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EUROPEAN COMMUNITY

Political Problems of the Southward Extension

by Beate Kohler, Darmstadt*

The inclusion of Greece, Spain and Portugal in the European Community will result in grave consequences for the old members of the EC as well as for the acceding states. Which are the advantages expected from the southward extension and which problems are likely to arise?

Seldom has comment on an issue been as unanimous in the Federal Republic of Germany as it is today on the southward extension of the EC. All parties and associations have put their consent to the accession of Greece, Portugal and Spain on record. They have appraised the extension with equal unanimity as a move that should be supported on political grounds. Inclusion of the three countries in the Community will, so it is hoped, help to consolidate democracy in Southern Europe and strengthen security in the Mediterranean area. At issue are tangible political interests rather than abstract principles. The political stability of the South European area is regarded as an indispensable prerequisite for the long-term security of the Community.

The military-strategic aspect of the admission of the three states to the EC plays in this context a rather subordinate role although the fact that the Community states – and the Federal Republic in particular – have an interest in restrengthening the Atlantic Alliance and are feeling uneasy about the signs of disintegration at the southern NATO flank should certainly not be ignored. Greek membership of the EC may, it is hoped, make it easier for Athens to find its way back into the military alignment of NATO. Similarly it is expected that the admission of Spain may help to remove the reservations still felt about NATO. As for Portugal, it is hoped that the neutralistic tendencies in certain political circles can be contained by the accession to the EC.

The security of Europe is however today less than ever before simply a matter of providing military protection against aggression from outside. The East-West conflict on which the NATO alliance originally targeted is being superseded increasingly by the disputes about the international economic system between the First World and the Third World. The intensification of the international competition between the industrialized countries is an aggravating factor making it all the more difficult to take care of European interests. And yet, the states of the Community are more dependent than others upon a properly functioning international economy: disruption of their raw material supplies, loss of international markets, shocks to the international monetary system hit them much more severely than a big economic power like the USA.

Besides, again unlike the USA, they are in no position to avert threats to their economic interests in the course of regional conflicts. The EC does not possess the means for economic sanctions nor can it bring military force to bear on international conflicts and settle such disputes through intervention in its own interest. The crisis in Cyprus and the Middle East conflict have brought home to the EC states how little influence they have on the course of crisis on their own periphery even though they may combine their efforts. Hence they must be interested in long-term stability for this area because thereby alone can the peripheral conditions for their own economic advancement be ensured. They regard a viable social and political order in Southern Europe as their best safeguard.

The states of the Community assumed a far-reaching obligation when they based their consent to the southward extension on political arguments. "Security through political and social stability" is a formula which will only work if the accession of the three states to the EC is attended by a palpable improvement of their economic and social position. Access to the EEC market alone will certainly not be sufficient to induce the hoped-for increase in prosperity. For Greece and Portugal in particular entry into the customs

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union will involve more drawbacks than advantages. This distinguishes the present situation from the first enlargement of the Community.

Their association and free trade agreements gave Greece and Portugal already the benefit of unimpeded access to the EEC market for industrial products so that they cannot now hope for export gains stemming from the discontinuation of duties. On the other side the mentioned agreements still allowed them to protect sensitive production areas by tariff and non-tariff barriers and to assist the build-up of domestic industries by selective subsidies. Their low level of economic development – and in this respect Greece and Portugal are again the countries facing the greatest difficulties – raises the question whether the inclusion of these states in the EEC is a suitable means of overcoming their development problems.

Exemptions of Limited Duration

The EEC Treaty was designed for highly industrialized states at a comparable level of economic development. Optimum resource allocation was to be ensured by the creation of conditions similar to those in a home market without restraints on competition. It had however already been evident in the Community of the Six that it is impossible to strike a balance between regionally diverging living conditions in this way. The accession of states on the treshold of industrialization would therefore call for a review of the concept of integration under market-economy conditions on which the Treaties of Rome are based. A revision of the basic principles of order policy is however bound to impinge upon vested interests of the highly competitive industrialized states like the Federal Republic. Any attenuation of the concept of competition puts the existing superiority of German products in the market at risk. Hence the reluctance to agree to exemptions for more than a limited period.

