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REPORT

on behalf of the Committee on Regional Policy and  
Regional Planning

on regional policy in Spain and Portugal and the  
consequences of enlargement of the European Community

Rapporteur: Mr VANDEMEULEBROUCKE

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Or. De.



At its sitting of 8 May 1985 the European Parliament referred the motion for a resolution by Mr O'Donnell and Mr Sakellariou (Doc. 82-207/85) pursuant to Rule 47 of the Rules of Procedure on the European Community's regional policy and the consequences of enlargement to the Committee on Regional Policy and Regional Planning as the committee responsible.

At its meeting of 24 May 1985, the committee decided to draw up a report and appointed Mr Vandemeulebroucke rapporteur.

The committee considered the draft report at its meeting of 31 October 1985 and adopted it unanimously.

The following took part in the vote: Mr De Pasquale, chairman; Mr Newman, vice-chairman; Mr Vandemeulebroucke, rapporteur; Mr Beazley, Mrs Boot, Mr Ephremidis (deputizing for Mr Verges), Mr Glinne (deputizing for Mr Hume), Mr Graefe zu Baringdorf (deputizing for Mr Columbu), Mr Griffiths, Mr Hutton, Mr Lambrias, Mr Martin, Mr O'Donnell, Mr Poetschki, Mr Remacle (deputizing for Mrs Gadioux), Mr Romeo and Mr Stevenson (deputizing for Mr Schreiber).

The report was tabled on 31 October 1985.

The deadline for tabling amendments to this report will be indicated in the draft agenda for the part-session at which it will be debated.

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The Committee on Regional Policy and Regional Planning hereby submits the following motion for a resolution to the European Parliament together with explanatory statement:

MOTION FOR A RESOLUTION

on regional policy in Spain and Portugal and the consequences of enlargement of the European Community

The European Parliament,

- having regard to its resolution of 8 May 1985 embodying its opinion on the conclusion of the negotiations with Spain and Portugal<sup>1</sup>,
  - having regard to its resolution of 11 September 1985 on the ratification of the treaties of accession with Spain and Portugal,
  - having regard to its resolution of 13 September 1985 on a regional incentive scheme for the development of less-favoured regions of the European Community,
  - having regard to the interim report by Lord DOURO and to its resolution of 17 November 1982 on the enlargement of the Community to include Spain and Portugal<sup>2</sup>,
  - having regard to the Working Document for the Conference of the Regions of the Community and the applicant countries, Spain and Portugal, (PE 87.632) and to its resolution of 13 April 1984 on the role of the regions in the construction of a democratic Europe and the outcome of the Conference of the Regions<sup>3</sup>,
  - having regard to the motion for a resolution tabled by Mr O'DONNELL and Mr SAKELLARIOU on the European Community's regional policy and the consequences of enlargement (Doc. B 2-207/85),
  - having regard to the draft report by Mr HUTTON on the amendment of Regulation No. 1787/84 relating to the ERDF,
  - having regard to the report of the Committee on Regional Policy and Regional Planning (Doc. A 2-143/85),
- A. whereas enlargement of the Community to include Spain and Portugal will increase intra-Community imbalances still further, as is clear from the fact that in no single Spanish region does per capita GNP reach the average of the Community of the Ten and that per capita GNP in Portugal is 49% of the Community average expressed in terms of purchasing power,
- B. noting that the two new Member States suffer from serious internal regional imbalances, which in Portugal assume a dual character with, on the one hand, the coast vis- -vis the interior and, on the other hand, the north with small fragmented agricultural holdings as opposed to the south where large holdings predominate,

<sup>1</sup>OJ No. C 141, 10.6.1985, p. 130

<sup>2</sup>OJ No. C 334, 20.12.1982, p. 54

<sup>3</sup>OJ No. C 127, 14.5.1984, p. 240

- C. whereas accession will make modernization of the Spanish and Portuguese economies essential,
  - D. whereas, since the restoration of parliamentary democracy, the two new Member States have undergone a process of regionalization under which in Spain, in addition to the historical regions of the Basque country, Catalonia and Galicia, a further fourteen other autonomous communities have been created and in Portugal, in addition to the two autonomous island regions of the Azores and Madeira, provision has been made for five continental planning regions that are subsequently intended to be coterminous in constitutional terms with administrative regions,
  - E. whereas Spain's regional policy is currently under review in the context of a draft law on the provision of regional aid that is aimed at adapting the existing complex system of aid provision to Community criteria and to the new situation arising from the transfer of responsibility for regional economic development to the regional governments,
  - F. whereas the main instruments of Portugal's existing regional policy are the Integrated System for Investment Incentives (ISII), integrated regional development programmes (IRDPS) and a Programme of Investment and Expenditure with a view to the Decentralization of the Central Administration (PIEDCA) and whereas responsibility for regional policy is shared between the State Secretariat for Regional Development that comes under the Ministry of the Interior and the State Secretariat for Planning that comes under the Ministry of Finance,
  - G. whereas the future of an integrated regional policy in Portugal will among other things depend greatly on coordinated cooperation, within the more appropriate framework of sub-regions, between the national planning authorities and the local authorities that traditionally have a broad impact on the population, as illustrated by the Beira Interior Project which is labour-intensive and adapted to the native development potential of the region concerned (agriculture, alternative energy),
  - H. whereas projects have already been submitted by the two new Member States for ERDF aid to the Commission,
  - I. whereas the emphasis of regional policy, particularly with regard to ERDF spending, is rightly to be shifted from infrastructure aid to an integrated policy approach,
1. Notes that the Community of the Twelve will be more varied than the present Community with a doubling of the number of people living in the least developed regions, an appreciable increase in the number of sparsely populated mountain areas, a rise in the number of regions with inadequate agricultural structures or with industries facing problems of restructuring and modernization and an increase in the number of densely populated regions with high unemployment;
  2. Notes with concern that the gap between rich and poor regions will become greater as a result of enlargement with the result that the Community's structural financial resources (ERDF, ESF, EAGGF, EIB) will have to be concentrated on the weakest regions through an integrated policy;

3. Notes with satisfaction that the Spanish autonomous communities have made thorough preparations for accession to the European Community inter alia by drawing up regional development programmes according to a system determined in cooperation with the national government and by setting up within their administrations a department responsible for Community affairs or an organization including representatives not only of the regional authority but also of various social organizations such as, for example, the 'Patronat Catala pro Europa';
4. Takes the view that Portugal will experience problems in the field of regional policy as a result of the conflicting responsibilities in this field within the administration and the ensuing delay in dealing with ERDF applications and also on account of its lack of experience of operating at regional level;
5. Considers it desirable that regional policy in mainland Portugal should be implemented at sub-regional level with the Beira Interior Project perhaps serving as a working model here, while the autonomous island regions of the Azores and Madeira can themselves take action in this area by virtue of the powers vested in them;
6. Calls for particular attention to be given by the Community authorities to the regional consequences of enlargement for some industrial sectors in the Ten, such as the clothing, textile, steel and car industries, and for the Mediterranean agricultural sector, for these consequences will above all be felt by what are now already the peripheral and weaker regions of the Ten;
7. Urges therefore, the Member States and regions affected as well as the Commission to ensure that the Integrated Mediterranean Programmes are brought into operation as rapidly as possible;
8. Draws attention to the fact that the new Member States have submitted projects for ERDF aid in good time and hopes that these projects will be approved at an early date so that they can benefit from the first ERDF instalment for 1986 and that, in defining the development zones in the Member States, both backward regions and regions in industrial decline such as the Basque country will be taken into account;
9. Urges that Community regional policy should form the framework for drawing up and financing integrated development programmes in which attention should also be paid to training competent experts in the regions concerned;
10. Urges the Council to join with the other arm of the budgetary authority and provide for an appropriate increase in ERDF appropriations and other structural funds in the 1986 budget to take account of enlargement;
11. Takes the view that, in determining the specific shape of regional policy, the Community policy-making authorities should be open to a dialogue with the autonomous governments and with the regional authorities so as to make for greater effectiveness in preparing, carrying out and assessing ERDF projects and to improve the chances of a successful integrated policy approach;
12. Instructs its President to forward this resolution to the Commission, the Council, the ministers in the Member States responsible for regional policy and the regional authorities of the Member States.

