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Regional Impacts on Spanish Agriculture  
from EEC Accession.

by

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## Regional Impacts on Spanish Agriculture from EEC Accession

### Introduction

Among the many problematic issues surrounding the negotiations for Spanish entry into the European Economic Community (EEC), agriculture was the most contentious. The concerns focused on the effects Spanish membership may have on the agricultural sectors of current EEC countries as discriminatory trade barriers are lowered or eliminated. There is a conception of Spain as a sleeping agricultural giant with the ability to flood markets with a wide variety of low cost commodities. It apparently is believed that this production ability can be relatively easily enhanced as potential improvements in productivity and quality are reached.<sup>1</sup> This concern is particularly acute among EEC producers of the Mediterranean crops--fruits, vegetables, olive oil and wine--and extends to "third country" producers. The latter are primarily Mediterranean basin countries that have special trade arrangements with the EEC, often on more favorable terms than Spain, and rely upon EEC markets for these products as important sources of foreign exchange. They fear losing EEC markets as barriers to Spanish products are

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<sup>1</sup> This conception is likely an exaggeration, certainly in the short and medium term, and probably for the longer term. The theoretical and physical potential exists, but not without costs, and political and institutional support. For example, irrigation development and productivity increases would have to continue at the high rates of the past 25 years, which is unlikely. Also, water is in short supply in the areas where it would be most productive, and competition from urban and industrial uses is increasing. Bringing water from surplus areas has been suggested, but would be politically difficult, at best, and very expensive. Another factor that would slow production increases is that costs of production are likely to approach EEC levels, for both labor and non-labor inputs. And finally, EEC policies can determine production levels and commodity focus, and such efforts can be expected.



lowered. At the level of the EEC itself, there is concern that the entry of Spain, along with Portugal, will result in added surpluses of several Mediterranean commodities, and thus increase pressure on the already bloated EEC agricultural support budget.

These and related concerns have resulted in many studies of the impacts on the national agricultural sectors of current EEC members, on third countries, and on Spain itself. Researchers and policy-makers usually approach these issues in terms of national, regional within EEC, or broad commodity sector impacts. That is, how will Spanish accession affect income or employment in each nation's agricultural sector; or how will the prices, production or trade in various commodities be affected? (See Peterson et al.; Schmidt; Shlaim and Yannopoulos; Silva Ferreira; several articles in Agricultura y Sociedad, No. 22; Tovas; Hiller and Sarris; Sarris). Structural or distributional aspects have been considered, but usually in the context of how the overall structure of Spanish agriculture differs from that of the Community as a whole and its member countries, and what implications this has for the Community.

Another important set of issues, however, continues to demand attention. This is the impact of EEC accession on Spain's agricultural sector, and particularly the distributional impacts among regions, producer groups and commodity groups. The extension of the Common Agricultural Policy (CAP) to Spain is likely to have uneven distributional effects. A "trade creation" effect may result for certain commodities as trade barriers are lowered, thereby benefiting those producers and regions, able to take advantage of the market. At the same time, other commodities (and producer groups and regions) may suffer from increased competition from current EEC countries, or from "reconversion" policies.

Earlier work on the current enlargement recognized the issue in passing (Silva Ferreira; Tovas), while Hiller and Sarris stated that it was one on which further study was necessary. The Agra Europe group was more specific in identifying potential regional problems as requiring research. Within Spain, regional impacts have received more specific attention (Cadenas M. and Diez M.). The most comprehensive regional treatment to date is by García Azcárate and Camilleri et al., although still somewhat general overviews. Recently, concern over the issue began to grow, as negotiations drew to a close and terms of entry begin to be more clear. This resulted in unpublished working documents within various Ministries, and in the creation of working or advisory groups in several provinces and autonomous regions to examine impacts upon regional agricultural economies. Before these efforts can serve useful policy ends for both Spain and the EEC, more micro-level, disaggregated information and quantitative analysis is required.

The next sections of this paper will discuss further the context of Spain's agricultural sector adjustment to EEC membership; review previous studies of potential commodity and regional impacts; and present policies that have been proposed to deal with potential impacts and briefly discuss implications of those policies. The paper serves as the basis for a quantitative analysis of potential distributional impacts, based on the author's research in Spain during 1984-85.

#### The Context of Agricultural Adjustments in Spain

Although there will be uncertainty as to the specifics of potential agricultural adjustment until the accession agreement is completed and the transition period begins, it is certain that there will be adjustment problems and many will be severe. Moreover, many of these problems will be distinctly regional in nature, and they will not be distributed evenly

within regions nor among commodity and producer groups. Certain producer groups will be in positions to take advantage of the changing situation, but others will lose.

The problems of regional adjustment due to EEC accession take on added importance, coming as they do on the heels of two decades of continued and sizeable rural change. This is especially true, and thus of particular social and political concern, for the poor, less resource-favored, less agriculturally developed regions. These changes began with (1) the late entry of Spain onto the economic growth/industrialization path, and (2) technological modernization in agriculture from a low (relative to most other Western nations at the time) initial base. These two forces led to the "rural exodus;" the large and rapid rural-urban migration and outflow of labor from agriculture, where labor-saving technology eliminated historically minimal opportunities. This was reinforced by urban industrialization both within Spain and the rest of Western Europe, that provided more off-farm employment opportunities. This is a familiar pattern in Western economies, but the structural and socio-economic impacts were accentuated in Spain by the very compressed time frame within which they took place (late 1950s/early 1960s to mid-1970s), and by the relatively low level from which they began.

As these adjustments were taking place, other events necessitated more and different types of adjustments. One was the change from the Franco era to the post-Franco era, bringing with it fundamental changes in government agricultural policy. The basic nature of these changes was social and institutional, entailing a more open participatory formulation of policy. In addition, the several new governments since 1976, with their departures from the previous 40 years of relatively stable and

consistent government policies, created more uncertainty in the agricultural sector over whether to continue past practices or commit to new realities (Sumpsi). One feature of government agricultural policies in the past, with particular implications when EEC membership is attained, is the protection of certain commodities against outside competition, largely in the context of a self-sufficiency policy.

At the same time, agriculture was forced to adjust to the energy crises of the early and late 1970s. Then, the early 1980s brought the world-wide economic recession. The latter two events had a severe adverse effect on Spanish agricultural development policy, which had relied upon cheap petroleum and the emigration of surplus farm labor. Thus, in the early 1980s Spanish agriculture was in the situation of confronting the overlapping old problems consisting of the need to modernize agriculture in a greatly changed political-institutional framework, plus having to react to the problems of a general economic crisis and a permanently changed energy picture (Sumpsi).

While these adjustments continue, EEC accession will necessitate further change and structural transformation. Generally, the changes will be forced by the opening up of internal markets to competition from more efficient production and marketing, and by increased opportunities for Spain in the northern EEC countries. EEC requirements also will force considerable institutional changes in market organization and regulation. For the sectors producing the Mediterranean crops--vegetables, fruits (especially citrus), wine and olive oil--advantages may be expected through more open markets or CAP supports, certainly in the long run. For other sectors, severely adverse impacts may result. These are the sectors producing the "continental" crops (small grains, sugar beets, beef, dairy products) that have been protected against outside competi-