That the low level of economic development in the acceding states makes prolonged transitory periods imperative is generally conceded but the governments of the EC states are under pressure from their own export industries which hope to open up additional profitable markets for themselves. Accordingly they do not wish to draw out the time-scale for the validation of the full duties under the EEC Treaty too far, allegedly on grounds of educational altruism rather than commercial self-interest: thereby alone could the necessary pressure be brought to bear on the acceding states to prepare for adjustments to the competitive situation in the Community.

To the representatives of German industry it is a matter of special urgency that arrangements for exemptions in favour of new members should apply for a fixed period only. They are afraid of a precedent being created. As they see it, the trend towards establishment of competitive positions with state support has gained a larger following in other Community countries than in the Federal Republic and they are up against increasing dumping competition to which they object not only from the point of view of their business interests but also on macro-economic grounds.

Divergent Views on Order Policy

The moves for accession of Greece, Portugal and Spain to the EC have, besides, occasioned fresh fears that the attendant structural adjustment problems might be used as an excuse for further extensions of the recent regulations for specific sectors. The Central Association of German Chambers of Industry and Commerce and the Federal Association of German Industry have come out strongly in support of the view that the requisite structural changes in the acceding countries should be effected by market-economy means and no others. The insistence on this demand can only be understood in the context of the internal political controversies: the employers do not want the trade union demands for regulated structural change and an employment-oriented economic policy to be legitimized by recognition of these same principles at the Community level.

The acceding states are the scene of a similar struggle for the consummation of divergent views on the economic order. It is widely agreed in these countries that the problems of adjustment cannot simply be left to the working of market forces. Such a policy, it is thought, would be economically dubious and, what is more important, socially unacceptable. As members of the Community the acceding states accordingly expect not only to profit from the advantages of a large market but to be able to bring their influence to bear on the external conditions governing their own economic development, if only through a modification of the guidelines of economic policy. This opportunity to share in the decision-making process is to them at least as important as the availability of Community funds and other material aid from the EC.

Competing Demands

There is no chance of achieving the aim of political stabilization if the EC states are not willing to make such concessions. The tasks facing the acceding countries can be accomplished only by common efforts as they require not only an improvement of their economic strength but a balance between competing social and political claims. In view of the structural weaknesses in

industry and agriculture there is a danger that the necessary readjustment processes will – at least in the medium term – aggravate the unemployment and force many small firms out of business. Bitter disappointments are thus in store for those who hope that democracy will bring an early improvement of prosperity and social justice after the long years of dictatorship.

The scope for an active social policy will be narrowed down further by the need to increase the budget allocations for improvements of the infrastructure. Attempts to raise more national capital through compulsory saving schemes will therefore come up against organized resistance from the wage-earners. Heavier taxation of company profits also presents difficulties as it could prove an additional disincentive for investments by capital owners. The change from dictatorship to democracy has already been attended by a decline of investment activity. This is usually ascribed to the general political uncertainties but was probably in most cases due to the fact that under the dictatorship the big enterprises in particular enjoyed special privileges which democratically legitimized governments cannot concede to them.

The main obstacle to an accord on a promising development strategy is thus not the incompetence of planners and technocrats but rather the conflict of interests between the participants in the economic process. Whether democracy will stand the test in the three acceding states depends upon the course of this conflict.

Lack of Democratic Experience

The lack of democratic traditions will have a particularly lasting effect on these issues. Lack of practical acquaintance with the processes of democracy cannot be compensated over night by an avowal of democratic values. Its effects on social and political attitudes will persist for a prolonged period. Political leadership groups accustomed to the enjoyment of privileges by virtue of descent, rank or political allegiance will fight back if they have to justify them by their performance against the claims of other people. The capital owners have been used to the dictatorial state taking care that no independent workers' movement should appear on the scene with irresistible demands. To act as a partner conscious of social responsibilities in a partnership between employers and employees seems to them a strange – and to many of them a highly suspect – notion.

The workers' organizations on their side are still badly fitted for the contest. They are either still being built up or without experience in trade union tussles, and there are no established rules for the relationship between capital and labour. There is, besides, much uncertainty about the rationale and objective of trade union activities.

