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for membership

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# contents

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<b>Background</b> . . . . .	5
<i>Part One</i>	
<b>General remarks</b> . . . . .	7
<i>Part Two</i>	
<b>Specific considerations</b> . . . . .	11
Customs union . . . . .	11
Agriculture . . . . .	11
Fisheries . . . . .	12
Industry . . . . .	12
Energy . . . . .	13
The tertiary sector . . . . .	13
Social and regional aspects . . . . .	14
Right of establishment and movement of services and capital . . . . .	15
Competition and aids . . . . .	16
Taxation . . . . .	16
External relations . . . . .	16
Madeira, the Azores and Macao . . . . .	18
Other Community policies . . . . .	18
<b>Annexes</b> . . . . .	19
Table 1 — Gross domestic product at market prices . . . . .	21
Table 2 — Trend of GDP by sector at 1963 prices . . . . .	21
Table 3 — Volume indices of GDP at market prices . . . . .	22
Table 4 — Employed civilian working population broken down by occupational category and by branch . . . . .	23
Table 5 — Portugal's overall energy situation . . . . .	24
Table 6 — Area, population, density and <i>per capita</i> GDP broken down by region . . . . .	25
Table 7 — Consumer price indices 1960-77 . . . . .	25
Table 8 — Production, availability and degree of self-supply in the Community of Nine plus Portugal, in respect of the principal agricultural products . . . . .	26
Table 9 — Yields per hectare in Portugal as compared with the Community for cereals, rice and potatoes . . . . .	27
Table 10 — <i>Per capita</i> consumption of various agricultural products in Portugal and in the Community . . . . .	27
Table 11 — Composition of final agricultural production for Portugal, the Community of Nine and Italy . . . . .	28

Table 12 — Total production of certain agricultural products in Portugal as compared with the Community . . . . .	29
Table 13 — Portuguese imports (agricultural products) . . . . .	30
Table 14 — Portuguese exports (agricultural products) . . . . .	31
Table 15 — Trend of Portugal's trade 1958-76 . . . . .	32
Table 16 — Portugal's principal suppliers and customers in 1976 (as percentage) . . . . .	33
Table 17 — EEC-Portugal trade by category of product 1973-76 . . . . .	34
Table 18 — Portugal's balance of payments — Summary 1972-76 . . . . .	35

*List of graphs*

1. Estimated <i>per capita</i> gross domestic product at current prices and exchange rates . . . . .	36
1a. Estimated <i>per capita</i> real gross domestic product . . . . .	37
2. Occupied civilian working population by sector of activity . . . . .	38
3. Trend of gross domestic product by sector . . . . .	39
4. Composition of final agricultural production . . . . .	40
5. Consumer price indices . . . . .	41
6. Exports . . . . .	42
7. Imports . . . . .	43
8. Rates of exchange . . . . .	44
9. Gross domestic product concentration . . . . .	45
10. Population concentration . . . . .	46

*List of maps*

1. Population density . . . . .	47
2. Average annual rate of population variation . . . . .	48
3. Working population in agriculture . . . . .	49
4. Gross domestic product <i>per capita</i> . . . . .	50

## Background

On 28 March 1977, on behalf of the Government of the Portuguese Republic, the Prime Minister, Mr Mario Soares, submitted to the President of the Council of the European Communities Portugal's application to accede to the European Coal and Steel Community (ECSC), the European Economic Community (EEC) and the European Atomic Energy Community (Euratom).

The Council at its session on 5 April 1977 agreed to initiate the procedure provided for in Articles 98 of the ECSC Treaty, 237 of the EEC Treaty and 205 of the Euratom Treaty, adding that the Commission in drawing up its opinion 'will remain in close contact with the Member States on the one hand and Portugal on the other'.

Contact with the Portuguese authorities has been conducted through the 'Commission on European Integration', set up by the Portuguese Government to promote and coordinate the proceedings preparatory to accession. By this means the Commission's staff have been provided with extensive documentation on the situation of Portugal. The Member States for their part have been kept abreast of the Commission's proceedings in the preparation of its opinion.

The Commission in addition forwarded to the Council on 20 April 1978<sup>1</sup> a communication setting out general considerations of problems of enlargement, in which considerable attention is devoted to Portugal, and the specific aspects of its situation among the three applicants and the kind of arrangements these necessitate are dealt with in particular.

That communication, and the texts which supplement it, form the basis for this Opinion, which in effect represents the application of the general considerations in the specific case of Portugal.

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<sup>1</sup> Bull. EC 4-1978, points 1.1.1 to 1.1.7; Supplements 1/78, 2/78 and 3/78.

## Part One

### General remarks

1. The Treaties of Rome and Paris signify the clear intention that other European States sharing the democratic ideal of the European Community's Member States should be able to accede to the Community. It was in this context that Mr Soares placed his country's application to do so, stating that it came within this perspective of solidarity among peoples and was the guarantee of Portugal's turn to democracy, which had begun on 25 April 1974 and had led within months to the restoration of public liberties, the recognition of political parties, the ending of arbitrary repression and the effecting of decolonization. On 25 April 1975 a Constituent Assembly was elected which framed the Constitution of 2 April 1976, the preamble to which proclaimed 'the decision of the Portuguese people to establish the principles of democracy'.

2. Democracy in Portugal is now an established political fact. It has already ridden out testing times, due to the aftermath of the revolution and the problem of reabsorbing the refugees from Angola and Mozambique, and has speedily gained indisputable international authority.

3. 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 Commission accordingly feels that an unequivocal Yes should be given promptly to the Portuguese request to open accession negotiations as soon as possible. It should moreover be noted that Portugal's accession, given in particular its policy of openness to the outside world and its traditional ties with Latin America, Africa and the Far East, will enhance the role of the Community in the

world. Political considerations must not, however, be allowed to obscure the economic difficulties discussed in the following pages, in which the Commission sets out the arrangements which will need to be instituted on both sides in order to make a success of Portuguese accession.

4. For the Community, the economic impact will be very limited, in view of the relative weight of the Portuguese economy. Portugal represents only 3% of the present Community of Nine in population, and 1% in gross product (GDP).<sup>1</sup> The problems liable to arise would stem primarily from the fact of appreciable disparities in development, which would accentuate the Community's heterogeneity. This being so, decision-making in the Community institutions could be rendered more difficult.

5. For Portugal, the prospect of accession makes it all the more necessary to remedy certain shortcomings in its economy. In the 1960s the radical reforms of its economic and social structures that could have prepared it for integration into a modern economic entity like the Community were not effected, although this was a time of stability and sustained growth in the Portuguese economy. Thus investment remained extremely low throughout those years, and the main result of the economic policy followed was the accumulation of foreign-exchange reserves.

This has produced a society and economy with major structural weaknesses in all sectors of activity. Twenty-eight per cent of Portugal's working population is still employed in agriculture, which, however, accounts for only 14% of GDP. This is due *inter alia* to the fact that although Portugal's agricultural potential is limited, major deficiencies are currently preventing the full exploitation of this productive potential. As a result the country has for some years been heavily in deficit agriculturally. Its industrial structure is dominated by traditional sectors at present depressed all over the world (e.g. textiles,

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<sup>1</sup> 1976 figures, at current prices, in USD.

footwear, food processing); in addition plant is very dispersed and uncompetitive. Services, despite the country's great tourist potential, represent only a comparatively small proportion of GDP. There is much disparity in development between the regions, with industrial activity heavily concentrated along the seaboard from Braga to Setúbal.

6. On top of these structural weaknesses have come since 1973 troubles due on the one hand to the world recession following the oil crisis and on the other to the aftermath of the revolution in 1974. Decolonization was rapid, which involved the abrupt repatriation of half-a-million Portuguese nationals, the demobilization of a large number of young men who had been fighting in the colonial wars, and the loss to Portugal of an important market. The leap in wages in the period immediately after the revolution, coupled with the soaring world prices of raw materials and above all of energy products, caused galloping inflation at home. Furthermore, an unstable social climate bore especially hard on agriculture, particularly in the centre and south of the country, leading to a steady fall in production which forced Portugal substantially to increase its agricultural imports, which now account for something like 50% of its trade gap.

The climate of uncertainty induced by nationalizations which affected much of industry and the services sector in 1974 and 1975 adversely influenced investment and caused a sharp drop in productivity.

Economic activity in the last few years has been stimulated much more by private and public consumption than by capital formation and exports.

7. The combination of structural weaknesses and cyclical difficulties affecting the Portuguese economy, accompanied by a simultaneous deterioration in the terms of trade, was bound to produce a growing, and in the long term intolerable, deficit on current account. The current-account balance swung from being USD 350 million in credit in 1973 to being USD 800 million in deficit

in 1974, and by 1977 the deficit had reached USD 1 500 million.<sup>1</sup> This has meant massive erosion of the reserves.

8. Accession, by completing the process begun under the 1972 Agreements<sup>2</sup> of opening the Portuguese market to competition from Community industry, would be liable to aggravate Portugal's economic difficulties: it could force enterprises not yet fully developed to go out of business altogether and it could further accentuate regional disparities.

In agriculture the repercussions of accession would be less clear-cut. As concerns market policy, extension of the Community system of price support might benefit some Portuguese production lines: this would be so in the case of products not at present enjoying price support in Portugal and of those for which support prices are lower than Community prices. On the other hand the opening of the market to products from Member States and third countries having preferential agreements with the Community would mean keener competition which could hit the less competitive production lines very hard indeed. This, and the adoption of the Community system of agricultural levies, would adversely affect Portugal's current-account balance, owing to the rise in the level and costs of imports. The Community structural policy corresponds to Portugal's essential requirements and would therefore have beneficial effects. In its present form, however, it would probably prove inadequate to cope with the scale of the problems to be tackled.

9. In view of the problems described, it is indeed urgent for the Portuguese Government to effect radical economic and social reforms to bring about the necessary restructuring of the country. The first aim is undoubtedly to scale down the balance-of-payments deficit. Accordingly, the agreement with the IMF for the second tranche of a loan to assist the balance of payments, on which the release of the funds of the 'Por-

<sup>1</sup> Approx. 10% of GDP.

<sup>2</sup> Point 49.

tugal Consortium' set up in 1977 by a number of OECD countries depends, calls for stabilization measures.

A 1978-79 stabilization plan just adopted is aimed primarily at reducing the 1978 balance-of-payments deficit to less than USD 1 000 million, to limit inflation to 20%<sup>1</sup> and to avoid too heavy a fall in employment, while maintaining some economic growth.<sup>2</sup> These measures represent a great sacrifice for the people, especially as last year's action to limit wage increases to 15% meant a real cut of nearly 10% in the wage-earners' purchasing power. Such a sacrifice can be accepted only if the reconstruction of the economy in 1978 enables the basis to be laid for a policy of structural reform, from which sustained economic recovery can be looked for from 1979 onwards.

10. To this end the Portuguese Government is to lay before Parliament in October the 'Main economic guidelines for the 1979-84 plan', which is to carry on from the short-term stabilization measures. The Government has already said that the focus will be first and foremost on industrial and agricultural restructuring and on the development of services and infrastructures with a view in particular to reducing regional disparities. The policy will seek also to keep imports within bounds and to boost exports, and in addition will include supporting measures in the social field, notably with regard to education and vocational training. The policy will be based on some containment of consumption and very rigorous development of public and private investment. To this end it will be necessary to mobilize disposable savings in the country and establish the conditions of confidence that will encourage foreign investment.

11. The above guidelines will be a practical proposition only if Portugal receives from the Community certain indications as to the accession process. The economic options of restructuring and renewed expansion are both dictated by and conditional on integration into Europe—dictated by it because the de-

velopment gap is a major obstacle to integration which means that Portugal must achieve faster growth than the Community's, and conditional on it because the restructuring must dovetail into the economic coherence of an enlarged Community.

12. Hence, the Community's reply to Portugal must be given soon. The Community must state its willingness to support the restructuring drive the Portuguese authorities will be undertaking on the basis of the above guidelines.

13. As the process goes forward, the Commission will propose to the Council the support measures the Community should adopt. It would, however, recall the broad outlines of the arrangements set out in its communication on enlargement dated 20 April 1978, which should underpin the Portuguese accession negotiations.<sup>3</sup>

14. As it then pointed out, sustained growth faster in Portugal than in the Community will facilitate the process of Portugal's adjustment. But that growth will only be possible if it is based on a high level of investment, drawing on internal and/or external savings, in a climate of stability and confidence. To this end care must be taken to see that that climate is not marred by external monetary disturbances.

15. As Portugal's balance-of-payments position will probably be somewhat precarious for several years to come, Community support during this time would be particularly valuable.

The Community ought therefore to take all possible steps to see that such support is forthcoming. As in the past, action should be taken in the first instance through the appropriate international bodies, notably the IMF.

<sup>1</sup> Inflation in 1977 was running at 27%.

<sup>2</sup> The aims sought would be pursued *inter alia* by a more restrictive and selective credit policy and by a budget policy designed to stabilize public and, through taxation, private consumption.

<sup>3</sup> See 'Background' on p. 5.



Since Portugal's future lies in Europe, it would also be desirable to consider action at European level. The Community should examine the possibilities of actively participating in such action.

It would thus be desirable to support the Portuguese Government's efforts to raise funds in the international capital markets, and to consider the possibilities for recycling certain loans falling due. Consequently, it is all the more necessary to make rapid and substantial progress towards economic and monetary union: this would facilitate the action described above and give the Community new legal and financial instruments for helping the Portuguese economy directly, or by way of guarantees.

16. Alongside these moves to assist the balance of payments, the Community's cooperation projects for furthering Portugal's economic and social development should be proceeded with. In this context, consideration might be given to speeding up utilization of aid under the Financial Protocol signed in 1976. At the same time the Community should prepare from the outset of negotiations to support Portuguese development, particularly in the industrial and agricultural sectors. Appropriate development programmes drawn up by the Portuguese authorities in collaboration with the Community, with Community cofinancing, could provide a suitable framework for intervention.

17. Also, the Community should declare its willingness to engage in consultations with Portugal on the measures planned in the present Community to restructure industries in difficulty and agriculture. This would involve Portugal's abiding by jointly agreed rules of discipline, notably in the industrial sector, and Community contributions to the financing of measures in Portugal, where these entailed sacrifices like those made in the Community with the aid of the Community Funds for like purposes.

18. Such concerted action, forestalling conflicts of interest, would enable the Commu-

nity to exempt Portugal from import restrictions in respect of products vital to its industrial restructuring and the restoration of its balance of payments where marketed under normal conditions of competition. Furthermore, the Community should show flexibility over certain provisions in the 1972 free trade agreement so as to enable projects of importance to the development of the Portuguese economy to go ahead.

19. In conclusion to these general remarks, the Commission would observe that Portugal in opting for Europe has shown its desire to enter a Community which is politically and economically strong. Hence accession must not act as a brake on the process of Community integration; at the same time it cannot be at the cost of difficulties and sacrifices too heavy for Portugal to bear. It is essential therefore to institute some precautions with regard to the process of integration, and, similarly, to ensure greater coherence of the economy within the borders of a Community including Portugal. In Portugal's case the selection of the transitional measures will be of particular importance: they will have to be organized as to pace and procedure in the light of the adjustment problems which can be properly pinpointed only in the sector-by-sector negotiations.

## Part Two

### Specific considerations

In its Communication on enlargement dated 20 April 1978,<sup>1</sup> the Commission examined the specific situation in the various economic sectors in Portugal, and the problems relating to individual sectors and to the country's macro-economic situation. Part Two of this document is therefore confined to various additional remarks on the adoption by Portugal of Community policies and rules.

#### Customs union

20. Portugal's integration will be facilitated by the EEC and ECSC Agreements concluded in 1972,<sup>2</sup> which provide for the progressive dismantling of tariffs on industrial products, to be completed by 1985. All quantitative restrictions on imports of these products were abolished on 1 January 1973. Since 1 July 1976 ECSC products and virtually all EEC industrial products originating in Portugal have been able to enter the Community free of customs duties. The Common Customs Tariff (CCT) rates for certain fresh and processed agricultural products have been partly reduced. Since 1 July 1977 the Community has enjoyed exemption from customs duties on approximately 40% of its industrial exports to Portugal. Exemption for approximately 37% is scheduled for 1 January 1980 and the remaining 23% are to become exempt on 1 January 1985. No provision has been made for any concession to the Community on agricultural products. Major problems are unlikely to arise in connection with Portugal's adoption of the CCT as the Portuguese customs tariff is not significantly higher than the CCT.

