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EUROPEAN UNION FINANCIAL SUPPORT TO SPAIN

The European Commission has taken a number of decisions to considerably increase the financial support of the European Union to member states. This article presents the Spanish way to EU, the financial flow between Spain and EU, the global effects of structural actions in Spain. This article provides the opportunity to take advantage from the Spanish experiences after Poland accession to the EU.

Keywords: Spain, European Union, financial support, Spanish accession to the EEC and EU, EU budget, EU financial support to Spain

INTRODUCTION

The history of Spain is often interlocked with the history of Poland and the Poles. At the beginning of the nineteenth century, in the celebrated battle of Somosierra, a Polish squadron stepped out “for our and your freedom” against Spanish defenders fighting for freedom. That episode is commemorated by the two boards: the Polish and the Spanish one. Over a hundred years later Polish volunteers (Dąbrowszczak’s Detachment) fought for the republicans in the Spanish civil war. After the Second World War both countries chose an authoritarian policy: Poland – communism, and Spain – fascism. Those superficially extreme political orientations were, however, close for many reasons, beginning with central planning and ending up with architectural monumentalism (e.g. the Palace of Culture in Warsaw has got a counterpart in Spain: Edificio Espana).

Spain, just like Poland, reveals her own autarkic and intensive stages of development. The first one took place between 1940 and 1959 – a period analogous to the Polish one. A stage of intensive Spanish development (1969–1973) took place ten years before a short-term development period in Poland, which lasted between 1971 and 1975. The deep economic crisis (1973–1985) led, since the very beginning, to evolutionary political changes, possible after the death of Francisco Franco. The Polish crisis lasted long as well (1976–1989), and vastly contributed to political transformations, yet also under the influence of changes in the international political scene.

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Following the political and economic history of Spain and Poland from the second half of the twentieth century, it is easy to observe a meaningful political and economic convergence. In Poland, however, its advantages seemed to be less visible and, on the other hand, the disadvantages were more severe. One could claim that a period of constitutional transformation, a passage from authoritarian regime to democratic system, took place in Spain between 1973 and 1982. The Polish constitutional transformation period was definitely shorter in the political sense. It can be assumed that it covered the time of "Contracted Sejm", though economic transformation lasted longer. (Information referring to the period up to 1990, to large extent based on materials used in Bernaś 1989).

1. SPANISH WAY TO EUROPEAN UNION

Spain endeavoured to quit its political and economic isolation already in the times of Franco's dictatorship. The efforts were profitable in the context of political as well as military relations, and resulted in Spain's membership of NATO. At the beginning of 1960s the idea of closer relations with the EEC (the European Economic Community) appeared, as it looked profitable to both parties in the context of closer relations as well as the elimination of commercial exchange hindrances. These facts resulted in signing an agreement (29 June 1970) in Luxemburg, which aimed at the progressive elimination of difficulties with reference to commercial exchange between Spain and the EEC. This agreement was supposed to take place gradually and its first stage was expected to last "at least 6 years".

Both democratization of political life and the new elites' endeavour to exploit external factors referring to economic development, considerably strengthened the European option. Thus, instead of further reciprocal relations' liberalization, Spain offered itself officially as a candidate for a member of the EEC with full rights on 29 July 1977 (Munoz 1985, pp. 131-132; Bernaś 1989, pp. 211-215). This candidature was warmly accepted by the EEC bodies. In December 1978 an initial agreement was approved by the EEC Council, which commenced accession negotiations. The beginnings were promising but in 1980 the first problems arose. France perceived a danger in the agricultural aspect, which became clear when President Giscard d'Estaing expressed his opinion in the presence of the Council Farming Room. It was the change of state's head that made it possible to improve the atmosphere of negotiations. Since March 1983 the

negotiations gathered impetus and ended on 18 December 1984. That was also the time when the Accession Treaty was signed. Spain became a member of the EEC on 1 January 1986 (*Acuerdo de España...* 1985).

French-Spanish controversies about agricultural policy did not block other areas of co-operation. In 1980 the Spanish government offered the possibility of closer financial co-operation referring to investment and loan aspects. Five years before accession, Spain was given loans from European Investment Bank amounting to 550 million ECU (*España recibe prestamos...* 1986, pp. 2356–2357).

Spanish accession to the EEC could be considered in terms of various configurations, but its political and economic values seem to be of primary importance. In spite of its earlier accession to the NATO, Spain's position in Europe did not prove to be powerful. Its internal situation was unstable, as the negotiations with the EEC took place in the period of socio-political transformation towards democracy. It seems that the progressing territorial system was extremely valuable then. The accession was supposed to contribute to particular region development, reduce disproportions among them and, in this way, lead to a decrease of social tension and separatist tendency.

Integration with the EEC was one of the more significant supports for the social-democratic programme in the period 1985–1988 (*Programa, economico a medio plazo 1983/88*, 1985). The programme was established to reach beyond the deep economic crisis, which – according to social-democrats – was caused by:

- energy equalization delay (Spain as a main energetic raw materials importer severely experienced the results of energy crisis of the 1970s);
- great imbalance between real earnings and work efficiency growth (income as well as consumption increase was, nevertheless, an essential factor stimulating the growth of production);
- considerable decrease of savings coefficient;
- lesser degree of public income growth in comparison with public expenses, which was related to three main factors: lack of tax responsibility as a crisis result, tax reform expiry in 1977, intensive growth of public expenses – especially social security transfers and inefficiency of state enterprises;
- monetary financing of public deficit;
- lack of a well-balanced industrial policy, which caused a delay of industry convergence;
- inadequate structure of agricultural as well as cultivating production;

- disturbance of social security system balance;
- high credit interest rate in the international market, forcing to maintain high national interest rates.

