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THE SIGNIFICANCE OF THE EEC ENLARGEMENT FOR TRADE IN
PROCESSED AGRICULTURAL PRODUCTS AND THE FOOD INDUSTRY

von

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1 Introduction

The historical and political significance of the second EEC enlargement is probably of greater importance than the economic aspects. The economic problems it will nevertheless pose should not obscure consideration of the potentially positive role which the enlarged Community could play in promoting political and economic stability, both within the area of the EEC and at global level.

The impact of the enlargement on intra-Community trade in the agro-food manufacturing sector as a whole (at the level of II stage transformation) seems unlikely to be very strong within the short or medium term. It will however, be influenced by the terms of accession and transitional arrangements. Since these are not yet known, discussion of future developments can only be based on past experience.

In this paper therefore we propose first to examine briefly the present state of the Food, Drink and Tobacco Manufacturing sector (FDTM), and to pass, in the second part of the paper, to a more detailed investigation of trade flows in selected food manufactures within the EEC 12 area during the period preceding enlargement. Statistical analysis will be used to identify the competitive performance of the different exporting countries. On the basis of past trends, considered in conjunction with the trade barriers operative, some tentative conclusions about future performance will be drawn.

2 The agro-food manufacturing sector: a general background

As can be seen from Table 1, in none of the 12 countries does the FDTM sector contribute more than about 10 % of GDP. It is interesting to note, however, that in 6 of the present 9 member countries its share is greater than, or equal to, that of the sector agriculture, fisheries and forestry. Moreover, two of the three remaining member countries, France and Ireland are those where the FDTM sector makes its major contribution to GDP. There is reason, therefore, to consider the sector of non-negligible dimensions in each of the present member states. In the applicant countries the sector is relatively undeveloped, and its weight in the national economy is decidedly overwhelmed by that of agriculture.

Within the manufacturing sector, FDTM contributes between 10 % and 30 % of Gross Value Added; again the three applicant countries rank towards the lower end of the scale, confirming the relatively unimportant role of this sector in their national economies. The sector is instead of greater significance in Ireland and Denmark where it contributes about 30 % of manufacturing value added.

Information which is available for 8 of the 9 EEC countries indicates that the structure of the FDTM sector does not differ greatly from that of the entire industrial sector: small - scale firms are dominant, approximately 85 % of firms employed between 20 and 99 persons and produced about 30 % of Gross Value Added in 1975. A notable exception to the overall picture is provided by the British industry, where only 15 % of Gross Value Added derived from firms in the size group 20-99 employees, these constituting a much lower percentage (72 %) of firms operating in the sector (Table 2).

Unfortunately, no data is available for trends in consumption of specifically manufactured products of food, drink and tobacco. It seems reasonable to surmise that rates of growth in consumption of these products exceeded those for the category as a whole (including non-manufactured products). The latter are shown in table 3. The high responsiveness of demand to increases in income and to changes in social patterns, including increased urbanisation and employment of women outside the household, underlies this statement. It is also supported by information about average annual growth rates in production in the FDTM sector. These exceeded the corresponding rates for combined consumption of manufactured and non-manufactured FDT products, in all countries except Great Britain¹⁾.

There is a striking difference in average annual growth rates in consumption for products of the FDT sector between the present EEC members and the applicant countries. The faster rate of growth in Spain, Greece and Portugal is, however, in relation to a considerably lower level of consumption in absolute terms and is unlikely to change the relative position of these three countries as consumers of FDTM products in the near future.

1) It is regretted that the time periods available over which the calculations have been made are not strictly comparable.

