'The accession of Spain and Portugal' from Le Monde (14 June 1985)

Caption: On 14 June 1985, the French daily newspaper Le Monde examines the hopes and fears of Portugal on the issue of its accession to the European Economic Community (EEC).

Source: Le Monde. dir. de publ. FONTAINE, André. 14.06.1985, n° 12 557; 42e année. Paris: Le Monde. "L'adhésion des Etats iberiques", auteur:Rebelo, José , p. 5.

URL:
http://www.cvce.eu/obj/the_accession_of_spain_and_portugal_from_le_monde_14_june_1985-en-e15e44d6-ffa3-4aef-8bcc-5da1fb31148f.html

Last updated: 06/07/2016

The accession of Spain and Portugal

III. — Lisbon’s troubled dream

From our correspondent, José Rebelo.

In the two previous articles, Thierry Maliniak analysed Spanish reactions to EEC accession: disquiet among farmers, serenity among industrialists (*Le Monde* of 12 and 13 June).

Lisbon. — ‘Five years hence, the country will be radically different.’ Whether speaking in public or in private, Mário Soares makes no secret of his optimism.

The EEC will be opening its doors to this small country which covers only 88 500 square kilometres and possesses 3.5 million hectares of arable land, of which 630 000 are artificially irrigated, a country in which per capita income is less than 13 000 French francs (the minimum monthly wage is barely FRF 700 in agriculture and FRF 850 in industry) and where more than 11 % of people of working age are unemployed (some 4 million inhabitants).

Europe takes more than 70 % of Portuguese exports, primarily textiles and footwear, transport equipment, wines, timber and cork, and it supplies over half of the country’s imports: industrial machinery, agricultural and chemical products.

Freed from dictatorship in April 1974, Portugal has since undergone any number of reversals of political fortune: it has got through no fewer than 16 governments. This instability has taken its toll on the economy, particularly as almost 700 000 colonial returnees have had to be absorbed. Following a sharp rise in the current account deficit, the country was forced in 1978 to seek help from the International Monetary Fund (IMF) for the first time. The ‘treatment’ administered proved effective, and, by the end of the following year, the accounts were virtually balanced.

Complete lack of preparation

Two elections in less than a year, accompanied by a long run of populist measures, were enough to undermine the progress that had been made. As a result, the current account deficit hit 1.25 billion dollars in 1980 and had risen to 2.85 billion by 1981 and 3.25 billion by 1982. The alarm bells rang again, and the IMF team descended on Lisbon once more.

The PS had just won the parliamentary elections, and Mr Soares was back again as Prime Minister after five years in the political wilderness. Following a tough programme of measures, the current account deficit came down again to 1.64 billion dollars in 1983, declining further to 0.52 billion dollars a year later.

This cyclical policy of boom and bust has stood in the way of any fundamental action and, despite declarations of intent in favour of Portuguese accession to the EEC, nothing has been done to prepare for its accession. There is a plethora of small companies with no prospect of surviving, in the textiles and iron and steel industries in particular.

In Alentejo, the agrarian reform presented in 1974 as one of the ‘gains of the revolution’ has almost petered out. Most of the former owners, having recovered a large proportion of their holdings, are leaving the land idle. They are waiting for the right moment to sell them, to foreigners in particular.

Meanwhile, in the northern half of the country, tiny holdings of less than one hectare are going nowhere, and the plans to create farming cooperatives have never left the drawing board. There is little scope for introducing mechanisation. Despite its extensive coastline, Portugal is an importer of fish, and there has been no effort to modernise the fishing fleet. More than half the foodstuffs consumed by Portugal have to be bought in from abroad.

Most of the large industrial concerns have accumulated profits over the years without worrying too much about market conditions, thanks to policies which have, historically, been highly protectionist. The smaller firms, for their part, have had to use all their ingenuity to eke out a living. These undertakings, large and small, are established along the coast, particularly around Lisbon and Oporto. But only venture inland, and another Portugal comes into view: roads in utter disrepair, villages that are still without electricity, peasant farmers looking to the State for the modest subsidy on which their very existence depends.