## EXPLANATORY STATEMENT

### I. INTRODUCTION

1. There are two sides to the question as to the consequences for regional policy of the enlargement of the European Community to include Spain and Portugal.

On the one hand, regional imbalances within the Community are an obstacle to the attainment of economic and monetary convergence between the Member States. After enlargement, Community regional policy which, as an expression of internal solidarity, will be necessary to ensure the success and proper functioning of European Union will have to cope with still greater imbalances between the Community regions.

On the other hand, the democratization of regional policy in the form of growing participation by the regions is an essential prerequisite for the success and effectiveness of regional policy at national and Community level<sup>1</sup>. Recent developments in Spain and Portugal have shown that recognition and acknowledgement of regional identity is closely linked with the democratic openness of the political system. The continuity of democratic decision-making is rightly regarded as the essential precondition for other important developments, in particular, the opening towards Europe and acknowledgement of internal distinctions.

2. The present report therefore first provides a survey of the process of regionalization in Spain and Portugal. It then goes on to examine the socio-economic situation at regional level in the two new Member States and the consequences of enlargement for regional policy.

### II. THE PROCESS OF REGIONALIZATION IN SPAIN AND PORTUGAL

#### A. SPAIN

##### Historical background

3. The recognition of nationalities is nothing new in Spain. Such recognition was already granted in the preliminary draft constitution of the First Republic (1873) and in the constitution of the Second Republic (1931). For the Basque country, Catalonia and Galicia, the recognition of their autonomy goes back much further, since the union of the late medieval kingdoms at the end of the 15th century did not provide for legal and institutional assimilation. Only in 1876 were the traditional Basque rights integrated in the Spanish legal system. Catalonia lost its privileges under public law back in the 18th century. During the Second Republic Catalonia and the Basque country regained their autonomous status, although this was abolished by Franco in 1937. Outside these areas few claims were made for autonomy. Only Galicia had, at the height of the civil war, voted in a plebiscite for an autonomous statute.

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<sup>1</sup> See Working Document for the Conference of the Regions on the role of the regions in the construction of a democratic Europe, PE 87.032; Parliament's resolution of 13 April 1984 on the role of the regions in the construction of a democratic Europe and the outcome of the Conference of the Regions.



3. Notes with satisfaction that the Spanish autonomous communities have made thorough preparations for accession to the European Community inter alia by drawing up regional development programmes according to a system determined in cooperation with the national government and by setting up within their administrations a department responsible for Community affairs or an organization including representatives not only of the regional authority but also of various social organizations such as, for example, the 'Patronat Catala pro Europa';
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<sup>1</sup> See Working Document for the Conference of the Regions on the role of the regions in the construction of a democratic Europe, PE 87.632; Parliament's resolution of 13 April 1984 on the role of the regions in the construction of a democratic Europe and the outcome of the Conference of the Regions.

4. Even in the post-Franco era the regional movement initially seemed to be mainly a matter for the prosperous north, for the peripheral areas and for the cultural minorities seeking an identity as separate 'nationalities'. After Franco's death the Spanish Government created proto-autonomous bodies for the Basque country and Catalonia. The 1978 Constitution laid down the institutional framework for regional autonomy which was no longer reserved for the historic 'nationalities' but was raised into a general guiding principle. In 1979 what were this time fully-fledged statutes were drawn up in a round of negotiations between central and regional governments and approved by referendum in Catalonia and the Basque country. Andalusia's 1981 autonomy statute for the first time granted autonomy to a region, the cohesion of which was based more on considerations of social planning and socio-economic grounds than on cultural characteristics.

#### Constitutional basis of regionalization

5. The fathers of the 1978 Spanish Constitution did not create a regionalized state but one that could be regionalized. It laid down various procedures by which would-be autonomous communities must be allowed to acquire political autonomy.

The preamble of the Spanish Constitution of 29 December 1978<sup>2</sup> proclaims the will of the Spanish state to protect all Spaniards and all Spanish peoples in their enjoyment of human rights and in the development of their cultures, traditions, languages and institutions. The use of these plural forms did not pass unnoticed in the light of 40 years of assimilation.

Article 2 of the Spanish Constitution affirms the indissoluble unity of the Spanish nation but recognizes and guarantees at the same time the right to autonomy for the nationalities and regions that are part of that nation, while also emphasizing their mutual solidarity.

Article 131(1) provides that the state must stabilize and harmonize regional development by law. Article 137 specifies that the state consists of the autonomous communities that constitute themselves and enjoy autonomy in the furtherance of their own interests. Article 147(1) recognizes that autonomy statutes are the institutional norm of the autonomous communities and form part of the legal system of the state.

It is the state that guarantees that the principle of solidarity is put into effect and ensures economic balance between the various parts of the national territory. The differences between the statutes of the various autonomous communities may not include any economic or social privileges (Article 138).

#### Creation of the autonomous communities(3)

6. A characteristic feature was the freedom allowed by the Constitution to the nationality or region wishing to constitute itself as an autonomous community.

<sup>2</sup> Not applicable to English text

<sup>3</sup> See map 1.

The political agreement of 31 July 1981 between the then two largest Spanish political parties, the UCD (Centrist) and the PSOE (Socialist) concerning the political and administrative regionalization of the country fixed the territorial map, the definition of the various powers and the number of such powers as well as the basic outline of the institutional organization for all autonomous communities that were to be set up. It was enshrined in the 'Ley Organica de Armonizacion del Proceso Autonomico' (LOAPA). This law failed to recognize the flexibility of and potential for of adapting regionalism to the needs of each area. By judgment of 5 August 1983 the Constitutional Court annulled those parts of the LOAPA that would have resulted in recentralization of political autonomy<sup>4</sup>.

7. Cooperation between autonomous communities is allowed, but the formation of federations is not permitted in any circumstances. Cooperation may take two forms. Joint arrangements may be drawn up for the provision of regional services, of which the Cortes Generales must be notified. Prior approval by the same Cortes is required for a more general cooperation agreement (Article 145 of the Spanish Constitution).

#### Powers of the autonomous communities

8. The division of responsibilities between the state and the autonomous communities is laid down in Articles 148, 149 and 150 of the Spanish Constitution.

Article 149(1) enumerates up the exclusive powers of the state. Article 148(1) lists 22 tasks that may be carried out by the autonomous communities provided they are incorporated in the relevant statute. The autonomous communities set up under ordinary law are responsible solely for the matters summarized in Article 148. They must operate for a transitional period of five years before they can be granted the same number of powers as the communities set up under special arrangements. The latter may exercise the following powers:

- (i) exclusive responsibility for the matters summarized in Article 148;
- (ii) full responsibility for the matters not exclusively reserved for the state in Article 149.

Responsibilities of this nature which the autonomous communities do not claim for themselves in their statutes are exercised by the state.

The arrangements for the transfer of powers between the national government and the governments of autonomous communities concerned have not always been settled without difficulty.

Note should also be taken of the phenomenon of competing responsibilities where both the state and the autonomous community are responsible for the same matter. This applies both to the autonomous communities' own responsibilities under Article 148(1) of the Spanish Constitution which must be exercised within the framework laid down by the state and to specific tasks exercised within the exclusive framework of responsibilities of the state (Article 149(1)).

<sup>4</sup> Judgment 76/1983, B.O.E., 18.8.1983

Article 150(1) and (2) further provides that the Cortes Generales may authorize all or some autonomous communities to take legislative action in matters reserved for the state within the framework of the principles and guidelines laid down by national law. The state may at the same time transfer or delegate by organic law to the autonomous communities responsibilities which formally belong to it and which by their nature lend themselves to such action.

