

INFORMATION

EXTERNAL RELATIONS

THE EUROPEAN COMMUNITY AND PORTUGAL

68/754

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1. Portugal -- Background note.

Portugal has a population of 9,588,000. The G.N.P. in 1972 (1) was 7,600 million units of account (2) equivalent to \$US 880 per head of population.

Military expenditure absorbs about 40% of the national budget; and this, combined with a policy of economic and financial stability, has resulted in a rather sluggish economic trend for several years. At present the inflationary tendencies are more in the ascendant. The portuguese economy is still mainly engaged in the primary range of economic activities.

The country is essentially agricultural and of the mediterranean type. For some years, however, the processing industries have been gaining ground, with expansion in food and drink manufacture, textiles, clothing and footwear.

41.4% is engaged in agriculture
33.6% work in industry and
29.4% in the service trades.

The European Community is by far the biggest supplier of portuguese imports and the biggest customer for portuguese exports. In 1973 it accounted for :

45.4% of portuguese imports and
48.6% of portuguese exports.

(1) OECD (Organisation for Economic Cooperation and Development).
National Accounts Annual, 1961/72

(2) The unit of account (U.A.) for the European Community is equivalent to about 50 belgian francs or to the US dollar before 1972.

2. Trade

Portuguese trade with European Community, 1971/73

(U.A. million)

	Portuguese exports	Portuguese imports	Balance
<u>Trade with Six-nation Community</u>			
1971	185,940	581,020	- 395,080
1972	264,300	694,060	- 429,760
1973	372,430	939,960	- 567,530
<u>Trade with Nine-nation Community</u>			
1971	450,060	842,510	- 392,450
1972	604,300	1,009,060	- 404,760
1973	850,300	1,295,820	- 445,520

3. Relations between the E.E.C. and Portugal

As soon as Great Britain decided in 1971 to apply for membership of the European Community, it became evident that Portugal, because of her trade relationships with EFTA countries in general and with Great Britain in particular, would not be economically able to remain outside an enlarged Community.

Great Britain's renewed candidature in 1967 and the action taken by the other EFTA countries, led to the portuguese government sending a note to the Commission of the European Communities. This was dated February 5 1969 and emphasised the portuguese government's "desire to participate from the outset in any negotiation aimed at a trade arrangement and technological and scientific cooperation".

On May 28, 1970 the portuguese government sent in a memorandum to the Community institutions in accordance with the choices laid down in paragraph 14 of the final act of the conference of heads of State or government of the European Community, held at the Hague in December 1969. This provided an opportunity for EFTA countries which were candidates for membership of the European Community, to open discussions regarding their position vis-à-vis the European Community.

Negotiations between Portugal and the European Community were opened in December 1971 and completed in July 1972.

In these negotiations Portugal had three objectives :

- to maintain the advantages she had secured in the danish and british markets (which absorb more than 25% of Portugal's total exports) ;
- to obtain access for her agricultural produce to the markets of the enlarged European Community ; and
- to maintain protection for her manufacturing industry.

4. Agreement between the E.E.C. and Portugal

An agreement between the E.E.C. and Portugal was signed in Brussels on July 22, 1972 and came into force on January 1, 1973. It was one of the bilateral agreements into which the E.E.C. entered with the EFTA non-candidate countries.

The aim and provisions of the agreement were broadly the same as for the other EFTA countries, consisting of the progressive setting up of a free trade area for industrial goods over the period January 1, 1973 through July 1, 1977.

The agreement with Portugal, however, differed from those with the other EFTA countries in that it contained an agricultural section, and also provided a longer period for the removal of customs duties on industrial goods, so as to give portuguese industry a longer adaptation period.

The agreement also includes an "evolution" clause. Portugal attaches special importance to this clause, which is aimed to create development possibilities on which the Portuguese are particularly keen. It provides that either Portugal or the Community may, if the economic interests of both sides require it, request that the relationships set up under the agreement may be extended into additional fields.

