



PORTUGAL AND THE EUROPEAN COMMUNITY

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ANNEX : Economic Profile of Portugal

April 1982

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This note (which replaces N°34/80), has been prepared on the occasion of the official visit by Mr Gaston THORN, President of the Commission of the European Communities, to Portugal.

President THORN will travel to Lisbon from 14-16 April 1982 at the invitation of Mr Pinto BALSEMÃO, Prime Minister of the Portuguese Government.

He will have talks with the President of the Republic, General RAMALHO EANES, the Prime Minister, Mr Pinto BALSEMÃO, the Minister for Foreign Affairs, Mr Gonçalves PEREIRA, the Minister for Finance and for Planning, Mr João SALGUEIRO, and with other prominent Portuguese personalities.

President THORN will analyse with the Portuguese leaders the progress made recently in the accession negotiations and also the prospects for their conclusion. The measures envisaged by Portugal to prepare the country for accession, and in particular the joint measures already introduced will also be examined.

I. INTRODUCTION

Relations between the Community and Portugal took on a more concrete form at the end of the nineteen sixties when the community embarked upon its first enlargement, which resulted in 1973 in the accession of the United Kingdom, Denmark and Ireland. It was necessary at the time to settle the question of trade relations between the Nine Member Community and the EFTA countries, one of which was Portugal. During 1972, a free-trade agreement between the Community and Portugal was negotiated, and this still governs trade relations between the two partners.

Starting in 1974, links between the Community and Portugal were strengthened considerably. In 1975, it was decided to grant Portugal emergency financial aid and since then various protocols, covering the industrial and agricultural fields, labour and industrial cooperation have been negotiated.

The third and most important stage in the relations between the Community and Portugal began in 1977, when Portugal applied for admission as a Member State, a request to which the Community responded positively in 1978. That same year, accession negotiations started and, after an exploratory stage, negotiations about matters of substance were embarked upon in 1981.

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

The free-trade agreement of 22 July 1972 (1) came into force on 1 January 1973. This agreement falls within the framework of the bilateral agreements signed with all 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 in 1973, when Denmark, Ireland and the United Kingdom joined.

Provisions of the agreement between the European Community and Portugal

The general provisions and the objectives are, in principle, the same as for the other EFTA countries : progressive establishment of a free-trade area for industrial products between 1973 and 1977. But the agreement differs from the agreements with the other EFTA countries in the inclusion of a section covering agriculture. In view of the high proportion of agricultural products in Portuguese exports and the preferential system which this country had acquired with regard to the British and Danish markets within the framework of EFTA, the agreement with the Community provides for tariff preferences, especially for tomato concentrates, canned sardines and certain wines and fresh fruit and vegetables.

Moreover, in so far as industrial products are concerned, the timetable for Portuguese tariff dismantling was extended to 1980, and to 1985 for some products, 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", enabling the relations established by the agreement to be extended to other fields.

A Joint Committee was set up to ensure the proper functioning of the agreement.

III. STRENGTHENING OF THE LINKS BETWEEN THE EUROPEAN COMMUNITY AND PORTUGAL
AFTER 1974

The events which took place in Portugal in 1974 gave fresh impetus to the strengthening of links with the Community. It was thus that during the meeting of the "Portugal-EEC" Joint Committee 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.

(1) Official Journal L 301, 31.12.1972.

The European Community responded favourably by granting :

1. 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. (5300 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.
2. an additional protocol and a financial protocol (1) to the 1972 free-trade agreement
In the additional protocol, the Community granted additional tariff concessions in the industrial and agricultural fields to facilitate Portuguese exports. Portugal, for its part, was authorized to re-establish certain customs duties up to a limit of 20%, with a view to giving increased protection to its most vulnerable industries.

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.

The financial protocol covers aid worth 200 million u.a. (2) in the form of EIB loans spread over a period of five years. 150 million u.a. are coupled with interest subsidies of 3% per annum (at a cost to the Community of 30 million u.a.). This loan was used in particular to finance investment projects aimed at increasing industrial productivity and improving the infrastructure, during the years 1978 to 1981.

These protocols were signed in Brussels in September 1976 and came into force on 1 November 1978 (the commercial provisions had already come into effect on 1 November 1976) (3).

