



34/80

PORTUGAL AND THE EUROPEAN COMMUNITY

Summary

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I. INTRODUCTION

This note looks back over the broad outlines in the development of relations between the European Community and Portugal.

Up to 1974, the Community's relations with Portugal were confined to the trade sector. These relations did, admittedly, take on a more concrete form with the conclusion of a free-trade agreement in 1972, at the time when Denmark, Ireland and the United Kingdom joined the Community. This agreement followed the pattern of bilateral agreements concluded, in particular, with the other countries of the European Free Trade Association (EFTA), of which Portugal is a Member State.

The Community was very satisfied with the re-establishment of democracy in Portugal in 1974 and from this time onwards the two partners have come notably closer together in all fields. In reply to its requests, Portugal was granted special financial aid and the free-trade agreement was strengthened with an additional protocol and a financial protocol which gave Portugal more appreciable commercial and financial advantages.

Portugal's formal request for membership, which was submitted to the Community in 1976, opened up a new stage in the process - that of integrating Portugal into the European Community as a full member. (1)

II. THE 1972 FREE-TRADE AGREEMENT BETWEEN PORTUGAL AND THE COMMUNITY

The free-trade agreement, which was signed on 22 July 1972 (2) and which came into force on 1 January 1973, falls within the framework of the bilateral agreements signed with the member countries of the European Free Trade Association (EFTA) which were not applying for accession at the time of the first enlargement of the Community which took place on 1 January with the accession of Denmark, Ireland and the United Kingdom.

(1) Article 237 of the EEC Treaty

"Any European State may apply to become a member of the Community. It shall address its application to the Council, which shall act unanimously after obtaining the opinion of the Commission.

The conditions of admission and the adjustments to this Treaty necessitated thereby shall be the subject of an agreement between the Member States and the applicant State. This agreement shall be submitted for ratification by all the Contracting States in accordance with their respective constitutional requirements".

(2) Official Journal L 301 of 31.12.1972.

1. Provisions of the agreement

The general provisions and the object are, in principle, the same as for the other EFTA countries : progressive establishment of a free-trade area for industrial products between 1 January 1973 and 1 July 1977.

But the agreement differs from the other EFTA agreements in the inclusion of a section covering agriculture. Moreover, in so far as industrial products are concerned, the timetable for Portuguese tariff dismantling has been extended to 1980 or 1985 in order to give Portuguese industry a longer adaptation period. Like the other agreements signed with EFTA countries, the agreement with Portugal includes a "future developments" clause. Portugal attached great importance to this clause which is intended to provide possibilities for the development of the agreement. Portugal can submit a reasoned request to the Community, and vice versa, if the interests of the economies of the two partners call for the relations established by the agreement to be extended to other fields.

Provisions concerning the agricultural sector

In view of the high proportion of agricultural products in Portuguese exports and the preferential system which this country had acquired with the regard to the British and Danish markets within the framework of EFTA, the agreement between the Community and Portugal provides for tariff preferences, especially for tomato concentrates, canned sardines and certain wines and fresh fruit and vegetables.

Provisions concerning the industrial sector

Duty-free entry for Portuguese imports of industrial products from the Community is to be achieved in either 1977 or 1980. However, as far as a number of products are concerned, the timetable for the tariff reductions runs until 1 January 1985.

The agreement also authorizes Portugal to introduce new import duties in order to facilitate the creation of new industries.

Certain Portuguese exports to the Community market are subject to ceilings which will end in 1980.

The timetable for EEC tariff dismantling is as follows :

| Timetable | Rate of reduction of customs duties |
|----------------|-------------------------------------|
| 1 April 1973 | 20% |
| 1 January 1974 | 20% = 40% |
| 1 January 1975 | 20% = 60% |
| 1 January 1976 | 20% = 80% |
| 1 July 1977 | 20% = 100% = duty-free entry. |

2. Emergency aid, additional and financial protocols

The events which took place in Portugal in 1974 gave fresh impetus to the attempts to strengthen links with the European Community. It was thus that, during the meeting of the Joint Committee (whose task is to manage the free-trade agreement) on 27 June 1974, the Portuguese delegates expressed the hope that the Community would rapidly supply Portugal's economy with the aid it required, in particular by improving the trade arrangements laid down in the agreement.

