

Interview with José da Silva Lopes: the establishment of EFTA (Lisbon, 23 October 2007)

Source: Interview de José da Silva Lopes / JOSÉ DA SILVA LOPES, Miriam Mateus, prise de vue : François Fabert.- Lisbonne: CVCE [Prod.], 23.10.2007. CVCE, Sanem. - VIDEO (00:11:03, Couleur, Son original).

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URL:

http://www.cvce.eu/obj/interview_with_jose_da_silva_lopes_the_establishment_of_efta_lisbon_23_october_2007-en-25dd1377-5117-4d0f-be38-274d775a15f4.html



Last updated: 05/07/2016

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[Miriam Mateus] I'd like to start with the first part of your career. In the late 1950s, you were employed in the Ministry of Economic Affairs, and you were involved in the early days of the European Free Trade Association (EFTA). Can you explain why Portugal opted to accede to EFTA rather than the European Economic Community? What were the advantages of that choice for Portugal?

[José da Silva Lopes] Well, when the EEC was set up, the various OECD countries that weren't members wanted to organise a free-trade area covering all the OECD countries in order to avoid the trade discrimination that the EEC was to create. The EEC was going to treat Italian wine, for example, more favourably than Portuguese wine. Portuguese wine was subject to the common external tariff, while Italian wines moved freely, and, if that applied to Italian wine, it also applied to wine from France and even from Luxembourg. That constituted discrimination against countries that remained outside the EEC at the time. So the UK led a move to create a large free-trade area in Europe. This was done within the OECD, among all its member countries, and, as a member itself, Portugal also took part.

Protracted negotiations took place, but they eventually stalled and were abandoned because General de Gaulle opposed any agreement. So the EEC had been formed with its original member countries, and the other countries were all left out. At that time, the British, who couldn't, or rather didn't want to, accept the EEC for various reasons: firstly, because of sovereignty issues, secondly, because of problems involving the Commonwealth — and, not least, because its attitude towards Europe wasn't, and probably still isn't, the most enthusiastic — so, at that time, the British decided ... well, they didn't decide, they led a group of countries that weren't members of the European Community to form an alternative association, EFTA, as a means of exerting pressure on the European Community.

EFTA's objective was, therefore, to join forces so that it would be easier for the European Community to reach an agreement with the countries that were left out so as to avoid such trade discrimination. With this agreement that the British sought ... — I say 'the British' because they were the most important country in the group, though the other EFTA countries were probably also involved — they basically combined as the group of the most developed OECD countries, leaving out states such as Turkey, Greece, Portugal and even Ireland, which had been involved in the previous negotiations, in a sort of 'group of developing countries'. At the time, Ireland was considered to be a developing country. It was, therefore, an organised group of six industrialised, developed member countries: Sweden, Denmark, Norway, Austria, Switzerland and the UK — it was these six — and, initially, Portugal wasn't invited to join.

Here in Portugal at the time, however, both in the diplomatic service and in Government, we had people who were very influential in the OECD and who eventually made sure that we were invited to join EFTA. In the diplomatic service it was Ambassador Guerra, and, in the Government, it was Mr Correia de Oliveira. They were both very influential in the OECD and achieved something that not even the Irish or the Greeks attempted ... they succeeded in securing an invitation to join EFTA.

For us, the EEC wasn't an option at that time, for two reasons: firstly, it was perfectly clear that they weren't interested in our acceding; secondly, accession to the EEC meant that we would have to adopt a common external tariff, and, since we had links with the Overseas Territories, the idea that we had to treat trade with them, the former colonies, on a preferential basis meant that we couldn't apply the same tariff to them as we did to the other countries such as France or Germany. If we acceded to the EEC, we had to treat the Overseas Territories on an equal footing with the other African countries. At the time, Portugal saw itself as a single united country stretching from the Minho to Timor, so, politically, it was impossible for us to accede to the EEC just then.

In part, the British didn't want to join the European Community and never showed an interest in it for similar reasons, because they also wanted to keep separate relations with the Commonwealth.

So the EEC option was barred to us for several reasons: for external reasons, because they didn't show any

interest in our acceding, and for internal reasons, since we didn't want to accede because of the problem of the Overseas Territories. EFTA, on the other hand, offered us great flexibility. Since it was a free-trade area, it allowed each country to apply its own differentiated tariff. The Portuguese tariff, therefore, didn't have to be the same as the Swedish or the British tariff, so we could have preferential relations with the Overseas Territories while the Swedish didn't have to, and that offered us much more flexibility. And, I repeat, we weren't initially invited to join EFTA. We joined EFTA because of the courage, let's say ... because of the courage and vision of two people here in Portugal, Ambassador Guerra and Mr Correia de Oliveira, and we succeeded in joining EFTA.

In EFTA, we managed to compensate for the idea that we were less developed than the other countries and that we would, therefore, deserve special treatment when the protectionist barriers were dismantled. While EFTA had set a transitional period for the abolition of customs barriers — 10 % at first, if I'm not mistaken, which was then shortened to far fewer years ... I don't recall how many now, but perhaps six, I don't remember the exact number — Portugal benefited from a transitional period of 20 years. This was granted to Portugal, and it was very generous and understanding of the other EFTA countries. And that's why we joined EFTA rather than the EEC.

Naturally, some years later, Greece succeeded in negotiating an association agreement with the EEC, but that was only later, it wasn't even an option at the time. Greece's association agreement with the EEC may have come about in part because Portugal had joined EFTA. I'm not really sure that that's what happened, that the Portuguese example led to ... the example of how EFTA welcomed Portugal encouraged the EEC to show some generosity towards Greece. I'm not exactly sure. But what I do know is that Greece signed an association agreement with the EEC, although it was obviously different from ours, but it wasn't much more advantageous, and neither was it something ... So life in EFTA was fine for us in the 1970s, we were actually pleasantly surprised.

Once we'd joined EFTA, the Portuguese economy went through a period of great prosperity, partly because of EFTA. That was because, contrary to our initial expectations, many mainly Nordic and even American companies came to Portugal so that they could export to EFTA. Many presumably Swedish textile factories opted to close down in Sweden and set up in Portugal in order to export from Portugal to Sweden, since labour was cheaper here. American companies came to Portugal instead of setting up in other EFTA countries because labour was cheaper here, and they exported from Portugal. So EFTA was a great success for us.

The 1960s constituted the most spectacular decade of Portuguese economic growth ever. These were what we might call the golden years, from 1960 to 1973. It was the same for Europe as a whole. It didn't happen just in Portugal, it happened throughout Europe from 1960 to 1973 ... some people even say that it went from 1945 to 1973, and there's even an expression coined by a very well-known French author, Jean Fourastié, who called [that period] *les Trente glorieuses*. Portugal also had its 'Thirty Glorious' years, but it was mainly the EFTA period from 1960 to 1973. Those 13 years were more than glorious, they were golden. It was down to ... I won't say it was down to EFTA alone, it was also down to emigration, it was down to the prosperity of the European Community itself, it was down to all that. But EFTA had a great influence on it.

So, in the end, we were very lucky, we joined EFTA for the reasons to which I've referred, partly because of the Overseas Territories that precluded the other alternative, partly because the EEC wasn't interested in us and partly because the EFTA countries were very generous, which wasn't unconnected to the ability of the two Portuguese negotiators to whom I referred, so that's how it came about.