#### Financial resources of the autonomous communities

9. Taxes may be created only by the state in the form of a law. The autonomous communities may however fix and levy taxes within the limits laid down by the constitution and the law (Article 133(1) and (2)). The state may entrust the autonomous communities with the levying, administration and use of its fiscal resources (Article 156).

Two systems exist for financing the autonomous communities

10. The autonomous communities created from what were formerly enjoying traditional areas statutory rights, i.e. the Basque country and Navarra, are financed by the system of 'concierto economico'. They collect virtually all taxes. Only customs duties and excise taxes on alcohol, tobacco and petroleum products are levied by the state. They surrender part of the taxes which they levy (the 'cupo') to the Spanish state in proportion to their share of Spain's overall tax revenue and to the expenditure incurred by the state in respect of matters for which responsibility is not exercised by the autonomous communities. This system makes it possible for the autonomous community to determine its policy in relation to its tax yield.

11. The other autonomous communities are financed by the 'LOFCA' system<sup>5</sup>.

The financial resources of these autonomous communities are as follows (Article 157(1) and (3) of the Spanish Constitution):

- (i) Taxes made over by the state or a proportion of such taxes, surcharges on such taxes or any other share in state revenue;
- (ii) Own charges and levies;
- (iii) Subsidies from:

(a) The Interterritorial Compensation Fund (Fondo de Compensacion Interterritorial - FCI), the purpose of which is, in implementation of national solidarity, to bring about economic balance between the autonomous communities (Article 158(2) of the Spanish Constitution);

The law specifies that the Fund's resources must be used for the purposes of investment. In 1984 the resources of the Fund were 209,000 million pesetas, i.e. 40% of all new public investment for civil purposes.

<sup>5</sup> Ley Organica 8/1980, de 22 de septiembre, de Financiacion de las Comunidades autonomas, B.O.E., 1.10.1980.

The Fund's resources are distributed according to the following criteria<sup>6</sup>:

- 70% is distributed in inverse proportion to the regional per capita income,
- 20% is distributed in direct proportion to the net emigration figures;
- 5% is distributed in direct proportion to the level of unemployment;
- 5% is distributed according to the surface area of each region.

(b) the state budget, in proportion to the central government activities carried out by the autonomous communities and in order to ensure a minimum level of basic public services throughout the entire country (Article 151(1)). During the first six years following the entry into force of an autonomy statute, the state places a sum at the disposal of the autonomous community that covers the cost price of the services transferred and the maintenance costs of the capital goods transferred (the so-called 'effective costs'). Catalonia is currently negotiating a new system of financing with the national government.

(iv) Income accruing from its own assets or from civil law sources;

(v) The proceeds of loans: the LOAPA fixes 25% of the autonomous community's revenue as the limit for debt financing.

Where the state proceeds to transfer or delegate powers in respect of national matters to the autonomous communities, the law transferring these powers must also provide for the transfer of the necessary financial resources (Article 150(2) of the Spanish Constitution).

12. The interaction of ERDF aid with the internal financing system of the autonomous communities in Spain will probably lead to a revision of the latter system.

The proceeds of the value added tax which is to be introduced as a result of accession will probably be shared between the autonomous communities and the national government.

## B. PORTUGAL

### Constitutional basis of regionalization

13. The revised Portuguese constitution of 1981<sup>7</sup> provides for administrative and planning regions (Article 95), the territory of which is meant to be coterminous. Five continental planning regions were created: Norte, Centro, Lisboa and Vale do Tejo, Alentejo and the Algarve. They form the framework for the framing, discussion and implementation of regional plans. The administrative regions have not yet been established. In 1976 the Azores and Madeira were granted the status of autonomous regions (Article 6(2) of the Portuguese Constitution).

### The autonomous island regions of the Azores and Madeira

14. The organization and powers of these regions are laid down in Articles 227 to 236 of the Portuguese Constitution and in their respective statutes.

<sup>6</sup> See table 4

15. Regional legislative power is exercised by the regional assembly, which is elected for a period of four years by the system of proportional representation. The regional government, the president and members of which are appointed by the representative of the national government in the region concerned (the Minister of the Republic), is politically answerable to the regional assembly.

16. The regional assemblies may legislate on matters that are of particular importance to the region and not reserved for the national government (Article 229(a)). They may also submit draft laws to the national parliament (Article 229(c)). The regional government may issue regulations implementing not only regional laws but also national laws to the extent that responsibility for the latter is not reserved for the national government (Article 229(b)).

The autonomous regions exercise, in accordance with the law, their own powers of taxation and dispose of the tax revenue deriving therefrom (Article 229(f)). They are also responsible for supervising the local authorities (Article 229(g), (h) and (i)).

The regional authorities must also approve the regional economic plan and the regional budget and participate in the preparation of the national plan (Article 229(1)) and in determining fiscal, monetary and financial policy (Article 229(n)) and policy relating to territorial waters, the exclusive economic zone and the adjacent seabed (Article 229(o)). They are involved in negotiations on treaties and international agreements that affect them directly (Article 229(p)).

### III. THE SOCIO-ECONOMIC SITUATION AT REGIONAL LEVEL IN SPAIN AND PORTUGAL

#### A. SPAIN

##### Population statistics and labour market<sup>8</sup>

17. Spain is in terms of surface area the second largest country in western Europe (504 879 sq. km), the fifth largest in terms of population (1983: 38.4 million inhabitants) and also the fifth largest in terms of gross national product in the future European Community of the Twelve.

18. From the regional angle, the distribution of the population throughout the country differs widely. The population tends to concentrate in the Mediterranean regions and the two island regions. Four regions with a population density of less than 300 inhabitants per sq. km (the two Castiles, Extremadura and Aragon) cover 52% of the total land area, while containing only 17% of the population. The four most densely populated regions (Madrid, Catalonia, the Basque country and the Canary Islands) alone account for close on half the population, although they represent only 15% of the total land area.

The regions which in the last decade experienced population growth above the national average were the Canary Islands, Madrid, the Balearic Islands, Valencia, Murcia, Catalonia and the Basque country. Population growth in Cantabria, La Rioja, Navarra, Andalusia, Asturias, Galicia and Aragon was

<sup>7</sup> Not applicable to English text

<sup>8</sup> See table 1

under the national average. Castile-Leon, Castile-La Mancha and Extremadura saw a drop in their populations.

More than half the disparities in population growth between the industrial and tourist regions on the one hand and the sparsely populated agricultural regions on the other hand are attributable to migration between the different regions, although in the last decade this has noticeably declined. The economic recession has called a halt to emigration. Since 1975 Spain has been a net immigration country.

19. Employment dropped sharply during the period from 1976 to 1981 (minus 2% per year). In Andalusia and Extremadura, followed immediately by Castile-La Mancha, the active population accounts for less than 25% of the total population. In addition to these three regions, the percentage represented by the working population in Murcia, Castile-Leon, Madrid, the Canary Islands and Navarra is less than 30%. Figures of more than 32% are to be found in Galicia, Asturia, Cantabria and Catalonia. The figure for Galicia is explained by the existence of the minifundio in the agricultural sector that involves hidden unemployment of women and young people. The more rapid decline in the working population in the least-developed regions can be explained by a proportionately greater reduction in the number of jobs available in the agricultural sector where employment has declined at national level by 4.5% per year, while the decrease was less in industry (3% per year) and the situation has remained stable in the services sector.

20. At national level, the arrival on the labour market of a large number of young people at a time when net emigration was replaced by net immigration together with the lower level of employment resulting from the slowdown in economic growth led to a rapid increase in unemployment from 4.6% in 1976 to 19.6% in 1984. The unemployment figures for young people under 25 were 51.8% of the total number out of work in 1983. During the period 1977-1981 the largest increase in youth unemployment was observed in Catalonia, the Balearic Islands, the Basque country and Valencia, while Andalusia, Murcia and Extremadura showed the lowest rates of increase.

The economic crisis has above all had repercussions in the construction and industrial sectors. In 1981 they lost 22% and 15% respectively of their jobs in relation to 1973. On the other hand, the tertiary sector saw an increase in employment of 8.8% in 1981 by comparison with 1973.

