

SYMPOSIUM ON EEC MEMBERSHIP

THE OPTIONS FOR FURTHER EEC INTEGRATION - AN IRISH VIEW

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INTRODUCTION

The Irish electorate voted overwhelmingly by a margin of 83 per cent to 17 per cent in 1973 to join the European Community. At the beginning of 1984 the electorate, while critical in a number of respects, is still quite emphatic in its desire for Ireland to remain a member. According to MRBI opinion poll data, two Irish people in three would vote in favour of membership in another referendum.<sup>1</sup> Yet the Community itself has become less self-confident and more uncertain about its future direction during the intervening eleven years.

Irish membership occurred at the high tide of Community affairs. The Paris Summit in December 1972 had reaffirmed the commitment to Economic and Monetary Union by 1980, and had launched a range of new Community initiatives in the fields of regional, social, scientific and industrial policies. Today, the Community is practically on the edge of bankruptcy. The European economy has experienced a decade of low growth and rising unemployment. The bulk of the Community's resources and energy remain directed towards the traditional sectors of agriculture, fisheries, steel and textiles. There is an ever greater willingness to ignore Community rules in the proliferation of national subsidies to industry and agriculture. Decision-making has become increasingly difficult as each member state wields the veto to protect its interests in specific areas. The primacy of the Community interest is increasingly challenged by the principle of *juste retour*.

Dissatisfaction with the Community's preoccupation with the minutiae of economic affairs has led a number of actors to the conclusion that a new political initiative is necessary to lift the Community out of its present paralysis. In 1983 the West German Foreign Minister Genscher and the Italian Foreign Minister Colombo proposed a draft treaty on European Union, although this was watered down to an almost meaningless aspiration before its token adoption by the European Summit in Stuttgart in 1983. The European Parliament, on the initiative of the Italian MEP Altiero Spinelli, also completed a draft treaty on European Union during the past session. Central to the Parliament's proposals to force the pace of political agreement in the Community is that majority voting should become the rule. Similar declarations in the past, such as the 1975 report of the Commission on European Union drawn up at the request of the 1972 Paris Summit, and the Tindermans' report on the same subject in 1976, have not been followed up. However, the

European Parliament's report received an unexpected boost from France's President Mitterand at its closing session in May 1984 when he promised to organise a conference among governments to discuss its proposals. At the same time he advocated new initiatives in space and in the fields of health, justice and security 2

Apart from these proposals to deepen the process of European integration, negotiations are continuing on the accession of Spain and Portugal. Further enlargement can be interpreted as widening the process of European integration. These negotiations got underway with Portugal and Spain in 1978 and 1979 respectively, but have been stalled on a number of contentious issues between the two sides. At the European Council in February 1984 it was agreed that the aim should be to complete the negotiations by the end of September 1984, with a view to membership from 1 January 1986. Despite the views of observers that this was an unrealistic goal, the schedule was reaffirmed by President Mitterand in his closing address to the Parliament. Further enlargement is motivated almost entirely by political reasons. The economic and institutional costs to the existing members of extending the Community's existing *acquis communautaire* are considerable, although some may see in enlargement the necessary shock which would trigger a further process of vertical integration within the Community, and restore a sense of momentum and purpose to Community affairs.

It is possible that none of these ambitious moves towards widening or deepening the process of European integration will succeed. The Community may yet fail to reach agreement on the terms of a settlement of the UK budget problem by the June Summit in 1984, a failure which would trigger massive expenditure cuts in EEC policies and inflict damage on this country on a much greater scale than the dairy superlevy proposal. Even if the Community itself agree on the terms of further enlargement, there is some evidence that Spain at least may not wish to be hurried into an accession agreement which it might later have cause to regret.

The prospect of further integration raises the question of how Ireland would be affected by this process. This question cannot be answered in economic terms alone. For example, the proposals for European Union raise much wider issues to do with neutrality, and political and security co-operation, which are bound to be controversial. The Irish attitude would also be influenced by the form which further integration would take. Three models of economic integration have been distinguished 3

(1) The Common Market Model. This approach is closest to the existing Treaty of Rome. Its goal is the achievement of a single market, with the abolition of customs, fiscal and other economic barriers. It emphasizes the role of trade, and free movement of factors, tax harmonisation and monetary and capital market unification. It is the most market-orientated approach to the future of the Community, and little interest is shown in social policy, income redistribution or demand management

(2) The Economic Union Model: This represents the 'positive' integration approach. In it the various interventionist policies of the modern state, both in production and welfare, are to a degree considered the proper concern of Community institutions. Industrial, regional and social policies become important areas of Community activity, and justify a substantial Community budget. Fiscal instruments may be called upon to play an active, and not just a neutral, role in economic policy. The 'positive' integration measures of Economic Union involve substantial Community expenditures of a programme type, direct or indirect subventions to industrial sectors and regions, and social expenditures. Their purpose is not re-distributive *per se*, although there may be re-distributive effects between both regions and persons.

