EUROPEAN ECONOMIC COMMUNITY ENLARGEMENTS: THE COMMON AGRICULTURAL POLICY, THE WINE SECTOR, AND THEIR EFFECTS ON INTEGRATION

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INTRODUCTION

The purpose of this paper is to address some of the problems of European integration, with particular emphasis on the Common Agricultural Policy (CAP) and the last two enlargements of the Community. Greece joined the European Economic Community (EEC) in 1981, and Spain and Portugal joined it in 1986. The CAP has been the subject of much debate and discussion and it is often suggested that it is in desperate need of reform, especially since the nature of the last three member countries is quite different from the previous members. Additionally, the transition stages of the new Mediterranean countries are covered, paying special attention to the wine market, as it is one of, if not the most, important sectors affected by these two enlargements.

The analysis begins with historical aspects of the EC followed by an in depth discussion of the CAP and its fullfilment, or lack thereof, of its objectives. Reform possibilities conclude that section. Wine, an extremely significant Mediterranean commodity, and its treatment by the CAP is then discussed. The enlargements are covered historically as well, continuing with an investigation of the impact on the agricultural sector. Finally, research on the role wine played in the recent accessions is offered.

Briefly, some general conclusions can be stated. European integration has achieved strong momentum in a wide range of goods and policies, but the economic, financial, and ultimately the social problems associated with the CAP form an increasingly serious handicap to the success of integration in 1992. The most recent two enlargements have added increased difficulties to achieving the goal of a unified EC. Greece, Spain, and Portugal are all poorer, less-developed, Mediterranean countries with a focus different from the typical EC nation. Their addition does, however, create increased competition for a goods market and for Community funds for countries with similar agricultural products, such as Italy and the Midi of France. It is obvious that action must be taken to deal with surpluses in the agricultural market, and we review some methods in the case of wine.

The economic state of Western Europe has changed significantly since the days of feudalism and it looks forward to a further alteration in 1992. The two World wars that this century has seen halted the imperialistic tendencies of the great powers. The end of WWI brought along with it the potential for a stronger and more united Europe. General Marshall formulated the Marshall plan which gave U.S. aid to the rebuilding of Europe after physical destruction wrought by political upheaval. The Organization for European Economic Cooperation (OEEC) was created in 1949, and it led to the formation of the current Organization for Economic Cooperation and Development (OECD) in 1961. The OECD is involved in aiding under-developed countries, as opposed to working only with Europe, and the USA, Canada, and Japan are now members.

The idea of Europeans working together for mutual benefit led to the successful European Coal and Steel Community (ECSC) in 1951 by the Treaty of Paris. This first European Community was based upon the desire to integrate more completely the European market for a pair of commodities. Its members were France, West Germany, Italy, the Netherlands, Belgium, and Luxembourg. The ECSC promoted European cooperation and integration showing that Western European countries can work together to deal with common problems. The same six countries attempted, and failed however, to create the European Defense Community (EDC). They found that they were unable to commit to the same armed forces when the separate national governments followed different foreign policies.

There remained, however, the desire for further European integration; so the foreign ministers of the six ECSC sundress met over a period of years, ultimately leading to the Treaty of Rome in 1957. Unwilling to give up political sovereignty, the focus was on economic cooperation. This left significant power in the individual countries' hands, also leaving confusion and unresolved problems. The countries were able to initiate the European Economic Community. [The European Communities (EC) is made up of the previous two communities as well as the European Atomic Energy Community (Euratom), formed by the second Treaty of Rome in 1957.] The member countries worked together for their mutual economic benefit while retaining their already close ties to other European nations, the U.S., among others. The Treaty of Rome realized the importance of the interdependence of the member nations and the rest of the world so that the policies would not be inconsistent with respect to outside countries. The EC still lacks the coordination of Foreign policy and defense, however, so it is heavily dependent on outsiders, specifically the U.S.[1] Basically,the EEC was formed to present a method for eliminating tariffs and quotas on intra-Community trade and for unifying export prices to non-member countries. As is discussed further regarding the CAP, price supports and subsidies are used to coordinate the countries trade mechanisms and to compensate the disadvantaged members.

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[1]A.M. El-Agraa, The Economics of the European Community (New York: St. Martin's Press, 1980), pp.17-18.

The Troubled Past and Future of the CAP

One of the mandates of the Treaty of Rome in forming the EEC was the establishment of a Common Agricultural Policy. This is one extremely significant factor that differentiates the EEC from the European Free Trade Association (EFTA), which does not consider agricultural products.

Agriculture is often seen as the most important and difficult aspects for which to coordinate free trade. When the EEC was formed, over 25% of the labor force was in agriculture. Agricultural commodities have unique problems in that they are dependent upon the weather. Adverse conditions can lead to shortages while absolutely perfect conditions can lead to surpluses. It is impossible to accurately predict the weather; therefore the amount of surplus or deficit of the crops will vary each season. Given the relevant elasticities, shortages can result in high incomes for producers; while surpluses would result in low producer incomes. The income dimension makes agricultural output a pressing political problem.

Economic coordination regarding agriculture is also difficult since the level of development varies significantly among nations, as well as among regions of a single nation. People with higher incomes spend a smaller percentage of their incomes on agriculture, as the income elasticity of demand is low. Poorer nations will thus spend larger portions of their income on agriculture. Technological advances in developed countries cause incomes to rise, leading to an increase in spending on non-farm products and a (relative) drop in demand for agricultural products. "Farm incomes tend to lag behind the incomes of those engaged in the non-farm sector,"[2] but this is the result of more than a low-income elasticity of demand.

The CAP was initially viewed as a tremendous achievement, while it is now widely criticized and in need of reform. Farmers are continuously given protection, and with rising productivity, there are increasing surpluses whose disposal costs are placing a heavy burden on the EEC budget. Reform plans have been formulated since 1984 that would, among other things, allow the market to be a greater determinant of agricultural prices. The CAP needs to work with different local interest groups as well as different national interests, making it even more complicated than focusing on a single nation with its individual agricultural problems.[3] "Indeed, while the CAP may not have caused the problems of the agricultural sector, it has aggravated them by making price support (which is implemented with the help of border protection in the form of import levies and export subsidies) more comprehensive and by institutionalizing it at a supranational level."[4] Short term solutions have been applied and reapplied to long term problems. The CAP was far from perfect when it was started, as subsidies were already in place.

The maintenance of the CAP is extremely important to the psychological welfare

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[2]Ibid., pp.139-140.

[3]Julius Rosenblatt et al., The Common Agricultural Policy of the European Community: Principles and Consequences (Washington, D.C.: International Monetary Fund, 1988), p.1.

[4]Ibid., p.3.

of the EEC; it stands out as being **the** common policy, although it is not really the only one, no matter how economically viable a policy it is.[5] Reforming the CAP is an extremely ambitious project as it would require unanimous consent of the member states. There also exists the mistaken notion that farmers should be helped by price supports that are actually detrimental to income and output in other economic sectors. Helping small-scale farmers to maintain a decent income allows efficient large-scale farmers to receive excess profits.[6] According to the purpose of the CAP, however, all farmers' incomes should be protected. The CAP was established "to integrate farm production of the member states with the goal of stabilizing markets and ensuring adequate supplies for consumers while improving the living standards of the farm population."[7]

There are five objectives behind the founding of the CAP stated in Article 39 of the Treaty of Rome at the establishment of the EEC. The first is "to increase agricultural production by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilization of the factors of production, in particular, labor." The ensuing increases in production have led to surpluses, the result of structural policies, including public investment and

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[5]Rosemary Fennell, "A Reconsideration of the Objectives of the Common Agricultural Policy," Journal of Common Market Studies 23 (March 1985): p.259.

