

Improvements and relaxation are with EC measures to be taken at unification but there is still a long way to go before a complete liberalisation within the EC can be realised.

f) Plant and Animal Quarantine

The quarantine standards of member countries are to be standardised.

g) Control on the Entry of Terrorist and Forbidden Articles (drugs etc.) and Control on Illegal Entry.

While reinforcing control measures taken at the EC outer borders with Non-EC countries the coordination of legislation of the individual EC member countries relating to the import of weapons and drugs is to be undertaken. Further, the coordination and harmonization of regulations relating to the entry, residence and employment of non-EC nationals is to be effected.

The above represent the measures relating to the removal of the physical barriers in the EC.

2) Removal of Technical Frontiers

It is also demanded that technical barriers hindering the free movement of people, goods and services within the EC be removed. That is commodity goods legally produced and sold in a given country in the EC must be allowed to be sold without restraint in the entire zone of the EC. Further, an individual or corporation which is legally allowed to offer and practice a service in one of the member countries must also be allowed to practice this activity or service without hindrance anywhere in the EC. In order to realise the above, the following technical barriers are proposed for removal.

a) Besides furthering the harmonisation and standardisation of technical standards in the individual countries to allow a free movement of commodities, the legally established specifications and standards relating to cars, tractors, agricultural machinery, foodstuffs, medical supplies, technical medical supplies, chemical products, construction materials and capital goods in the member countries are to be adjusted to promote greater uniformity.

At present there are as many as 100,000 industrial standards in force throughout the EC territories and it is unrealistic to expect a standardisation of all of these specifications especially given the rapid tempo of technical innovation in recent years. Therefore a three phase plan of action is to be adopted for the regularisation of technical standards.

- Mutual Acknowledgement of Products

A finished product legally produced and sold in one of the member countries should be accepted by other member countries.

- Selective Agreement

While commodities found to present problems of a health, safety or environmental nature are excluded from the principle of free movement in accordance with Article 36 of the Treaty of Rome, in order to avoid differing interpretations by different countries, an agreement on the minimum pre-conditions for certain categories of specific commodities is to be reached by the Ministerial Council.

- Establishment of a system whereby member countries wishing to introduce new industrial standards are obliged to give prior notice to the EC Commission. The Commission will be empowered to prolong the introduction of the specification under review for up to one year during which time it will be possible to examine whether the new specification will act to hinder trade with other member countries or not. According to the evaluation results, the Commission is empowered to negotiate modifications with the country proposing the specification.

The following bodies are entrusted with the work of deciding on single standards for the EC.

- Comite Europeene de la Normilisation (CEN)
- Comite Europeene de Normalisation d'Electro-technique
- UEA and RILEM

b) As for the unification of the regulations and the legally established specifications of the individual member countries regarding health, safety, consumer and environmental protection, it is requested to decide on the majority voting in the Council. The Commission is trying to introduce unification with regard to health and safety in the 1st phase.

c) Opening Up of the Government Procurements Market

Government procurements is a large market representing more than 15% of the net total of EC internal trade. In principle, commodity procurements exceeding 200,000 ECU are all to be published in the Official Journal of European Communities and the TED EC Data Base as per the order to this effect issued by the EC Commission. However in practice there are a variety of problems to this and the system does not always function effectively.

Recently, the efficacy of the above order has been expanded to include the sectors of energy, transport, water supplies and telecommunications. Also, commodity procurement agreements in excess of 750,000 ECU per agreement are to be published in the OJEC and EC Data Base at the beginning of each fiscal year. An extension of the period from announcement of tender to closing deadline (lengthened from 36 to 52 days for public tender and from 21 to 37 days for limited tender), and application of EC technical standards and acceptance of the technical standards in force in other countries has been made compulsory.

d) Free Movement of Workers and Specialists

This consists of the establishment of a system of mutual acknowledgement for Certificates from occupational training centres and occupational qualifications issued in the different member countries, together with measures to permit freedom of movement and residence of workers within the EC and for mutual recognition of Academic degrees and Graduation certificates.

e) Liberalisation of Service Sectors

Service sectors now account for a 62.6% share of the total EC GDP and it is expected that with further economic development the service sectors will continue to develop, so that liberalisation of this sector is considered essential to the economic development of the EC. Nevertheless, compared with the measures taken to liberalise the movement of commodities, the liberalisation of services has been slow. In particular, since the financial sectors of the member countries are closely related to economic policies and as the interests of the member nations differ the unification of this sector has been delayed.

f) Liberalisation of the Movement of Capital

Article 67 of the Treaty of Rome stipulates that all restrictions on the free movement of capital between EC member countries are to be gradually removed. The Third Decree for liberalisation of capital ratified in 1985 effected a considerable level of liberalisation for capital movements within the EC. The Fourth Decree of June, 1986 ratified the following items and came into effect as of July, 1990. However, the implementation of these measures have been postponed until the end of 1992 in the case of Portugal, Spain, the Republic of Ireland and Greece. After that date, a further period of postponement is to be granted to the above countries until 1995.

- Removal of restrictions on the movement of short term capital
- liberalisation of the opening of personal bank accounts within the EC
- liberalisation of credit provisions for financial transactions

Since the movement of short term capital has an immediate and large effect on the international balance of payments and the exchange rates of the country concerned, these measures will restrict the economic policies of countries concerned and so involves aspects of the European Monetary System itself. Realisation of complete liberalisation within the EC zone therefore involves a large number of difficult problems.

The European Monetary System (EMS) is composed of the following three systems.

The EC summit meeting held at Maastricht, Netherlands, in December 1991 reached the following agreements, which are expected to make a further progress toward unification of economies and currencies:

- Unification of economies and currencies will enter the second stage in January 1994, and the European Monetary Institution (EMI) will be established.

The EMI will be organized by central banks of the member nations to implement coordination of financial policies and price stabilization in the member countries, to monitor EMS operations, and to promote the use of the ECU, toward transition to the third stage.

The EMI will report convergence of economic performances in the member nations annually to the EC Financial Ministers' Council, and will finalize the details of duties of the European System of Central Banks (ESCB) by the end of December 1996.

Major criteria to allow a member nation to participate in the third stage of currency unification are as follows:

- a) Consumer price inflation rate: Less than the average of the three lowest inflation rates in the member nations, plus 1.5% (4.5% as of May 1991).
- b) Percentage of budget deficit in GDP: Less than 3%, with the percentage of public debt in GDP being 60% or less.
- c) Currency: The range of fluctuation in the past 2 years should not exceed the EMS-approved band of 2.25%.
- d) Interest rate: The interest rate on the long-term government bond or equivalent in the past year should not exceed any of interest levels in 3 nations with the best economic conditions by more than 2%.

- By the end of 1996, evaluation will be made by the Council determine whether a majority of member nations satisfy requirements (above) for adoption of a single currency, preparation will be made to establish the European Central Bank (ECB) and the ESCB, and adoption of a single currency, commencement of the third stage, and the dates of adoption and commencement (if so resolved) will be decided.

- If the date to start the third stage is not decided by the end of 1997, the third stage will commence on January 1, 1999, in member countries which satisfy requirements for adoption of a common currency.

As the adoption of a single currency and the final deadline for establishment of the ECB (6 months after the commencement of the third stage) are agreed upon, the unification of economies and currencies in the EC has evolved from an objective to a real schedule.

It should be noted, however, that there are large differences in economy, finance, and government budget among the member nations, e.g., as of May 1991, only three countries - France, Denmark, and Luxembourg - satisfied

requirements for transition to the third stage, so that it is interesting to watch how other countries will improve their economies and other conditions. Other questions are: Whether the UK will exercise its right to withhold its agreement on transition to the third stage? Will reforms in the former Soviet Union and Eastern Europe and the approaching of the EFTA countries to the EC lead to the increase in new membership in the EC?

If the EM membership expands, economic difference among the member countries will certainly widen to limit the number of countries which will be able to enter the third stage. All in all, there are many hurdles to be cleared in the further unification process.

3) Removal of Tax Barriers

This aims at the unification of the various tax systems of the member nations. As tax systems are intimately related to fiscal economic and social policies, this is a highly political question and represents one of the most difficult barriers to remove in the process of EC unification.

a) VAT

The actual tax system of VAT is unified to a great degree throughout the EC but actual tax rates and taxable items differ greatly from one country to another.

