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Can the European Union Influence the Functioning of Regional Governments?

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European Forum

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This Working Paper has been written in the context of the 1999-2000 European Forum programme on "Between Europe and the Nation State: the Reshaping of Interests, Identities and Political Representation" directed by Professors Stefano Bartolini (EUI, SPS Department), Thomas Risse (EUI, RSC/SPS Joint Chair) and Bo Stråth (EUI, RSC/HEC Joint Chair).

The Forum reflects on the domestic impact of European integration, studying the extent to which *Europeanisation* shapes the adaptation patterns, power redistribution, and shifting loyalties at the national level. The categories of 'interest' and 'identity' are at the core of the programme and a particular emphasis is given to the formation of new social identities, the redefinition of corporate interests, and the domestic changes in the forms of political representation.

Abstract

The following discusses theoretical issues that have emerged within regional (sub-national) and global economic studies. I examine the assertion that regional governments within a global economy need to take a more active role in regional economic development. Under this theoretical contention I examine the extent to which European Union (EU) regulations affect regional governments' capacity to legislate, implement and regulate regional economic development policy. The Autonomous Communities (ACs) of Galicia and Valencia are studied to see whether EU agricultural regulations have constrained regional governments' policy-making ability within sectors that are the ACs competency and important to the regional economy.

The comparative analysis suggests that EU regulatory policy can constrain regional governments' policy-making ability depending on: 1) the ability of the region to influence the national EU agenda; and 2) the extent to which a region's industries compete with other European countries. Thus, EU regulatory policy has a varying effect upon regional governments' policy-making ability, even within the same national border.

Does the European Union (EU) affect the ability of regional governments to create and implement regional economic development policies? Regional economic disequalibrium has plagued Europe throughout history and is particularly problematic for the achievement of successful economic integration (Armstrong and Taylor, 1978; Leonardi and Nanetti, 1990). Although regional economic disparities present a challenge to economic integration, some scholars suggest that European integration itself may actually intensify regional economic differences (Vanhove and Klaassen, 1987; Bachtler and Turok, 1997). To resolve regional economic disparities the EU established a European regional development policy (ERDP) to accompany the accession of Ireland, Denmark and the United Kingdom. ERDP was later modified with the accession of Spain, Portugal and Greece in 1986 and the negotiations of the Single European Act (SEA) of 1987. The SEA encouraged a change in region-state relations and attempted to give regional and local governments more economic decision-making abilities to improve regional economies (Leonardi and Nanetti, 1990:2; Balme, 1997). It was believed that ameliorating regional economic disparities would help to ensure the achievement of an integrated market (Marks 1993; Keating 1997).

In addition to regional development policy the EU has also become increasingly involved in regulatory policy. Regulations created at the European level are formulated to ensure openness of trade among member states, to promote competition or to protect certain industries (e.g. agricultural policy). The goal of structural policies such as ERDP and regulatory policies are distinct. Structural policies attempt to rectify socio-economic and physical conditions within and between territories to improve economic conditions. On the other hand, regulatory policies' goal is to promote free trade and competition or to implement mechanisms to compensate for problems the market cannot regulate itself.

Although the goals of ERDP, a structural policy differ significantly from regulatory policy goals, it seems that regulatory policies can affect structural conditions. In particular, I suggest that EU regulatory policy has re-enforced regional economic differences. EU regulatory policy has constrained the ability of some regional governments to create and implement development policies most appropriate for their respective region.

Changes in international economics have made it increasingly important for regional governments to take an active role in regional economic development policy-making (Keating, 1998; Storper, 1997; Cooke and Morgan, 1998; Leonardi and Nanetti, 1990). The extent to which EU regulatory policy constrains regional government economic development policy-making, however, varies across regions within the same national borders. Whether a region's industries compete with other European countries and the ability of a region to influence the national EU agenda explains this variation.

With increased European integration, the EU has become involved in many different policy areas, including regional development and regulatory policy. To analyze whether EU regulatory policy affects the ability of regional governments to create and implement regional economic development policy it is useful to incorporate a model that takes into account the complexity of the relations among different levels of government in the EU. The conceptual framework that best addresses this issue is the multi-level governance model (Marks, 1993; Marks, et al. 1996). This model asserts that with European integration there has been a re-allocation among the supra-national, national and sub-national levels of government. In the examination of ERDP some scholars imply that under the conceptual framework of multi-level governance the policy-making capacity of regional governments have been improved (Conzelmann, 1995). If we examine other policy sectors does the improvement of regional government policy-making capacities still hold true?

Important economic and regulatory policy-making has been re-allocated to the European level. Thus, there has been a significant change in the role of national governments, which once had sole competence in these policy sectors. As member states re-allocate policy responsibilities to the EU, how has it affected the policy-making capacity of regional governments? Although the multi-level governance model implies that the EU can empower regional governments' policy-making capacity, does this actually occur in practice?

Even though we have seen a general trend toward the empowerment of regional governments throughout Europe (Kohler-Koch, 1995; Sharpe, 1993), I suggest that European regulatory policy has affected the regional development policy-making ability of regional governments. Although regulatory policies tend to be defined by sector, they may also have a territorial impact. Since certain regions may not have diversified economies, EU regulations can have a significant effect on a region's economy if the regulations correspond to the major industries of a region. As a result, those regions which EU regulatory policy affects will also find their ability to implement and legislate regional economic development policy constrained. On the other hand, those regions that EU regulatory policy does not affect will not find their regional governments' economic development policy-making ability constrained and may even find it enhanced. Thus, the effect EU regulatory policy will have upon the ability of regional governments to create and implement economic development policy varies across regions even within the same national borders.

REGIONAL GOVERNMENTS' POLICY-MAKING AND EUROPEAN INTEGRATION

Regional governments' policy-making ability refers to the capacity of regional governments to legislate, implement and regulate policies, as they deem appropriate. The empowerment of regions and particularly improvement of regional governments' policy-making ability is essential for both strengthening the quality of democracy and improving regional economic development. Democratization literature suggests that the empowerment of regional governments helps to bring government closer to the people, thus allowing for a more responsive and participatory system (Schmidt, 1990). This is particularly true in the context of former dictatorships such as in Germany, Italy and Spain (Sharpe, 1993). In countries with a highly centralized authoritarian past, decentralization of power has become intrinsically linked to democratization.

The creation of regional governments alone, however, does not necessarily ensure the democratizing effects of decentralizing government responsibilities. Regional governments need to have real legislative and executive powers to ensure the democratizing effects of increased regional government responsiveness. If regional governments are to be responsive and to allow for strong citizen participation they need to have the ability to create and implement policies most suitable to the condition of the region and to reflect the needs and wants of citizens. If regional governments do not have policy-making ability then the democratizing effects related to bringing government closer to people are negated.