IV. 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.

(1) Official Journal L 274, 29.9.78 and Official Journal L 297, 24.10.78

(2) 1 u.a. (European unit of account) = 69 escudos or US dollars 1.4 (May 80)

(3) Official Journal L 266, 29.9.76 and Official Journal L 273, 6.10.76

2. The Commission's opinion

After preparatory work, carried out in close cooperation with the Portuguese authorities, the Commission forwarded its opinion to the Council of Ministers on 19 May 1978 (1).

The Commission recommended in that opinion that a positive response to the Portuguese request should be given quickly. It also proposed Community help in carrying out the economic reforms which would be necessary in Portugal to facilitate Portugal's integration into the European Community.

3. Position of the Council of Ministers

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 by the Commission in close cooperation with the Portuguese authorities.

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

In its resolutions adopted on 18 January 1979 (2) and 10 May 1979 (3), 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.

The Economic and Social Committee adopted a favourable opinion on 28 June 1979 (4).

V. 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 approached the Community, calling for its help and cooperation in carrying out this work.

The Community responded favourably by deciding :

1. A Supplementary Protocol to the free-trade agreement

The provisions of the 1972 agreement, and those of the 1976 Additional Protocol, were partially revised by a Supplementary Protocol, which was signed on 19 December 1979 and came into force on 1 January 1980 (5).

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- (1) European Communities Bulletin (Commission), Supplement N° 5/78
 - (2) Official Journal C 39, 12.2.1979
 - (3) Official Journal C 140, 5.6.1979
 - (4) Official Journal C 247, 1.10.1979
 - (5) Official Journal L 348, 31.12.1979

The supplementary protocol makes provision in particular for :

- 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, import quotas for cars).
- better access to the European Community for certain Portuguese products, in particular in the paper sector, pineapples, canned sardines, tuna, bonito, mackerel, and anchovies and for canned olives and capers, and also for Port, Madeira, and Setubal and Verde and Dão wines.

2. Speeding up the implementation of the Financial Protocol

On 15 January 1980, the Council of Ministers recorded its agreement to all the amounts provided for in the Financial Protocol being committed by 31 October 1981, thus reducing by two years the period initially fixed for its implementation.

3. Pre-accession aid

On 3 December 1980, an agreement, in the form of an exchange of letters, was signed between the Community and Portugal relating to the implementation of pre-accession aid for the country.

The agreement provides for a Community contribution, by way of an exception and during the period from its entry into force until the date of Portugal's accession, to the funding of projects embarked upon by the Portuguese government to facilitate the integration of the country's economy.

To this end, it will be possible to commit a total amount of 275 million ECU (1), up to a maximum of :

- 150 million ECU in the form of loans from the European Investment Bank (EIB) out of its own resources, 125 million being coupled with 3% interest subsidies to be paid out of the Communities budget. These loans will be used to fund or to contribute to the funding of investment projects which, with a view in particular to facilitating Portugal's regional development, help to increase productivity and to strengthen the Portuguese economy and are conducive in particular to the improvement of the country's industrial structures, the modernization of its agriculture and fisheries sector and the development of infrastructures.
- 125 million ECU in the form of non-refundable aid to be paid out of the Communities budget, 25 million ECU of which would be allocated to the interest subsidies mentioned above and 100 million ECU to the funding of cooperation programmes or projects and of technical assistance projects. Among the cooperation programmes or projects and the technical assistance projects, particular attention should be paid to those relating more especially to : the reorganization, modernisation and development of small and medium-sized undertakings; the improvement of production and marketing structures in the agricultural and fisheries sector; the creation of infrastructures aimed at facilitating more balanced development from a regional viewpoint; the setting up of an integrated national vocational training policy based on a network of vocational training centres.

(1) 1 ECU : 71 Escudos (1981)

Since the agreement came into force on 1 January 1981, (1) the Portuguese authorities have submitted to the Commission a number of cooperation projects or programmes, in particular in the field of small and medium-sized industrial undertakings, and of agriculture and regional infrastructures, and they have applied for loans from the EIB.