It has been proposed by the EC Commission to abolish the levying of tax at borders and to regulate VAT within a uniform range throughout the EC (at 14-20% for standard items and 4-9% for the reduced rate) in order to realise a borderless EC and cut tax collection costs. However, due to the large disparities between the tax rates of members and the close relation of these to fiscal and social policies such a unification is extremely difficult to effect. Further, the Clearance House System proposed in conjunction with the abolition of border collection has been criticised as actually resulting in an increase in costs. The Upper limit for tax free goods has been raised to 390 ECU for private individuals.

b) Consumer Tax

For the same reasons given in the case of VAT, an agreement between member nations is expected to prove difficult to achieve.

c) Corporation Tax

While the importance of setting a uniform corporation tax within the EC for the purposes of equalising conditions of competition is recognised the fact that this tax has a direct effect on industrial activities and is an important element of economic policy in the individual countries concerned together with the differing special tax measures adopted in various countries makes this area extremely resistant to systematisation. It is anticipated that this area will prove more difficult than the standardisation of either VAT or consumer tax and at present the EC Commission has not made any proposals in this connection.

1.2 Progress of EC Market Unification

In accordance with the Whitepaper on Completion of the EC Inner Market acknowledged by the EC Council at Milan in June, 1985, the EC Commission actively issued a large number of proposals to Ministerial Council Meetings and the European Parliament to meet the completion of an inner market by the end of 1992. The Sixth Report issued in June 1991 announced that the proposals of the Commission based on the Whitepaper Schedule were completed. The initial Whitepaper had proposed 305 items as mentioned above but the EC Commission reduced this by elimination and amalgamation to produce the 286 items for proposal to date in May, 1991. These can be divided according to the classification of barriers to be removed as found in the Whitepaper as follows.

1) for the removal of physical barriers	102 items
2) for the removal of technical barriers	163 items
3) for the removal of fiscal barriers	<u>21</u> items
TOTAL	286 items

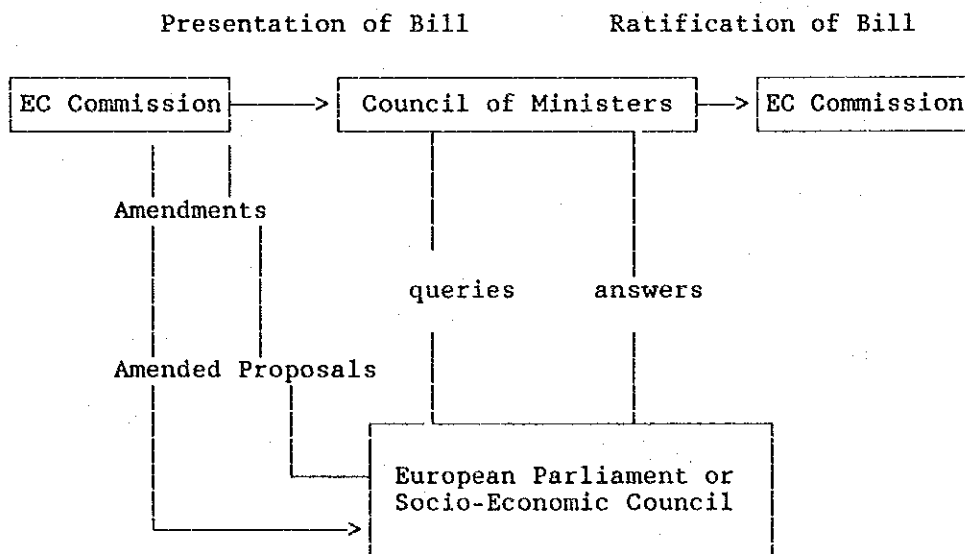
Table 2-3-1 shows the state of ratification effected by the Ministerial Council and EC Commission up to May, 1991.

From this it appears that 193 items have received final ratification while four more items have received partial ratification so that 197 items have already passed the Ministerial Council, representing 68.9% of the total number of 286 items. The remaining 89 items have already been proposed to the Ministerial Council by the EC Commission are being examined at present. The end of 1992 is already quite close, but the EC procedures can be described as progressing satisfactorily.

	total of proposals (A)	being proposed to the Council (B)	ratified by Council (C)	C/A x 100 %
for removal of physical barriers	102	35	67	65.7
for removal of technical barriers	163	37	126	77.3
for removal of fiscal barriers	21	17	4	23.5
TOTAL	286	89	197	68.9

Looking at the progress of ratification by the Council by category of barrier reveals that the most satisfactory progress has been achieved for proposals concerning the removal of technical barriers with 77.3% of the total proposals having been ratified. The removal of fiscal barriers is the area in which ratification is proceeding slowest and only 23.5% of the proposals have been ratified.

With regard to the ratification procedure for the 89 items currently being examined by the Council, 64 of these are to be ratified by a specified majority vote, while 25 require the unanimous agreement of the entire Council. None of these proposals will be ratified by a simple majority. In particular, the unanimous agreement of the Council is required in the case of 21 proposals concerning the removal of fiscal barriers suggesting the difficulty encountered in a unification of the tax system. The following diagram indicates the normal procedures adopted for EC bills before they are finally ratified by the Council.



The Bills proposed by the EC Commission which are ratified by the Council of Ministers as EC Law are directly implemented in the case of Regulations, and in the case of Directives, Decisions or Recommendations, through adjustments of the national laws or administrative systems of the member nations. There are the EC Laws which are exempted from application in some of member countries for a certain period or which are not applied at all in some of member countries.

Table 2-3-2 indicates the state of implementation in member countries at the end of May, 1991 of the items proposed by the EC Commission as based on the Whitepaper programme. Beginning with Denmark, France and Great Britain this shows that the overall implementation

is proceeding well among member countries, though there are countries like Italy where less than half of the items have been implemented. Implementation in line with the progress of ratification by the Council of Ministers constitutes a necessary precondition to EC unification in 1992 from the point of view of creating a single EC market.

As regards the progress of each categories of barrier as classified in the Whitepaper, it is noteworthy that among the physical barriers to be removed with the abolition of internal borders four of the nine items in the case of the free movement of people, have not yet been ratified by the Council of Ministers so that progress in this area is slow. With regard to the movement of goods 28 of the 82 items concerning animal and plant quarantine have not yet been ratified and the removal of physical barriers is generally delayed.

With regard to technical barriers, the progress for items relating to transport, insurance and the opening up of government delivery proceeds at a slower rate than the average rate of progress but the general evolution is satisfactory.

The largest problem is the difficulty confronted in the removal of fiscal barriers since the questions of VAT and consumer tax have made virtually no progress. The target of the end of 1992 has been set for completion of the single inner market by the EC before which it is sought to implement as many of the 286 items as possible. However, the deadline is approaching rapidly and it will be difficult to realise the target. Since the actual contribution towards unification represented by individual items varies greatly the mere number of proposals which have been ratified is not necessarily an indication of the progress made towards unification. Nevertheless it is anticipated that hereafter political compromises will permit a gradual increase in the rate of ratification by the Council of Ministers and a acceleration in implementation in member countries so that a single inner market with a high degree of unity can be realised by the end of 1993.

At present the EC is caught in the wave of unexpected change which is sweeping across the whole European continent with the spectacular changes in Eastern Europe, the reunification of Germany, and the dissolution of the U.S.S.R. The political and economic order which formed the background to Europe at the time of the ratification of the Whitepaper on an EC Market and the Single Europe Act and which formed the starting point for unification plans in 1992 now definitely belongs to the past. The East European Block which constituted a solid economic block previously, has now broken up and the former constituent countries have sought closer contact with the EC. The reunification of Germany represents an automatic expansion of the EC territory but the rebuilding of the (former) East German economy places a large burden on the entire German economy. Hereafter, Germany's fiscal contribution to the EC will be severely restricted and the burden on the EC will be correspondingly increased. The future evolution of the situation in the Community of Independent States (CIS) and

republics forming the CIS which were given birth after the dissolution of the U.S.S.R. is impossible to predict at the moment. EC efforts will of course be concentrated on achieving internal unification by the end of 1992 but aspects relating to matters outside the EC such as the strengthening of relations between the EC and EFTA (EEA), the new applications for EC membership from Austria, Turkey, Sweden, Malta and Cyprus, the treatment of Czechoslovakia, Poland and Hungary on a par with EC members will increasingly occupy attention and the EC's response to these matters will be eagerly followed. It seems likely that the EC will expand even further after 1993.