Table 1: Value Added in 3 sectors as percentage of Gross Domestic Product at current market prices

	Agric.Forest. & fisheries	Total manufact. industry	Food, drink & (3) as as Tobacco manuf.		Year
	(1)	(2)	(3)	(4)	
F	10.0	56.0	8.9	16.0	1977
I	7.5	29.5	3.7	12.4	1977
NL	4.8	22.1	4.7	21.3	1975
B	2.4	23.7	4.2	17.8	1977
L	3.1	30.8	3.6	11.6	1977
GB	2.4	29.3	5.9	20.3	1973
IRL(1)	16.0	27.4	9.0	32.8	1974
DK	5.8	21.2	6.3	29.8	1970
D	2.6	35.4	4.7	13.4	1974
GR	15.4	22.5	3.5	16.7	1973
E(2)	10.3	29.5	3.3	11.2	1975
P(3)	11.5	40.0	4.2	10.6	1974

(1) at factor cost; (2) at factor cost, 1970 prices; (3) at factor cost, 1963 prices.

Sources: EEC 9: National Accounts, Analytical Tables 1970-77, Eurostat.

Greece: Ampliamento della Comunità, Aspetti economici e settoriali; Bollettino delle Comunità Europee, Supplemento 3/78.

Spain: Parere sulla domanda d'adesione della Spagna, Bollettino delle Comunità Europee, Supplemento 9/78.

Portugal: Parere sulla domanda d'adesione del Portogallo, Bollettino delle Comunità Europee, Supplemento 5/78.

Table 2: The % distribution by size group of the number of firms and Gross Value Added in the Food Drink and Tobacco Manufacturing Sector (NACE 41/42) compared with the entire Manufacturing Sector (NACE 1/5) (Firms with 20 employees or over) 1975

		Firm size group: No of employees			
		20-49	50-199	200-999	over 1000
% no. of firms:					
EEC 8 ¹⁾	NACE 1/5	53.8	34.9	10.6	2.0
EEC 8 ¹⁾	NACE 41/42	50.2	38.6	13.5	1.8
GB	NACE 41/42	35.4	37.1	21.6	4.0
% Gross Value Added					
EEC 7 ²⁾	NACE 1/5	9.7	17.4	23.5	42.9
EEC 7 ²⁾	NACE 41/42	8.1	21.5	29.3	27.2
GB	NACE 41/42	3.4	11.8	31.1	36.5

1) Ireland not available; 2) Ireland and Luxembourg not available.

Source: Structure and Activity of Industry, Eurostat 1978.

NB: horizontal sums may differ from 100 % - see Methodological Note to source quoted.

In this brief summary of its general characteristics, the FDTM sector emerges as a small but dynamic sector in each of the 12 countries considered. The average rate of increase in output equalled or exceeded that for the manufacturing sector as a whole between 1970 and 1977 in 7 of the 11 countries for which information is available. In 3 of the remaining countries Ireland, Greece and Spain, its growth rate in percentage terms was also remarkably high.

3 Trade flows in food manufactures between the twelve members of an enlarged Community

An immediate difficulty to be affronted in a study of trade in manufactured food products is that of distinguishing these flows from the more usually published aggregates of commodity trade where raw and processed products are summed. Trade in specifically manufactured food products is identified at a high level of disaggregation in both SITC and NIMEXE classifications and it is a mammoth task to obtain an aggregate comprising flows in the whole range of items involved.

It was necessary, therefore, to use an alternative approach, and the present investigation is limited to consideration of nine products. The products were chosen from those where the operation of processing is carried out in factories rather than at farm level, thus excluding, for example, wine and olive oil. The selection was made with a view to including both manufactures using raw materials originating predominantly in "northern" member countries (e.g. beer, bakery products) and those using predominantly "southern" agricultural inputs (e.g. preserved fruit and vegetables). The data was obtained from OECD trade statistics, and the specification of products is given in Table 4.

The selected products represented between 8 and 16 % of total exports of food, drink and tobacco (SITC, 0 + 1) for 8 of the 9 present member-countries in the two-year period 1976-77, but were somewhat lower in Great Britain as can be seen from Table 5.

Trade between the EEC and the three applicant countries has been governed by the "Global Mediterranean Policy" (1972), and by individual bilateral agreements. Both the Global Mediterranean Policy and the agreements with Greece (effective 1962, but suspended 1967-74) and Portugal (1973) envi-

Table 3: Trends in consumption of food drink and tobacco, and in production of food drink and tobacco manufacturing, (average annual percentage growth rates).