Thus, a first funding agreement, between the Commission and Portugal, was signed in Brussels on 16 December 1981, in respect of a contribution to the funding, in the form of non-refundable aid, amounting to 10 million ECU, of a Plan to assist small and medium-sized Portuguese undertakings. Furthermore, a funding contract for a global loan, amounting to 30 million ECU and coupled with interest subsidies, was signed between the EIB and Portugal in Lisbon on 17 December 1981; this loan is to be used to fund initiatives in the industry and tourism sectors in Portugal, files which have already been submitted by the Portuguese authorities or which will be submitted shortly, and are to continue actively during 1982, which should be the year in which most of the aid should become operational.

VI. PROGRESS OF THE NEGOTIATIONS

The negotiations between a Community delegation and a Portuguese delegation with a view to Portugal's accession to the Community were formally opened at an official ceremony which took place in Luxembourg on 17 October 1978. Since then, and up to the end of February 1982, there have been 6 ministerial level meetings and 18 deputy, i.e. ambassador, level meetings.

The important work carried out throughout 1981 and in particular since last autumn have enabled the identification of the problems in most of the chapters of the negotiations to be completed and the seeking of solutions to be embarked upon.

At the ministerial meeting on 22 February 1982, it was thus possible to reach agreement on the substance of five chapters : capital movements, transport, regional policy, Euratom and most of the issues in the economic and financial questions chapter.

At the first ministerial meeting in October 1978, it was agreed that the negotiations would proceed on the basis of the acceptance by Portugal of the "acquis communautaire", namely the Treaties establishing the Communities, the Accession Treaties of Denmark, Ireland, the United Kingdom and Greece, and also the Community legislation and decisions taken by the institutions of the Community on the basis of these Treaties. It was also agreed that adaptation problems would not be resolved by changes to Community rules but that acceptance of the "acquis communautaire" would be subject to possible transitional measures enabling any adaptation problems which might arise on either side to be resolved.

The transitional measures to be agreed by the two delegations, together with the technical adjustments to the Treaties, will be ratified in the Act of Accession drawn up and signed at the end of the negotiations. This Act will only take effect after ratification by the parliaments of Portugal and of the ten Member States.

(1) Official Journal N° L 367, 31.12.1980.

1. Industrial customs union

This chapter is by definition one of the most important in the accession negotiations and involves the total elimination of barriers to trade in industrial products between the present Community and Portugal.

Pursuant to the 1972 free-trade agreement between the Community and Portugal, considerable progress has been made in the elimination of barriers to trade on both sides in the nine years which have elapsed since it came into force. It is nonetheless true to say that on Portugal's side, relatively high residual duties are still being levied on approximately 15% of its imports of industrial products from the Community, and certain non-tariff protective measures are still being applied. As far as the Community is concerned, there are now only a few products on which the Community still levies customs duties. A special problem lies in the fact that several years ago the Community agreed with Portugal an arrangement whereby exports of certain particularly sensitive textile products are subject to voluntary restraint.

The negotiations in the customs union field will therefore concern the transitional measures to eliminate any barriers to trade still obtaining on either side, with particular reference to the duration of these transitional measures and the procedures for the application of the Community's external customs tariff by Portugal.

2. ECSC (European Coal and Steel Community)

For products in this chapter, the process for eliminating customs duties laid down by the ECSC-Portugal agreement of 1972 has been completed. However, questions similar to those which arise in the industrial customs union chapter have still to be resolved with particular reference to the removal of several barriers to trade still in existence and to the alignment of Portuguese customs duties on the ECSC unified tariff. Problems specific to the ECSC sector have also to be resolved, such as for instance Portugal's contribution to the ECSC Fund.

3. External relations

On accession, Portugal will be required to adopt, save in the case of transitional measures decided in the framework of the negotiations, all the bilateral and multilateral agreements, preferential and non-preferential, which the Community has reached with third countries, notably the preferential agreements reached with certain third countries, the Lomé Convention concerning the ACP countries and the Generalized System of Preferences.

Although it is difficult accurately to assess the overall consequences of the Portuguese liberalization effort, it can nevertheless be considered that, broadly speaking, the problems posed in Portugal by adopting the "acquis communautaire" in the external relations field are less intricate in the case of industrialized countries than in the case of countries whose level of development is identical to or lower than that of Portugal.

4. Agriculture

In preparation for this chapter, the Commission, together with the Portuguese authorities, has carried out a great deal of preparatory work, including in particular a detailed study of the state of Portuguese agriculture.

