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SPAIN AND THE THIRD ENLARGEMENT OF THE EEC (\*)

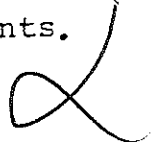
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I. THE THIRD ENLARGEMENT OF THE EUROPEAN COMMUNITIES

According to the Preamble of the Treaty of Rome, the European Community is an open area in the sense that every European country wishing to share the ideal of pooling its resources, to preserve and strengthen peace and liberty, may join the Common Market.

Following this principle, the United Kingdom, Denmark and Ireland became full members of the Community in January 1973. It was the first enlargement of the Community and did not include Norway which previously had wished to join.

It was with the political dimension firmly in mind that preparations for the second enlargement got under way (1) Greece applied to join the EEC on June 12, 1975; Portugal applied on March 28, 1977 and Spain on July 28 of the same year.

Negotiations with Greece opened in July 1976, with Portugal in October 1978 and with Spain in February 1979.

Greece started the interim period and became a full member of the EEC in January 1981. The negotiations EEC-Spain and EEC-Portugal have suffered from the internal inability of the Common Market to strengthen the European integration process with more cohesion, the adaptation of the work of the institutions and the application of new policies.

Due to this fact, the integration of Portugal and Spain are not expected before 1986, five or more years later than Greece's membership.

In these conditions and due to the fact that Spain is much more important for the European economy than Greece and Portugal, it is not very satisfactory to consider the future membership of Spain as a simple continuation of the Greek accession as previously considered.

When the Commission of the EEC published its Report on the Second enlargement, the three countries were considered together (2). The framework Treaty of Rome has withstood the integration of 10 million Greeks; it would be able to withstand the impact of 10 million Portuguese, but a general consensus exists that the membership of the 40 million Spanish will necessitate changes in the Community itself to cope with the impact.

For this reason, the membership of Spain must be considered as a new issue for the Community and not only as a mere continuation of Greece's entry.

Of course, at the first Ministerial Meeting of the Conference for joining the Community in February 1979 Spain's Minister for EEC Relations agreed that the basis for the negotiations would be the acceptance by Spain of the "acquis communautaire" subject to possible transitional measures to solve any problems of adjustment which may arise on either side, and, that the problems of adjustment would not be solved by changes in the Community Rules.

Recent developments in Community life show the need for a transformation in the CAP and in the Own Resources system of the Community before the neofunctionalist spillover to further integration pursued by the founders of the Common Market can be continued (3).

In this perspective, the full acceptance of the "acquis communautaire" by Spain and Portugal is one of the key rules of the game both for Spain and for the Community, but -as the Commission has pointed out recently- "The obstacles to enlargement stem not only from the specific difficulties involved in integrating Portugal and Spain in to the existing Community, but also from the difficulties connected with the functioning of the Community itself (4).

The problem is that during these years there has been no growth of faith in the institutions of the EEC and on the contrary, there has been a growing debate about the possibilities of European unity and its meaning for the future of Spain.

## II. THE ECONOMIC LINKS BETWEEN SPAIN AND THE EEC COUNTRIES

Regardless of the process of negotiation and the future institutional links, the Common Market is very important for the Spanish Economy,

For many years Spain has been a country with few external relations due to a tradition of high protectionism and due to the world isolation to which the Franco regime was submitted by the allies after Second World War.

In March 1945, President Roosevelt stated "the fact that our government maintains formal diplomatic relations with the present Spanish regime should not be interpreted by anyone to imply approval of that regime and its sole party" but afterwards the Franco regime was tolerated and Spain signed a defensive Agreement with USA in 1953. (5)

In 1955 Spain became a member of the United Nations; in 1958 joined the IMF and the IBRD; in 1959 the OEEC; in 1963 Spain joined the GATT.

By 1959, a Stabilization Programme was launched with tax measures, a substantial devaluation of the peseta and a radical change in the trade and payments system.

During the sixties Spain had a substantial growth and developed a more open trade system; but comparing it with other OECD countries, Spain has maintained a low level of foreign trade (Table I).

In 1983 Spain exported some 20 billion US dollars and imported some 30 billion.

