

European Community



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INFORMATION NOTE

PORTUGAL'S EC ENTRY BID: UNEQUIVOCAL "YES" URGED

Commission Calls for Economic Aid Before and After Country Joins

The EC should promptly give an unequivocal "yes" to Portugal's request to open membership talks and should help the country prepare for entry.

This is urged by the EC Commission, which will negotiate on behalf of the nine existing EC member states, in its Opinion on Portugal's membership application, submitted in March last year. It stresses that the arguments in favour of Portugal joining are political. Since the country introduced democracy in April 1974, it has surmounted the problems of the revolution, assimilated refugees from Angola and Mozambique and displayed a determination to turn towards Europe. A rebuff from the EC would have grave consequences, while acceptance would be for Europe's ultimate good. Portugal's traditional ties with Latin America, Africa and the Far East would enhance the EC's world role, and its entry would be another step towards the EC's ideal of a united Europe.

Various obstacles must, nevertheless, be surmounted, the Commission says. For the EC, Portugal's accession will have a very limited economic impact, because Portugal represents three per cent of the present EC's population and only one per cent of its wealth; appreciable disparities in development might, however, accentuate the difficulties of reaching decisions in EC institutions.

Portugal itself will require profound economic and social reforms. Its economy is structurally weak in all sectors. Its real per capita wealth was around US \$1504 in 1975, as compared with between US \$2512 (Ireland) and US \$3945 (France) for the present member states. Its balance of payments deficit in 1977, around US \$1.5 billion, was 10 per cent of its gross domestic product (GDP), and inflation is running at 27 per cent. Industry is dominated by traditional sectors at present in difficulties around the world, such as textiles, shoes and food-processing. Agriculture employs about 28 per cent of the work force yet accounts for only 14 per cent of the GDP. While accession may benefit certain agricultural products, such as durum wheat, olive oil and wine, by creating a wider market, others that are not competitive may suffer; industries that are insufficiently developed may be unable to withstand competition in the EC. Portugal's balance of payments deficit could deteriorate further.

These problems indicate the urgency with which Portugal should carry out its reform plans. The Commission stresses that Portugal should gradually align its economic and social policies with those in effect in the EC. But Portugal's sacrifices, undertaken in the cause of European integration, must be backed by EC assistance. The EC should declare itself ready to grant full support of Portugal's efforts towards sustained and rapid growth, both before and after accession. Since this growth makes Portugal's balance of payments more vulnerable, the EC must support Portugal's case in the IMF and step up its own financial aid. The report further advocates that the EC should apply liberal policies towards Portugal's exports and consider the recycling of EC loans to Portugal as they mature.
