

GREEN EUROPE

NEWSLETTER ON THE COMMON AGRICULTURAL POLICY

THE ENLARGMENT OF THE COMMUNITY

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178

IX — B - The enlargement of the Community

261. In 1973 the six original Member States of the European Economic Community (Belgium, France, Germany, Italy, Luxembourg and the Netherlands) were joined by Denmark, Ireland and the United Kingdom. Now the number of Member States is expected to rise from nine to twelve within the space of a few years. On 1 January 1981 Greece ⁽¹⁾ will become the tenth Member State and accession negotiations are now in progress with Portugal ⁽²⁾ and Spain. ⁽³⁾

262. This further enlargement of the Community to include three new countries is chiefly dictated by political considerations consistent with the aims of the Treaty of Rome, in which the founder Member States declared their resolve to preserve and strengthen peace and liberty and called upon the other peoples of Europe sharing their ideal to join in their efforts. The Governments of Greece, Portugal and Spain, by submitting their applications for membership at a time when democracy had newly been restored after a long period of dictatorship, showed the concern of these three countries to consolidate their democratic institutions.

263. The recent membership applications, constituting as they do an act of faith in the construction of Europe, nevertheless pose quite a number of adjustment problems, particularly in the economic sphere : this southward enlargement, which will give the Community the longest coastline on the Mediterranean, will bring in countries which have not yet reached the same stage of economic development as the rest of the European Community.

264. In the agricultural sector in particular, the enlargement of the Community will entail far-reaching changes, given the physical and economic dimensions of the sector, and will pose serious problems where the adjustment of the common agricultural policy to the new realities is concerned.

(¹) The accession negotiations with Greece, which began officially on 27 July 1976, were concluded on 28 May 1979 when the Act of Accession of the Hellenic Republic to the European Economic Community was signed in Athens (for text, see Official Journal L 291 of 19 November 1979).

(²) The Portuguese Government having submitted its application for membership on 28 March 1977, the current accession negotiations were formally opened on 17 October 1978. (See text of Commission Opinion on Portuguese application for membership, Supplement 5/78 to Bulletin of the European Communities.)

(³) The Spanish Government having submitted its application for membership on 28 July 1977, the current accession negotiations were formally opened on 5 February 1979. (See text of Commission Opinion on Spanish application for membership, Supplement 9/78 to Bulletin of the European Communities.)

I — The new features of Community agriculture after enlargement

265. As things stand, i.e. ignoring the effects of the integration process itself, the change from the Community of the Nine to the Community of the Twelve should mean increases of approximately 57% in the farming population, 44% in the utilized agricultural area, 57% in the number of agricultural holdings and 17% in agricultural GDP.

266. Agricultural production's contribution to the gross domestic product fell considerably in the seventies, but its contribution is substantially larger in the three new countries (9% in Spain, 15% in Portugal and almost 19% in Greece) than in the present Community (4%). The difference is equally significant in terms of employment: whereas the agricultural sector has some 8% of the working population in the present Community, it provides 20% of all jobs in Spain, 28% in Greece and 32% in Portugal.

267. These figures indicate differences of degree in the respective situations in the three new countries. They have one thing in common, however: natural conditions which make farming difficult, in terms of both weather (precipitation is low or unevenly distributed throughout the year) and relief (mountainous areas predominate), with inevitable consequences for agricultural structures.

268. A comparison with the situation in the Community shows that enlargement will amplify the Community's structural problems and will mean greater diversity. Thus, accession of the three new countries will increase the proportion of small farms. The latter predominate in Greece and account for almost the entire agricultural area; Spain and Portugal are countries where, largely as a heritage from the past, large farms using extensive methods contrast with tiny and often highly fragmented holdings.

269. To this must be added the lack of agricultural machinery, the ageing of the farming population and inadequate training, all of which affect production techniques and, therefore, productivity.

270. Farm structures in the three countries fall well below Community standards and have retarded the development of their agriculture until now. To some

extent, the same structural problems affect certain of the least-favoured regions in the present Community.

271. In some sectors, the products of the three new countries are complementary to those of the Nine; in other sectors, however, enlargement will mean a worsening of the situation.