1.3 Postponement Measures Accorded to Portugal

On entry into the EC, it was agreed to allow Portugal a certain period of grace before the application of certain conditions of membership was to be required. With regard to import tariffs, import quotas, protectionist measures for agriculture, regulations on the movement of capital and its contribution to the EC a special period of transition was instituted. The main areas to which these postponement measures are currently applied are as follows.

- (1) A ten year postponement of the application of the CAP on the majority (85%) of agricultural products. The removal of tariffs and price regulations will be carried out in two phases of five years length ending in 1996. EC tariffs on tomato concentrate which is the main foodstuff export of Portugal were removed in 1990.
- (2) A ten year transition period has been accorded in the case of agricultural products.
- (3) The dismantling of tariff barriers affecting imports from the EC to be realized in seven phases up to 1993 (consisting of phase reductions of 10%, 10%, 15%, 15%, 10%, 10%, 15%).

Import quotas on automobiles are to be removed in 1988. Import tariffs levied on non-agricultural goods originating from the non-EC and non-EFTA countries are to be reduced to a level of 5% on a par with other EC member countries.

Although it will be possible to continue some of the import quotas for non-EC countries up to 1993 the quotas amount is to be expanded.

- (4) The import and sale of gasoline, gas and petrol, currently monopolized by the Public Enterprise PETROGAL, is to be opened up.
- (5) At present the removal of restrictions on the movement of capital and the establishment of financial institutions (initially planned for 1993) is to be effected in stages by 1995. The liberalization of direct investment from the EC is to take place by 1990.
- (6) The liberalization of movement of workers within the EC zone is to be effected initially until 1993 (Luxembourg until 1996). Later, it is agreed at the ministerial meeting in Luxemburg in June, 1991 to effect the liberalization one year earlier (three years earlier in case of Luxemburg).
- (7) Portugal is exempted from its obligation to pay EC surcharges and tariffs levied on non-EC agricultural goods until 1991 (for other products Portugal must pay into the EC the

common EC tariffs levied on non-EC goods).

For the present, the transitional phase accorded Portugal for full integration into the EC is scheduled to finish by the end of 1992. Of course a prolongation of the transitional phase for some aspects of integration has been accorded up to 1996 and further prolongation is not impossible depending on the progress made in the realization of the single market integration in the EC up to 1992. However, it is certain that little time now remains before the full integration of Portugal into the EC and Portugal is pressed ensure that it is provided with the necessary structures so as to be ready to meet the challenge.

Table 1

PROGRESS ON ADOPTION OF INITIATIVES CONTAINED
IN THE WHITE PAPER PROGRAMME UPTO 31 MAY 1991

	Initiative Adopted by Council	Commission Proposals Awaiting Council Adoption	Total	Rate of Council Adoption (%)
<PART I>				
The Removals of Physical Barriers	8	3 (1)	11	73
I. Control of Goods				
1. Various Controls				
2. Veterinary & Phytosanitary Control	44	20	64	69
Veterinary Controls	10	8	18	56
Phytosanitary Controls	5	4 (4)	9	56
II. Control of Individuals				
<PART II>				
The Removals of Technical Barriers	10	1	11	91
I. Free Movement of Goods				
1. New Approach in Technical Harmonization and Standard Policy		1		
2. Sectoral Proposal Concerning Approximation of Laws				
2.1 Motor Vehicles	7	3	10	70
2.2 Tractors and Agricultural Machines	3		3	100
2.3 Food Law	18	2	20	90
2.4 Pharmaceuticals and High-Technology Medicines	11	3	14	79
2.5 Chemical Products	8		8	100
2.6 Construction and Construction Materials	2	2	4	50
2.7 Other Items	10		10	100
II. Public Procurement	4	2	6	67
III. Free Movement for Labour and the Professions	10	3 (1)	13	77
IV. Common Market for Services				
1. Financial Services				
1.1 Banks	5	2	7	71
1.2 Insurance	6	4	10	60
1.3 Transaction in Securities	7	1	8	88
2. Transport	7	5	12	58
3. New Technologies and Services	5		5	100
V. Capital Movement	3		3	100
VI. Creation of Suitable Condition for Industrial Cooperation				
1. Common Law	4	4 (1)	8	50
2. Intellectual and Industrial Property	3	5	8	38
3. Taxation	3	2 (2)	5	60
<PART III>				
The Removal of Financial Barriers	3	8 (8)	11	27
1. V.A.T.	1	9 (9)	10	10
2. Exise Duties				
3. Taxation				
Total	197	89	286	69

*() : Unanimity voting

Source: Sixth Report of the Commission to the Council and the European Parliament - EEC

Table 2
 BREAKDOWN OF SITUATION BY MEMBER STATE
 (SITUATION AT MAY 31/91)

	Measures notified (A)	Derogation	Measures not notified (B)	Not applicable	Progress ratio (%) A/(A+B)x100
Belgium	89	0	31	6	74.2
Germany	95	0	25	6	79.2
Denmark	107	0	12	7	89.9
Spain	83	2	38	3	68.6
France	103	0	18	5	85.1
Greece	87	5	29	5	75.0
Italy	52	0	69	5	43.0
Ireland	74	1	44	7	62.7
Luxembourg	81	0	37	8	68.6
Netherland	86	0	34	6	71.7
Portugal	96	3	25	2	79.3
U.K.	99	1	20	6	83.2
Average	88	-	32	-	73.3

Source: Sixth Report of the Commission to the Council and the European Parliament
 Concerning the Implementation of the White Paper on the Completion of
 the Internal Market

2. Economic Tasks Facing Portugal

The Portuguese economy has shown a rapid recovery since the country's entry into the EC, and membership has had a very favourable effect. As well as the rapid expansion of trade with the extension of markets and the inflow of EC funding to reinforce public investments to improve infrastructures such as roads, ports, railways, etc the PEDIP has stimulated private industrial investment and helped activate the economy. Moreover economic recovery and political stability in conjunction with entry to the EC has restored confidence of other countries in Portugal so that a rapid increase in direct foreign investment has been encouraged resulting in expansion of equipment investment and expansion of production. This in turn has added momentum to the development of the Portuguese economy. It is anticipated that the challenge of adapting to the governmental policies of an open economy to meet the coming unification of the EC will provide a further stimulus and driving force to economic development.

The growth rate of real GDP over the above period has maintained a favourable level above 4% since it first passed this with 4.1% in 1986. In 1987 the GDP growth rate was 5.1%, in 1988 4.0%, in 1989 5.5%, and in 1990 4.4%. However, a number of problems became evident despite the favourable economic situation from 1989 onwards. Inflation which had quieted down to around 9% in the period 1987-1988 suddenly increased to two digit figures again and was 12.6% in 1989 and 13.4% in 1990. Also, the international trade deficit has been increasing for these five years. This deficit reflects the consistent increase in imports which has been a trend since entry into the EC in 1986.

Previously Portugal has offset the trade deficit in its international balance of payments with revenue from tourism and remittances received from Portuguese working abroad but the recent rapid expansion of imports has been faster than the corresponding growth in exports and the current account balance of payments has worsened due to the growing deficit. Capital revenue has taken a favourable turn with the inflow of EC funds and foreign investment being joined by the inflow of speculative, short term capital and this has effected an improvement in overall income and expenditure balance of capital trading, an expansion of foreign reserves, and a reduction of foreign debt. However, looking at the type of capital trading actually involved it seems difficult to expect any long term continuity and the expansive trend in the trade deficit represents a large problem for the Portuguese economy hereafter.

The biggest task facing Portugal is how to reinforce the competing power of its industry. In step with the unification of the EC the grace conditions specially accorded in the case of Portugal will have to be progressively dismantled and done away with. Not only tariffs and import quotas will go but the various types of non tariff barrier will also be dismantled leaving Portugal's industries open to face the severe competition coming from not only other quarters in the EC but also from outside the EC. The major task facing the Portuguese economy is therefore how

it can make the best response possible to the challenge of EC unification and ensure continuing development.