Portugal has already largely abolished customs duties of a fiscal nature applied to industrial products. These duties will be completely abolished by 1 January 1980 at the latest. Customs duties of a fiscal nature on products not covered by the 1972 Agree-

ment, which are almost exclusively agricultural, will have to be abolished or replaced by an internal charge, which should not involve any difficulties.

21. The import surcharge, which is intended mainly to bring the balance of payments into equilibrium, is applied to imported products irrespective of origin. There are two rates, and since October 1976 these have been increased from 20% and 30% to 30% and 60% respectively. An estimated 28% or so of 1976 imports are subject to the first of these rates and approximately 2% to the second. The Portuguese Government has expressed its intention to replace the import surcharge by internal measures of a fiscal nature. Such measures adopted before accession will have to be brought into line with Community provisions. The Portuguese Government has, moreover, already taken steps to that end by abolishing the import deposit system on 1 January 1978.

22. It will be necessary to examine whether the arrangements applied in Portugal to the importation and marketing of industrial alcohol, hydrocarbons and certain agricultural products subject to market organization in the Community are compatible with Community provisions.

#### Agriculture

23. Agriculture accounts for 12% of Portugal's GDP and employs 28% of the working population. The development of agriculture, which is necessary for Portugal's economy in any event, becomes even more of a necessity given the prospect of accession. It is, in particular, essential for Portugal to reduce, or at least prevent any increase in, the proportion of the trade deficit accounted for by agricultural imports, since the rate of self-supply for several products, including basic foodstuffs, is very low, despite the proportion of the labour force employed in agriculture. In 1975, agricultural products represented 22.9% of

<sup>1</sup> See 'Background' on p. 5.

<sup>2</sup> Point 49.

total imports in value terms, and only 16.6% of total exports. The trend recorded over the last few years shows, furthermore, that this imbalance is tending to increase.

24. The difficulties affecting Portuguese agriculture and preventing its potential from being used to the full are social and structural. In order to improve productivity and production techniques, it is necessary to make changes in the land tenure structure; in particular, this involves an increase in the size of farms and less fragmentation, especially in the north of the country, injections of capital and improved vocational training for farmers. These measures should progressively bring about an increase in and better returns from agricultural production. However, they will entail a reduction in the farming population and will therefore be at least partly conditional upon the alternative job opportunities. Since the prospects of alternative employment seem slight for the next few years, the process will take quite some time to carry out, even if considerable financial resources are made available. In view of this, the structural operations should be backed up by measures to encourage production of products that are of prime necessity.

25. The adoption of the common agricultural policy could have certain beneficial effects for Portuguese producers, owing to the system of Community guarantees providing price support in the event of a crisis. The benefits would, however, be significant only in the case of products for which there is at present no guarantee in Portugal (fresh fruit and vegetables) or for which the level of guaranteed prices is at present lower in Portugal than in the Community (durum wheat, olive oil and wine). On the other hand, the liberalization of trade with the Member States of the Community and the changes in the arrangements for imports from other countries will increase competition. A vigorous structural policy would greatly ease the adoption of the Community policy on prices and markets, particularly in the medium term.

26. As regards the Community, Portugal's accession should, generally speaking, cause only small changes in the supply rate for the main products, since Portuguese production and consumption of agricultural products are relatively low compared with Community production and consumption.

### **Fisheries**

27. Fishing accounts for 1.2% of GDP and employs 0.9% of the working population. Fishery products play a relatively important part in trade, however. Fresh and chilled fish constitute about 10% of agricultural imports and preserved fish about 15% of agricultural exports.

Portugal, which has hitherto not fully exploited its own fishery resources, has been hit very hard by recent international development as regards fishing zones. Over the last five years one-third of its catches came from waters from which it is now largely excluded. Accession will involve a reallocation of fishing quotas among Member States in the Community fishing zones. It will also involve the denunciation by Portugal of bilateral fisheries agreements and in some cases the revision of the fisheries agreements concluded by the Community. Furthermore, Portugal will have to withdraw from the international fisheries conventions to which it is a party as the Community is a signatory to all conventions which are of importance to Community fisheries.

### **Industry**

28. Portugal's industry accounts for 47% of GDP and employs 33.5% of the working population. Portuguese industry will have to be strengthened fairly rapidly, in order not only to improve Portugal's ability to withstand Community and international competition, but also to sustain the attempt to improve living standards, and create jobs to bring down the high level of unemployment and cope with the consequences of modernizing agriculture.

From the structural angle, industry is still dominated by the traditional sectors (food, textiles, clothing, footwear, wood and cork), which account for a major share of employment and total exports. Their contribution to value added is very small.<sup>1</sup> Furthermore, industry is heavily concentrated in the coastal strip between Braga and Setúbal, where 95% of industrial production and around 80% of jobs are located. Portuguese industry depends heavily on imports of raw materials, intermediate products and capital goods. Portugal is lacking in energy products (oil, natural gas) but it does possess some mineral resources (iron-ore, pyrites, non-ferrous metals, etc.), which it is not, however, exploiting sufficiently as yet. It has to rely on foreign technology to a large extent.

29. Since 1974 the authorities have adopted a number of industrial policy programmes and measures but these have had an appreciable effect only in a few sectors, such as cement and public works.

30. The problems which Portugal's accession will pose for the Community in the industrial field will be relatively small. For Portugal accession will involve acceptance not only of the Treaties but also of the common policies and the common rules applied in the steel, textiles (man-made fibres), footwear and shipbuilding industries and in respect of schemes to encourage new activities.

## Energy

31. *Per capita* energy consumption in Portugal is less than half the average Community level. Energy consumption per unit of GDP is also particularly low. The effect of bringing Portuguese industry up to the desired strength would therefore be a greater-than-proportional rise in the demand for energy. No lessening of the Community's dependence on energy imports can therefore be expected. At present three-quarters of Portugal's electricity production is hydro-electric, with only a quarter coming from conventional power stations. The planned increase in

installed electrical capacity for the period 1980-85 is of the order of only 3 000 megawatts, two-thirds of which are to be supplied by thermal power stations. This accentuates the importance of bringing on-stream at least one nuclear plant; this was originally planned for 1981, but the prospects seem uncertain. A nuclear power station would be particularly suitable in view of the fact that Portugal has reserves of uranium oxide.

Clearly, it will be impossible to meet Portugal's future energy requirements unless a special investment effort is made, particularly as regards exploration for oil and natural gas resources and the building of new power stations. Portugal's refining capacity, which will reach 19 million tonnes at the end of 1978, poses a specific problem, since this is more than twice current requirements. This will therefore add to the overcapacity affecting the nine-member Community.

## The tertiary sector

32. The tertiary sector's<sup>2</sup> contribution to the country's gross domestic product is 41%, which is relatively low compared with the Community average. In terms of jobs, commerce accounts for approximately 12.4%, transport for 5.7% and banking and insurance for 2.5%.

33. Commerce is characterized by a multiplicity of retail outlets and concentration at the wholesale level. Tourism is an important source of earnings and offers major opportunities for development, given the country's geographical position.

34. Infrastructure for all forms of transport is generally inadequate and does not meet the country's requirements. This could hamper the distribution of goods and the devel-

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<sup>1</sup> In 1975 these industries accounted for 41% of the value added by manufacturing industry but provided 52% of jobs and 60% of total exports.

<sup>2</sup> i.e. Services, in particular commerce and tourism, transport, banking and insurance, public services and the professions.

opment of Portugal's tourist industry. Modernization will require large-scale investment. The main feature of the transport and communications sector is the preponderant role played by sea transport in the country's external trade (around 94% in 1974). In this field problems are likely to arise in connection with restrictions on the allocation of cargo, aspects of the right of establishment and the grant of the flag, and the free movement of seamen. Problems could also arise in road transport in connection with the implementation of a number of liberalization measures adopted at Community level, in particular those relating to market access. Moreover, Portugal will probably have to comply with stricter rules, especially under social legislation relating to road transport.

35. With the exception of a few branches of foreign firms, the whole of the banking and insurance sector has been nationalized and is now State-owned. After accession, Portugal will have to adopt the Community rules governing this sector.

### Social and regional aspects

36. Social problems (structure and level of employment, general and vocational training, living and working conditions, welfare infrastructure and public amenities, socio-cultural factors) are much more acute in Portugal than in the present Community. The Community social policy will therefore be required to play a very important role after accession. However, the European Social Fund will be able to supply only part of the solution to the problems that will arise.

37. It is true that the European Social Fund will promote vocational training and the geographical and occupational mobility of workers, and thus the absorption of unemployment, particularly in the less-developed regions of Portugal. It will help finance training schemes for certain categories of workers (young people, women, migrant workers). Schemes for training agricultural workers, coal-miners and iron and steel workers will

receive financial assistance from the European Agricultural Guidance and Guarantee Fund (EAGGF) and under the ECSC. However, the weaknesses of the training structures, the inadequacies of the public amenities and the infrastructure, and also certain social and cultural factors, such as reactions to the problems of adjusting to technical progress and to modern operating and marketing methods, reduce Portugal's capacity to absorb external financial aid. Portugal must therefore have Community help to prepare for accession in the social field.

38. The opening up of frontiers and the application of the Community provisions concerning workers' freedom of movement might encourage the tendency to emigrate, which would be likely to create additional difficulties in the present Member States. Account should nevertheless be taken of the fact that studies on intra-European migration and the Community's experience in this area show that in practice, even where there is freedom of movement, migratory movements vary essentially according to the prospects offered by the labour market in the host countries. These studies also show that in these countries the section of the labour market which is disdained by national workers is open to migrant workers irrespective of the economic situation.

It is still possible that spontaneous movements may take place despite the very limited job opportunities in the present Member States, particularly during the first few years after enlargement. Improvements in living standards and working conditions, and a fall in unemployment levels during the period would make this less likely. The problem described above obviously does not affect Portuguese workers already residing in the Community.

The structural weaknesses described in connection with the examination of the various sectors of Portugal's economy stand out even more sharply if they are analysed on a regional basis.

In addition to these structural weaknesses there are considerable regional imbalances which could become worse and lead to an excessive concentration of population and activities in a few specific parts of the country, thus hampering the development of the rest of the country. This would make it more difficult to remedy the structural weaknesses and maintain a satisfactory growth rate.

39. In 1970, 80% of the population, 90% of GDP and 95% of industrial production were concentrated in the three northernmost coastal regions, which constitute 37% of Portugal's territory. There are four main types of problem in these regions:

- (i) the inadequacy of the economic and social infrastructure;
- (ii) the large number of artisanal firms which are unproductive and likely to be uncompetitive and which form a significant part of the industrial fabric of these regions. There is therefore the problem of restructuring the industrial fabric and developing small and medium-sized firms in particular;
- (iii) the uneven distribution of activities owing to concentration in certain areas;
- (iv) the low degree of development of agriculture, which shows similarities to agriculture in the other four regions of the country, although the problems are less acute.

40. Although agriculture employs 28% of Portugal's labour force, it does not cover the country's food requirements. In five of the seven regions, what is more, agriculture employs between 44% and 69% of the labour force in those areas. The three northern coastal regions alone account for about 65% of national agricultural production. This sector must be modernized and made more dynamic. The agricultural regions lack the infrastructure and the economic, social and cultural environment needed to promote modernization. The marketing of local products is not organized, and access to information and to social and cultural facilities is difficult. As a result, the agricultural sector in a number of areas functions either on an

autarchy basis or is dependent on numerous intermediaries.

41. This means that the modernization of agriculture needed to meet the population's fundamental requirements and improve the country's balance of payments can be achieved only if the regional economic structure is developed (infrastructure, educational, administrative and housing problems, services relating to agriculture) so that the initial progress made in a particular sphere will be able to have sufficient multiplier effects in the country to bring about rapid and harmonious development. Community financial instruments can play an important part in tackling Portugal's development problems. The scale of these problems, however, means that financial operations are only part of the answer. The Community will therefore have to improve the coordination of its sectoral, social and regional policies, to enable it to cope with the special development problems of Portugal and of the Community's poorest regions.

#### **Right of establishment and employment of services and capital**

42. The size of the public sector and the extent of nationalization in Portugal are not incompatible with the Treaties, provided that the relevant Community rules are observed. The fact that the Portuguese administration is centralized may adversely affect competition between public undertakings.

The Law of 8 July 1977 defined as public sectors the armaments, oil-refining, basic petrochemical, iron and steel, fertilizer and cement industries and the banking and insurance sectors. Most firms in these branches of activity have been nationalized. However, foreign companies already established in Portugal, including two banks with parent institutions in Member States, have not been nationalized and may therefore continue their activities. In view of the extent of bank hold-

ings in industrial and commercial undertakings nationalization of the banking sector has led to the indirect and partial nationalization of approximately 2 000 private-sector companies. The Government's ultimate objective is to retain holdings only in the biggest firms.

43. In addition, the Government may, by decree, prohibit any action in the 'revenue-producing industries', particularly the tobacco and match industries. A State monopoly already exists for the production of tobacco (there is no commercial monopoly). The production and the importation of industrial alcohol are also controlled by a monopoly: this does not, however, affect either the production or the marketing of alcoholic beverages.

44. Lastly, under the constitution natural resources and the whole of the subsoil are the property of the State. Subsoil resources may be extracted by private firms only under contract.

45. Capital movements are subject to fairly restrictive exchange regulations. Direct foreign investment is governed by the foreign investment code of 24 August 1977 and may be undertaken only after the agreement of the Government has been obtained. This code also contains restrictions on repatriation of the proceeds of liquidation and investment income. All these arrangements will need to be adapted to conform with Community rules, particularly as regards the free movement of capital.

### Competition and aids

46. Portuguese legislation prohibits practices that distort competition. The ban applies to public and private undertakings engaged in production and distribution governed by private law. Hence the application of Articles 85 and 86 of the EEC Treaty and of Articles 65 and 66 of the ECSC Treaty should not present any special problems.

47. Portugal's aids policy is liable to rapid change owing to uncertainties and changes in the country's economic and social situation. There is no coherent system for regional and sectoral aids at present. Portugal applies a system of general aid which is normally geared to promoting selective investment in the industries or regions classed as having priority. There are several cyclical aid systems. Lastly, State subsidies may be granted for the promotion of exports. The majority of these various forms of aids are accorded in the form of tax deductions. Community rules on State aids can accommodate widely differing situations. Consequently, it is unlikely that any special arrangement will have to be made in the event of Portuguese accession. It will be the Commission's task to ensure that when those rules are applied, the fact of taking into account Portugal's specific economic and social needs does not weaken the coherence of the principles of Community policy applied to the other Member States.

### Taxation

48. Accession to the Community means that Portugal will have to comply with Article 95 *et seq.* of the EEC Treaty and that the secondary tax legislation will have to be incorporated into its national laws. During the transitional period, Portugal will have to adjust its tax systems to these requirements, particularly the turnover tax and excise duties. In particular, the introduction of VAT is likely to come up against serious practical difficulties, as the present turnover tax is charged once only, at the wholesale stage. The introduction of VAT will mean that retailers are included in the system of collection. Until such time as VAT is introduced, there will be a problem as regards the collection of own resources.

