).

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

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

The Commission adopted the Opinion on 29 November 1978, and it was then sent to the Council (2).

##### 2. The Commission Opinion

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

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

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(1) OJ No L 190, 24 July 1980

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

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

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

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

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

The Council, having taken note of the Commission Opinion, approved Spain's application at its meeting of 18-19 December 1978. It was agreed that the preparatory work needed to establish a joint negotiating position would be undertaken as swiftly as possible and in a positive spirit, and that the accession negotiations with Spain would start officially in February 1979.

In a resolution adopted on 18 January 1979, the European Parliament welcomed the restoration of democracy in Greece, Portugal and Spain and reaffirmed its political will to see them as members of the Community. It noted with satisfaction the establishment of regular contact with the Spanish parliament (Cortes) (1), and called for an extension and strengthening of the various links between Community, Member States' and applicant countries' institutions.

In a further resolution, on the industrial impact of enlargement, adopted on 10 May 1979, Parliament expressed concern that despite favourable long-term prospects, enlargement could lead to serious economic difficulties, and demanded that the necessary specific action be taken in the different sectors of the economy.

Parliament also asked to be more directly and closely involved in both the negotiations for and the conclusion of accession agreements.

The Economic and Social Committee, in its Opinion on the Greek, Portuguese and Spanish membership applications, adopted on 28 June 1979, noted that in political terms enlargement would help stabilize and strengthen democracy in southern Europe and thus consolidate the democratic system in Europe as a whole. This overriding objective made it imperative to arrive at appropriate and equitable solutions to the economic and

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(1) The Joint Committee of the European Parliament and the Spanish Cortes held its third meeting in Brussels on 2 and 3 June 1980 in the presence of Mr Lorenzo Natali, one of the Commission vice-presidents, and Mr Leopoldo Calvo Sotelo, Spain's minister for relations with the Community. Discussion centred on the major problems involved in Spain's integration into the Community.

social problems involved in enlargement. The Opinion further stressed the importance of adapting the Community's institutions, and particularly its decision-making machinery, to its new dimensions.

#### 4. Progress of the negotiations

##### a. Formal opening session

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

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

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

##### b. The negotiations

The negotiations proper started in September 1979, the initial aim being to identify the problems in the various "chapters" of the negotiations which would then have to be dealt with as the talks progressed.

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

Seven sessions of the negotiations have so far taken place at ministerial level, and eleven at deputy (ambassador) level, in the course of which the two sides have stated their positions on the following "chapters" : customs union and freedom of movement in the industrial sector, taxation, capital movements, right of establishment, membership of the European Coal and Steel Community (ECSC) and the European Atomic Energy Community (Euratom), transport, regional policy, own resources, social affairs and external relations.

It is still necessary to complete identification of problems in two fields : agriculture and fisheries. For some of the other chapters, further clarification and more details have turned out to be necessary on both sides, and these are being provided at the current round of meetings. Thus the broad outlines of the proposals the Community will in due course be putting to the Spanish delegation are beginning to emerge.

The issue of agriculture is a particularly important one, and a great deal of work has gone into preparing the Community position. On the basis of this work the Community was able to put to Spain, at the deputy level meeting on 19 December 1980, an initial statement on agriculture indicating the main areas where enlargement will pose problems : these include fruit and vegetables, olive oil and wine. At the ministerial conference on 16 March 1981 the Spanish delegation presented the Community with a written reply to its statement.

Spain submitted its first paper on fisheries in 1980, and the Commission has submitted a preliminary position on this chapter to the Council.

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

#### 5. The effects of enlargement on non-member countries

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

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

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

But difficulties may arise with the Mediterranean countries with which the Community is linked by cooperation or association agreement as part of the "overall approach" to the area adopted in 1972. Enlargement could have repercussions on some of the Community's traditional imports from the region, particularly of "Mediterranean" agricultural products.

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(1) Common Customs Tariff

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

In terms of the Community's external relations in general, enlargement will help strengthen ties with Latin America, which maintains special links with Spain and Portugal, and will boost the Community's influence in the Mediterranean, as well as giving it greater weight in world trade.

#### 6. "Stop Press"

On 13 March 1981 Parliament adopted the following resolution on the attempted coup in Spain :

##### The European Parliament ,

1. Condemns the attempted coup d'état in Spain which sought to interrupt the progress of democracy in that country and which, had it succeeded, would have had dire consequences not only for Spain but for the whole process of democratic unification in Europe;
2. Welcomes the action taken by King Juan Carlos and the Spanish authorities to preserve democracy, and expresses its full solidarity with and support for their vigilant attitude;
3. Congratulates the political forces, the trade union organizations and the people of Spain for their attachment to democracy as evidenced by the recent widespread demonstrations in favour of freedom, democracy and the constitution;
4. Solemnly affirms that a pluralist system of parliamentary democracy and the respect of human rights constitute a precondition for the accession of any country to and its membership of the European Community;
5. Stresses the political importance of enlargement both for the applicant countries and for the Community, and for the search for economic and social equilibrium between countries and regions;
6. Underlines the Community's responsibilities as regards the preservation and strengthening of democracy in Spain and calls on the relevant authorities to take the necessary measures to speed up the negotiations for Spain's accession;
7. Calls on the Foreign Ministers of the Member States of the Community to strengthen the procedures for mutual consultation and information between Spain and the Community in the framework of European political cooperation;

8. Instructs its President to forward this resolution to the Council, the Commission, the Spanish Government and Parliament and the Foreign Ministers meeting in political cooperation.