T A B L E I  
IMPORTANCE OF FOREIGN TRADE  
FOR SOME COUNTRIES  
(1981)

	Imports per capita (ECU) †	Exports per capita (ECU) †	GDP per capita (USA \$)
Belgium	5.443 † †	4.882 † †	9.651
France	2.009	1.689	10.552
Italy	1.436	1.192	6.123
U.K.	1.706	1.697	8.886
Greece	824	397	3.769
Spain	765	487	4.938
Portugal	891	379	2.398
Japan	1.086	1.156	9.606
U.S.A.	1.017	911	12.647

† In Terms of US dollars 1 ECU = 1,1164 US \$ in 1981

† † Including Luxemburg

Source: EUROSTAT and OECD

As far as the Spanish position in the world market is concerned an important detail must be pointed out. Because of its level of development and its comparative trade advantage Spain offers an underdeveloped image if we consider the commodity composition of exports to developed countries and offers a developed image when considering the trade flows to developing countries. In recent years and because of the evolution of the relative labour cost and the technology shift to a more developed export structure (see Table II) is to be observed.

T A B L E II  
SPANISH EXPORT COMMODITY COMPOSITION (%)

	<u>1970</u>	<u>1980</u>
Food Exports	35,1	17,9
Manufactured goods	51,2	62,4
(of which: Textiles	5,9	5,4
Machinery	10,4	14,3
Transport eq.	9,1	13,1

Source: UNCTAD Handbook of International Trade & Development Statistics, 1981.

In 1983, 32,3% of the Spanish imports came from the ten members of the EEC while the EEC received 48,3% of Spanish exports in the same year.

At the same time 50,7% of foreign investment attracted by Spain -because of its market conditions and because of its favorable rules for multinationals- came from EEC and 80% of the tourist yearly income (7.000 million dollars in 1983) was expended by EEC nationals.

Spain is today more open to the EEC than some of the members of the Community considering the flows of exchange.

Spain is the seventh non OPEC supplier to the EEC and ranges as its fourth world customer.

For those reasons, Spain is today a good partner for the Community. Spain cannot substitute the Community for other markets for some products exported mainly to the EEC both in the manufacturing and in the agricultural sector. For example, 45,5% of the oranges produced in Spain are sold to EEC, 21% of onions, 15% of tomatones, etc.

Spain is today a diversified economy (see Table III) and sometimes the importance of the exports of primary products is overvalued by the political implications of agriculture.

T A B L E III

SPAIN'S ECONOMIC SECTORS - 1981

<u>S E C T O R S</u>	<u>VALUE ADDED (Billion Pts)</u>	<u>EMPLOYMENT Thousand</u>
1. AGRICULTURE	<u>943,6</u>	<u>2.093</u>
Cereals	126,4	
Vegetables	216,5	
Fresh Fruits	150,8	
Dried Fruits	22,9	
Grapes for wine	87,8	
Olives	64,9	
Milk	155,7	
Eggs	67,9	
Meat	443,7	
2. FISHING	<u>129,4</u>	<u>118</u>
3. MINING & REFINING	<u>259,3</u>	<u>113</u>
4. SUPPLY OF WATER, GAS AND ELECTRICITY	<u>374,7</u>	<u>87</u>
5. MANUFACTURING	<u>3.938,5</u>	<u>2.857</u>
Food Proc. & Tobacco	599,9	
Textiles & Clothing	425,2	
Leather & Shoes	104,4	
Wood & Cork	186,1	
Paper & Printing	354,2	
Chemicals	510,1	
Ceramics, glass & cement	220,4	
Steel & basic metals	239,6	
Cars & Trucks	248,2	
Electrical & Electronic equipment	241,9	
Mechanical Equipment	227,6	
6. BUILDING	<u>1.105,4</u>	<u>1.000</u>
7. TRADE, SERVICES & GOVERNMENT	<u>9.947,8</u>	<u>5.715</u>
T O T A L	16.698,7	11.983

Source: Adapted, from Banco de Bilbao: Renta Nacional de España y su distribución Provincial, 1981.

### III. THE INSTITUTIONAL LINKS WITH THE EEC

As early as 1962 the Spanish Government expressed interest in an association possibly leading to eventual full integration in the EEC (6). Exploratory talks were held from 1964 to 1966 with a view to negotiating a purely commercial agreement. The negotiations lasted from 1967 to 1970. The EEC-Spain Agreement was signed on June 29, 1970 -the same day as the EEC-Israel Agreement was signed-.

It came into force on 1 October of the same year providing the framework for the progressive elimination of obstacles to trade between the Parties.

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

Spain offers tariff concessions of 25%, 40% or 60%, again depending on the product, to a sizeable proportion of its imports from the EEC.

The 1970 Agreement was adapted to the First enlargement and later on to Greece's accession, but the Community has asked many times for a new Agreement.

This has been due to economic sectors and GATT pressures because the inobservance of the rules of article XXIV of the General Agreement (7).