(3) The Federal Model: Like the Economic Union approach, the Federal model also involves a substantial financial operation on the part of the Community, but in this case it is one of income transfers from richer to poorer states or regions. The MacDougall Report, which remains the best argument for this approach, called for an interim Community budget of 2 per cent of Community GDP and a final target of 20 per cent, aimed principally at this re-distributive goal. Thus the Federal approach aims more explicitly than the Economic Union approach at equalizing incomes per head around the Community. At the same time it is more devolutionist, in that member states are left far more autonomy to decide on their degree and type of intervention in productive enterprise and welfare services.

Each of these alternative models of European economic integration would have a different impact on the Irish economy. The object of this paper is to briefly discuss their implications. The starting-point for this appraisal must be an assessment of the impact of the EEC on the Irish economy to date. This is the task of the next section. Subsequent sections take up the advantages and disadvantages of the alternative models of further integration.

### *THE IMPACT OF EEC MEMBERSHIP TO DATE*

It is not easy to evaluate the impact of EEC membership on the Irish economy. Ireland's relative economic performance, in terms of growth in GDP per capita, is compared to other EEC member states in Table 1. Measured in purchasing power parity terms, Ireland's relative position compared to the average of EEC member states remained unchanged during the pre-EEC membership period 1960-70. It also remained unchanged during the post-EEC membership period 1970-82. The relative position measured in terms of current prices and exchange rates is more sensitive to yearly fluctuations. During the pre-EEC period there was again virtually no change in the relative Irish position. There was a sharp deterioration of the Irish pound (which was linked to the pound sterling at the time) than to any effect of EEC membership. Similarly the sharp improvement in Ireland's relative position between 1980 and 1982 must be attributed to the relative stability of Ireland's exchange rate within the EMS despite a higher domestic inflation rate than the average of other EEC countries.

GDP per capita is only one indicator of relative economic performance, for example, unemployment and inflation rates might also be examined. The problem with any such ex post comparison is that the historical performance of the economy was influenced by a multitude of factors, of which EEC membership during this period was only one. The isolation of the EEC effect in the absence of a counterfactual hypothesis as to the performance of the economy in the absence of membership is not possible.

An alternative approach is to try to establish the EEC effect at the margin in a number of important policy areas. Three aspects of the economic consequences of membership will be analysed; the performance of Irish industry under the new trading regime; the impact on Irish agriculture, and the transfer of resources issue.

*Table 1: GDP Per Capita As Percentage Of The EEC Average*

	At current prices and purchasing power standard					At current prices and exchange rates				
	1960	1970	1975	1980	1982	1960	1970	1975	1980	1982
Belgium	98	102	107	106	104	107	107	121	114	94
Denmark	115	118	114	111	113	113	131	143	125	124
Germany	113	113	111	115	115	114	125	130	129	122
Greece	37	50	56	57	56	37	46	44	41	46
France	99	105	111	110	111	115	113	123	117	118
Ireland	62	62	63	62	62	55	54	50	50	59
Italy	79	88	85	88	88	65	77	66	67	70
Netherlands	105	105	105	104	104	84	99	116	115	109
U.K.	117	100	99	93	92	119	90	79	90	97
Dispersion E.C. 10	22.7	18.0	16.9	16.7	16.7	27.3	24.1	31.9	27.4	20.4

Source: European Economy, July 1982, p. 15

Official expectations regarding the performance of Irish industry, as set out in the 1972 White Paper on the terms of accession, were not very optimistic. The White Paper predicted an increase in the rate of growth of manufacturing output to 8.5 per cent annually compared with about 6.5 per cent in the 1960s, but this improvement was expected because Ireland would become a more attractive location to industrialists outside the EEC and elsewhere in the EEC, rather than because existing industry would benefit from the new opportunities. The White Paper predicted that the expected increase in net employment would come entirely from new firms, and that, at best, existing industry would hold its own. McAleese's 1972 study of the effect of free trade in manufactured goods within the EEC also concluded that the net effect of entry on Ireland's manufactured exports would be negligible or even negative, in the absence of any additional incentives to new overseas firms to locate here.