On 11 May 1975, considering that the Community "has a natural interest in giving its fullest support to Portugal's efforts to strengthen democracy and promote social and economic progress" and that "the support given by Europe to Portuguese democracy must be expressed in a spectacular manner", the European Commission proposed to the Member States that they should authorize the opening of negotiations in order to strengthen the free-trade agreement signed in 1972.

This strengthening of links took the following form :

- a. Special emergency financial aid decided on 7 October 1975. The European Investment Bank (EIB) made credits available to Portugal for a total of 150 million u.a. (5 300 million escudos), together with an interest subsidy of 3% (representing 30 million u.a. (more than 1 000 million escudos) which were included in the Community budget). This loan served to finance infrastructure, industrialization and agricultural projects during 1976 and 1977.
- b. An additional protocol to the 1972 free-trade agreement and a financial protocol.

The additional protocol contains a commercial section, a cooperation section and a labour section.

In the commercial field, the Community granted certain tariff concessions to facilitate Portuguese exports.

Moreover, the Community brought forward to 1 July 1976 the date for final abolition of import duties on industrial products from Portugal, whilst Portugal was authorized to re-establish certain customs duties up to a maximum of 20%, with a view to giving increased protection to its most vulnerable industries (customs duties will be finally abolished on 1 January 1985).

Cooperation was established between the Community and Portugal in the industrial, technical, technological and financial fields. This will contribute to the economic and social development of Portugal.

As regards labour, Portuguese workers enjoy conditions similar to those of workers who are nationals of Community Member States as far as working conditions, pay and social security are concerned.

- c. The financial protocol covers aid worth 200 million u.a. in the form of EIB loans spread over a period of five years. 150 million u.a. (the maximum charge) are coupled with interest subsidies of 3% per annum (at a cost to the Community of 30 million u.a.).

The protocol makes provision for the financing of investment projects aimed at increasing productivity, improving the infrastructure, diversifying the economy and, above all, promoting industrialization and modernization of the agricultural sector.

These protocols were signed in Brussels on 20 September 1976 and came into force on 1 November 1978. (By virtue of an interim agreement, the commercial provisions had already come into effect on 1 November 1976.)

3. Other forms of aid

In April 1979, the Commission granted Portugal emergency aid of 100 000 u.a. to help those affected by the floods which caused serious damage during February and March of 1979.

In February 1980, the Commission granted aid totalling 300 000 u.a. for the victims of the earthquake in the Azores which devastated several islands in the group.

Furthermore, in March 1980, the Commission submitted a proposal to the Council of Ministers that Portugal be granted a subsidy of 5 million u.a. to help combat African swine fever.

III. THE FIRST STEPS TOWARDS PORTUGAL'S ACCESSION TO THE EUROPEAN COMMUNITY

1. Request for membership

On 28 March 1977, the Prime Minister of the Portuguese Republic submitted to the President-in-Office of the Council of the European Communities Portugal's request for membership of the European Coal and Steel Community (ECSC), the European Economic Community (EEC) and the European Atomic Energy Community (EAEC).

On 5 April 1977, the Council of Ministers of the Communities took note of the Portuguese request and decided to set in motion the procedure provided by the Treaties by asking the Commission to formulate its opinion.

The Commission's departments started their work, in close cooperation with the Portuguese authorities and, in particular, with the "European Integration Committee" set up by the Portuguese Government to promote and coordinate the preparatory work for accession. This meant that the Commission's departments had at their disposal ample documentation on the economic and social situation in Portugal and were able to define as objectively as possible the exact nature and extent of the problems raised by membership.

2. The Commission's opinion *

The Commission's opinion was submitted to the Council of Ministers on 19 May 1978.

The opinion pointed out that the Treaties of Paris and Rome clearly stipulated that European States which shared the ideals of those Member States grouped together within the European Community could accede to the Community. It noted that democracy in Portugal was now an established political fact and affirmed that "the Community cannot leave Portugal out of the process of European integration. The resulting disappointment would be politically very grave and the source of serious difficulties. The accession of Portugal, which set its face firmly towards Europe almost as soon as its democracy was restored, can only strengthen the European ideal".

The opinion then outlined the economic and social situation in Portugal, together with the Portuguese Government's plans for making good the deficiencies. It briefly described the way in which these plans were intended to develop and how Community help and cooperation would be indispensable.