The political parties are likewise still passing through an evolutionary phase. Few of them can stand comparison with the modern mass organizations of their northern counterparts. It is more correct to look upon them as conglomerates of for the most part heterogeneous groups of camp followers of a charismatic leader. It is therefore doubtful to what extent they can fulfil the function of a connecting link for the transmission of the political wishes of the citizenry to the leaders in parliament and government who frame the political decisions. Collaboration between such partisan factions and an oversized administrative apparatus which lacks the necessary efficiency and rationality allows increased influence to individuals and personal relations in politics. It does not make for clarity in the formulation of the political will or the making of decisions but befogs the issues.

Unstable Equilibrium

The result is a latent uncertainty of the legal situation and a feeling of political impotence. The rivalry of individuals for influence and prestige in the place of action by cohesive parties and a clear-cut political divide between the majority in government and the opposition aggravates the instability of parliamentary rule. A system of this kind depends upon universally recognized leaders whose personality ensures the continuity of a policy. It is difficult to lay the ground rules for a viable democracy in this way, and the result is – as shown once more by recent events – that the candidates for accession to the EC have all three to contend with an unstable equilibrium in their political affairs.

The political parties, trade unions and trade associations in the Community states are showing by their political activities in Greece, Portugal and Spain that they are aware of the fact that the stabilization process must proceed on many levels. It is to be hoped that such initial moves towards positive cooperation will not be vitiated by short-sighted policies in pursuit of vested interests. This is a real danger, for the effects of financial concessions and abandonment of direct advantages can be felt at once. Some of those affected will hit back and support their contentions by well-founded cost-benefit calculations. It is less easy to argue convincingly in favour of long-term security when this rests on an uncertain assessment of social and political processes and there is no lobby to help to press home this line of argument.

Then there are the external repercussions of the southward extension, which are not given due attention in the political public. The admission of European developing countries to the EC will in the first place limit the scope for concessions by the Community to states in the Third World; member states will come first in the disbursement of development funds, technology transfers and preferential treatment for industrial and agricultural products. It is already being argued that the development problems in Europe must receive priority and that a contribution should be made to their solution.

If this argument is not merely a dodge to deter the states of the Third World from more far-reaching demands, the Community will have to take early action. It will have the delicate task of demonstrating the superiority of its own development model. If the accession to the EC fails to result in a substantial improvement of the material conditions and the consolidation of democracy in Greece, Portugal and Spain, the consequences for the Community's reputation will be devastating. The present readiness of the states of Southern Europe to integrate themselves into the Community, will change into open opposition, and the suspicion that the economically strong are the major beneficiaries of the Community would reinforce the centrifugal tendencies also among the old members. Such failure would fuel the charge of neocolonialism and militate directly against the efforts of the EC to establish a relation of partnership with the Third World.

The decision in favour of a southward extension of the Community was politically motivated. The hope remains that the political aspects will not be lost sight of in all the details of the negotiations about agricultural market organizations and similar items.

Agricultural Problems of the Accession of Greece, Portugal and Spain to the EC

by Georg Gallus, Bonn *

Apart from other issues raised by the inclusion of Greece, Portugal and Spain in the European Community, it will make the Common Agricultural Policy more difficult rather than easier. Georg Gallus, Secretary of State of the Federal Ministry of Food, Agriculture and Forests, discusses the new agricultural problems the Community, the acceding states and third countries will have to live with.

The economies of the Mediterranean countries Greece, Spain and Portugal are characterized by a more or less pronounced agricultural orientation. They have much in common, in agriculture as elsewhere (e.g. the production and unit structures are in general not favourable, a high proportion of the working population is engaged in agriculture), but there are also significant differences between them (e.g. in Greece the production reserves are limited, in Spain they are much larger). The three countries are joining a Community in which agriculture has already to cope with a good many difficulties (e.g. agricultural surpluses, structural problems in certain regions).

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The acceding states are hopeful that they will find it easier to deal with their difficulties in the Community framework. The Community on the other hand expects in a realistic assessment of the economic developments that it will have more rather than fewer problems to attend to in agricultural policy.

The three candidates for accession will move away from a state of autonomous responsibility and independent action and enter a community of states which operates a complicated, diversified and strict regulatory system, at least in the sphere of agriculture. Although the agricultural policies of the "new" members have much in common with those of the "old" members, the adoption of the