[6]Rosenblatt, p.4.

[7]Paula Scalingi, "The European Community in 1981: Pondering at the Crossroads," Orbis, Spring 1981, p.125.

investment credits.[8] The price-support system of the CAP covers almost every temperate climate product, and there is always the demand to include more. The "economic rationale of a common market [is] that free trade within those countries should result in each commodity being produced where it can be made or grown most effectively."[9] However, public support lessens the incentive that countries/regions have to specialize where they have a comparative advantage. In addition, given the assured support, farmers are less inclined to try to lessen their input costs while trying to raise productivity.[10] This does not mean that they are not profit maximizers at all, but support assures them income without quitting farming or risking new crops.

Countries are reluctant to submit to disadvantages in a certain product area and subject their farmers to the subsequent income losses. This leads to tariffs and monetary compensatory amounts (MCAs) that take the form of border taxes and subsidies. "The single market, one of the three basic principles of the CAP, is no more than a fiction, a mirage created and maintained by MCAs."[11] MCAs were started in an attempt to maintain price unity across the borders during times of currency reevaluations. A currency devaluation would mean that a country would

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[8]Rosenblatt, p.4.

[9]Brian E. Hill, The Common Agricultural Policy: Past, Present and Future (London: Metheur), p. 63.

[10]Fennell, p. 261.

[11]Hill, p. 63.

need to raise its prices to compensate for the lower currency value, and vice-versa. This is not a politically viable suggestion immediately upon a depreciation or an appreciation. Consumers would either suddenly face seemingly higher prices or farmers would feel, incorrectly, as if their income had just dropped. MCAs are a very complicated and distorting system, but in general,

> They serve as import levies and export subsidies for countries with revalued currencies, where domestic prices exceed the common price level, and they serve as import subsidies and export levies for countries with devalued currencies, where domestic prices are below the common price level.[12]

Other factors as well have hindered the ideal of specialization. The designation of "less-favoured areas", for example, is a politically and socially viable distinction, but many people question the economic soundness of aid to disadvantaged farmers. Some commodities are also more protected than others, and therefore are safer industries into which farmers would tend to enter.[13]

The second objective of the CAP as stated in Article 39.1 of the Treaty of Rome is, "thus [i.e., by raising productivity] to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture." The question here is what is a "fair" standard of living. Farm wages are set equal to a scale of the average wages of non-agricultural workers. This is done on a regional basis, incorrectly or correctly. In addition, many different type of farming exist and the capacities of selected farms vary tremendous-

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[12]Rosenblatt, p. 7.

[13]Fennell, p. 263.

ly. In order to help the small farmers, prices are kept high so that very large farmers can earn huge profits and **all** farmers are tempted to overproduce. There is a conflict between the consumer's level of demand and the level of sufficient income for small farmers. Uneconomical farms need structural help so that they can lower their prices, produce more, or be encouraged to leave farming altogether. However, there is a strong cultural and historical importance attached to the family farm.[14]

Objective number three is stated as "to stabilize markets," and has extremely different implications, given a broad versus a strict interpretation, especially as farming is prone to seasonal variations. The CAP can help in a few ways, however. First, it can help maintain a flow of products throughout the year and help bear the costs of keeping stocks. Second, it gives price supports when the market is weak. The extremely complicated price support system has a simple outline (See Appendix I). The terms involved vary with the product line. There is a "guide price" or "target price" at the upper end of the range. Below that is the "reference" or "threshold price," the lowest price at which goods may be imported. Finally, below the "intervention price," the government steps in with subsidies.[15] The control of imports through tariffs is designed to prevent underpricing in the market place.

The fourth objective is "to assure the availability of supplies," and this appears to be more than fulfilled. The EC is now highly self-sufficient, because of its plentiful supplies, despite its need to import certain necessary raw inputs. Storing and

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[14]Rosenblatt, p.20.

[15]Ibid., p. 6.

eliminating surpluses have now become a financial burden: the result of the plan that keeps production levels above self-sufficiency. Europe needs an increase in export markets.

> The idea that surpluses are the responsibility of all Member States, and that some should actually reduce production of certain commodities in favour of other member states with particular natural or locational advantages, remains as novel now as it was in the early days of the Community.[16]

Allowing production to drop and to permit more imports would certainly be favored by trading partners of the EC, as well as by Europeans opposed to the high (approximately three-fourths of the budget) cost of the CAP.

The CAP is financed by the European Agricultural Guidance and Guarantee Fund (EAGGF) which gets its funding from import levies, customs duties, and a share of the VATs. A country's net contribution consists of its gross EEC payments less the funds it receives from farms supports, regional fund outlays, etcetera. The CAP is thus supported by countries with positive net budget contributions, and there is quite a disparity among the member nations, for example: West Germany pays 30% of the EAGGF, but only produces 23% of the EEC's agricultural output. Britain was the third poorest nation per capita in 1979, but it was still the largest giver. Britain has many small, efficient farms that do not get subsidies; it imports a lot from extra-EC countries so it must pay those duties. It also has a VAT on many items. France has a shrinking agricultural labor force, but it is still a strong voice in

[16]Fennell, p. 270.

the squabbling that takes place and is reluctant, as other countries are, to increase its contributions to the EAGGF[17] (see Appendix II, A & B).

The surplus problem is continually getting worse. In 1985, "demand for agricultural products in the community was rising at a long-term trend rate of one-half of 1 percent a year, while production was growing at a rate of one and one-half to two percent."[18] Unfortunately for the EEC, the rest of the world is also increasing its productivity. Productivity improvements lower prices; price supports raise them. Objective number five of the Treaty of Rome, Article 39.1, is "to ensure that supplies reach consumers at reasonable prices." "Reasonable" means sufficiently high prices for producers and "low" prices for consumers. Theoretically, an increased supply should reduce prices, however, legal minimum market prices can prevent that from occurring. It is true though that a smaller percentage of household income is spent on food now then was done when the CAP was formed. One must decide what defines "reasonable." This can depend upon the consumer. Consumer subsidies for agricultural products are not politically popular, and one must always also remember the objective of the farmer's standard of living. The opposite ends of the modern market have many links between them that must also be analyzed to keep consumer prices down.[19]

It seems clear, however, that some sort of reform must take place concerning the

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[17]Scalingi, pp. 127-9.

[18]Rosenblatt, p. 20.

[19]Fennell, p. 274.

CAP. One goal has been met in that the EEC is now a net agricultural exporter, where before it was a net importer. It is the leading importer and the second largest exporter of agricultural goods in the world. The protected Common Market maintains prices at a slightly higher supported level and this could be a reason for the now troubling surpluses. Price supports need reduction in some way, and one frequently repeated idea is to give direct income aid to those in the "less-favoured areas" so they can continue to survive.