As mentioned previously, literature regarding the EU suggests that the EU has promoted regional governments' policy-making discretion (Marks 1993; Marks, et. al. 1996). Thus, we might assume that the EU has had the capacity to improve the democratic quality of member states. In fact, in the case of Spain, advocates of European integration forcefully and persuasively have argued that membership into the EU would foster economic development, and facilitate a deepening of democratic consolidation (Closa, 1995; Maravall and Santamaría, 1986). Other literature, however, asserts that the EU's effect upon increasing regional governments' policy-making ability may not be as strong as previous studies suggest (Colino, 1996). The following discussion supports the latter perspective and suggests that EU regulatory policy has not promoted regional governments' policy-making ability in the area of regional economic development in some regions.

In addition to the democratizing effects of regional government policy-making abilities, scholars suggest that it is also essential to achieving the goals of regional economic development (Bachtler, 1997; Keating 1998; Leonardi and Nanetti, 1990). First, each region has its own economic structure, which may vary from the overall economy of an entire country (Vanhove and Klaassen, 1987). Intuitively, since a regional government is in closer proximity to the particular socio-economic situation of a region it seems that regional government officials will be better informed and attuned to the economic conditions and needs of their region. Thus, the proximity of regional government to its citizens and economic structure provides regional governments with information and insight that can aid in the creation of development policies most appropriate to the region[1].

In addition, John Bachtler (1997) points out that an important aspect of the new regional development model

> "is the mobilization of regional resources around new regional innovation networks that involve a high degree of vertical and horizontal collaboration among firms and the close involvement of a wide range of public and private organizations specializing in business information, consultancy services and technology transfer" (p. 87).

In this way, proximity can provide regional governments with the tools necessary to create the kinds of policies most appropriate to the specific socio-economic conditions of a region and to act as a conductor of networks between the public and private sector to promote innovation networks.[2]

Second, globalization, of which the EU is one aspect, has created circumstances that make it increasingly important for regional governments to take an active role in regional economic development policy. Globalization, as it is being used here, refers to trade liberalization policies, "the concentration of capital in multinationals, the free movement of capital and investment flows and the increased choice of location for investors" (Keating, 1998: 139). Prior to these changes in the international economy and the problems associated with the 1970's oil crisis, regions were able successfully to follow the economic model based upon the Ricardian theory. Basically, the Ricardian theory states that "regions will specialize in the products and services to which they are best suited by the principle of comparative advantage" (Vanhove and Klaassen, 1987: 15). This theory, however, does not take into account the mobility of factors. The phenomenon of globalization, however, promotes the mobility of factors. Thus, international trade is no longer based on comparative advantage, but rather absolute or competitive advantage (Keating, 1998; Vanhove and Klaassen, 1987 and Armstrong and Taylor, 1978).

Under comparative advantage the goal is to be the most productive region in a particular sector. In a global economy, however, regions need to have more dynamic economies to entice and capture foreign capital. Therefore, we need to think of regions as "productive systems, marked by untraded interdependencies and in competition with other regions…Regions are pitted in competition for niches in world markets, for investment and technological advantage" (Keating, 1998:140). Thus, under the condition of globalization regional governments need to take a more active role to win foreign capital.

Third, in conjunction with globalization, international trade rules and restrictions on national government subsidies to underdeveloped industries has made it imperative for regional governments to solve their own economic problems. Due to these restrictions, national governments can no longer act as a buffer against the direct effects of the global economy upon regional economies (Keating, 1998). In addition, as international competition increases and national governments need to be more fiscally responsible, central governments have begun to change their regional development strategies.

In the context of Europe, members of the Euro have had to follow a strict policy of maintaining a very low deficit and to keep inflation at a low level. Thus, governments must be more careful with their budgetary expenditure and to use money most efficiently and effectively. Under these budgetary constraints and the strategies of competitive advantage, national governments have tended to allocate funds to their most competitive sectors (usually located in their most competitive regions) (Keating, 1998). In this way, national governments can get the most return using less money. The above scenario demonstrates how national governments are playing less of a mediating role between regional and international economies. Therefore, the impact of the international economy is more direct upon regions (particularly economically weak regions). Regions themselves need to take a more active role in their own development to compensate for the decrease in national regional development intervention.

Fourth, pressures from "below" among business leaders and individuals concerned with socio-economic conditions have sought out regional governments to take a leading role in regional economic development. Leonardi and Nanetti's (1990) study of the economically successful region of Emilia-Romagna suggests that, in general, with economic integration business leaders have become more aware of the importance of regional attributes to determining whether localities could adapt to the challenges of the Maastricht treaty (Leonardi and Nanetti, 1990:2). Both social and economic interests increasingly demanded that "regional governments prepare themselves and the local community for both the opportunities and difficulties inherent in the creation of a common market"

(Leonardi and Nanetti, 1990:2). As business leaders seek out regional governments to take an active role in the economy, regional public officials will need to act in order to fulfill the demands of its constituency and to retain legitimacy.

Fifth, scholars suggest that a strong regional government is essential to economic development, especially in economically weak regions. For example, Cooke and Morgan (1998) assert that for regions with weak economies there is greater need for a strong and leading role of regional state apparati to "cover the many enterprise support functions executed by private or quasi-private, associational interests in accomplished economies" (p.194). Conversely, they assert that in more economically developed regions there is less need for such regional government intervention since private associations can provide some of the services regional governments provide (i.e. research and development, survey distribution to better understand regional concerns). If EU regulatory policies constrain regional economic development policy-making of economically weaker regions then, according to Cooke and Morgan (1998), this would be particularly problematic since they assert that economically weak regions necessitate strong regional governments.

It is clear that regional government policy-making ability is essential for the qualitative improvement of democracy and more central to this discussion, regional economic development. Does this mean that a qualitatively better democratic system will be more economically efficient and more spatially cohesive? The link between democracy and economic development has been difficult to prove. Guillermo O'Donnell's (1988) writing on bureaucratic authoritarianism demonstrates that under a non-democratic regime an economy can flourish (although temporarily, as the experiences of Chile and Argentina in the late 70's and early 80's suggest). It seems that in the European context, the improved quality of representation, associated with the empowerment of regions, has helped to ensure democratic stability. For example, part of the empowerment of the Autonomous Communities (ACs) in Spain included delegating cultural policy to the regional level. The re-allocation of cultural policy to the ACs has allowed ACs with regional languages and identities to preserve their own regional identity, thus diffusing animosities toward the Spanish state which in the past was perceived as imposing its culture, that of Castille.

Economic efficiency and spatial cohesion are also important elements that can give stability to a democratic regime. It has been demonstrated that economic disequalibria can cause civil unrest and the rise of non-democratic systems (Malloy and Seligson, 1987). It is unclear, however, whether democracy brings about economic efficiency and spatial cohesiveness or if the casual path is the other way around. It seems that there is a feedback mechanism in which democracy can bring about economic efficiency and spatial cohesion and these economic conditions can bolster democracy. Thus, I would suggest that a more participatory and representative democratic system, which can be achieved through the empowerment of regional governments, is a necessary but not sufficient condition to ensure economic efficiency and spatial cohesiveness. For example, the will of political actors and the condition of the international economy are circumstances that can thwart these economic objectives (Piattoni and Smyrl, 1998 and Vanhove and Klaassen, 1987).