2.1 Portugal's Countermeasure for EC Integration

(1) Agriculture

In comparison with other EC countries the ratio of workers in the agricultural sector is very high and there is a large potential of semi-unemployment in rural areas. The mechanisation of agriculture and modernization of facilities lags behind, fertilisers are inadequate to demand, and productivity is low with farming done on a small scale. As a result the competing strength of agricultural goods in terms of both price and quality is poor and falls below the EC average.

Complete liberalisation of agriculture has been postponed until 1996 for the present and this period will need to be used to strengthen and reorganise this sector as much as possible using the EC funds (EAGGF, Guidance Section) and other support. Another task is to raise the added value of products by increasing the level of processing.

(2) Industry

Since industry in Portugal was cut off from international competition by protective import barriers for a long period a low level of equipment investment and delays in technology development and modernisation of machinery and equipment has resulted. The shortage of engineers and skilled workers is especially marked. Also a high dependence on traditional (artisan) industries is a characteristic of Portuguese industry, so the ratio of small scale companies is high and large economic disparities exist from one region to another. There are some sectors such as footwear, in which the traditional industries occupy a large share of the world market but in other sectors such as food processing the international competing power is very weak. There is some concern about the competing power of the textile industry which account for 30% of exports, after complete liberalisation of markets. The following steps to promote Portuguese industry and ameliorate productivity are essential to achieve an improvement in international competing power.

- 1) modernisation of machinery and equipment through increased equipment investment
- 2) reinforcement of technology development through promotion of R and D functions in particular aiming at expansion of value added by promotion of

advanced technology industries.

- 3) nurture of engineers and skilled workforce through reinforcement of occupational training programmes
 - 4) promotion of managerial functions which can respond to liberalisation
 - 5) promotion of privatisation of Public Enterprises which suffer from ineffective management
 - 6) establishment of marketing systems which can adapt to market changes
 - 7) adjustment of industrial structure by a promotion of industry taking account and utilising regional particularities
 - 8) provisions for a financing system to support capital supply to industry
 - 9) provision of infrastructures focusing on communications and transportation
- (3) Public Finance and Financial Aspects

Financial unification which forms one of the final stages in the unification of the EC initiated in 1992 has been postponed until 1995 in the case of Portugal. In order for Portugal to respond successfully to financial unification it will be necessary to reduce its level of inflation to the EC average and bring down its fiscal deficit to within the EC average. A high interest rate policy adopted to restrain inflation will hinder the smooth supply of capital which forms the driving force for industrial promotion, and will also act to hinder the normalisation of the Escudo exchange rate and stabilisation of the currency. Escudo is included already in the currencies basket by which ECU rate is decided. The inclusion of the Escudo to the ERM (Exchange Rate Mechanism) was realised in April, 1992. A major task facing Portugal is how to respond to the eventual unification of the EMS hereafter. Since many of the country's financial institutions are on a small scale, and value added and the ability to provide services is not comparable enough to those in other EC members, a reorganization of the finance institutions and a built-up of new financing system are being implemented.

The main tasks facing Portugal in order to respond to EC unification can be summarised as below.

- 1) Strengthen the international competing power of Portuguese industry
- 2) overcome inflation and reduce interest rates
- 3) reduce the fiscal deficit
- 4) reinforce the financing system

2.2 Industrial Development through Promotion of Investment

The promotion of industry will obviously play the central role in strengthening the international competing power of industry in Portugal. Regardless of whether they are traditional or non-traditional in nature many of Portugal's industries have lagged in undertaking modernisation. An important task therefore is to introduce the latest technology when undertaking a renovation of machinery and equipment as well as taking steps to nurture the autonomous power for technical development of industries. To this end, in conjunction with promotion of domestic investment the shortest road to industrial modernisation is to encourage direct foreign investment, technical cooperation with foreign companies and promote joint venture undertakings in order to speed up the introduction of the latest technology. The most vital areas to be emphasised in R and D investments to strength technical development capabilities are information industries (especially computers), telecommunications and electronics. To promote investment to these areas of advance technology the effective and productive management of EC funds and active encouragement of overseas investments are crucial.

ANNEX VI

ORGANIZATION CHART OF PORTUGUESE GOVERNMENT AUTHORITIES

- Chart 1 ORGANIZATION CHART OF THE CABINET
- Chart 2 ORGANIZATION CHART OF MINISTRY OF COMMERCE AND TOURISM
- Chart 3 ORGANIZATION CHART OF ICEP
- Chart 4 ORGANIZATION CHART OF MINISTRY
- Chart 5 ORGANIZATION CHART OF IAPMEI
- Chart 6 ORGANIZATION CHART OF MINISTRY OF PLANNING,
ADMINISTRATION AND TERRITORY
- Chart 7 ORGANIZATION CHART OF COORDINATION COMMITTEE OF
CENTRAL REGION (CCRC)

