

EUROPEAN BACKGROUND INFORMATION COMMUNITY

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BACKGROUND NOTE

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NEGOTIATIONS FOR EXTENSION OF EC-PORTUGAL ACCORD TO BEGIN

With a view to tightening Portugal's links with a democratic Europe, the Community sent Council of Ministers president in office Garret Fitzgerald to Lisbon June 1-3 to sound out Portuguese officials on the scope and form of a new trade and aid agreement. The meeting set the stage for a future ministerial-level encounter between the two parties to discuss increased cooperation.

The Community, which has been following very closely the recent developments in Portugal, feels that it can no longer afford to play the role of passive observer and wants to support the efforts of those who are trying to set up a democratic regime after 50 years of dictatorship. The best way to achieve this is to strengthen existing relations between Portugal and the Community.

The Council of Ministers for general affairs, meeting in Dublin on May 26, announced the Community's intent to reopen negotiations. The joint EC-Portugal Committee, meeting in Brussels two days later, affirmed the desire of both parties to conclude quickly an extension of the current free trade agreement and to strengthen the ties between the two. The committee, which does preparatory work prior to Community ministerial-level meetings, was set up under the EC's trade agreement with Portugal as a member of the European Free Trade Association (EFTA). After former EFTA members Denmark and Great Britain joined the Community in 1973, the EC negotiated bilateral accords with those countries' former EFTA partners, including Portugal.

Strong Trade Links

The commercial links between the Community and Portugal are already strong. The Community is Portugal's most important trading partner, supplying 48.6 per cent of its imports and taking 45.4 per cent of its exports in 1973, as well as being its biggest investor. While Portugal's economy is still essentially agricultural, with 31 per cent of the work force employed in this sector, there has been considerable industrial expansion in recent years, particularly in the food and drink, textile, clothing, and shoe sectors.

The present EC-Portugal agreement, which entered into force January 1, 1973, is basically the same as the Community's agreement with the other EFTA countries. The accord provides for the progressive establishment of a free trade area for industrial goods by 1977. However, the Portuguese agreement differs from other EFTA agreements in that it also covers agriculture and provides for an extension of the timetable for abolishing tariff barriers -- in some cases to 1985 -- to allow underdeveloped Portuguese industries to adapt. There is also a provision for extending the agreement. Portugal recently set up an inter-ministerial committee to accelerate the achievement of a free trade area.

Following the change of government in Portugal in April 1974, the EC foreign ministers, meeting in Bonn, expressed the hope that the move toward democracy in Portugal would facilitate the strengthening of ties with the Community. Talks between Commission members and Portuguese dignitaries last June led to a Portuguese declaration that the enlargement of the present trade agreement would be a first step toward Portugal's eventual membership in the Community. Portugal has not yet applied for an association agreement with the Community, nor has it taken a stand on the question of accession. However, Guinea-Bissau, a former Portuguese colony, became a Community associate this February when it signed the Lome Convention trade and aid agreement with the Community, along with 45 African, Caribbean, and Pacific nations.

Scope of the New Agreement

The Commission is currently preparing its position for upcoming negotiations, to be presented at the June or July Council of Ministers meeting. The Portuguese requests vis-a-vis an extension of the agreement are

- improved arrangements for certain Portuguese exports to the Community. In the agricultural sector, in particular, Portugal would like further concessions on tomato concentrates and wine. On the industrial side, objectives include a slowing down of the speed of the removal of customs duties and securing greater protection for "infant industries."
- increasing industrial cooperation and possible access to the financial resources of the European Investment Bank
- providing job assurance and social security for Portuguese migrant workers in the member states. There were approximately 469,000 Portuguese migrants working in the Community as of December 1973, according to Commission statistics.