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ACCESSION OF PORTUGAL

Law relating to the Unification of Portuguese Markets

The Executive Secretary has received from the Portuguese Delegation the following communication. The annexed Decree Law will form the basis for the discussion of this matter by the Working Party on Accession which will meet in the next few days.

"With reference to the statements made by the Portuguese representatives at the sixteenth session of the CONTRACTING PARTIES (see document SR.15/11) and at the meeting of the Working Party on Accession of Portugal (see document L/1411/Add.1, Question 19), and also to the reply given by the Portuguese Government to the preliminary questionnaire of the CONTRACTING PARTIES on Portugal's commercial policy and regulations (see document L/1411, question 19), I have the honour to send you the English and French translations of Decree Law No. 44,016 of 8 November 1961 concerning the measures to be taken to complete the unification of Portuguese markets in conformity with the mandatory provisions of the Political Constitution of the Portuguese Republic.

"The provisions of the present Decree Law should be studied in the light of the various measures that have been taken for several years past in the same direction; the extent of the progress already made as regards relations between the European and non-European territories in the tariff sphere is described in the reply to Question 16 of the aforesaid questionnaire (see document L/1411, pages 8 to 10, and the corrections contained in Annex B of document L/1411/Add.1). As regards relations between the overseas provinces, the general rule of exemption from customs duty in their mutual trade relations was laid down in Decree No. 41,026 of 9 March 1957, which constituted a further important stage in pursuit of a policy that had long since been adopted and was aimed at the economic integration of the various Portuguese territories.

"The measures now adopted are, in the Portuguese Government's opinion, tantamount to the creation of a commercial system satisfying the conditions requisite for the establishment and operation of a free-trade zone within the meaning of Article XXIV of the GATT.

"Very special attention has had to be given to the less-developed territories as a whole in Portugal, and adequate steps have been taken to ensure economic development, increased productivity, rational utilization of resources, and a steady improvement of living standards in these territories.

"I would request you, Sir, to be good enough to convey to the CONTRACTING PARTIES the above information, together with the translations of the Decree Law, so that they can be borne in mind in studying the conditions for Portugal's accession to the General Agreement."

ANNEXPRESIDENCY OF THE COUNCIL OF MINISTERS

Decree-Law Nº. 44.016
of November 8th, 1961

Article 158 of the Political Constitution of the Portuguese Republic has established, in general terms, the principle of national economic integration, and expressly refers, as one of the means towards it, to the free circulation of goods within all the Portuguese territories. Furthermore, in Bases LXXI and LXXIII of Law Nº. 2066 (the Overseas Provinces organic law), of the 27th June 1953, mention was made not only of the unification, as complete as possible, of customs duties in the commercial relations between national territories and foreign countries and the gradual elimination of internal customs duties, but also of the interconvertibility of the various forms by which the national monetary standard is expressed.

In this way, a political-economic aim of great importance was defined: that of the economic integration of all Portuguese territories or, which is the same, the establishment of a truly national economy.

But that integration cannot be dissociated from the development of the several parts of the national territory. In fact, the two processes condition each other, and therefore require a policy which will at every moment consider them as mere aspects of one single process. Just as the growth of the economic structures, both territorial and regional, will be one of the basic conditions for the gradual elimination of restrictions to the interchange of goods, services and capital, and of the movements of persons between Portuguese territories, so will this progressive liberalization become a factor in the decisive impulse towards the acceleration of economic development, while at the same time contributing to a more efficient division of national labour; and both these processes will necessarily have to rely on a system of payments which will guarantee the regularity of monetary transfers, assure the intertransferability of the currency and facilitate the solution of certain imbalances in currency and exchange, all this in conformity with the aims of preserving the internal financial stability and the external solvency of the Portuguese currency.