The largest relative loss of jobs in industry was recorded in Extremadura, the Canary Islands, the Balearic Islands and Andalusia. In absolute terms however, the decline in industrial employment occurred in the most highly industrialized regions of Catalonia, the Basque country, Andalusia and Madrid. The Basque industrial sector where the steel industry accounts for 56% of industrial gross added value lost 37.3% of its original jobs over the period 1975 to 1985. Catalonia, where industry is mainly engaged in intermediary processing activities that represent 33% of total Catalan output, lost as many jobs between 1973 and 1979 as the rest of Spain. The largest relative decline in employment in the construction sector occurred in Madrid, the Canary Islands, the Basque country and Catalonia. There was a striking growth in employment in the services sector in the Canary Islands (+31.7%) but also in the Balearic Islands, Asturia, Valencia, Catalonia and Cantabria.



## Regional product<sup>9</sup>

21. In no single Spanish region does the per capita GNP expressed in current prices and exchange rates attain the average of the Community of the Ten. The most prosperous region, Madrid, reaches 73% of this average, and the poorest, Extremadura, 34%. The two Castiles, the Canary Islands, Murcia, Andalusia, Galicia and Extremadura which account for 44% of the Spanish population and 70% of the land area have a per capita GNP that is less than 50% of the Community average.

The regional disparities in per capita GNP within Spain which were reduced during the sixties by the fact there was a more rapid growth in population than in GNP in the most developed regions (Madrid, the Basque country, Catalonia) continued to decrease in the seventies. For virtually all regions it could be said that per capita GNP was approaching the national average. In the last decade the convergence of per capita GNP in the various regions was caused mainly by the fact that economic growth in the traditional industrial regions (the Basque country, Catalonia) was lower than the national average, while it was higher in the regions where development is still recent (Valencia, the Balearic Islands) and in the least developed yet densely populated regions (the Canary Islands, Andalusia, Galicia). In the large most sparsely populated regions of the interior (Extremadura and the two Castiles) per capita GNP is approaching the national average as a result of the fact that the population in these regions has declined more rapidly than economic activity.

## Regional income

22. As regards regional income, Madrid, the Canary Islands, Galicia, the Balearic Islands, Cantabria, Valencia, Asturia and Murcia recorded an increase over the period 1973-1981 that was larger than the national average. The regional income of the two Castiles, Extremadura, Navarra, Aragon, La Rioja, Andalusia and Catalonia rose more slowly than the national average. Over the same period the Basque country experienced a drop in real earnings of 0.44% per year.

The relative decline in the share of profit and interest in the distribution of national income between the various categories, the increase in welfare transfers and the trend of fiscal pressure have consequences for the geographical distribution of disposable family income. The discrepancy in per capita disposable family income in 1981 between the Balearic Islands and Extremadura (respectively 473 654 and 262 487 pesetas) was 80.4%. The disparity in per capita domestic earnings between Madrid and Extremadura (respectively 571 929 and 245 076 pesetas) was 133.4%.

The order of regions in terms of available per capita family income differs in certain respects from that concerning domestic income. For example, Asturia, La Rioja, Valencia, the Balearic Islands and Galicia are better placed, while the Basque country, Cantabria, Navarra, Aragon, Madrid and Castile-Leon occupy a comparatively lower position<sup>10</sup>.

<sup>9</sup>See tables 2 and 3

<sup>10</sup> see table 5

## Sectoral situation

23. Spain's economic structures underwent profound changes during the sixties and seventies. This is reflected in the more rapid growth in terms of volume in the industrial sector (7.3% per year over a this twenty year period) and in the services sector (5.3%) than in the agricultural sector (2.4%).

The employment situation in 1979 was as follows:

19.9% of jobs were in the agricultural and fisheries sector, 35.1% in the industrial and construction sectors and 45% in the services sector. The breakdown of gross added value as seen against factor costs was as follows in 1979: 7.9% for the agricultural sector, 36.3% for the industrial sector and 55.8% for the services sector.

24. From the regional angle, the agricultural sector remains extremely important because more than 30% of the working population of Galicia (44.2%), Extremadura (36.9%), Castile-Leon (33%) and Castile-La Mancha (31.7%) find employment there. The proportion of the working population of Cantabria and Andalusia engaged in the primary sector is 28.7%. Madrid (1.5%), the Basque country (7%) and Catalonia (6.9%) have the lowest percentages.

In Andalusia, Aragon, the Canary Islands, the two Castiles, Extremadura, Galicia, Murcia, Navarra and Rioja the importance of the agricultural sector in regional structures is above the national average.

The primary sector is moreover characterized by a great variety of types of holdings expressed in terms of area under cultivation which, together with certain climatological factors, has brought about regional specialization in production. Cattle-rearing (beef and milk) is most prevalent in the coastal provinces of the north west where the average area of cultivation is only 3 hectares. The coastal provinces along the Mediterranean and the two island regions specialize in growing fruit, vegetables and flowers. The holdings found in the regions located in the interior engage either in a combination of pastoral and cereals farming or exclusively in growing cereals.

Over the period 1973-1981 only Galicia, Murcia and the Canary Islands experienced an appreciable increase in agricultural production (around 3% annually). They are followed by Cantabria, Andalusia, the Basque country and Asturias. Agricultural production in Castile-La Mancha, the Balearic Islands, Castile-Leon and Aragon declined by 2.1% to 4.4%. Catalonia, Navarra, Madrid and Extremadura witnessed a more moderate drop in production. 25% of Spanish agricultural output consists of fruit and vegetables, while animal products (meat, milk) represent 43%.

25. The industrial sector is predominantly located in the traditional industrialized regions (the Basque country, Catalonia, Asturias and Cantabria) and in regions that have undergone recent diversification (Rioja, Navarra, Valencia and Aragon).

La Rioja, Navarra, Murcia, Castile-Leon, Galicia and Valencia experienced substantial industrial development over the period 1973-1981 with an annual growth rate of over 3%. Cantabria, the Basque country and Asturias that have substantial basic industry experienced virtually zero growth. The remaining regions ranged between an annual growth of 2.8% (Castile-La Mancha) and 1% (Extremadura). The growth of the Catalan secondary sector was less than the national average while that of Madrid was greater.

The fact that the bulk of industrial production in Spain is intended for a domestic market of only limited size explains in part why most firms are small in size and of a traditional nature. Only in the most industrialized regions (Asturia, the Basque country, Cantabria, Navarra, Madrid and Catalonia) is more than 50% of the working population employed in firms with more than 100 employees. Catalonia has in recent years experienced a sharp rise in foreign investment, which represents 22% of all foreign investment in Spain.

Spanish exports represent only 10% of industrial output as opposed to an EEC average of 24%. Spain's industrial exports to the European Community are primarily directed towards the neighbouring markets in Italy and France. In 1980 the steel industry accounted for 9.8% of Community steel output and provided 13% of Spanish exports of industrial products, although in 1982 only 25% of Spanish steel exports went to the Community. In 1980 the textile industry accounted for 9.8% of GNP, 12% of employment and, together with the shoe and leather industry, 11% of Spanish exports of industrial products.

26. The services sector underwent expansion in all regions albeit to a differing extent. The Canary Islands, Galicia, Madrid, Valencia, Aragon, Catalonia and Andalusia recorded an increase in real terms of more than 27.5% over the period 1973-1981. The lowest rate of growth in tertiary activity was until 1981 to be noted in the Balearic Islands and the Basque country. In Madrid the tertiary sector represents almost 70% of regional production.

## B. PORTUGAL

### Population statistics and labour market

27 In 1983 Portugal had 10.1 million inhabitants. Prior to 1974 the population continued to decline as a result of emigration.

The main areas of emigration were the northern provinces, in particular Tras and Montes, the southern province of Alentejo and the Azores and Madeira. Since then, there has been a change in this trend as a result of the repatriation of approximately 700 000 persons from the former colonies and of a substantial decline in traditional emigration brought on by the economic recession in the host countries.