At its meeting in Maastricht on 23-24 March 1981, the European Council expressed its great satisfaction at the reaction of the King, Government and people of Spain in the face of the attacks recently made against the democratic system of their country. This reaction strengthens the political structures which will enable a democratic Spain to accede to the democratic community represented by the European Community.

## Economic profile of Spain

### POPULATION

Spain has a population of nearly 38 million, a territory of 505 000 km<sup>2</sup>, and a population density of 75 per km<sup>2</sup>.

The statistics show that Spain's population is younger than that of the Community, with a 1980 birthrate of 16.06 per thousand as against 12.2 per thousand in the Community. The forecast rate of population increase in Spain between now and 1990 is 9 %, compared to 1.5 % for the present Community.

### EMPLOYMENT

In the years 1960 to 1974, Spain underwent a period of rapid development, with a consistently faster rate of expansion than the Community. It experienced the concomitant changes, particularly those associated with rapid industrialization. Workers left the land for jobs in industry and services, especially latter, while the rate of emigration rose. In the wake of the oil crisis, the growth rate of the Spanish economy slowed markedly, and unemployment soared.

In terms of sectoral breakdown, employment in agriculture fell in relation to the total working population from 40 % in 1960 to 19.5 % in 1980, with industry now accounting for 36.2 % of jobs and services 44.3 %. The service sector is the only one to have sustained marginal growth thanks to the creation of new public sector jobs.

In 1979 the total workforce numbered approximately 13 million, of whom over 1.2 million were unemployed (against the Community's 1979 unemployment figure of around 6 million). The highest rate of unemployment was found among under-24s, who accounted for 59 % of total unemployment.

The unemployment rate for 1980 is estimated at over 11 % of the labour force.

### WAGES AND PRICES

In 1979 and 1980 the Spanish authorities succeeded in bringing inflation down to around 15 %, from the 1977 figure of almost 25 %. It still exceeds the Community average.

The policy of wage restraint advocated by the Spanish Government has succeed in curbing wage rises, though these remain one of the domestic sources of the country's inflation.

### INDUSTRY

Spanish industry occupies an important place internationally. Examples of its expansion are the rise in output of steel from 1.9 million tonnes in

1960 to about 13 million tonnes in 1980, and in car production from 40 000 vehicles in 1960 to 986 000 in 1978. In 1980 Spain's shipyards stood sixth in the world league.

This industrial development, behind a protective wall of tariff and quasi-tariff barriers, has been based on the availability of a large workforce and high domestic savings, plus remittances from emigrant workers, earnings from the tourist trade and direct foreign investment.

But industries such as steel, shipbuilding and textiles, like their counterparts in the Community, have for some time now been suffering the problems associated with the position of these sectors in the world at large. The Spanish Government has responded by undertaking restructuring, conversion and investment plans.

Shipbuilding is hardest hit by the crisis. Between 1977 and 1979 from 6000 to 8000 jobs were lost. A government plan for 1980-82 envisages a fall of around 35 % in the capacity utilization rate, the loss of a further 7000 jobs and diversification in the activities of shipyards. At the same time, efforts are being made to improve technology and marketing and make the industry more competitive.

The steel industry's problems are less severe, but nevertheless, the difficulties of recent years have highlighted the need to carry out restructuring, and put company finances, currently precarious, on a firmer footing. The Government is working on a comprehensive restructuring programme, which will be presented to the Cortes.

#### AGRICULTURE

Agriculture has played a key part in Spain's economic development. Its share of the total economy is falling, but gross agricultural output grew by an average 3.8 % a year from 1970 to 1978, and agricultural products still have an important place in the country's foreign trade, accounting for a fifth of total exports. The Community takes about 60 % of Spain's total agricultural exports, but supplies only 10 % or so of the country's agricultural imports.

Spanish agriculture is particularly competitive in the production of fruit, especially citrus fruit, vegetables, wine and olive oil, which together account for over a third of the total output and make up 74 % of agricultural exports.

Spain's climate and variety of farming patterns mean that alongside this highly competitive "Mediterranean" sector exist others such as maize, vegetable oils and fats, or beef, where productivity is less satisfactory. The lack of a happy medium between huge estates and smallholdings of under five hectares also means a wide gap in agricultural incomes. Despite its success as an exporter of Mediterranean produce, therefore, Spain's agricultural trade balance remains in deficit.

Nevertheless, Spain's agriculture has real potential for development, and great efforts are being made to rationalize production, extend irrigation and exploit hitherto underused land.