These expectations have been borne out in practice. Of the total net increase of 24,000 jobs over the period 1973-80, only 2,000 were accounted for by indigenous industry<sup>6</sup>. The failure of indigenous industry to expand employment is partly explained by its failure to break into export markets. Figures compiled by Eoin O'Malley suggest that over the period 1973-76 the share of exports in the gross output of indigenous industry barely changed, from 26 per cent in 1973 to 27 per cent in 1977, and, if the food industry is excluded, the proportion may even have fallen<sup>7</sup>. Indigenous firms that do export remain wedded to the UK market, according to Telesis, three quarters of their exports still went to Britain in 1980<sup>8</sup>. This poor, if predicted, performance of indigenous Irish industry must be balanced by the spectacular performance of the foreign sector, particularly American-owned firms<sup>9</sup>. The inflow of these firms was largely responsible for the impressive export performance and for the considerable diversification in export markets which has occurred since 1973. An important factor in the location decision of these firms was the access to the EEC market provided by Irish membership<sup>10</sup>.

The impact of EEC membership in the next decade will depend on a number of factors. First, the competition for internationally-mobile investment is increasing, and will be further intensified by the further enlargement of the EEC to include Spain and Portugal. Already, the Irish share of US manufacturing investment in Western Europe since 1979 has declined while the share of US investment going to the UK, Greece, Spain and Portugal has increased<sup>11</sup>. On the other hand, the capacity for a high rate of growth of exports may now have been built in to a larger extent than in the past, because the share of the fast-growing high-technology firms is now much larger than it was in 1973.

Industrial performance here will also be influenced by specific EEC policies. Ireland has already been required to alter its incentive package for new industry as a result of EEC direction, although there is no evidence that replacement of a zero tax on export profits by a very low rate on all manufacturing profits has had any adverse effect. EEC competition policy will also determine the extent to which the government can intervene to protect jobs, either through subsidy or regulation of nationalised industries (such as Irish Steel or the Whitegate refinery) or by more general employment protection schemes such as wage subsidies to employers. Many commentators would argue that state intervention of this kind is not in our own interest in any case.

It would be more disturbing if EEC competition policy stood in the way of the implementation of a Telesis-type strategy for the development of indigenous industry. Both a strong and weak version of the Telesis strategy have been advocated to foster employment creation<sup>12</sup>. The weak version accepts the Telesis argument for re-orienting state assistance to industry to give greater support to the development of new products, new processes and new markets. The stronger version argues the need, in addition, for selective intervention to build structurally strong firms in an Irish context. The Special Protocol on Ireland's industrial and economic development attached to the Treaty of Accession does recognise, in a general way, the legitimacy of state aids and tax exemptions designed to promote

the economic development of underdeveloped regions, but it is always possible that the Community might again object to specific forms of intervention

Finally, the way in which the Community's external trade policy evolves, particularly with respect to trade with the Less Developed Countries, has important implications for Irish industry. The Community has in general a liberal external trade policy, though it has erected trade barriers in some sensitive products exported by LDCs. I have argued elsewhere that the maintenance of this liberal trading environment is in Ireland's interest, but because of the importance of traditional industrial sectors in the Irish industrial base, Irish industry would be vulnerable to any further liberalisation of external trade in the short run.<sup>13</sup>

Official expectations regarding the performance of agriculture at the time of succession were much more optimistic. It was expected that the elimination of the barriers to exporting agricultural products to other EEC member states, together with the anticipated one-third increase in real agricultural prices over the period 1970-78, would lead to an increase in the volume of agricultural output by about one-third by the end of the transitional period and a doubling of family farm income in real terms. Both predictions were borne out, the volume of agricultural output did increase by one-third, and real family farm incomes doubled over this period, but the experience of the subsequent recession has revealed important weaknesses in this outturn.<sup>14</sup> Much of the growth in gross agricultural output was purchased with the aid of bought-in feeds and fertilisers, so that the growth in the net output, or value-added, of agriculture, was much less impressive.<sup>15</sup> The growth in output also came from a very narrow base of farmers. The National Planning Board believe that only about 20 per cent of Irish farmers will make a contribution to growth in the future in the absence of land and structural reform.