The diagnosis was a starting point for creating a new government programme.

Among the most significant aims were:

- reduction of inflation coefficient until it reaches in 1987 the average of the OECD;
- reduction of deficit in current balance of trade by means of Spanish currency devaluation in 1982, active trade supporting policy, global competitiveness increase of Spanish products;
- reduction of public deficit through the maintenance of equal rhythm with reference to an increase of public expenses and fiscal pressure, especially by means of fighting against malversation (*Programa economico a medio plazo 1984/87*, p.7; Bernas 1993, pp. 44–48).

Because of the fact that a substantial part of economic problems resulted from difficulties in the area of foreign activity, in 1987 a plan of Export Support was constructed. Its main assumptions were devoted to international competition support of Spanish production.

In an economic sense, Spain and Portugal's accession to the EEC created new challenges both for the acceding countries and the EEC itself. Considerable disproportions in the level of development between the candidates and the EEC (excluding Greece) caused the necessity of revision in the sector of connection policy and the organization's economic influences in the context of particular member states and their regions. In fact, these were the challenges connected with Spain and Portugal's development disproportions that contributed to the formulation of rules and assumptions of the EEC's regional policy.

The first ERDF co-financed programmes referred mostly to infrastructural projects. Twenty six investment projects were accepted reaching the total of 26.5 milliard ESP. Within them railway as well as road modernization and construction in Galicia and Castile-La Mancha were undertaken. Railway lines, gas pipelines, hydro-energetic objects were either built or modernized in Andalusia and Castile-Leon. Only one programme was of a typically industrial character – the production of diesel engines in Galicia.

In the second stage Spain received 106.4 million ECU from ERDF for the realization of 364 investment projects and 355.8 million ECU from ESF, to

be spent on fighting unemployment (about 14% of the total ESF funds) (*Primeras ayudas financieras...* 1985, pp. 59–64; *El FEDER...* 1986, p. 1519; *Espana recibe 355,8 millones...* 1986, p. 1839).

The first five years of Spain's membership of the European Union gave spectacular results. First of all, in comparison with the previous five-year period, inflation was stopped, public deficit decreased, the dynamics of GDP, was bigger, GDP per capita increased, the situation in (un)employment was better (see Table 1).

The crisis control and stabilization resulted from the three factors:

- rational and rationally realized concept of economic development included in Medium-term Economic Programme;
- European Union financial support, realization of crucial assumptions of the programme;
- general political and economic improvement all over the world, especially in the context of energy crisis effects' control.

Table 1

Economic situation of Spain in the period 1980–1990

	1980	1982	1984	1985	1986	1988	1990
CPI (average one year's increase, in %)	15.5	14.4	11.2	8.8	8.8	4.8	6.7
Industrial prices (average one year's increase, in %)			12.2	8	0.9	3	2.2
Public deficit (in % of GDP)	2.6	5.6	5.5	7	6.1	3.4	3
NI (in 1980 prices, in %)	0.5	1.1	1.7	2.7	3.9	4.8	3.7
NI per capita (in thousand ESP)	360	448	566	629	724	894	1003
NI per capita (in thousand USD)	5.02	4.08	3.52	3.7	5.18	7.68	9.83
USD/ESP	71.7	110	160.8	170	140	116.5	101.9
Employment (change to previous year)	-2.83	-0.93	-2.39	-1.31	2.26	2.88	2.6
Unemployment (% of active population)	11.61	16.45	20.17	21.55	21	19.5	16

Source: Bernaś 1993, p.44; *Contabilidad Nacional...* 1986

2. FINANCIAL FLOWS BETWEEN SPAIN AND THE EU; EU BUDGET PAYMENTS

The meaning of Spain's membership in the European Union seems to be most synthetically expressed in the dynamics as well as structure of financial

flows between the two institutions. According to the EU financial rules, Spain participates in Union's budget revenues and proves to be its beneficiary with reference to the European Union's budget expenditures. The rules of contribution to budget establishment and participation in the EU expenditure are equal for all members of the Union.

The transfer of a part of VAT resources as well as GDP-based additional revenue seem to be principal in the context of financial flow from Spain to the EU. Both traditional transfers and transfers to EDF happen to be less significant.

With reference to the EU financial support for Spain, the resources connected with agricultural policy realization as well as cohesion funds prove to be of primary importance. In the period 1993–2002 the net financial flow from the European Union to Spain reached the total of 53.4 milliard euro, which constituted 1% of Spain's GDP. The total result of the transfers is an essential factor influencing the process of dynamic development and life conditions in the country (first of all, it affects farmers' life conditions improvement and diminishes differences among regions with reference to standard of life).

2.1. Payment to European Union's budget

The connection of the EU budget revenues and VAT resources dates back to 1970. Initially it was 1% of the assessment base and then increased to 1.4% in 1984. In the year 1999 it decreased again to 1%. In 1988 a new resolution was established: the limit of assessment base, which could not exceed 55% of Gross National Product of a given country. As a result of it, at the end of 1990s, the Union's budget gained 41% of its revenues. Spanish participation in the resources in the period 1995–2001 revealed increasing tendencies (see Figure 1). In 2002, however, a considerable fall in payment took place, which was caused by the growth of GNP-based additional resource.