Farmers also must be penalized in some way for producing over target in order to keep the troublesome surpluses down. Reforms are under way that would make farmers help pay part of the surplus disposal costs, giving them "co-responsibility." Guarantee threshold prices have not proved to function as planned because they have not eliminated the potential to raise price supports, which is necessary so there can be a loss of support if the threshold price is crossed.[20] To avoid circumvention, authorities are devising methods involving penalties and the lowering of the next year's intervention price. Production quotas are another possibility. After a certain amount was produced, there would be no purchasing by the Fund at support prices; farmers could take their chances by holding onto their stock, or they could sell the excess over quota below the support price, i.e., at a below-market price.

Much discussion took place at the time of the last enlargement, involving Spain and Portugal, as to whether the CAP could handle their entry, and we shall

[20]Rosenblatt, p. 23.

investigate the transitions that these countries underwent. However, the CAP will not be dismantled because it, "for psychological as much as economic reasons, is [figuratively] the cornerstone of Western European integration."[21]

[21]Scalingi, p.142.

Wine in the European Community

The application of the Common Agricultural Policy varies from product to product. With the additions of Greece, Spain, and Portugal to the European Community of nine came the addition of more countries that fell into the Mediterranean agricultural zone. This required a new CAP equilibrium that would pay more attention to fruits and vegetables, olive oil, and wine. Northern European countries do not favor the program that is meant to help Mediterranean integration,[22] but it is necessary to the economic well-being of the southern members. As the latest three members of the EEC are Mediterranean countries, it is useful to focus on one commodity and how it has been treated. We look, therefore, at wine in the EEC.

In the world, 9.6 million hectares are devoted to the production of wine, spread among fifty countries. Europe has 6.7 million of those hectares in seventeen countries; 71% of the land in all of Europe, intra and extra-EC, produces approximately 80% of the wine. In general, there is a national wine preference, but 15-17% of the wine produced is exported. In addition, the international wine market has been more open since the second World War, and since the EEC has opened up French and West German markets to Italian wines (see Appendix III).

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[22]Jean-Francois Drevet, La Mediterranee, nouvelle frontiere pour l'Europe des Douze? (Paris: Karthala, 1986), p. 57.

In the EC, seven of its twelve members are wine producers, producing 60% of the world production. There are 4.1 million hectares of vineyards, which is 5% of the total utilized agricultural area, 46% of the total area under vines in the world, and 46% of the world grape production.[23] One other significant factor is that 73% of the farms have less than one hectare, which is 20% of the area of holdings under vines (see Appendix IV). Of the wine produced, about 67% goes directly to human consumption, while the rest is either distilled or made into vinegar. About 5% is exported outside the EEC and about 20% is distilled by the EEC as surplus. Significantly more trade takes place within the EC because of the newly open market. Intra-EC trade accounts for 60-65% of the 50 million plus hectalitres of wine traded in the world.[24] There has been, however, a downward trend (about 1% per year) in wine consumption world wide, as there has been a switch to alternate beverages.

Prior to the CAP, wine trade was very rigid, involving customs duties, quotas, excise duties, and other restrictions. The countries had followed varied approaches to regulation and production; some countries had much higher prices and more controls, so the CAP was left to unify the market. To begin, only table wines, not quality wines, are subject to the guide price per hectolitre and to the intervention system. This price is set based upon production data from the two preceding years and the

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[23]Antonio Niederbacher, <u>Wine in the European Community</u> (FRGermany: Office for Official Publications of the European Communities, 1988), p. 23.

[24]Ibid., p. 33.

average market price received by the producers. The EC intervenes at 92% of the guide price. the activating price. Also determined are weekly representative prices: the average producer price for each representative market for each wine. If this price falls below the activating price for two weeks, private storage grants may be granted over the short or long term (three months or nine months, respectively). If this weekly price is too low for three weeks, at less than 85% of the guide price, a lowest acceptable price may be determined that would preclude producers' incomes from falling too low.[25]

To rid itself of the surpluses, the CAP has guidelines for distillation: compulsory distillation, preventive distillation, support distillation, and implementation guarantee distillation.

> The aim of compulsory distillation is to withdraw surplus quantities of cheap table wine at the beginning of the marketing year, since the effort to rationalize the market must be borne by producers who have obtained the highest yield.[26]

The Commission estimates the "foreseeable stocks" at the end of the year as the difference between the stock at the beginning of the marketing year, production during the year less the wine distilled under Article 39 of the Treaty of Rome and production and marketing losses, and what will be part of "normal use." This is defined as direct human consumption, wine intentionally used for flavoured wines

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[25]"General Description of the Mechanisms of the Community Agricultural Market: Part 2: Livestock Products and Specialized Crops," Green Europe (Luxembourg: Office for Official Publications of the European Communities, 1985), p.79.

[26]Ibid., p. 80.

and vinegars, and exports less imports. From the foreseeable stock, 10% is deducted as being distilled preventively. A producer decides to engage in "preventive" distilling when he does not think he will be able to sell all of his product; he receives 65% of the guide price.[27]

Compulsory distillation is utilized when the end amount of the foreseeable stocks is more than what would be consumed by four months normal use, when production is more than 9% more than normal use, and when representative prices for table wines are, for a set time period, less than 82% of the guide price. The producer receives 50% for the first 10mhl and 40% after that, with certain regional exceptions. Thus the required amount of wine subject to compulsory distillation is set at the beginning of the marketing year, based upon the estimates. Producers are given a deadline by which time they must have finished their distillation or pay a penalty.[28]

Producers can be eligible for support distillation when they have finished their compulsory distillation. It occurs automatically after compulsory distillation, and producers are paid 82% of the guide price, but they cannot distill more than 5mhl total. The last type of distillation is implementation guarantee distillation that pays producers 92% of the intervention price. This process can start in September with long-term stored wines. The commission decides the amount that can be distilled this way, but it cannot be more than 18% of a single producer's product.[29]

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[27]Ibid., p. 81.

[28]Ibid., pp. 81-82.

[29]Ibid., p. 82.

Many difficulties are involved in controlling the wine industry. Productivity is going up so that a need may arise for compulsory vineyard abandonment instead of the early retirement incentive program currently in place, which allows farmers to receive benefits sooner to keep them from adding to surpluses. The distillation process is also leading to an alcohol surplus. The fruits and vegetables market was originally helped by increasing wine production; surplus table grapes were made into wine. Now the wine market has been helped by creating an alcohol surplus. It is also expensive to transfer wine surpluses to the alcohol market, and the EAGGF provides the intervention funds. Other uses for grapes and unfermented wine must be found, such as more non-alcoholic beverages and using unfermented wine for livestock feed. Some EC-member countries also place a high tax on wine, sometimes used to protect a national beverage, that aggravates the surplus situation. It is difficult, however, to convince countries to lower the tax[30] (see Appendix V).

The CAP also has regulations regarding wine trade. Extra-EC wine imports are unrestricted except for customs duties. "Free-at-frontier" reference prices are set by the guide prices as well as the costs incurred bringing EC wine to the same marketing stage as the imported wines. The free-at-frontier prices cannot be less than the reference price plus the customs duty, or a levy will be charged. It is usually not a problem to get the exporting countries to comply with the EC prices. Refunds may be allocated involving exports to extra-EC countries. Concerning intra-EC wine

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[30]Niederbacher, pp. 88-90.

trade, there are MCAs, but they apply only to wine itself, not "new wine."[31]

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[31]"Livestock Products and Specialized Crops," pp. 83-84.