Period	Private final consumption 1966-76	Consumption of FDT 1966-76	Production FDTM (1S1C,31) 1970-77	Production all manufact.(1S1C,3) 1970-77
B	4.6	2.7	3.1	2.6
D	3.9	2.5	2.6	2.1
F	4.8	2.3 ¹⁾	2.5	3.8
I	4.4	1.7 ²⁾	3.1	3.1
NL	3.9 ³⁾	2.8 ³⁾	3.0	2.5
DK	5.4	2.5	5.5 ⁷⁾	3.1 ⁶⁾
IRL	3.2	2.2	4.8	5.2
GB	2.7	2.1	1.7	0.6
GR	6.1	4.1	5.5	8.0
E	5.6 ¹⁾	4.2 ¹⁾	5.8	8.1
P	7.7 ¹⁾	4.4 ⁴⁾	10.3 ⁵⁾	7.6 ⁵⁾

1) 1971-75; 2) 1971-76; 3) 1970-76; 4) 1966-75; 5) 1971-73; 6) 1965-74; 7) 1965-74; ISIC 311/2, food.

Sources: OECD, Quarterly Supplement to Main Economic Indicators, 1978/2; OECD, Industrial Production, 1960-75; OECD, Impact of Multinational Enterprises on National Scientific and Technical Capacities: Food Industry, 1979 (restricted).

Table 4: Value of intra-12 trade for the processed food products selected for analysis (1976/77 average)

SITC	Description	Value in 000 \$
013	Meat and meat preparations, incl. sausages	610,174
024	Cheese and curd	1,377,614
0483	Macaroni, spaghetti noodles, vermicelli, etc.	69,844
0484	Bakery products, incl. bread, biscuits, cakes	361,074
0533	Jams, marmalades, fruit jellies	64,830
0539	Fruit, and nuts, prepared or preserved	283,604
0555	Vegetables, preserved or prepared, n.e.s.	726,492
1123	Beer, including stout, porter	203,955
42(-4215)	Fixed vegetable oils and fats(excl.olive oil)	595,735
Total value of selected food products		4,293,322
0-1	Total value of FDT sector	38,212,557

Source: OECD - Trade Statistics, 1978.

Table 5: Trade in 9 selected food products as percentage of total agro-food exports
(1976-77)

	B	DK	F	D	IRL	I	NL	GB	E	GR
a) Exp. Value* (SITC: 0-1)	3,175	3,088	8,560	4,654	1,560	3,055	7,990	3,462	1,863	805
b) Exp. Value* 9 food prod.	717	319	767	648	140	350	1,144	119	166	97
c) = (b/a . 100)	16.22	10.23	8.96	13.90	8.97	11.50	14.31	3.29	8.91	12.05
* Million \$										

Source: OECD Trade Statistics, 1978.

Table 6: Results of Constant Market Shares Analysis for intra - 12 exports in selected products
(proportion of variation in total exports explained by 4 "effects")

	BL	DK	F	D	IRL	I	NL	GB	GR	P	E
1. Total trade effect											
period 1	0,683	7,768	0,633	0,494	1,941	1,168	0,942	2,423	0,432	0,671	1,155
period 2	0,900	1,319	0,694	0,737	1,635	1,425	1,089	1,207	0,257	3,661	1,016
period 3	1,039	1,118	1,148	0,648	1,259	0,882	1,066	0,675	1,552	13,768	1,068
2. Commodity effect											
period 1	0,046	-1,790	0,066	0,010	-0,804	0,337	-0,010	-0,270	0,209	0,281	0,448
period 2	-0,008	-0,199	0,000	0,021	-0,302	0,110	0,004	-0,075	0,063	0,837	0,243
period 3	-0,107	-0,167	0,092	0,034	-0,106	0,043	0,013	-0,024	-0,087	-0,991	-0,078
3. Market effect											
period 1	0,169	-1,611	0,101	0,182	-0,540	-0,269	0,010	-0,034	0,193	-0,431	-0,032
period 2	0,110	-0,095	0,074	0,192	-0,006	-0,174	-0,036	-0,017	0,041	-1,373	0,024
period 3	0,000	-0,110	-0,050	0,088	-0,160	0,030	-0,015	0,172	-0,029	0,823	0,065
4. Competitive effect											
period 1	0,100	-5,366	0,198	0,312	0,403	-0,235	0,078	-1,930	0,164	0,478	-0,571
period 2	-0,002	-0,024	0,229	0,048	-0,327	-0,360	-0,048	-0,437	0,637	-2,125	-0,235
period 3	0,067	0,159	-0,191	0,228	0,007	0,043	-0,064	0,471	-0,436	14,599	-0,054