2.2. Payments connected with GNP

The GNP-based additional resources appeared in 1988 and gradually replaced or reduced the previous ones. Initially the EU established a membership fee up to the limit of 1.15% of GNP; from 1992 up to 1.2% and from 1999 – 1.27%. As a result of it, at the end of 1990s, the European Union's budget gained over 43% of total revenue. Spain's contribution to this resource in the EU budget has been increasing, though with several hesitations in 1995, 1996 and in 2001 (see Figure 2).

ECU/EUR million

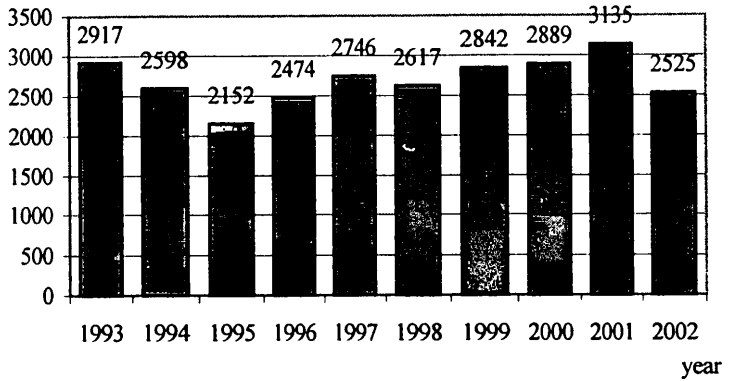


Fig. 1 Spanish participation in the EU budget – the VAT resource

Source: *The Structural Funds in Spain in the Period 2000–2006*

ECU/EUR

million

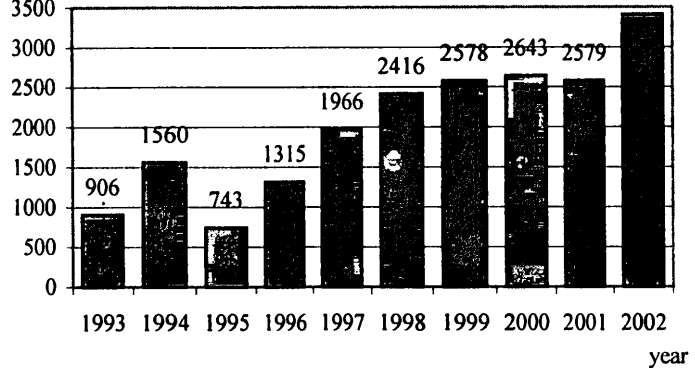


Fig. 2 Spanish participation in the EU budget – the GNP-based additional resource

Source: *The Structural Funds in Spain in the Period 2000–2006*

2.3. Traditional payments

Traditional payments, introduced in 1970, include:

- Agricultural surplus and sugar production encumbrance. This reached at the end of 1990s 2% of the total EU budget.
- Customs duties of goods imported from non-member countries. In 1998 they reached 13.3% of the total EU budget.

Spanish payments relevant to the topic are presented in Figure 3.

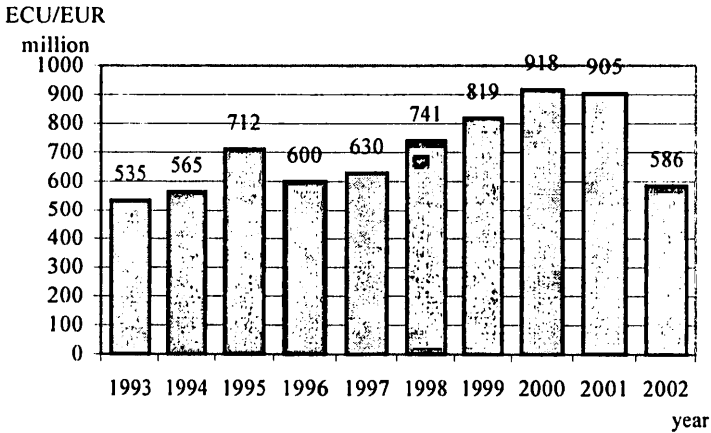


Fig. 3 Spanish participation in the EU budget – traditional payments

Source: *The Structural Funds in Spain in the Period 2000–2006*

2.4. European Development Fund

In comparison with other charges, Spanish payments to the European Development Fund are relatively insignificant. In the period 1993–2002 they reached a peak in 1998 with a total of 141 million euro, and its lowest value was in 2001 with 48 million euro (see Figure 4).