The Second Community Enlargement: Greece

Let us now consider the 1981 enlargement of the EEC with the addition of Greece. On July 9, 1981 Greece was admitted as an associate member and was therefore given special status. An ensuing military coup, resulting in a dictatorial regime, precluded the possible admission of Greece as a full member. Democracy came again to Greece, however, in July 1974, and Greece applied to join the EC on June 12, 1975. Many questions were raised as to how Greece and the EC would adjust to this new membership, especially when it was believed that Spain and Portugal would be soon to follow. The CAP was originally designed as a protectionist tool for five Northern Countries, with some adjustments made for the more southern state, Italy. All three of the new countries are poorer Mediterranean countries with very different agricultural make-ups and income distribution[32] (see Appendix VI).

The Treaty of Accession of Greece to the EEC was signed in Athens on May 28, 1979. Agreements held by the EEC with non-member countries were scheduled to take effect on January 1, 1981. A five-year transitional period to complete membership status, from 1981 through 1985, was designed with a few exceptions. Seven years were designated as the period during which to move to free movement

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[32]John S. Marsh, "The CAP and Greece: A Community Perspective," Food Policy 5 (November, 1980): 239.

of trade and labor as well as the abolition of tariffs on fresh and processed tomatoes and peaches. There was to be no transition period for the Common Customs Tariff (CCT) which applies to milk and milk products, fruits and vegetables, wine, and fishery products. The transition period allowed for the

> progressive elimination of residual custom duties and alignment of the Community's [Common External Tariff] CET on the one hand and to the alignment of Greek prices to those of the Community on the other.[33]

During the transition, price differences were to be made up by "accession compensatory amounts" and MCAs.

On the whole Greece has some markedly different characteristics than the Community in general. The working population of Greece is 3.2 million (as opposed to 102 million in the EC-9), and 28% of it is involved in agriculture. This is the largest percentage in the Community, with Ireland having 24.5% and Italy 15.8% in agriculture. The Community in total has 8.7% of its working population in the agricultural sector.[34]

"Mediterranean" products are considered to be vegetables, fruits, wine, tobacco, oilseeds, cotton, sheepmeat and goatmeat. To be considered part of the "Mediterranean region" by the CAP, more than 40% of a country's total agricultural production must be in durum wheat, vegetables, flowers, tobacco, wine, olive oil,

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[33]Roger East and Frances Nicholson, From the Six to the Twelve: The Enlargement of the European Communities (Chicago: St. James Press, 1987), p. 190.

[34]Adrien Ries and Christa Haebler, "The Agricultural Aspects of Enlargement of the European Community: Greece," Green Europe, August 1980, pp. 13-14.

fruit (excluding apples), citrus fruit, sheep, and goat. Many of these products are produced in surplus quantities by Greece and constitute the bulk of her exports. Greece is the only major cotton producer in the EC, and its main agricultural exports include tobacco - 28%, oil seeds - 6%, and fruits and vegetables - 54%. The main products imported by Greece are fodder grains - 42%, milk - 11%, and beef/veal - 30%. "Greek agricultural production is complementary to, rather than competitive with that of the present Community."[35] Although this fact may then raise questions as to why integration is believed to be troublesome, at least in part, Greece's agricultural structure is very different. One must remember that the addition of Spain and Portugal and the original focus of the CAP are also in conflict. It is competitive with the present Mediterranean areas of the EC. Greece is also not helped as much by the common organization of markets, which covers approximately 95% of the agricultural goods of the EC-9, but it only covers 75% of Greece's agricultural production.

Greece also suffers from many structural inadequacies; it is very mountainous and has irregular rainfall. Agricultural holdings are very small and fragmented. On average, a Greek farm is 3.6 hectares versus 17 hectares in the EC-9.[36] There is also underemployment and an inadequate "infrastructure and organization for marketing

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[35]Ibid., p. 15.

[36]A. J. Kondonassis, "Greece's Accession to the European Economic Community: Some Influences on Agriculture," p. 481.

and processing agricultural products."[37] Greece needs both financial and technological aid to raise the farmers' standard of living. A continuing debate exists between lower prices and more support; the question of boosting incomes or reducing the budget. There is a continuous fund shortage of the EAGGF; money is spent on countries where it can be afforded to be spent, i.e. on those countries who have contributed to the Fund. Greece would be eligible for aid for "less favoured areas." On the whole, Greece is more labor intensive than the EC-9, and

> to yield satisfactory incomes at prices determined by open competition in the EC, would require a comprehensive programme of structural reform. This would reduce the numbers employed, enlarge farms and provide more irrigation and infrastructural facilities. It would have serious consequences for the social and political pattern of Greek rural life.[38]

Greek farmers are better off producing Mediterranean products because of their small farm size. Structural changes are slower to take place, however, than price changes. It was not surprising for Greek agriculture to be hurt in the short to medium run. Large subsidies for farmers' incomes have been used by the Greek government in the past, but even more income support is needed. "Small and scattered land plots, and inefficient marketing system and infrastructure, and badly organized cooperatives all contribute to a high-cost-production structure that is

[37]East, p. 196.

[38]Marsh, p. 244.

difficult to adjust."[39]

It is often said that more external controls are needed for Mediterranean products on the whole. Tobacco has only GATT tariffs to protect it, and some fruits and vegetables have no minimum import price, just a quality control level, which can, however, be a powerful barrier to entry on its own.

> The overall aggregate price and income trends for Greek agriculture changed only marginally during the first two years after Greece's accession to the EC. However, profound changes have taken place in the relative price structure within Greek agriculture by which industrial vegetable and animal products are favoured, and most of the remaining vegetable products are disfavoured.[40]

These are not surprising results, as the CAP was created with the Northern cereal and livestock farmers in mind. Greece had higher cereal prices than the EC, so those producers were hurt as well when integration occurred after 1986.

Prior to the enlargement, the EC-9 was already a major trading partner of Greece, and the addition of Greece helped to raise the now-enlarged Community's self-supply percentage significantly with regard to several products. Most of the competition between Greece and the other members will take place in the fruit and wine sectors, with various surpluses as the result. Of the land designated for fruit production in Greece, about 80% is irrigated. Greece is the sixth largest exporter of oranges in the world, 17% of which go to the EC, while Greece imported less than

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[39]Alexander H. Sarris, "Agricultural Problems in EC Enlargement: The Case of Greece," European Revue Agro Economique 11 (1984): 203.

[40]Ibid., p. 201.

2% of the fruit from the EC-9. The EC's self-supply ratio of oranges rose from 41% to 50% after the enlargement with Greece. Peaches, 90% of which are exported to the EC, raise the level of self-supply level of that fruit in the EC to 104% from 96%. The self-supply level for table grapes rose from 68% to 74%, with the EEC accounting for 66% of Greece's exports.

