

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(83) 115 final

Brussels, 1 march 1983

## INTERIM REPORT FROM THE COMMISSION TO THE COUNCIL

on enlargement : internal measures in the two applicant countries  
in particularly sensitive sectors

---

COM(83) 115 final

Internal measures in the two applicant countries in particularly sensitive sectors

1. At its meeting in Copenhagen on 3 and 4 December 1982, the European Council welcomed the inventory presented by the Commission and, inter alia, called on the Commission to explore with the two applicant countries the introduction of a number of internal measures before accession with a view to preparing particularly sensitive sectors of their economies for accession.

2. The Commission is herewith presenting to the Council an initial report on these exploratory talks and an amplified version of the proposals sketched out in the inventory of 12 November 1982. If the Council is in agreement, the Commission will pursue its exploratory talks with the two applicant countries on this basis.

3. Exploratory talks

Initial contacts with the Spanish Government took place in 1982. It emerged that Spain is basically prepared to envisage the introduction of - as yet undefined - pre-accession measures to smooth the path to accession for particularly exposed sectors of the Spanish economy, as soon as the negotiations have made sufficient progress for accession to represent a practical prospect.

The Commission is aware that an essential criterion for the Spanish Government in this respect is that substantive negotiations should have begun on a realistic basis, in chapters where this stage has not yet been reached, in particular the agricultural sector. During the exploratory contacts, the Spanish Government stressed the need for the Community to provide aid within the framework of the Spanish effort to introduce the abovementioned internal measures.

Following the Government crisis that arose in Portugal at the end of 1982/beginning of 1983, the initial contacts with the Portuguese Government have been slightly delayed. They are now scheduled for the beginning of March.

#### 4. Elaboration of inventory proposals

##### A. Industry

###### Current situation

Industrial consultations were established between the Commission and the Spanish Ministry of Industry in 1978 with a view to setting up an exchange of information aimed at improving each side's knowledge of the other's industry. However, in 1982 it became impossible to continue the meetings, as the most sensitive industrial sectors in Spain were being restructured, the first results of which are not yet available.

###### Proposals

As soon as the new Spanish Government was formed, contacts were renewed with the Spanish authorities which welcomed the principle of starting up the consultations again. The Commission feels that from now on the meetings should be more than just information exchanges and become consultations in the true sense of the term, particularly in the case of sectors which, as a result of accession, will create problems for the Community of Ten and/or the applicant countries, depending on whether they are sectors where the Community already has an accepted policy or sectors where

only Commission proposals exist or a particular situation means that new measures are likely to be necessary. Moreover, the Rome and Paris Treaties impose certain constraints on the action which might be envisaged, particularly where restructuring is accompanied by economic measures (financial or fiscal) in connection with state aids. For example, as the Commission mentioned in its inventory and proposals on the problems of enlargement, the Spanish steel industry, like the Community's, has been hit by the consequences of the recession. The Spanish Government has adopted several decrees aimed mainly at easing the financial burden on undertakings, promoting investment in rationalization and, in certain cases, providing for subsidies in the event of capacity cutbacks. So far the Commission has not been informed of the measures already taken or envisaged in Spain pursuant to these decisions, but the Spanish authorities have indicated that all the plans for industrial redevelopment were being examined by the new Government with a view to defining fresh priorities.

When the Commission next meets the Spanish authorities for industrial consultations, the various disciplines governing state aids and the placing of goods on the market in trade between the Community and Spain will be examined in detail. The steel sector will be the main sector concerned but the Commission intends to ask Spain to pursue the consultations in other sensitive sectors such as textiles, shipbuilding, the motor industry and any other sectors which may be identified.

The accession of Portugal should not create any more specific difficulties in the sensitive sectors of the Community of Ten, except for trade in textile products, where post-accession arrangements

have already been adopted. However, Portuguese industry requires pre-accession aid to lessen the blow at the time of accession, particularly in the motor industry.

Finally, the Community could enlist or encourage the participation of the applicant countries in R&D activities.

## B. The agricultural sector

### Present situation

It has been decided, in the context of the Negotiating Conference, to draw up an annual comparison of prices in the applicant countries and the Community and an annual report on the aids granted in the applicant countries. Both the comparison and the report will be published as official documents of the Conference.

As regards secondary legislation, a detailed examination of all Community agricultural legislation has already been carried out, over three sessions, with the administrations of the applicant countries. This exercise will continue with the necessary updatings.

Within the consultation framework:

- (i) the Commission forwards to the applicant countries all proposals that are likely to be of particular interest to them (for example the proposals concerning the review of the Mediterranean acquis) at the same time as it forwards them to the Council. This is followed by in-depth contacts at departmental level between the Commission and the applicant countries, at the request of the latter, for any necessary clarifications and exchanges of views;

- (ii) technical meetings concerning the various agricultural sectors are organized periodically for an exchange of information on developments in the Community's and the applicant countries' legislation in the sector under consideration.

### Proposals

- (a) The annual reports on prices and aids, besides being published as part of the Proceedings of the Conference, should be followed up by a formal Opinion, on the basis of a Commission proposal, delivered by the Council to each of the applicant countries.

This Opinion should underline in particular, with a view to the formulation of future decisions by the applicant countries, the points of convergence which could help to facilitate and prepare for integration, and any point of divergence from the policy which should be followed.

- (b) The applicant countries should forward to the Commission their proposals concerning:

- (i) any basic policy guideline and any amendment to their agricultural policy;
- (ii) irrigation plans for agricultural purposes and the objectives being pursued;
- (iii) any action that could bring about an appreciable increase in production in a sector under consideration (redevelopment, restructuring, etc.);
- (iv) any measure likely to bring about a better control over productions with a tendency to surplus.