This means that Portugal's accession should not pose any major problems for the community's agriculture, owing in particular to the volume of Portuguese agricultural production in relation to the present Community's agricultural production, apart from tomato concentrate and certain wines.

As far as Portugal is concerned, the benefits which the Community's common agricultural policy might provide for Portuguese farmers will only be fully reaped after there has been far-reaching reform of production structures, which will require time and investments. It will thus be necessary to take this factor into account in seeking adequate transitional measures.

5. Fishing

In the accession negotiations, Portugal has stressed the importance of fishing for the country from both the economic and social viewpoints. The starting point of the Portuguese approach is the acceptance of the "acquis communautaire", subject to certain transitional measures.

In view of the work in progress in the Community to establish a fishing policy, the negotiations in this chapter have not really started.

6. Social policy

Application of the "acquis communautaire" - which also includes the provisions of the 1976 additional protocol - constitutes the starting point of the negotiations in the social field and also in the other fields, subject to the transitional measures which will prove necessary.

The negotiations will relate in particular to the free movement of workers and the social security of migrant workers. The Community has already let it be known that a transitional period will be required prior to the full application of the "acquis" in the free movement field.

7. Right of establishment and freedom to provide services

This chapter of the negotiations covers a vast and complex field which involves, for the pursuance of the most varied activities, the application of the general principle of non-discrimination among Community nationals. The implementation of this principle, which is directly applicable in accordance with constant decisions of the Court of Justice, will require Portugal to make some degree of adjustment effort.

8. Taxation

In the taxation field, Community obligations will include in particular the prohibition of any tax burden which would be imposed on products from other Member States and which would be higher than the tax burden borne by similar domestic products. Similarly, no domestic tax rebate may be higher than the amount of the taxes levied directly or indirectly on exported products.

To implement these principles, the Community has introduced the value added tax, which is applied in all the Member States. This is the main reform which Portugal will have to adopt in order to be integrated into the Community. The other Community obligations, notably duty-free allowances, mutual assistance, and capital duties, require far less substantial adjustments to Portuguese legislation.

9. Capital movements

Portugal has a highly developed exchange control system which covers both ordinary and capital transactions. Under the regulations currently in force, prior authorization from the Central Bank is required for payments abroad.

Accession to the Community will involve changes to the regulations in force and to the habits of the financial operators. In the Community, exchange transactions relating to ordinary payments have been fully liberalized, as have most capital movements. Progressive liberalization for Portugal, over 5 to 7 years, has already been decided in principle in the negotiations.

10. Regional policy

On accession, Portugal will benefit from the resources of the European Regional Development Fund (ERDF), which forms part of the "acquis communautaire". The quota to be allotted to Portugal will have to be determined prior to accession. Portugal will, nevertheless, have to adapt its regional policy to Community standards in order to benefit fully from ERDF support.

11. Transport

Only a few very specific problems arise in this sector concerning the adoption by Portugal of certain points of Community law in the field. They have already been settled.

12. Own resources

Negotiations proper on this file have not yet started, as they are dependent upon the solutions to be adopted in other fields, such as the Customs Union, Agriculture and Taxation. Own resources consist of three parts : customs duties, agricultural levies and a percentage of VAT revenue. Once the most important transitional points in the other chapters have been determined, it will be essential for the negotiations to evaluate the consequences of these solutions for Portugal's financial contribution to the Community, and to adopt the transitional measures necessary to resolve the problems found to arise.

13. Economic and monetary affairs

The main points in this file relate to the inclusion of the escudo in the currency basket constituting the ECU and to the determining of Portugal's shares in the credit mechanisms organized under the EMS. The latter point has already been settled, but not the former. As for the question of Portugal's participation in the EMS (European Monetary System), this is not properly speaking part of the negotiations. Portugal will indeed have to take a decision on this point, taking account of all the factors in the country's economic situation, in particular the balance of payments situation.

14. Secondary legislation

At the same time as the accession negotiations, the Commission embarked with Portugal upon examination of Community secondary legislation, in order to make the technical adaptations thereto which will be rendered necessary by Portugal's accession and also to determine the issues which have to be dealt with in the framework of the negotiations.

The Commission has also embarked upon the work involved in the drawing up of an official Portuguese version of primary and secondary Community law.

