

PORTUGAL AND THE EUROPEAN COMMUNITY

The Commission of the European Communities having made known on 19 May 1978 its opinion concerning Portugal's request for accession to the Community, this note gives a brief history of the relations between the two partners, describing in turn:

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With the Commission of the European Communities having just published its opinion on Portugal's request for accession, it seems an appropriate time to take stock of the relations which have developed between this country and the Community.

Three successive phases can be picked out in this respect.

First of all, between 1969 and 1974, the preparation and then the entry into force of a free-trade agreement similar in its main principles to those entered into with other West European countries but taking into account the specific nature of the Portuguese economy and its degree of development.

Then, after the re-establishment of democracy in Portugal, between 1974 and 1976, the two partners drew closer together to a considerable extent. Portugal wanted to strengthen its links with the Community and to extend cooperation to new fields, whilst revising certain commercial provisions in the free-trade agreement. For its part, the Community proposed to support a political evolution allowing the development of closer relations. Thus, in October 1975, special emergency financial aid was granted to Portugal and, in June 1976, negotiations were concluded with regard to a financial protocol and an additional protocol to the free-trade agreement.

Finally, the beginning of 1977 saw the start of the third phase, that of preparations for the accession of Portugal to the Community: with Portugal's formal request being submitted on 28 March 1977, the Council instructed the Commission to prepare its opinion on this request.

1. The free-trade agreement between Portugal and the Community

When the United Kingdom's decision to request accession to the European Community was announced in 1961, it became clear that economically Portugal could not remain outside an enlarged Community in view of its trade links with its partners within the European Free Trade Agreement (EFTA), the United Kingdom in particular.

The new application by the United Kingdom in 1967 and the steps taken by the other EFTA countries led the Portuguese Government to send a memorandum to the Commission of the European Communities on 5 February 1969, stressing 'its desire to participate from the very beginning in all negotiations with a view to an arrangement in the fields of trade and scientific and technological cooperation'.

On 28 May 1970, the Portuguese Government sent the Community bodies a memorandum in accordance with the options defined in paragraph 14 of the final communiqué of the Conference of Heads of State or Government of the European Communities held at The Hague in December 1969, which provided EFTA countries not applying for accession to the European Community with the opportunity of starting discussions on their position in relation to the Community.

These initial negotiations between Portugal and the Community began in December 1971 and ended in July 1972.

In these negotiations, Portugal had three essential objectives in mind:

1. keeping the advantages obtained on the Danish and British markets (absorbing over 25% of all Portugal's exports);
2. also obtaining access to the markets of the enlarged European Community for its agricultural products;
3. maintaining protection for its own industry.

The agreement signed in Brussels on 22 July 1972,¹ which entered into force on 1 January 1973, falls within the framework of the bilateral agreements signed with the EFTA member countries not applying for accession to the European Community. Nevertheless, it does have some original features.

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.

¹ OJ L 301 of 31.12.1972.

But the agreement differs from the other EFTA agreements in the inclusion of a section covering agriculture. Furthermore, 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 include a 'future developments' clause. Portugal attached great importance to this clause intended to provide possibilities for the development of the agreement. Portugal can submit a reasoned request to the Commission, 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 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 concentrate, canned sardines and certain wines and fresh fruits and vegetables.

Import duties in the Community are reduced by 40% for canned sardines provided that the minimum agreed prices are complied with.

Customs duties on tomato concentrate imported into the Community have been reduced to 30% on the basis of the guarantees provided. The latter consist in voluntary restraint on Portuguese exports of this product and compliance by the suppliers with certain minimum prices. In 1976, for instance, the voluntary restraint commitment was for 90 000 tonnes.

Since the agreement came into force, Portugal has enjoyed Community tariff quotas for Port, Madeira and Setubal wines. According to the terms of the agreement, within the limits of these annual quotas, the tariff reduction rates vary between 30% and 60% of the Community customs tariff rates.

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, in so 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 are subject to ceilings, which will end in 1980.

The timetable for EEC tariff dismantling is as follows:

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

Administration of the agreement

The Joint Committee provided for in the agreement between the Community and Portugal held its first meeting in Brussels on 9 February 1973. With a view to the proper functioning of the agreement, implementation provisions were introduced in the fields of rules of origin and methods of cooperation on customs matters.

At the various meetings of the Joint Committee, the Portuguese delegation drew the Community's attention to the insufficiency of the concessions in the wine sector and to the import arrangements for sardines, Portugal having to comply with a minimum price on import into the Community, and the arrangements for tomato concentrate.

¹ This last date, as will be seen later on, was finally to be brought forward to 1 July 1976.

2. The development of relations with Portuguese democracy

Immediately after the events which took place in Portugal in April 1974, the Portuguese authorities turned their attention to strengthening the links with the EEC. Received by Mr François-Xavier Ortoli, then President of the Commission, and Sir Christopher Soames, Vice-President responsible for external affairs, the Portuguese Prime Minister, Mr Adolino de Palma Carlos, and Mr Mario Soares, the Minister for Foreign Affairs, expressed, on 26 June 1974, their country's desire to develop relations with the European Community going beyond the free-trade agreement.