Agricultural provisions :

Agricultural products are of great importance in the Portuguese export trade and the country had previously enjoyed a preferential régime in the British and Danish markets as part of the EFTA arrangements. In view of this the agreement between the E.E.C. and Portugal provides preferential tariff treatment for, inter alia, Portuguese tomato concentrates, sardines and certain wines, fruit and vegetables.

Import duties into the Community on preserved sardines were reduced by 40%, subject to the condition that agreed price minima should be observed.

The duties on tomato concentrates imported into the Community were reduced by 30%, subject to specific guarantees which were offered. These consist partly of a voluntary limitation of the Portuguese exports of this product, and partly by the agreement of suppliers to conform to certain price minima. For 1975 the voluntary limitation specifies 90,000 tons.

Since the agreement came into operation Portugal has enjoyed Community tariff quotas for wines from Oporto, Madeira and Setubal. Subject to these quotas the rate of duty reduction varies between 30% and 60% of the duties specified in the Community common customs tariff.

Arrangements for industrial goods

Imports into Portugal of industrial goods from the Community are to become duty-free either in 1977 or in 1980, according to category. For a certain number of products, however, the timetable for tariff reductions is to continue until January 1, 1985.

The agreement also authorised Portugal to introduce new customs duties on imported goods to facilitate the setting up of new industries.

Some of the portuguese exports into the Community market are subject to quantity ceilings which, however, will disappear in 1980.

The timetable for the withdrawal of E.E.C. duties on portuguese goods is as follows:

1st April 1973	reduction of 20 %		
1st January 1974	"	20 % making	40 %
1st January 1975	"	20 % "	60 %
1st January 1976	"	20 % "	80 %
1st January 1977	"	20 % "	100 %.

Administration of the agreement :

The agreement between Portugal and the European Community provides for setting up a joint Committee, which duly held its first meeting in Brussels on February 9, 1973. To provide for the smooth working of the agreement, operational arrangements were laid down regarding rules of origin and methods of customs cooperation.

At the various meetings of the joint Committee, the portuguese delegation has called the Community's attention to the inadequacy of the tariff quota for wine from Oporto; to the import system for sardines, in which Portugal is required to conform to a minimum price on importation into the Community; and to the system laid down for tomato concentrates, in regard to which Portugal is the only country obliged to conform to a minimum price and to apply a voluntary limitation to its exports to the Community.

5. Relations between the European Community and Portugal since the events of April 1974

The Decree Law of May 15 1974 laying down the broad lines of the foreign policy of Portugal's provisional government, indicates the country's desire to strengthen its commercial and political links with the European Community and its member countries.

The Ministers of Foreign Affairs of the member countries of the Community, at their meeting in Bonn on June 10 1974, expressed the hope that the political development now in progress and opening the door to the growth of democratic institutions, would enable Portugal to strengthen its relationships with the European Community.

On June 18 1974 Mr. Mario Soarès, the portuguese Minister for Foreign Affairs, insisted in a speech in Ottawa on the european character of Portugal's vocation.

- Contacts

Following the events in Portugal at the end of April 1974, Mr Soarès, Secretary General of the portuguese Socialist Party, had a discussion in Brussels on May 3 with Mr. Simonet, Vice-President of the E.E.C. Commission and Mr. Spinelli and Mr. Thomson, members.

On June 26 1974 the portuguese Prime Minister, Mr. Adolino de Palma Carlos, and his Foreign Affairs Minister, Mr. Soarès, had a discussion with the Commission President and Vice-President Mr. Ortoli and Sir Christopher Soames. On this occasion they emphasised their country's desire to expand its relationships with the European Community beyond the scope of the existing free trade agreement.

The President of Portugal's Popular Democratic Party, Mr. Sa Carneiro, had a meeting on September 18 1974 with Commission President Ortoli, Vice Presidents Scarascia Mugnossa and Commission member Lardinois. On this occasion Mr. Sa Carneiro stated that, in the view of Portugal's Popular Democratic Party, the broadening of the trade agreement between the European Community and Portugal would be the first step towards the integration of his country into the Community.

M. Claude Cheysson, the member of the Commission in charge of cooperation and development, paid a visit to Lisbon on October 10 1974. A central feature in his discussions was the relationship between the Community and the former portuguese colonies.

