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WASHINGTON/5

BRUXELLES, 7.10.75

TLX. 80768

BUREAU DE WASHINGTON
ATTN : MISS K LYNCH
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ATTACHED PLEASE FIND DOCUMENT ON PORTUGAL REQUESTED BY YOU.

REGARDS

491.2(62)

EEC-PORTUGAL
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PORTUGAL FIRST APPROACHED THE EUROPEAN COMMUNITY WITH A REQUEST FOR AN AGREEMENT IN 1962 AT THE TIME OF THE FIRST BRITISH BID FOR MEMBERSHIP. FOLLOWING THE OPENING OF NEGOTIATIONS FOR THE ENLARGEMENT OF THE COMMUNITY IN 1970, THE COMMUNITY OPENED NEGOTIATIONS WITH PORTUGAL AND THE OTHER NONAPPLICANT EFTA COUNTRIES FOR THE CONCLUSION OF A FREE-TRADE AGREEMENT WHICH CAME INTO FORCE ON -1 JANUARY 1973 (SEE ANNEX). THE COMMUNITY HAD EARLIER REJECTED THE PORTUGUESE REQUEST FOR AN ASSOCIATION AGREEMENT.

ON 25 APRIL 1974 THE CAETANO REGIME WAS OVERTHROWN BY A COUP D ETAT AND REPLACED BY A MILITARY JUNTA HEADED BY GENERAL SPINOLA. THE IMPACT OF THIS CHANGE ON EEC-PORTUGUESE RELATIONS WAS IMMEDIATE. ON 30 APRIL COMMISSION MEMBER SPINELLI ISSUED A STATEMENT WELCOMING THE FALL OF THE "FASCIST DICTATORSHIP" AND LOOKING FORWARD TO THE DAY A DEMOCRATICALLY-ELECTED GOVERNMENT WOULD APPLY FOR MEMBERSHIP OF THE COMMUNITY. HE ALSO CALLED ON EEC MEMBER STATES TO GIVE PRACTICAL HELP TO THE NEW REGIME. ON 3 MAY, MARIO SOARES AS SECRETARY GENERAL OF THE PORTUGUESE SOCIALIST PARTY, SEEKING SUPPORT AMONG SOCIALIST PARTIES OF WESTERN EUROPE, SAW SIMONET, SPINELLI AND THOMSON REPRESENTING THE COMMISSION TO DISCUSS HOW THE COMMUNITY AND ITS MEMBER STATES WOULD HELP "LA VOLONTE DE REDRESSEMENT DEMOCRATIQUE ET ECONOMIQUE DU PORTUGAL", PARTICULARLY IN THE ECONOMIC, FINANCIAL AND TECHNICAL FIELDS. IT WAS FELT THAT A DEMOCRATIC PORTUGAL "A NATURALEMENT SA PLACE DANS L EUROPE EN CONSTRUCTION".

ON MAY 14 VICE-PRESIDENT SIR CHRISTOPHER SOAMES INFORMED THE EUROPEAN PARLIAMENT THAT THE EUROPEAN COMMISSION HAD TOLD MR. SOARES THAT THE ESTABLISHMENT OF A DIRECTLY ELECTED GOVERNMENT WOULD HAVE A POSITIVE INFLUENCE ON PORTUGUESE RELATIONS WITH THE COMMUNITY. IN JUNE THE FOREIGN MINISTERS OF THE NINE MEETING AT GYMNIKH TO DISCUSS POLITICAL COOPERATION, ISSUED A STATEMENT WELCOMING THE LATEST POLITICAL DEVELOPMENTS IN PORTUGAL AND EXPRESSING THE HOPE THAT THE POLITICAL EVOLUTION WOULD ENCOURAGE ECONOMIC AND SOCIAL PROGRESS AND SO ALLOW PORTUGAL TO DEVELOP ITS RELATIONS WITH THE COMMUNITY.