The Commission felt that a clear and positive response should be given to the Portuguese request to open accession negotiations as soon as possible.

The opinion stressed that because of its outward-looking policy and its traditional links with Latin America, Africa and the Far East, Portugal's accession would strengthen the Community's rôle in the world.

On the basis of this opinion, the Council of Ministers declared itself in favour of Portugal's request during its session of 6 June 1978 and agreed that the preparatory work, essential for establishing a common basis for negotiation, be carried out as soon as possible and be conducted in a positive spirit, so that negotiations could thus commence.

* Supplement 5/78 to the European Communities' Bulletin

3. Positions of the European Parliament and the Economic and Social Committee

In a resolution adopted on 18 January 1979, the European Parliament welcomed the fact that Greece, Portugal and Spain had re-established democratic systems and confirmed its political wish to see these countries become part of the Community. It was pleased to note that regular relations had been established with the Parliaments in Spain and Portugal and called for the many links already existing between the Community institutions, the Member States and the applicant States to be developed and strengthened.

Moreover, in a resolution adopted on 10 May 1979 and devoted to the sectoral consequences of enlargement, the European Parliament expressed concern that despite the favourable prospects in the long-term, enlargement could lead to serious economic difficulties. Consequently, the Parliament demanded that appropriate specific measures be taken in the economic and monetary sectors, the budgetary sector, the social, agricultural, regional policy and energy sectors and in the sphere of external economic relations.

In addition, the European Parliament asked to be more directly and closely involved in the Community negotiations and the conclusion of the accession agreements.

In its opinion concerning the applications for membership submitted by Greece, Portugal and Spain and which was adopted on 28 June 1979, the Economic and Social Committee noted that, from the political point of view, enlargement would contribute to the stability and the strengthening of democracy in Southern Europe and, consequently, to the consolidation of the democratic system throughout Europe. This overriding objective made it necessary to find a just and appropriate solution to the economic and social problems connected with enlargement. The opinion stressed the need to adapt the Community's institutional structures, and particularly its decision-making processes, to the new dimensions.

Moreover, in its capacity as the consultative body for the economic and social sectors within the Community, the Committee hoped that democratically structured interest groups would very soon be set up and developed in the applicant countries.

4. Development of negotiations

Negotiations with a view to Portugal's accession to the European Community were formally started in Luxembourg on 17 October 1978. This official opening ceremony took place in a particularly positive atmosphere. In their speeches, the President-in-Office of the Council, the President of the Commission and the Portuguese Minister of Foreign

Affairs recalled the historical and contractual bonds linking Portugal to the Community and outlined the problems that needed to be solved during the negotiations. After setting forth the main phases in the process of constructing Europe, together with the principal element of Community attainment that Portugal would be called upon to take up after its accession, the President-in-Office of the Council, for his part, expressed the Community's concern about the economic problems that Portugal had to deal with as regards its integration into Europe.

The first round of negotiations was held in Brussels on 1 December 1978. This was devoted to organizational aspects of the negotiations - the procedures to be followed, the frequency of meetings at ministerial level and deputy (ambassador) level and the principal chapter headings of the negotiations.

Since then, the meetings have continued on a regular basis. Up to the end of 1979, the Community had made opening declarations on external relations, the customs union, the ECSC, Euratom, taxation and the movement of capital. The Portuguese delegation had opened files on transport, regional policy and social policy. Some replies to the various declarations had been given by both sides.

During this initial phase of negotiations, these declarations serve to pin-point the problems which might coincide with accession. In this way, they make it possible to draw up a list, known as an overall survey, of the items to be discussed during the second phase of negotiations.

During the second round of accession negotiations at ministerial level which took place in Brussels on 5 February 1980, the President of the Council voiced the hope that the process of drawing up the overall survey would be completed quickly, so that it would subsequently be possible to negotiate the necessary practical solutions.

On this occasion, the President of the Portuguese delegation, the new Deputy Prime Minister and Minister of Foreign Affairs, Mr. Diego Freitas do Amaral, confirmed his government's commitment to Europe and its determination to increase its efforts to bring about Portugal's accession to the Communities as soon possible, as this represented "the number one priority" as regards Portuguese foreign policy.

