

Spain and the OEEC

ON JULY 20, 1959, after years of active economic isolation, Spain became a full-member of the Organization for European Economic Co-operation. The stabilization programme now to be put into effect will bring the structure of the Spanish economy much more in line with that of other Western countries. This development is welcomed by Canada as an important move by Spain towards liberalization and multilateralism in its international trade relations.

The accession of Spain to the OEEC required a fundamental change in her economic, trade and financial policies. After the Second World War, Spain declined to take part in the Marshall Plan, which was implemented at the same time that the OEEC was created; neither did Spain participate subsequently in the different international organizations for economic co-operation and European integration.

Since 1954, the development of the Spanish economy has been marked by strong inflationary pressures and increasing balance of payments difficulties; imports have risen rapidly in keeping with increasing domestic requirements, while exports have remained relatively stable. In the first six months of 1959, however, a levelling of inflationary pressures has permitted relaxation in import restrictions and the reorientation of economic policies to meet the requirements of the OEEC membership, without further weakening Spain's financial position.

External Economic Activities

In 1955, Spain began participating in the agricultural work of the Organization and acquired observer status in some of its other activities. At that time Spain's economy was clearly not in a position to permit the multilateral liberalization of trade and the elimination of multiple rates of exchange.

In early 1958, Spain became a member of the International Monetary Fund and of the International Bank for Reconstruction and Development and an associate member of the OEEC. Thus she could participate in all of its activities without immediately having to meet the obligations of full membership. In April 1958, on the occasion of the tenth anniversary of the Organization, Spain's Foreign Minister presented a stabilization plan providing for the progressive liberalization of Spain's trade restrictions. This plan was based largely on Spain's ability to obtain substantial credit facilities from abroad. The proposals were limited to possible target dates for the abolition of restrictions on a number of imports, but the principle was recognized that liberalization should proceed as fast as the balance of payments permitted and as fast as the economy could sustain increasing production to supply the domestic market and expand exports.

In the autumn of 1958 the first steps were taken to reach a uniform exchange rate by extending the import tariffs to cover the majority of imports, thus eliminating a strong element of discrimination existing between different import commodities. Following renewed consideration of the Spanish application in May 1959, an OEEC mission was sent to Madrid to discuss a final