28. As in Spain, the population is growing in the coastal areas while the interior is becoming depopulated. In 1980 68% of the population lived in three coastal regions which together cover 27% of Portugal's land area and had an average population density of 264 inhabitants per sq. km. In the interior the average population density is only 39 inhabitants per sq. km. A fifth of the Portuguese population lives in the capital. The Azores (2 355 sq. km) and Madeira (795 sq. km) have respectively 250 000 and 257 000 inhabitants.

29. Owing to a high growth rate in GNP expressed in volume terms over the period 1976-1980 (an average of 5.2% per year) the number of those in employment increased over this period at a somewhat faster rate than the growth in the working population. The influx of repatriated persons from the former colonies brought a sharp rise in the working population. Unemployment increased by 4.6% in 1975 to 8.2% in 1981. At the end of 1983, 9.25% of the active population was out of work. Two thirds of the jobless are under 24 and more than two thirds of them are women. Migration from the agricultural interior towards the industrial centres in the coastal areas has resulted in increasing unemployment in the latter regions despite the sharp rise in the number of jobs. The coastal region around Lisbon has experienced the highest rate of unemployment in the country since 1975.

30. The growth in total employment over the period 1977-1982 varies according to the different sectors. Employment in the agricultural sector continued to fall by around 4% per year. Yet employment in the primary sector in 1982 still represented a quarter of total employment. Partly because of the hidden unemployment in the agricultural sector the quasi-stability of the level of unemployment between 1977 and 1983 must be interpreted with caution. The processing industry experienced a slight increase in employment of around 1.5% per year. In the services sector and, in particular, in government departments employment rose by an average of 5.6% per year.

#### Situation and development of regional economies

31. In the seventies per capita GNP rose in terms of volume by 59% as against a 33% rise in the EEC. Per capita GNP expressed in current prices and exchange rates which in 1970 was 28% of the Community average could not be maintained at this level in 1981 as a result of less favourable exchange rates in real terms. Expressed in purchasing power parities the same indicator has risen from 40% to 49%.

32. There are major regional imbalances in Portugal. The large industrial areas are found around Lisbon and Porto. The rest of the country is predominantly agricultural and considerably less prosperous. In 1970, 79% of GNP and 85% of those working in the industrial sector were concentrated in the three densely populated coastal regions. The region of Lisbon alone accounted for 41% of the national product. Per capita GNP here was 160% of the national average, which in turn equalled 45% of the average in the European Community.

33. As a result of the considerably weaker growth in the agricultural sector (1.2% per year) than in the industrial (6.7%) and services (5.3%) sectors Portugal's economic structure underwent profound changes in the sixties and seventies.

Agriculture is the principal economic activity for the major proportion of the land area. 28% of the country's active population is still engaged in this sector and in the northern interior a figure of 66% is even reached, although the economic significance of this remains limited (13% of GNP).

In the north and the centre land ownership is characterized by small fragmented holdings (on average 2 hectares in the coastal regions) that are geared to self-sufficiency farming. In the south the holdings are predominantly large ones with an average size of more than 1 000 hectares.

Before the 1974 revolution much land lay fallow. Over the period 1975-1976 20% of the arable land was expropriated and grouped in cooperative or collective farms. Most of the previous owners who have recovered a large part of their land are again neglecting it and waiting for a favourable opportunity to sell it.

The output of the primary sector is particularly low on account of the poor natural conditions and the very limited use of modern production techniques. In the early eighties only 50% of the imports of agricultural produce were offset by exports. The agricultural deficit alone represented over the period 1980-1982 an average of between 15% and 20% of the total trade deficit.

34. Almost as large a proportion of the active population is engaged in the industrial sector as the Community average yet its share of GNP is greater.

Industry is located primarily in the northern coastal region where 36% of the country's jobs in the processing industry are to be found, in the coastal area around Lisbon (29%) and in the central coastal area (19%).

The nationalized sector was considerably expanded from 1974 onwards. It was estimated that the sector covering non-financial state undertakings in the broad sense of the term, i.e. including all undertakings in which the state holds at least 50% of the capital, represented approx. 16% of GDP, 31.5% of investment, 17% of earnings and 8% of employment. The share of state undertakings in industrial added value stabilized in the early eighties for structural reasons since heavy and intermediate industry predominate (shipbuilding, steel industry, petrochemicals). The financial situation of public-sector industry has deteriorated in recent years. In order to cope with the investment drive of 1975-1977, state undertakings borrowed massively, including abroad, and are currently experiencing the consequences of the depreciation of the escudo.

The textile, clothing and leather industries represent somewhat less than a third of the jobs in the country's processing industry. More than half of these jobs are located in the northern coastal region. This subsector alone accounts for one third of Portuguese exports. The engineering, transport and electrotechnical industries occupy second place with one fifth of the jobs (more than a third of those in Lisbon) and one seventh of exports. The food industry takes third place with one sixth of employment and exports. Together with the wood and cork industry it accounts for between half and three quarters of the jobs in the Azores, Madeira and in most of the regions in the interior and in the south of the Portuguese mainland.

The most rapid growth in direct foreign investment in 1985 was recorded in the food, beverages and tobacco sector (a growth of almost 100% with the advent, among other things, of new dairy undertakings). The number of high-technology firms, a vital sector in which Portugal is lagging behind the rest of Europe, is on the increase. In May 1985 Portugal's first fully automated robotized factory was opened in Ovar. The share of foreign investment in total investment in the electronics sector was 78% in 1984.

The payment of wages in arrears has become standard practice with hundreds of companies. According to estimates by the Ministry of Labour, 122 000 persons most of whom were employed in the textile and steel industries and in ship building and transport, had not received the salary to which they were entitled during the fourth quarter of 1984. In early 1983, approximately 40% of the workers employed in the construction sector (as opposed to 11% in the economy as a whole) were working on short-term contracts. The parallel economy has developed mainly in this sector.

35. As regards tourism, the 1984 record of 9 million visitors will be broken in 1985. The rise in the number of Spanish tourists is striking.

#### IV THE CONSEQUENCES OF ENLARGEMENT FOR REGIONAL POLICY

##### A. SPAIN

36. Spain's regional policy has up to now aimed at encouraging industrialization outside Bilbao, Barcelona and Madrid through a series of incentives including investment subsidies, priority in obtaining publicly subsidized credit and reductions in customs duties and other levies.

Regional investment aid is allocated for industrial projects located in the 'major areas of industrial expansion' or in the 'areas or zones of preferential industrial location'<sup>11</sup>. The amount of aid varies in inverse proportion with the degree of capital intensiveness of the product in question. In other words, more aid is provided where more jobs are created for the same investment. The maximum amount is 30% of eligible investment. A minimum of 300 000 pesetas is granted for each job created. The allocation of aid is not automatic and is subject to a decision by the Spanish cabinet on a proposal from an interministerial committee.

The decision to grant priority in obtaining public finance is generally taken at the same time as that concerning the regional investment subsidy. Priority does not necessarily mean that subsidized loans will be made available. Where this is the case, interest rates vary between 12% and 15% (on market conditions) for a period of up to 9 years. The loan can cover up to 70% of eligible investment and is reduced by the amount of the regional investment subsidy that has been granted.

Reductions in custom duties and other levies of up to 95% may be allowed for imported equipment. They are also granted on a discretionary basis for certain projects. This incentive will be abolished when Spain joins the Community.

As a result of the decrease in the number of major projects the cost of investment subsidies fell from 23 thousand million pesetas in 1980 to 5 thousand million pesetas in 1983. Investment associated with the regional incentive measures and with subsidized public finance dropped from 266 thousand million pesetas in 1980 to 43 thousand million pesetas in 1983.

<sup>12</sup> Spanish regional policy is currently under review. A draft law on the provision of regional aid has been submitted to the Cortes <sup>12</sup> and will probably be adopted in November. Its aim is to adapt the existing complex system of aid provision to Community criteria and to the new situation arising from the transfer of responsibility for regional economic expansion to the regional governments.