15. The autonomous regions of Madeira and the Azores

In a declaration, Portugal notes that "the regional governments of the Azores and Madeira are contemplating in a positive way Portugal's accession to the European Communities and see in this accession an opportunity to speed up their economic and social development, despite the serious handicaps which they will have to overcome, notably that of the distance between their geographical location and the European mainland and the serious infrastructure deficiencies which are to be observed in these territories".

The specific problems of the Azores and Madeira will be dealt with in the chapters of the negotiations pertaining thereto. Some of them have already been resolved.

16. The Institutions

Starting on the first day of its accession, Portugal will participate as a full member in all the activities of the Community Institutions (Commission, Council, European Parliament, Economic and Social Committee, Court of Justice, Court of Auditors, European Investment Bank). The exact number of Portuguese members in these Institutions, and the number of votes allotted to Portugal for decision-taking, will be determined at a later date and will appear in the Act of Accession.

As far as the rules for the operation of the Institutions are concerned, the rights and obligations arising out of the Treaties form part of the "acquis communautaire" and will be adopted by Portugal on accession.

ANNEX

ECONOMIC PROFILE OF PORTUGAL

AREA - POPULATION

Portugal has an area of 91 600 km², 88 500 km² of which make up the main-land area. The Açores (2 335 km²) and Madeira (796 km²) archipelagoes are autonomous regions.

The total population at the beginning of 1981 was 9 784 000, and is thus roughly similar to that of Belgium and Greece. The density of population is 107 inhabitants per km². This density varies sharply depending on the provinces and is highest in Madeira (330 inhabitants per km²).

The demographic statistics show that the Portuguese population is, on average, younger than the Community population. The birth rate is higher : 16.3 0/00, compared with 12.2 0/00 in the Community.

EMPLOYMENT

The civilian working population totals 4 251 000. 344 000 are unemployed, including 198 000 young people seeking their first job (1979).

Unemployment (as % of civilian working population) (1).

Total	Men	Women	Under 30
8.1%	4.6%	12.9%	15.7%

In 1980, the unemployment rate fell to 7.8%.

Some 2 million Portuguese emigrated, especially between 1960 and 1974. The emigration flow has slowed down markedly since then and has fallen to an annual mean of 25 000 emigrants.

In 1979, 476 000 Portuguese migrant workers were registered in the countries of the Community, 385 000 being in France, almost 60 000 in the Federal Republic of Germany, over 13 000 in Luxembourg, 10 000 in the United Kingdom, some 6 000 in Belgium and an equivalent number in the Netherlands.

(1) Source : I.N.E. (Instituto Nacional de Estatística), Lisbon.

In Portugal, as in Greece, a very high percentage of the labour force is employed in agriculture.

The table below gives a breakdown, by way of comparison, of the labour force in each of the big economic sectors in the member countries of the Community and also in Spain and Portugal.

Civilian employment by sector of activity 1980

Country	Agriculture	Industry	Services	Total
Germany	6.0	44.8	49.2	100.0
France	8.8	35.9	55.3	100.0
Italy	14.2	37.8	48.0	100.0
Netherlands	4.6	32.0	63.3	100.0
Belgium (a)	3.0	34.8	62.2	100.0
Luxembourg	6.3	38.4	55.3	100.0
United Kingdom	2.6	38.0	59.4	100.0
Ireland	19.2	32.4	48.4	100.0
Denmark (a)	8.3	30.2	61.5	100.0
Greece	30.3	30.2	39.5	100.0
Eur. 10	8.0	38.3	53.6	100.0
Spain	18.8	36.1	45.1	100.0
Portugal	28.6	36.1	35.3	100.0

(a) 1979

Source : EUROSTAT

ECONOMIC INDICATORS

As a result mainly of a food prices control policy, the inflation rate, which had been 24% in 1979, fell to 16.6% in 1980. Since the beginning of 1981, however, inflation has been speeding up markedly, as a result of some degree of price liberalization and of the serious drought the previous year, but also of increased purchasing power among employed persons.

Price indexes	1976	1978	1979	1980	1981 1st quarter
Source : National Statistical Institute	100.0	156.0	192.8	224.9	249.3

Despite relatively high growth in GDP (Gross domestic product), the standard of living is still well below that of most of the member countries of the European Community.