Mr. Freitas do Amaral expressed his conviction that membership of the Communities would enable Portugal to develop even further its special relationships with certain countries and certain regions of the world. He felt that these relationships would represent the greatest contribution which Portuguese membership would make to the Communities.

Much progress was made during the meetings of deputies which were held between 20 February and 30 April 1980. The Community was able to provide further details of its position as regards the ECSC, Euratom, the movement of capital and the customs union and it also opened the file on the right of establishment. The Portuguese made opening declarations on agriculture, budgetary questions and economic and financial matters and they completed their replies to the majority of the other files.

If the negotiators manage to conclude the overall survey phase by the end of the summer, it is hoped that it will be possible to move on to the second phase of negotiations in the autumn. This phase will be devoted to finding appropriate solutions to the problems.

Whilst the accession negotiations were taking place, the Commission and Portugal began examining secondary Community law concerning all of the sectors of Community activities so as to make the necessary amendments to the texts to take account of Portugal's accession and to identify the problems which will have to be dealt with during the course of the negotiations.

IV. PREPARING PORTUGAL FOR ACCESSION

Portugal's accession to the Community makes it necessary to carry out major economic development and restructuring measures within the country. The Portuguese authorities have approached the Community to this effect, calling for its help and cooperation.

Thus, in January 1979, Lisbon called for an adaptation of the 1972 agreement and also for a speeding up of the financial protocol, together with a Community subsidy of some 50 million EUA for an aid programme for small and medium-sized industrial enterprises.

1. Supplementary Protocol

In order to give a favourable reply to the first of these demands and so as to facilitate attempts to bring about industrial restructuring and economic development in Portugal with a view to its subsequent integration into the Community, the provisions of the 1972 agreement and those of the additional protocol were partially revised and came into effect as of 1 January 1980.

The negotiations between the Commission and Portuguese delegations led to the approval of a "supplementary protocol" to the 1972 agreement which was signed on 19 December 1979 and came into force on 1 January 1980 (1).

The supplementary protocol makes provision for :

a. protection measures for Portuguese industry

(in particular by maintaining the level attained in the process of tariff dismantling for industrial products, the extension of the period in which it is possible to introduce tariff measures in favour of emerging industries, a special import system for cars);

b. better access to the European Community for certain Portuguese products (in particular by increasing the volume of products which can be imported into the Community in the paper sector; a tariff concession for pineapples; raising the tariff preference for canned sardines, tuna, bonito, mackerel and anchovies and for canned olives and capers; increasing the tariff quota for bottles of Port, Madeira and Setubal wines and including Verde and Dao wines in the preferential system).

This protocol should constitute the basis on which the accession negotiations with respect to the customs union will be carried out.

2. Speeding up the implementation of the Financial Protocol

Given the need for preparing the Portuguese economy for its integration into the Community and the delay which occurred in bringing the Financial Protocol into force (1 November 1978), the Council of Ministers agreed, on 15 January 1980, that it should be implemented more quickly. Consequently, all of the amounts will have to be committed by 31 October 1981 at the latest, thus reducing by two years the period originally envisaged for making the funds covered by the protocol available to Portugal.

A substantial percentage of this financial aid has already been made available to Portugal.

(1) Official Journal L 348 of 31.12.1979.

3. Proposed measures in favour of small and medium-sized enterprises

Following the requests for economic assistance which Portugal submitted on 23 January 1979, the Commission put forward proposals for special aid for small and medium-sized enterprises in Portugal.

Small and medium-sized enterprises are a characteristic feature of the Portuguese economy and they are essential for safeguarding employment. However, as they are also poorly equipped, they are also especially vulnerable to the type of competition which membership will bring.

Consequently the aim of these proposals is to build up vocational training in favour of these enterprises, improve the services placed at their disposal and restructure, modernize and develop their activities.

In order to benefit from Community aid, the measures will have to form part of a framework-programme drawn up by the Portuguese Government and implemented by the public body with powers to this effect, that is to say, the Instituto de Apoio as Pequenas et Medias Empresas Industriais (IAPMEI).

Furthermore, the enterprises, their associations or the Portuguese authorities will have to contribute at least 25% of the planned expenditure.

The Council of Ministers has still to make a pronouncement on these proposals.