### External relations

49. Portugal is a signatory to the Stockholm Convention of 4 January 1960 establishing

the European Free Trade Association. It also concluded an EEC Agreement<sup>1</sup> and an ECSC Agreement<sup>2</sup> with the Community on 22 July 1972; these Agreements entered into force on 1 January 1973 and 1 January 1974 respectively. On 20 September 1976 an Additional Protocol to the 1972 Agreement, providing in particular for cooperation arrangements, and a Financial Protocol involving an amount of 200 million u.a., including 150 million u.a. covered by interest rate subsidies, were signed. These instruments have not yet entered into force but the trade provisions of the Additional Protocol are being applied under an Interim Agreement.<sup>3</sup>

50. As soon as it accedes to the Community, Portugal must cease to be a member of EFTA. Consequently, the Agreements concluded by the Community in 1972 with the countries belonging to or associated with that organization, which had enabled industrial free trade to be established on 1 July 1977, will have to be adjusted. Moreover, a way should perhaps be sought with Portugal and the EFTA countries of enabling Portugal to continue benefiting after accession from the exceptional tariff dismantling arrangements which the country has been accorded until 1 January 1985 and from the other derogations concerning the surcharge and quantitative restrictions on imports which it has been granted because of its balance-of-payments situation.<sup>4</sup>

51. Portugal will have to apply all the preferential agreements concluded by the Community, namely those with the ACP States,<sup>5</sup> the Maghreb countries, the Mashreq countries, Israel, Malta and Cyprus. Portugal must also become a party to the EEC-Turkey Association Agreement. The present proportion of Portuguese imports accounted for by the countries covered by preferential agreements is very small. However, through the elimination of trade barriers imports from these countries might increase, thereby causing problems which could significantly affect a number of branches of the Portuguese economy (such as certain lines of agricultural production in competition with products ex-

ported by the Mediterranean countries and certain Portuguese industries, for instance textiles).

In addition, Portugal's accession could in turn have consequences for the above countries' relations with the Community, in both the agricultural and the industrial spheres. In the latter field, the countries covered by preferential agreements will encounter increasingly keen Portuguese competition on the Community market, notably in the case of certain directly competing industries. As regards agriculture, however, the effect of accession will be very limited since Portugal's agricultural exports are small. The free movement of Portuguese labour in the Community might also have repercussions for the free movement of workers from the other non-member Mediterranean countries. As far as relations with the ACP States are concerned, it should be noted that three States,<sup>6</sup> which are former Portuguese colonies, are covered by the Lomé Convention's preferential arrangements.

52. Lastly, Portugal will have to participate in the other activities conducted under the Community development policy, notably the generalized preferences scheme for the developing countries and in the field of financial and technical assistance it will have to contribute towards the Community financing of aid operations. Initially, these commitments are liable to pose problems for Portugal, which is itself in an economic situation that is not so very different from that experienced by some of the countries to which the Community grants aid. Furthermore, difficulties similar to those that will be encountered in

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<sup>1</sup> OJ L 301 of 31.12.1972.

<sup>2</sup> OJ L 350 of 19.12.1973.

<sup>3</sup> OJ L 266 of 29.9.1976.

<sup>4</sup> The arrangements for the dismantling of Portugal's tariffs *vis-à-vis* its other partners, as laid down in the EFTA Convention, provide for the abolition of duties on 1 January 1980. In 1976, however, exceptions were allowed, postponing total abolition of duties to 1 January 1985.

<sup>5</sup> ACP: African, Caribbean and Pacific States signatory to the Lomé Convention.

<sup>6</sup> Sao Tome and Principe, Guinea-Bissau, Cape Verde.



the agricultural and industrial sectors (competing lines of production) with the countries covered by preferential agreements could also arise in connection with certain countries covered by the GSP.

### **Madeira, the Azores and Macao**

53. Madeira and the Azores, which are autonomous regions of the Portuguese Republic, form part of Portugal's customs territory; the application of the Treaties to these regions will not therefore give rise to any special problems. With regard to Macao, which is a non-European territory with a special status administered by Portugal but outside its customs territory, it is necessary to decide whether it should be included in the list of associated overseas countries and territories (Annex IV to the EEC Treaty) or be treated as a non-member country.

### **Other Community policies**

54. At the present stage in the examination it would seem that the adoption by Portugal of other Community policies should not raise any special problems.

## Annexes

Table 1 — Gross domestic product (GDP) at market prices — 1975

Country	USD '000 million at current exchange rates and prices	USD '000 million at 1970 exchange rates and prices	Estimated real GDP <i>per capita</i> <sup>1</sup> USD	<i>Per capita</i> GDP in USD at current exchange rates
FR Germany	424.67	205.08	3 753	6 868
France	335.28	170.25	3 945	6 356
Italy	174.95	103.78	2 742	3 134
Netherlands	82.61	37.47	3 312	6 045
Belgium	62.25	30.72	3 492	6 351
Luxembourg	2.22	1.17		6 184
United Kingdom	227.79	133.97	3 274	4 065
Ireland	7.76	4.44	2 512	2 482
Denmark	35.45	17.25	3 736	7 006
Portugal	14.74	7.68	1 504	1 682
Spain	102.94	48.26	2 384	2 902
Greece	20.86	12.76	2 309	2 306

Source: OECD.

<sup>1</sup> Estimate by the Commission on the basis 'Real GDP *per capita*', I. Kravis, A. Heston and R. Summers, 15th General Conference, International Association for Research in Income and Wealth, 19-25 August 1975 — University of York, England. For further details see statistical annex to the Commission Communication to the Council on 'General considerations on problems of enlargement' (Table 13).

Table 2 — Trend of GDP by sector at 1963 prices

	1964		1974		Annual growth rate 1964-1974	1975 %	1976 %	1977 %
	ESC '000 million	%	ESC '000 million	%				
Agriculture and fishing	17.7	20.2	19.2	11.6	1.3	11.8	11.2	10.0
Mining and quarrying	0.4	0.5	0.9	0.5	8.4			
Manufacturing	28.6	32.7	66.0	39.9	8.8	38.1	38.3	38.9
Food, beverages, tobacco	3.4	3.9	6.9	4.2	7.8	—	—	—
Textiles, wearing apparel and footwear	6.4	7.3	8.0	10.8	10.1	—	—	—
Wood, cork and furniture	2.6	3.0	3.8	2.3	3.6	—	—	—
Paper and printing	1.4	1.6	3.1	1.9	10.5	—	—	—
Chemicals	3.0	3.4	7.8	4.7	10.0	—	—	—
Non-metallic minerals	2.0	2.3	4.7	2.9	8.9	—	—	—
Basic metal industries	1.1	1.3	1.1	0.7	6.2	—	—	—
Metal products and machinery	6.9	7.9	7.9	10.8	10.4	—	—	—
Other	1.3	1.5	2.7	1.6	5.9	—	—	—
Electricity, gas, water	2.3	2.6	6.2	3.7	10.4	4.0	5.4	4.1
Construction	4.5	5.1	9.6	5.8	11.0	5.1	4.0	5.8
Transport and communications	4.8	5.5	12.4	7.5	10.6	7.2		
Commerce	11.1	12.7	17.7	0.7	3.3			
Banking and insurance	2.2	2.5	4.9	3.0	9.4			
Real estate	3.1	3.5	4.7	2.8	4.2			
Administration and defence	6.0	6.9	11.5	7.0	6.7	33.8	41.1	41.2
Education, health	2.2	2.5	6.9	4.2	11.8			
Other services	4.6	5.3	5.4	3.3	2.3			
GDP (factor cost)	87.5	100	165.4	100	6.8	100	100	100

Source: 'Contas Nacionais' and estimates of the 'Departamento Central de Planeamento' (1976 and 1977).

Table 3 — *Volume indices of gross domestic product at market prices*

(1970 = 100)

Countries	1964	1967	1971	1972	1973	1974	1975	1976
Community of 6	77	68	104	108	114	116	114	119
Community of 9	74	83	104	108	114	117	115	121
FR Germany	76	82	103	107	112	113	110	116
France	73	84	105	112	118	121	122	129
Italy	73	85	102	105	112	116	112	119
Netherlands	72	82	104	109	115	120	118	124
Belgium	76	85	104	110	116	121	118	121
Luxembourg	82	85	103	107	115	119	109	112
United Kingdom	88	94	103	105	112	112	110	113
Ireland			104	110	115	116	116	120
Denmark	77	86	104	108	111	111	110	116
Greece	64	78	107	117	125	121	128	136
Turkey	71	86	110	117	122	133	144	156
Norway	76	89	105	110	114	120	125	132
Sweden	60	87	101	103	107	111	112	114
Switzerland		87	104	107	111	112	104	103
Austria	76	84	105	112	119	123	121	127
Portugal	69	83	106	115	127	128	123	(131) <sup>1</sup>
Finland	74	82	102	110	117	122	122	122
Spain	69	83	105	114	123	130	131	133
United States	79	92	103	109	115	113	112	119
Canada	74	88	107	113	121	124	125	131
Japan	54	71	107	117	128	127	130	138

Source : SOEC and OECD.

<sup>1</sup> Commission estimate.

Table 4 — *Employed civilian working population broken down by occupational category and by branch 1970*

Branch (ISIC)	Total	% of total	Occupational category									
			Self-employed		Employers according to form of remuneration				Unpaid family helpers	Other		
			With employees	Without employees	Total	Paid monthly	Paid daily, weekly, or fortnightly	Piece-workers			Other	
Total	3 163 855 829 475	100.0	73 155	582 775	2 363 980	980 370	1 288 515	72 385	22 710	128 895	15 050	
of which: Women												
Agriculture, forestry, hunting and fishing	1 002 850	32.0	18 545	359 435	510 515	55 145	419 855	23 895	11 620	108 830	5 525	
Mining and quarrying	12 200	0.4	150	435	11 550	3 375	7 815	295	35	55	10	
Manufacturing	736 765	23.0	14 915	52 070	661 690	171 605	457 850	29 580	2 655	6 710	1 380	
Electricity, gas, water	16 305	0.5	135	315	15 805	12 065	3 680	30	30	30	20	
Construction	256 080	8.0	6 315	14 955	233 160	35 365	193 740	3 355	700	1 255	395	
Wholesale and retail trade, restaurants and hotels	343 465	11.0	23 445	100 560	211 795	162 100	43 315	3 445	2 935	6 040	1 625	
Transport, storage and communications	147 320	5.0	1 760	7 315	137 670	99 385	35 755	1 835	695	355	220	
Banking, insurance, real estate and the like	58 020	2.0	970	2 090	54 735	52 635	1 635	180	285	85	140	
Community and personal services	487 865	15.0	5 000	34 885	440 560	347 155	82 045	8 260	3 100	2 345	5 075	
Activities not adequately described	102 985	3.1	1 920	10 715	86 500	41 540	42 795	1 510	655	3 190	660	

Source : Statistical Yearbook of Portugal, 1975.

Table 5 — *Portugal's overall energy situation*

(million tonnes oil equivalent)

	1974	1975	1976
<i>Energy production</i>			
Solid fuels	0.16	0.16	0.14
Hydroelectric and geothermal	1.81	1.48	1.12
Total	1.97	1.63	1.26
<i>Energy imports</i>			
Solid fuels	0.25	0.30	0.30
Crude oil and natural gas	5.80	5.61	6.01
Petroleum products	1.29	1.23	1.51
Electricity	0.03	0.04	
Total	7.37	7.18	7.98
<i>Exports</i>	-0.36	-0.14	-0.07
<i>Bunkers</i>	-0.95	-0.67	-0.58
<i>Stock variations</i>	-0.04	-0.21	-0.32
Total energy requirements	7.99	8.21	8.46
<i>Total final consumption</i>	5.85	6.08	6.31
— Industry	2.19	2.37	2.54
— Transport	2.14	2.25	2.20
— Other sectors	1.10	1.05	1.17
— Non-energy use	0.43	0.41	0.40

Source: OECD, Energy balance sheet for the OECD countries, 1978.

Table 6 — Area, population, density and per capita GDP

Region	Province	Area km <sup>2</sup>	Population in 1975 (thousands)	Change 1970-1975 as percentage	Density 1975	Index of urban concentration 1975	Dispersion of per capita GDP 1970
1	Viano do Castelo, Braga, Porto	8 522	2 424.5	5.3	340	27.6	85.5
2	Vila Real, Braganca	11 496	453.5	- 3.8	42	9.8	52.3
3	Aveiro, Viseu, Coimbra	11 544	1 455.3	2.4	125	12.6	69.5
4	Guarda, Castelo Branco	12 892	447.3	- 8.3	38	13.6	63.2
5	Leiria, Santarém, Lisbon, Setúbal	12 811	3 377.4	13.3	185	53.3	147.2
6	Portalegre, Évora, Beja	26 164	534.5	- 3.2	23	16.5	75.4
7	Faro	5 972	310.5	10.1	61	25.0	63.8
	Total	83 501	9 003.0	6.2	101.8	32.5	100

Table 7 — Consumer price indices 1960-1977

(1970 = 100)

Year	D	F	I	N	B	L	UK	Irt	DK	Portugal	Spain	Greece	Year
1960	76	67	68	65	74	77	67	63	59	65	55	81	1960
1961	79	69	70	66	75	77	69	65	61	66	56	83	1961
1962	82	73	73	68	76	78	73	67	65	67	59	83	1962
1963	84	76	78	71	78	81	74	69	69	69	64	85	1963
1964	86	79	83	74	81	84	76	74	71	71	69	86	1964
1965	89	81	87	79	84	86	80	77	73	74	78	88	1965
1966	92	83	88	84	88	89	83	80	78	77	83	93	1966
1967	93	85	91	86	90	91	85	82	84	81	88	94	1967
1968	95	89	93	89	92	93	89	86	91	86	93	94	1968
1969	97	95	95	96	96	95	94	92	94	94	95	97	1969
1970	100	100	100	100	100	100	100	100	100	100	100	100	1970
1971	105	105	105	108	104	104	109	109	106	112	108	103	1971
1972	111	112	111	116	110	110	117	118	113	124	117	108	1972
1973	119	120	123	126	118	117	128	132	123	140	131	124	1973
1974	127	136	146	138	133	128	149	154	142	175	151	158	1974
1975	135	152	171	152	150	142	184	186	156	202	177	179	1975
1976	141	167	200	165	163	156	215	220	170	244	208	203	1976
1977	146	183	237	176	175	166	249	250	189	303	259	227	1977

Source : SOEC, National series.

Table 8 — *Production, availability and degree of self-supply in the Community of Nine plus Portugal, in respect of the principal agricultural products*

Products	Production = P Availability = A	Absolute quantities ('000 tonnes)			Degree of self-supply as percentage				
		Portugal 1974	Cty of 9 1973/74	Cty of 9 + Portugal (1973/74 + 1974)	Portugal	Cty of 9			Cty of 9 + Portugal (1973/74 + 1974)
						1972/73	1973/74	1974/75	
<i>Cereals (total)</i> (excluding rice)	P	1 237	104 633	105 870	48.1	90.6	89.8	94.7	89.7
	A	2 571	115 444	118 015					
— Wheat	P	534	40 988	41 522	62.9	102.8	96.9	112.5	102.0
	A	859	39 868	40 717					
— Maize	P	486	16 266	16 752	33.6	59.3	53.9	54.7	58.0
	A	1 445	27 452	28 897					
— Rye	P	143	3 323	3 466	79.9	94.5	99.8	100.0	93.8
	A	179	3 518	3 697					
Rice (in the form of husked rice)	P	129	905	1 034	59.2	89.8	67.0	88.5	84.3
	A	218	1 008	1 226					
<i>Fresh vegetables (total)</i> (excluding potatoes)	P	n.a.	26 729	—	n.a.	93.3	94.0	94.1	—
	A	n.a.	28 643	—	n.a.				
<i>Potatoes</i>	P	1 124	38 781	39 905	96.2	100.4	101.5	101.0	100.3
	A	1 168	38 613	39 781					
<i>Sugar</i>	P	21	9 521	9 542	8.2	91.4	92.4	87.1	89.4
	A	257	10 412	10 673					
<i>Meat (total)</i> (excluding offals)	P	317	19 112	19 429	86.1	98.1	93.4	97.2	97.8
	A	368	19 491	19 859					
— Beef and veal <sup>1</sup>	P	85	6 483	6 568	68.5	99.9	85.6	100.8	99.3
	A	124	6 492	6 616					
— Pigmeat <sup>1</sup>	P	67	8 435	8 502	84.8	100.3	100.9	98.9	100.2
	A	79	8 406	8 485					
<i>Eggs</i>	P	43	3 736	3 779	100.0	99.8	98.6	100.2	99.8
	A	43	3 744	3 787					
<i>Fresh fruit (total)</i> (excluding citrus fruit)	P	2 122	14 939	17 061	95.4	80.4	76.2	79.5	82.0
	A	2 225	18 582	20 807					
<i>Citrus fruit (total)</i>	P	286	2 657	2 943	100.7	41.6	34.3	44.2	44.1
	A	284	6 387	6 671					
<i>Fish</i>	P	271	4 129 <sup>2</sup>	4 400	93.8		57.4		58.8
	A	289	7 193	7 482					
<i>Milk (whole)<sup>1,3</sup></i>	P	613	102 079		91.2	100.4	100.0	100.2	102.0
	A	672	101 705						
<i>Oils and fats</i> <i>of which</i>	P	199	2 789	2 988	84.0	37.6	n.a.	39.7	39.1
	A	237	7 413	7 650					
— Olive oil	P	42	547 <sup>4</sup>	589	97.7	—	79.2 <sup>4</sup>	—	80.0
	A	43	691	734					
<i>Wine ('000 hl)</i>	P	11 086	170 646	181 732	99.6	114.6	93.0	94.7	113.5
	A	11 130	148 951	160 081					

<sup>1</sup> The data for the Community are for 1974 (instead of 1973/74) and for 1973 and 1975 (instead of 1972/73 and 1974/75).