The draft law provides for two kinds of regional aid: subsidies and temporary reductions in employers' social security contributions. The management of regional policy and of the various regional aid measures will be centralized at national level as one system under the delegated government committee for economic affairs, although the provision of aid will gradually be administered by the regional governments. A board of management ('Consejo Rector'), made up of representatives of the national specialist ministries concerned, will be set up and will propose to the government the areas eligible for regional assistance (both 'disadvantaged' areas and areas 'experiencing special economic problems'). This list of possible regions must also be approved by the Commission of the European Communities and will presumably be the subject of tough negotiations. The Basque government is seeking designation of its autonomous community as a region in industrial decline. The nature of regional aid measures will also be determined by the 'Consejo Rector' after consideration by working parties in which the autonomous communities may participate.

<sup>11</sup> See map 2.

<sup>12</sup> B.O. de las Cortes Generales, Congreso de los Diputados, Serie A, No. 144-I, 1.4.1985.

38. To prepare accession to the Community, the national government and the regional governments have drawn up regional development programmes that are an essential condition of obtaining ERDF aid. These programmes were drawn up by each of the autonomous communities according to a system laid down in cooperation with the national government. They were submitted in July 1985 to the Commission and will probably be accepted in September by the Community's Regional Policy Committee on which the Member States are represented. Moreover, an initial series of projects for which ERDF aid is requested will be put forward. A favourable opinion is expected from the fund committee so that aid can be granted from the first ERDF instalment in 1986.

39. Some autonomous communities fear encroachment on their autonomy as a result of the transfer of responsibility to the European Communities. A number of them had demanded to be involved in the accession negotiations on matters of interest to them. The national government refused this, although the State Secretariat for relations with the European Communities did convene information meetings about the progress of the accession negotiations with representatives of the relevant administrations of the autonomous communities.

Even now some autonomous communities are seeking to create a flexible relationship with the institutions of the European Community. They are thinking here of representation on the socio-political Community bodies (the European Parliament and the Economic and Social Committee) and participation in the activities of the Coreper working parties and of the management and regulatory committees. Most of the autonomous communities have set up within their administrations a department responsible for coordination of matters connected with the European Communities. In Catalonia the 'Patronat Catala Pro Europa' has also been set up on which, in addition to the Generalitat, the universities, banks, savings banks, chamber of commerce, etc. are represented and the task of which consists in informing Catalan society about, and arousing its interest in, European matters.

40. The third appendix to the Spanish Constitution requires the prior opinion of the autonomous community of the Canary Islands on any modification to the economic and fiscal arrangements of the archipelago which are laid down in Law No. 30/1972. Articles 37 and 45 of the Canary Islands' autonomy statute provide in turn that the autonomous community of the Canary Islands must be informed of, and give its opinion on the negotiation of treaties and agreements settling matters concerning the Canary Islands and that account should be taken of the special arrangements applying to the group of islands in the case of Spain's integration in a supranational community.

The autonomous community of the Canary Islands itself managed only with difficulty to define its position on the conditions of accession. This position was submitted in February 1984 by the Spanish government to the European Community. It provided for a hybrid system whereby the Canary Islands would on the one hand, be incorporated in the European Community but, on the other hand, would retain a special set of economic and fiscal arrangements. The Commission accepted the main points of the Spanish declaration on the Canary Islands, although some Member States criticized the fact that the Canary Islands would not be required to contribute to the Community's own resources although they would benefit from the common regional policy and other forms of Community aid. In Protocol No. 2 relating to the Canary Islands and Ceuta and Melilla which forms part of the instruments of accession, it was finally decided that the common customs tariff, the common agricultural policy and the introduction of VAT would not apply to the Canary Islands. Agricultural produce from the Canary Islands exported to the EEC must observe the reference prices and will be subject to a quota system. This latter arrangement has

given rise to some misgivings in farming circles in the Canary Islands. The regional parliament has adopted a resolution containing an adverse opinion on the terms of accession. According to the accession treaty, the Spanish government may within three years following the end of the transitional period propose an adjustment to the arrangements for the Canary Islands.

## B. PORTUGAL

### Consequences of accession for the Portuguese economy

41. For the agricultural sector accession makes modernization absolutely essential. In the absence of the necessary adjustments there must be fears for the survival of holdings and subsectors showing low productivity. This risk is felt mainly in the region south of Porto. The European Community has made provision for an aid programme worth 700 m ECU for the modernization of agricultural production and marketing of agricultural produce that will be implemented during the ten-year transitional period for the agricultural policy.

In the industrial sector accession will probably lead to far-reaching changes, particularly in the textiles sector.

### Adaptation of Portugal's regional policy<sup>13</sup>

42. The existing instruments of Portuguese regional policy are the ISII (Integrated System for Investment Incentives) and direct investment by the public sector. For 1985, 5.8 million escudos have been set aside for the five operational integrated regional development programmes (IRDP). Most of this amount is intended for the agricultural sector.

A process of administrative decentralization provides for a new framework for public investment in the regions ('Programme of Investment and Expenditure with a view to the Decentralization of the Central Administration' - PIEDCA). Regional directorates have been set up for agriculture and for other regional services of the central government responsible for economic development, technology and assistance for small and medium-sized undertakings. In 1983 there was set up under the Ministry of the Interior a State Secretariat for

Regional Development that shares responsibility for regional policy with the State Secretariat for Planning in the Ministry of Finance. To resolve the differences of opinion between the two State Secretariats on devising appropriate machinery for managing EEC aid, a tripartite committee was set up between the Ministries of the Interior, Finance and Economic Affairs. The considerable delay in submitting ERDF applications arising from this cumbersome bureaucracy is aggravating the difficult economic situation.

43. The initial ERDF applications relate to infrastructure projects that are necessary in the short term in order to establish good East-West communications but do not create jobs. The future of an integrated regional approach in Portugal will among other things depend greatly on coordinated cooperation between the national planning authorities and the integrated initiatives by local authorities that traditionally have a very broad impact on the population allied with the experience of experts from the European Community. The island regions of the Azores and Madeira where the problems are less acute may themselves take action by virtue of their autonomy statute.

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<sup>13</sup>See map 3.



The Beira Interior Project indicates a possible working model. It is a comprehensive labour-intensive project that is adapted to the regions concerned. It provides for the involvement of the local councils, small and medium-sized firms and agriculture and the agricultural processing industry and is concerned with alternative sources of energy (e.g. biomass), which is important for a country that has energy reserves for only one week. An integrated regional policy of this kind above all needs competent specialists and should therefore make provision for the necessary assistance for their training as is already the case with the L.E.B.E.N. - Large European Bioenergy Project in the Abruzzi.

### C. THE EUROPEAN COMMUNITY OF THE TEN

#### Regional consequences of enlargement for the Ten's industry

44. The sectors that are dominant in Spanish industry and that at the same time are capable of expansion are the same ones for which overcapacity already exists in the Community of the Ten. Enlargement will not therefore change the nature of the problems affecting the regions but will more likely result in a reciprocal accentuation of regional and sectoral impacts.

45. In some peripheral regions of the Community the clothing and textile industry accounts for 14% of employment in the processing industry as against 7% for the central regions. These specific regions are: Tbingen, M nster and Oberfranken (FRG), Nord-Pas de Calais and Rhone-Alpes (France), Lombardy, Piedmont, Tuscany, Veneto, Emilio-Romagna, Puglia, Campania, Lazio and Sicily (Italy), West Flanders (Belgium) and the North West, the East Midlands, Yorkshire and Humberside and Northern Ireland (UK). The Spanish and Portuguese textile industries will very probably mean additional competition and, as a result, a possible increase in unemployment in these regions. Spanish and Portuguese exports of textile products were already subject to voluntary restraints which will be continued for four years after enlargement in the form of 'administrative cooperation'.