GDP growth	1979	1980	1981 (estimate)
Source : OECD	4.5%	5.5%	3.5%

The gross domestic product per capita, in 1980, at current price and exchange rates, expressed in ECUS (1) was only 1 753 ECUs, whereas the EUR-10 Community mean was 7 067 ECUs :

Gross Domestic Product (GDP) at market prices per capita
1980 - ECUs

Denmark	9 326
Germany	9 582
Luxembourg	9 054
France	8 739
Netherlands	8 534
Belgium	8 510
United Kingdom	6 712
Italy	4 971
Spain	4 061
Ireland	3 738
Greece	3 024
Portugal	1 753

Source : EUROSTAT (Statistical Office of the European Communities)

(1) ECU - European unit of account
(1 ECU = 0,56 £ in March 1982)

INDUSTRY

60% of Portuguese exports consist of industrial products. Industry accounts for 40% of gross domestic product and employs 35 % of the working population.

The textiles and clothing sector is still the biggest, followed by food products, chemicals, paper, non-metallic mineral products, and the construction of means of transport, motor vehicle assembly in particular.

The main feature of the structure of industry is the preponderance of small and medium-sized undertakings. Although they are an essential part of the economy, they are uncompetitive internationally and need to be modernized. Furthermore, industry is concentrated on the coastal area between Braga and Setubal. These structural difficulties are compounded by the difficulties caused by the world recession and the increase in the price of raw materials, for which Portugal is largely dependent on abroad.

The positive trends in exports in 1978 and 1979, which originated in the moderate pay increases and the re-establishment of investments, resulted in improved industrial productivity. In 1980, industrial production did, however, slow down especially in the exporting sectors (textiles, clothing, chemicals), as a result of falling demand in European countries.

The industrial production index - from OECD- went up almost constantly from 100 in 1975 to 146 in 1980, and steadied off at 145 in the first half of 1981. The 46% growth rate recorded between 1975 and 1980 breaks down as follows among the main sectors : textiles (+ 27%); food (+26%) ; chemicals (+ 50%); paper (+ 50%); non-metallic mineral products (+ 51%); means of transport (+ 59%), including motor vehicle manufacturing (+ 71%). The stagnation in industrial production observed since the beginning of 1981 is due to the recession in the textile, paper, non-metallic minerals and chemical products industries.

The government considers that Portuguese industry is well placed, in the coming decades, to meet international requirements, subject to qualitative improvement of its production and better use of the labour and the country's natural resources (copper, tungsten, tin, etc) which are available.

AGRICULTURE

Even though 31% of the Portuguese working population is employed in agriculture, this sector's share of gross domestic product is only 15%, which is an indication of the relatively low level of productivity in this sector. In recent years, Portugal's trade balance in the agricultural field has been showing a deficit, owing to increased consumption of imported food products and also to the decline in exports.

Portuguese agriculture has 4.1 million hectares at its disposal, (compared with 28 million for Spain and over 100 million hectares for the European Community).

The low productivity of the farms, the inadequacy of the equipment and of the infrastructures, and also the low rainfall and very poor land, particularly in the south, make the Portuguese primary sector the least productive in Western Europe.

Agriculture in the north of the country is divided out into smallholdings, while large farms predominate in the south. Thus, in the North, farms smaller than 4 ha in size account for 78.9% of the total, and cover 46.1% of the area. In the south on the other hand, farms smaller than 4 ha in size account for 56.8% of the total and cover 3.6% of the area while those with over 100 ha form 3.4% of the total and cover 63.5% of the area.

In 1980, only 14.5% of Portugal's agricultural imports came from the Community (cereals, food industry residue, sugar etc), as the USA were in first place as Portugal's agricultural supplier. On the other hand, 39.62% of agricultural exports (wines, fish preparations (sardines), vegetable preparations (tomatoes), fruits etc) went to the European Community.

FISHING

Approximately 38 000 fishermen are employed in fishing in Portugal and the autonomous regions of the Azores and Madeira and approximately 12 000 workers are employed in the processing and deep-freezing industry. The fleet consists mainly of small ships for non-industrial inshore fishing, but also of a number of high tonnage trawlers used for fishing in distant waters.

Portugal exports its fishing products mainly in the form of canned sardines and tunna, which account for over 80% of its total exports. Approximately half of Portuguese exports of fishery products are taken by the Community.