Source: elaboration on OECD Trade Statistics.

saged the abolition of tariffs on industrial products over a period of years, whilst that with Spain (1970) provided for a phased reduction of tariffs by 60 %. Some limited concessions were granted on both sides for certain agricultural products. The effective rate of protection for the products of interest here in the markets of the applicant countries, whilst lamented in certain circles, is rather difficult to pinpoint, (COMMISSIONE CEE, 1) but tariffs on agricultural and industrial imports remain at rather high levels.

Import duties charged on food manufactures entering the EEC market usually comprise two elements: a fixed component, consolidated in GATT agreements, designed to protect the processing industry, and a variable component designed to compensate for the higher cost of agricultural raw materials purchased in the EEC area (as opposed to third country supplies). These principles are applied to all the products considered here, with the exception of vegetable oils where a fixed levy (between 10 % and 20 %) is applied, and cheese, which is subject to variable levy.

Export refunds are payable on the raw material component of the manufactures where this is subject to the common organisation of the market and MCA's are likewise applied to this same component.

The regulations governing imports from third countries of processed fruit and vegetables, as well as jams have come under full control from Brussels only in 1975, when quantitative restrictions were abolished. Until that date, apart from application of the Common Customs Tariff and the payment of levies and refunds on the sugar content, member governments were allowed a certain degree of autonomy. A minimum import price was applied to tomato concentrates in 1975, and production aids were introduced in the crop year 1978-79 - too late to have any bearing on the trade analysis undertaken in this paper.

4. Analysis of trade flows for the aggregate of the selected products

4.1 The methodology

A first analysis of trade flows between the 12 countries involved in the potentially enlarged EEC area was carried out using Constant Market Shares Analysis. This methodology (RICHARDSON, 6; TYSZYNSKI, 7) seeks to

explain changes in the value of a country's exports over a period of time in terms of four effects: a total trade effect, which takes account of the country's share in the growth of total trade within the geographical area considered; a commodity effect, which measures the extent to which export growth may be due to concentration of exports on commodities with rapidly expanding demand; a market effect due to concentration in fast-growing markets, and finally a competitive effect which measures changes in the country's share in each market.

The formula used in calculating the values of the four effects in Table 6 is:

$$\begin{aligned} \Delta q &= s^{\circ} \Delta Q + \left(\sum_i s_i^{\circ} \Delta Q_i - s^{\circ} \Delta Q \right) + \left(\sum_i \sum_j s_{ij}^{\circ} \Delta Q_{ij} - \sum_i s_i^{\circ} \Delta Q_i \right) \\ &\quad + \sum_i \sum_j Q_{ij}^1 \Delta s_{ij} \end{aligned}$$

competitive

- where: q, Q = Total exports of the focus country and the world respectively
- s = (q/Q) i.e., the export share of the focus country in total world exports;
- i = denotes a particular commodity;
- j = denotes a particular importing region;
- $^{\circ}$ = denotes the beginning of the time period;
- 1 = denotes the end of the time period;
- Δq or ΔQ = denotes variations over one period.

The analysis was carried out on changes in export values over three time periods, two year averages being used to delineate the beginning and end of period trade flows to mitigate anomalies.

The periods chosen were: 1964-65 to 1968-69 (Period 1) which corresponds with the gradual establishment of EEC Common Organisation of Markets; 1968-69 to 1972-73 (Period 2) leading up to the first enlargement of the EEC, and 1972-73 to 1976-77 (Period 3) by the end of which the bilateral agreements with the three applicant countries had had time to take effect, and the transition period for the three newly admitted member had passed.