With regard to wine, 22% of Greek production is exported, 47% of which goes to the EC, making up 9% of its total wine imports. White wine accounts for 58% of Greece's wine production. This addition pushed the self-supply level over the 100% mark. Furthermore, the prices of Greek wine tend to be less than in the EC: white wines are listed at 95% of EC prices, and red wines are 62% of EC prices. Additionally, the government encourages vegetable production in Greece, and the EC-9 is the major importer. Tobacco production in Greece is equivalent to 70% of the EC's production; 18% of the cotton crop is exported to the EC, and almost all of the olive oil that is exported (there is a very high consumption rate) goes to the Community. On the whole, the EC self-supply rose from 88% to 95% once Greece was added.[41] Five percent was still imported by other Mediterranean countries such as Spain and Portugal, soon to be competitors. From the figures, it does appear that Greece is helpful to the Community's agricultural market, although there arises the problem of increased surpluses and the need to deal with less efficient farmers. The 1981 enlargement with Greece, however, was a mere precursor to the changes necessary

[41]Ries, p. 27.

for the 1986 enlargement involving Spain and Portugal.

The Third Community Enlargement: Spain and Portugal

Adding Spain and Portugal meant even more of a need for a new CAP equilibrium including Mediterranean products. All three add to the surpluses in the wine market, necessitating increased financial support in that sector. Spain entered the EC believing it would have to make the CAP work better for fruits, vegetables, wine and olive oil, aware of EC leanings toward Northern European products. The CAP could no longer be the privileged means of support and orientation it had been for the last thirty years. During an enlargement, a new country adopts the "acquis communautaire", irrespective of a country's opinions. In other words, it must accept all of the EC common policies without exception. The CAP cannot be modified from the outside. There was, however, the fear that Spain and Portugal would be tempted to try and renegotiate their membership from within the Community.[42]

> The third enlargement of the Community differs sharply from previous enlargements because of the way it further enhances the agricultural component of European integration: although relatively modest in economic terms, the integration of the Portuguese and Spanish agricultural systems is unprecedented from the point of view of the number of farms, employment and agricultural potential, the budgetary impact of their integration is of a quite different order; the adaptations to be made on both sides in certain sectors and certain regions will be of a new variety.[43]

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[42]Michel Debatisse, Agriculture: Les temps difficile... (Paris: Economica, 1986), p. 106.

[43]"Agricultural Aspects of Community Enlargement to Include Portugal and Spain," Green Europe (Brussels: Office for Official Publications of the European Communities, 1986), p. 37.

For these and other reasons, the process leading to the membership of Spain and Portugal was very complicated, long and drawn out.

As Spain and Portugal were on the outside of the EC for twenty years, they had worked their trade around that fact, making the possibility of entry more difficult. Spain had preferential trade with the EC that began on October 1, 1970, which stopped one month before Franco died on November 20, 1975 and was restored shortly thereafter. The Treaty of Accession of Spain to the EC was signed on June 12, 1985 at the Palais Royal in Madrid, after six years of negotiations. EFTA and Spain already had a multilateral agreement for free trade. The long delay was in part due to the "serious concern" that "French agricultural interests would be seriously damaged by Portuguese and Spanish participation in the CAP."[44] CAP revision was needed to prevent surpluses in wine and olive oil, among other products. Spanish accession increased the Community's agricultural area by 30%, farm work force by 25%, and the production of vegetables, fresh fruit, olive oil, and wine by 25%, 48%, 59%, and 25%, respectively. The Council of (Agricultural) Ministers therefore met on October 17th and 18th, 1985 in order to agree to help the CAP improve the way it dealt with Mediterranean products as opposed to "northern" products.

The negotiation led to a ten-year transition period for "sensitive products", and allowed for the intra-Community tariff percentage to engage in graduated increases

[44]East, p. 217.

on those products over time. In general, a seven-year transition period was devised for the CAP. The ten-year "sensitive product" transition period applied to: 1) oil seeds and olive oil (keeping the 1985 level of import controls for five years to prevent surpluses from accumulating), 2) fruits and vegetables (whose "complementary trade mechanisms" kept import controls about the same for four years and maintained the established Community price), and 3) milk and dairy products, beef, and wheat.[45] Wine, on the other hand, was basically meant to follow the EC rules from the beginning, with some exceptions, and it will be considered at a later point.

Spain runs a global deficit in its trade with agricultural food products, mostly because of it importation of feed grain, beef/veal, and milk products, but it runs a surplus with the EC. Adding Spain changed the constitution of the Community; consumption potential for agricultural products went up 14%. In addition, the EC underwent an increase of 29% of its utilized agricultural area, 32% of the number of farmers and farm workers, and 32% of the number of farm holdings. Spain's Gross Agricultural Product (GAP) is 9% of the Gross Domestic Product (GDP), while it is 4% of GDP in the rest of the EC. The absolute amount of the GAP is increasing, but its share is decreasing as the industrial sector expands more rapidly. In Spain, 58% of final agricultural production is in crop products, and 42% is in livestock. This is contrasted with 40% and 60% respectively in the EC. It is quite interesting to note the share of Spanish production in comparison to the Community:

[45] Ibid., p. 230.

Spanish Production	% of Community Production
Rice	37
Wine	19
Olive oil	82
Citrus fruits	96
Apricots	86
Tomatoes	50
Onions	75

On the whole, Spain exports its surpluses to the EC:

36% of fruits and olive oil
61% of wine
87% of tomatoes
89% of citrus fruits
91% of potatoes,

but the EC only supplies 10% of Spanish agricultural imports.[46]

Portugal, the other 1986 entrant, had originally been granted preferential treatment in trade with the EC, along with the other EFTA countries, of which it was a member, on January 1, 1973. It too, however, had a non-democratic government which kept it from being on the list of potential candidates for membership. Portugal applied formally to join the EC on March 28, 1977; negotiations began on October 17, 1978. The Treaty of Accession was finally signed on June 12, 1985 at the Jeronimos Monastery in Lisbon, just prior to the signing of the Spanish accession treaty. The overthrowing of Dr. Marcelo Caetano during the "Red Carnation"

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[46]"The Agricultural Aspects of the Enlargement of the European Community: Spain," Green Europe, 1981, p. 5.

revolution of April 1974 made membership in the EC possible.

With respect to agricultural production and the application of the CAP, the accession agreement for Portugal was slightly different than the one for Spain. A seven-year transitional period was to cover 15% of agricultural production, while a ten-year transitional period would cover the remaining sectors, allowing for up to five years to set up or ameliorate marketing structures. The second five of the ten years was for the

> narrowing of price differences and opening of markets, [with a] complementary trade mechanism ... for sensitive products and special arrangements were made for Portuguese tomato and wine exports and sugar imports and for community cereal exports to Portugal.[47]

On the whole, Portugal was less of an economic threat than Spain, because it was even more backward in development. The transition stages will help in the areas where rapid trade flows may arise due to the more widely open markets.

During the classic seven-year transition period, Accession Compensatory Amounts (ACAs) make up the price differentials. Thus if Portuguese prices are too high, imports will be taxed and exports subsidized, and vice versa if Portuguese prices are lower than those in the EC. The reason for the ten-year period is that, before ACAs can take effect, five years are needed to make more substantial institutional changes. Portuguese prices tended to be above EC prices, making price harmonization more difficult, especially given the expected decline in EC real price levels due to technological advances. However, "a smooth transition of nominal

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[47]East, p. 231.

prices [toward EC market levels] would cause sharp change in real prices and hence short-tern difficulties for particular sectors."[48]

The EC has told Portugal that it needs more agricultural investment. Portugal has to match the EC funds. The higher prices cannot be changed, so money must come from subsidies to private investors or public investment activities.