4. Other joint measures proposed by the Portuguese Government

In April 1980, Portugal submitted three further requests for non-refundable aid and announced its intention of calling for the opening of negotiations for a second financial protocol.

- a. The three new requests for aid relate to the regional sector, the agricultural sector and vocational training. As regards the regional sector, the priority for the measures is developing the communications infrastructure (roads, airports, railways, ports, river navigation), but there are plans for measures in other areas (schools, industrial estates, drainage work in the Algarve).

The measures proposed for the agricultural sector involve, on the one hand, improving production, both from the qualitative point of view and quantitative point of view in the case of products in short supply, together with a land reorganization programme, and, on the other hand, improving infrastructures. As regards vocational training, the suggested measures complement the programme presented in the autumn of 1979 and cover about a dozen projects. The new projects relate to

the setting up of an Institute of Employment and Vocational Training and the reorganization or creation of regional centres for vocational training.

- b. In addition, the Portuguese authorities have reiterated their intention of submitting a request for negotiating a new financial protocol. This protocol should come into force after the present financial protocol expires on 31 October 1981 and it should run until 31 December 1982. The Portuguese request is aimed at obtaining aid for 125 million u.a. in the form of loans from the European Investment Bank coupled with interest subsidies of approximately 20 million u.a.

CONCLUSIONS

With their requests to become members of the Community, Greece, Portugal and Spain have, above all, made a political choice which reflects the concern of the three democracies to consolidate their position. Faithful to the commitment which it entered into in the preamble of the EEC Treaty

"(The founders of the Community) being resolved to preserve and strengthen peace and liberty (call upon) the other peoples of Europe who share their ideal to join in their efforts",

the Community should do everything within its power to ensure that this new enlargement will be a success, and that any weakening of the Community, which would call into question its fundamental aims, is avoided.

For their part, the applicant countries should make considerable efforts to adapt their economies to that of the Community.

From the international point of view, the importance of the Community will be increased; enlargement towards the South will make the Community the largest entity in the Mediterranean area. It will open up prospects for a strengthening of links with Latin America, bearing in mind the privileged relationships which Spain and Portugal enjoy with this continent.

Area, population, density per square kilometre
and estimated population growth

1978

| Country | Area 1000 sq.km | Popu- lation 1000 | Density per sq.km | Projected popu- lation 1000 | |
|----------------|-----------------------|-------------------------|-------------------------|--------------------------------|---------|
| | | | | 1985 | 1990 |
| EUR 9 | 1 525.6 | 259 775 | 170 | 261 017 | 263 483 |
| FR of Germany | 248.6 | 61 327 | 247 | 59 614 | 58 587 |
| France | 544.0 | 53 277 | 98 | 54 829 | 56 085 |
| Italy | 301.3 | 56 714 | 188 | 57 849 | 58 966 |
| Netherlands | 41.2 | 13 942 | 338 | 14 016 | 14 178 |
| Belgium | 30.5 | 9 840 | 323 | 9 817 | 9 764 |
| Luxembourg | 2.6 | 358 | 138 | 358 | 360 |
| United Kingdom | 244.1 | 55 902 | 229 | 55 803 | 56 500 |
| Ireland | 70.3 | 3 311 | 47 | 3 540 | 3 795 |
| Denmark | 43.1 | 5 104 | 118 | 5 191 | 5 248 |
| Greece | 132.0 | 9 360 | 71 | 9 594 | 9 865 |
| Spain | 504.8 | 36 780 | 73 | 38 999 | 40 541 |
| Portugal | 91.6 | 9 800 | 107 | 10 338 | 10 755 |

Source : Eurostat

Civilian employment
by main sectors of economic activity - 1977

| Country | Agriculture | Industry | Services | Total % |
|----------------|-------------|----------|----------|---------|
| EUR 9 | 8.0 | 39.5 | 52.6 | 100.0 |
| FR of Germany | 6.5 | 45.1 | 48.4 | 100.0 |
| France | 9.1 | 37.1 | 53.8 | 100.0 |
| Italy | 15.5 | 38.3 | 46.2 | 100.0 |
| Netherlands | 6.2 | 32.5 | 61.3 | 100.0 |
| Belgium | 3.2 | 36.7 | 60.1 | 100.0 |
| Luxembourg | 5.6 | 43.5 | 50.9 | 100.0 |
| United Kingdom | 2.7 | 39.7 | 57.6 | 100.0 |
| Ireland | 22.2 | 30.9 | 47.0 | 100.0 |
| Denmark | 8.8 | 30.3 | 60.9 | 100.0 |
| Greece | 28.4 | 30.3 | 41.3 | 100.0 |
| Spain | 20.2 | 37.3 | 42.5 | 100.0 |
| Portugal | 30.7 | 35.3 | 33.8 | 100.0 |

