

Glahn, Hans-Otto

Article — Digitized Version

New EEC-initiatives in Spain

Intereconomics

Suggested Citation: Glahn, Hans-Otto (1966) : New EEC-initiatives in Spain, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 01, Iss. 12, pp. 24-27, <https://doi.org/10.1007/BF02922789>

This Version is available at:

<https://hdl.handle.net/10419/137670>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

America. They should also contain the necessary incentives and safeguards for domestic private enterprise and the bases for what might be termed a "multilateral statute for foreign investment."

9. Bases should be specified for the financial and monetary policies of the Community countries and the mechanisms for their coordination on a regional scale should be established.

This implies a multilateral commitment to maintain sound fiscal and monetary policies consistent with balanced development of the member countries and an inter-regional payments scheme. The development of a regional central banking system should be considered as a final goal.

10. The treaty should maintain a system of legal coordination, including the obligation not only to adopt community law but also to harmonise the respective national legislations in fields directly relating to activities covered by the common market.

11. It will be necessary to specify as an objective of the common market the harmonisation of social policies aimed at achieving full employment and protecting social rights. Special consideration should be given to the promotion of agrarian, tax and administrative reforms, which, in the light of the Charter of Punta del Este, already represent commitments to modernise our present structures.

The Economic and Social Council, serving as a forum for governments, management and labour organisations, will have an important advisory role in the implementation of these multilateral policies for social reform.

12. The necessary means and mechanisms should be provided for establishing simultaneously "a common market of Latin American science and technology." This assumes a commitment for multilateral coordination in the utilisation of domestic and foreign resources allocated to these fields; in the assimilation and dissemination of scientific and technological knowledge; in the coordination of higher education through the mutual recognition of curricula and degrees, and in the specialisation at a regional level of higher centers of research and professional training. The Cultural and Technological Council would perform an important function in an advisory capacity in all of these areas.

For this reason the Treaty of Montevideo ought to be modified or new agreements have to be found. This new form of cooperation will make far-reaching political decisions necessary. But the Latin American nations have already taken similar steps in other sectors, and it would be paradox, should they refuse to take this step, which is so decisive for the accelerated economic development, in their own region.

New EEC-Initiatives in Spain

By Hans-Otto Glahn, Madrid

Almost five years ago the Spanish Council of Ministers decided to inquire in Brussels whether there were any chances for Spain's membership or association with the European Common Market. All the same the negotiations on future relations between Spain and the EEC did hardly succeed at all, properly speaking they have got stuck in the initial stage of occasional discussions hardly to be considered as negotiations.

In Spain itself the situation has changed very much indeed. In the Spanish economy a pronounced boom can be registered and also in the political sphere changes have occurred. Although General Franco's régime has remained in power, there are endeavours to change the country's political structure from a totalitarian régime to a form of government more resembling that prevailing in other European countries which are members of the EEC.

Even today there are still many forces in Spain that in the long run do not at all welcome an integration with the EEC—which long term would not only be economic but also political integration—and are dreaming of the formation of a Spanish-Latin American economic community. But the group advocating EEC membership is predominating. The recently inspired re-

sumption of negotiations and the appointment of the former Minister of Commerce Ullastres to the post of ambassador plenipotentiary to the EEC—made on the occasion of the last regrouping of the Council of Ministers—is proving that the Government has recognised Spain's approach to the EEC as being particularly urgent for the country's economic development.

Rapid Economic Progress

The currency reform of July, 1959, is the juncture of Spain's post-war economic development. Since that time the country is experiencing a steady growth process, in which the quickly increasing mass-tourism has particularly favourable effects. During the last years Spain has been opened up for tourism to an extent appearing unimaginable in 1959 despite the importance this foreign exchange source had already achieved then. In 1966 about 15 million tourists will have visited Spain and foreign exchange earnings will amount to much more than \$ 1,000 million. Tourism became one of the most important surplus items in the balance of payments.

Today Spain is no longer an almost exclusively agricultural country as it was a few decades ago. Its in-

dustry is beginning to grow and the number of persons employed in the services sector is increasing steadily. Simultaneously, however, the number of Spanish workers abroad, particularly in the EEC countries, is rising, too. This development has two favourable effects. First, considerable amounts of foreign exchange are flowing into the country and improving the balance of payments. Secondly, mostly unskilled labour is working abroad, but after a few years the workers return as semi-skilled labour or even specialists and are able to render valuable services for the country's industrial development.