> Trade will have to be conducted by private firms, subject to levies on imports and assisted by subsidies for exports. The internal market prices will reflect such private trading opportunities. Trade in input items will be liberalized.[49]

Many new credit, subsidy, and intervention programs have begun, but not all have been immediately successful.

The agricultural sector in Portugal has seen changes over the years, however. Agricultural products accounted for 50% of all exports in the mid-1950's, and this figure was down to 20% in 1985. Agricultural imports rose from 20% in 1970 to 27% in 1975 and have been declining ever since.[50] It does have a very large percentage, 23%, of its population in agriculture. Portugal's GAP was 15% of its GDP, as compared to 4% in the EEC (see next page).[51]

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[48]Scott R. Pearson et al., Portugese Agriculture in Tradition (Ithaca: Cornell University Press, 1987), p. 59.

[49]Ibid., p. 49.

[50]Ibid., p. 48.

[51]"The Agricultural Aspects of Enlargement of the European Community: Portugal," Green Europe, 1982, p. 7.

Country	Ag. value added as % of GDP	Ag. labor force as % of total	Relative ag. productivity
Portugal	15%	28%	0.54
Spain	9%	20%	0.45
Greece	19%	28%	0.68
EC-9	4%	8%	0.50
Italy	8%	16%	0.50
Ireland	18%	23%	0.78
France	5%	9%	0.56

In production, Portugal has some figures similar to those of Spain, with 59% of total production in crop products and 41% in livestock, while the EC's figures are 40% and 60%, respectively. Portugal does run a trade deficit in almost all agricultural products. Its level of self-supply is lowest in butter, maize, beef/veal, raw sugar, tobacco, oils and fats, and vegetable oils. Cereals and feeding stuffs account for 32% of agricultural imports. It is largely self-sufficient in sheep and goat meat, poultry meat, fresh fruits, and olive oil. A surplus is run, however, in tomato concentrates, wine, and it is the only country in the EC-12 with a lumber surplus. The EC self-supply ratio is now up to 105% in wine, along with significant increase in citrus fruits and sheep/goat meat. Portugal does have a trade surplus with the EC: 54% of its exports are to the EC, while only 10% of its imports are from the EC (39% are from the U.S.). These figures will change over time. Together with Spain, more than 50% of the peninsula's agricultural exports went to the EC-10, but less than one-third came from them. Additionally, including Greece, the three new

Mediterranean countries would increase the number of workers in agriculture by 57%, the total utilized agricultural area by 44%, the number of farms by 57%, and the value of the end agricultural product by only 17%.[52]

These two countries will also help to worsen the ever-present budgetary crisis by requiring more in spending and contributing less in receipts. That is why the transition period is so long. Furthermore, the British believe that a country should not get more out than it pays in, but Portugal is not ready to contribute fully. This last enlargement should certainly help politically, but there are so many budgetary problems already present to which it will add more. Other extra-EC fruit and vegetable producers, such as Morocco, Tunisia, and Egypt, are appropriately concerned. As traditional suppliers to the EC-10, they risk losing their market share to the preferred community partners.

> Within Spain and Portugal there are also very different regions. The confrontation of exploitations of production very unequal, on a market piloted by a unique price, the suppression of reciprocal protection and the opening of a field of enlarged agreement creates the conditions of a strengthening of the strongest, and an acceleration of the crisis of the weak, as well as in the Europe of 10 (more particularly France and Italy) than in the new partners.[53]

There will, therefore, be losers on both sides: numerous in Portugal, small family farms in Spain, Southern Italy, and in the Midi of France. There is little chance that the present programs will resolve a crisis that is worsened by the enlargement.

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[52]Ibid., p. 5.

[53]Jean-Claude Kroll, Politique agricole et relations internationales: Les enjeux en France et dans la C.E.E. depuis 1945 (Paris: Syros, 1987), p. 177.

The Enlargements and the Wine Sector

As Greece, Spain, and Portugal are major wine-producing countries, it is important to look at the impact of the last two enlargements on the wine market. After cereals, wine is the second largest agricultural export of the EC. France, Italy, West Germany, Greece and the Iberian peninsula account for three-fourths of the world wine exports. Italy dominates the market, but France is close, especially if one includes brandy. France exports almost half of the bottled wine, and it leads the world market in quality. West Germany sells as many bottled white wines as Italy, which exports three-quarters of the bulk of ordinary wines. Each country, however, has its own structure of commerce and its own wine specialties (see Appendix VII).[54] For example, in Italy, the vines are tied to fences and there is a lot of work done per hectare; while in Spain, there is very little work and investment. The Spanish are also quite inept with the mechanisations of large size and high sales. France is somewhere in the middle.[55]

The competition of the export markets should definitely increase at least with the addition of Spain. The three Mediterranean countries together will cause a 45 to 60% increase in the Community's share in world wine production. Spain has more

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[54]Jean-Pierre Laporte and Robert Lifran, "Elargissement de la C.E.E. et restructuration de l'economie viti-vinicole communautaire," Economie Meridionale 34 (1986-4): 73.

[55]Ibid., p. 76.

area under vines than any other country in the world, 1.7 million hectares, but it also yields only one-third of the amount that France and Italy produce. The EC-12 has about 50% of the wine growing area in the world, with 60% of the production and 55% of consumption. In trade, the Community takes in more than half of the world imports and sells three-fourths of the world exports. In Spain, production is rising faster (.75% annually), with higher prices, than the EC (.58%). There is the question of whether the Community's forced movement toward lower market prices on certain types of wine will be enough to "dam up" the explosion of Spanish production.[56]

Spain, unlike Portugal, has a wine sector organization similar to that of the EC. For this reason, Spain underwent a "conventional transition," while Portugal negotiated a two-step transition of two five-year periods. During the first five years in Portugal several things had to take place: 1) liberalization of domestic trade, 2) establishment of rules on vine planting like those in the EC, 3) classification of vines according to EC guidelines, 4) prohibition of irrigation of vineyards, no new planting on vineyards, and no new vineyards making wine with less than 7% alcohol, 5) establishment of centers for compulsory distillation, 6) organization of administration and informal services to manage the market and to help bring Portuguese wine prices in line with those in the EC, and 7) lowering of the maximum sulphur dioxide amount to the EC level.[57]

Additionally, there is a plan for the gradual reduction of Portugese custom

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[56]Kroll, p. 177.

[57]Niederbacher, p. 78.

duties. Quality wine custom duties are to be eliminated by 1991, and those on ordinary wines by 1994. Portugal must eliminate custom duties on EC wines by 1996. By January 1991, Portugal can start its "conventional transition" period like Spain, and by January 1993, it should be in line with the Common Customs Tariff (CCT) with extra-EC countries.

Spain, on the other hand, has eight years to reduce custom duties, by January 1, 1993. Where there exists a reference price, the external CCT started March 1, 1986. On that same date, Spain gained the right to refunds on the export of unfermented wine and other vine products. The difference between the guide prices for table wine in Spain and the EC-10 is equal to the regulatory amount. Spain cannot hurt trade or make wine cost more than before its accession. It will take until the 1992 harvest for the EC-11, without Portugal, to have its wine prices in order.[58] As in the rest of the Community, wine production in Spain beyond the set amount will be forcibly distilled, and there will be incentive payments for wine producers to switch to other crops.