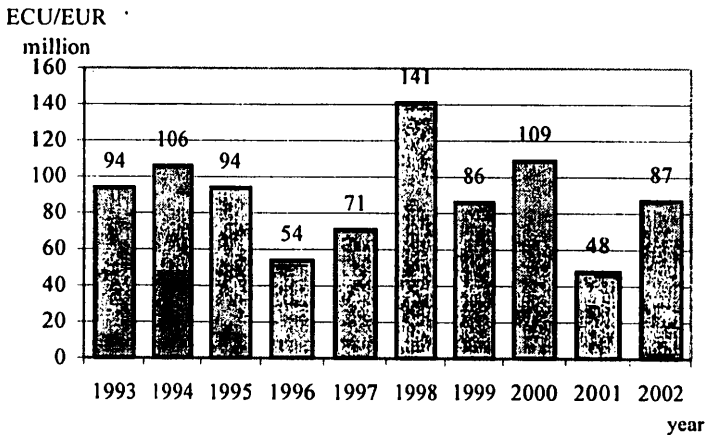


Fig. 4 Spanish participation in the EDF

Source: *The Structural Funds in Spain in the Period 2000–2006*

2.5. Total Spanish payments to EU budget in the period 1993–2002

In the period 1995–1998 a considerable increasing tendency of Spain's payments to the EU budget was noticed. The fact resulted from the short-term fall, which lasted in 1995–1996, with reference to 1994. However, since 1998 the growth has been less visible. This is caused by the EU general policy aiming at the expenditure limitation postulated by particular members, especially all net financing and at least the stabilization – if not reduction – of their participations (see Figure 5).

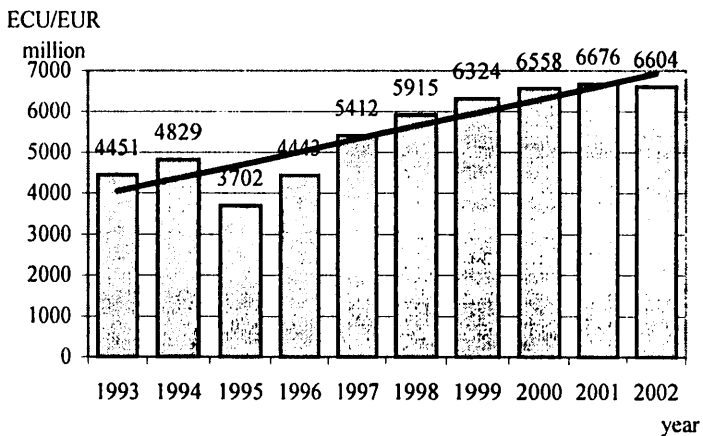


Fig. 5 Spain's payments to the EU budget

Source: *The Structural Funds in Spain in the Period 2000–2006*

3. EUROPEAN UNION BUDGET UTILIZATION

3.1. The European Agriculture Guidance and Guarantee Fund (EAGGF)

The EAGGF Guarantee Section has been established for agricultural policy financing. The allocations devoted to farmers are of both a direct and indirect character. The EAGGF Guidance Section finances also other rural development expenditures. Spain belongs to the group of main beneficiaries and absorbs about 15% of the EAGGF funds (*Prevision financiera 1995–1999; The Structural Funds in Spain...*). In a financial dimension this is approximately 5–7 milliard euro (see Figure 6).

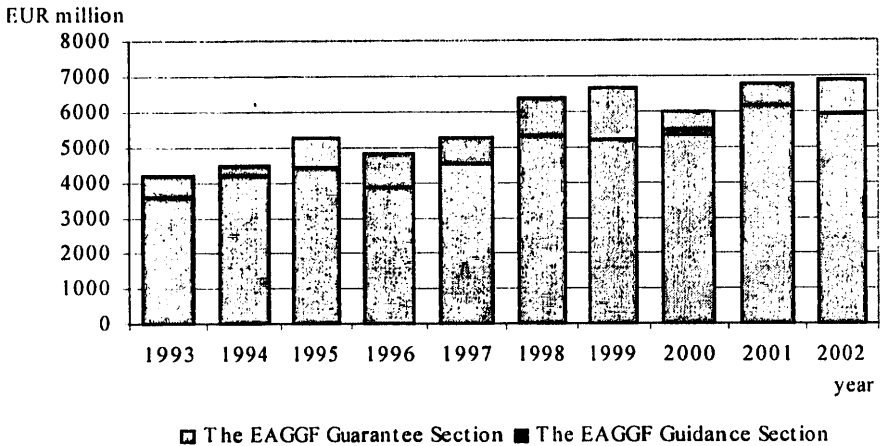


Fig. 6 The EU's support for Spanish agriculture in the period 1993–2002, in EUR million
Source: Own calculation

The dimension of the EU financial support to Spanish agriculture appears to be more noticeable when not only its amount is provided but also its reference to Gross National Product coming from agricultural sector. The recent average of the EU support for Spanish agriculture reached about 30% of GNP produced by Spain's agriculture (see Figure 7).

Both Structural and Cohesion Funds constitute the main tool of regional policy, diminishing development differences among regions in the context of particular countries and the Union as a whole. They are also vital with reference to most significant local problem solving (The Structural Funds and their Coordination... 1999).

The existing areas of regional policy's interests:

1. Regional development support. Within the structural frames the following objectives are put forward:
 - Objective 1. Less developed regions; the regions where GDP per capita is less than 75% of the EU average.
 - Objective 2. Areas undergoing conversion; objective 2 and 5(b) from the period 1994–1999. Economic and social conversion support of the areas undergoing structural difficulties, classified into four categories: rural, industrial, urban and the ones depending on fisheries.
 - Objective 3. Education, occupational training and employment. Connects the former Objective 3 and 4.