THE IMPACT OF EU REGULATORY POLICY UPON REGIONAL GOVERNEMNT'S REGIONAL DEVELOPMENT POLICY-MAKING ABILITY

To study regional governments' ability to create and implement economic development policies within an integrated Europe it is essential to examine what impact—if any—the EU may have. In the context of the EU, it is important to recognize the extent to which certain policy areas associated with economic development have been re-allocated from the national to supra-national level. One important competency allocated to the European level that directly affects national and regional economies is agricultural regulatory policy. Has the re-distribution of this important competency affected the ability of regional governments to create and implement regional economic development policy?

Regulatory policy differs from other kinds of policies since the costs and benefits are specific to certain sectors or industries. Theodore Lowi distinguishes regulatory policy from distributive or re-distributive policy since its impact is specific. He asserts that the "impact of regulatory decisions is clearly one of directly raising costs and or reducing or expanding the alternatives of private individuals" (Lowi, 1964:690). Thus, regulatory policy involves a "direct choice as to who will be indulged and who will be deprived" (Lowi, 1964:690-1).

Giandomenico Majone (1996) asserts that in the context of European Common Agricultural Policy (CAP) the costs of regulation are concentrated (by country) whereas the benefits tend to be diffuse. The following discussion, however, suggests that CAP regulations tend to have both concentrated costs and benefits not only according to sector, but also upon certain territorial units within member states. Thus, regulations conventionally conceived as having sectoral effects also have a territorial impact. I suggest that EU regulations can, in some cases, re-enforce regionally oriented economic disparities.

To understand better if the impact of regulatory policy formulated at the European level differs from regulatory policies created at the national level we need to examine the dynamics of the actual formulation of EU regulatory policies.

The process of creating regulatory policy, in part, shapes the subsequent type of policies chosen. In particular, the creation of EU regulation policy differs from the once nationally created policy in the way constituencies are represented, officials are held accountable and the aim of these policies. I suggest that the lack of direct political accountability of EU officials and the attempt to create policies more universal in scope to address the concerns of fifteen member states with diverse economies explains why EU regulatory policies can have not only a sectoral impact, but a territorial one as well.

In the context of the EU the political dynamics of the players involved in regulatory policy-making is quite different than at the national level. The European Commission, composed of appointed officials, and the Council of Ministers, composed of indirectly elected officials, are the two institutions most directly involved in the creation of regulatory policy. European Commissioners are responsible for making policies in the interest of Europe, whereas the Council of Ministers represents both general European interests and the interests of their own member states.

Within a strictly national context, some scholars suggest that public officials who create regulatory policy must take into account their specific constituencies and voter support to ensure future electoral success and legitimacy (Peltzman, 1976). At the European level, however, representation takes on a different form. One of the criticisms of the EU is its democratic deficit. European citizens often do not have the ability to hold European officials accountable. For instance, European Commissioners are appointed officials who do not have a directly voting constituency to please. Thus, they are not beholden to any specific group and even if a Commissioner's member state does not approve of a certain policy they can always use the excuse that a certain policy was impossible due to the pressures of other members. Similarly, Ministers can do the same and legitimize their support for policies that may adversely affect their country by simply blaming it upon the pressures of the other members. The above example demonstrates that policy formulation at the European level does not have the type of accountability mechanisms as policy formulation at the national level. For this reason Giandomenico Majone (1996) asserts that the transference of competencies to the European level challenges the democratic legitimacy and public accountability of EU policies.

In addition to not having the same kinds of constituency concerns national policy makers once had, the policies themselves have a different target. Policies that emerge from the EU are not only an aggregation of interests within a country, but also a further aggregation among fifteen member states. Due to this highly aggregated "watered down" version of interests the goals of regulatory policy at the EU level differ significantly from those previously decided within a strictly national context under very different conditions.

At the EU level, representatives of member states attempt to shape European policy according to their national EU agenda. As member states interact and bargain with one another at the EU level, national EU agendas become softened and there is an attempt to reach a decision that is acceptable to all fifteen members. Thus, I suggest that EU regulatory policies are made with the intention of having a more universal impact to accommodate the interests of all member states. It seems, however, that as the EU attempts to make policies more universal in their impact they unintentionally favor certain regions.

First, the configuration of regional attributes varies from region to region and plays an important role in determining the success of a region's economic capabilities (Storper, 1997). If EU regulatory policy attempts to be universal in its impact it will actually not be because, although member states may have diversified economies regions often tend to be less diversified and to have a concentration of certain industries. Thus, EU regulatory policies may affect some regions more than others. Regions with more diversified economies will be better able to protect themselves from the adverse effects of EU regulatory policy. Economic sectors such as agriculture, shipbuilding, steel and other industries, however, tend to be located in certain areas. In agriculture certain types of crops or livestock accumulate in specific regions due to climate, soil conditions, etc. Shipbuilding tends to occur in regions where there is a prevalent supply of lumber and waterways (i.e. Mecklenburg and Galicia). These industries are very specialized and can be a mainstay for a region, especially when considering the associated auxiliary industries. Thus, when those specific sectors are affected the entire regional economy is affected.

Second, national EU agendas tend to favor certain sectors that exist within particular regions. Territorial organization within states, differential political strength of regions to influence the national agenda and the extent to which certain sectors and regional economies compete with other member states determines the extent to which certain regional interests become transferred into the national EU agenda. As discussed earlier, the dynamics associated with the ideals of competitive advantage suggest that national governments will be more likely to invest and support their most competitive industries, which usually exist within the more economically advanced regions. Territorial economic interests are transformed through national representation into the EU's policy-making bodies. As a result, EU regulatory policy does not simply affect certain economic sectors, but also regional economies and regional governments' policy-making ability to improve their regional economic development.

Sharpe (1993) suggests that the internal market intensifies the economic marginality of countries within the economic periphery in Europe and also enhances the peripheral nature of peripheral regions in these countries. In addition, he suggests that the Common Agricultural Policy (CAP) of the EU has favored larger arable and less labor intensive farms.[3] With the EU, countries cannot merely establish trade barriers to protect their own industries. Previously domestic oriented industries become forced to compete with industries in other European countries. In addition, the EU can legislate economic policy that affects certain economic sectors. Production, particularly agricultural production, tends to have a territorial dynamic. Regions often tend to have a concentration of a few major crops or products and are not as economically diversified as a country.[4] Therefore, EU regulations on certain economic sectors will disproportionately affect particular regions.

CASE SELECTION

In what way has EU regulatory policy affected regional governments' ability to create, implement and regulate their own regional economic development policy? If so, what does this mean for regional economic development? To answer these questions let us examine two Spanish regions. Spain is a useful case since it is a quasi-federal system and has allocated the competency of regional economic development to the regional or Autonomous Community (AC) level. I have chosen the ACs of Galicia and Valencia, which are most different regions according to economic structures, which will allow us to see whether European regulatory policy affects all regional economic conditions in the same way. These are useful comparative cases since they hold constant the level of constitutionally established autonomy.[5] In addition, both of these AC's are categorized as Objective 1 regions[6] and receive EU funds for infrastructure and the protection and improvement of the agricultural sector. Valencia, however, has a significantly stronger economy than that of Galicia. These regions represent the diversity of Spain since one region is representative of the Mediterranean climate and economy (Valencia) and the other of the Continental climate and economy (Galicia), however, using these regions avoids the problematic nature of unique cases such as Catalonia that limit comparative application in other settings.