As it is known, several measures have long since been taken in a succession of steps towards the said economic integration. But now that the starting phase of national economic development is beginning to show its first results, the Government has thought it fit to take a new and decisive step in the same direction. Besides, the recent evolution in international economic relations of Portugal forms a general conditioning background to which this present aim of Portugal policy is entirely adapted; it may even be said that our capacity for enduring the effects of that conditioning background will be all the

greater in proportion to the rapidity and extent with which the aims we have set are fully attained. And it should be stressed, also, that the gradual elimination of barriers to internal exchange of goods, services and capital, in close relation with the growth of the economic structures and with the operation of an adequate system of payments, will result in bringing about conditions fundamental towards the gradual general increase of liberalization in foreign transactions. The measures which are now being taken, together with those that are to follow, not only wholly conform with the international obligations already assumed by Portugal, but will also make it possible to widen the scope of the policy of economic cooperation between Portugal and the other States.

Thus, and bearing in mind the views on the draft of this Decree-Law, and suggestions, expressed by the "corporações", by private economic associations in the continent, Madeira and the Azores and the overseas provinces, and by the press, and having taken into consideration the reports and suggestions of the working groups which were appointed to study the said draft, in conformity with Part 1 of Nº. 2 of Article 109 of the Constitution, the Government decrees and I promulgate the following :

CHAPTER I

General

Article 1.

All impediments to the free circulation of goods of national origin between the several national territories shall be abolished within ten years from the 1st of January 1962. By "national territories" above is meant the parts of Portuguese territory with customs autonomy.

Sub-paragraph : In case of proved necessity the period indicated above may be extended, for one or more of the territories, up to a maximum of twelve years.

Article 2.

Current invisible transactions and movements of private capital between the several national territories shall be liberalized, to the extent permitted by the general economic conditions of the said territories, provided that the measures of liberalization to be taken shall not prevent the adoption, by the institutions concerned, of measures suited to the verification of the nature and legitimacy of the corresponding transactions or transfers.

Sub-paragraph 1 : The principles governing the rules applicable, between the European part of the territory and foreign States, for the purpose of import and export operations of private capital, shall be applied, through implementing regulations, to the movements of private capital between the national territories, and between the overseas

provinces and foreign countries, with such adjustments as may be considered indispensable.

Sub-paragraph 2 : The lists of liberalization concerning current invisible transactions and movements of capital, referred to in this article, shall be drawn up after the views of the proper authorities of the relevant territories have been heard, and shall be published in the "Diário do Governo", under joint dispatch of the Finance and Overseas Ministers.

Article 3.

In carrying out the provisions of the preceding articles the following shall be the fundamental aims:

- a) to contribute towards the gradual economic integration of the Nation, in accordance with the provisions of Chapter V of Title VIII of the 2nd Part of the Political Constitution of the Portuguese Republic;
- b) to establish, by means of the expansion of the national market and of the rational use of the Nation's resources, conditions favourable to the rapid and balanced growth of the Nation's economic activity and to the progressive improvement of its standard of living;
- c) to assure, without hindrance to regional development or to the assistance to areas undergoing difficulties of a special nature, the conditions for an equitable competition between the productions of the several territories.

Article 4.

In full coordination with the liberalization referred to in articles 1 and 2 above, the Government shall in due time take steps in order to provide, in the several territories, against the difficulties of adaptation to the new conditioning background and to facilitate to the less developed areas the best use of the benefits of that liberalization, and shall also provide and draw up programmes adequate for the economic development, at the same time more rapid and balanced, of the several national territories, with particular regard for the less developed areas.

Sub-paragraph : In order to achieve the aims set out in this article, the State shall increase the support given to the development of the territories and of the economically less developed regions, by means of measures which shall include in particular the following:

- a) inclusion, in development plans of national, territorial or regional scope, of the projects best suited to contribute to the acceleration of the economic development of the said territories or areas, in particular the establishment of the indispensable economic and social infra-structures;
- b) close coordination in applying the provisions of

agricultural policy and in the conditioning of industrial production in the several territories;

c) granting of tax exemption and other direct stimuli to private initiative, for the opening up of new sectors of activity and the expansion or modernization of existing sectors;

d) promotion of the formation of capital and of its application in productive fields and to the benefit of the less developed territories;

e) establishment of general rules for credit operations and facilities for obtaining credit on reasonable conditions of interest and repayment, always bearing in mind the particular circumstances of the territory or of the sector of activity to which the credit is destined;

f) technical assistance to production and marketing, both in the pre-investment phase and in that of the formation of the fixed capital itself;

g) contribution to the professional training of labour and of experts and encouragement to the transfer of labour and experts, between territories or regions whenever this may prove advisable.