Portugal does, however large quantities of fish, its consumption being higher than that of most other European countries. The fishery products trade balance in quantities, which had traditionally been positive, began, and continued, to show a loss throughout almost the whole of the seventies. Some degree of recovery was, however, noted in 1978 and this proved to be true in 1979 too.

FOREIGN TRADE (1980 as %)

Geographical areas	Imports	Exports
European Community	38.9	54.6
EFTA	7.5	13.8
United States	10.7	5.7
State-trading countries	2.3	2.0
Old Escudo area	1.0	5.2
Others : Middle East, Spain, Latin America, Africa etc	39.6	18.7
Source : INE PORTUGAL	100.0	100.0

The main goods exported are textiles, clothing and shoes (29.9%), wood and cork (10.37%).

The main categories of goods imported are mineral products (oil etc) (24.20%), machines and apparatus (24.8%), agricultural products : cereals, oilseeds, fish, meat (17.4%) and chemical and plastic products (10.75%).

TRADE BALANCE

Developments in the trade balance (in million ECU)

Year	Exports	Imports	Balance
1977	2271 (1)	4125	- 1854
1978	2149 (1)	3830	- 1681
1979	2594	4519	- 1924
1980	3298	6196	- 2898

(1) Including non-monetary gold

Source : EUROSTAT : Balance of payments - overall data 1969-1980, Luxembourg 1981.

As from 1978, exports expanded less than the increase in imports. The result was a trade balance deficit, which went up from 1 700 million ECU in 1978 to 2 900 million ECU in 1980. This trend again proved to be true in the first three quarters of 1981, when, according to the foreign trade statistics, the total values of imports was 6 200 million ECU and that of exports only 2 700 million ECU. This trend is attributable in particular to a sharp increase in imports of energy products and to the world economic recession, which has slowed down exports.

BALANCE OF PAYMENTS

Main balance of payments balances (in million ECU)	1977	1978	1979	1980
Goods	- 1854	- 1681	- 1924	- 2898
Services	- 108	- 34	78	- 28
Unilateral transfers	997	1300	1809	2157
Current account	- 965	- 416	- 38	- 770
Basic balance	- 868	195	511	- 254

Source : EUROSTAT : Balance of payments - overall data 1969-1980, Luxembourg 1981.

Although Portugal only accounts, with its exports, for a diminishing share of the value of the goods which it receives, the current account only showed a slight deficit in 1979 (- 38 million ECU), thanks to the continual increase in revenue from unilateral transfers sent home from abroad by Portuguese migrant workers and to the improved revenue from tourism.

This situation changed markedly in 1980 : the deficit hollowed out and reached a balance of 770 million ECU. The deterioration was due to an unfavourable trend in "services" (+ 24% for revenue; + 35% for expenditure), notably in transport services and in capital income.

The basic balance (aggregate of the balance of ordinary operations and of that of long-term capital), which showed a positive balance in 1978 and 1979 (195 million ECU and 511 million ECU respectively), worsened substantially in 1980 (deficit of 254 million ECU), as a result of the falling off in subscriptions of long-term capital.

It should be noted that among net receipts of long-term capital (549 million ECU in 1979 and 516 in 1980),

- loans from the European Community (EIB) totalled 30 and 45 million ECU respectively,
- direct foreign investments in Portugal amounted to 54 and 74 million ECU respectively and went up sharply in 1981.

ENERGY

Compared with other countries, per capita energy consumption is still very low : in industry it is 282 kg oe (Community : 863), in transport it is 257 kg oe (Community : 553) and it is 125 kg oe in homes, trade and services (Community: 1 041). (EUROSTAT : 1978).

Energy estimates (MTOE)	1979	1985	1990
Demand for energy	11.3	17.1	22.9
Production of energy	3.3	3.9	4.2
including hydro and geothermic	2.6	2.6	3.1
imports of coal	0.3	1.4	3.8
imports of oil	9.9	13.0	16.0

Source : International Energy Agency

As a result of the relatively low consumption of energy products, imports of oil amount to only 19% of total imports (1979).

However, in view of the increase in oil prices, which places a heavy burden on the balance of payments, the Portuguese government has announced the launching of a national coal plan. In accordance with this plan, Portugal will develop national coal resources and will gradually increase imports of coal, thus reducing the share of oil in the country's energy consumption. The government has abandoned, at least for the time being, the idea of building nuclear power stations.