Nonetheless, Irish agriculture did increase its share of EEC markets, particularly for dairy products, during the past decade. The modifications to the Common Agricultural Policy, agreed at the 1984 price review, threaten this trend. The introduction of a 'superlevy' on production of milk above a basic quota, even with the more favourable quota granted to Ireland in comparison with other member states, imposes a quantitative limit on the future expansion of this sector. Production thresholds have also been introduced in other sectors, such as cereals and beef. Although these are not yet as rigorous as the quota arrangements introduced for milk, the worsening oversupply situation in these sectors, and the inability of the world market to continually absorb the increases in EEC net exports, means that prospects are not good here either. Farm prices will continue to drop in real terms. The National Planning Board forecast that Irish farmers must expect a 2 per cent annual decline in real terms over the next four years.

What conclusions can be drawn from this brief review of the agricultural experience? First, the price advantages of EEC membership have proved temporary. The ratio of output to input prices is now lower than it was before EEC entry. The boom in prices resulted in a short period of very much higher incomes for farmers, which was partly reflected in higher living standards, but was also reflected in an enormous investment boom in agriculture. While this investment might have been expected to

lay the basis for faster growth in the future, the failure to take the opportunity to introduce any measure of land reform, and the fact that a large proportion of the narrow base of progressive farmers are now burdened with a crippling, in some cases, unrepayable, level of debt, work in the opposite direction. The CAP environment will also be much less favourable to growth than in the past. Increased value added in farming may now arise from a reduction in expenditure on inputs rather than an increase in output, with detrimental effects on the input supply and processing industries.

The transfer of resources from the EEC to Ireland is intimately linked with the operation of the CAP, as is shown in Table 2. Figures on payments to and from the EEC budget are only a partial measure of the resources transfer effect of EEC membership, because they ignore the gain arising under the CAP from higher food prices obtained on internal EEC trade. Nonetheless, of total grants and subsidies received from the Community amounting to £55m. in 1981, £360m. represented payments under the Common Agricultural Policy. The remainder can be divided into the ERDF £68m., the European Social Fund £73m., and EMS interest subsidies £45m. Attached to these EMS interest subsidies is a cumulative commitment of EIB and Ortolini facility loans over a five year period of £120m

If payments under the CAP are excluded, the net transfer of resources in 1981 amounted to £80m, or around 0.8 per cent of GNP. This is not an insignificant amount, but is probably less than advocates of membership had hoped. As Ireland benefits disproportionately from these funds, this percentage reflects the relatively small size of these funds at Community level. The possibility of additional transfers is one of the key factors determining Ireland's preference for one form of economic integration over another.

The assessment of the impact of EEC membership in each of the three areas has been positive. An overall evaluation should also take account of any costs associated with membership, in particular, due to the loss of autonomy with respect to domestic economic policy. The costs of foregoing an independent trade policy, or of the inability to impose restrictions on labour or capital mobility, depend on the alternatives available outside the EEC. Certainly the position of Irish agriculture would have been very difficult in the absence of membership, and there would have been no transfer of resources. Whether the stagnation of indigenous industry would have been reversed under an alternative set of policies is open to question, but any gains would hardly have been sufficient to offset the loss in foreign investment attracted to this country because of EEC membership. In addition, the loss of domestic sovereignty is at least partly balanced by the Irish voice in EEC decision-making.

Perhaps the more interesting question is the direction in which these costs and benefits are expected to move in the next decade. The assessment above indicates that on present policies the benefits under each heading will be reduced, while the costs of giving up the use of various domestic policy instruments are unlikely to change. The overall benefits of membership, while still remaining positive, will decline. Whether further integration would alter this conclusion will depend in part on the model of integration which is followed by the EEC.