272. Production in the three countries concerned, where crop production predominates over stockfarming (in Greece and Portugal even more so than in Spain), contrasts strongly with production in most Member States of the present Community (where the accent is on stockfarming). The production structure of the three new countries does seem to be gradually changing, however, in that stockfarming has risen slightly in Spain and Portugal (although in Greece the trend has been downward), in response to increases in domestic demand of varying degree and, in some cases, considerable changes in eating habits (greater consumption of beef and veal, pigmeat, poultrymeat, milk and milk products other than butter).

273. Mediterranean products (especially fruit, vegetables, wine and olive oil) still represent a high proportion of crop production in the three applicant countries. This proportion could increase even further in the Community of the Twelve, if production expands as a result of the application of Community guarantees and prices.

274. Mediterranean products are also important in Italy and France, although Italy is the only Member State of the present Community with a production structure where the proportion of such products is as high as in the three new countries. Enlargement will therefore mean serious competition for much of Italy and several regions of France, since wage levels (and consequently production costs) in the three new countries unquestionably confer an advantage on the latter. The full significance of this situation becomes clear if one bears in mind that the supply of certain fruit and vegetables, olive oil and other products is certain to exceed demand in the enlarged Community and that surpluses must be expected unless appropriate measures are taken in good time.

275. Generally speaking, agricultural production in the three new countries has tended to be more for the domestic market than for export, although it has failed

to keep pace with the growth in demand resulting from developments in the economy as a whole. This is now placing a heavy strain on the trade balance of these countries.

276. On the other hand, trade patterns within the enlarged Community will be significantly affected by the amalgamation of the new countries' agriculture with that of the Community, particularly because the former is not only complementary to but also competitive with the latter.

277. Agriculture is indeed increasingly having an adverse effect on the trade balance of the three new countries. Spain and Portugal have seen their agricultural trade balance deteriorate from a position close to equilibrium. Only Greece still has a positive balance.

278. The three countries' main agricultural imports consist of fodder grains (maize in particular), vegetable proteins, sugar and tobacco, on the plant production side, and meat and milk products, on the animal production side.

279. At least some of these are products which are already in short supply in the present Community (fodder grains and vegetable proteins) and, consequently, would be in even shorter supply after enlargement, with the Community still more dependent on imports from non-member countries.

280. Certain other imports (milk products and meat) are products of which the Community has a surplus at the moment; these surpluses could be slightly reduced as the mechanisms of Community preference come into operation.

281. Agricultural exports from the three countries consist mainly of Mediterranean crops (for which the Community already provides the chief outlet) : fruit and vegetables (particularly citrus fruit), wine and olive oil from Spain; wine and preserved fruit and vegetables (particularly tomato concentrates) from Portugal; fresh and processed fruit and vegetables, tobacco, wine, raisins and olive oil from Greece.

282. Where such Mediterranean products are concerned, enlargement, through the operation of Community preference, might have the effect of redirecting towards the rest of the Community those exports which are currently going to non-

member countries. It would be then, of course, that the consequences of enlargement would become most serious for the Community's Mediterranean partners.

II — The common agricultural policy (CAP) and the problems presented by enlargement

283. In the enlarged Community the CAP will be faced (and is in fact already faced) with a number of challenges which must be overcome if the three new countries are to be harmoniously integrated :

- the increase in the farming population and the drop in average 'wealth' per head of population, which means wider differences in incomes between the Member States ;
- the higher proportion of farms with structural problems ;
- the greater volume of production and keener intra-Community competition ;
- the new rates of self supply and the consequences for Community trade.

Intensification of structural problems

284. Enlargement will mean a disproportionate increase in the problems associated with deficient farm structures and differing farmers' incomes. Even greater efforts will be necessary to reduce the differences in farm productivity once the Community has been enlarged. Structural measures designed to achieve this must be specially suited to the needs of those sectors and regions which are already the least developed and which will be most affected by the repercussions of enlargement.

Importance of market management and competition in Mediterranean products

285. There is no doubt that these three countries have the potential for greater production, either through technical improvements (irrigation) or through a better return on investments once the CAP mechanisms (price levels and guarantees) have come into operation.

286. Such a development will most affect Mediterranean products, bringing with it the risk of further imbalances on the markets for products of which the enlarged

Community already has a surplus or near surplus, even if only at certain times of the year. This market disequilibrium and the consequent sharpening of competition between producer regions will inevitably lead to wider regional disparities.