After the coronation of King Juan Carlos I in 1975, the Spanish Government indicated that it now wished to conduct its relations with the Community with a view to future membership. This made it pointless to conclude the proposed free-trade agreement within the framework of the Community's overall Mediterranean policy (8) -approved by the Council of the Communities on June 27, 1972- which has generated the free-trade agreement with Israel of March 30, 1983 and other Mogreb and Masrek agreements.

On July 28, 1977, following democratic elections, Spain presented an application for Community membership.

The Commission adopted an Opinion on Spain's application for membership on November 1978 (9).

The negotiations for Spain's accession to the Community started officially on 5 February 1979.

From September 1979 to June 1984, nine chapters of the negotiation for membership had been concluded and are awaiting only the final overall agreement. These chapters include Transport, Capital Movements, Regional Policy, Harmonization of Legislation (including Patents), Environmental matters and Consumers' Protection, Right of Establishment and Freedom to offer Services, Economic and Financial matters (no considering yet the Spanish Peseta participation in the EMS), EURATOM and Taxation (adoption of VAT).

Several main chapters still under discussion include Fisheries, Agriculture, Social Affairs, Institutional matters, Budget and Own Resources system, External Relations and Customs Union (10).

There are many people who believe that the decision about Spain entering the Common Market ought to depend on what are called the "terms" which can be negotiated.

In spite of it, problems of adjustment will not be solved by changes in the Community Rules (Acquis Communautaire), but by negotiating transitional periods at the end of which adaptation would be complete.

Spain's negotiation with EEC follows, in this respect, the same pattern as the Portuguese procedure and the Greek and the First Enlargement negotiation (11).

Negotiations are scheduled to conclude before the end of 1984. Spain will then become full member of the Community -jointly with Portugal- in January 1986. The expected general transitional period for eliminating tariffs will be probably seven years.

Many people in Spain seem to ignore that the Spanish Government is going to accept the Community Rules and Principles exactly as they stand now, and that the negotiations are merely about what is going to happen in the transitional period and not at all about what would happen afterwards.

All of this is true although the Spanish Government has established Joint Committees with Chambers of Commerce, Trade Unions, Employers' Organizations and with the Governments of the Regions and Autonomous Communities to explain the meaning and the progress of the negotiation (12).



#### IV. THE EFFECTS OF MEMBERSHIP ON THE SPANISH ECONOMY

The Participation of Spain in the Common Market would generate both static and dynamic effects.

Static effects include trade creation and trade diversion, in the sense of the terms introduced by Viner and precisely defined by Wells (13) as follows:

- Trade creation- Trade would be created and the welfare effect would be positive, when the removal of the tariff barrier inside the customs union results in a transfer of output from a high to a low cost source of supply within the nation, i.e. it represents an improvement in resource utilisation.
- Trade diversion-<sup>o</sup>If the removal of the internal barrier results in a switch from a low cost external source of supply to a high cost internal source, there would be trade diversion, representing a deterioration in resource utilisation.

It is generally pointed out that the initial effects of joining the EEC will be unfavourable to Spain in static terms, but that these would be more than offset by the so-called dynamic effects of membership which may be classified -following the pattern of N. Kaldor for Britain- in (14):

1. A wider market may encourage greater use of the economies of scale.
2. The effect of increased competition, this may tend to keep prices down to eliminate firms working below their optimum size, give a greater incentive to business managers and stimulate firms with a high grow potential to realise this.
3. A stimulus to investment not only domestic investment but foreign investment from a country outside the customs union.
4. The possibility of a psychological change -a means of getting some dynamism into the Domestic Economy-.

The Spanish Government has never agreed to write a White Paper about the effects of full membership in the Community arguing that the British experience in conducting this kind of study shows that it is impossible to establish a ex-ante balance-sheet of gains and loses.

Nothing but one overall study, following the British Government's methodology, has been done by the "Circulo de Economia" in Barcelona (15).

The global case for entry is argued preponderantly on political grounds. The danger of this approach is that if the political "unity" or political integration of western Europe is remote or hypothetical, then the case for entry may also be remote and hypothetical.

From the static point of view it is clear that by becoming a member of the Common Market, Spain will open the economy to foreign trade which may then lead to an increase of imports.

Spain is now one of the european countries with the smallest proportion of foreign trade (see Table I).

According to my estimates (16) additional imports resulting from being a member of the EEC would consist in 1983 of 10.000 million dollars a year. This is the result of applying a hypothetical degree of opening of the Spanish Economy (now with a relation imports/GDP of (17,4%) half way between the opening of France (21,4%) and Italy (24,7%).