*Table 2: Budgetary Transactions Between Ireland and the European Community  
1973-81*

	1973 £m	1974 £m	1975 £m	1976 £m	1977 £m	1978 £m	1979 £m	1980 £m	1981 £m
<b>Grants and Subsidies</b>									
European Farm Fund (Guarantee Section)	36.7	63.8	102.2	102.07	244.46	366.07	397.9	377.4	305.0
European Farm Fund (Guidance Section)	2.9	5.1	7.0	14.2	16.55	27.5	28.0	40.7	54.8
European Social Fund	4.1	7.0	9.4	13.0	19.70	29.8	38.5	53.5	73.0
European Regional Development Fund	-	-	8.3	14.4	12.63	23.57	41.4	52.6	67.7
Other (incl EMS Interest Subsidies)	0.1	0.4	0.6	1.3	1.24	0.123	44.38	48.0	50.68
<b>TOTAL Grants and Subsidies</b>	<b>43.8</b>	<b>76.3</b>	<b>127.5</b>	<b>144.97</b>	<b>294.58</b>	<b>447.063</b>	<b>550.18</b>	<b>572.2</b>	<b>551.18</b>
<b>Contributions to the European Communities</b>	<b>6.1</b>	<b>7.5</b>	<b>10.4</b>	<b>16.5</b>	<b>21.8</b>	<b>42.0</b>	<b>60.36</b>	<b>91.56</b>	<b>112.215</b>
<b>Loans Granted from Community Sources to Ireland</b>									
European Investment (EIB)	11.1	24.8	22.0	35.4	52.1	78.5	226.1*	252.8*	237.0*
European Coal and Steel Community (ECSC)	0.21	-	1.21	-	17	0.123	17.5	3.1	7.8
<b>TOTAL</b>	<b>11.31</b>	<b>24.8</b>	<b>23.21</b>	<b>35.4</b>	<b>52.27</b>	<b>78.623</b>	<b>243.6</b>	<b>255.9</b>	<b>244.8</b>

\* Including New Community Instrument (NIC)  
Source: European Parliament Information Office, Dublin

### **ALTERNATIVE MODELS OF INTEGRATION**

The Common Market model of integration has few Irish supporters, despite the claims of its advocates that it should in theory tend to equalize earnings of similar factors in different regions. A region will tend to export products intensive in the abundant factor in that region, thus raising its relative price, and in the limit equalizing earnings of like factors. This tendency will be strengthened by factor movement from low remuneration to high remuneration areas, again raising the relatively low remuneration of a factor in relative abundance in a region. In practice, there are many reasons why the movement of goods and factors is not as free as this model assumes. The fact that income differences within the EEC persist and even widen indicates the obstacles to trade and factor mobility which are present.

For convinced advocates, the persistence of these differences raises no problems. For example, Dosser argues that these differences merely reflect the value which labour in low-income areas puts on the non-pecuniary rewards of low-intensity work modes in congenial environments. They do not provide the basis for policy intervention.<sup>17</sup>



The contrary case is put by the core-periphery model, which emphasizes the likelihood that market forces will accentuate existing disparities within the integrated zone. Economies of scale in existing industry combined with improvements in transport links enable core industries to dominate markets of the periphery. Various 'external economies', such as an accessible research and technology infrastructure, a trained supply of labour, and proximity to suppliers, markets and decision-makers, enhance the profitability of investment at the core. Capital gets sucked out of the peripheral regions, instead of moving in the other direction. Labour migration, which usually involves the more educated and enterprising, deprives the periphery of skills need to generate employment and increases the ratio of dependents to the employed population. Because peripheral areas concentrate more on the production of goods with a lower income-elasticity of demand, their export earnings grow more slowly over time than those of the core. This asymmetry puts pressure on the balance of payments of peripheral regions, leading to the necessity for deflationary measures and to a slower rate of economic growth.

Whether they put more weight on the core-periphery model, or simply dislike the implication of the market model that equalization is in part brought about by labour migration, the Economic Union model has found more support among Irish policy-makers. Successive governments have generally supported the Commission in its attempts to broaden the competences of the Community authorities. Two questions can be raised from an Irish viewpoint about this strategy. The first is whether it makes economic sense for the Community to be given broad powers to deal with areas as industrial policy, environment policy and the like. The second is whether, as Irish commentators seem to hope, a large Community budget on programme lines will necessarily be a re-distributive one.

Economists argue on Paretian improvement grounds that a case for increasing the Community's powers may exist where there are external benefits from a policy which cannot all be appropriated by an individual country (external trade policy, defence), or where there are important indivisibilities and economies of scale, such as in space co-operation or aerospace projects. The MacDougall Committee also introduced the requirement of 'political homogeneity', by which they meant the degree of cohesion between member states that would enable a function to be dealt with at the Community level if other reasons existed for doing this. By these criteria, the size of the EEC budget would remain quite small, particularly as there is no economic justification why the big spenders in modern welfare states, namely social and welfare services, should be transferred to the Community level.