Problems affecting policy on external trade in agricultural products

287. After enlargement the Community will have a larger trade deficit in certain agricultural products *vis-à-vis* non-member countries, on which it will then be all the more dependent for supplies. On the other hand, the enlarged Community will have surpluses of products such as olive oil and certain fruits and vegetables. This means that the non-member countries (particularly those in the Mediterranean area) which are currently supplying these products will have serious difficulty in gaining access to the enlarged Community market. Thus, the Community's new involvement with the Mediterranean poses a delicate problem as regards its relations with countries which also enjoy preferential terms of trade.

III — The guiding principles for the negotiations

288. With a view to the accession of the new countries, the Commission has outlined to the Council the principles which should be followed in the negotiations with Spain and Portugal, as it had done earlier for the negotiations with Greece. One fundamental rule, implicit in the word 'accession' itself, is that the new countries must accept the Treaties and the secondary legislation derived therefrom. Thus, any adjustment problems facing the Community or the new countries will have to be solved by means of temporary measures rather than by changes in the existing Community rules, except in special cases which cannot be handled otherwise (e.g. the treatment of cotton in the Greek accession negotiations).

289. Together with its recommendations concerning the negotiations, but in a different context, the Commission has drawn attention to the need for certain adjustments to the Community rules in the three most sensitive sectors (vegetable oils and fats, fruit and vegetables, wine). The Commission's approach is based on the following considerations :

— the formation of structural surpluses must be prevented ;

- the conflicts threatening to erupt as a result of heightened competition should be kept to a minimum;
- no intolerable financial burdens should be placed on the Community budget;
- the guarantees provided by the common market organizations should be adjusted to provide a better balance between the incomes of the different producers within the Community.

In particular, better management of the markets in the products concerned will be needed to ease the Community's difficulties over trade with the non-member Mediterranean countries, relations with whom must be maintained and even improved in the context of the enlarged Community.

290. Where vegetable oils and fats are concerned, the Commission is anxious to ensure that the consumption of olive oil is stabilized in relation to the consumption of competing oils. In the enlarged Community there is a danger that olive-oil consumption may drop if consumers prefer the cheaper seed oils which will become available once the new countries have dismantled the import controls applicable to such oils. The Commission therefore intends to base its measures on a price relationship between olive oil and other vegetable oils which would be favourable to olive oil.

291. In the fruit and vegetables sector, the Commission hopes to ensure that the common organization of the markets will operate in an orderly manner, where both producers and consumers are concerned, and that producers will obtain a fair income by a range of measures including :

- improved standardization ;
- widening the role of producer groups and strengthening their means of action ;
- improvement of the intervention system ;
- certain controls on the production of processed fruit and vegetables.

Such measures to improve market management should be accompanied by better mechanisms for the operation of the reference-price system for imported products. They should be given support by means of improvements in production structures, especially in those regions of the Community where the need is greatest. This end would be served by measures such as aid for the restructuring and conversion of citrus orchards or marketing premiums.

292. In the wine sector, the situation is not so serious as in the other two sectors, one of the main reasons being that Spanish policy on wine is fairly strict and rigorous. It seems necessary, however, that Spain should not align itself on the

Community system where the latter's arrangements are less rigorous; on the contrary, the Community must continue with its efforts to restrict wine-growing potential through rules on plantings and irrigation and to widen the scope for preventive intervention on the market. In the context of the enlarged Community, a balanced market in wine would also warrant the adoption of measures directly affecting consumption (in the field of excise duties, for example).

General data

Population (1977)	EUR 9	EUR 12	Greece	Portugal	Spain
Total population (millions)	259.2	314.2	9.3	9.2	36.6
Civilian employment (millions)	101.7	121.1	3.2	3.8	12.4
Civilian employment as % of total population	39%	39%	41%	34%	34%
Workforce in farming and fisheries (millions)	8.3	13.0	0.9	1.2	2.6
Workforce in farming and fisheries as % of total civilian employment	8%	11%	28%	32%	20%
Area (1977)	EUR 9	EUR 12	Greece	Portugal	Spain
Total area (millions of ha)	152.6	225.4	13.2	9.2	50.5
Utilized agricultural area (millions of ha)	93.6	134.5	9.2 ⁽¹⁾	4.1	27.6 ⁽¹⁾
Utilized agricultural area as % of total area	60%	60%	69%	45%	55%
Agriculture's share in gross domestic product (at current prices) (1975)	4.2%		18.7%	14.8%	9.2%
Value of final agricultural production (excluding forestry) at current prices (1977) (millions of EUA)	91 159	106 652	3 556	1 541	10 396
Inhabitants per km ² (1977)	170	139	70	100	73
Total number of farm holdings ('000)	5 834	10 170	956	809	2 571

Sources : Eurostat and national statistics.