<sup>2</sup> The data for the Community refer to 1972/73.

<sup>3</sup> Fresh milk products in the Community, excluding cream.

<sup>4</sup> Average 1971/72, 1972/73 and 1973/74.



Table 9 — *Yields per hectare in Portugal as compared with the Community for cereals, rice and potatoes*

Products	Yields kg/hectare			Portuguese yield as percentage of lowest national level in the Community
	Portugal <sup>1</sup>	Community of 9 <sup>2</sup>	Lowest in the Community	
Wheat				
Durum wheat		2 330	2 230	40-46%
Common wheat	1 021	3 850	2 530	
Barley	640	3 580	2 620	24%
Maize	1 496	4 700	2 850 <sup>3</sup> (Second lowest level: 4 100)	52% (Second lowest level: 36%)
Rice (Paddy)	4 652	4 590	3 770	123%
Potatoes <sup>4</sup>	9 135	24 400	16 500	55%

Sources: For Portugal: FAO Production Yearbook, Volume 30, 1976.

For the Community of Nine. Annual Report 1976, The Agricultural Situation in the Community.

<sup>1</sup> Data for 1973.

<sup>2</sup> Data for 1975.

<sup>3</sup> The figure of 2 850 kg/hectare relates to the United Kingdom. Since the United Kingdom accounts for a very small proportion of maize production in the Community, the second lowest yield is given (4 100 kg/ha).

<sup>4</sup> The production of new potatoes in Portugal is estimated at 5% of the total.

Table 10 — *Per capita consumption of various agricultural products in Portugal and in the Community<sup>1</sup>*

Products	Consumption (kg per capita per year)		
	Portugal 1974	Community of 9 average 1973-1974	Highest and lowest national consumption levels in the Community of 9
Wheat	75	74	47 - 125
Potatoes	111	83	38 - 124
Sugar	30	38	30 - 48
Fresh fruit	78	60	30 - 86
Wine <sup>1</sup>	131	50	2 - 105
Dairy products	57	100	67 - 221
Eggs	5	14	11 - 17
Meat	40	75	63 - 88
All oils and fats	21	21	12 - 34
Fish <sup>2</sup>	34	13	7 - 32

Sources: Eurostat. The Agricultural Situation in the Community, 1976. For Portugal: national sources.

<sup>1</sup> In litres per capita.

<sup>2</sup> Average 1972-1973.

Table 11 — *Composition of final agricultural production in Portugal, the Community of Nine and Italy*

Products	Share of final agricultural production for 1975 (excluding forestry)		
	Portugal	Community of 9	Italy
Oils	5.6	1.6	6.5
Wine	10.5	4.6	8.2
Fruit and vegetables (including potatoes)	23.0	14.9	25.7
Cereals (including rice)	12.2	10.8	11.9
Meat	23.4	34.8	23.8
Milk	8.4	18.7	10.0
Eggs	2.7	3.8	3.5
Other agricultural products	14.2	10.0	10.0
Total livestock products	34.9	40.3	60.0
Total crops	65.1	58.9	39.6
Total	100	100	100

Sources: The Agricultural Situation in the Community. For Portugal: national sources.

Table 12 — Total production of certain agricultural products in Portugal as compared with the Community

Quantities : '000 tonnes, unless otherwise specified

Products	1974			1975		
	Portugal	Community of 9	Portugal/ Community of 9 (in %)	Portugal	Community of 9	Portugal Community of 9 (in %)
1	2	3	4	5	6	7
<i>Cereals</i> <sup>5</sup>						
— Total wheat	533.6	45 352	1.2	601.2	38 105	1.6
— Rye	142.8	3 347	4.3	145.2	2 851	5.1
— Barley	115.0	34 775	0.3	146.1	32 430	0.4
— Oats and mixture of summer cereals	99.1	9 999	1.0	120.7	9 512	1.3
— Maize	485.5	14 486	3.4	451.3	14 111	3.2
<i>Rice</i> (in the form of husked rice)	129.4	877	14.7	132.7	841	15.8
<i>Olive oil</i>	480.9	475 <sup>1</sup>	101.2	492.8	692 <sup>1</sup>	71.2
<i>Wine</i> ('000 hl) <sup>3</sup>	14 010.1	160 245 <sup>1</sup>	8.7	8 888.1	145 375 <sup>2</sup>	6.1
<i>Fruit and vegetables</i>						
— Oranges	114.3	1 771	6.5	120.0	1 585	7.6
— Mandarins	18.0	350	5.1	17.2	366	4.7
— Lemons	21.1	781	2.7	21.6	820	2.6
— Table grapes	40.0	1 125	3.6	35.0	1 103	3.2
— Apples	122.2	5 904	2.0	140.5	7 553	1.9
— Pears	49.5	2 574	1.9	61.9	2 402	2.6
— Apricots	9.6	180	5.3	7.8	161	4.8
— Peaches	52.6	1 722	3.0	62.9	1 210	5.0
— Cherries	15.0	518	2.9	15.4	545	2.8
— Potatoes	1 252.0	41 640	3.0	1 092.6	33 511	3.3
— Tomatoes	714.4	4 907	14.6	826.2	4 830	17.1
— Tomato concentrate	128.1	181	70.8	128.1	180	71.2
<i>Cow milk</i>	483.7	100 307	0.5	514.6	101 176	0.5
<i>Meat</i> <sup>4</sup>						
— Pigmeat	70.0	8 433	0.8	81.7	8 302	1.0
— Beef and veal	84.3	6 485	1.3	97.7	6 582	1.5
— Sheepmeat	18.2	499	3.6	17.8	515	3.5
— Poultrymeat	99.6	3 142	3.2	100.0	3 162	3.2
<i>Eggs</i>	44.7	3 734	1.1	46.8	3 766	1.2

<sup>1</sup> 1974/75 } Utilizable production.

<sup>2</sup> 1975/76 }

<sup>3</sup> In the case of the Community of Nine this refers to biological production for the market.

<sup>4</sup> Gross domestic production.

<sup>5</sup> Official production.

Table 13 — Portuguese imports (agricultural products)

(million EUR)<sup>1</sup>

		1973			1974			1975		
		World	Cty of 9	Cty of 9/ World %	World	Cty of 9	Cty of 9/ World %	World	Cty of 9	Cty of 9/ World %
Total imports		2 424.5			3 718.4			2 949.4		
Total of agricultural products (Annex II of the EC Treaty)		393.1	28.7	7.3	718.2	89.1	12.4	676.5	72.4	10.7
Principal products :										
CCT Chap- ters	Products									
2	Meat	27.3	1.6	5.9	59.3	12.1	20.4	30.0	15.9	53.0
3	Fish	49.6	2.1	4.2	79.0	4.8	6.1	72.8	8.4	11.5
10	Cereals	114.1	3.7	3.3	253.8	35.1	13.8	229.0	18.3	8
12	Oilseeds	39.4	1.5	3.8	57.3	2.9	5.1	75.1	2.0	2.7
15.07	Vegetables oils	27.1	0.8	2.9	29.0	2.3	8.0	16.4	4.7	28.7
17.01	Sugar	35.7	1.7	4.7	102.5	0	0	153.8	0	0
23	Animal fodder, etc.	32.0	2.8	8.8	40.1	3.7	9.2	27.5	4.7	17.0
Total of the above seven products and as a percentage of the total of Annex II of the EC Treaty products		325.2	14.2	4.4	621.0	60.9	10.0	604.6	54.0	8.9
		82.7	49.5		86.5	68.3		89.4	74.6	

Source: Unpublished Portuguese data.

NB. Imports of these seven products into the Community of Nine from all sources account for only one-third of all imports of agricultural products into the Community. The value of imports of these seven products into the Community can be estimated in absolute terms at around 11 000 million EUC per annum.

Portugal's imports of agricultural products from Greece are very slight (and consist mainly of tobacco), whereas Portuguese imports of agricultural products from Spain are equivalent to around one-third by value of imports from the Community of Nine; they comprise mainly the following: meat, cereals, oils and animal fodder.

The EFTA countries account for roughly 6-7% of Portugal's agricultural imports, approximately 80% of this quantity being in the form of fish (from Norway and Iceland).

<sup>1</sup> The EUR was a unit of account used in statistics until the beginning of 1977. It was equivalent to the pre-1971 USD. For the currencies covered by the European agreement on limited fluctuation margins (non-floating currencies), the EUR was defined in fixed terms on the basis of the central rates serving as a reference for central bank operations within the EMCF. For each other Community currency (floating currencies), the EUR was calculated indirectly from the EUR rate in non-floating currency and the rate on the exchange market of the currency concerned in relation to the non-floating Community currencies. (As a guide, in 1974 1 EUC = 0.954980 EUR and in 1975 1 EUC = 0.938341 EUR.)

Source: Monthly General Statistics Bulletin.

Table 14 — Portuguese exports (agricultural products)

(million EUR)<sup>1</sup>

		1973			1974			1975		
		World	Com- munity of 9	Com- munity of 9/ World %	World	Com- munity of 9	Com- munity of 9/ World %	World	Com- munity of 9	Com- munity of 9/ World %
Total exports		1 494.2			1 026.6			1 462.6		
Total agricultural products (Annex II of the EC Treaty)		278.7	119.0	42.7	299.5	145.2	48.5	243.3	102.2	42.0
Principal products:										
CCT Chap- ters	Products									
3	Fish	6.5	1.4	21.5	4.9	0.9	18.4	5.8	1.7	29.3
7	Vegetables	7.3	2.3	31.5	7.6	2.5	32.9	6.6	1.2	18.1
8	Fruit	15.4	10.3	66.9	12.7	7.4	58.2	6.7	2.8	41.8
15.07	Oils	9.5	0.4	4.2	9.6	0.3	3.1	6.6	0.4	6.0
16	Preparations of meat, of fish, of crustaceans or molluscs	44.2	27.0	61.0	36.6	22.7	62.0	36.5	22.5	61.6
17.01	Sugar	0	0	—	4.5	0.6	13.3	27.8	0.9	3.2
20	Preparations of fruit or vegetables	57.6	24.0	41.7	62.3	31.1	49.9	26.9	11.5	42.7
22.05	Wine	102.8	38.8	37.7	119.5	63.3	53.0	98.6	51.0	51.7
45.01	Natural cork	15.2	3.9	25.7	18.5	4.7	25.4	9.7	2.6	26.8
Total of the above nine products and as a percentage of total of Annex II of the EC Treaty products		258.5	108.1	41.8	276.2	133.5	48.3	225.2	94.6	42.0
		92.7	90.8		92.2	91.9		92.5	92.6	

Source: Unpublished Portuguese data.

<sup>1</sup> The EUR was a unit of account used in statistics until the beginning of 1977. It was equivalent to the pre-1971 USD. For the currencies covered by the European agreement on limited fluctuation margins (non-floating currencies), the EUR was defined in fixed terms on the basis of the central rates serving as a reference for central bank operations within the EMCF. For each other Community currency (floating currencies), the EUR was calculated indirectly from the EUR rate in non-floating currency and the rate on the exchange market of the currency concerned in relation to the non-floating Community currencies. (As a guide, in 1974 1 EUC = 0.954980 EUR and in 1975 1 EUC = 0.938341 EUR.)

Source: Monthly General Statistics Bulletin.

Table 15 — *Trend of Portugal's trade 1958-1976*

Year	Trade balance		Exports					Imports				
	World	Community of 9	World		Community of 9			World		Community of 9		
	Million EUC		Million EUC	Index 1958 = 100	Million EUC	Index 1958 = 100	EEC9/World %	Million EUC	Index 1958 = 100	Million EUC	Index 1958 = 100	EEC9/World %
1958	-193	-146	287	100	107	100	37	480	100	253	100	53
1959	-182	-147	291	101	102	95	35	473	99	249	98	53
1960	-219	-157	325	113	120	112	37	544	113	277	109	51
1961	-322	-234	330	115	125	117	38	652	136	359	142	55
1962	-219	-167	367	128	138	129	38	586	122	305	121	52
1963	-234	-163	417	145	157	147	38	651	136	320	126	49
1964	-245	-162	516	180	199	186	39	761	159	361	143	47
1965	-346	-217	576	201	235	220	41	922	192	452	179	49
1966	-384	-241	627	218	257	240	41	1 011	211	498	197	49
1967	-329	-221	684	238	271	253	40	1 013	211	492	194	49
1968	-309	-214	728	254	291	272	40	1 037	216	505	200	49
1969	-418	-282	824	287	336	314	41	1 242	259	618	244	50
1970	-596	-353	926	323	387	362	42	1 522	317	740	292	49
1971	-710	-375	988	344	430	402	44	1 698	354	805	318	47
1972	-801	-353	1 148	400	538	503	47	1 949	406	891	352	46
1973	-960	-388	1 491	520	724	677	49	2 451	511	1 112	440	45
1974	-1 836	-713	1 890	659	911	851	48	3 726	776	1 624	642	44
1975	-1 522	-455	1 556	542	782	732	50	3 078	641	1 237	489	40
1976	-2 164	-744	1 618	564	834	779	52	3 782	788	1 578	624	42

Source: SOEC.

Table 16 — Portugal's principal suppliers and customers in 1976 — as percentage

Country	Imports	Exports
<i>Europe</i>	<i>58.31</i>	<i>71.73</i>
— Community	41.47	51.47
— FR Germany	11.60	10.74
France	8.61	8.37
Italy	4.67	3.75
Netherlands	3.74	3.40
Belgium-Luxembourg	2.73	3.46
United Kingdom	9.31	18.40
Ireland	0.18	0.46
Denmark	0.63	2.89
— Spain	4.20	2.10
— Sweden	3.06	7.68
— Switzerland	3.39	2.78
— USSR	2.37	2.99
<i>Africa</i>	<i>6.22</i>	<i>8.45</i>
— Angola	0.94	1.59
— Mozambique	1.12	1.49
<i>America</i>	<i>14.94</i>	<i>10.44</i>
— United States	9.82	6.74
— Brazil	1.05	1.01
<i>Asia</i>	<i>17.12</i>	<i>4.01</i>
— Japan	3.20	1.15
— Saudi Arabia	3.63	0.06
— Iraq	3.85	0.24
— Iran	2.65	0.25
<i>Other</i>	<i>3.41</i>	<i>5.37</i>

Source: UN.