The prospect of accession to the Common Market is greeted very positively by the few business leaders — particularly in the textiles sector and in port-wine production and distribution — who are already looking to the international market. Accession is, on the other hand, rejected by all those, whether in industry or farming, who fear an end to subsidies and the advent of competition from foreign products. The misgivings expressed by the two employers' organisations, the Confederation of Portuguese Farmers and the Confederation of Portuguese Industry, are indicative of this state of mind.

According to the Accession Treaty, virtually all farming subsidies will be abolished as from 1 January next. Processed fruit and vegetables will be subject to a six-year transitional period, after which controls on their export to the Community will be lifted. For its part, the Portuguese domestic market will remain subject to quotas for seven years. Two exceptions have, however, been negotiated: the export of tomato concentrate, on which controls will be lifted from January 1990, and marketing structures for cooking oils, which will not be fully dismantled until ten years after accession.

Adjust or go bust

For most Portuguese farm products, and in particular cereals, rice, dairy products, fresh fruit and vegetables, and also for beef and pork, which together account for 80 % of Portuguese output in the primary sector, a two-stage procedure has been adopted. In the first stage, lasting five years, a programme of reorganisation of agriculture and the associated commercial structures will be implemented. The second stage, of similar duration, will see the progressive dismantling of those structures. Throughout that ten-year period, the Community will fund modernisation projects worth ECU 700 million in non-returnable investment.

For farmers, it will be all or nothing: adjust or go bust. The risk is perceived particularly sharply in the populous area to the south of Oporto where a large proportion of the workforce is involved in relatively low-productivity stockbreeding.

As regards fishing, Portugal will retain exclusive rights within the 12-mile coastal limits. Outside that zone, a ten-year transitional period will apply, during which a certain number of permits will be granted to boats coming from EEC countries. 'What we'll be doing here is setting up the largest fishing reserve in the world,' is the ironic comment from the Ministry of Trade.

The fact is that, with the occasional exception, Portuguese fishing has remained a small-scale, low-tech affair, and the chances of any real modernisation leave most observers sceptical. What is more, the bilateral agreement recently concluded with Spain provides for the creation of joint ventures, funded by Spain and Portugal, which will be allowed to operate within the 12-mile limit. Short of a radical rethink of traditional methods, the future does not seem too promising for Portugal's small fishermen.

Shake-up

Between the date on which the Accession Treaty is signed and the date of accession itself, decisions will be taken on the amount to be devoted by the Community, via the European Investment Bank (EIB) in particular, to modernisation of industry. Here again, quite a shake-up can be expected, with mergers, company failures, and a shift in focus away from certain sectors, the iron and steel industry for example, which is not thought to have a future.

The financial sector is in for far-reaching changes, too. In March 1975, all the country's banks were nationalised, and private enterprise was banned from the entire sector; the Stock Exchange was virtually paralysed, and rigorous exchange controls were introduced. With the advent of greater political moderation, some action has been taken to free the sector, but progress has been slow. In recent months, fewer than ten foreign banks, and only one Portuguese bank, have received government authorisation to open offices.

And yet, going by what has been agreed concerning the right of establishment and the free movement of capital, the banking sector will have been completely opened up seven years from now. The Portuguese will be free to invest in other Community countries and to buy foreign stocks and shares on the Stock Market. In five years' time, there will be no controls on currency imports by tourists.

Local authorities in the interior of the country and the expat communities harbour no reservations about accession. For good reason. As from 1986, Portugal will gain access to the European Regional Development Fund. For good measure, a protocol, identical to that negotiated with Ireland and Greece, advocates the harmonious development of countries acceding to the Community. The amount to be invested in the most backward regions has not yet been determined, but Lisbon is counting on an annual figure of about 300 million escudos (FRF 15 million).

Finally, there will be an end to discrimination between immigrants and nationals. In theory at least. Seven years hence, Portugal's citizens will be free to emigrate to other European countries, with the exception of Luxembourg, where that period will be two years longer. A dream?

The End