An interesting insight into the development process is given by a comparison of the composition of Spain's economically active population during the last five years and its distribution over important economic branches.

Table 1
Composition of Spain's Economically Active Population in 1960 and 1965
(in 1,000)

| | 1960 | 1965 | |
|---------------------------------------|--------|--------|---------|
| Resident population over 14 years old | 22.467 | 24.318 | + 1.851 |
| Pupils and students over 14 years old | 627 | 1.028 | + 401 |
| | 21.840 | 23.290 | + 1.450 |
| Housewives, pensioners | 9.924 | 10.246 | + 322 |
| Employed persons | 11.916 | 13.044 | + 1.128 |
| Including | | | |
| Nationals working abroad | - 307 | - 983 | + 676 |
| Foreigners working in Spain | + 26 | + 41 | + 15 |
| Available in Spain | 11.634 | 12.102 | + 468 |
| Including | | | |
| Military personnel | 210 | 230 | + 20 |
| Unemployed persons | 240 | 176 | - 64 |
| Employed persons | 11.184 | 11.696 | + 512 |

Table 2
Distribution of Labour Force on Important Economic Branches in 1960 and 1965
(in 1,000)

| | 1960 | 1965 | |
|-------------------------------|-------|-------|------|
| Agriculture, fishing industry | 4.617 | 4.068 | -549 |
| Mining | 196 | 170 | - 26 |
| Industry | 2.447 | 2.780 | +233 |
| Building industry | 758 | 930 | +172 |
| Water, gas, electricity | 78 | 96 | + 18 |
| Services and transport | 2.980 | 3.608 | +628 |
| Other | 107 | 43 | - 64 |

These figures are demonstrating obvious shiftings. The share of persons employed in agriculture has declined from 40 % to 35 % of total working population. The importance of industry, building and first of all the services sector is growing vigorously. Of long-term importance should be the strong increase of the number of students and labour abroad. In total, their number has doubled.

Directly connected with this structural reorganisation is a growth of the average per capita income. At current prices it has risen from approximately pta 18,000 in 1960 (i.e. \$ 300) to about pta 36,000 in 1965. Even considering the fact that the purchasing power of the



F. LAEISZ · REEDEREI

Hamburg 11 · Trostbrücke 1 · Telefon 36 22 81

ROUNDTRIPS

with the banana vessels

»PEKARI» »PERSIMMON» »PICA» »PIROL»
»PISANG» »PONGAL» »PUNA» »PENTELIKON»
»PERIKLES» »PORTUNUS» »PRIAMOS»

*from Hamburg (occasionally via USA)
via Panama to Ecuador and back (approx. 35 days)*

Peseta has declined considerably during the last five years and that therefore pta 36,000 of today correspond to about pta 27,000 of 1960—average income thus did not rise by 100 % but by 50 % only—these figures give nevertheless proof of a quite considerable raising of the living standard.

High Demand for Capital in Agriculture

Of last year's total gross national product amounting to pta 1,200,000 million (equal to \$ 2,000 million), approximately pta 209,000 million (17 %) fall to the share of agriculture, 412,000 million (35 %) to that of industry, and 578,000 million (48 %) to the services sector.

This explains why the income of those employed in farming reaches only half of the country's average income. This income-differential would thus be one of the main reasons for the pronounced internal migration from agricultural to mainly industrial provinces and above all to the cities.

In all investigations of Spain's economic development it will always be observed that agriculture, which within the Common Market would be of extreme importance, does not keep pace with the country's overall economic development and time and again is lagging behind expectations and advance plannings. This is not so much the fault of the soil quality but mainly of insufficient irrigation. Water is one of Spain's main problems. Particularly during the last decades the cultivated areas have been multiplied by the construction of reservoirs. New plans provide for the utilisation of the waters of the big rivers through huge projects changing their course.

If such plans were realised grain production could be raised to such an extent that Spain, whose crops today do not even suffice to satisfy its own demand for bread-grain and which annually has to import large quantities of fodder, would become one of Europe's most important producer countries. However, much capital is required for such a development. This is the greatest problem, for these enormous capital requirements cannot be covered by the country's own financial means. Large amounts of foreign capital are

required and this the more so as economic expansion is to be accelerated and the standards of more highly industrialised countries are to be caught up with.