The results of the analysis are shown in table 6. Of particular interest are changes in the competitive effect and in the market effect, and these will be examined in relation of the successive stages of facilitated access to the 12-country markets.

4.2 Competitive performance

The competitive effect is positive when a country achieves an increased share of export markets, and negative when its share falls.

Amongst the original 6 members of the EEC, Germany achieved an outstanding performance, with a positive competitive effect in all three periods considered. Netherlands, although remaining the principal exporter of the commodities selected, was unable to match this record and showed a negative competitive effect in Periods 2 and 3.

The results for France and Italy are of particular interest in this context, since these two countries, producers of typically mediterranean produce, are apprehensive of the economic effects of enlarging the Community to 12 members. In fact, in the commodities considered here, we find that in each period, a positive competitive effect for one of these two countries is matched by a negative effect for the other. Whilst French agro-food industry appears to have prospered in the first two periods as the Common Organisation of Markets got under way, it fared less well in Period 3 - partly, perhaps, because of competition from the three new entrants in its northern products. This experience may explain some of the current resistance or slow timing of the French Government for admission of the applicant countries which will provide competition, in this case, for French mediterranean products.

On the contrary, Italian industry did not fare well in the two earlier periods: this may be due to the fact that the Common Organisation of Markets affected mainly those products in which Italy has a high propensity to import rather than to export. In Period 3, the competitive effect was positive despite the easier terms of access for the products of the 3 rival exporters: Greece, Spain and Portugal.

For each of the 3 new member countries, United Kingdom, Ireland und Denmark, the competitive effect was negative during Periods 1 and 2, as

might have been expected on grounds of their exclusion from the Customs Union. In Period 3 however, after access, the competitive effect became positive - a demonstration of the advantage of adhesion to EEC.

The competitive performance of the three applicant countries has been rather dismal. In particular, Spain, the most industrialised of the three, shows a negative competitive effect throughout all three periods. Greece did well in Periods 1 and 2, but, surprisingly, lost ground in Period 3, despite the possibilities opened up by the bilateral agreement having taken effect.

4.3 Market performance

A strongly positive market effect is shown when a country has a significant share of the area's exports in fast growing markets. Within the 12 country area considered, total intra-group exports in the selected products were rising at a faster rate in the market of the EEC original 6 than in the remainder of the area throughout the time periods considered.

Of the original member countries, neither Italy nor Netherlands appears to have been able to take full advantages of the rapid growth in intra-Community trade.

The impeded access to the EEC 6 markets for non-members, leads us to expect a negative market effect for non-members during Period 1 and 2. This was, in fact, the case for the 3 newly-admitted members, United Kingdom, Ireland and Denmark. The market effect became positive for UK in Period 3, after entry, but remained negative for Ireland and Denmark which seem to have been unable to assert their presence in the fast-growing markets.

No clear common trend in market effect appears for the 3 applicant countries. This is partly due to the fact that the export efforts of each country are directed to differing groups of importing markets. Spain exports to a wider range of Community markets than do the other two, and the positive market effects for Periods 2 and 3 appear to indicate the advantages gained through the bilateral agreement which took effect from 1970. Portugal too appears to have benefitted from improved access to EEC markets after the agreement of 1973, and the negative market effect of Periods 1 and 2 is superseded by a positive effect in Period 3. Portu-

guese exports are most significant in the formerly EFTA markets of Denmark and Britain, and in the contiguous Spanish market. Rather surprisingly, after positive market effects in the first two periods, results for Greece show a negative effect in Period 3. The markets in which Greek produce is most significantly inserted are those of its mediterranean neighbours France and Italy, as well as the northern markets of Germany and Netherlands.