Source : Eurostat

LEVEL OF UNEMPLOYMENT

| | 1970 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 |
|----------|-------------------|------|------|------|------|------|------|
| | Men and Women (%) | | | | | | |
| EUR 9 | 2.0 | 2.5 | 2.9 | 4.3 | 4.9 | 5.3 | 5.6 |
| Portugal | 0.4 | - | 1.1 | 3.2 | 4.7 | 5.6 | 6.9 |
| | Men (%) | | | | | | |
| EUR 9 | - | 2.5* | 2.9* | 4.3* | 4.7* | 5.0* | 5.0* |
| Portugal | 0.4 | - | 1.1 | 3.4 | 5.0 | 5.5 | 6.0 |
| | Women (%) | | | | | | |
| EUR 9 | - | 2.3* | 2.9* | 4.4* | 5.2* | 6.0* | 6.4* |
| Portugal | 0.6 | - | 1.1 | 2.9 | 4.1 | 5.8 | 8.2 |

*EUR 9 : Eurostat Estimate

Balance of payments

The balance of current payments showed a surplus of approximately 100 million US dollars in 1979, after showing a deficit of 776 million in 1978 and 1,500 million in 1977.

This spectacular recovery can be explained by the drive shown by Portuguese exporters, the very fast rise in revenues from tourism and the very considerable increase in remittances from migrant workers.

Indices of agricultural output (1)
Average 1969-70=100

| Country | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 |
|----------------|------|------|------|------|------|------|
| EUR 9 | | | | | | |
| FR of Germany | 101 | 105 | 102 | 101 | 104 | 111 |
| France | 101 | 113 | 108 | 107 | 108 | 116 |
| Italy | 102 | 106 | 107 | 105 | 106 | 107 |
| Netherlands | 107 | 116 | 121 | 119 | 124 | 133 |
| Belgium | | | | | | |
| Luxembourg | 106 | 113 | 104 | 97 | 107 | 111 |
| United Kingdom | 107 | 113 | 107 | 105 | 114 | 116 |
| Ireland | 100 | 118 | 138 | 127 | 143 | 140 |
| Denmark | 99 | 110 | 100 | 100 | 108 | 112 |
| Greece | 109 | 118 | 126 | 128 | 126 | 133 |
| Spain | 116 | 120 | 126 | 128 | 127 | 135 |
| Portugal | 100 | 102 | 102 | 98 | 87 | 88 |

(1) FAO Index
Source : Eurostat

General indices of industrial production (1)
1975=100

| Country | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 |
|----------------|------|------|------|------|------|------|
| EUR 9 | 106 | 107 | 100 | 107 | 110 | 112 |
| FR of Germany | 108 | 107 | 100 | 107 | 110 | 113 |
| France | 105 | 108 | 100 | 109 | 110 | 112 |
| Italy | 106 | 110 | 100 | 112 | 112 | 114 |
| Netherlands | 100 | 105 | 100 | 106 | 107 | 108 |
| Belgium | 107 | 111 | 100 | 108 | 108 | 111 |
| Luxembourg | 124 | 128 | 100 | 106 | 107 | 108 |
| United Kingdom | 108 | 105 | 100 | 103 | 107 | 111 |
| Ireland | 103 | 107 | 100 | 109 | 118 | 129 |
| Denmark | 107 | 106 | 100 | 109 | 110 | 113 |
| Greece | 97 | 96 | 100 | 111 | 113 | : |
| Spain | 98 | 107 | 100 | 106 | 119 | : |
| Portugal | 103 | 108 | 100 | 103 | 117 | 125 |