2. Common Initiatives: INTERREG III, EQUAL, LEADER+, URBAN II.
3. Rural development policy as major pillar of the common agricultural policy (CAP) (*Instrumentos financieros...*)

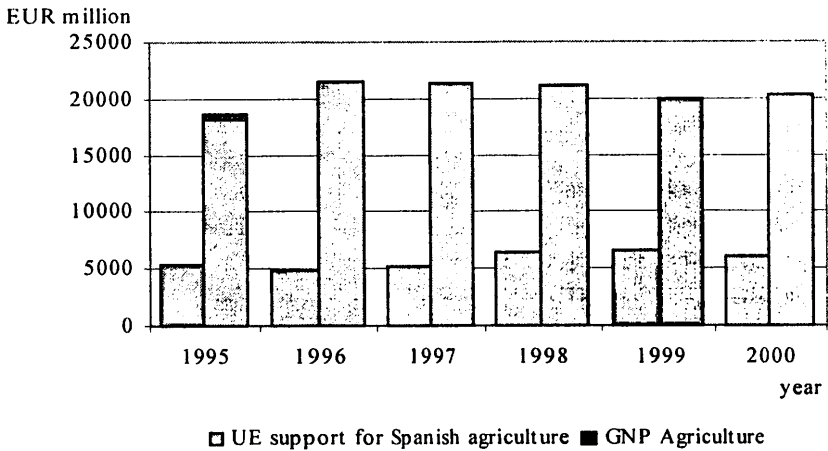


Fig. 7 The EU's support for Spanish agriculture in comparison with the GNP produced by agriculture sector

Source: *Espana en cifras 2001*. INE 2001 p. 25; *The Structural Funds in Spain in the Period 2000–2006*

3.2. The European Regional Development Fund (ERDF)

Spain belongs to the group of main beneficiaries with reference to structural funds. Only in the period 1993–2002 the country gained from ERDF 28,250 million ECU/EURO. Figure 8 represents flows to Spain from the ERDF in the period 1993–2002.

According to Decree No 1783/1999 of the European Parliament and Council from 12 July 1999 the European Regional Development Fund participates in the financing of:

- productive investments enabling creation and job maintenance;
- infrastructure investments;
- local initiative development and business activities of both small and medium-sized enterprises;
- technical support.

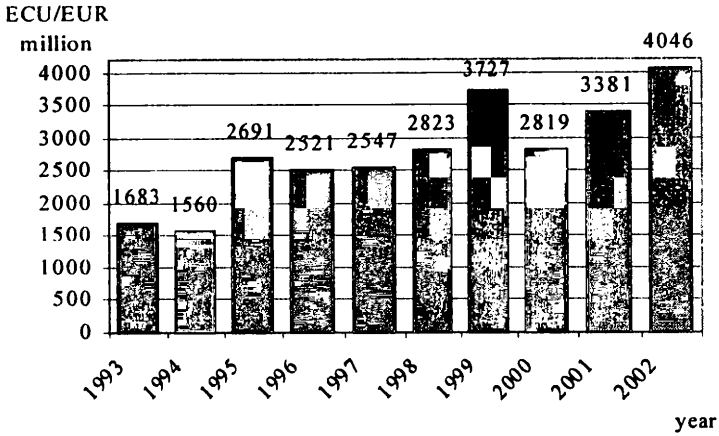


Fig. 8 Financial flows to Spain from the ERDF

Source: *The Structural Funds in Spain in the Period 2000–2006*

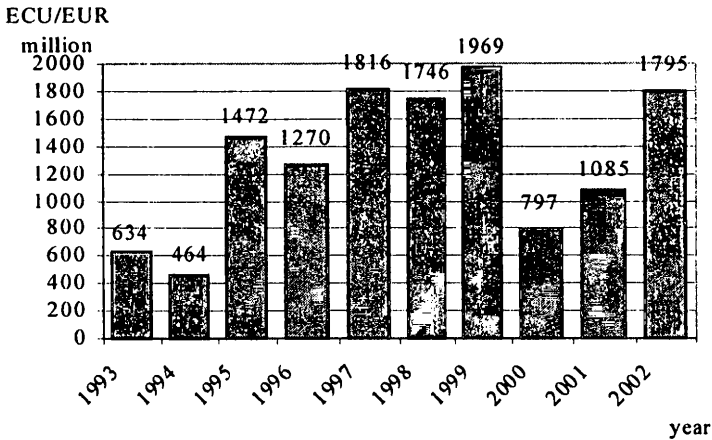


Fig. 9 Spain's support from the ESF

Source: *The Structural Funds in Spain in the Period 2000–2006*

In the regions of Objective 1 ERDF can participate in sustainable development financing with reference to education as well as health sectors.

3.3. European Social Fund (ESF)

The European Social Fund constitutes the succeeding important financial source allowing the European Union to realize the employment policy. Generally, in the period 1993–2002 Spain gained from it 10000 million ECU/EUR (see Figure 9). The fund finances the initiatives of social character in a similar way as ERDF.

3.4. Cohesion Fund (CF)

The Cohesion Fund proves to be supplementary in comparison with the funds described above. The system of financial support was instituted with the Maastricht Treaty. Spain was the fund's main beneficiary, as it participated (in the period 1993–1999) in 55% of the total of its expenditure. The flows from CF to Spain are represented in Figure 10.