Table 17 — Community — Portugal trade by product

SITC	Products	Imports										Exports									
		1973		1974		1975		1976		Index 1976/1973		1973		1974		1975		1976		Index 1976/1973	
		M	%	M	%	M	%	M	%		%	M	%	M	%	M	%	M	%		%
1 to 9	Grand total	174 664	100	246 509	100	242 787.1	100	308 064.8	100	176.4	170 703	100	231 290	100	239 571.4	100	292 212.8	100	171.2		
	— Intra-EC	90 358	51.7	115 708	53.1	117 336.1	48.3	148 710.9	48.3	164.6	90 031	52.7	117 066	50.6	118 359.3	49.4	151 126.9	51.7	167.9		
	— Extra-EC	84 306	48.3	130 802	46.9	125 451.0	51.7	159 354.0	51.7	189.0	80 673	47.3	114 244	49.4	121 212.2	50.6	141 085.9	48.3	174.9		
	Portugal	779.7	100	954.0	100	854.4	100	922.5	100	118.3	1 217.7	100	1 735.0	100	1 226.1	100	1 648.2	100	133.4		
0+1	Food, beverages and tobacco	139.5	17.9	145.8	15.3	119.1	13.9	121.1	13.1	86.8	46.2	3.8	83.3	4.8	62.6	5.1	80.7	4.9	174.8		
3	Fuel products	10.0	1.3	11.7	1.2	7.0	0.8	2.3	0.2	23.0	51.3	4.2	76.8	4.4	67.8	5.5	82.6	5.0	161.1		
2+4	Raw materials	116.7	15.0	170.6	17.9	127.7	14.9	169.5	18.4	145.2	49.6	4.1	70.6	4.1	44.0	3.6	61.5	3.7	124.0		
5	Chemical	40.8	5.2	54.8	5.7	42.8	5.0	49.3	5.3	120.7	179.1	14.7	256.6	14.8	175.2	14.3	287.8	17.5	160.7		
7	Machinery and transport equipment	81.3	10.4	117.9	12.4	121.0	14.2	131.0	14.2	161.1	564.3	46.3	704.9	40.6	520.3	42.4	698.7	42.4	123.8		
6+8	Other manufactured articles	387.8	49.7	449.7	47.1	428.6	50.2	444.2	48.2	114.5	315.5	25.9	528.6	30.5	345.8	28.2	411.4	25.0	130.4		
9	Other (not elsewhere specified)	3.6	0.5	3.6	0.4	8.1	1.0	5.2	0.6	145.6	11.8	1.0	14.2	0.8	10.4	0.9	25.4	1.5	216.2		

Source: SOEC.



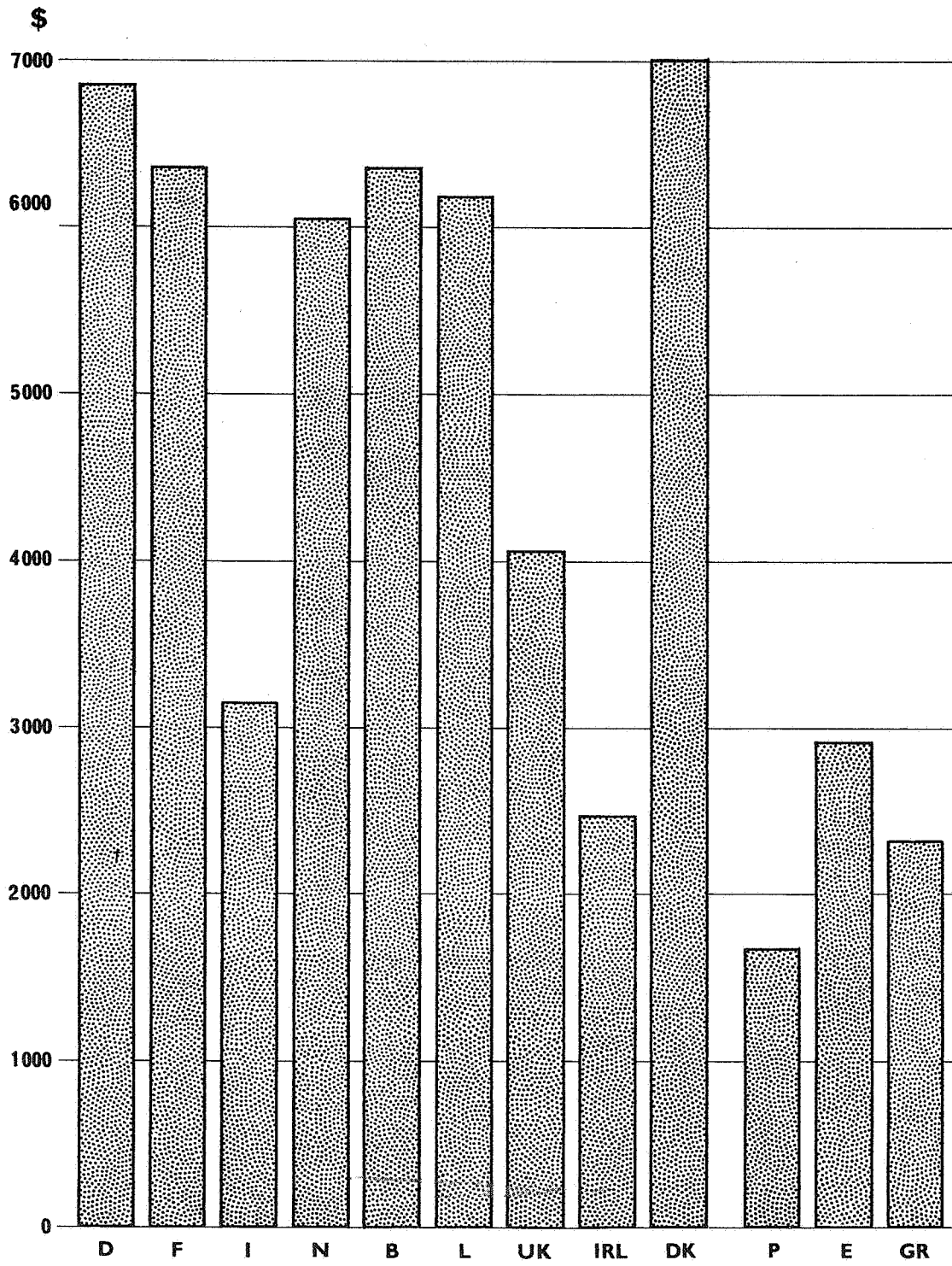
Table 18 — Portugal's balance of Payments — Summary 1972-76

(million SDRs)

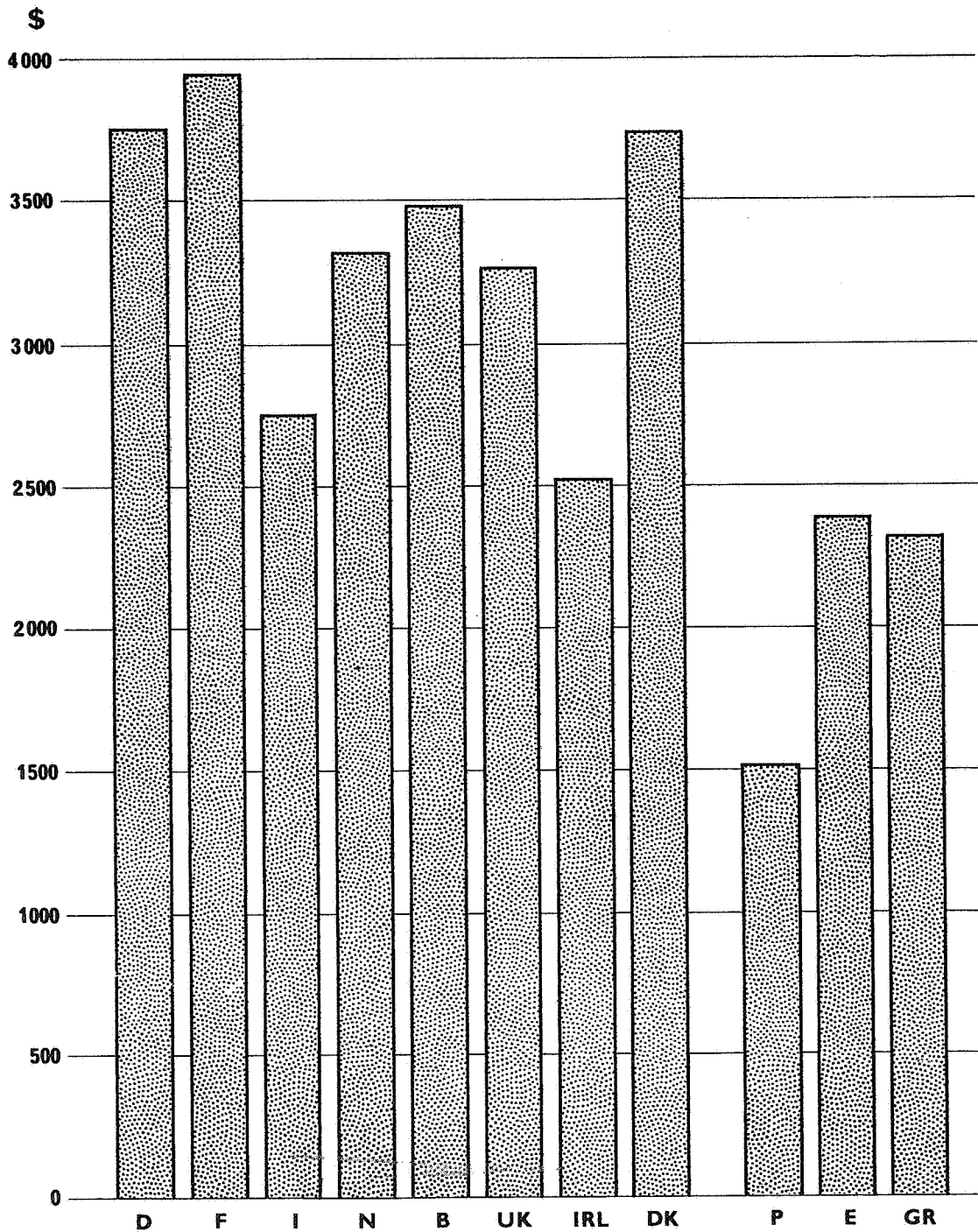
	1972	1974	1975	1976
1. <i>Goods and services and unrequited transfers</i>	326	- 685	- 604	-1 062
Merchandise: exports fob	1 204	1 903	1 597	1 571
Merchandise: imports fob	-1 880	-3 557	-2 919	-3 386
Trade balance	- 676	-1 654	-1 322	-1 815
Services: credit	885	1 138	868	584
— Transport and insurance on merchandise	115	147	136	135
— Travel	385	427	297	287
— Investment income	77	169	73	26
— Other services	308	395	362	136
Services: debit	- 694	-1 092	-1 006	- 716
— Transport and insurance on merchandise	- 148	- 268	- 238	- 282
— Travel	- 142	- 212	- 214	- 126
— Other services	- 404	- 612	- 554	- 308
Total (merchandise and services)	- 485	-1 608	-1 460	-1 947
Private unrequited transfers: credit	836	952	906	879
Private unrequited transfers: debit	- 25	- 29	- 27	- 36
Total (excluding official unrequited transfers)	326	- 685	- 581	-1 104
Official unrequited transfers	—	—	- 23	42
2. <i>Long-term capital</i>	- 88	198	- 134	10
Direct investment	61	59	67	50
Other private capital	- 3	236	- 129	- 26
Central government public capital	- 157	- 97	- 72	- 14
Monetary authorities	11	—	—	—
Total 1 + 2	238	- 487	- 738	-1 052
3. <i>Short-term capital</i>	57	14	- 103	217
Commercial banks	26	53	—	27
Other short-term private capital	- 48	- 62	- 148	108
Central government public capital	- 20	29	—	—
Monetary authorities	—	—	—	—
Errors and omissions	99	- 6	45	82
Total 1 to 3	295	- 473	- 841	- 835
4. <i>Special transactions</i>	—	—	—	—
Total 1 to 4	295	- 473	- 841	- 835
5. <i>Contra-entries</i>	—	—	—	—
Monetization or demonetization of gold	—	—	—	—
Contra-entry to net SDR allocations	—	—	—	—
Total 1 to 5	295	- 473	- 841	- 835
6. <i>Reserves and related liabilities</i>	- 295	473	841	835
Use of IMF credit	—	—	—	173
Other liabilities	—	—	249	537
Monetary gold	- 19	- 10	4	1
SDRs	—	—	- 7	- 1
Reserve position in the IMF	—	—	29	—
Freely mobilizable assets and other assets	- 270	483	566	125

Source: IMF, Balance of Payments Year-book.

Graph 1 — Gross domestic product at current prices and exchange rates (1975)

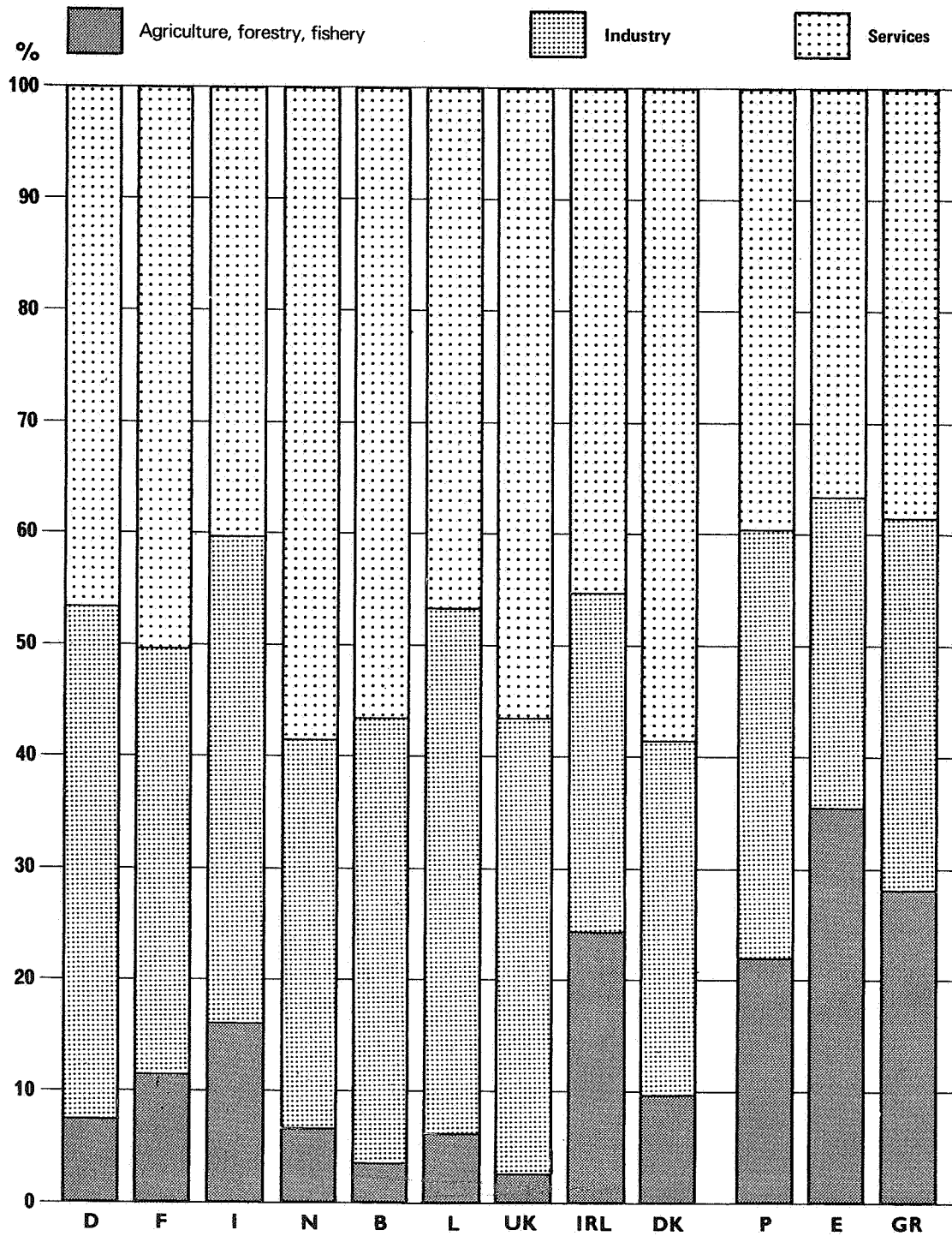


Graph 1a — *Estimated per capita real gross domestic product (1975) (currency purchasing power parities taken into account)*<sup>1</sup>