Chart 1 ORGANIZATION CHART OF THE CABINET

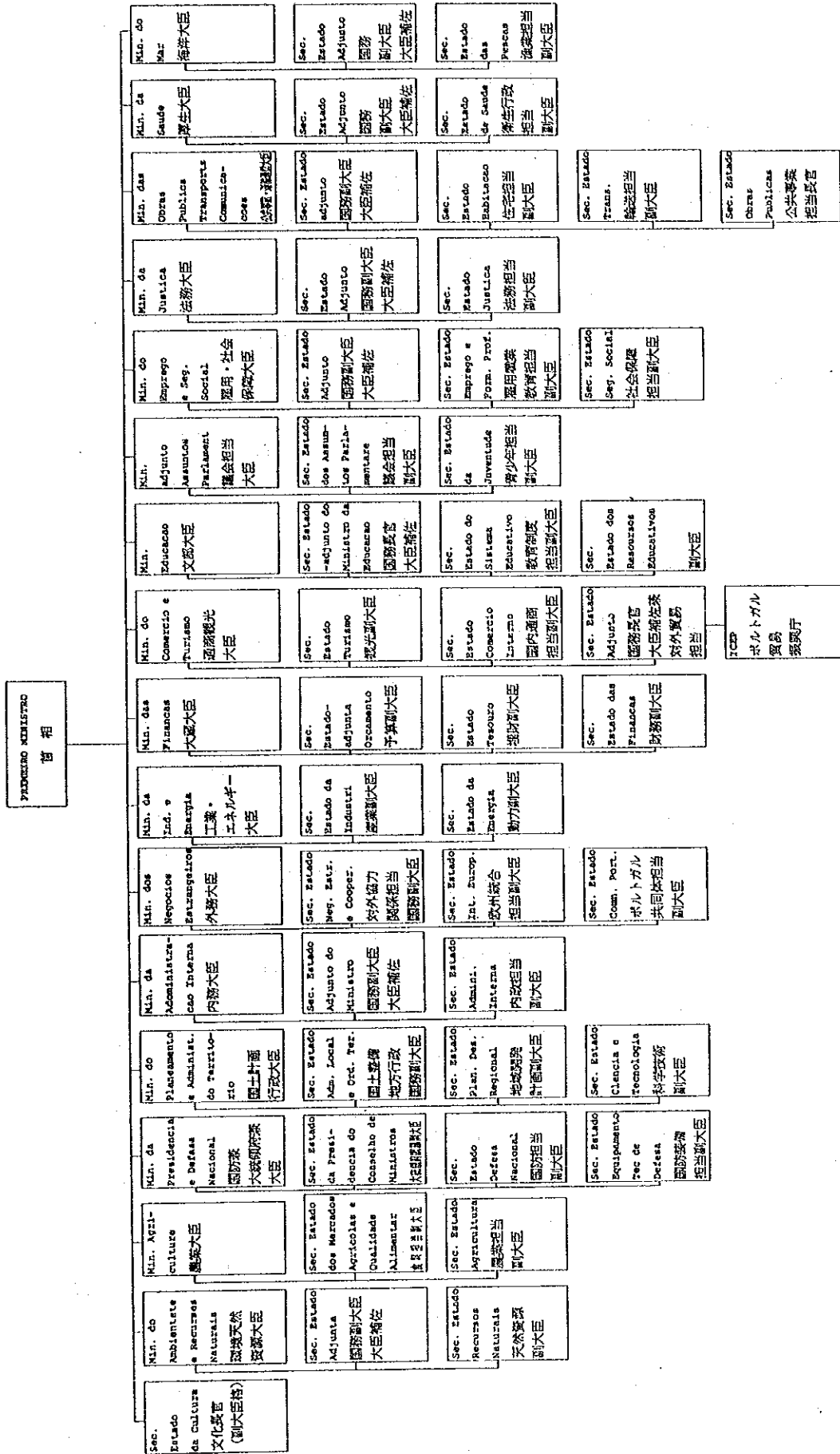
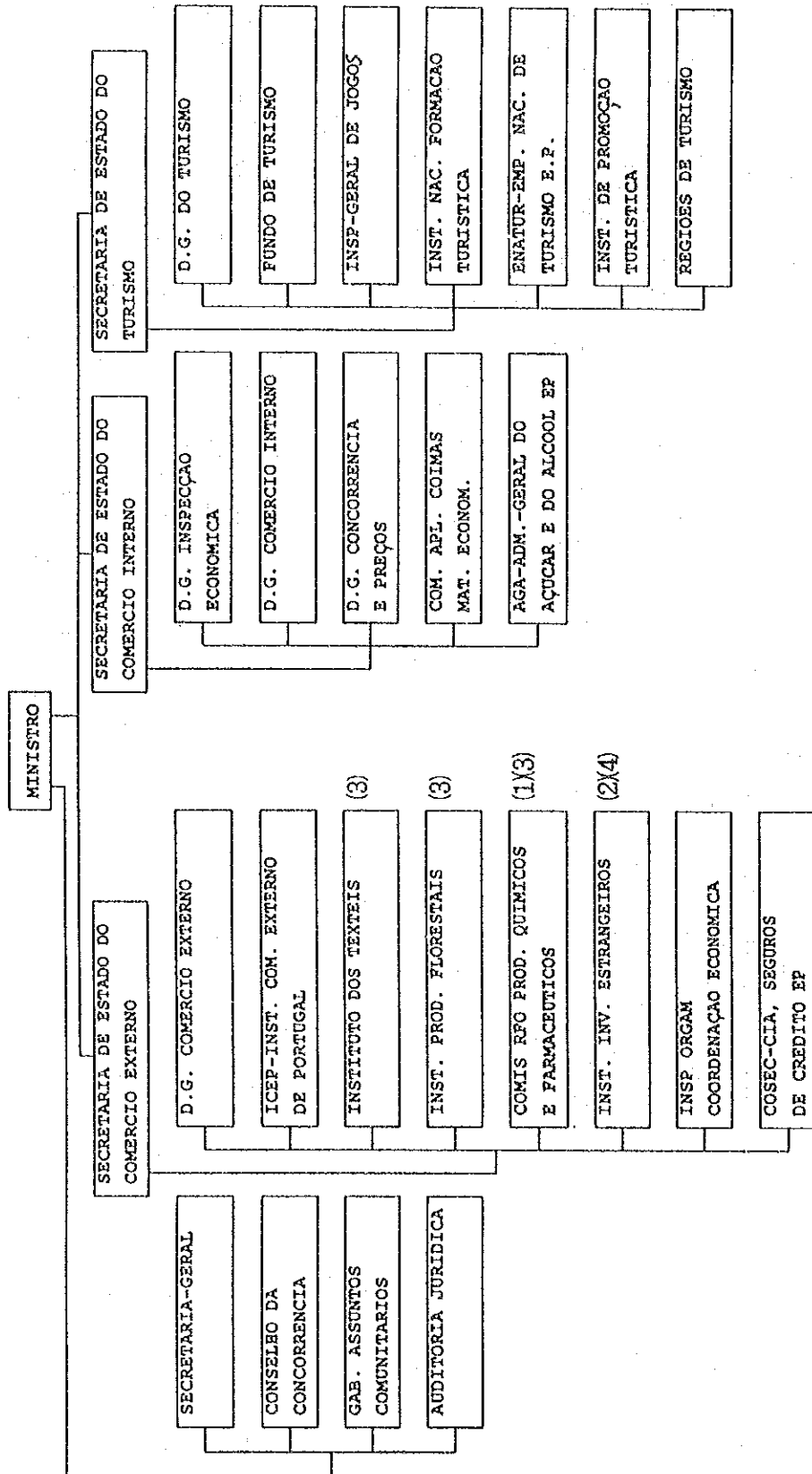


Chart 2 ORGANIZATION CHART OF MINISTRY OF COMMERCE AND TOURISM



Note: (1) TUTELA CONJUNTA COM O MINISTERIO DA INDUSTRIA E ENERGIA
 (2) TUTELA CONJUNTA COM O MINISTERIO DAS FINANÇAS
 (3) EXTINTO-Decreto-LEI 466/88, de 15/12
 (4) EXTINTO-Decreto-LEI 141/89, de