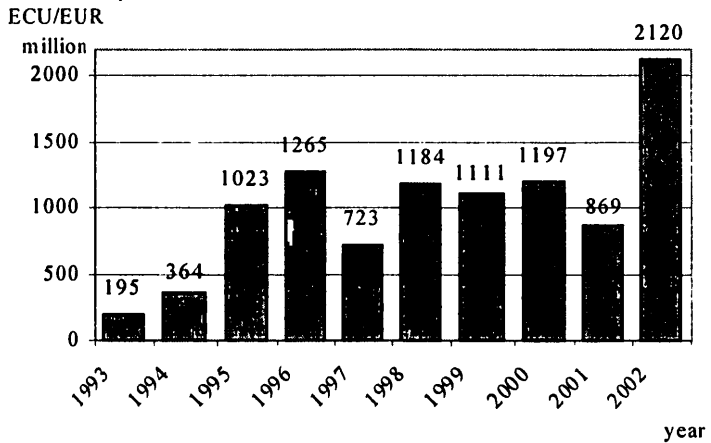


Fig. 10 Flows to Spain from the CF

Source: *The Structural Funds in Spain in the Period 2000–2006*

As a whole, in the period 1993–2002 Spain obtained 50,897 million ECU/EUR from Structural and Cohesion funds. The structure of the flows is presented in Table 2.

Table 2

Financial flows to Spain from EU regional policy in the period 1993–2002 (ECU/EUR million)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Total
SF&CF	21300	23500	26329	29131	30827	31783	33614	32678	32720	33638	295520
ERDF (Spain)	1683	1560	2691	2521	2547	2823	3727	2819	3381	4046	27798
ESF (Spain)	634	464	1472	1270	1816	1746	1969	797	1085	1795	13048
CF (Spain)	195	364	1023	1265	723	1184	1111	1197	869	2120	10051
Total (Spain)	2512	2388	5186	5056	5086	5753	6807	4813	5335	7961	50897
% of total UE	11.8	10.2	19.7	17.4	16.5	18.1	20.2	14.7	16.3	23.7	17.2

SF&CF – Structural and Cohesion Funds; ERDF (Spain) – European Regional Development Fund (transfers to Spain); ESF (Spain) – European Social Fund (transfers to Spain); CF (Spain) – Cohesion Fund (transfers to Spain).

Source: *Agenda 2000; The Structural Funds in Spain in the Period 2000–2006; Los recursos y los gastos comunitarios* (www.europarl.eu.int)

3.5. EU financial support programme to Spanish regions in the period 2000–2006

The base of structural actions in the period 2000–2006 consists of European Council's resolutions held in Berlin on 24–25 March 1999, included in the Agenda 2000 document. They were formally accepted by the Council on 21 June 1999, after the European Parliament's approval. The structural funds for 2000–2006 were 195 milliard euro and cohesion fund amounted to 18 milliard euro. The three principal structural fund objectives were established:

Objective 1 – regions lagging behind in development; Objective 2 – areas undergoing conversion; Objective 3 – education, job training and employment.

The following Spanish regions were authorized to take advantage from Objective 1: Galicia, Asturias, Castile-Leon, Castile-La Mancha, Extremadura, Valencia, Andalusia, Murcia, Ceuta-Melilla and the Canary Islands. They were assigned 37.7 million EUR in the period

2000–2006. Cantabria, which lost its authorized status in 2000, received transitional aid equal to 352 million euro for the period 2000–2006.

The Objective 2 fund is allocated among members solely on the basis of eligible population. Each inhabitant qualifies for 41,4 euro a year (prices from 1999). In the case of Spain, 8 809 000 eligible people were qualified, so the amount allocated to Spain in the period 2000–2006 was 2 651 million euro.

Objective 3 allocation for Spain in the period 2000–2006 was 2,140 million euro (prices from 1999).

Apart from the three Objectives, other forms of financial assistance referring mainly to Community Initiatives in the period mentioned above are provided:

- cross-border, transnational and inter-regional cooperation – INTERREG III – 900 million euro,
- economic and social regeneration of cities in crisis – URBAN II – 106 million euro,
- rural development – LEADER+ – 467 million euro,
- transnational cooperation to promote new means of combating all forms of discrimination and inequalities in connection with the labour market – EQUAL – 485 million euro (*The Structural Funds in Spain...*).

Exemplary visible effects of the EU regional policy funds engaged in Spain:

- Tutelados Research Centres – Basque Country, 1991–92, 850 jobs. Total cost 7.7 million ECU; 3,85 million from ERDF.
- Sevilla-Granada-Aslmeria highway (A92), during construction 11,000 direct jobs and 4 300 indirect ones. Cost 550 million ECU; 37,3% from ERDF.
- Madrid-Lisbon express road, 1989–1995. Cost 348 million ECU; 53,8% from ERDF.
- Railway external line construction, railway-station connecting broad- and narrow-gauged line in Oviedo-Asturias, 1994–1999. Cost 46.9 million ECU; ERDF: 70%.
- New terminal construction in Palma de Majorca, 1997. Cost 6 million ECU; 4.5 million ECU from Cohesion Fund.
- Underground line development to Madrid-Barajas airport, 1999. Cost 205 million ECU; 140 million ECU from Cohesion Fund.

- Madrid motorway ring road (M40). Cost 165 million euro, 140 million from Cohesion Fund.
- Cantabria highway, Asturias section, 1994–99. Cost 429 million ECU, 65% from ERDF.
- Cantabria highway, Santander section, 2002. Cost 326 million euro; 65% from ERDF.
- Madrid-Vigo highway, 1994–99–2001. 18 000 jobs. Cost 766 million EUR; 67.5 % from ERDF.
- Las Palmas (Gran Canaria) ring road, 2001. Cost 60,6 million euro; 85% from Cohesion Fund.