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[58]Ibid., p. 80.

CONCLUDING REMARKS

Having discussed the wine sector of the EC, we conclude by considering its prospects. 1992 is the "deadline" for the unified European market. The wine sector should by that year, except for Portugal due to its transition terms, be completely integrated. Production will likely be around 180-190 million hectolitres and demand will be 152-7 mhl, resulting in a 30-40 mhl surplus.[59] Therefore production obviously must be reduced, unless miraculous new demands or uses for wine were to be discovered. Many changes must take place in the next few years in order to get wine prices in line across national borders; Spain is especially troublesome as it has significantly lower wine prices than either of its two main rivals, France and Italy.

The conlusions drawn from the study of the CAP were noted earlier. The functioning of the CAP is essential to complete European integration. Agriculture is tough to coordinate due to protective national interests in combination with uncontrollable weather conditions. The EC is not the only organization having problems with agricultural trade policy. One of the primary topics of discussion at the most recent Uruguay round of the GATT negotiations is how to open up trade. The EC breaks GATT's rules by using price supports, quotas, and other tools to block free trade. Retaliation is sure to follow by major trade partners, such as the U.S., and trade patterns could be distorted further.

A prerequisite for a working CAP is a unified price system. In theory, this should

[59]Niederbacher, p. 91.

be brought about when the transition stages of the last two enlargements are finished, at least by 1992. The use of a single European currency would definitely help solve many problems, but at the moment it is not politically viable. The desire for national sovereignty by many countries, especially Britain, is still too strong to submit to this idea. A supra-European Council organization could also help integration and policy coordination, but again, it is too soon.

We note conclustion that the EC has great potential to be powerful and influential as a single functioning unit, if it can achieve its 1992 goals. We have already seen its dominance in the field of wine production, as well as some of its population and land statistics. The next three years will be a uniquely exciting time in Europe - - that could very likely make this whole analysis obsolete, or simply nostalgic to look back upon.

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Chart 1. Basic Mechanism of CAP Price Support

Source: THE COMMON AGRICULTURAL POLICY OF THE EUROPEAN COMMUNITY: Principles and Consequences, Washington, D.C., International Monetary Fund, 1988.

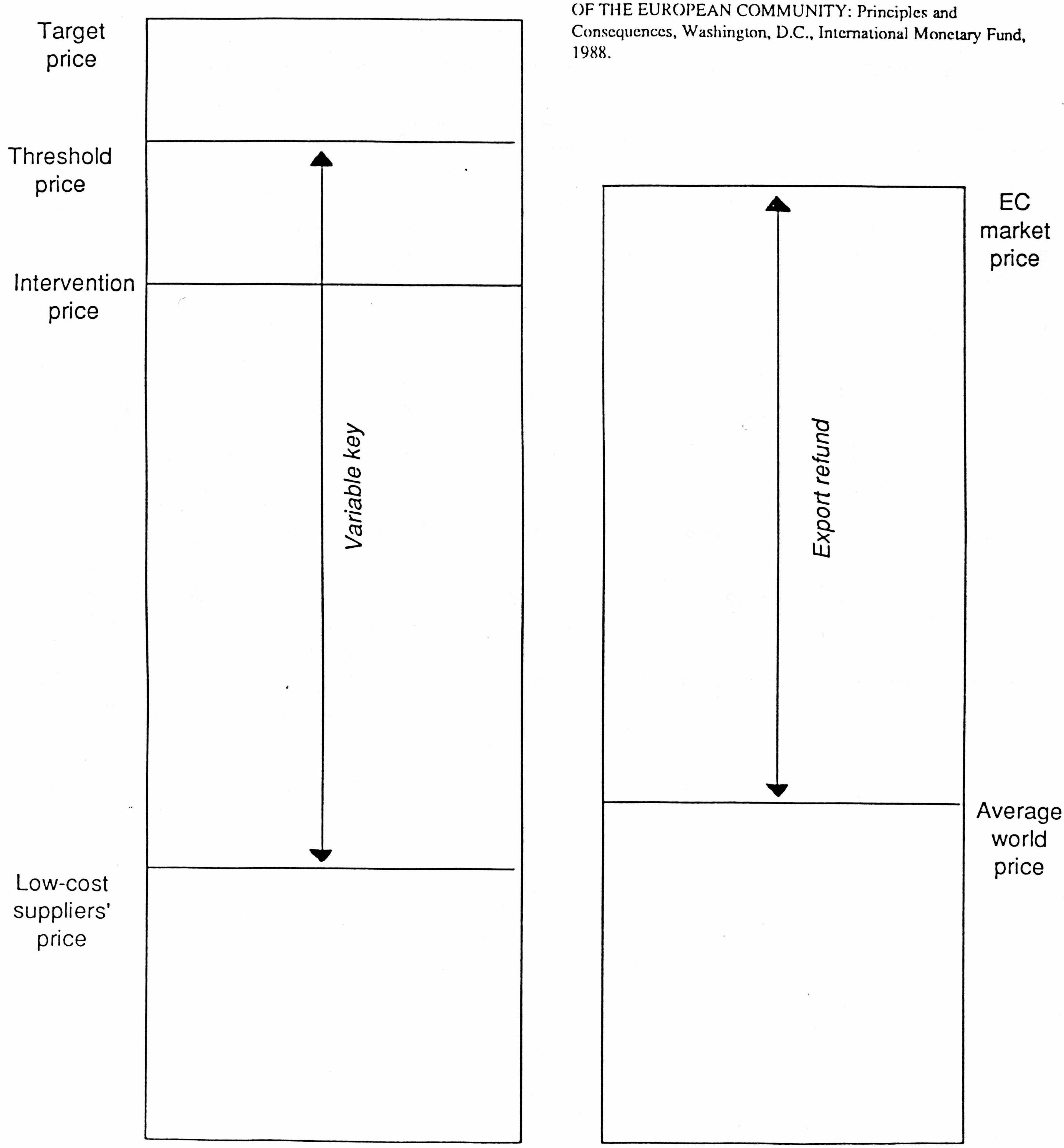

Table 33. Expenditure by the European Agricultural Guidance and Guarantee Fund, by Country
(In percent; or millions of ECUs)

	1973	1981	1982	1983	1984	1985	1986
				(In percent of total expenditure)			
Belgium	5.4	4.4	4.2	3.8	3.7	4.5	4.4
Denmark	8.5	4.5	4.4	4.7	4.7	4.1	4.8
France	29.9	27.7	23.3	22.7	19.7	23.1	24.9
Germany, Fed. Rep. of	20.3	18.2	16.4	19.3	18	17.9	20
Greece	—	1.4	5.4	6.2	5.3	6.4	6.5
Ireland	2.3	4.3	4.5	4.3	5	6	5.7
Italy	14.4	19.2	20.2	17.7	21.3	17.8	14.3
Luxembourg	0.1	0.1	—	—	—	—	—
Netherlands	14.8	10.2	11.1	10.5	10.5	10.1	10.2
United Kingdom	4.3	10.1	10.3	11.1	11.8	9.8	9.1
EC-10							
Total (in millions of ECUs)	4,115.90	11,866.60	13,007.70	16,507.90	18,975.10	20,416.00	22,545.30
Guarantee (in percent of total)	95.4	93.9	95.1	95.6	96.4	95.7	96.8
Guidance (in percent of total)	4.6	6.1	4.9	4.4	3.6	4.3	3.2

Source: Commission of the European Communities, OFFICIAL JOURNAL OF THE EUROPEAN COMMUNITIES, Vol. 30 (C336), December 15, 1987.