During the last years already quite considerable amounts of capital have flowed to Spain, particularly since foreign establishments and participations have been promoted by new regulations. The United States are ranking still as by far the most important investor, followed by the individual EEC countries.

Internal capital formation, too—the rate of saving amounts to approximately 20 %—does not suffice at all to satisfy the demand. Moreover, domestic developments have led to a pronounced reduction of the credit volume. For one thing, high demand for credits caused an increasing credit creation and higher interest rates. Secondly, the Government's firm intention to vigorously counteract creeping inflation led to credit restrictions in 1966 in order to curb—at least temporarily—the exaggerated speed of economic development and to adjust it to existing possibilities.

The inflow of foreign capital amounted to \$ 126 million in 1960 and to \$ 310 million in 1965. More important, however, is the income from tourism and the transfer payments of emigrants totalling \$ 1,325 million in 1965. Only thus the import surplus amounting to \$ 1,700 million in 1965 could be financed.

The Pros and Cons of Integration

The balance of trade has been showing a deficit for many years already. In the period between 1960 and 1965 total foreign trade changed as regards imports from \$721.3 million to \$ 2,717.9 million and in exports from \$ 725.0 million to \$ 1,045 million. With a share of 37 % in imports and exports the EEC is by far the most important foreign trade partner. All other groups are considerably lagging behind the EEC. If EEC and EFTA were to go together Spain would have to obtain its membership at all costs since both integration areas together make up more than half of the country's foreign trade.

Because of the exceptionally strong increase of imports we should have a look at the composition of imported goods.

Table 3
Composition of Imports in 1961 and 1965
(in million \$)

| Item | 1961 | | 1965 | |
|--|---------|--------|---------|--------|
| Foodstuffs | 223.5 | 20 % | 573.1 | 19 % |
| Raw materials and semi-finished products | 598.6 | 55 % | 1,459.2 | 48 % |
| Producer goods | 233.9 | 21.5 % | 823.8 | 27.5 % |
| Finished products for consumption | 36.6 | 3.5 % | 164.4 | 5.5 % |
| Total | 1,092.6 | 100 % | 3,020.2 | 100 % |

While the share of imported foodstuffs has relatively decreased—in spite of more demand caused by a higher living standard of the growing population and last but not least by tourism—imports of producer goods did not only rise in terms of quantity and value

but also in per cent. This increase and the strongly rising import (in per cent) of finished consumer goods—although by quantities they carry less weight—demonstrates the country's rapid development and industrialisation as well as the population's growing purchasing power.

Industrial production has particularly grown where it serves mainly domestic consumption, less so in the case of export products. Last but not least this strong increase is to be explained by high tariffs with which Spain protects its production. Therefore industrial quarters assume an attitude of distrust with regard to Spain's EEC membership, since the reduction of tariffs which then will become unavoidable will hamper their competitiveness. For this reason it is just the industry working for the home market that most strongly opposes an incorporation of Spain into the EEC. Industry expects much more of going it alone or of a co-operation with the Latin American countries which are industrially less developed and therefore possible purchasers of Spanish products.

Almost completely opposed to this attitude is the interest of agriculture. The share of food exports, fluctuating according to the crops, was 54 % in 1961 and 47 % in 1965.

Citrus-fruit remains the main item of exports to the EEC, followed by olive-oil whose harvest is, however, subject to strong fluctuations caused by the climate. As the products of the EEC country Italy are the main competitors of the two just mentioned products, an association with the Common Market is of utmost importance to Spanish agriculture.

Spanish Membership Unavoidable

In the services sector particularly transports—which recently have caught up quickly by modernisation and extension of the merchant fleet, railways, and aviation—would profit most from the country's membership in the EEC with which Spain has the strongest economic relations in foreign trade and in tourism.

Banks and insurances in accordance with their character are supra-national institutions. This is especially shown by the big banking houses which establish special institutes for the promotion of industries in general with the participation of international financial institutes. Internationalisation of the insurance business is mostly accomplished by reinsurance. In this context international integration is necessarily intensified to the same extent as the establishment of large-scale industrial works, and purchases or production, respectively, for the expansion of the merchant fleet and aviation increase the need to cover large sums. However, it is not the capital markets of the EEC that play the major role but the London market.