On October 23 and 24 1974, the Commission Director General for External Relations, Mr. Wellenstein, had discussions with Mr. Soarès, the portuguese Minister for Foreign Affairs, Mr. Vilar the Economics Minister, Mr. Costa Martins, Labour Minister and Mr. Laurencó, Chairman of the Inter-ministerial Committee for External Cooperation.

Further talks on future relationships between Portugal and the Community were held in Brussels on November 15 1974 between the Economics Minister Mr. Vilar on the one hand and Mr. Ortoli, President of the Commission, Sir Christopher Soames, Vice-President and Commission members Spinelli and Cheysson.

On the invitation of the portuguese government, Sir Christopher Soames the Commission Vice-President in charge of external relations, is to visit Lisbon on February 12 and 13 1975. This visit will include discussions with Mr. Soarès, the portuguese Foreign Affairs Minister, and others.

- Community institutions and the changes in Portugal's political position.

On October 16 1974 the European Parliament discussed what action might be taken to help the return of Portugal among the democratic nations of Europe.

Sir Christopher Soames, Vice-President of the Commission, emphasised the need for reaching agreement about the scope and content of the relationships between Portugal and the Community.

The Council of the European Community considered the information available about changes in Portugal's political situation in a discussion at the beginning of July 1974. A second exchange of views took place on November 12, in anticipation of the meeting in Lisbon on November 25 of the joint E.E.C. - Portugal Committee.

On account of the change of government in Lisbon, the meeting on June 27 1974 of the E.E.C.-Portugal joint Committee, was mainly concerned with discussing the future development of relations between Portugal and the Community. The portuguese delegates were anxious to pass beyond the scope of the existing trade agreement, and expressed the hope that the Community would be in a position to provide at an early date the aid needed by the portuguese economy for purposes of cooperation and re-conversion, so that it might be enabled to play its full part in a democratic Europe.

The Community delegation expressed its pleasure at the scope for co-operation offered by the political changes in progress. The European Community would do everything in its power to meet the wishes of Portugal in those sectors in which it might desire to see the institution of co-operation, or the development of that provided by the agreements of 1972.

- Beyond the existing agreement

At this stage Portugal is not seeking association with the European Community, and has still to define its attitude about ultimate membership.

The portuguese requests are at present concerned with enlarging the scope of cooperation and securing an improvement in the trade arrangements provided by the existing agreement. On the agricultural side, in particular, further concessions are requested for wines and tomato concentrates. On the industrial side the objective includes diminishing the speed of removal of customs duties and securing increased facilities for providing protection for nascent industries.

Portugal would like to "set up the instruments for industrial cooperation, completing them with the indispensable financial cooperation". It is also understood that Lisbon hopes to secure additional social security rights for portuguese migrant workers and to obtain assurances regarding the number of these workers allowed to remain in jobs in the EEC member countries.

- Attitude of the E.E.C. Council

The portuguese requests on the financial and social side go beyond the scope of the existing agreement. On November 12 1974, the Council said it would favour the opening of negotiations with Portugal at the right time and in the right connection.

The Commission noted with satisfaction that the conclusions drawn by the Council were in line with the suggestions it had itself put forward.

When the Portugal-E.E.C. joint Committee met in Lisbon on November 25 and 26 1974, the Community delegation agreed that the joint Committee should be instructed to continue the consideration of all these requests. It stated that it was in principle in favour of the opening of negotiations with Portugal.

A working party was specially set up to examine the portuguese requests. Its job will be to prepare the work of the joint Committee, which is to hold a further meeting early in 1975. The joint Committee will thus be in a position to draft suitable recommendations which will set the negotiations on foot.

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The Commission of the European Communities is keenly aware of the problems facing Portugal at the beginning of 1975.

In the European Parliament on October 16 1974, Sir Christopher Soames put it this way : "It is most important to the E.E.C.", he said, "that another european country with which we already have links of great solidity, should have accepted the principles in the european charter of the rights of man, and espoused the democratic freedoms on which our Community is based".

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PS = Press statement by spokesman of the E.E.C. Commission.