⁽¹⁾ For Spain, low-grade grazing land is excluded; for Greece it is included.

Final agricultural production

(%)

	EUR 9	EUR 12	Greece	Portugal	Spain
Percentage breakdown by product sector (excluding forestry) of final agricultural production	(1977)		(1976)	(1976) ⁽¹⁾	(1977)
Meat	35.7	34	18.0	26.0	24.6
Vegetables, including potatoes	10.0	11	12.3	11.5	18.0
Fruit, including citrus	4.4	5	4.4	10.3	9.9
Cereals, including rice	11.3	11	13.5	10.4	9.6
Milk	19.6	18	8.2	8.9	8.6
Eggs	3.9	4	2.7	2.7	4.0
Wine	4.6	5	2.3	10.1 ⁽²⁾	4.0
Olive oil	1.0	1	7.6	3.6	3.2 ⁽³⁾
Others	9.5	11	31.0	16.6	18.1
Total	100	100	100	100	100

Sources : Eurostat, OECD and national statistics.

⁽¹⁾ Mainland Portugal only.⁽²⁾ Including potable spirits.⁽³⁾ All vegetable oils.

Production of certain agricultural products

»1976«

(1 000 tonnes)

	EUR 9	EUR 12	Greece	Portugal	Spain
Cereals (total)	98 367	118 059	3 672	1 383	14 637
Sugar (raw equivalent)	11 351	12 767	329	12	1 075
Olive oil	540	1 291	264	47	440
Wine (for consumption as such) ⁽¹⁾	140 693	179 561	4 460	8 204	26 204
Citrus fruit	2 955	6 741	788	153	2 845
Fresh grapes	23 498	29 405	1 558	32	4 317
Apples	8 669	10 002	264	130	939
Peaches	2 204	2 734	333	58	319
Tomatoes	4 637	9 102	1 370	787	1 308
Potatoes	33 549	41 154	935	1 044	5 626
Pigmeat	7 943	8 793	106	82	662
Beef and veal	6 513	7 149	118	84	434
Poultrymeat	3 180	4 080	88	116	687
Eggs	3 750	4 510	103	47	610
Cow's milk (whole, fresh)	99 726	106 172	729	534	5 183

Sources : worked out from Eurostat, FAO and national statistics.

⁽¹⁾ In '000 hl.

Rates of self supply
»1976«

(%)

	EUR 9	EUR 12	Greece	Portugal	Spain
Cereals	87	86	91	42	87
Sugar	113	109	120	4	94
Olive oil	88	109	107	104	146
Wine	98	99	126	131	94
Citrus fruit	51	89	156	100	235
Fresh grapes	100	100	103	100	103
Apples	99	99	104	100	103
Peaches	101	105 ⁽¹⁾	141	:	105
Tomatoes	94	99	100	100	110
Potatoes	99	100	107	94	102
Pigmeat	99	98	99	92	94
Beef and veal	101	99	63	70	89
Poultrymeat	102	102	100	100	99
Eggs	101	101	101	100	103
Cows' milk (whole, fresh)	100	100	100	99	99

Sources : worked out from Eurostat, FAO and national statistics.

⁽¹⁾ EUR 11.

