

## EDITORIAL COMMENTS

*Portugal and the Community*

The Commission has recently published<sup>1</sup> its opinion on Portugal's application for membership of the Community, and, as was widely anticipated, has called upon the Council of Ministers to open negotiations as soon as possible. The underlying arguments which lead the Commission to this conclusion emphasise that, since 1974, democracy in Portugal has become an established fact and that Portugal, which set its face firmly toward the Community as soon as democracy was re-established, cannot be left out of the process of European integration.

In Editorial Comments last year<sup>2</sup> it was suggested that further enlargement negotiations:

"... cannot be conducted as if the criteria for Community membership were simply political acceptability and economic compatibility. Further enlargement inevitably must involve a reconsideration of the pace of integration, of the nature of the Community's identity, of the direction of institutional development, and of the evolution of a European (not only a Mediterranean) foreign policy".

The latest Opinion of the Commission amply reinforces that expression of view and underlines, although often only obliquely, the difficulties implicit in the whole range of current enlargement negotiations.

Recent relationships between Portugal and the Community have evolved through three distinct phases. The period between 1969 and 1974 was marked by the preparation and entry into force of the bilateral free trade agreement made necessary by the 1973 enlargement and the consequential new relationships between the Community and the non-candidate EFTA Member States. That agreement contained significantly unusual provisions with regard both to agricultural products and the industrial sector. Agricultural tariff preferences were included because of the very high proportion of agricultural products in Portuguese exports and because of the need for Portugal to retain advantages obtained under the EFTA system within Danish and British markets. The tariff dismantling timetable within the industrial sector provisions was especially extended (in the case of some products until 1985) in order to give Portuguese industry a longer adaptation period. After the revolution of April, 1974, a new phase of relationships was clearly necessary. The Community offered Portugal special

---

1. COM (78) 220.

2. 14 C.M.L.Rev. 1977, at 524.

emergency financial aid and a Joint Committee, which met for the first time in Brussels in January 1976, and prepared various co-operation projects for submission to the European Investment Bank. Negotiations also took place between Portugal and the Commission early in 1976 which led to a significant enlargement of the terms of the free trade agreement and the adoption of both an Additional Protocol (with important tariff concessions and labour provisions) and a Financial Protocol to the original agreement.

The third phase of relationships, since the signature of the Protocols, has been marked by intensive political activity and events have moved rapidly since the Portuguese formal request for membership of the Community was submitted on March 28 of this year. The accession procedure was formally set in motion by the Council of Ministers on April 5, 1977, when, under the terms of Article 237 of the EEC Treaty, the opinion of the Commission was sought. That Opinion, adopted on May 19 of this year, must, of course, be read in the context of the debate over the implications of enlargement for both the Community and the three applicant States—Greece, Spain and Portugal itself.

Portugal today has one of the highest economic growth rates in Western Europe but one of the lowest gross domestic products and a low average standard of living. There has been in recent years a steady deterioration in her terms of trade, an alarming balance of payments deficit and a massive erosion of financial reserves. Currently, a stabilization programme aims to reduce the balance of payments deficit to less than 1000 million U.S. dollars by the end of the year, to limit inflation to 20%, to reduce the unemployment level (running at 15%), but to maintain some economic growth in spite of these objectives. The Community is both Portugal's largest customer and supplier, with over 40% of Portuguese imports coming from the Community and over 50% of her exports going to the Community in 1976.

In these circumstances, it is hardly surprising to find that the Commission's Opinion stresses that political considerations should not be allowed to obscure the economic difficulties of accession. Although claiming that the overall impact upon the Community of Portuguese accession would be small, the Opinion gives an extended analysis of the "structural weaknesses and cyclical difficulties" in the Portuguese economy and of the probable aggravation of difficulties already evident in the operation of the existing free trade agreement after eventual accession. There is also frequent reference to the increased disparity in development levels within the Community that would result from accession, and to the pressures upon Community structural policy that would be experienced in consequence.

The optimistic tone of the Opinion overall will not be supported by all

observers. The problems of restructuring the Portuguese economy so that it will “dovetail into the economic coherence of an enlarged Community” will severely test both the will and the mechanisms of the Community. In particular, Community support for the Portuguese balance of payments situation, and for development in the agricultural and industrial sectors, will require positive concerted action and flexibility over transitional derogations from Community policies. The Opinion does not attempt to inter-relate the problems arising from the Portuguese application with those arising from the Greek and Spanish applications. The political reasons for treating the applications *ut singulis* are well known and have been often rehearsed; they should not be allowed to relegate the longer-term problems over the identity, structure and purpose of the Community to a place of secondary importance in the current debate. Indeed, as the recent Bremen summit meeting may well illustrate, the current enlargement process could accentuate the existing division of views within the Community over the most important new initiative toward real integration—the move toward economic and monetary union.