That will create a need for more exports because the traditional inputs of tourism, income from workers in Europe and foreign investment will not be able to compensate the additional imports at the global balance of payments level. But what will be the value in terms of other currencies of the Spanish Peseta when Spain needs those additional exports?

Also from the static point of view, the adoption of the Common Customs Tariff of the EEC will reduce to one third the protection granted today by the Spanish Customs Tariff. The reduction of the effective tariff protection will be from 20,2% to 4% and with a decrease of 9% of the Added Value. An additional problem will exist that is a very low level of association between the structure of protection offered by the actual Spanish Customs Tariff and the future structure of protection provided by the Customs Tariff of the EEC, which combined with GSP, ACP special relations and other trade agreements (17) -will have an impact for some domestic products more important that the impact produced by sophisticated products made by EEC members. Here, also, the price of the Spanish Peseta and its eventual participation in the EMS will be very relevant.

The point of view of the consumers is normally not considered in Spain in the discussions about the static effects of membership. Some declining and not competitive industries are afraid about the possibility of more competition from foreign products and are influencing public opinion against a fast tariff elimination. Consumers are never told that one of the main reasons for participating in a Common Market is the gains that then will obtain through the lowering of industrial prices that in the case of EEC membership will be quite offset by the increase of prices of food caused by full participation in the CAP prices system and by the price impact of the adoption of VAT.

From the dynamic effects point of view, there is no ground for believing that membership itself will promote growth if it is not from a shift to a more rational reallocation of resources.

The causes of Spain's faster growth in recent years may be due to factors which membership of EEC would not affect, such as the big proportion of the Spanish working population still available to be transferred from low productivity in agriculture to higher productivity in manufacture or services (see Table IV ).

T A B L E IV

## PERCENTAGE OF CIVILIAN EMPLOYMENT

	<u>Agriculture</u>		<u>Industry</u>		<u>Services</u>	
	<u>1960</u>	<u>1982</u>	<u>1960</u>	<u>1982</u>	<u>1960</u>	<u>1982</u>
U.S.A.	8,5	3,6	35,3	28,4 <sup>b</sup>	56,2	68,0
U.K.	4,7	2,7	47,7	34,4	47,6	62,9
Italy	32,6	12,4	33,9	37,0	33,5	50,6
Japan	30,2	9,7	28,5	34,9	41,3	55,4
France	23,2	8,3	38,4	34,6	38,5	57,1
Spain	38,4	18,3	30,4	33,9	31,2	47,8
Portugal	44,1	25,9	31,4	37,1	24,5	37,0

Source: OECD Economic Outlook, Historical Statistics 1960-1980 and "OECD OBSERVER" number of March 1984.

The very first dynamic effect argument in favor of Spain membership is that free trade within the enlarged Community will increase productivity by enhancing the scale of production, according to the well-known principle of the international division of labour.

This argument is today in crisis because of unemployment and protectionist practices applied within the Common Market (18). Countries are showing a preference for keeping production and employment instead of lowering prices by means of cheap imports.

We must recognize that all these considerations about the welfare and production implications of EEC membership make it difficult to assess the economic impact of the issue by means of a simple cost-benefit analysis.

It must appear as a paradox then, if

Spain is so profoundly ignorant of the consequences and realities that can result if Spain becomes a member of the Community, why negotiations for entry are nevertheless proceeding at Brussels with apparently enthusiastic political determination in spite of the criticism that some economic sectors both Spain and in the Community are manifesting.

The results of these considerations are very clear. The prospect of economic gain and the increase in the rate of growth is one of the main reasons why a country enters a regional economic integration, but political motives -namely the support of the democratic system established after Franco's death- are, in the case of Spain stronger than calculations on economic gains or losses.

A good example of this is the excessive importance that is given to the agricultural questions or semipolitical questions such as the renunciation of fiscal sovereignty that will result from the adoption of the VAT system.

Agricultural products were very important in the context of the Spanish Economy when the first letter was sent to EEC in 1962 by Minister Castiella. Since then Spanish industry has grown and other factors have become more important (20).

For example, questions regarding industrial sectors and how they could be affected by the introduction of new technologies (19) or by the competition from New Industrialized Countries (21), the shortage in savings to be applied to investment for remodeling agriculture and several declining industrial sectors or the capacity of a Spain integrated in EEC for attracting foreign direct investments are issues normally forgotten and the same can be said in respect of the future to the services sector increasingly important in the Spanish economy.