At the meeting of the Joint Committee on 27 June, the Portuguese delegates expressed the hope that the Community would rapidly provide the Portuguese economy with the necessary aid so that Portugal could play its full part in a democratic Europe. Expressing its satisfaction with the cooperation possibilities offered by the political evolution taking place at the time, the Community delegation stated that it would endeavour to meet Portugal's wishes.

After the Council had examined the evolution of the political situation in Portugal, at the beginning of July, the European Parliament turned its attention, on 16 October, to the question of the action which could be taken to further this country's return to its position as one of the democratic nations of Europe. On this occasion, Sir Christopher Soames stressed the need for an agreement on the extent and content of relations between Portugal and the Community. 'It is important for the EEC', he said, 'that another European country with which we already have solid links should have accepted the principles set forth in the European Charter on Human Rights and should be acceding to the democratic freedom on which our Community is based.'

The Portuguese requests were for cooperation to be stepped up and for the trade arrangements laid down in the free-trade agreement to be improved. On the one hand, slowing down the tariff dismantling rate and increased protection possibilities ought to enable Portuguese industry to adapt better to the conditions of international competition. On the other hand, in the field of agriculture, Portugal wanted additional concessions for its exports of wines and tomato concentrate. Portugal also invoked the future developments clause to ask the Community to 'introduce industrial cooperation procedures coupled with essential financial cooperation'. Lisbon also wanted to see the rights of migrant Portuguese workers improved in the field of social security and to obtain assurances with regard to their numbers in Member States being maintained.

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 commencement of negotiations in order to strengthen the free-trade agreement signed in 1972. On 24 June 1975, the Council of Ministers gave its consent to the principle of financial assistance being granted to Portugal by the Community and the Member States, given the prospects for a pluralist democracy and in order to help the new regime to check the economic crisis. On 17 July, the European Council also pointed out that, in keeping with its historical political traditions, the Community could only give its support to a democracy of a pluralist nature. The Council reaffirmed that the Community was prepared to enter into discussions on closer cooperation with Portugal in the economic and financial fields.

From then onwards, the strengthening of the links between the two partners was essentially focused on two points:

- (a) At a Council meeting in Luxembourg on 7 October 1975, Portugal was offered *special emergency financial aid*. In this way, the European Investment Bank made credits available to Portugal amounting to 150 million u.a., coupled with an interest subsidy of 3%. These interest subsidies (representing 30 million u.a.) and the full guarantees covering the loans were included in the Community budget. From then on, Portugal and the Community were to work together within a Joint Committee — which met for the first time on 9 January 1976 in Brussels — in order to prepare the cooperation projects to be submitted to the EIB. A mission from the Bank then went to Lisbon from 12 to 21 January 1976, and the first agreements were signed in the spring of 1976. It was also laid down that the bilateral aid granted to Portugal by Member States would be subject to coordination procedures.

- (b) On 20 January 1976, the Council of Ministers authorized the Commission to start negotiations with Portugal aimed at *developing and enlarging the free-trade agreement*, in compliance with the future developments clause.

The negotiations — which began on 13 February — ended on 9 June. In the meantime, Mr Melo Antunès, the Portuguese Minister for Foreign Affairs, had visited the Commission on 28 February, whilst the President of the Commission, Mr François-Xavier Ortoli, had taken a trip to Lisbon from 5 to 7 March. The desire to strengthen the links between Portugal and the Community and the latter's support for the democratic process in Portugal were reaffirmed on that occasion.

At the end of the negotiations, on 9 June 1976, the two delegations agreed on an *additional protocol* to the free-trade agreement of 1972 and on 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 in favour of Portuguese exports, especially textiles, paper and wines. In addition, the Community brought forward from 1 July 1977 to 1 July 1976 the date for the 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 (the 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.

In so far as *labour* is concerned, Portuguese workers enjoy conditions similar to those of workers who are nationals of Community Member States with regard to working conditions, pay and social security.

The *financial protocol* amounts to 200 million u.a., in the form of EIB loans provided from its own resources. 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 protocol, valid for five years, should come into force in 1978, the years 1976 and 1977 being covered by special emergency aid of 180 million u.a. granted in October 1975. The object of the financial protocol is to finance investment projects aimed at increasing productivity, diversifying the Portuguese economy and promoting, in particular, industrialization and modernization of the agricultural sector. The loans on which interest subsidies are granted are reserved for the financing of small and medium-sized undertakings, economic infrastructure, agricultural development and the processing of agricultural and fishery products.

These protocols were signed in Brussels on 20 September 1976 by the Portuguese Minister for Foreign Affairs, Mr Medeiros Ferreira, and Mr Van der Stoep, President of the Council of Ministers, and Mr Ortoli for the Community, but the parliamentary procedures in the Member States have not yet allowed these protocols to come into force. However, through an interim agreement also signed on 20 September, the commercial provisions included in the additional protocol came into effect on 1 November 1976. In the field of cooperation, steady progress has been made in the preparatory work and the first results could emerge as soon as the ratification procedure is completed.