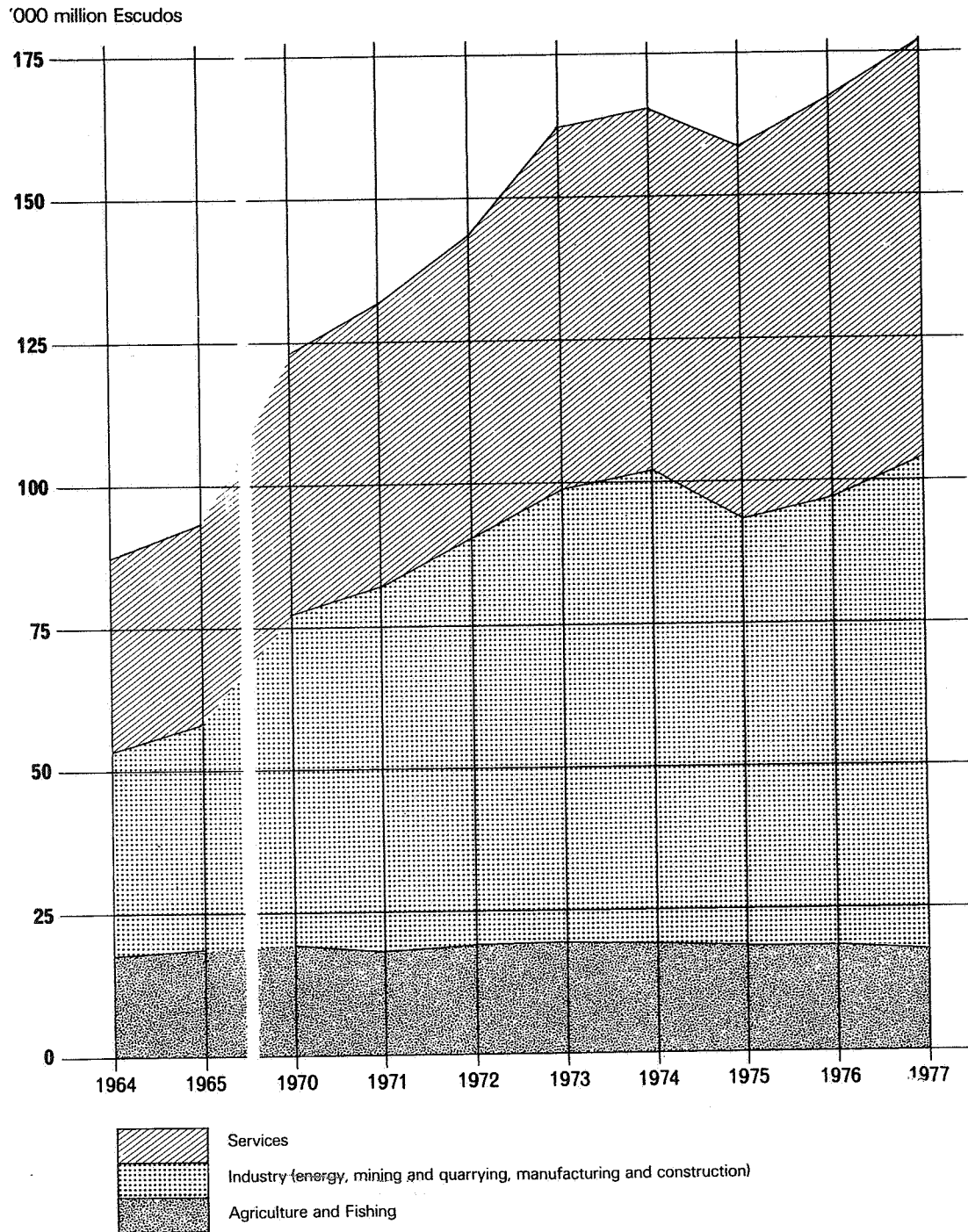


<sup>1</sup> Cf. table 1.

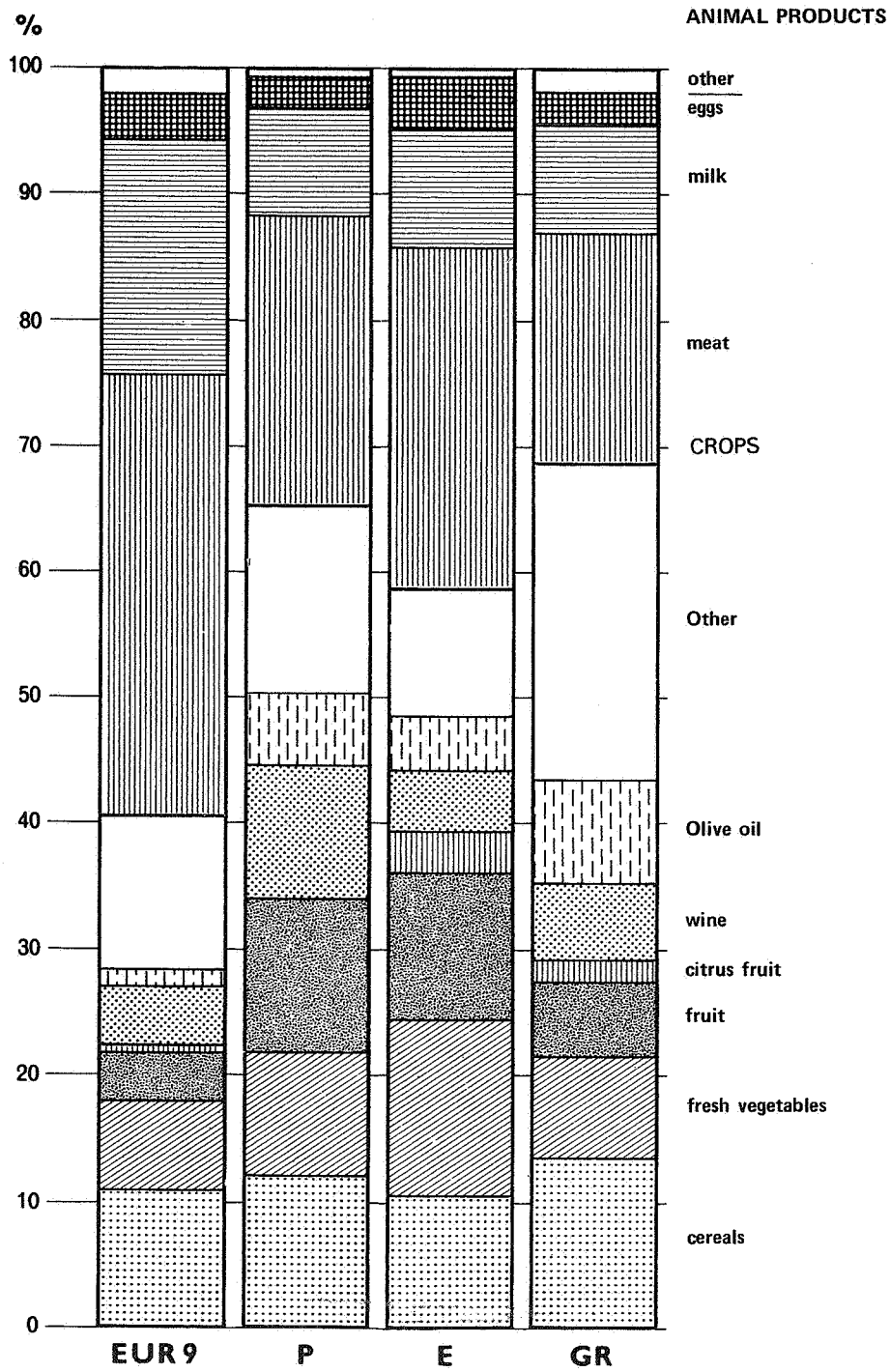
Graph 2 — Occupied civilian working population by sector of activity



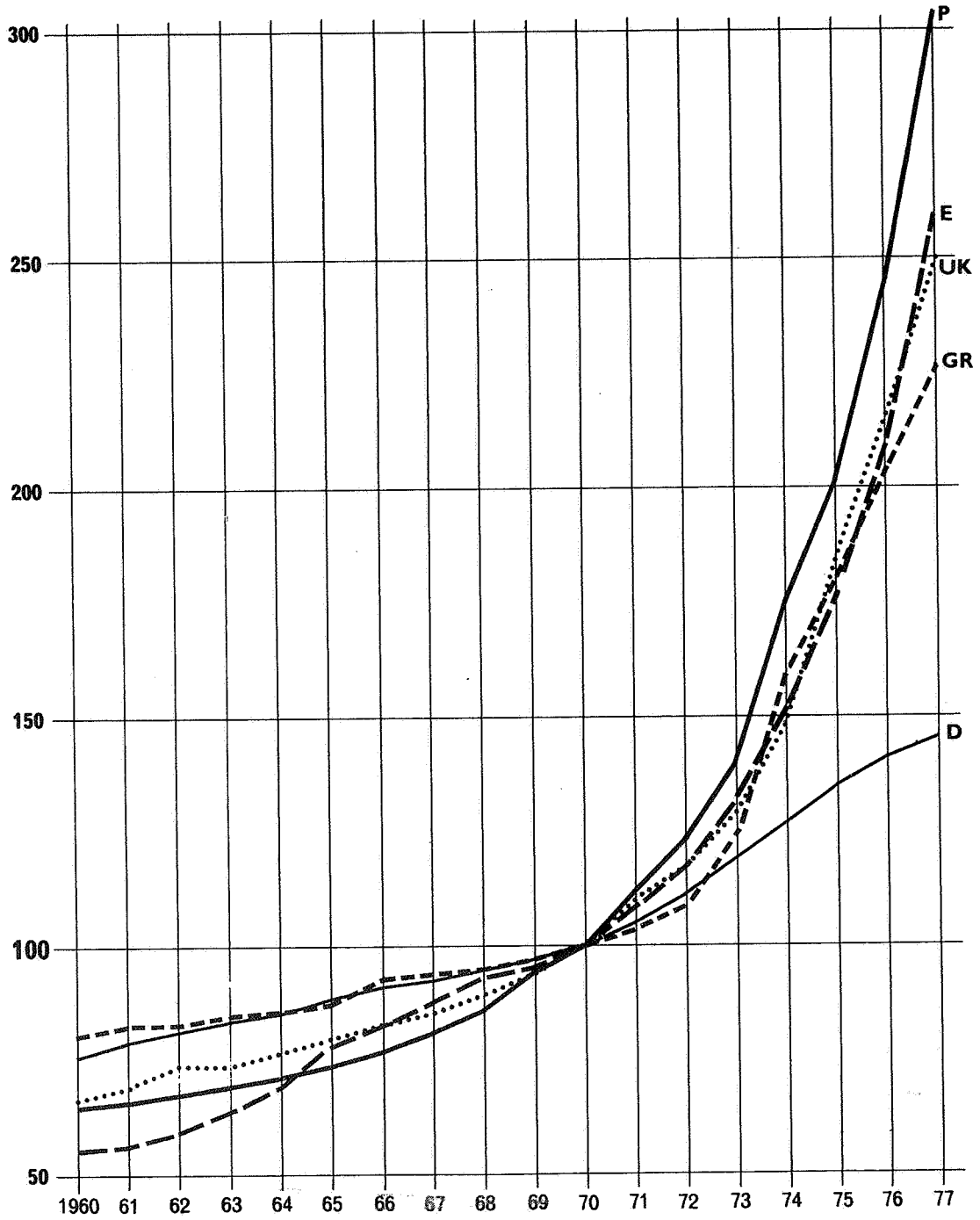
Graph 3 — Portugal — Trend of gross domestic product by sector from 1964 to 1977 at 1963 prices



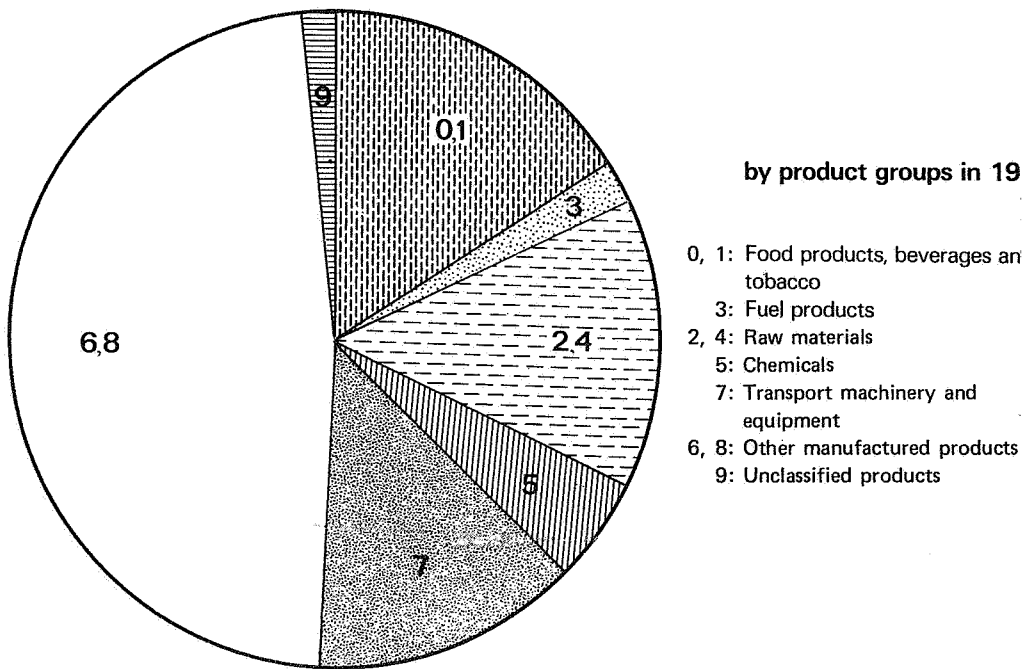
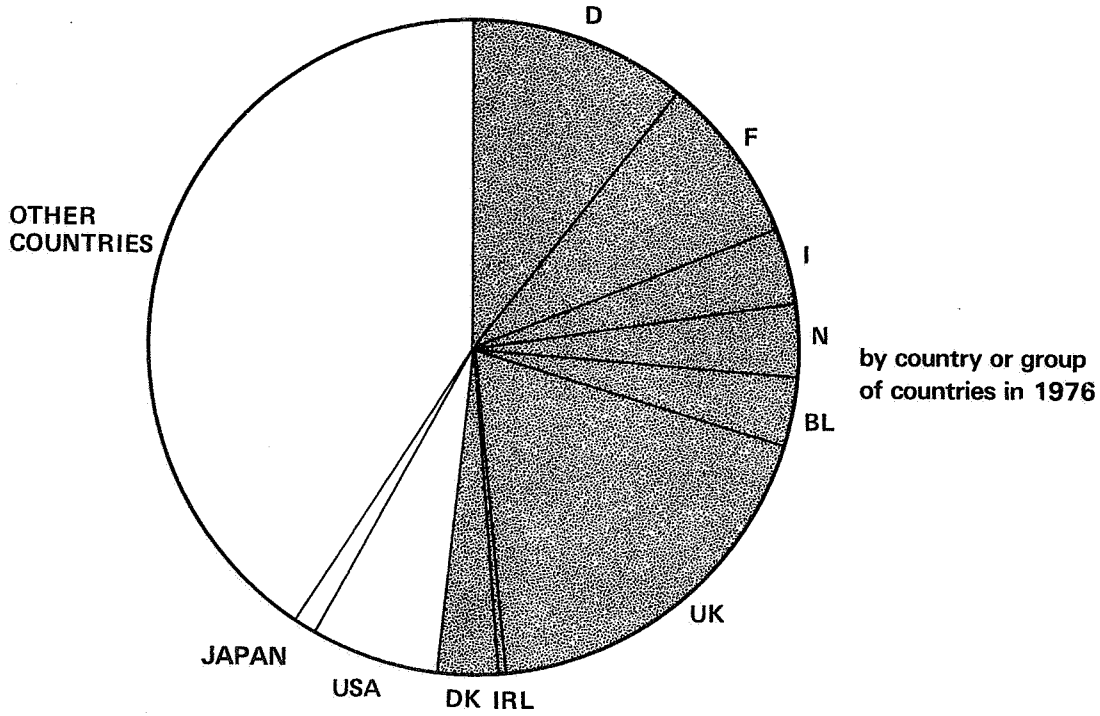
Graph 4 — *Composition of final agricultural production — 1976*



Graph 5 — Consumer price indices 1960-1977 (1970 = 100)