A decentralized system in Spain is imperative to the preservation of peace. Animosity between those in favor of a centralized system and those that wanted more responsibility for regional governments has been a reoccurring theme that has acted itself out in violent ways i.e. the Spanish Civil War. Spain is composed of a mosaic of different cultures, languages, climates and levels of economic development. This diversity has had an effect upon the evolution of the

Autonomous Communities (ACs) of Spain (Pérez-Díaz, 1990). I propose that this diversity has also led to a variation in how the EU affects each Spanish AC.

Economic disequalibrium among Spanish regions historically has been a source of tension between central and regional governments and among regional governments. Economic disparity, in part, is due to Spain's geography. Some AC's have benefited from their location and have been able to have prosperous, internationally oriented trade, i.e. Valencia. By contrast, other AC's have been geographically inhibited from enjoying such benefits and have been forced to focus on domestic markets, i.e. Galicia. In addition, Spain consists of continental, mediterranean and tropical climates. This geographic condition facilitates a diverse economy, particularly in the agricultural sector. This means that the central government of Spain has the difficult task to create and to implement a single agrarian policy, and to present and defend it at the European level.

To understand better how the EU might affect regional economies and regional governments' economic development policy-making ability in Galicia and Valencia, let us examine the agricultural sectors in these regions vital to their economic success. Agriculture is useful to examine since the formulation of regional development policy, including agriculture and fishing policies are important competencies allocated to the AC's and established in the statutes of each AC.[7] Considering the importance of agricultural and fishing sectors in Spain and the historic tensions concerning the lack of a decentralized regional development policy under Franco it is obvious that these are very important competencies given to the regions. Therefore, their preservation is central to the success of a decentralized system in Spain.

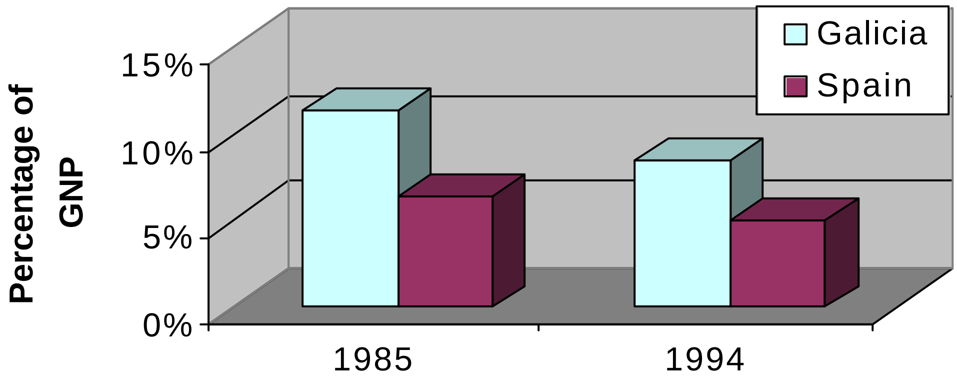
SPAIN’S ACCESSION OF THE EU AND ITS IMPACT UPON AGRICULTURE

Spain’s accession into the European Community was somewhat problematic because Spain’s unique conditions introduced a whole new set of challenges to further integration. Spain’s economy was predominantly agricultural and closed to international trade. Its agricultural sector was still using older technologies. The industrial sector was hurt by the oil crisis, employment was a problem since women were just beginning to be incorporated into the work place and those moving from rural areas to Madrid to find work encountered difficulties since they did not have proper skills (interview, Ministry of Economics, 1997). One of the biggest difficulties was that Spain’s economy had been quite insular and was closed to international trade. Spain was still an industrializing country. Workers salaries were lower than the rest of Europe, which gave Spain a competitive advantage in industry.

Spain’s agricultural sector was especially problematic. Unlike other countries in the EU, Spain has a continental, mediterranean and tropical agricultural sector. Other European countries, especially France, were quite vigilant with Spain’s accession because it meant new competition for their agricultural products. Farmers from the Southeast of France were particularly watchful of Spanish accession and used political pressure to protect their agricultural interests in Europe.

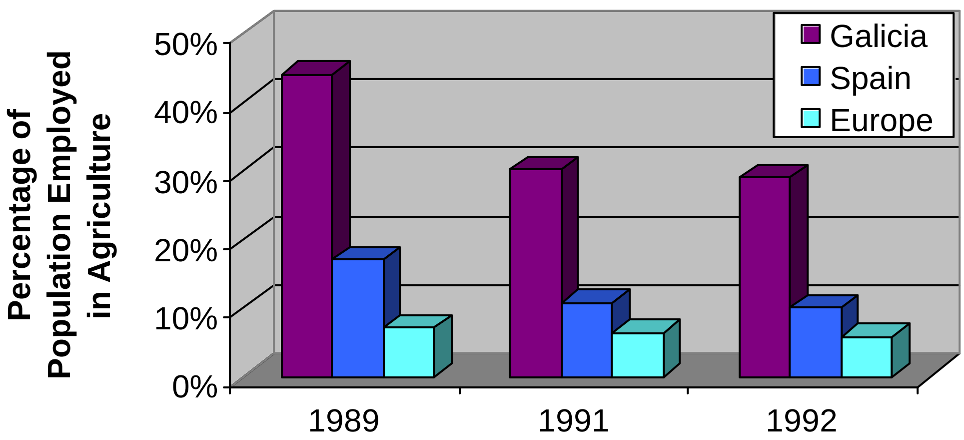
The region of Galicia historically has had an agriculturally based economy. In 1989, the region produced 28% of Spain’s milk production, 17% of Spain’s total beef and 30% of Spain’s wood (Xunta de Galicia, 1989: 19). Modernization of the agricultural sector, however, is limited due to the practice of *minifundismo,* the use of small plots of land (Xunta de Galicia, 1989: 19-20). Disperse appropriation of land places limitations upon production and efficiency of production. In addition, lack of infrastructure in Galicia detracts from the ability to transport goods. Even though Galicia has a relatively large milk-producing sector, 30% of its product is processed outside of Galicia (Xunta de Galicia, 1989: 20). Although Galician agriculture is technologically underdeveloped, as demonstrated by the continued use of horses for plowing and machetes for cutting crops, agriculture still remains an important economic sector for the region.

Figure 1: Percentage that Agriculture and Fishing Contribute to GNP



Source: Fernández, Gonzalo. *La economía agraria gallega en 1994*. Expansión: Madrid, 1995.

Figure 2: Percentage Employed in Agriculture: Galicia, Spain and Europe



Source: Xunta de Galicia. *PDR 1989-1993*. Consellería de Economía e Facenda, 1989.
Xunta de Galicia *PDR 1994-1999*. Consellería de Economía e Facenda, 1996.
European Commission. *Eurostat: Labor Force Survey*, 1995.