5. Analysis of trade flows for individual processed products

A general picture of trade flows in the selected commodities is provided in table 7, where the three leading exporter and importer countries are identified, together with the percentage of inter-12 trade concentrated in these countries in 1976-7 and an index of growth of trade values over the entire time-period considered. It can be seen there that the commodities whose export values increased fastest over the entire period considered were pasta, jams, preserved vegetables, seed oils and preserved fruit. The first two products together still constituted only 3.1 % of total exports for the 12 countries at the end of the period, but preserved fruit, preserved vegetables and seed oils were proportionately more important, contributing 6.6 %, 16.9 % and 13.9 % respectively of total exports. The three latter products form an important component of the intra 12 exports of the applicant countries, as will be seen in the following section.

It is evident from Table 7 that a large proportion of the value of intra-12 trade in the products considered, both exports and imports, is concentrated in a few leading trader-countries.

The predominance of Netherlands as an exporter is striking, although her share in total exports of these commodities declined by more than 3 % over the period considered, to reach 26.7 % in 1976-77. In contrast, the shares of the other leading exporters, France and Germany, rose continuously throughout the period.

The share of the second leading exporter, France, rose until 1973, but thereafter fell, whereas that of the third exporter, Germany rose continuously, to obtain 15 % of the exports considered in 1976-7 in comparison with 7 % in 1964-5.

Table 7: Selected products: principal importing and exporting countries 1976-77; index of overall growth in intra-12 exports

Products	Main importers 1976-7				Main exporters 1976-7				Exp. values 1976-7 as % of 1964-5
	1st	2nd	3rd	% imports from leading 3 importers	1st	2nd	3rd	% export from leading 3 exporters	
Beer	GB	F	B,L	72.5	D	B,L	DK	66.0	361
Pasta	F	D	B,L	80.2	I	F	B,L	90.0	1249
Bakery prods	D	F	B,L	70.1	NL	B,L	GB	68.3	658
Jams	D	B,L	NL	87.2	NL	B,L	F	72.8	1104
Pres.Veg.	D	GB	F	77.8	NL	F	I	47.7	849
Pres.Fruit	D	F	GB	79.0	I	S	D	61.7	890
Cheese	D	I	GB	73.4	NL	F	D	77.8	733
Seed oil	F	NL	I	67.2	D	NL	B,L	76.7	1449
Proc.met	GB	D	F	78.0	NL	B,L	DK	72.7	463
9 products	D	GB	F	70.1	NL	F	D	61.9	715

Source: elaboration on OECD Trade Statistics

Table 8: Decline in market share of some exports of non-EEC members (%)

Country	Product	Share of 1964-5	12-country 1968-9	exports 1976-7	Share of national exports of 9 prod.s 1976-7
DK	Cheese	20.5	9.7	9.9	43.4
	Proc.meat	30.0	24.9	20.8	40.2
GB	Jams	17.0	13.8	6.7	3.8
GR	Jams	30.0	1.6	0.5	0,7

Source: elaboration on OECD Trade Statistics

Table 9: Applicant countries % growth and market shares in intra-12 imports and exports in selected products

All selected products	Period			Share of intra-12 trade 1976-7
	1	2	3	
<u>% change in imports</u>				
Group of 12	55.2	136.2	91.3	100.0
Greece	42.3	137.6	10.2	0.4
Spain	- 0.5	305.5	73.9	1.2
Portugal	7.7	155.0	66.0	0.1
<u>% change in exports</u>				
Group of 12	57.0	139.0	90.6	100.0
Greece	131.7	539.0	58.4	2.3
Spain	49.3	136.8	84.8	3.9
Portugal	84.9	38.0	- 6.6	0.6

Source: elaboration on OECD Trade Statistics.

Germany, which received 33.6 % of the intra 12 exports in 1976-7 provided by far the largest importing market, dwarfing both the United Kingdom and France which each took approximately 15 % of the exports.

The market share of non-member countries in certain products was severely reduced between 1964-65 and 1968-69 as the Common Organisation of Markets progressed, and has not recovered after entry. The most striking examples are listed in Table 8.

Danish accession did not result in a significant increase in her market share in any of the exports considered, and the advantages she gained through freer access to the market were outweighed by stronger forces even in the market for processed meat, where in 1972-73 she already had the third largest share of the market.