Chart 3 ORGANIZATION CHART OF ICEP

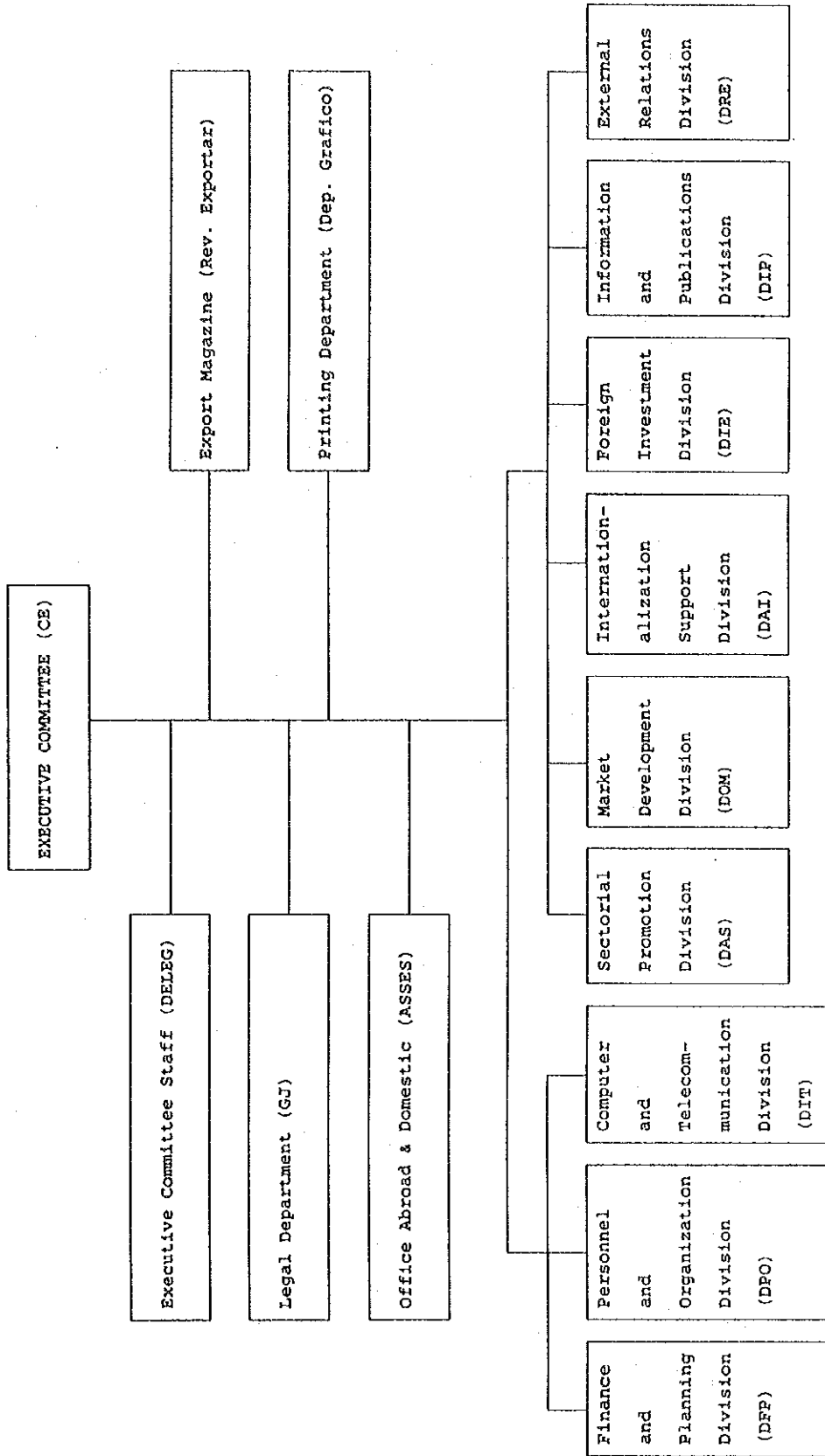


Chart 4 ORGANIZATION CHART OF MINISTRY OF INDUSTRY AND ENERGY

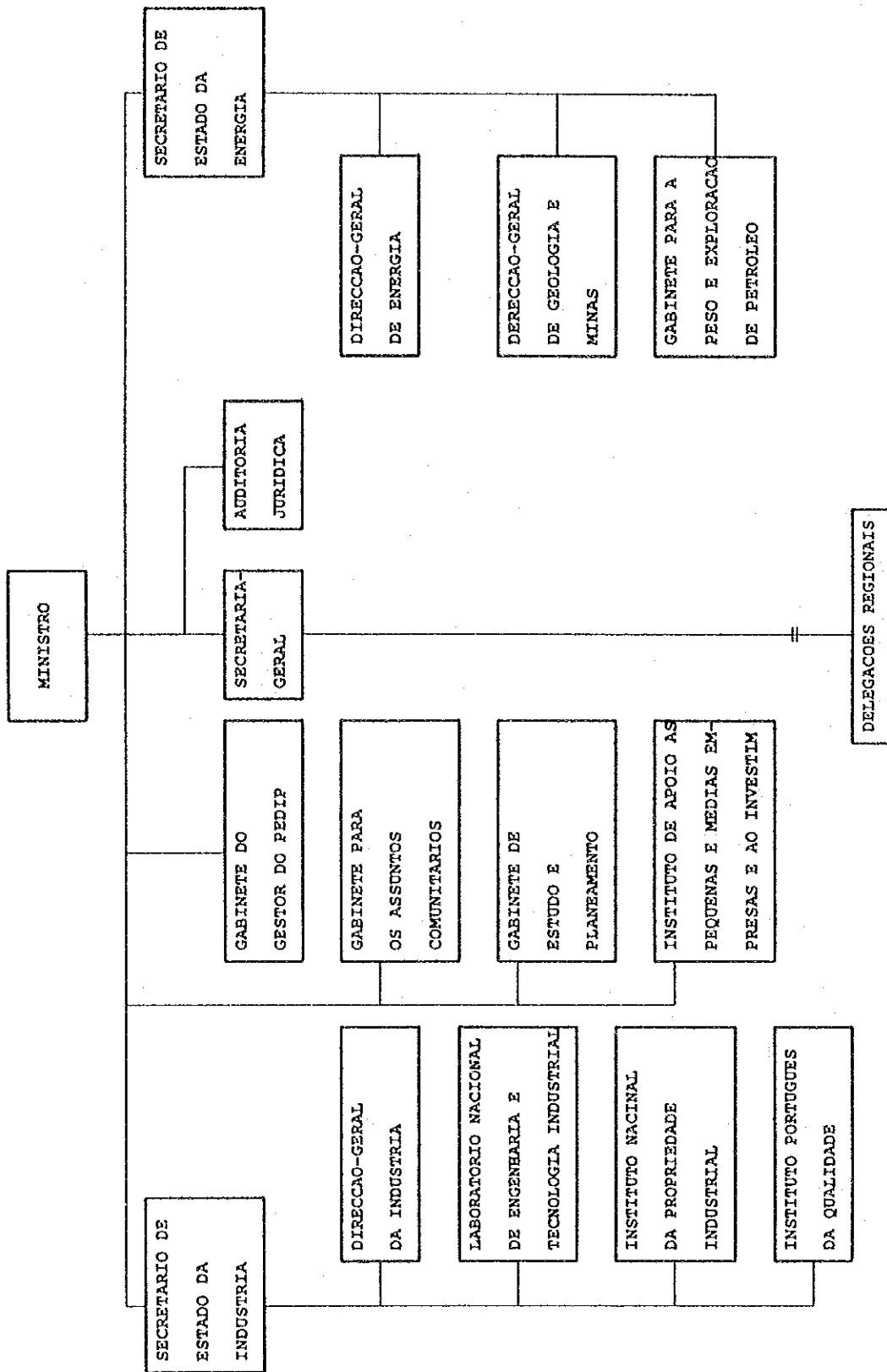
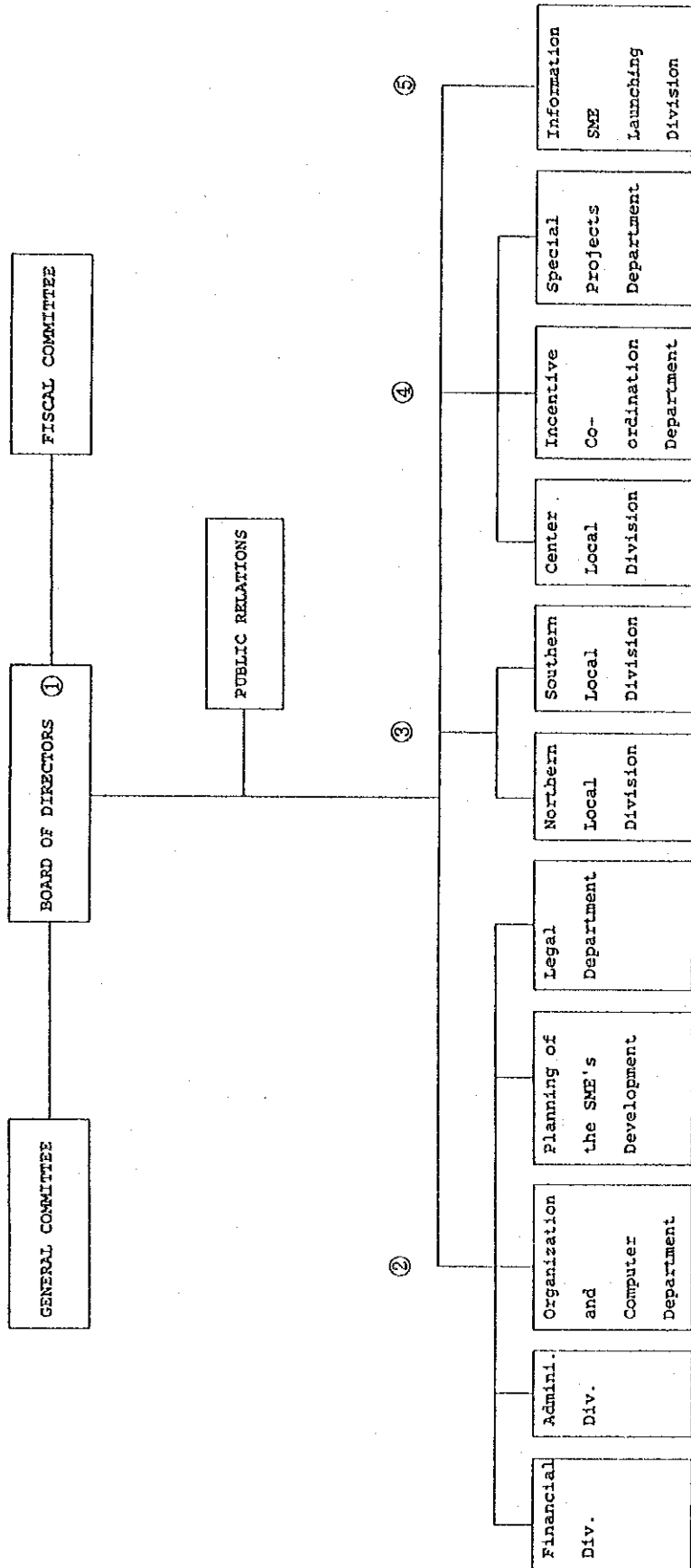


Chart 5 ORGANIZATION CHART OF IAPMEI



Note: ○ mark means a member of the Board of Directors

Chart 6 ORGANIZATION CHART OF MINISTRY OF PLANNING, ADMINISTRATION AND TERRITORY
 -MINISTERIO DE PLANEJAMENTO E DA ADMINISTRACAO DO TERRITORIO-