Article 5.

In the indispensable co-ordination of the policy of liberalization of the exchange of goods, services and capital, with the policy of economic development of the several territories and regions, the Government shall always bear in mind, particularly in the establishment of new sectors of activity, the conditions of competition, both internal and international.

Sub-paragraph : The measures of a protective nature which may be adopted for the new sectors of activity, shall be such, both in their scope and in the period of validity, as to avoid the opening up of units of production which are unlikely to withstand competition and to prevent the excessive accumulation of profit to the detriment of the buyers of the products manufactured.

CHAPTER II

On the origin of the goods

Article 6.

For the purposes of this Decree-Law, goods are considered to be of national origin whenever they satisfy one of the following conditions:

a) that they have been wholly produced in Portuguese

territory;

b) that they fall within a description of goods listed in the list of production processes which the Government will cause to be published by the 31st March 1962, and have been produced in Portuguese territory by the appropriate qualifying process described in the said list;

c) that in the case of goods not included in the list referred to under b) above, they have been produced in Portuguese territory, and that the value of any materials imported from outside Portuguese territory or of undetermined origin, which have been used at any stage of the production of the goods does not exceed 50 per cent of the export price of the goods.

Sub-paragraph : The Government shall publish by the 31st March 1962 the necessary regulations pertaining to the provisions of this article, establishing in particular:

1) the conditions under which the criterion mentioned under a) above will be applicable;

2) the method of determining the percentage required in order to apply the criterion under c) above;

3) the rules concerning goods containing materials of the same nature but of different origin;

4) the rules applicable to packing;

5) the forms of documentary evidence of the origin of the goods, and the names of the authorities who are to issue and check them.

Article 7.

The penalties applicable to those responsible for inaccuracy in the documentary evidence of origin or in the declarations upon which the documents are based, shall be established by 31st March 1962.

Article 8.

The Government may, at any time, decide upon alterations of the provisions of article 6 and of the implementing regulations governing the matters treated in this chapter and, in particular, the list of production processes referred to under b) of article 6.

CHAPTER III

Customs duties

Article 9.

By the 31st December 1971 all customs duties on trade between the national territories, levied on goods of national origin, shall be eliminated, provided that the goods are transported by sea or by air in Portuguese ships or airplanes, except if compliance with this last requisite is not practically possible.

Sub-paragraph : The expression "customs duties", as used in this Decree-Law, is deemed to include all duties of in the import and export customs tariffs, surcharges, taxes and other charges with an equivalent effect, but does not include:

- a) taxes collected for payment for services which, however, shall be fixed in a non-discriminatory manner and in such a way as not to afford protection to production in one or more national territories, and also in such a way as not to be particularly burdensome on individual goods which, in that way, would be placed in an unfavourable position;
- b) taxes and other fiscal charges of a similar nature, referred to in articles 27 and 28, even though their assessment and collection are carried out by customs authorities of the territory.

Article 10.

In the elimination of the customs duties collected in continental Portugal, Madeira and Azores, the following rules shall be applied:

- a) on and after the 1st of July 1962, import duties shall not be charged on those goods at least, which are imported from the overseas provinces in accordance with the provisions of Article 9, and which, in 1960, were imported by continental Portugal, Madeira and the Azores, from the provinces to a value not exceeding 50,000 escudos;
- b) on and after the 1st of January 1963, import duties shall not be charged on goods, imported from the oversea provinces in accordance with the provisions of Article 9, amounting to not less than 50 per cent of the value of total imports from each of those provinces into continental Portugal, Madeira and the Azores in 1960;
- c) on and after the 1st of January 1964, all goods imported from the overseas provinces, in accordance with the provisions of Article 9, shall be free from import duties;
- d) on and after the 1st of January 1962, all goods consigned to the overseas provinces shall be free from export duties.