MILK QUOTAS: THE CURSE OF ACCESSION

As part of Spain's accession agreement and in cooperation with CAP, restrictions were placed on milk, wine and sugar to stabilize EU subsidies in these sectors. For some sectors, however, these restrictions were insufficient for the development of normal agriculture in Spain (Ministry of Agriculture, interview, 1997). One of the sectors often suggested as one of Spain's most hurt is the dairy sector. The milk quota placed on Spain is below the level of Spanish consumption. Therefore, Spain has become dependent upon imported milk. The quota amount was created from producers reported amount of milk production. Some public officials suggest that farmers under reported their production, which caused the creation of an inaccurate quota (Member of Galician Parliament, interview, 1996). Whether this is true or not the quota has been insufficient to meet the demands of the consumer and the capability of producers.

Spanish dairy farmers are not permitted to produce above the set quota and when they do they must pay a high penalty. Improved technology also makes this situation more problematic because with improved animal health and genetics a farmer may have the same amount of cows, but is now able to produce more milk. The farmer, however, is not allowed to produce more. The establishment of milk quotas is one of the historic repercussions of Spain's entrance into the EU (Ministry of Agriculture, interview, 1997).

Milk quotas in the EC were first created in 1984.[8] The quota was created in response to a crisis of milk surplus in northern Europe. To remedy the problem of over-production, demonstrated by mounds of butter and powdered milk, the EC established quotas to avoid such surplus and to make European milk more competitive. Spain entered the EU just following this crisis, making it necessary to enforce quotas upon Spanish milk production. The historical context suggests that perhaps this crisis of over-production influenced the placement of a rather high quota on Spain to provide a new market for European milk products and to control competition that might come from Spain. In addition, the fear of repeating the crisis may also have contributed to the establishment of a stringent quota.

If we examine Spain's import and production of milk it is clear that imports have increased at a faster rate than production. Table 1 below demonstrates that Spain's milk production has remained constant since its membership in the EU. Meanwhile, imports more than tripled since the year prior to Spain's entry into the EU, 1985. Have imports increased because Spain or more specifically, Galicia, is incapable of producing more milk?

In actuality the Galicians are capable of increasing their milk production. Table 2 below demonstrates that Spain has produced above its allotted quota and has been forced to pay high penalties for doing so. Galicia has also paid a high price for over-production. For example, (see figure below) in the 1995-96 fiscal year, Spain was forced to pay a 7,400 million pesetas (*La Voz de Galicia*, December 6, 1996) in penalties for an over production of 126,000 tons of milk (*La Voz de Galicia*, December 4, 1996). Galicia alone contributed approximately 2,500 million pesetas or 29.6% to the penalty (*La Voz de Galicia*, December 6, 1996). Considering that Galicia is one of the poorest regions in Spain these penalties are of concern.

When the EU first announced the fine, Spain's agricultural minister responded to public outcry and stated that she had already presented a petition to the EU to reduce the fine. The European Commission in early December 1996 responded and asserted that they had received no such request (*La Voz de Galicia*, December 5, 1996). Eventually, the Agricultural Minister presented a petition to the EU, but her request was denied. A less than immediate reaction on the part of the Spanish government suggests that perhaps the issue of milk production was not as important as protecting other industries that are less problematic in Europe, which is related to the strategies of competitive advantage.

Table 1: Import and Production of Spanish Dairy

Year	Total Milk Product Imports (in tonnage) into Spain
1985 (prior to EC adhesion)	180,935
1986	343,367
1994	690,992

Year	Total Spanish Milk Production (1,000 liters)
1986	6,583,008
1994	6,519,966

Source: *Anuario de Estadisticas Agraria*, Ministerio de Agricultura, Pesca y Alimentacion, 1985, 1986, 1994.

Table 2: Production of Milk in Spain and EU Penalty for Quota Over-Production

Year	Amount Exceeding Quota (tons)	Penalty (millions of pesetas)
1988-89	+539	23,420
1989-90	+1,330	57,683
1990-91	+1,506	71,871
1991-92	+665	31,601
1992-93	+330	15,360
1993-94	+29,157	1,680
1994-5	-42,800	0
1995-96	+126,000	7,400

Source: “La Supertasa láctea equivale a la producción de 14,000 vacas” *La Voz de Galicia,* November 19, 1996, pg.65-original source- Spanish Ministry of Agriculture

To better evaluate the quota system lets compare Spain with Italy. Both countries have a similar agricultural structure, i.e. northern regions produce milk products and southern regions Mediterranean products. Italy, however, is one of the founding members of the EU. As mentioned earlier, Spanish officials suggest that Spain was given a lower quota than other member states due to their late entry and economic situation of common agricultural policy in Europe. The milk reference quantities of Italy and Spain are as follows:

Table 3: Milk Reference Quantities for Italy and Spain: 1996-97 Quota

Country	*Total Reference Quantity (million tons)*	*%of total*
Italy	9,930	8.5%
Spain	5,567	4.7%

Source: Commission of the European Union. DG XI D1. “Situation and Outlook: Dairy Sector.” April, 1997.

Table 3 above demonstrates that the Italian milk quota is 56% more than the Spanish quota. The larger quota size may be merely due to the fact that Italy has a larger milk producing sector and greater consumption to compensate for the higher supply. Upon closer examination, this does not seem to be the case. If we compare the total number of dairy cows and the amount of land holdings devoted to this sector, the numbers do not support the need for Italy to have a larger quota.

Table 4: Survey on the Structure of Agricultural Holdings, 1993—Animal Breeding

Total holdings (x 1000) Dairy Cows

Spain	144
Italy	143.1

Source: Office of Statistics of the European Union. *Basic Statisitics of the European Union*, 1999: 288-89

Table 5: Survey on the Structure of Agricultural Holdings Broken Down by Type of Farming, 1993—Cattle--Dairy

Total holdings x 1,000 (acres)

Spain	83.4
Italy	66.0

Source: Office of Statistics of the European Union. *Basic Statisitics of the European Union*, 1999: 292-93

Table 6: Consumption of Fresh Milk Products (Except Cream)

Kg per Head per Year

Europe 15	111.2
Spain	125.8
Italy	62.1

Source: Office of Statistics of the European Union. *Basic Statisitics of the European Union*, 1999: 263

Tables 4, 5 and 6 demonstrate that Spain has more land holdings for dairy production, equal holdings for dairy cattle breading and higher levels of milk consumption than Italy. Why then does Italy have a larger quota than Spain? One way to answer this question is to suggest that agricultural regulatory policy tends to be a much more politicized sector. This is attributed to the very nature of agricultural policy with its need for subsidies and the strong agriculture lobbies of member states. This explanation, however, does not provide a complete answer. As suggested earlier, since Italy was an older member of the European Community it was able to have a stronger bargaining position regarding Spanish accession. Spain, as a new member of the "club" needed to abide by the conditions of the accession treaty set forth by the current members. There was such a strong desire on the part of the Spanish elite and general population to join the European Community that Spain was willing to do so, even to their own detriment, since the benefits outweighed the costs.