46. Increased competition from Spanish steel exports will mainly have adverse consequences for the regions where the steel industry is no longer competitive on account of its antiquated production methods. It is to be hoped that overcapacity in the Community will be eliminated before the end of the transitional period during which customs duties will gradually be reduced in order to avoid aggravating the crisis in certain steel producing regions of the Ten.

47. Since 1960 the Community shipbuilding industry has been in decline and is now concentrated in the following coastal regions: Tyne and Wear, Strathclyde and Northern Ireland (UK), Bremen, Hamburg, Kiel and L beck (FRG), Loire Atlantique, Var and Bouches de Rhone (France), Gorizia and Genoa (Italy), Groot Rijnmond and Zuid Holland (Netherlands) and Antwerp (Belgium). In 1982 shipbuilding made up 3% of total Spanish industrial exports. Spanish accession may result in increased pressure of competition on the remaining shipyards in the Community, albeit less than that from Japanese and South Korean yards.

48. On account of the existing imbalance between low customs duties on vehicle imports from Spain to the EEC and the much higher barriers to EEC exports in this field to Spain, enlargement will perhaps have greater repercussions on the Spanish car industry, which occupies sixth place in the world ranking, than vice versa.

49. The regions that will be favourably affected by enlargement are those possessing production factors to be found only on a limited scale in Spain and Portugal and that will find new export opportunities as a result of the opening up of the Spanish and Portuguese markets. This applies to the following regions: Hamburg, Ile de France, Antwerp and Zeeland, Zuid Holland, Dusseldorf, Haute Normandie, Drenthe, Noord Holland, Berlin and Darmstadt. The regions that will probably be most affected by Spanish accession are in particular the Southern French border regions that export traditional products like textiles, leather goods and footwear to Spain and import products from Spain with a higher processing content.

#### Regional consequences of enlargement for the Ten's agriculture

50. As a result of the enlargement of the Community to include Spain and Portugal the agricultural land area in use will increase by 34%, the number of people employed in agriculture by 26% and added value in agriculture by 24%, while the number of consumers will rise by only 18%.

It is estimated that after enlargement total Community production of vegetables will increase by 25%, that of fresh fruit by 48% and of olive oil by 59%. Spanish wine production already equals approximately 24% of the Community total.

51. Spain's output of Mediterranean produce will mean strong competition for the Ten's Mediterranean regions. The French Mediterranean regions where two-thirds of French wine is produced will encounter considerable pressure from Spanish imports. In Italy the Mezzogiorno (and in particular Sicily, Campania and Puglia) where 98.9% of Italian citrus fruit, 87.3% of the olives and 65% of the tomatoes are produced, will chiefly be affected. In Greece where as many people are employed in agriculture as in industry and where typical Mediterranean crops (citrus fruits, olives, tomatoes) also predominate, all regions will be affected by enlargement.

52. The benefits of enlargement are to be expected for regions that can supply produce which is in demand in Spain: cereals, milk, beef, pork and veal. The favourable consequences of an increase in the size of the market for these products will be experienced in particular in the Paris basin, East Anglia and Schleswig-Holstein.

#### Consequences for Community regional policy

53. Back in March 1982 agreement was reached during the accession negotiations between the Spanish and Community delegations on the chapter concerning regional policy. A protocol concerning regional development in Spain was included in the instruments of accession. In addition, the instruments of accession include a protocol and a common declaration concerning the Canary Islands and Ceuta and Melilla and a common declaration on the economic and social development of the autonomous areas of the Azores and Madeira. The EEC declaration on aid for Spain and Portugal from the ERDF held out the prospect of adaptation of Regulation No. 1787/84 on the European Regional Development Fund.

54. As a consequence of enlargement the provisions of this regulation laying down the upper and lower limits of the share that each Member State may receive from ERDF funds will have to be modified.

The method employed by the Commission for determining the margins applicable to Spain and Portugal is analogous to that followed for determining the margins of the Ten. It is based on the population figures of the problem areas of each Member State and on the gross domestic product per inhabitant of these areas.

The areas of Spain and Portugal designated for application of this method were selected on the basis of their relative position (GNP per inhabitant) with regard to the national average and the extent to which they receive aid from the various national instruments of regional policy.

These regions are:

- for Spain: Andalusia, the Canary Islands, the two Castiles, Extremadura and Galicia;
- for Portugal: the whole territory with the exception of the city of Lisbon.

On the basis of the findings of the comparison of the situation in these regions with regions in other Member States eligible for ERDF aid, the Commission proposes in its proposal for a regulation amending the ERDF Regulation a lower limit of 17.95% and an upper limit of 23.93% for Spain and a lower limit of 10.65% and an upper limit of 14.20% for Portugal. To avoid unequal periods of validity for these margins, the Commission proposes, in derogation from the provision that the margins apply for three years, that the upper and lower limits fixed for Spain and Portugal shall apply for a period of two years (1986-1987).

54. As a result of the inclusion of the new Member States the ranges of figures applicable to the other Member States must be adapted. In the Commission proposal this takes the form of an across-the-board reduction in the ranges for 1985. On the basis of the Commission's proposals for the 1986 budget these new margins do not involve any reduction in absolute terms in the ERDF funds upon which the Ten can draw by comparison with 1985. To take account of enlargement the Commission proposes an increase of 45% in real terms in the ERDF appropriations for 1986.

It can be expected that certain Member States will have objections to the proposed adjustment of the ranges of figures and to the proposed increase in ERDF appropriations in the 1986 preliminary draft budget.

55. The Commission proposal also provides in the case of Portugal for a derogation from the rule that ERDF aid must not generally speaking exceed 50% and, in exceptional cases, 55% of national spending on a given project or programme. As Portugal can devote only a small share of its budgetary resources to investment and thus has a limited capacity for financing the necessary development measures, the Commission has made provision for ERDF aid up to 70% for that country for a transitional period of five years.

## V. CONCLUSION

56. The Community of the Twelve will be more varied than the existing Community with a doubling of the population in the least developed regions, a considerable increase in sparsely populated mountainous areas, an increase in the number of regions with inadequate agricultural structures or with industry facing problems of restructuring and modernization and a substantial rise in the number of densely populated regions with high unemployment and an underutilized labour market. The regions where GNP per inhabitant does still

not represent 60% of the average of the Community of the Twelve will contain approximately 60 million inhabitants, i.e. almost 20% of the population of the enlarged Community. These regions are all on the periphery of the Community and generally speaking belong to the Mediterranean region.

57. Community regional policy must offer a framework for drawing up and financing integrated development programmes for these regions so that their implementation is sufficiently attractive to stimulate both national and foreign private investment. The most important precondition for a turnaround in the development of these backward regions is, however, for their populations to regain faith in the future potential of their regions through greater involvement at all levels of government in the policy affecting them.

STATISTICS

Table 1

SPAIN: Population indicators

Regions in order of declining population density	Number of inhabitants in thousands 1980	Density inhabitants per km <sup>2</sup>	Total change in population 1980/60 as a percentage		Net migration 1980/60 as a percentage	
			Average growth or decrease per year	Growth or decrease during the entire period	Average growth or decrease per year	Increase during the entire period <sup>(1)</sup>
Madrid	4 887	586	3,4	95	1,8	37,0
Pais Vasco	2 142	295	2,3	58	1,0	22,0
Canarias	1 368	189	1,8	42	0,3	7,0
Cataluna	5 956	186	2,1	53	1,2	26,0
Pais Valenciano	6 647	156	1,5	36	1,0	22,0
Baleares	656	131	2,0	49	1,4	33,0
Asturias	1 130	107	0,7	14	0,1	3,0
Cantabria	513	97	0,9	19	-0,2	-3,0
Galacia	2 812	95	0,1	3	-0,5	-10,0
Murcia	956	84	0,9	19	-0,6	-12,0
Andalucia	6 441	74	0,4	8	-1,2	-22,0
Rioja	254	50	0,5	10	-0,5	-10,0
Navarra	509	49	1,1	25	0,2	5,0
Castilla-Leon	2 563	27	-0,6	-11	-1,6	-27,0
Aragon	1 165	25	0,4	9	-0,9	-17,0
Extremadura	1 065	25	-1,4	-24	-2,4	-39,0
Castilla-La Mancha	1 649	21	-2,2	-36	-1,4	-24,0
SPAIN	37 682	75	1,0	23	-0,1	-1,8

<sup>1</sup> Net migration 1980/1960/population 1960

Source: I.N.E.