Table 34. Expenditure by the European Agricultural Guidance and Guarantee Fund, by Product
(In percent of total guarantee expenditures)

	1981	1982	1983	1984	1985	1986
Cereals and rice	17.8	15.2	16.1	9.3	12	15.8
Sugar	7	10	8.3	8.9	9.1	7.8
Fats and protein plants	10	10.5	11.2	10.7	11	14.0
Fruit and vegetables	5.8	7.4	7.6	7.9	6.2	4.5
Wine	4.2	4.6	4.2	6.7	4.7	2.9
Tobacco	3.3	5	4.3	4.2	4.4	3.5
Milk products	30.5	26.9	27.8	29.7	30.1	24.4
Meat, eggs, and poultry	17	13.1	14.6	17.7	17.6	19.7
Other markets	3.7	4.7	3.5	3	3.7	5.1
Agrimonetary measures	2.2	2.5	3.1	2.1	1.0	2.2
Other expenditures	-1.5	0	-0.7	-0.1	0.2	0.3
Total (in millions of ECUs)	10,960.2	12,369.5	15,788.2	18,328.3	19,725.9	22,120.0

Source: Commission of the European Communities, OFFICIAL JOURNAL OF THE EUROPEAN COMMUNITIES, Vol. 30 (C336), December 15, 1987.

Per capita annual consumption in litres

(IWO-calendar years)

	1930	1950	1965	1980(5)	1986
France	120-130	109	117	91	78.4
Italy	100	83	109	86	73.2
Spain	50	47(1)	63	64	45
Greece	—	40-50	39	44	37.92
FR of Germany	3-4	7.8(3)	14.7	25	23.3
United Kingdom	—	0.8	2.2	7	9.9
Luxembourg	—	25	30-40	45	54
Belgium	—	5	8.6	20	20.05
Portugal	60-70	99(1)	109	70	70.8
Switzerland	56	48	38.3	47	47.8
Argentina	50-55	70(2)	86	76.3	59.17
USA	—	3	3.7	7.6(4)	9.27
Canada	—	2	28	8.4(4)	9.27
Chile	—	60	56.8	46.6(4)	35
Austria	14-18	17	29.8	39.5	32.8

Source: For EEC countries: Eurostat for 1980/81 and 1985/86 wine years.

(1) 1952.
(2) 1955.
(3) 1953.
(4) 1979.

Appendix IV

Number of holdings and areas under wine grapevines in the EEC

	Number of holdings	Hectares under vines for wine grapes
Italy	1 294 400	1 031 229 (quality wine psr 205 997)
France	236 223	998 715 (quality wine psr 464 931)
Greece	334 584	90 140 (quality wine psr 30 023)
FR of Germany	89 471	93 858 (quality wine psr 93 353)
Luxembourg	1 224	(quality wine psr 1 273)
Total EUR 10 (1)	1 955 902	2 215 215 (quality wine psr 796 587)
Spain	535 000	1 600 000
Portgual	410 000 (2)	270 000(2)
Total EUR 12	2 900 902	4 085 215

(1) 1979/82 Community survey of areas under vines.
(2) 1979/80 survey.

Source: WINE IN THE EUROPEAN COMMUNITY, Luxembourg: Office for Official Publications of the European Communities, 1988, p. 24.

Appendix V

Impact of tax burden on consumer price of wine in EEC Member States
(Table wine—May 1984—ECU per litre)

	Producer price(1)	Cost of distribution(2)	Excise duty	VAT%	Consumer price(1)
Belgium	.30	0.95	0.38(4)	25	2.04
Denmark	.30	1.39	1.70(5)	22	4.14
France	.30	0.59	0.038(6)	18.6	1.11
Greece	.30	0.55	—	—	0.85
United Kingdom	.30	2.28	1.78	15	5.01
Ireland	.30	2.43	3.12	23	7.2
Italy	.30	0.44	—	8(8)	0.8
Luxembourg	.30	0.73	0.15(7)	6	1.25
The Netherlands	.30	1.41	0.38	18(8)	2.47
FR of Germany	.30	0.8	—	14	1.25
Portugal	0.25(9)	0.30(9)	—	8	0.60(9)
Spain	0.18	0.30(9)	—	12	0.54(9)

(1) Average representative price at source for red table wine, 11%, type RI (France, Italy, Greece and Spain).
(2) Figure obtained by subtraction. Comprises all costs from production to retail, including transport, bottling, distribution and cost of bottle.
(3) Indicative averages, drawn from information from trade bodies and appearing in specialized publications.
(4) For Luxembourg wines, excise duty is reduced by approximately 40%.
(5) Not including the 1.5% tax on imported wines but including the 'bottle tax' of approximately 0.18 ECU per litre.
(6) Transport duty.
(7) Only for foreign wine; Luxembourg wine is exempt from excise duty.
(8) In 1986: Italy 9%, the Netherlands 19%.
(9) In 1986; indicative estimate.

Tax burden as percentage of price of table wine
1984

Member State	Percentage of producer	Percentage of consumer price
Belgium	259.5	38.5
Denmark	809.6	59.1
France	70	19.1
Greece	—	—
United Kingdom	806.7	48.5
Ireland	1 424.2	62
Italy	19.7	7.4
Luxembourg	74.2	17.9
The Netherlands	252.2	30.8
FR of Germany	51.1	12.3
Spain	32	10.7
Portugal	17.6	7.33

Source: WINE IN THE EUROPEAN COMMUNITY, Luxembourg: Office for Official Publications for the European Communities, 1988, p. 89.

Table 1. Changes in land, labour, and capital in agriculture due to enlargement.

	EC Nine	% increase on accession of Greece	% increase on accession of Greece, Spain and Portugal
Total land area	150366(a)	9	48
Arable area	46319(a)	6	47
Population			
Total	258691(b)	4	21
Agricultural	20303(b)	18	66
Capital in machines			
Tractors	4658682	2	11
Combine harvesters	481715	1	10

a) in thousand hectares;
b) in thousands.
Source: FAO, FAO PRODUCTION YEARBOOK, 1976, Rome 1977.

Wine Production Categorized by Color and by Country: 1982 Comparison of EC-10 and EC-12

Country	Red and Rose 10	Red and Rose 12	White 10	White 12	% White by Country
FRG	2.0	1.5	22.5	17.0	89.0
France	55.0	45.0	25.0	19.0	22.5
Italy	42.0	34.5	47.0	35.0	41.0
Greece	1.0	1.0	5.5	4.0	72.0
Spain	—	12.0	—	21.0	55.0
Portugal	—	6.0	—	4.0	30.0
	100	100	100	100	
Million of hl	94.9	115.9	59.5	79.5	41
Volume	—	+21.0	—	+20.0	—
% Increase	—	22.0	—	34.0	—

Source: Jean-Pierre Laparte and Robert Lifran, "Elargissement de la C.E.E. et restructuration de "l'économie viti-vinicole communantaire," ECONOMIE MERIDIORALE 34 (1986-4): 75.