TERRITORIAL IMPACT OF EU MILK REGULATIONS

The issue of milk quotas demonstrates that EU regulations have not only a sectoral effect, but also a regional one. Milk production in Spain is concentrated in the Cantabrias, the northern region. Thus, only some ACs are affected. Milk quota regulations restrict the ability of certain ACs, like Galicia, to legislate and implement policy. Although 10,000 dairy farmers protested against the Xunta (government of the AC of Galicia) in response to EU policy there is very little the Xunta can do to remedy the situation. EU stipulations restrict the policy-making agenda of regional governments and as a result some regional governments like Galicia, are finding their policy-making abilities constrained. The issue of EU dairy regulations suggests that EU regulations have not only a sectoral impact, but also a territorial one since certain agricultural sectors are located only in specific regions. These regulations especially affect a region like Galicia since 29% of its population is employed in agriculture; fishing and milk production being two of the main agricultural products of the region (European Commission, 1996).

EU INDUCED FISHING RESTRICTIONS: A DOUBLE WHAMMY FOR GALICIA

The fishing industry also received restrictions with the entrance of Spain into the European Community. European fishing policy was quite limited at the time of Spain's accession and not ready to include the large Spanish fishing fleet (interview, Agricultural Ministry, 1997). In addition, international agreements necessitated restrictions on the fishing sector. As a result, fishing restrictions concerning how many boats, how much they could capture and where they could fish were established. The fishing agreements have a regressivity clause that fixes the limits on fishing increases each year. The purpose of this is to stabilize the European Communities fishing sector.

Fishing is a significant part of Galicia's agricultural sector. Galicia contributes 50% of Spain's preserved seafood industry (Xunta de Galicia, 1989: 22). Regionally 4.5% of the Galician population is employed in fishing which constitutes 42.3% of the national employment in this sector (European Commission, 1996). An additional 5.1% of Galicia's population is employed in industries and services related to fishing such as commerce, fish conserves and boat construction(European Commission, 1996). This makes Galicia strongly dependent on the fishing industry with its 1600km of coast and more than 80 ports (European Commission, 1996).

As important as this sector is for the Galician economy it has many problems that limit its capabilities. Galicia is dependent on many international fishing agreements. This means that Galicia, in accordance with these agreements, progressively has decreased the use of international waters and receives less access than before to the resources of third world countries. This has caused a marked reduction in Galicia's fishing capacity (European Commission, 1997). The Xunta of Galicia suggests that some of the other limitations to the fishing sector are: relatively little knowledge or availability of actual or potential marine resources; the Galician fishing fleet is obsolete; little ordering and regulating channels of commercialization and an insufficient level of associationalism (Xunta de Galicia, 1989).

The Act of Adhesion, 1986 adversely affected the fishing sector. Initially, the Community of ten member states had a relatively flexible fishing policy established in Regulation 170/83, which simply consisted of a total number of captures permitted and its distribution in the form of a quota. The restrictions placed upon Spain's fishing sector were much more severe than the original ten experienced (Carderera, 1995).[9]

As mentioned earlier, the restrictions placed on fishing tend to have a regional impact since it only affects coastal regions. For example, unemployment in merchant fishing in Spain is 21,000, 17,000 of those unemployed are Gallegos (*La Voz de Galicia*, November 16, 1996). That means that three out of every four unemployed is a Gallego. In part, this increase in unemployment is linked to the impact of EU fishing policies. EU policy is aimed at gradually decreasing the number of capture. The Commission's goal is to decrease Spain's fleet potential from the 1994 amount of 1,764,391 to 1,564,391 and tonnage to be decreased from the 1994 rate of 570,504 to 470,504 (European Commission, 1996: 69b). EU members are forced to follow these regulations, but Galician fisherman are dissatisfied since they must compete with third world countries like Morocco who do not have to abide by the same rules.

To improve poor fishing conditions the central and regional governments have designated funds to improve the situation of Galician fishing. In addition, the EU operative program for 1994-1999 community structural funds has allocated money to the fishing sector. In particular, financial instruments for fisheries guidance (FIFG), is an EU fund for the adaptation of the structures of the fishing sector. FIFG is designed to provide financial assistance that is "crucial for the structural adaptation necessary to achieve the objectives of the common fisheries policy" (Council Regulation 2080/93).[10]

What sort of recourse do the ACs and their affected industries have in the EU to remedy their situation? One venue is the European Court of Justice (ECJ). In a court case of *Area Cova, S.A., and others verses The Council of the European Union* in the matter of T-194/95. The Xunta declared that since

> "the structure of the economy and the society of the AC of Galicia depends essentially upon the sector of fishing and this conforms with the Spanish Constitution of 1978 and its Autonomous Statute, the said Community has as a mission the defense of its identity and its interests not only national, but also international, which could affect (Galicia)" (Court of 1st Instance, *Area Cova, S.A., and others vs. The Council of the European Union).*

The Secretary of the Tribunal of First Instance on March 25, 1996 decided against the intervention of the Xunta of Galicia. The argument for this decision was that:

> "the Xunta of Galicia is not affected directly or individually for the Regulation (CE) nº1761/95 of the Council, on the 29th of June, 1995, that modification of the Regulation (CE) nº3366/94 that establishes for 1995 determined measurements of conservation and the expenditure of fishing resources in the zone of regulations defined by the Convention about the future multi-lateral cooperation in the fishing zones of the northwestern Atlantic (DO L 171, p.1), in the measurement that sets the quota of the black fleet reserved to the community float, nor for the agreement of the bilateral fishing agreement celebrated between the European Union and Canada. In addition, the demand of intervention only contains political arguments and not juridical in relation with the contested acts" (Court of 1st Instance, *Area Cova, S.A., and others vs. The Council of the European Union).*

This case demonstrates that the EU will not allow Galicia to have direct influence at the EU level upon fishing policy. The decision was made regardless of the Spanish constitution and Autonomous Statute of Galicia that partially allocates competency in the fishing sector to Galicia. This case highlights the restricted role ACs have before the EU and that even the ECJ has not upheld the subsidiarity principle in certain instances where it is determined to be inappropriate.

Another EU imposed restriction is upon boat construction. Funding for ship construction has come under criticism from Brussels and international sources. Brussels accused Spain of exceeding the 180,000 million peseta maximum limit placed upon the total amount of aid that can be distributed to ship construction. The Commission has made allegations that the public ship building sector had received more aid than the officially known amount (*La Voz de Galicia,* December 11, 1996). It is believed and will be examined if the shipyards received (directly or indirectly) state aid to allow the shipyards to function as usual, even though they are in financial debt. The Commission regulates that Spain cannot have more than 180,000 million pesetas in combined state and EU aid for ship construction. Great Britain and Denmark were the two countries pressuring the Commission to examine these irregularities that benefit Spanish shipyards.