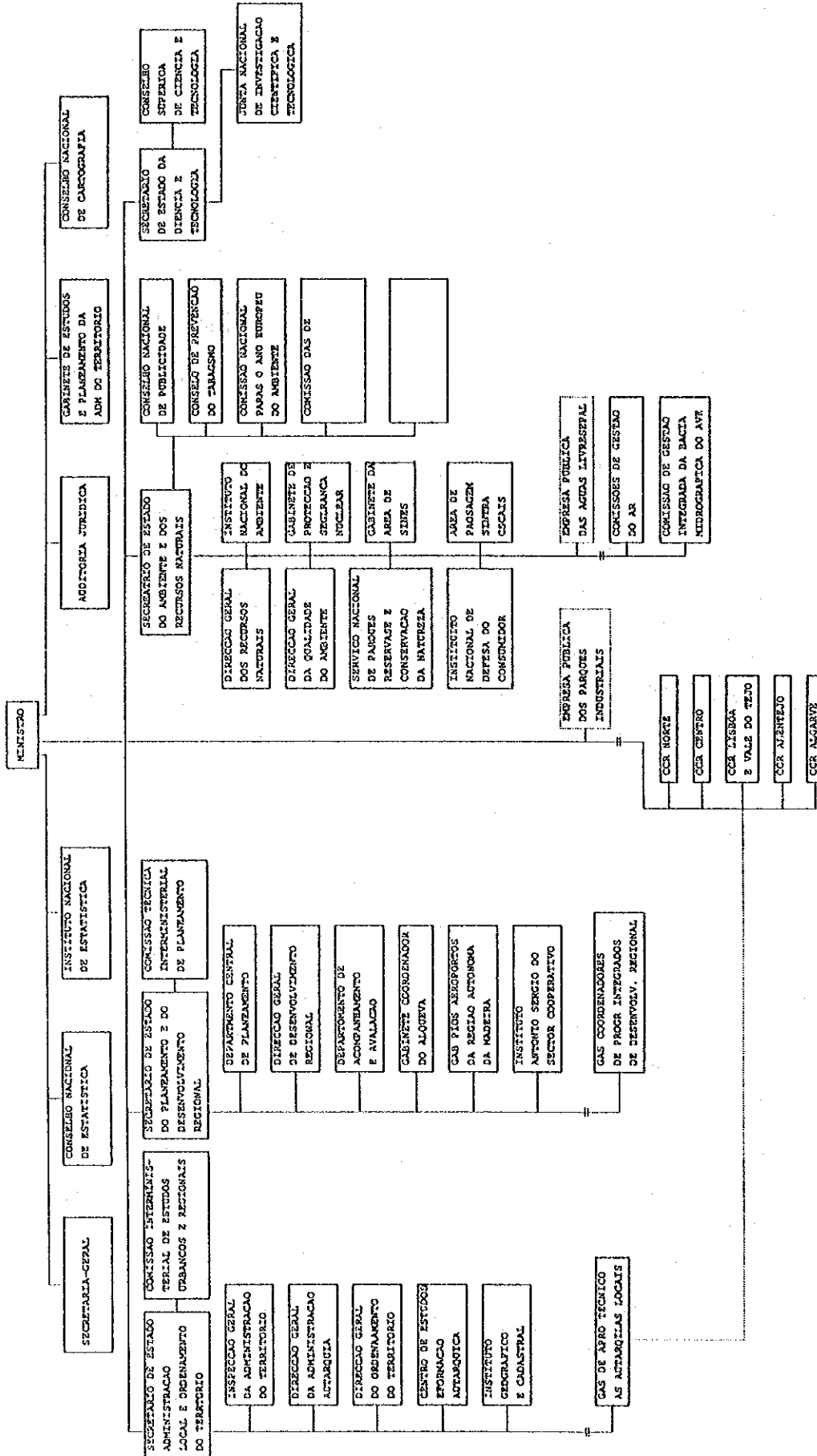
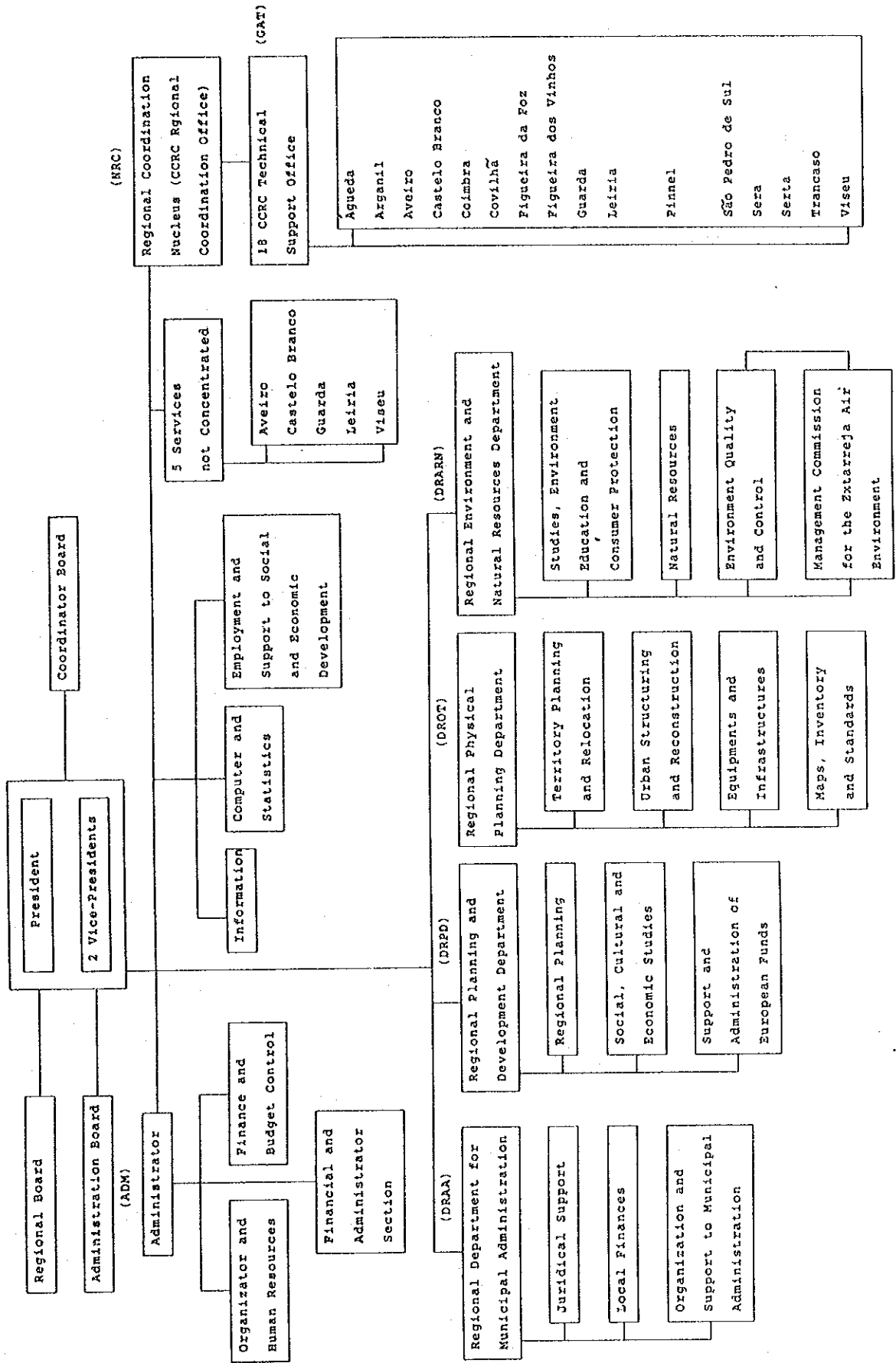


Chart 7 ORGANIZATION CHART OF COORDINATION COMMITTEE OF CENTRAL REGION (CCRC)



ANNEX VII

**LIST OF PARTICIPANTS FOR SEMINAR
ON THE INDUSTRIAL DEVELOPMENT STUDY
OF THE AVEIRO-VISEU REGION
IN THE PORTUGUESE REPUBLIC**