4. GLOBAL EFFECTS OF STRUCTURAL ACTIONS

4.1. Influence on Spain's GDP

The estimation of the EU financial support influence on Spanish economy is risky, with reference both to its methodological aspect and to relevant data selection. It is, however, executed in spite of these reservations.

Simply speaking, one can point out the accumulated effect of financial transfers, assuming that whole net transfer is intended for investments creating the value added. It is necessary to define how the value added comes into being (investment income rate). Accepting an average rate of 3% p.a., a share of the current effect from financial engagement in GNP can be executed. Respective data is presented in Table 3.

Net current transfer share in Spain's GDP in the period 1993–2002 was ranging from 0.5% (1994) to 1.6% (1995). Value added share from cumulated net transfers EU-Spain increased in GDP from 0.02% in 1993 to 0.26% in 2002. Value added share from cumulated net transfers EU-Spain according to Spain's GDP increased from 0.29% to 4%. So, it can be concluded that the value added at 3% rate (net transfers from the EU to Spain) contributed to the value of 0.26% GDP in Spain in 2002 or, alternatively, the 4% value of GDP growth in this country.

Table 3

Estimated economic effects of financial transfers EU to Spain in the period 1993–2002

		1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Total	
Balance of financial flows EU-Spain	ECU/EUR million	2337	2084	6840	5483	4997	6306	7192	4299	5509	8347	53394	
		Value added (3%)	70.1	134.7	344	519	684	894	1136	1300	1503	1799	8383.8
		Balance + Value added (cumulated)		4491	11466	17293	22809	29799	37883	43318	50127	59977	
		GDP	381748	406010	437788	464253	494146	527978	565200	609319	651641	693925	
Balance of financial flows EU-Spain in GDP	(%)	0.6	0.5	1.6	1.2	1	1.2	1.3	0.7	0.8	1.2		
		Value added in GDP	0.02	0.033	0.08	0.11	0.13	0.16	0.2	0.21	0.23	0.26	
		Value added in change of GDP	0.29	0.42	1.3	1.74	2.02	2.4	2.57	3.07	3.55	4	

Source: Own calculation

The influence of the European Union support on particular member states proves to be an object of investigations and elaborations carried out under the patronage of the European Commission. The range of economic effects of the Structural Fund and Cohesion Fund estimated for Spain was discussed in the report published in January 2001: 1989–1993 – 0.7%; 1994–1999 – 1.5%; 2000–2006 – 1.3%; where Portugal, for instance, respectively in the same periods: 3.0%; 3.3%, and 2.9% (*Unity, Solidarity, Diversity...* 2001, pp. 121–122). The values provided above suit the current financial transfers share in the present GDP. Therefore, they do not contain the accumulated effect discussed above.

Joerg Beutel, the author of Final Report devoted to economic effects of Objective 1 intervention in the period 2000–2006, claims that in the year 2000 the EU transfers contributed to 1.2 percentage points in the of Spain's GDP (without EU support it would be 2.9%, whereas with support: 4.1%). In the projection for 2006 it will be respectively 1 percentage point (without support: 2.8%, with support: 3.8%) (Beutel, 2002).

4.2. The influence of diminishing interregional differences

As mentioned before, the development process of the Spanish economy after the Second World War can be generally divided into the following three stages: the planned economy of Franco's dictatorship, transition period crisis and economic growth in the democracy period. These tendencies prove to be visible with reference to both all the country and particular regions (as it is presented in Table 4).

Table 4

Diminishing of interregional differences in Spain in relation to the EU average measured by GDP per capita (PPPs, EU=100%)

Region	1960	1964	1969	1975	1979	1985	1985*	1988**	1998**
Andalusia	37.4	40.7	45.8	55	50	47	56	55.9	57.9
Aragon	56.7	64.3	73.2	75.7	72.2	73.7	80	83.1	88.1
Asturias	62.4	65.1	73.9	79.1	67.4	63.6	79	71.9	72.4
Balears	59.6	80.6	93.8	89.2	86.9	97.3	103	95.5	99.5
Canary Islands	40.7	47.7	57	59.2	60.6	61.1	65	74.9	77.1
Cantabria	72.1	78.9	80.7	78.1	69.3	65.2	78	73.8	76.3
Castile-La Mancha	35.3	42.1	48.7	58.7	53.5	51	57	61.1	67
Castile-Leon	42.3	55.3	59.1	64.6	60.5	59.5	72	68.1	74.2
Catalonia	77.3	91.8	92.4	96.2	86.7	82.1	82	89.2	100.4
Extremadura	32.9	33.3	38.9	44.2	42.1	43.6	50	49.8	50.2
Galicia	36.7	43.5	48.7	56.3	53.9	52.7	62	57.9	64.2
Madrid	72.9	88.7	88.8	97.7	90.3	87.4	83	91	110.2
Murcia	40.7	44.8	54.9	63.9	58.3	55.6	62	67.9	67.2
Navarra	62	76.8	82.3	84.6	73.6	72.7	87	91.4	106.2
Basques Country	88.9	99.4	98.2	102.2	77.5	73.8	87	88.7	99.1
La Rioja	61.1	72.5	73.2	77.3	75.4	72.6	95	83.7	93.2
Valencia	62.9	63.1	66.5	76.5	70	69.7	72	73.8	77.2
Spain (average)	53	62.1	67.6	75.3	68.2	66.3	72	74	81.1