## FISHING

Directly or indirectly, the fishing industry occupies about 700 000 people (cf. 600 000 in the nine-member Community), 111 000 of them fishermen (123 000 in the Nine), and 18 600 employed in processing (41 000 in the EEC). Spain's average per capita consumption of fisheries products is over twice that of the present Community.

With one of the world's largest fishing fleets - over 17 000 vessels totalling 785 642 GRT in 1978 - but fairly limited national fishery resources, Spain has had a particularly hard task in coping with the process of change still taking place as a result of the general move to 200-mile exclusive fishing zones and the rise in oil prices. It has responded by concluding a series of agreements under which its fishermen are granted access to foreign waters.

## ENERGY

Spain has few energy resources. It produces hydro-electricity and coal, but in 1978 was nevertheless dependent on foreign sources for 70 % of its energy supplies.

However, geological exploration has turned up new deposits, and the country's proven fossil fuel reserves have increased to 30.5 million tonnes of oil and 42 000 million m<sup>3</sup> of gas.

Demand forecasts for 1985 have been revised to take account of delays with the nuclear energy programme (2 030 MW now operating, 8 600 MW under construction and a further 4 900 MW scheduled for commissioning in 1988), new supply prospects from other energy sources, and the economic situation. The picture (in %) is now as follows :

	<u>NEP (1)</u>	<u>New targets</u>
Solid fuel	16.2	22.6
Oil	55.6	49.3
Natural gas	5.2	7.5
Nuclear energy	13.2	10.9
Hydro-electric	9.8	9.7
	<hr/>	<hr/>
	100	100

Measures adopted or proposed in 1980 included :

- a law on energy saving and domestic electricity production;
- energy saving and conversion measures for industry, e.g. cement works, and shipping;
- greater truth and "transparency" in energy pricing;
- a speeding up of the construction programme for coal-fired power stations (7 units : 3 600 MW);

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(1) The national energy plan

- a more intensive search for domestic primary energy resources;
- for the coal industry, guidelines to bring policy more closely into line with the EEC, funding of contingency stocks, coking coal subsidies, and a new coal-importing agency to be set up by INI (1);
- increases in energy investments (including conservation, research and development) from 2 % of GDP in 1979 to 2.2 % in 1980 and 2.4 % for 1981.

The national energy plan established in 1978 is progressing satisfactorily. Consumption in 1980 increased by only 1 %, below the plan forecast, and diversification of resources has improved, with coal now accounting for 20.1 % as against 15.7 % in 1979, and gas for 2.9 % (1979 : 2.1 %). This has lowered the country's dependence on oil by 4 %, while at the same time there have been significant changes in import sources.

By passing on oil price rises realistically to consumers, the Spanish Government has also achieved a reduction in consumption of 2.4 % for petrol and 2.2 % for diesel fuel, which has helped to curb the country's oil import bill a little.

#### SPAIN'S TRADE

The 1978 breakdown of Spain's trade with the rest of the world was as follows :

	Imports %	Exports %
Food, beverages, tobacco	12.4	17.5
Fuel, lubricants	28.4	2.5
Raw materials, oils and fats	15.2	5.1
Machinery and transport equipment	19.4	25.6
Other	24.6	49.2

In 1979 both imports and exports were up on the previous year's levels (imports by 19 % and exports by 21.92 %). The rise in imports is largely due to the higher cost of oil imports and increased purchases of industrial goods, raw materials and land transport equipment. On the export side agricultural products, particularly citrus and other fruits, performed best, and machinery and shipbuilding also did well.

However, the 1979 trade balance showed a deficit, which increased in 1980.

Analysis of Spain's trade figures in geographical terms shows that the Community is still the largest supplier and customer. It takes 47.9 % of the country's total exports, well ahead of Latin America with 11.2 %,

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(1) Instituto Nacional de Industria

North America (7.8 %), the Middle East (7.3 %), other European countries such as Sweden, Switzerland, Norway and Portugal (5.2 %) and Japan (2 %). (1979 figures).

As supplier of Spain's imports, the Community, providing 35.9 % of the total, is ahead of the Middle East (19.8 %), North America (13.4 %), Latin America (8.9 %), other European countries (3.9 %) and Japan (2.3 %) (1979 figures).

#### BALANCE OF PAYMENTS

Until 1977 Spain's balance of current payments regularly showed a substantial deficit, which in 1978 and 1979 was converted into a surplus. The trade deficit was offset by the traditional surplus on invisibles, particularly the tourist trade (in real terms, however, because of the rise in the peseta, earnings from tourism have declined considerably from their 1978 level).

The current account was again in the red in 1980, owing to a combination of the general slowdown in the world economy, the decreased competitiveness of Spanish products, the rise in oil prices and increased imports of industrial goods.

#### GROSS DOMESTIC PRODUCT

In mid-1978 per capita GDP stood at \$ 3 967, close to that of Italy. Services accounted for the largest share (55 %) of GDP, followed by industry (36 %) and agriculture (9 %). According to the Spanish national statistical office, GDP grew by 0.6 % in 1979 and 1.7 % in 1980.