3. The first steps towards Portugal's accession to the Community

The meetings of the Portugal-Community Joint Committee in 1976 (28 and 29 October) and 1977 (9 November) allowed the two partners, in particular, to take stock of Portugal's balance-of-payment problems, to prepare the cooperation details pending the entry into force of the protocols, and, finally, to examine certain problems of mutual interest such as the limitation of fishing rights in Community waters and Portuguese textile exports to the Community.¹ The special aid was also the subject of a series of agreements signed between 7 April 1976 and 13 October 1977.²

¹ Portugal and the EEC are in the process of negotiating an arrangement for an administrative cooperation system allowing the harmonious development of trade in textiles.

² 55 million u.a. for two power stations in Setubal and Póvoa, 27 million for irrigation projects in Ovidelas and Macedo de Cavaleiros, 24 million for harbour works in Oporto and on the Alcantara-Lisbon wharf, 24 million for projects involving small and medium-sized undertakings (of which 9 million in the tourism sector) and 20 million for the extension of the Barreiro chemical and metal-working plant.

But the big issue now is the prospect of a new enlargement of the Community. Portugal's formal request for membership was made on 28 March 1977 in letters sent by the Portuguese Prime Minister, Mr Soares, to Mr David Owen, Foreign Office Secretary and President in office of the Council.

Previously, from mid-February to mid-March, Mr Soares had visited the capitals of the various Member States to sound the governments on their intentions. The Council meeting on 8 February 1977 had already resulted in a common position being adopted by the Nine in this connection. Whilst making known their concern with regard to the problems which economic integration in the short term would be bound to create for both Portugal and the Community, the Ministers decided to seek out with this country all the means likely to bring the economies closer together and to lead to full membership within the most favourable period of time.

After going to the European Parliament, the European Investment Bank and the Court of Justice, and before going to the Economic and Social Committee, Mr Soares had talks on 11 and 12 March with Mr Roy Jenkins, President of the Commission, Mr Lorenzo Natali, Vice-President responsible for enlargement questions, and Mr Wilhelm Haferkamp, Vice-President responsible for external relations. The Portuguese delegation, which included Mr José Medeiros Ferreira, Minister for Foreign Affairs, Mr Victor Constancio, President of the Portuguese Commission for European Integration, and Mr Siquera Freira, Head of the Portuguese Mission to the Communities, was received by the Commission, to which Mr Soares stressed the need for democracy and for the Portuguese people to be integrated into the Community, thus translating into reality Portugal's European vocation. For its part, the Commission expressed its great satisfaction with regard to the determination with which Portugal was trying to make its contribution to the construction of Europe, after ensuring the consolidation of democracy.

It was on 5 April 1977 that the Council of Ministers took note of the Portuguese request and asked the Commission to give its opinion prior to a decision within the Council, in accordance with the European Treaties. As Mr Owen pointed out, the accession procedure had thus been set in motion.

During this period, the relations between Portugal and the Community were the subject of a study taken up by the Economic and Social Committee on 28 April 1977 and a resolution passed by the European Parliament on 16 September.

The general problem of the enlargement of the Community — involving Greece and Spain in addition to Portugal — was also the subject of an informal Commission meeting in Roche-en-Ardenne on 17 and 18 September 1977, a debate in the European Parliament on 12 October and a statement by the President of the Commission, Mr Roy Jenkins, at the Council of Ministers on 18 October.

In the meantime, however, the Commission's departments responsible for preparing the opinion on the request for membership had begun their work, in close cooperation with their Portuguese counterparts, especially the special commission headed by Mr Constancio. The experts on both sides were particularly concerned with defining as objectively as possible the exact nature and extent of the problems raised by membership. The question of the progress made in these studies was one of the subjects examined during the official visit by Mr Jenkins, President of the Commission, to General Eanes, President of Portuguese Republic, and Mr Soares on 10 and 11 November 1977. Received in Brussels on 24 February 1978, in his capacity as the new Portuguese Minister for Finances and Planning, Mr Constancio had an opportunity to examine this subject again with the Vice-President of the Commission, Mr Natali, in the light of the latest economic developments in Portugal.

Received in Lisbon on 28 February, the President of the European Parliament, Mr Emilio Colombo, reiterated his own commitment to enlargement. Referring to the negotiations between Portugal and the International Monetary Fund, Mr Colombo noted that whilst reducing the deficit in the balance of payments and the rate of inflation are fundamental objectives for any country, the requirements of social development must be taken into account if these objectives are to be attained.

Still in the context of the preparation of the Commission's opinion, Vice-President Natali paid an official visit to Lisbon from 29 to 31 March. He had talks with the President of the Republic, the Prime Minister, the Ministers for Foreign Affairs and Finances and representatives of the political parties and social organizations.

In a statement to the Council on 19 April, the Commission described its 'General views on the problems of enlargement' and on their implications for both the Community and the three Applicant States.

Received in Brussels on 25 April, Mr Victor Sa Machado, the Portuguese Minister for Foreign Affairs, expressed his positive reaction to the views set forth by the Commission.

Below is given (Annex 1) the outline of the Commission's opinion on Portugal's request for accession. This opinion was adopted on 19 May 1978.