The question today is how to move the focus of negotiation for all sectors in order to help the transformation of the Spanish economy in a positive and not a defensive approach.

V. THE IMPACT OF THE NEW ENLARGEMENT ON THIRD COUNTRIES

Since the Treaty of Rome, the EEC has tried to promote not only intra-community trade but world trade in general but that has been true just in industrial products because in agricultural products the philosophy of the CAP is clearly protectionist.

After the first enlargement, the EEC accepted a new role and overall responsibilities in most areas of the world. These responsibilities must be developed with the current enlargement (22).

Spain has declared to accept the EEC policies regarding ACP, Latinoamerica, GSP and Mediterranean Countries saying that the opening of the Spanish market of 40 million consumers will be positive for third countries.

SELA has expressed concern about the trade diversion that may occur when Spain applies the protectionist barriers of CAP to Latinoamerican agricultural products (23).

Mediterranean countries are concerned about some of the implications that will result from Spanish membership.

Those troubles have been summarised by the Ambassador Minerbi in the exploratory conversations between Israel and the Commission (24). The most relevant questions pointed out were:

- Enlargement will give Spain tariff advantages and so, increase her competitiveness in the Community Market.
- It will stimulate increases in her output of sensitive products, which will lead to surpluses and hence, restrictions on Israel's exports.
- Israel has few markets other than the Community.
- The impact of enlargement will therefore be catastrophic for Israel's agriculture and serious for her industry.
- The difficulties caused by enlargement would be permanent, so a long transitional period will not resolve them.

This argument is today dealing with all the economic sectors exceeding the former limited concern for Israel's exports of citrus, flowers, fresh vegetables avocados and melons (25).

Except in connection with the problems created by the lack of diplomatic relations between Spain and Israel (\*) the problems that other mediterranean countries have are quite similar to those of Israel and only vary according to the flows of trade (26).

Spain has always accepted dialogue establishing, only as a premise, that during the transitional period Spain will not accept other mediterranean countries having stronger preferences vis à vis the EEC Market.

Full acceptance of the foreign relations and external trade system of the EEC is now significantly supported by Spain in the negotiations for membership in Brussels. Spain is willing to follow the requirements of the Cooperation Policy that the Community is now trying to establish in the Mediterranean Area after the scarce results of the first ten years of Mediterranean Policy since 1972.

The only specific question that Spain is introducing in the negotiation, deals with its special relation with latinamerican countries with which Spain has no special tariff or trade policy arrangement up to this moment.

Some time ago a kind of new Lomé Convention for Latinamerican countries has been suggested for after the Spain and Portuguese membership but the Lomé II is today criticized to a point that some people wonder about the possibility of a performing Lomé III.

Regarding the agricultural protectionist worries of some third countries from the increase of the deriving self-sufficiency of the EEC Market in agricultural products when Spain becomes a member, Spain has always said that the physical structure of the country will not allow an unlimited development of Spanish crops as some organizations of producers in the Community and some organizations of the exporters in third countries have maintained.

The Spanish government thinks that the trend to a decline in the participation of Agriculture in the GDP will continue in spite of the income and production effects that at the beginning will be stimulated by the higher agricultural prices that the Spanish farmers will receive with the application of the CAP.

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(\*) Spain and Israel have no regular diplomatic relations and Mr. Shamir has asked for normalization before Spain's membership following the example of what was done by Ireland some days before having the presidency of the Council of Ministers of EEC (december 1974). Greece's lack of total recognition creates a bad precedent but Spain is, in fact, looking for a good opportunity to establish full relations with Israel avoiding, at the same time, economic sanctions from Arab countries. ./.

Spain says that the actual CAP is not very helpful for Spanish farmers but the Budgetary situation of the EEC doesn't allow to ask for any future changes during the membership negotiation. Greece by asking for a new cotton policy in the framework of CAP can be an example for the future, but for Spain the future of the CAP is not just a question of a new market organizations for additional agricultural products but a question of more resources for the Guidance section of the "European Agricultural Guidance and Guarantee Fund" if no major changes will be adopted with respect to the CAP.

The question of the actual pattern of the CAP is one of the key issues of today's Community. Liberals are arguing that the actual CAP is too expensive both for taxpayers and consumers and that is introducing a high degree of irrationality in the EEC economy that will be aggravated by the membership of Spain and Portugal which will add 37% to the agricultural workers to EEC.