(1) Excluding construction
Source : Eurostat

Total imports

(million EUA)

| Country | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | % |
|----------------|---------|---------|---------|---------|---------|---------|------|
| EUR 9 | 174 664 | 246 509 | 242 787 | 308 570 | 339 972 | 339 972 | 37.6 |
| FR of Germany | 44 106 | 58 046 | 60 442 | 78 912 | 88 803 | 95 405 | 9.9 |
| France | 30 042 | 44 293 | 43 682 | 57 647 | 61 784 | 64 215 | 6.7 |
| Italy | 22 649 | 34 438 | 31 122 | 39 485 | 42 132 | 44 248 | 4.6 |
| Netherlands | 19 799 | 27 847 | 28 389 | 35 832 | 39 970 | 41 532 | 4.3 |
| Belgium | 17 910 | 25 015 | 24 819 | 31 715 | 35 418 | 37 919 | 3.9 |
| Luxembourg | 17 910 | 25 015 | 24 819 | 31 715 | 35 418 | 37 919 | 3.9 |
| United Kingdom | 31 562 | 45 347 | 42 905 | 50 122 | 55 522 | 61 638 | 6.4 |
| Ireland | 2 263 | 3 193 | 3 046 | 3 764 | 4 728 | 5 584 | 0.6 |
| Denmark | 6 334 | 8 331 | 8 383 | 11 093 | 11 616 | 11 597 | 1.2 |
| Greece | 2 899 | 3 677 | 4 285 | 5 378 | 5 940 | 5 929 | 0.6 |
| Spain | 7 786 | 12 942 | 13 106 | 15 618 | 15 578 | 14 648 | 1.5 |
| Portugal | 2 451 | 3 726 | 3 078 | 3 782 | 4 341 | 4 057 | 0.4 |

Source : Eurostat

Total exports

(million EUA)

| Country | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | |
|----------------|---------|---------|---------|---------|---------|---------|------|
| EUR 9 | 170 703 | 231 290 | 239 571 | 292 651 | 332 789 | 359 664 | 37.6 |
| FR of Germany | 54 397 | 74 753 | 72 666 | 91 155 | 103 316 | 111 340 | 11.7 |
| France | 28 902 | 38 469 | 41 981 | 49 915 | 55 667 | 60 118 | 6.2 |
| Italy | 18 105 | 25 557 | 28 240 | 33 504 | 39 688 | 43 926 | 4.6 |
| Netherlands | 19 511 | 27 745 | 28 593 | 36 149 | 38 283 | 39 292 | 4.1 |
| Belgium | 18 203 | 23 704 | 23 193 | 29 340 | 32 891 | 35 137 | 3.7 |
| Luxembourg | 18 203 | 23 704 | 23 193 | 29 340 | 32 891 | 35 137 | 3.7 |
| United Kingdom | 24 795 | 32 373 | 35 288 | 41 458 | 50 276 | 56 090 | 5.9 |
| Ireland | 1 727 | 2 226 | 2 585 | 2 992 | 3 852 | 4 456 | 0.5 |
| Denmark | 5 063 | 6 464 | 7 024 | 8 139 | 8 816 | 9 305 | 1.0 |
| Greece | 1 039 | 1 709 | 1 848 | 2 274 | 2 387 | 2 617 | 0.3 |
| Spain | 4 188 | 5 942 | 6 192 | 7 806 | 8 942 | 10 250 | 1.1 |
| Portugal | 1 491 | 1 890 | 1 556 | 1 618 | 1 772 | 1 915 | 0.2 |

Source : Eurostat

Geographical breakdown of
Portugal's foreign trade in 1978

| | Imports | Exports |
|--------------------|---------|---------|
| EUROPE | 60.98 | 71.55 |
| Community | 45.80 | 55.50 |
| FR of Germany | 13.88 | 13.04 |
| France | 9.00 | 8.91 |
| Italy | 5.46 | 5.70 |
| Netherlands | 3.51 | 4.05 |
| Belgium/Luxembourg | 3.18 | 3.20 |
| United Kingdom | 10.05 | 18.09 |
| Ireland | 0.09 | 0.04 |
| Denmark | 0.60 | 2.10 |
| Spain | 5.49 | 2.16 |
| Sweden | 2.37 | 4.57 |
| Switzerland | 4.23 | 3.77 |
| USSR | 1.85 | 1.66 |
| AFRICA | 3.38 | 7.58 |
| Angola | 0.25 | 4.07 |
| Mozambique | 0.39 | 1.40 |
| AMERICA | 15.97 | 11.93 |
| United States | 11.85 | 6.96 |
| Brazil | 1.28 | 1.03 |
| ASIA | 16.39 | 3.44 |
| Japan | 3.25 | 1.15 |
| Saudi Arabia | 2.99 | 0.13 |
| Iraq | 4.97 | 0.12 |
| Iran | 2.89 | 0.12 |
| OTHER COUNTRIES | 3.28 | 5.50 |