In December of 1996, it was reported that the Organization of Economic Cooperation and Development (OECD), with pressure from the United States, has sought to ratify an agreement that will limit the amount of public subventions in the ship building sector (*La Voz de Galicia*, December 19, 1996). If the OECD agreement is not ratified then the Council of Ministers will propose the adoption of a policy that is exclusively a community policy. In anticipation of ratification, the Commission has decided that aid for boat construction will progressively be reduced. For 1997, the Commission proposed that aid for boat construction will be at most 9% of large ships and 4.5% for small fishing boats and for transformation work.

These EU restrictions on aid to boat construction not only hurts the ship building industry which is important to Galicia's economy, but also perpetuates Galicia's fishing industry problems associated with an obsolete fishing fleet. EU restrictions on aid to boat construction have a regional effect since only certain coastal regions are boat producers. The national government is unable to direct the amount of funds as they desire to maritime construction, which means that the amount of money the state directs to the region of Galicia is limited. EU restrictions upon government subventions of an important industry within Galicia demonstrates empirically how globalization affects regional and national governments; making it necessary for regional governments to take a more active role since the national government can no longer provide a buffer between international and regional economies.

As boat construction becomes an increasingly problematic sector for Galicia, the Xunta must find ways to accommodate for the unemployment and other socio-economic repercussions that will result in this sector. Resources are limited, this means that most likely the Xunta will either have to reallocate funds from other projects to the ship building sector or Galicia will have to suffer the consequences of a non-competitive sector. This goes against the purpose of EU regional policy, which is to diminish the gap between underdeveloped and developed regions. Regulation of aid to boat construction seems to only perpetuate Galicia's regional economic underdevelopment.

VALENCIA: MEDITERRANEAN MIRACLE

Quite different from the experience of Galicia, Valencia has felt no EU restrictions upon its agricultural industry. Mediterranean products such as citrus and olive oil have little competition with other EU members. Italy and Greece are the other two major producers of these products, whereas with milk production there are more EU countries that are large milk and fishing producers and are countries that are stronger players in the EU.

The Community of Valencia historically has had an important citrus export industry, particularly oranges. Approximately, 70% of Valencia's orange production is designated for export (interview, Ministry of Agriculture, 1997). For this reason, in the 60's and 70's the Committee of the Management of Citrus became active in Europe in response to the creation of European reference prices. The Citrus Committee was active in obtaining a discipline of the reference price and to ensure that the price would not decrease. Presently, Spain's citrus producers have the strongest lobby in Europe compared to other Spanish agricultural sectors. I suggest that their strength is linked to their strong institutional history, whereby they were active participants in Europe even during the reign of Franco and prior to EU membership. Early participation helped to stimulate institutional learning.

If we examine citrus production as compared to milk production, there has been an increase since EU membership, and the level of imports relative to exports demonstrates a favorable trade balance for Valencia.

Table 7 demonstrate that Spain's citrus production has increased between 1985 and 1994 by 15,821 hectares, a 6% increase. Although imports increased dramatically in 1993 and 1994, exports also continued to increase (see figure 3). Unlike milk, there is no quota placed upon production, thus citrus farmers can produce as much as they please without fear of repercussion. Since there is little citrus competition within Europe there are no production restrictions placed upon citrus. The over-production of milk, the ecological and market concerns of fishing and high European competition of both these products does not occur with Mediterranean agricultural goods. When Spain acceded to the EU, there was a program to stabilize citrus prices, but there was (and still is) no limitation on commerce or production.

Table 7: Total Citrus Production (hectares)

	1985-1986	1986-1987	1989	1994
C. of Valencia	173,166	173,015	176,012	181,255
Spain	252,354	254,818	261,532	268,175

Source: *Anuario de Estadisticas Agraria*, Ministerio de Agricultura, Pesca y Alimentacion, 1985, 1986, 1994.

Figure 3: Import and Export of Oranges

Source: *Anuario de Estadisticas Agraria*, Ministerio de Agricultura, Pesca y Alimentacion, 1985, 1986, 1994.

Similarly, there have not been EU induced direct restrictions on olive oil production. A quota system does not exist, but rather aid to olive growers is dependent upon their level of production. As production increases, EU aid to growers decreases. The table 8 demonstrates that since entry into the EU, olive oil production in Spain has increased.

Table 8: Olive Oil Production

	1985-6	1986-7	1989	1994
C. Valenciana	13,313	15,310	13,289	10,120
Spain	397,184	493,498	550,768	538,827

Source: *Anuario de Estadisticas Agraria*, Ministerio de Agricultura, Pesca y Alimentacion, 1985, 1986, 1994.

Regarding EU subsidies to olive growers, in the summer of 1997, the Commission proposed a new mechanism to determine the amount of aid to be distributed to growers. Rather than give aid according to production, it was proposed to appropriate aid according to the number of trees. This is problematic for olive growers, since they keep trees that do not yield fruit for environmental reasons, i.e. avoid erosion and provide nutrients in the soil. The Spanish government immediately sprang to action when the Commission created this 'tree counting' proposal. The Spanish agricultural minister invited other members of the Council of Ministers from northern European countries that are less familiar with olive oil. The ministers were brought to a scenic portion of Andalucia, the largest olive oil producing region in Spain, to taste different types of olive oil.

Quick action on the part of the Spanish Agricultural Minister demonstrates that the Spanish government was more willing to act on behalf of this Mediterranean product. The minister's reaction was unlike her less than immediate reaction concerning milk penalties. Government officials are concerned about the fishing and milk sectors, but they know that these are agricultural sectors with strong European competition. This places Spain in a weaker bargaining position in Brussels concerning continental agricultural products. Mediterranean products, on the other hand, are easier for Spain to protect in Brussels and the Spanish Agricultural Ministry will put a great deal of effort into supporting Mediterranean agricultural products because they are more likely to be effective and successful (Agricultural Ministry, interview, 1997).

In this way, Valencia has experienced very positive effects from Spain's EU membership. Their export economy has been enhanced and EU agricultural regulations have not affected the region. Thus, Valencia has maintained their competency over agriculture without restrictions and constraints from 'above'. This enables Valencia not only the ability to legislate and implement agricultural policies as they deem appropriate, but it also gives them more policy making freedom regarding regional development policy.

CONCLUSION

Improved regional government policy-making ability continues to be a trend throughout Europe and the EU does affect the extent to which this trend has taken place. The cases of Galicia and Valencia suggest that the ability of regions to legislate and implement their own economic development policies depend on: the economic conditions of the regions, the extent to which EU regulatory policy affects those conditions, and the ability of the region to influence the national EU agenda. In the case of Galicia, a peripheral region, the Spanish government has used less political resources to represent Galician concerns within the EU. Moreover, the Galician agriculturally based economy overlaps agricultural production in other European countries, i.e. France, Great Britain and Germany. For this reason, Galicia has received more EU imposed restrictions; finding its policy-making abilities constrained.