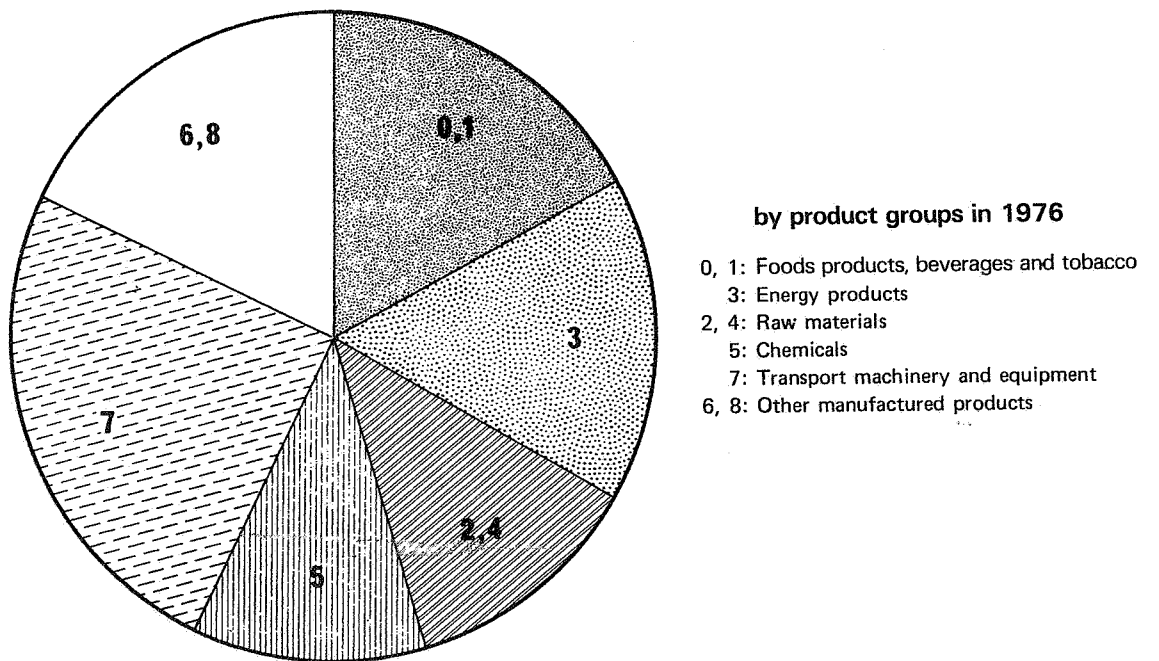
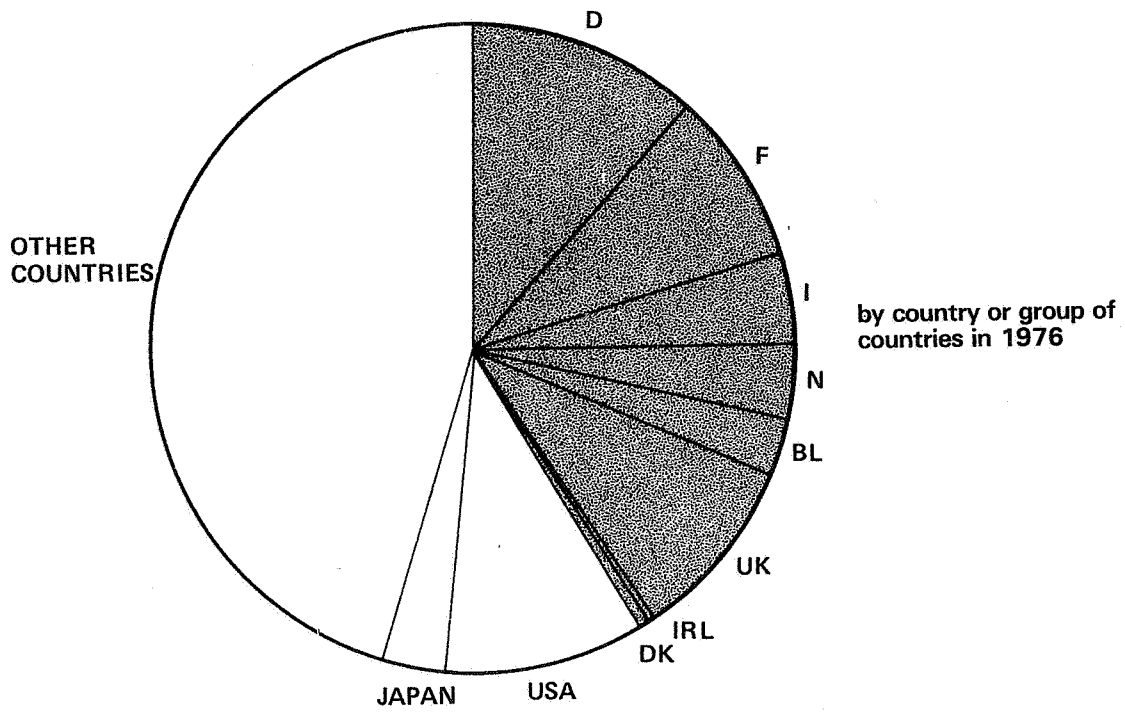


Graph 6 — Portugal — Exports

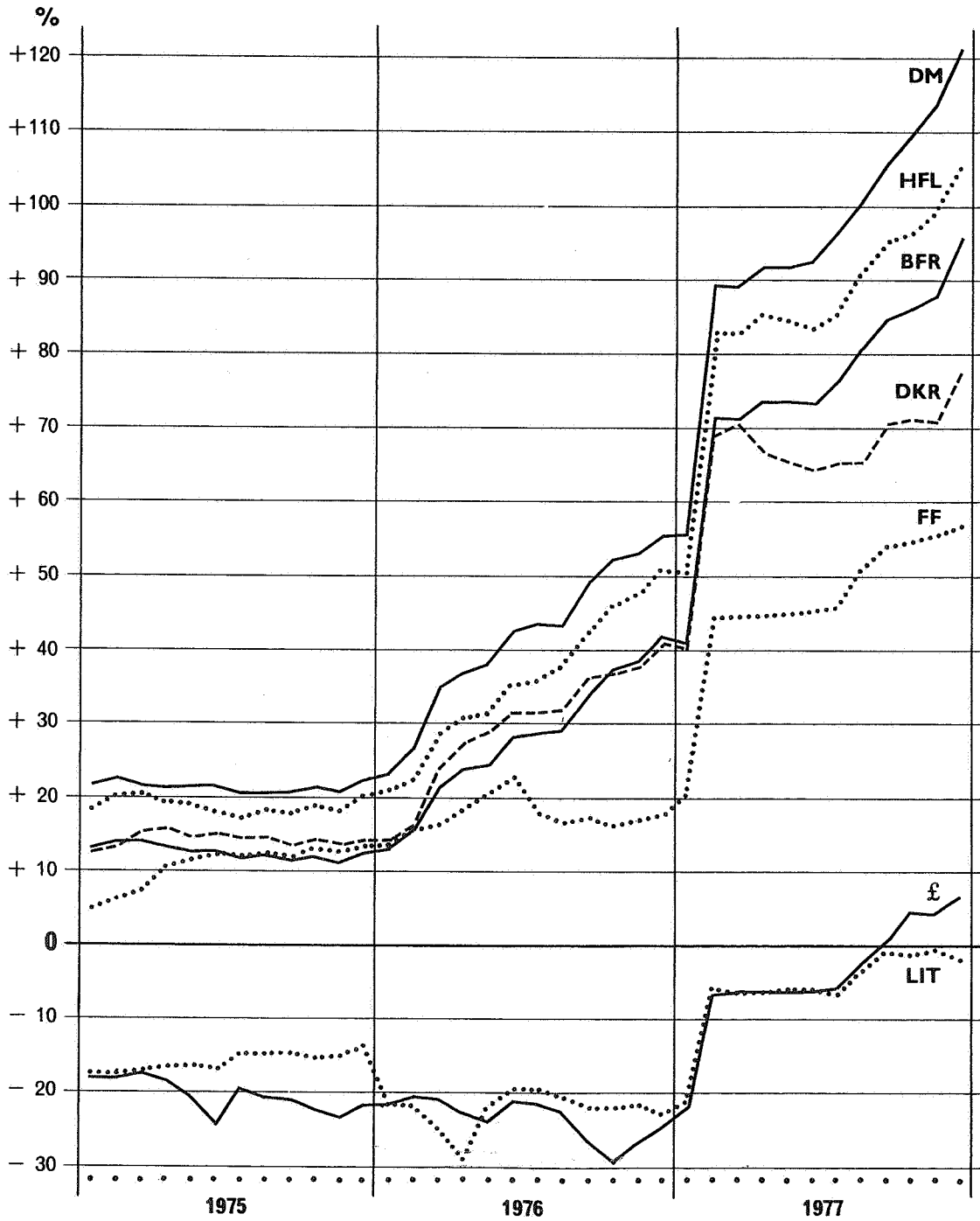




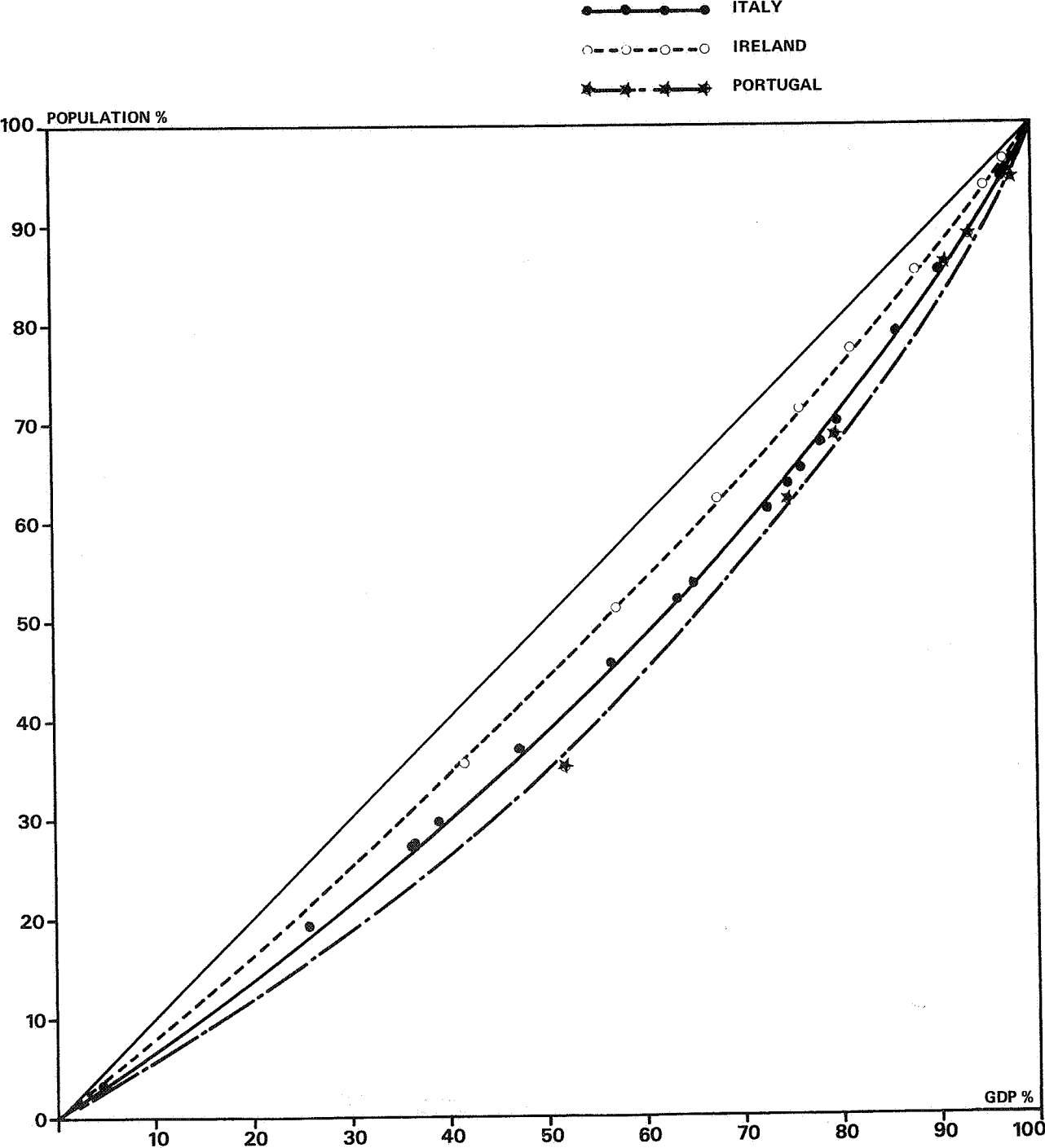
Graph 7 — Portugal — Imports



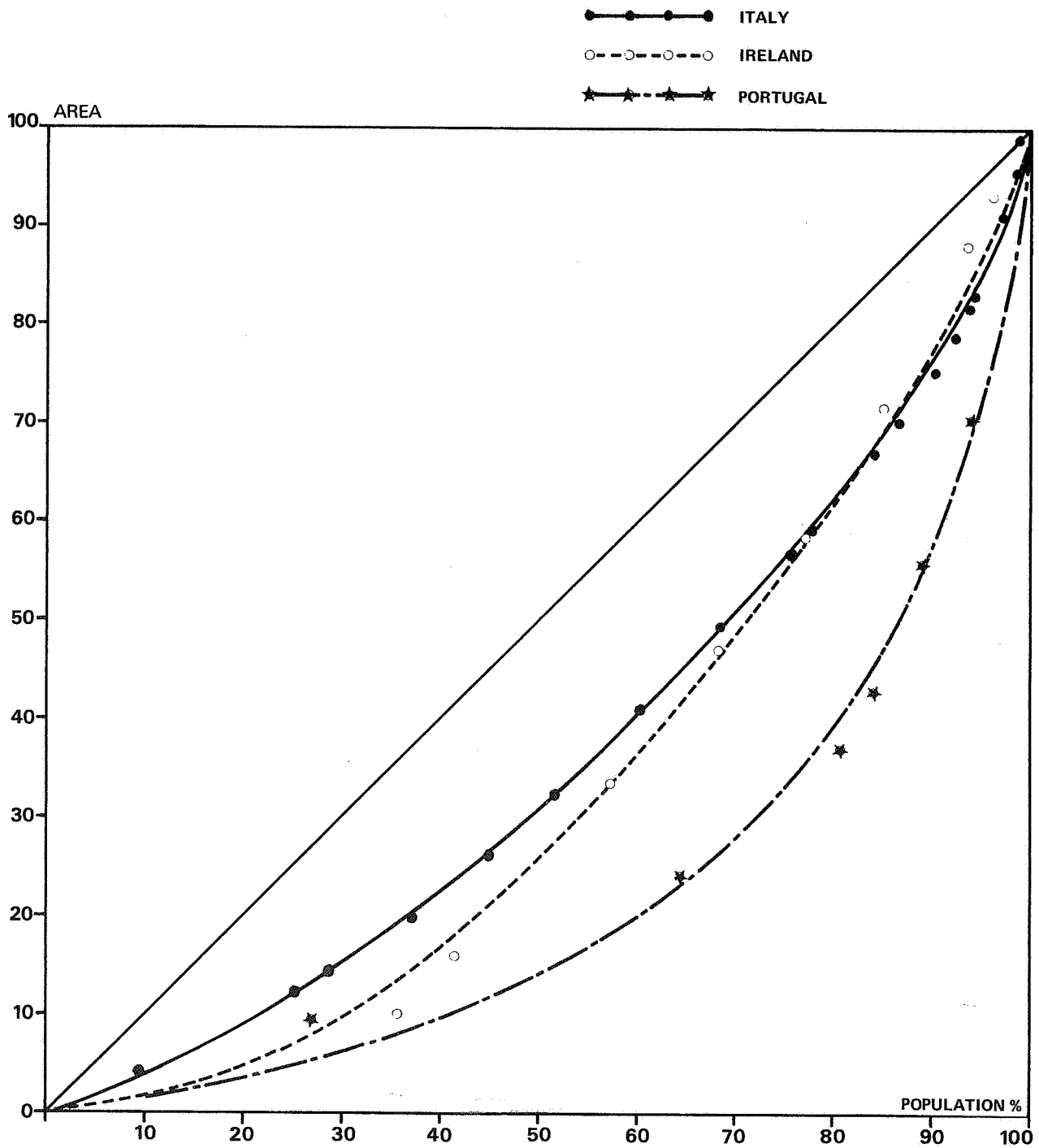
Graph 8 — Trend of exchange rates of European currencies in relation to the Portuguese escudo (% of average rate for first quarter of 1972)