On the other hand, the entry of Great Britain permitted a marked increase in her market share, of bakery products in particular, seemingly at the expense of the 3 countries which were leading exporters in 1972-73.

6 Analysis of trade flows for the applicant countries

It has emerged by implication from what has been said in previous paragraphs, that the applicant countries play a minor role in intra-12 trade flows in manufactured products. This is evident in Table 9 but the same Table shows that in certain periods, the growth rates in both imports and exports exceeded those for the group as a whole. Growth of imports was particularly strong in all three countries in the period 1968-69 to 1972-73 but thereafter fell considerably below the rate for the 12-country area, most probably as a result of the world economic crisis rather than of protective measures. Export growth rates for Spain were below the 12-average throughout the entire time period; Greece enjoyed a particularly strong boost to exports in Period 2 despite suspension of the bilateral agreement whereas Portugal's export growth rate was disappointing after 1968-69, and her share fell from 2 % to 0.6 % of intra-12 exports.

The exports of the applicant countries are strongly dominated by preserved vegetables and seedoils, and exports are concentrated in a very small number of countries. Details are shown in Table 10.

Table 10: Applicant countries: % increase in exports of principal products and main importing markets

Country	Value 1976-7 as % of 1964-5	% share in national exp. 1976-7	% share in intra-12 exp. 1976-7	Main markets 1976-7			% of exp. to 3 lea- ding imp. 1976-7	
				1st	2nd	3rd		
E	Pres.Veg.	995	57.7	12.9	F	GB	D	89
	Seed oil	3853	5.2	1.3	NL	I	D	80
	Pres.Fruit	384	36.2	8.9	GB	D	B,L	84
GR	Pres.Veg.	2651	44.0	5.8	GB	I	D	81
	Seed oil	433	3.6	0.4	I	D	F	100
	Pres.Fruit	50863	52.1	-	D	F	NL	91
P	Pres.Veg.	243	90.4	2.8	GB	DK	D	91
	Seed oil	208	7.3	0.2	E	F	D	99

Source: elaboration on OECD Trade Statistics

Table 11: Applicant countries: % increase in imports of principal products and main suppliers

Country	Value 1976-7 as % of 1964-5	% share in national imports	% share in intra-12 imports	Main Suppliers			% of imp. from 3 leading suppliers	
				1st	2nd	3rd		
E	Cheese	581	39.7	1.42	NL	F	D	94
	Proc.meat	657	22.4	1.81	DK	NL	I	82
	Seed oil	1135	19.8	1.64	F	NL	P	79
	Beer	1612	7.6	1.84	D	NL	DK	83
GR	Proc.Meat	240	37.5	0.96	DK	NL	F	81
	Cheese	390	24.7	0.26	NL	DK	D	82
	Seed oil	1076	23.5	0.61	D	NL	B,L	80
	Beer	598	6.7	0.51	I	NL	DK	78
P	Cheese	1292	33.8	0.12	NL	DK	F	91
	Proc.Meat	737	21.7	0.18	F	DK	NL	80
	Seed oil	177	20.7	0.17	D	NL	I	83
	Bakery prods	579	7.5	0.10	F	D	GB	85

Source: elaboration on OECD Trade Statistics.

The import structures of the three applicant countries are very similar, with cheese, processed meat and seedoil accounting for well over 70 % of the value of imports of selected products in 1976-77 in each of them. Growth rates for the principal imported products have been lower on the whole, than the figures for the entire 12-country area. They were higher in processed meat for Spain and Portugal, beer for Greece and Spain and cheese for Portugal, but though fast growing, the markets of these countries are still small. Amongst the 3 main suppliers to those markets, we find that France and Italy in several cases displace countries which rank among the three leading exporters to the 12 country area as a whole. The point seems worthy of mention since the accession of Greece, Spain and Portugal is viewed with some apprehension in both these exporting countries, as a threat to their agricultural sectors and perhaps also to the food manufacturing sector.

Details of import patterns of the three applicant countries are set out in Table 11.

7 Conclusions

Flows of both exports and imports between the EEC 9 and the applicant countries in food manufactures are small in relation to flows within the present EEC area.