On the other hand, Valencia's Mediterranean agriculture has very little agricultural competition from other member states. For this reason, there is no need for severe CAP restrictions upon their agricultural sectors, i.e. citrus and olive oil. EU membership has meant a flourishing of Valencia's historically export oriented economy. As a result, the region has augmented its economy and therefore has the resources to be better able to implement regional development policy. In addition, according to the principles of competitive advantage, the Spanish government has demonstrated a greater willingness to protect Mediterranean agricultural products at the European level.

EU sectorally oriented regulations have had a territorial effect. This is of particular concern since EU regional development policy was created to diminish regional economic disparities within countries and throughout Europe to ensure a successful single market. EU policy initiatives in the form of regulations, however, have defeated the purpose of EU regional development policy and have actually maintained regional disparities. Since these regulations only affect certain regions, the ability for ACs to implement and legislate their own regional development and agricultural polices, (which are their competencies established in their statutes and the constitution) varies across Spain.

With globalization and continued European integration it has become increasingly important for regions to take an active role in regional economic development. In light of changes in the international economy it has become increasingly important for lesser-developed regions to have a strong state role in order to implement effective policies that will promote development. Therefore, we cannot discuss uniform change in regional governments' ability to legislate, implement or regulate economic development policy nor can we expect the optimistic picture of a reallocation of competencies to sub-national levels of government the multi-level governance model suggests. Rather, we must take into account the specific national, supranational and sub-national context and the particular impact the EU has upon each region.

The implication of these findings is that EU regulatory policy has a territorial impact and when it constrains the ability of regional governments to legislate, implement and regulate regional economic development policy it can exacerbate the underdevelopment of the region. Thus, EU regulatory policy can defeat the purpose of EU regional development policy and exacerbate regional economic disparities throughout Europe. The differential effects of EU regulatory policy due to accession agreements is also of considerable concern with the imminent accession of East and Central European countries. Thus, this study suggests that there is a need to examine the territorial implication of EU regulatory policy upon regional governments' policy-making ability and the need to examine better the terms of accession to foresee what implications EU membership will have upon the regions of new member states.

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----“España todavia no ha solicitado que la UE posponga el pago de la supertasa.” December 5, 1996, p.69.
----“Las industrias cifran en más de 2,500 millones la <<supertasa>> láctea a Galicia.” December 6, 1996, p.62.
----“Los Productores gallegos dispondrán de casi tres años para pagar la <<supertasa>>.” December 4, 1996, p.65
----“La Supertasa láctea equivale a la producción de 14,000 vacas” November 19, 1996, p.65.
----“Bruselas acusa a España de seguir subvencionando la construcción naval.” December 11, 1996, p.64.
----“Armadores de Vigo critican la ineficacia de los programas plurianuales de la UE.” December 19, 1996, p.37.
-----“Más de 17,000 desempleados de la Marina Mercante son Gallegos.” November 16, 1996, p.37.

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Ministerio de Economia de España, June 17, 1997.

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ENDNOTES

[1] Of course, information and insight alone cannot ensure the creation of the most appropriate policies. Clientelism or the unwillingness of political actors can thwart the creation and implementation of effective policies. Thus, the proximity of regional governments is a necessary but not sufficient condition to achieving effective regional development policies (Keating, 1998; Smyrl and Piattoni, 1998).

[2] See Philip Cooke and Kevin Morgan *The Associational Economy, Firms, Regions and Innovation*. New York: Oxford University Press, 1998 for more in innovation.

[3] Sharpe does suggest that favoritism of more advanced agricultural production has lessened with the 1992 reforms of CAP.

[4] In the case of Spain, entry into the European Community was particularly difficult since under Franco a self-contained economic system was created that focused on domestic trade of products and a low level of imports. The EU forced Spanish industries to become more competitive since now they had to compete with the exterior. This meant that Spain had to undertake severe economic changes.

[5] In Spain, with the creation of the 1978 constitution there were three levels of autonomy created for the ACs. Some ACs have more responsibilities in policy making than others. At present, however, both Galicia and Valencia have the "high" level of autonomy.

[6] Objective 1 regions are those regions that have a GNP less than 75% of the European average.

[7] Agricultural competency is established as an exclusive competency of the AC in the Valencian Statute Title III, Art. 34:4, and in the Galician Statute Title II, Art.30:3. Similarly, the AC's have exclusive competency in the "planning of economic activity of the Community" (Valencian Stature, Title III, Art. 34:1,1 and Galicia Statute, Title II, Art. 30:1,1). On the other hand, fishing is a shared competency of the AC and the central government. According to both the Galician and Valencian Statutes the ordination of the fishing sector is a shared competency of the AC and the national government. According to the Statutes, concerning the fishing sector, AC's develop legislation and execute legislation that emanate from the state (Valencian Statute, Title III, Art. 32:1,7 and Galician Statute, Title II, Art. 28:5).

[8] "Whereas, pursuant to Council Regulation (EEC) No 856/84 of 31 March 1984 amending Regulation (EEC) No 804/68 on the common organization of the market in milk and products, an additional levy scheme was introduced from 2 April 1984 in the said sector; whereas the purpose of this scheme, introduced for nine years and due to expire in of 31 March 1993, was to reduce the imbalance between supply and demand for the milk and milk products market and the resulting structural surpluses; whereas it should therefore continue to be applied for seven further consecutive 12 month periods starting on 1 April 1993…Whereas if any total guaranteed quantities is overrun, the consequence for the Member States is that the producers who contributed to the overrun must pay the levy…(http://www.cc.cec/SG2/nph-sga_rqs)."

[9] The Act of Adhesion established a registration of 300 boats, a system of "list periods" which meant that only half of the fleet could fish at any one given time and a prohibition of fishing in certain zones. The Act of Adhesion also established a transitory period of sixteen years (1986-2003). Article 162 of the Act established that "before the 31 of December, 1992 the Commission will present to the Council a report concerning the situation and the perspectives of fishing within the Community…according to the report, before the 31 of December 1993 adaptations that result as necessary will be put into effect" (quoted in Carderera, 1995). With the negotiation of the entrance of Finland and Sweden it was decided that these three countries would have to have the conditions

upon its fishing sector similar to those put upon the Iberian countries. During the negotiations of the three new members, Spain was able to obtain a promise from the Council to permit Spain to be integrated into the common fishing policy. Spain and Portugal pressured the EC to have more access to community waters. This means the future establishment of a single system of water access and resources to all countries.

[10] Although the EU does provide structural funds in the form of FIFG, this has not been considered adequate compensation for EU imposed regulations on boat construction and fishing. Of the total amount of structural funds, 1.9% are allocated for the fishing sector (*La Voz de Galicia,* October 30, 1997). The structural funds program for 2002-2006, is approximated to reduce this amount by 13% (*La Voz de Galicia,* October 30, 1997). For the 1994-1999 period Spain received 2,980 million ecus for the fishing sector in the form of FIFG. Yet, some complain that this is insufficient for the Spanish fleet. Whether this is true or not, it is clear that the increased unemployment in this sector due to EU regulations upon this sector put ACs, like Galicia, in a vulnerable position. Galicia, traditionally an economically disadvantaged region, must now deal with increased unemployment in the fishing sector, yet at the same time is restricted to what they can do to remedy their situation.