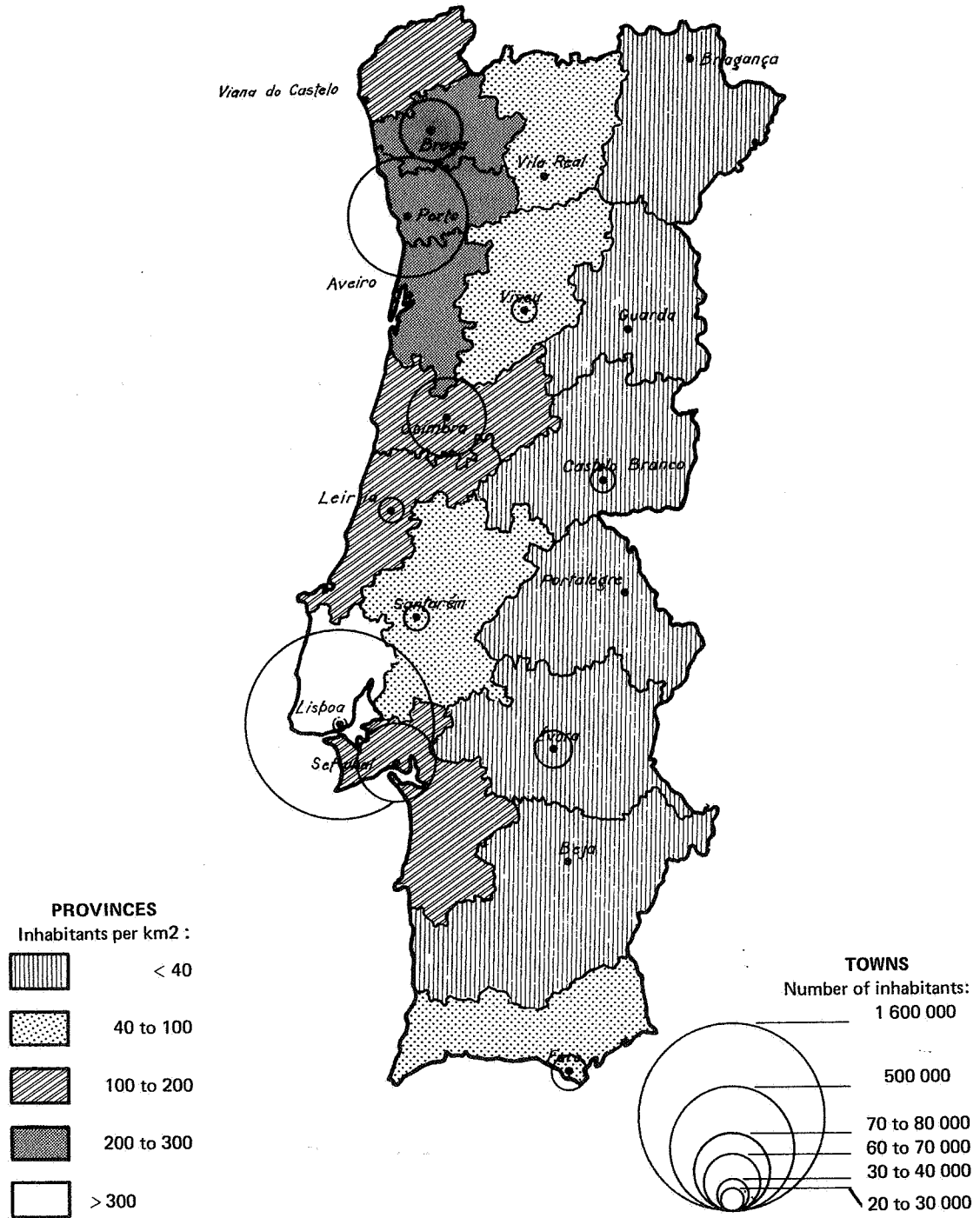
Graph 9 — Gross domestic product distribution (Lorenz curve)



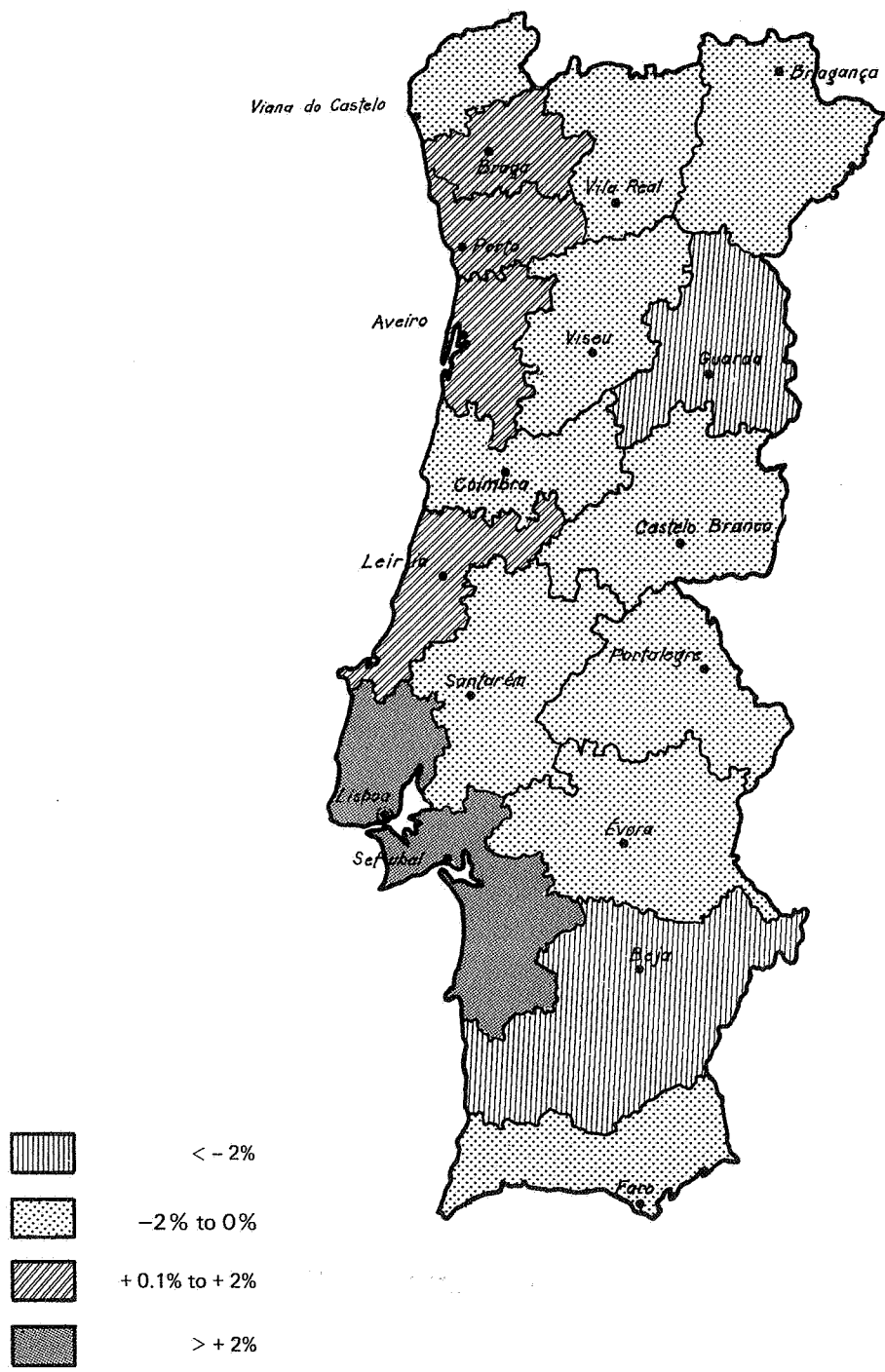
Graph 10 — Population distribution (Lorenz curve)



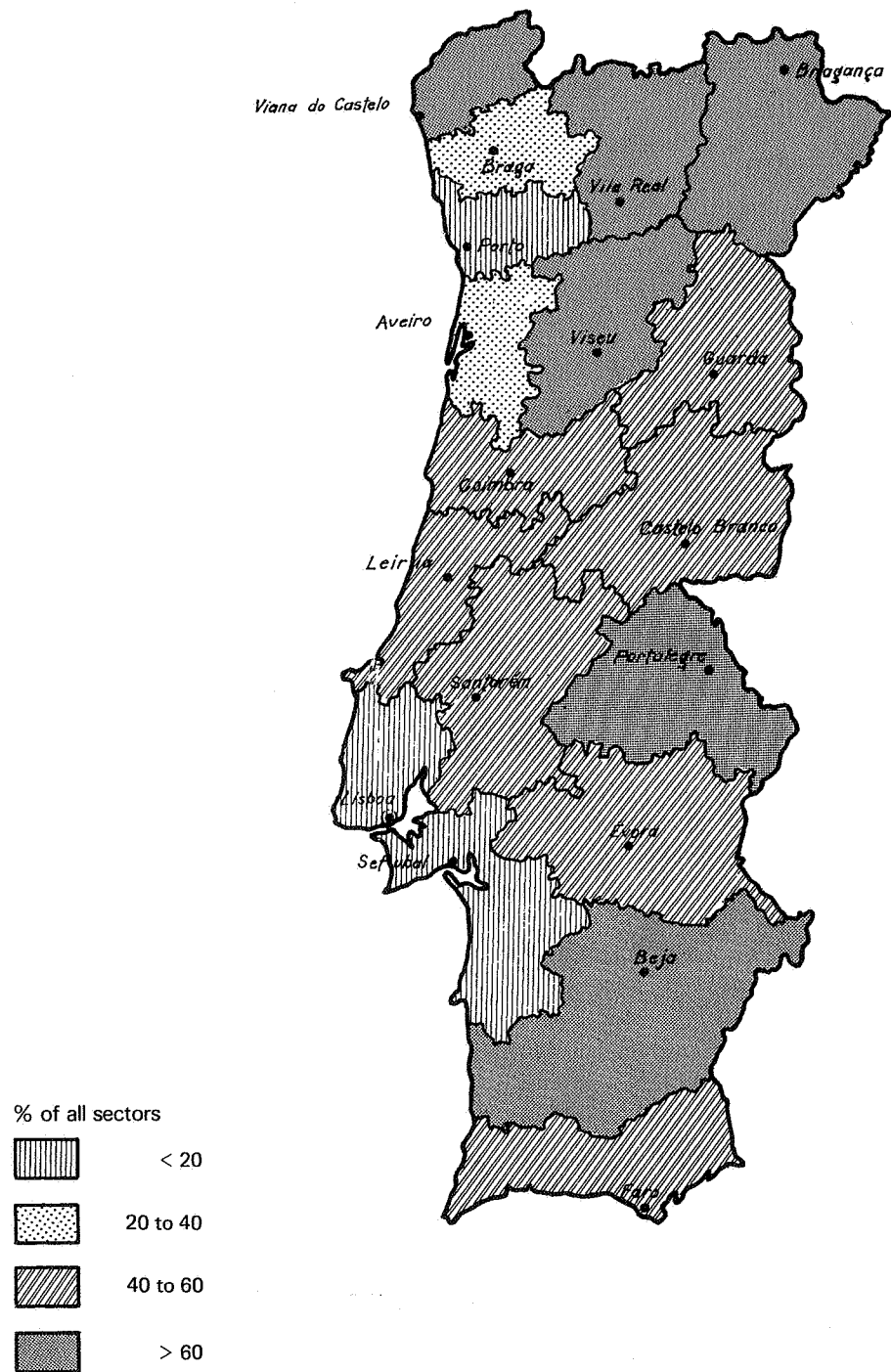
Map 1 — Population density — 1975



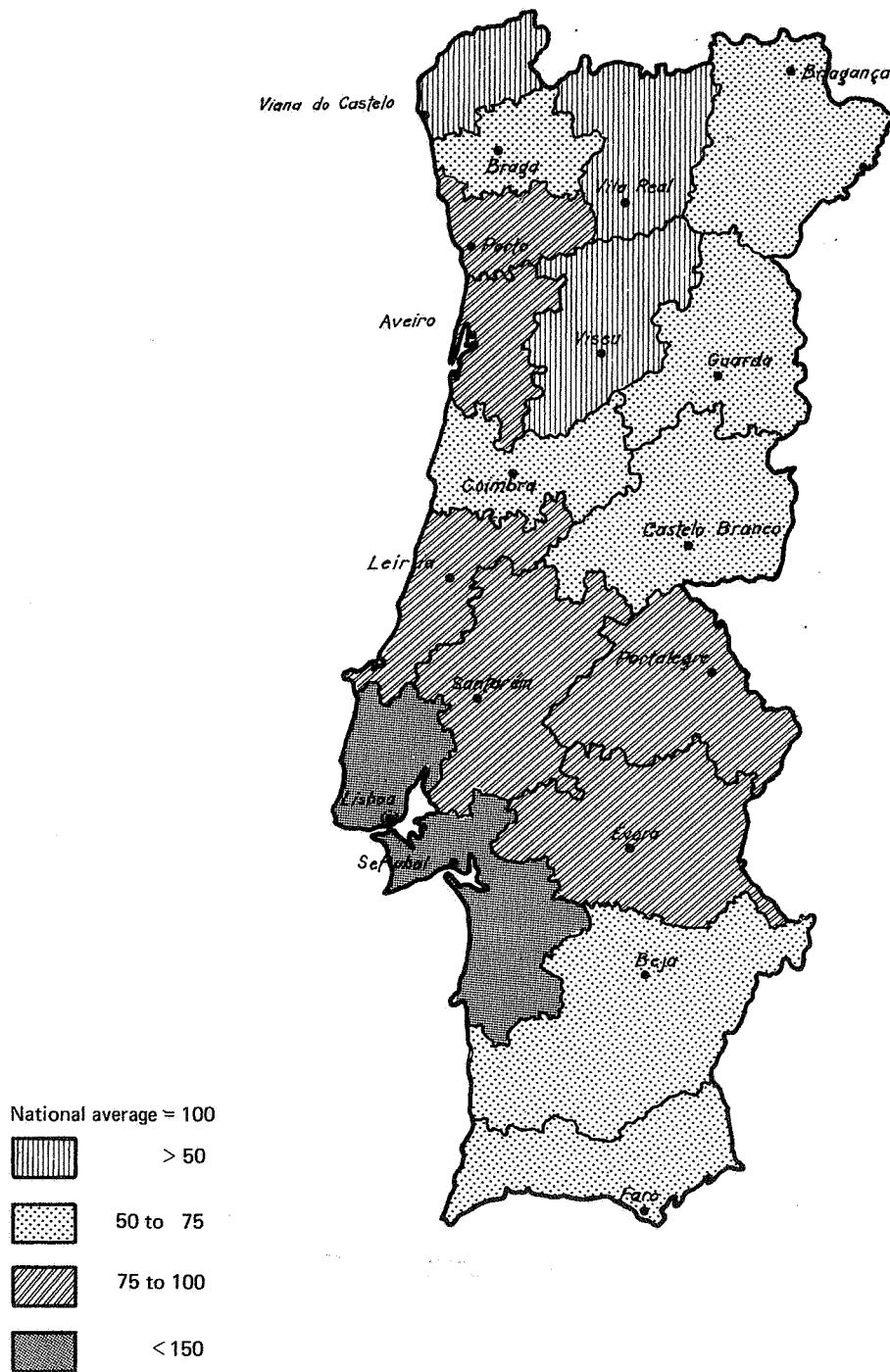
Map 2 — Average annual rate of population variation (%) — 1960-1975



Map 3 — Working population in agriculture — 1975



Map 4 — Gross domestic product per capita — 1970





European Communities — Commission

**Opinion on Portuguese application for membership**

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The Treaties of Rome and Paris signify the clear intention that other European States sharing the democratic ideal of the European Community's Member States should be able to accede to the Community.

Democracy in Portugal is now an established political fact. The Commission accordingly feels that an unequivocal yes should be given promptly to the Portuguese request to open accession negotiations as soon as possible.

Political considerations must not, however, be allowed to obscure the economic difficulties. In this Opinion the Commission discusses those difficulties and sets out the arrangements which will need to be instituted on both sides in order to make a success of Portuguese accession.