Source : Eurostat

(in millions of EUA)

| EEC-Portugal Trade | Exports | Imports | Trade deficit |
|--------------------|---------|---------|---------------|
| 1973 | 892 | 1 370 | - 478 |
| 1974 | 1 086 | 1 937 | - 851 |
| 1975 | 970 | 1 535 | - 565 |
| 1976 | 932 | 1 764 | - 832 |
| 1977 | 1 046 | 2 159 | - 1 113 |
| 1978 | 1 354 | 2 368 | - 1 014 |
| 1979 | 1 616 | 2 230 | - 614 |

Source : Eurostat

Development of gross domestic product by volume
Annual growth rates
 (at 1970 prices and exchange rates)

| Country | 1974 | 1975 | 1976 | 1977 | 1978 | 1979* |
|----------------|------|------|------|------|---------------|-------|
| EUR 9 | 1.7 | -1.4 | 5.0 | 2.3 | 3.1 | 3.1 |
| FR of Germany | 0.5 | -1.8 | 5.2 | 2.7 | 3.2 | 4.3 |
| France | 3.2 | 0.2 | 5.0 | 2.8 | 3.8 | 3.0 |
| Italy | 4.1 | -3.6 | 5.9 | 2.0 | 2.6 | 4.0 |
| Netherlands | 3.5 | -1.0 | 5.3 | 2.8 | 2.4 | 3.3 |
| Belgium | 4.5 | -1.9 | 5.2 | 1.0 | 2.4 | 3.0 |
| Luxembourg | 4.7 | -9.4 | 2.9 | 1.7 | 4.3 | 4.0 |
| United Kingdom | -1.5 | -1.0 | 3.7 | 1.3 | 3.1 | 0.5 |
| Ireland | 3.7 | 2.1 | 1.5 | 5.6 | 6.0 | 3.3 |
| Denmark | -0.9 | -0.4 | 7.0 | 1.9 | 1.0 | 2.5 |
| Greece | -3.6 | 6.1 | 6.2 | 3.5 | 6.2 | 3.5 |
| Spain | 5.7 | 1.1 | 3.0 | 2.6 | 2.5 | 1.5 |
| Portugal | 0.7 | -3.7 | 6.2 | 6.0 | (3.2) est. | 3.0 |

*Forecasts

Source : Eurostat

N.B. : The order in which countries are listed is that adopted by Eurostat (Statistical Office of the European Communities).

Foreign investment

According to the Portuguese Institute for Foreign Investment, the overall value of the authorizations granted by this body for direct foreign investments in Portugal totalled 4,245 escudos at the end of 1979, of which :

- 1,710 million to the member countries of the EEC (40.3%)
- 1,491 million to the member countries of EFTA
- 471 million to the United States of America.

Source : OECD

Prospects for, and trends in Portuguese economic policy

According to the information available concerning the 1980 plan, which was adopted by the Portuguese Government in March 1980, domestic production could grow by 3.6% in 1980, mainly due to a further 9% expansion in the volume of exports. The choices contained in the plan actually reflect a change in direction of the economic policy, which no longer appears to be aiming at improving the foreign trade balance, by following a restrictive policy, but rather at returning to a higher growth rate, by following a policy of investment.

To this effect, public investment should increase by 5.5% in volume and investments by public enterprises should increase by 6%.

Moreover, the plan puts forward the following objectives :

1. drawing up a new system for home loans;
2. tax incentives for industrial investment;
3. revising the national road transport plan;
4. granting aid for improving productivity;
5. maintaining subsidies for essential commodities;
6. fixing the limit for price rises at 20%.

The policy described above for providing incentives for investment should make it possible to combat the high level of unemployment, revive domestic production, and in particular agricultural production - and this should help to fight inflation and reduce the external deficit -, and prepare for Portugal's integration into the Community.