Where appropriate, the Council, on a proposal from the Commission, should deliver an opinion on the project in question.

- (c) As the substantive agricultural negotiations are getting under way, the applicant countries should begin to establish, wherever possible, the machinery and resources needed to facilitate the adoption of the acquis communautaire in the various sectors.

In this context, priority should be given to the measures already in force in the Community which are designed to bring under control lines of production that are in surplus or in danger of becoming so.

This concerns in particular:

Olive oil

Limitation at the earliest possible date of any state production aids to areas planted with olive trees.

Wine

- (i) Ban on any new plantings of wine grape vines, with a possible derogation for areas where quality wines produced in specified regions (quality wines p.s.r.) are grown;
- (ii) Encouragement for the grubbing-up and definitive termination of production in certain areas producing inferior quality wine.

Fruit and vegetables

- (i) Ban on any measure designed to encourage directly or indirectly the establishment or extension of apple, pear or peach orchards;
- (ii) Encouragement for the conversion of apple, pear and peach orchards to varieties of these fruit which do not present any marketing difficulties.

The Commission and the Member States should be able to assist the applicant countries, at their request, with the adoption of the Community machinery and legislation.

C. Financial and budgetary assistance

In the context of its proposals regarding certain pre-accession commitments on the part of the applicant countries, the Commission suggested in the inventory of problems connected with enlargement that increased financial and budgetary assistance be provided, primarily in order to help the applicant countries meet their commitments by speeding up the process of adjusting and diversifying their economies.

Present situation

The Commission would first of all draw attention to the scale of the grants and loans accorded to the two applicant countries to help prepare them for accession, and to their requests for the operations in question to be continued up to accession.

(a) In the case of Portugal, the pre-accession aid accorded in 1981 consists of 150 million ECU in the form of loans from the EIB and 125 million ECU in the form of grants from the Community budget, including 25 million ECU for interest rate subsidies. In September 1982 Portugal asked that the EIB aid be extended for 1983, following the exhaustion of the resources allocated under the 1981 agreement. The Commission agreed to this request and proposed that the Council ask the EIB to make loans of up to 150 million ECU available to Portugal in 1983<sup>1</sup>.

When making its request in September 1982 for the continuation of the financial aid, Portugal also stated that there were grounds for maintaining the favourable terms for loans from the Bank and proposed to return to the matter of interest rate subsidies at the appropriate time. In this connection the Commission intends to present proposals:

1. when it has received more precise details from the Portuguese authorities;

---

<sup>1</sup> COM(82)845 final.



2. in the light of the discussions within the Community and with the applicant countries on the inventory of problems connected with enlargement.

(b) In the case of Spain, financial cooperation authorized in 1981 in the form of EIB loans covers a maximum amount of 200 million ECU, it being understood that actual commitments would not exceed 100 million ECU in any period of twelve consecutive months.

Early in February 1983, Spain asked for an extension of the financial cooperation. The Commission has not yet taken a decision on this request, which relates to a credit volume of around 250 million ECU for each twelve-month period, starting on 1 July 1983.

### Proposals

#### Portugal

##### (a) Volume of loans

By comparison with the scale of the loans granted as pre-accession aid (150 million ECU, which was used in 1981, 1982 and the first quarter of 1983), the amount involved in Portugal's request of September 1982 (150 million ECU for 1983) is relatively high. Account must also be taken, however, of the grant aid over the same period (100 million ECU, excluding interest rate subsidies, of which around 50 million ECU had been committed by the end of 1982), as certain projects financed by grants chargeable to the budget are comparable to projects financed by loans from the Bank.

The Commission considers the sum of 150 million ECU p.a. compatible with Portugal's current absorption capacity.

In view of this, and pending further discussion with Portugal on production sectors in which the reciprocal pre-accession commitment could apply pursuant to the December European Council mandate, the Commission is amending its proposal of 17 December 1982 (COM(82) 845 final) and proposing the temporary continuation of the present level of aid (averaging c. 75 mn ECU p.a.) updated to allow for inflation, while reserving the right to propose higher levels of aid (up to 150 mn ECU) with interest subsidization once the pre-accession commitments are established.

(b) Fields of operation

The Commission proposes that the same fields of operation be adopted as under the 1981 pre-accession agreement. The agreement provides for examination of the admissibility of projects, in the case of unsubsidized loans, in accordance with the arrangements and conditions stipulated by the Statute of the EIB.

The Commission might feel it necessary to re-examine the question of fields of operation in the light of the content and scope of pre-accession commitments.

Spain

(a) Volume of loans

As with Portugal, until it has gone further into the fields of application of the reciprocal pre-accession commitments the Commission can only propose the temporary continuation of the level of financial cooperation (see p. 8, (b)) updated to allow for inflation, reserving the right to put forward proposals later for higher levels of aid.

(b) Fields of operation

The priority areas adopted hitherto, could be maintained, namely regional infrastructure and infrastructure relating to communications with the Community, the restructuring and modernization of small businesses, and energy saving.

The Commission might feel it necessary to re-examine the question of the fields of operation in the light of the content and scope of pre-accession commitments.

Final remarks

The foregoing Commission guidelines for the extension of total financial assistance to the two applicant countries at present involve an annual amount of around 175 mn ECU, updated. Adoption by the Community of this amount would necessitate raising the ceiling laid down by the EIB for loans outside the Community, and a decision to this effect will have to be endorsed by the Board of Governors of the Bank. The current practice of fixing an absolute ceiling for loans on a country basis could be replaced by the establishment of an annual indicative rate, which could be subject to review so as to make the system more flexible.

The question of budget aid unconnected with loans involves a political decision and depends on the negotiations with the applicant countries. An approach to this question will have to take into account the very different standards of living in Spain and Portugal.