Because governments may still be persuaded to delegate power to the Community for political reasons, it is important to ask whether on balance a large EEC expenditure on different programmes would be re-distributive. The answer is probably yes, but to a minor degree. The MacDougall Committee found that the Community's budget in 1975 (admittedly a year before the Regional and Social Funds were really established) had a re-distributive power of only 1 per cent. This should not be a surprising conclusion. Germany, for example, will argue that it is

entitled to grants from the Regional Fund because it has its own deprived regions relative to its central core. Many of the new expenditure programmes on which the Community is likely to embark may be of much less interest to Ireland than the present Regional and Social Funds. Pursuit of the economic Union model leads to re-distribution purely by chance.

Given these drawbacks to the Economic Union model of integration, the Federal model *a la* MacDougall with significant inter-regional grants to equalize living standards between regions offers an attractive alternative from an Irish point of view. Real income transfers meet the economist's preference for redistribution in cash rather than in kind on efficiency grounds, while almost by definition the redistributive power of a budget devoted mostly to real income transfers will be much greater than one directed largely to specific programmes.

The big question is whether sufficient social and political homogeneity exists in the Community so that other people's welfare enters into individuals' welfare functions, as it does within a family and to some extent within a region or a nation-state. Unfortunately, public opinion poll data does not suggest that a high degree of solidarity exists across Europe. Laffan has quoted the results to the question asked in Eurobarometer surveys "Are you personally prepared or not to make some sacrifice, for example, paying a little more taxes to help another country in economic difficulties?" The results are shown in Table 3. The highest proportion of respondents willing to make a sacrifice was in Italy, a country not likely to be asked to do so, and in general the proportions willing to sacrifice are quite low. Laffan concludes from this data that support for European integration is utilitarian rather than emotive or affective, which does not augur well for greatly increased real income transfers in the future.<sup>18</sup>

*Table 3: Willingness to make Sacrifices for European Unification*

	OCT 1978	OCT 1982	Differences
	Yes	Yes	
Belgium	28	20	-8
Germany	26	30	4
France	37	31	-6
Italy	64	48	16
Netherlands	60	41	-19
Denmark	42	26	-16
United Kingdom	35	22	-13
Ireland	39	23	-16
Luxembourg	34	37	3

Source: Eurobarometer (18 December 1982), quoted in Laffan (1984)

The MacDougall argument for progressive real income transfers rests largely on historical analogy. Successful federations, such as Australia, Canada and the United States, operate a substantial inter-regional grant system, therefore the EEC should also develop along these lines. The MacDougall Committee recognised, however, that in all mature federal states "the counterpart of these powerful equalisation mechanisms is a mature political structure with a federal government and parliament and other federal agencies"<sup>19</sup>

A prerequisite for an extension of inter-state transfers would appear to be greater political co-operation and centralisation. Yet Irish public opinion remains very sceptical of further political centralisation. When questioned on their attitudes to central government in Europe and European citizenship, public opinion in West Germany, Italy and Belgium is noticeably in favour of both concepts, while Ireland, Denmark and Britain are very significantly against.<sup>20</sup> This antipathy to political centralisation has been traced back to the origins of the moves towards European integration in the early post-war period. <sup>21</sup> This apparent conflict between economic and political goals with respect to the EEC deserves much greater discussion than it has received so far.

### *THE CONSEQUENCES OF FURTHER ENLARGEMENT*

Finally, it is useful to comment briefly on the implications of a further widening of the Community to include Spain and Portugal. Attention can be focused on Spain because economically it is much the more important of the two new applicants. On the trade side further enlargement would lead to improved access for Spanish industry to EEC markets, including Ireland which would increase competition for Irish firms. Competition for internationally-mobile industry would also intensify. These effects would be partially offset by the improved conditions of access for Irish exporters on the Spanish market.

Competition from Spanish agriculture would be small because of the complementary nature of the two farm sectors. There would be some opportunities for Irish beef and dairy products in Spain, although the net advantage of switching trade into intervention products from third countries would be quite small. Irish tomato and onion production would face greater competition.