Per capita consumption of certain agricultural products

	Consumption in kg / head / year				
	EUR 9	Highest and lowest national consumption figures in EUR 9	Greece	Portugal	Spain
Wheat	74	120 - 41	:	:	75
Potatoes	75	118 - 36	52	93	116
Sugar	37	48 - 28	22	26	31
Fresh fruit (excluding citrus)	59 ⁽¹⁾	85 - 28 ⁽¹⁾	120	70	99
Fresh citrus fruit	24	46 - 11	21	:	24
Fresh vegetables (excluding tomatoes)	77	118 - 37	176 ⁽⁵⁾	122	89
Fresh tomatoes	20	35 - 9	:	:	32
Wine (in litres <i>per capita</i> per year)	50	103 - 2	40	97	61
Fresh milk products (excluding cream)	102	213 - 75	94	52	96
Butter	6 ⁽²⁾	11 - 2 ⁽²⁾	1	1	0.5
Eggs	14	17 - 11	:	4	17
Total meat	77 ⁽³⁾	92 - 64 ⁽³⁾	59	38 ⁽³⁾	54
Total oils and fats	19 ⁽⁴⁾	25 - 9 ⁽⁴⁾	:	26 ⁽⁴⁾	24
Of which olive oil	2.6 *	11.5 - 0	15	5.2	8.4

Sources : Eurostat and national statistics.

EUR 9 : 1976
Greece : diverse
Portugal : 1976
Spain : 1976

- (¹) Including preserved fruit and fruit juice.
(²) '1975'.
(³) Excluding offal.
(⁴) Excluding butter.
(⁵) Including tomatoes.

External trade			(million EUA)		
			1977	1978	1979
Greece	Exports to EUR 9	All products	1 151	1 721	2 200
		Of which agricultural products ⁽¹⁾	407	405	433
		Agricultural products as % of all products	26.9%	23.5%	19.7%
	Imports from EUR 9	All products	2 884	3 139	4 077
		Of which agricultural products ⁽¹⁾	117	147	217
		Agricultural products as % of all products	4.1%	4.7%	5.3%
Balance	All products	- 1 373	- 1 418	- 1 877	
	Agricultural products	+ 290	+ 258	+ 216	
Portugal	Exports to EUR 9	All products	996	1 166	1 611
		Of which agricultural products ⁽¹⁾	154	171	205
		Agricultural products as % of all products	15.4%	14.6%	12.7%
	Imports from EUR 9	All products	1 949	1 922	2 230
		Of which agricultural products ⁽¹⁾	80	64	93
		Agricultural products as % of all products	4.1%	3.3%	6.2%
Balance	All products	- 953	- 756	- 619	
	Agricultural products	+ 74	+ 107	+ 112	
Spain	Exports to EUR 9	All products	4 920	5 559	6 805
		Of which agricultural products ⁽¹⁾	1 385	1 419	1 598
		Agricultural products as % of all products	28.2%	25.5%	22.9%
	Imports from EUR 9	All products	5 700	5 249	6 861
		Of which agricultural products ⁽¹⁾	212	240	379
		Agricultural products as % of all products	3.7%	4.6%	5.5%
Balance	All products	- 780	+ 310	- 53	
	Agricultural products	+ 1 173	+ 1 179	+ 1 179	

Source : Eurostat.

⁽¹⁾ Agricultural products : those covered by Annex II to the Treaty of Rome.

**Imports into EUR 9 of main agricultural products
from Greece, Portugal and Spain**

*(V : 1 000 EUA)
(Q : tonnes)*

Citrus

Year	Extra EUR 9 of which :		Greece		Portugal		Spain	
	Q	V	Q	V	Q	V	Q	V
1977	3 101 896	868 713	47 579	11 400	309	111	1 469 090	395 256
1978	3 142 490	921 399	41 970	11 646	355	125	1 465 151	433 816
1979	3 178 299	1 016 510	7 012	2 268	457	177	1 556 272	487 413

Wine

Year	Extra EUR 9 of which :		Greece		Portugal		Spain	
	Q	V	Q	V	Q	V	Q	V
1977	497 744	343 782	46 969	13 524	67 345	79 694	184 522	155 528
1978	526 803	412 746	33 286	10 320	75 642	95 240	202 780	196 326
1979	551 773	486 776	33 940	13 074	88 856	118 975	214 104	230 638

Olive oil

Year	Extra EUR 9 of which :		Greece		Portugal		Spain	
	Q	V	Q	V	Q	V	Q	V
1977	140 558	150 075	4 037	3 820	75	124	36 338	43 026
1978	102 417	105 244	28 747	29 526	46	91	18 678	21 737
1979	151 659	170 412	43 751	48 938	91	180	23 947	33 478

Source : Eurostat.