Imports into the applicant countries have hitherto been contained by protective measures. When these are dismantled and variable levies applied on third country imports they may increase, and a faster rate of growth may be expected in two of the major import products: cheese and processed meat, which have hitherto been growing relatively slowly. Imports have been expanding rapidly in the third major product, seedoil, but since this heterogeneous group of manufactures also constitutes a major export item, the overall effect of enlargement is difficult to estimate.

Exports of the applicant countries are highly concentrated in preserved vegetables, preserved fruit and seedoils. In recent years, however the share of the three countries in the 12 market area considered dropped for all these products with the exception of Spain's exports of preserved

vegetables, and Greece's exports of preserved fruit, which rose remarkably.

The question therefore arises as to how well placed are the applicant countries' food industries to penetrate EEC markets after accession.

An important difference between the present and the previous enlargement of the EEC is that, at accession, the industries of Greece, Spain and Portugal are less well established in the EEC markets than were those of Denmark and the United Kingdom. Despite its strong start, however, Denmark failed to achieve a positive competitive effect in its early years of membership, and its share of the market declined in several of the products considered (Table 6 and 8).

The Danish experience augurs badly for the applicant countries, but two further considerations suggest that the prospective new entrants may be faced by less formidable competition than that which greeted Danish industry. In the first place, they are competing in products where EEC market support has been more limited and the established exporters have not had the same advantages in consolidating their position. Secondly, two of the leading exporters of one of the principal export commodities of the applicant countries (preserved vegetables) Netherlands and Italy have not demonstrated the same general competitive dynamism as Denmark's important rivals, Benelux and Germany (Table 6). The third, France, has lost ground in recent years specifically in this product.

The impact of enlargement on trade flows in preserved vegetables will depend very much on future regulations governing production aids. At present, the level of aid is calculated on the difference between third country offer prices for raw products, and the average production costs of EEC supplies. If this formula remains unchanged, Greece, Spain and Portugal, with their lower-than-average costs of producing raw materials will gain some advantage.

Thus, whilst the impact of the second enlargement of the EEC on trade in manufactured food products, as a whole, seems unlikely to be great, difficulties will have to be overcome in a few specific products, of which preserved vegetables appear to be the most important.

The small size of the applicant countries's markets makes it unlikely that the enlargement will be very significant for the growth of the industry as a whole. The impact on the industry within these countries however will be much greater. If their accession to the Community provides the hoped for stimulus to their domestic economies, internal consumption of food manufactures will increase. In addition, there appears to be scope for product diversification and development, based on essentially mediterranean products and these would probably find a receptive market in northern countries. But in order to take advantage of these opportunities, the domestic industries must be able to confront competition on their home markets when the present trade barriers are lifted.

The structure of the applicant countries' industries seems at present ill-suited to meet such a challenge. On the whole they appear to be dominated by small scale firms. These may lack technical know how²⁾ and financial resources, factors of increasing importance in the food processing industries and already acquired at a high level by many of their competitors.

The process of restructuring could be speeded up either by Community intervention policy or by the entry of transnational corporations. In either case some time must elapse before it can be achieved and a rapid lowering of tariff barriers could meanwhile provoke a crisis.

The impact of the enlargement on the food processing industries of the applicant countries will depend very much on whether the Community encourages initiatives for restructuring. If it is successful in doing so, the outcome could be positive, and the stimulus to the processing sector would, in turn, promote faster development in the large national agricultural sectors of these countries and in their economies as a whole.

2) Trends in Spanish exports of preserved fruits appear to support this statement: in 1964-5 these held 49 % of the intra-12 market, a share which had shrunk to 21 % by 1976-7. In contrast, exports of temporarily preserved fruit rose from 7 % to 9 % in the same period. It may prove more feasible for Spanish agriculture to supply raw materials to processing industries in other member states-especially to those with easy transport links.

The Greek industry for fruit processing, on the other hand, has responded well to the challenge and its share of the intra-12 market rose from 0.3 % in 1964-5 to 17.8 % in 1976-7. Greek exports of temporarily preserved fruit are negligible.

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