ON 26 JUNE 1974 THE NEW PORTUGUESE PRIME MINISTER, ADLINO DA P PALMA CARLOS AND THE FOREIGN MINISTER, MARIO SOARES, WERE OFFICIALLY RECEIVED BY PRESIDENT ORTOLI AND VICE-PRESIDENT SOAMES TO DISCUSS EEC-PORTUGUESE RELATIONS FOLLOWING THE CHANGE OF GOVERNMENT. THE EEC-PORTUGAL JOINT COMMITTEE MET THE FOLLOWING THE CHANGE OF GOVERNMENT. THE EEC-PORTUGAL JOINT COMMITTEE MET THE FOLLOWING DAY. NOTING THAT THE NEW GOVERNMENT SUBSCRIBED TO THE DEMOCRATIC PRINCIPLES AND FUNDAMENTAL OBJECTIVES OF THE COMMUNITY, THE PORTUGUESE DELEGATION INDICATED ITS DECISION TO GO BEYOND 1972 AGREEMENT AND TO BROADEN COOPERATION, NOTABLY BY EXPLOITING THE EVOLUTIVE CLAUSE, AND ASKED FOR COMMUNITY HELP REORGANISING THE PORTUGUESE ECONOMY SO AS TO ENABLE PORTUGAL "TO PLAY A FULL ROLE IN A DEMOCRATIC EUROPE". THE COMMUNITY STRESSED ITS POSITIVE ATTITUDE AND ITS READINESS TO MEET PORTUGUESE WISHES IN EXPANDING THE COOPERATION ESTABLISHED BY THE 1972 AGREEMENT (IP(75)114).

THE DIALOGUE BETWEEN THE COMMISSION AND THE PORTUGUESE AUTHORITIES CONTINUED WITH A FURTHER MEETING OF THE JOINT COMMITTEE IN LISBON ON 25-26 NOVEMBER 1974, AT WHICH THE PORTUGUESE GOVERNMENT PUT FORWARD ITS DETAILED REQUEST, THE ESTABLISHMENT OF A SPECIAL WORKING PARTY TO EXAMINE THESE REQUESTS, AND A VISIT TO LISBON BY SIR CHRISTOPHER SOAMES ON 12/13 FEBRUARY 1975. THE COMMUNITY FORMALLY AGREED TO OPEN NEGOTIATIONS ON THESE REQUESTS AT A MEETING OF THE JOINT COMMITTEE IN BRUSSELS ON 28 MAY 1975.

ON 11 JUNE THE COMMISSION TRANSMITTED TO THE COUNCIL A COMPREHENSIVE SET OF PROPOSALS COVERING, NOT ONLY THE IMPROVEMENT AND EXTENSION OF THE EXISTING AGREEMENT, BUT ALSO AN "IMMEDIATE AND SUBSTANTIAL FINANCIAL EFFORT" BY THE COMMUNITY AND ITS MEMBER STATES ON BEHALF OF PORTUGAL. AS SIR CHRISTOPHER SOAMES TOLD THE EUROPEAN PARLIAMENT ON 18 JUNE 1975, THIS EFFORT, WHICH WOULD ANTICIPATE THE CONCLUSION OF THE NEGOTIATIONS AND THE NECESSARY RATIFICATION OF A FORMAL FINANCIAL PROTOCOL WAS "INTENDED TO HELP SECURE THE ECONOMIC AND SOCIAL FOUNDATIONS FOR A PLURALIST DEMOCRACY IN PORTUGAL". THE COMMUNITY'S AID WOULD HOPEFULLY HELP THE PORTUGUESE GOVERNMENT TO REVERSE THE VISCIOUS CIRCLE OF FALLING PRODUCTION, RISING UNEMPLOYMENT, A WIDENING BALANCE-OF-PAYMENTS DEFICIT AND AN ALMOST COMPLETE HALT TO INVESTMENT.

ON 25 JUNE THE COUNCIL AGREED TO THE PRINCIPLE OF IMMEDIATE FINANCIAL AID FOR PORTUGAL AND INSTRUCTED COREPER TO EXAMINE THE PRACTICAL ASPECTS. FOLLOWING THE DETERIORATION OF THE POLITICAL SITUATION IN PORTUGAL LEADING TO THE RESIGNATION OF THE GOVERNMENT, THE EUROPEAN COUNCIL ON 16-17 JULY CONFIRMED THE PRINCIPLE OF AID TO PORTUGAL BUT EMPHASISED THAT THE COMMUNITY COULD ONLY SUPPORT "A PLURALIST DEMOCRACY".