Table 2

SPAIN - RELATIVE LEVELS OF GNP PER HEAD OF POPULATION  
1960 - 1979  
(national average = 100)

	1960	1969	1979
Pais Vasco	168	145	113
Cataluna	146	137	127
Cantabria	136	119	101
Madrid	138	131	132
Pais Valenciano	119	98	102
Asturias	118	109	99
Navarra	117	122	108
Rioja	115	108	110
Baleares	112	139	127
Aragon	107	108	106
Castilla-Leon	80	87	88
Canarias	77	84	89
Murcia	77	81	85
Andalucia	71	68	73
Galicia	69	72	79
Castilla-La Mancha	67	72	78
Extremadura	62	56	62
SPAIN	100	100	100

Source: Banco de Bilbao

Table 3: Index summarizing the relative intensity of regional problems in the enlarged Community

(EUROPE 12 = 100)

Andalusia (E)	44.8	Humberide (GB)	86.4
Extremadura (E)	49.0	Liège Prov. (B)	86.9
Canaria (E)	56.7	Languedoc-Roussillon (F)	88.2
Castilla (I)	57.9	Calisia (E)	88.2
Northern Ireland (GB)	61.2	Castilla (E)	88.6
Ireland	63.5	South Yorkshire (GB)	89.6
Sardegna (I)	64.5	Bot. Cen. Fd. Lot. Tay (GB)	90.4
Merseyside (GB)	66.2	West Yorkshire (GB)	90.9
Campania (I)	67.5	Lancashire (GB)	91.2
Basilicata (I)	68.2	Greater Manchester (GB)	91.4
Portugal	68.2	Curabrie (GB)	93.2
Castilla-La Mancha (E)	70.6	Lincoln Sh. (GB)	93.3
Sicilia (I)	71.1	Stafford Sh. (GB)	93.7
Dum & Gal, Strathclyde (GB)	73.6	Balears (E)	94.2
Murcia (E)	74.1	Poitou-Charentes (F)	94.4
Northumb., Tyne & Wear (GB)	74.5	Bretagne (F)	94.4
Pais Vasco (E)	77.6	Nord-Pas-De-Calais (F)	94.6
Cleveland, Durham (GB)	77.9	Heref. & Wore., Wars Sh. (GB)	95.2
Puglia (I)	78.8	Basse-Normandie (F)	95.5
Valencia (E)	79.9	Midi Pyrénées (F)	95.5
Abruzzo (I)	80.2	Prov. Alp.-C. D'Azur + Corse (F)	95.8
Molise (I)	81.5	Namur prov. (B)	95.9
Asturias (E)	81.6	Avon, Glou sh. Wilt sh. (GB)	96.0
Hautaut (B)	81.7	Aquitaine (F)	96.4
Nosarre (E)	82.0	Derby sh., Nottingham sh. (GB)	96.8
Limburg (B)	82.4	On for Storebaelt (*) (D)	96.8
Castilla León (E)	82.5	Leice sh., Northamp sh. (GB)	97.1
Lazio (I)	82.7	Marche (I)	97.2
Maidland (E)	82.8	Oost-Vlaanderen (B)	97.3
Great. M. S., W. Glamorg (GB)	82.9	Vest for Storebaelt (*) (D)	97.3
Cornwall, Devon (GB)	83.5	Dorset-Somerset (D)	98.0
Limburg (H)	83.6	Kent (GB)	98.3
West Mid. County (GB)	84.6	East Anglia (GB)	98.5
Castilla (E)	84.7	Rioja (E)	98.9
Clwy, Dyfe, Gwyn, Powy (GB)	85.7	Noor-Brabant (H)	98.9
Aragón (E)	85.9	Cheshire (GB)	99.0
Umbria (I)	86.1	Auvergne (F)	99.3
Toscana (I)	99.8	Rhone-Alpes (F)	114.4
Finland (H)	100.1	Lombardie (F)	114.5
Limousin (F)	100.2	Oberfranken (A)	114.8
Liguria (I)	100.2	Zetland (H)	115.2
Vencio (I)	101.2	Aarwerpen prov. (B)	115.4
Pays de la Loire (F)	101.3	Unterfranken (A)	115.7
Essex (GB)	101.6	Hovedstadsregionen (*) (D)	116.0
Grampian, Highl., Islan. (GB)	101.8	Amurberg (A)	116.4
Picardie (F)	101.8	Braunschweig (A)	116.7
North Yorkshire (GB)	101.9	Kanel (*) (A)	117.5
Friuli-Venezia-Giulia (I)	102.1	Schleswig-Holstein (A)	117.8
Luxembourg (B)	102.9	Muenster (A)	117.8
Hampshire, Isle of Wight (GB)	103.6	Zuid-Holland (H)	117.9
Piemonte (I)	104.0	Koblenz (A)	119.0
West Vlaanderen (B)	104.3	Noor-Holland (H)	119.9
E. Sus., Surrey, W. Sus. (GB)	104.6	Alsace (F)	120.2
Grecia	104.8	Utrecht (H)	120.5
Gelderland (H)	104.9	Valle D'Aosta (I)	121.0
Overijssel (H)	104.9	Hannover (A)	121.7
Emilia-Romagna (I)	105.3	Mittelfranken (A)	122.3
Lorraine (F)	105.9	Koeln (A)	122.3
Drenthe (H)	106.1	Schwaben (A)	122.4
Bourgogne (F)	106.9	Dreuzold (A)	123.3
Bed. sh., Buck sh., Here sh. (GB)	107.7	Freiburg (A)	123.7
Berk sh., Oxford sh. (GB)	107.7	Duesseldorf (A)	125.8
Haute-Normandie (F)	107.8	De de France (F)	126.2
Trentino-Alto Adige (I)	107.8	Tuebingen (A)	126.8
Champagne-Ardennes (F)	108.7	Rheinbessen-Pfalz (A)	127.3
Niederbayern (A)	109.2	Luxembourg (GD)	128.5
Oberpfalz (A)	109.4	Bremen (A)	128.9
Saarland (A)	110.0	Berlin (West) (A)	129.0
Greater London (GB)	110.2	Karlsruhe (A)	131.3
Brabant (B)	110.2	Oberbayern (A)	134.1
Centre (F)	110.4	Stuttgart (A)	135.0
Lueneburg (A)	110.9	Darmstadt (*) (A)	139.7
Weser-Ems (A)	113.1	Hamburg (A)	150.2
Franche-Comté (F)	113.8	Groningen (A)	153.2
Trier (A)	113.8		

'Community regional aid and its repercussions in the Autonomous Spanish Communities'. Pilar Gonzalez Casimiro and Roberto Velasco Barroetaña. SITUACION 1985/1. Banco de Bilbao

MOTION FOR A RESOLUTION

DOCUMENT B 2-207/85

tabled by Mr O'DONNELL and Mr SAKELLARIOU

pursuant to Rule 47 of the Rules of Procedure

on the European Community's Regional Policy  
and the consequences of enlargement

The European Parliament,

- A. having regard to the forthcoming accession to the European Community of Spain and Portugal,
- B. whereas the enlargement of the Community to include these new Member States will have an important impact on the allocation of the resources of the European Regional Development Fund,

Calls on its competent committee to examine the regional problems of Spain and Portugal and to draw up a report on the possible consequences of accession for the Community's regional policy.

1. The first part of the document is a list of names and addresses, including "Mr. J. H. Smith, 123 Main St., New York, N. Y." and "Mrs. A. B. Jones, 456 Elm St., Boston, Mass." This list appears to be a directory or a list of correspondents.