With respect to social affairs, further enlargement would mean that Irish persons would have the right to live and work in Spain and Portugal, while Spanish and Portuguese would have the right to live and work in Ireland. No doubt there would be some movement in both directions, with the attractions of the Spanish and Portuguese climate offsetting any advantages we might offer in terms of employment opportunities to Spanish or Portuguese workers!

Irish fishing interests may be adversely affected by the arrangements negotiated with Spain, though the extent of any conflict cannot be assessed until detailed proposals are put on the table.

In the case of the Community budget, the admission of Spain and Portugal will strengthen the hand of those calling for a more interventionist and larger EEC budget along the lines of either the Economic Union or Federal models, but it would also add to the competing claims on those resources. The argument that Ireland is a particularly disadvantaged member of the EEC would have less force after further enlargement. Given the potential for disruption in existing policies which Spanish membership could entail, it is hard to see any economic case why Ireland would welcome further EEC enlargement.

### *CONCLUSION*

Irish political reaction to the proposals to 'relaunch' the Community appear ambiguous, and, at root, contradictory. On the one hand much of the Irish support for the EEC rests on its ability to ensure a substantial net transfer of resources to this country. Public attitudes to the other aspects of European economic integration, such as the free mobility of goods, labour and capital, are much more conditional. The prospects for a higher transfer of resources appear less favourable in the coming decade than in the past, partly because of further enlargement of the Community to include Spain and Portugal. The willingness of richer member states to increase the total resources controlled by the Community, and to use these resources for redistributive ends, will depend on much greater progress towards political integration. Irish public opinion does not yet appear to have grasped the implications of the trade-off.

### *NOTES*

1. Results of Market Research Bureau of Ireland poll published in Irish Times, March 19, 1984.
2. Irish Times, 26 May, 1984.
3. See Dosser, D., D. Gowland, and K. Hartley, (1984) *The Collaboration of Nations*, Oxford, Martin Robertson, Ch. 3. The discussion of the alternative models of European integration in this paper draws heavily on their classification.
4. I have presented an earlier assessment of the impact of EEC membership on Ireland in Matthews, A. "The Economic Consequences of EEC Membership for Ireland", in Coombes, D. (ed), *Ireland and the European Communities*, Dublin, Gill and Macmillan, (1983). See also the collection of essays in Drudy, P.J. and McAleese, D.F. (eds.), *Ireland and the European Community*. Cambridge, Cambridge University Press, 1984
5. McAleese, D (1972), "Ireland in the Enlarged EEC: Economic Consequences and Prospects", in Vaizey, J (ed), *Economic Sovereignty and Regional Policy*, London

6. NESC (1982), Report No. 64, A Review of Industrial Policy, Dublin, Stationery Office.
7. O'Malley E., (1982), "Late Industrialisation under Outward-Looking Policies in the Republic of Ireland", Paper delivered to the Annual Conference of the Development Studies Association, Dublin.
8. NESC Report No. 64. op. cit
9. See McAleese, D., (1985), "American Investment in Ireland", in Drudy, P.J. (ed.), *The Irish in America: Emigration Assimilation and Impact*, Cambridge, Cambridge University Press, for a comprehensive review of US investment.
10. See evidence quoted in Matthews 1983, op. cit and McAleese, D. 1985 op. cit.
11. O'Malley, E., "Export-Orientated Industrialisation in the Republic of Ireland", mimeo.
12. The weak version may be found in the National Planning Board document, *Proposals for Plan 1984-87*, Dublin, Stationery Office, 1984. The stronger version is implied in the *Telesis Report* itself, NESC Report No. 64, op. cit. and in Kennedy, K and Conniffe, D., *Employment and Unemployment in Ireland*, Dublin ESRI, 1984.
13. See Matthews, A., (1980) *The European Community's External Trade Policy: Implications for Ireland*, Dublin, Irish Council of the European Movement.
14. NESC (1982), Report No. 65, *Farm Incomes: Analysis and Policy*, Dublin, Stationery Office, reviews the decade 1970-80 in detail. See also Cox, P. and Kearney, B., "The Impact of the Common Agricultural Policy" in Coombes, D., op. cit, and Sheehy, S. "The Impact of the Common Agricultural Policy", in Drudy, P. and McAleese, D., op. cit. for other assessments of the impact of EEC membership on agriculture.
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