17. Sr. Herminio Magalhaes
(Adjunto Presidente) Camara Mun.de VISEU
18. Prof. Paulo Amaral de Figueiredo
(Presidente) Camara Mun.de VOUZELA
19. Eng. Gil Patrao
(Director) Delegação Regional do M.I.E.
20. Dr. Joao Casaleiro
(Director Regional) C.C.R.C.
21. Dr. Antonio Marques
(Tecnico) I.E.F.P.-AVEIRO
22. Dr. Antonio J. Cabral de Almeida
(Director) I.E.F.P.-VISEU
23. Dra. Osoria Veiga
(Coordenadora Nucleo) I.A.P.M.E.I.-AVEIRO
24. Dr. Aderito Batista
(Director Regional) I.A.P.M.E.I.-COIMBRA
25. Dr. Antonio J. Garcia Fonseca
(Coordenador Nucleo) I.A.P.M.E.I.-VISEU
26. Eng. Rui Filipe Vieira
(Director) I.F.A.D.A.P.-AVEIRO
27. Dr. Jorge Almeida Campino
(Presidente) Centro Regional de
Segurança Social-AVEIRO
28. Sr. Francisco da Encarnação Dias
(Presidente) Regiao de Turismo ROTA DA LUZ
29. Eng. Oliveira Maia
(Administrador-Delegado) TIRTIFE-TERMINAIS DE AVEIRO SA.
30. Eng. Herder dos Anjos Moura
(Director) Direcção de Estradas do
Distrito VISEU
31. Eng. Lauro Marques
(Director) Junta Antonoma do Porto
de AVEIRO
32. Prof. Antonio da Fonseca
(Repres. Reitor) Universidade de AVEIRO
33. Eng. Matos Rodrigues
(Secretário-Geral) Associação Industrial
do Distrito de AVEIRO

- | | | |
|-----|---|---|
| 34. | Eng. Alfredo Marques
(Presidente) | Associação Industrial de AGUEDA |
| 35. | Dr. Antonio da Costa Abrantes
(Secretario-Geral) | Associação Industrial da Região
de VISEU |
| 36. | Sr. Jose Maria Marques
(Presidente) | ABIMOTA |
| 37. | Sr. Manuel Andrade
(Vogal da Direcção) | Associação Port. dos Industriais
Ferragens |
| 38. | Mr. Shigeo Uno
(Representante) | JETRO LISBOA |
| 39. | Mr. Soju Namiki
(Segundo Secretário) | Embaixada do Japao |

(ICEP)

- | | | |
|----|-----------------------------|--|
| 1. | Dr. Antonio Marques | Delegado da Delegação no PORTO |
| 2. | Eng. Fernando Rosete | Delegado da Delegação em AVEIRO |
| 3. | Dr. José Alberto Rabaça | Técnico da Delegação em AVEIRO |
| 4. | Dra. Leonor da Cunha Torres | Directora Coordenadora de Apoio
ao Investimento |
| 5. | Dr. Pedro Aires de Abreu | Director da Direcção de
Investment Estrangeiro |
| 6. | Dr. Luis Blanch | Técnico da Direcção de
Investimento Estrangeiro |
| 7. | Dra. Takako Kondo | Técnica da Direcção de
Investimento Estrangeiro |

(JICA MISSION)

- | | | |
|----|--------------------|------------|
| 1. | Mr. N. Aihara | Leader |
| 2. | Mr. S. Inakazu | Sub-Leader |
| 3. | Mr. H. Tsuruta | Member |
| 4. | Mr. K.D. Schneider | Member |
| 5. | Mr. N. Sawamura | JICA/TOKYO |

IN LISBON

(June 2, 1992)

1. Dra. Conseq̃ao Fraga
(Directora da Divisao de Serviç̃os Relaç̃oes Comunitárias) Ministéiro do Comércio e Turismo
2. Dr. Carlos Brito
(Divisao de Serviç̃os Relaç̃oes Comunitárias) "
3. Dr. Pinto Guimarães
(Assessor) "
4. Dr. Balé Gomes
(Director de Direcçao Geral da Industria) Minstério da Indústria e Energia
5. Dra. Catarina Nunes
(Gabinete de Estudos e Planeamento da Industria) "
6. Eng. Pacheco da Silva
(Sub-Director do Gabinete de Estudos e Planeamento da Indústria) "
7. Dra. Carlota Sales Henriques
(Directora de Serviç̃os do Gabinete de Estudos e Planeamento) Ministério das Obras Públicas, Transportes e Comunicaçoes
8. Dr. João Coutinho Duarte
(Depart. Central do Planeamento) Ministério do Planeamento e da Administração do Território
9. Dra. Vera de Freitas
(Depart. Central de Planeamento) "
10. Dr. Antonio Natalino Martins
(Divisao de Servicos de Planeamento) "
11. Enga. Maria José Brito
(Coordenadora do Dapart. Central de Informaçao) Gabinete do Gestor PEDIP
12. Dr. Francisco Manuel Barroca
(Vice-Presidente) Instituto Português da Qualidade

- | | | |
|-----|---|---|
| 13. | Sr. Luis Pontifice
(Coordenador do mercado japonês e brasileiro) | Instituto de Promoção Turística |
| 14. | Eng. José Ferreira Dias
(Direcção de Controlo Participações) | IPE-Investimentos e Participações Empresariais, SA. |
| 15. | Dr. Carlos Farrajota Cavaco
(Assessor da Administração) | Fundo de Turismo |
| 16. | Dr. Amadeu Boleixa
(Chefe do Depart. Financeiro e Planeamento) | IAPMEI-Instituto de Apoio às Pequenas e Médias Empresas e ao Investimento |
| 17. | Dra. Ana Garcia Rodrigues
(Depart. de Projectos Especiais) | " |
| 18. | Enga. Rita Varanadas
(Chefe do Depart. de Projectos Especiais) | " |
| 19. | Dr. Rui Madaleno
(Director da Direcção de Economia e Informação) | AIP-Associação Industrial Portuguesa |
| 20. | Dra. Alice Sousa Machado
(Direcção de Relações Internacionais) | " |
| 21. | Enga. Cristina Pescada
(Eurogabinete) | " |
| 22. | Eng. José de Matos Rodrigues
(Secretário-Geral) | AIDA-Associação Industrial do Distrito de Aveiro |
| 23. | Dr. José Manuel Gonçalves
(Director Comercial) | COCEC-Companhia de Seguros de Crédito SA. |
| 24. | Dr. Filipe Cartaxo
(Chefe de Missão) | Banco Europeu de Investimento |
| 25. | Eng. Diamantino Jorge
(Director da Direcção Regional do Centro) | Caixa Geral de Depósitos |
| 26. | Dra. Maria do Rosário Prata
(Direcção Internacional) | " |

- | | | |
|-----|---|-----------------------------|
| 27. | Dr. Helder de Oliveira
(Director de Operacoes de
Crédito) | Banco de Fomento e Exterior |
| 28. | Eng. Joao Cardadeiro
(Director de Serviços de
Fomento) | " |
| 29. | Mr. Shigeo Uno
(Representante) | JETRO LISBOA |
| 30. | Mr. Kunio Shimizu
(Conselheiro) | Embaixada do Japao |
| 31. | Mr. Soju Namiki
(Segundo Secretário) | " |

(ICEP)

- | | | |
|-----|-----------------------------------|--|
| 1. | Prof. Athayde Marques | Presidente |
| 2. | Dr. Joao Real Pereira | Administrador |
| 3. | Dra. Leonor da Cunha Torres | Directora Coordenadora de
Apoio ao Investimento |
| 4. | Dra. Piedade Valente | Directora Coordenadora de
Apoio ao Comércio |
| 5. | Dra. Helena Quelhas | Directora Coordenadora de
Informação e Marketing |
| 6. | Dr. Pedro Aires de Abreu | Director da Direcção de
Investment Estrangeiro |
| 7. | Dra. Madalena Oliveira
e Silva | Directora Adjunta da Direcção
de Investimento Estrangeiro |
| 8. | Dr. Luis Blanch | Direcção do
Investimento Estrangeiro |
| 9. | Dra. Takako Kondo | " |
| 10. | Dr. Teruo Shimizu | Conselheiro |

(JICA MISSION)

- | | | |
|----|--------------------|------------|
| 1. | Mr. N. Aihara | Leader |
| 2. | Mr. S. Inakazu | Sub-Leader |
| 3. | Mr. H. Tsuruta | Member |
| 4. | Mr. K.D. Schneider | Member |
| 5. | Mr. N. Sawamura | JICA/TOKYO |

JICA