THE FOREIGN MINISTERS OF THE NINE EXAMINED THE SITUATION IN PORTUGAL IN THE LIGHT OF THE LATEST DEVELOPMENTS AT THEIR MEETINGS IN VENICE ON 12 SEPTEMBER (POLITICAL COOPERATION), IN BRUSSELS ON 15 SEPTEMBER (COUNCIL) AND AGAIN IN NEW YORK ON 24 SEPTEMBER (POLITICAL COOPERATION). ON 24 SEPTEMBER, MR. THOMSON TOLD THE EUROPEAN PARLIAMENT THAT IT WAS THE COMMUNITY'S INTENTION TO GIVE POWERFUL HELP AT THE RIGHT TIME IN ORDER TO HELP PORTUGAL ALONG THE ROAD TO A FREE AND DEMOCRATIC SOCIETY". HE ADDED THAT THIS TIME HAD NOW COME. THE PARLIAMENT SUBSEQUENTLY ADOPTED A RESOLUTION CALLING ON THE COMMUNITY TO MAKE A DECISION ON AID FOR PORTUGAL WITHOUT CONDITIONS AS SOON AS POSSIBLE.

THE QUESTION IS ON THE AGENDA FOR THE COUNCIL OF 6/7 OCTOBER. (1)

(1) PLEASE REFER TO BIO NOTES FROM LUXEMBOURG YOU FOLLOW UP. BRUSSELS 3 OCTOBER 1973

ANNEX
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THE EEC-PORTUGAL FREE-TRADE AGREEMENT
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PORTUGAL IS LINKED TO THE EEC BY A FREE-TRADE AGREEMENT WHICH WAS SIGNED ON 22 JULY 1972 AND CAME INTO FORCE ON 1 JANUARY 1973. THE AGREEMENT WAS CONCLUDED AS PART OF THE ARRANGEMENTS MADE FOR THE NON-APPLICANT EFTA COUNTRIES FOLLOWING THE ENLARGEMENT OF THE COMMUNITY.

THE EEC-PORTUGAL AGREEMENT DIFFERS FROM THE AGREEMENTS WITH THE OTHER EFTA COUNTRIES IN TWO IMPORTANT RESPECTS, REFLECTING THE RELATIVE LEVEL OF DEVELOPMENT OF THE PORTUGUESE ECONOMY. IN THE INDUSTRIAL SECTOR, PORTUGAL BENEFITS FROM THE ELIMINATION OF CUSTOMS DUTIES BY THE SIX BETWEEN 1 APRIL 1973 AND 1 JULY 1977 WHILE BEING ALLOWED TO DELAY THE FINAL REMOVAL OF PORTUGUESE CUSTOMS DUTIES TILL 1 JANUARY 1980 OR 1 JANUARY 1985, ACCORDING TO THE PRODUCTS CONCERNED. WITHIN CERTAIN LIMITS, PORTUGAL IS ALSO ALLOWED TO INTRODUCE NEW CUSTOMS DUTIES UNTIL 31 DECEMBER 1979, THOUGH THESE MUST BE ELIMINATED BY 1 JANUARY 1985 (INFANT INDUSTRIES' CLAUSE). SECONDLY, PORTUGAL BENEFITS FROM TARIFF CONCESSIONS FOR HER MAJOR AGRICULTURAL EXPORTS SUCH AS TOMATO CONCENTRATE, CANNED SARDINES AND PORT AND MADEIRA WINE.

ON 28 MAY 1975 THE EEC-PORTUGAL JOINT COMMITTEE, MEETING IN BRUSSELS, HAVING EXAMINED THE REPORT OF THE SPECIAL WORKING PARTY SET UP IN NOVEMBER 1974, FORMALLY RECOMMENDED THAT IS, DECIDED THE OPENING OF NEGOTIATIONS (IP(75)102) TO ENLARGE THE SCOPE OF THE AGREEMENT. THE NEGOTIATIONS WILL COVER BOTH TRADE QUESTIONS (IMPROVED ACCESS FOR PORTUGUESE EXPORTS PARTICULARLY OF AGRICULTURAL PRODUCE, AND GREATER PROTECTION FOR PORTUGUESE INFANT INDUSTRIES) AND THE EXTENSION OF THE AGREEMENT TO NEW AREAS IN ACCORDANCE WITH ARTICLE 35 (INDUSTRIAL, TECHNOLOGICAL AND FINANCIAL COOPERATION, MIGRANT WORKERS AND SOCIAL SECURITY).

ON 11 JUNE 1975 THE COMMISSION TRANSMITTED TO THE COUNCIL A COMPREHENSIVE SET OF PROPOSALS COVERING THE IMPROVEMENT AND EXTENSION OF THE EXISTING AGREEMENT WITH PORTUGAL.

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