Source: Zaragoza 1990; * – 1995 Informe economico de Andalusia 1996, p. 1999; ** Unity, Solidarity, Diversity for Europe... 2001, p. 68

In the dictatorship period the differences between Spain's regions and an average of four member states of the EEC (i.e. France, Germany, Great Britain and Italy) underwent considerable decrease. Until 1975 a certain resemblance of this tendency took place also in Poland. The shortest distance between Poland and Spain was in the period 1975–1978, since then Spain entered its crisis period, though not as deep and long-lasting as the Polish one. Spanish stagnancy terminated in the middle of 1980s, i.e. the time when Poland faced the crisis apogee. Since then Spain has been undergoing constant economic increase. With both European Union's regional support and own resources engagement, a significant diminution of regional differences (with reference to the EU averages) has been taking place. Each Autonomous Community has worked out a detailed programme and a plan of economic development in compliance with EU financial support. Those differences, nevertheless, are still considerable: the distance between Extramadura and the capital of the country is over twice as large.

Simulations indicate that structural interventions have boosted growth both through increasing demand and through strengthening the supply side of the economy and so have contributed to convergence (*A New Partnership for Cohesion...* 2004, p. 148).

Table 5

Ex post macroeconomic effects of structural policy 1994–1999: HERMIN simulation results

% of the difference from baseline without policy in 1999						
	Greece	Spain	Ireland	Portugal	E. Germany	N. Ireland
GDP	2.2	1.4	2.8	4.7	3.9	1.3
Manufacturing output	3.4	3.7	4.7	10.6	3.2	0.6
Market services output	2.4	1.2	2.4	4.8	4.4	2.2
Fixed investment*	18.1	9.1	1.1	24.8	7.8	1.2
Labour productivity*	2.3	2.1	2.2	6.6	1.2	0.5
Employment*	1.0	1.5	4.7	3.7	2.0	0.1

* only manufacturing sector

Source: *A New Partnership for Cohesion...* 2004, Table A4.6, p. 183

After a period of economic increase exceeding 4% in the period 1997–2000, in subsequent years there was a slowdown in Spanish economy to 2.6% in 2001 and 2.2% in 2002. Though it was twice as much as the EU average, it became a motivating factor for carrying out deep economic and social reforms. The reform consists of several aims preferential solutions:

personal income tax reform, commodities and services market liberalization, competition protection, social insurance system reform. These changes are expected to lead to a GDP increase in the period 2003–2006 at a level 3% a year.

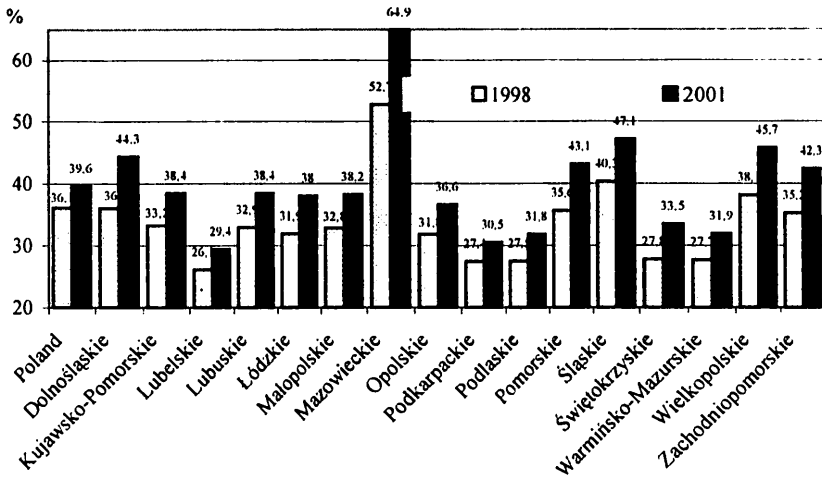


Fig. 11 Regional differences in Poland in 1998 and 2001 measured by GDP per capita according to PPPs as the percentage of the EU average

Source: *Unity, Solidarity, Diversity...* 1998, p. 74; Jankowska, Kierzkowski, Knopik 2003, p. 5

The economic development of the European Union, in the context of simultaneous long set-back of developing processes in Poland, cause that Polish regions – on the eve of Polish accession to the EU – prove to be far more distant from the European average than Spanish ones twenty years ago. The internal differences among Polish regions, comparable to the regions of Spain (see Table 4), are shown in Figure 11.

CONCLUSIONS

The meaning of European Union's financial support to Spain has been essential for both the economy as well as the society of the country. To its most significant effects belong: a considerable growth of living standards in rural areas (grant-in-aids for farmers), significant progress in the range of

social, technological as well as economic infrastructure, with especial reference to the system of speedways, highways and railway lines (the fast railway “AVE” appears to be its greatest achievement).

The European Union’s financial support concerns to a large extent the creation of new jobs within various economic sectors, what seems to be best reflected in Andalusia – the region which used to have the largest unemployment rate.

Poland’s accession to the European Union provides the opportunity to take advantage from Spanish experiences. Following the rules of Structural Funds the whole Poland, just like Spain immediately after its accession, is entitled to receive financial support from the funds. The considerable inflow of EU resources ought to supplement the decreasing stream of privatization resources, stimulating at the same time the enlarged inflow of foreign investment.

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