The divergent interests of the individual sectors of the Spanish economy are explaining the hitherto partly undecided attitude towards EEC or EFTA membership. But the certainty that in the event of a possible

co-operation of the two communities Spain will have to apply for membership with no chance then to enforce special regulations for industrial branches that still require protection should lead to a speeding up of government negotiations.

Through Spain's membership the EEC would expand its European area by one quarter and its population by one sixth. The result would be a large expansion of

its area with not yet assessable chances for investment and sales and a source of new labour force, together with industrial competition that for the time being does not yet matter much. To Spain, EEC membership means the need for reorientation and adaptation in many fields, but also the chance of a large-scale economic boom and the adjustment of the presently still much lower standard of living to that of the other European countries.

World Business Trends

*Department for Business Trends Research,
The Hamburg Institute for International Economics*

Strong Expansion of World Trade

Also in 1966 world trade increased strongly. From January to September foreign trade turnovers in the Western world (including trade with East-bloc States) surpassed their corresponding values of the previous year by appr. 10%. Although in the second half of the year the growth rate fell somewhat, it will probably also in the whole year 1966 be higher than in 1965 (+ 8.6%). So within the past five years world exports in terms of value have risen by more than one half. In terms of quantity the increase was only little smaller since on an average prices for export goods rose relatively slightly.

Demand for imports in industrial countries has accelerated in 1966. Considerable regional variations reflected the different cyclical trends in the individual economic regions. Import growth in West Europe as a whole increased least (+ 9.6% from January to September, 1966, after + 8.3% in 1965). In the main, the acceleration was rather caused by the overseas industrial countries. Here the strongest stimulations were due to the increase of import values in North America (+ 21.4% after + 14.6%). Moreover, imports in Japan (+ 13.7% after + 2.9%) have recovered again. In contrast to this primary producing countries showed a moderate demand. Imports of developed countries—among them Australia, New Zealand, South Africa—even showed a backward trend (— 5.0% after + 13.3%),

whereas in overseas developing countries imports obviously increased to approximately the same extent only as in 1965 (+ 5.8%).

The increase in demand continued to favour especially the industrial countries, and the differentiation of export growth in the most important economic regions declined considerably. Above all the export growth in Japan fell off distinctly (+ 13.0% after + 26.6%). To a smaller extent this applied also to the West European countries (+ 9.6% after + 11.0%). On the other hand export values in North America increased more strongly again (+ 14.7% after + 3.6%), after—in the previous year—the result had been depressed because of losses due to strikes. Mainly the growth in Australia, New Zealand, and South Africa (+ 8.4% after — 2.1%) contributed to the acceleration of exports of the primary producing countries, whereas—according to first estimations—exports of the overseas developing countries expanded more or less as in the previous year (1965: + 6.0%).

So the further strong increase of world trade in 1966 is again a consequence in particular of a growing economic interdependence of the industrial countries. In North America, for instance, where imports expanded most rapidly in 1966, the exchange between the USA and Canada was by 22% higher from January to July this year than in the previous year.

The increase of imports from West Europe was equally high, and imports from Japan rose even quicker. By + 12%, supplies from primary producing countries increased remarkably, too, though in comparison considerably slower. The importance for West Europe of the North American import pull can be seen from the fact that from January to August almost 70% of additional exports to other countries were apportioned to North America.

The foreign trade figures of the industrial countries (OECD) which are available, regionally subdivided, until July indicate that the estimates mentioned for the foreign trade of the developing countries (according to statements from the World Monetary Fund) might be somewhat too high for imports and somewhat too small for exports. However, in the course of the year a change in tendency became visible. If normal seasonal fluctuations are left out of consideration, above all imports of developing countries from industrial countries seem to have increased for some time.

According to the growth rates of imports and exports in the first half-year a considerable improvement in the trade balance would have followed for the developing countries in 1966. Obviously, export surpluses exceeded the requirements of the balance of payments, for the currency reserves of the developing countries kept increasing steadily up to the middle of the year. On the one hand, in view of high obligations to service