Internal budgetary pressures and external criticism from USA and some other agricultural produce countries will, perhaps, oblige to change drastically the CAP before the end of the transitional period of Spanish and Portugal accession.

If no changes are introduced in CAP Spain will, necessarily, play the game that the others members of EEC are trying to play: to obtain a positive balance of payments in its relation with the EEC.

This line is far away from the liberal approach but is consistent with the policy that all members of the EEC are actually following without considering the rationality of the market and other interest that their own interests.

## VI. THE SPANISH VIEWS ON THE EEC PRESENT AND FUTURE

Years before the death of General Franco, there had been in Spain one of those spontaneous movements of popular opinion which seem to come from a profound level of the national consciousness in favor of integration in the EEC.

The tone of the most responsible opinions used to be pro-European and the same can be said of the statements supporting the entry of Spain into the EEC coming from many economic entities when they are asked by the Government, or issued under their own initiative -as the European Declaration of the 14th of July of 1972 issued by thirteen catalan economic institutions.

On the other hand, the position adopted by all the political parties in the Spanish Parliament's session on this topic celebrated on June 27, 1978, proved them all to be pro-European, with a notable absence of dissident voices that appeared in the case of other european countries.

All this serves to point out clearly that in this country no person desires, nowadays, to remain politically outside of the European way as used to happen on other occasions in our relatively recent history.

It means that few fundamental options for both the spanish economy and society have obtained such a great general consensus as entry into the EEC does.

But people and economic institutions are now always prepared to listen to arguments against joining the EEC. Institutions are no longer prepared to be led blind, as they might have been before the consolidation of the external face of Spanish democracy that came with the full participation in the Council of Europe since November 24, 1977 and in N.A.T.O. since May 30, 1982.

The fear of Spain finding itself isolated in a world consisting of self-sufficient blocs is today an affirmation without reality. Spain has increasing economic relations with the EEC countries, and the EFTA countries (with whom Commercial Agreements similar to Spain-EEC Agreement are in force since 1980) and other areas.

On the other side the difficulties which Spain has had, and presently has do not arise from belonging to the Community, and would not be removed or reduced just by the fact of its entry into the EEC ~~although~~ a stimulus for a more free economy -that means to accept the EEC rules- could help a better adaptation of the Spanish Economy to more realistic market conditions.



With an world economy in rapid growth, the formation of a Customs Union or the incorporation of new countries into it were considered positive the development of the for national integrated economies. The advantages were considered greater than the inconveniences coming from Tariff desarmament and its subsequent changes in trade flows.

We all know what happened after the 70s' crisis. Protectionism has emerged in many different countries and european integration has suffered a slowing in its process of neofunctionalist enlargement of the tasks attached to the Community Organs.

In spite of protectionist pressures coming from the vulnerable sectors affected by the economic crisis, free trade in the interior of the EEC has been saved.

The Europe of 250 million people is an irreversible fact for the majority of the most important economic sectors in European economic activity.

But, on the other side of the balance, we can find the adversities experienced by projects to establish new lines of integration and to implement common positive policies in the fields of industrial restructuring, agriculture structural policy, monetary cohesion and in close political cooperation.

If Spanish integration to the Community had been reached at the beginning of the 60's the most important problem to solve, due to its -at that time- importance for our economy, would have been those of the agricultural sector and those of tariff protection both quite well covered by the EEC regulations.

But with floating rates of exchange after the change of IMF rules, with tariffs and other trade barriers reduced by successive GATT Commercial Rounds and an Agriculture having less importance, the fundamental questions affecting nowadays the EEC membership for Spain are the positive incidence on competitiveness that Spain has to expect from a future integration in the Community, the official Community aids to the Spanish sectors in crisis, the policies that could be adopted for regional or industrial restructuring with the help of the Community budget or the European Investment Bank resources and so on.

This is, of course far away from the liberal point of view of trust in more free competition by means of membership into EEC but is the game that all countries of the EEC are today playing and that is converting the EEC into a sort of supranational welfare state.

The Community in which the Europeans are interested, and the Spaniards too, is the Economic Union defined by Hallstein, and not the mere Customs Union -in some sectors fragmenting by protectionist pressures- and some additives like the free circulation of capital and labour but with insufficient common policies that the EEC has now.

Spain has no alternative to being a member of the EEC and for that reason Spain hopes that the EEC will be able to overcome its actual limitations in order to effect a further integration that shall help Europe to accomplish its rôle in our bipolar and divided world and in order to help the Spanish Economy to restart the process of development that made Spain one of the most successful countries in world development during the golden sixties.

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