Article 11.

The reduction and elimination of customs duties in each of the overseas provinces up to the 1st January 1967 shall be determined in accordance with the following rules:

a) on and after the 1st of July 1962, import and export duties shall not be charged on these goods at least, which are imported from or exported to continental Portugal, Madeira and the Azores in accordance with the provisions of Article 9, and which, in 1960, were represented in the trade of each of the overseas provinces with continental Portugal, Madeira and the Azores by a value not exceeding 50,000 escudos;

b) on and after the 1st of January 1964, import duties shall not be charged on goods, imported from continental Portugal, Madeira and the Azores in accordance with the provisions of Article 9, amounting to not less than 20 per cent of the value of total imports from continental Portugal, Madeira and the Azores into the overseas province concerned in 1960;

c) on and after the 1st of January 1967, import duties shall not be charged on goods, imported from continental Portugal, Madeira and the Azores in accordance with the provisions of Article 9, amounting to not less than 40 per cent of the value of total imports from continental Portugal, Madeira and the Azores into the overseas province concerned in 1960;

d) on the 1st of January 1967 each of the remaining import duties charged on goods imported from or exported to other national territories in accordance with the provisions of Article 9 shall be reduced by at least 20 per cent of the value of that duty at that time.

Article 12.

The customs duties on trade between the several territories which by the 1st of January 1967 may still be applied on goods imported or exported in accordance with the provisions of Article 9, shall be eliminated, in accordance with a plan to be drawn by the Government before that time, in which, in addition to the provision of Article 11 and to problems of a fiscal and protective nature, the following considerations shall be taken into account:

a) the importance of achieving the total elimination of such duties as soon as possible;

b) the necessity, whenever the duties may have a protective character, of avoiding too sudden a transition to conditions of more active competition;

c) the difficulties that may arise in the course of the last years of the transitional period, as a result of delaying a substantial part of the reductions and eliminations to be made.

Article 13.

The goods which shall benefit from the eliminations or reductions in duties referred to in Articles 10, 11 and 12 above, shall be set out in lists to be published at least three months before the date for such eliminations or reductions.

Article 14.

The elimination of export duties, in accordance with Articles 10 and 11 above, shall not prevent the adoption of measures necessary to prevent evasion, by means of re-export of duties which in some territories are applied to exports to foreign countries.

Article 15.

The Government shall in due time take the necessary steps in order to replace by other fiscal measures, the revenue which will be lost as a result of the elimination of customs duties.

CHAPTER IV

Quantitative restrictions

Article 16.

The Government shall decide, by the 30th of June 1962, in respect of each territory, which goods from other territories may remain subject, as from such date, to any system other than the system of automatic permission of imports.

Article 17.

Quantitative restrictions may be established or maintained in a particular territory, only insofar as they may be indispensable to facilitate the adaptation of economic activities of that territory to the new conditions of competition.

Article 18.

As from the 1st of July 1962, no new quantitative restrictions may be introduced in any territory on imports of goods of national origin imported from other territories, unless authorized by the Government to meet difficulties in a sector of production which may seriously affect the economic situation of an area or territory and if other measures are not practicable.

Sub-paragraph : Quantitative restrictions adopted in accordance with the provisions of this article may be authorized only up to the 31st of December 1969, and may only remain in force for as long as is

strictly necessary to solve the difficulties of the sector of production concerned, and to facilitate its adaption to the new conditions.

Article 19.

Whenever in a particular territory the importation of certain goods of national origin from other territories is subject to quantitative restrictions, the Government shall determine, at the time of authorizing the introduction of such restrictions or at a later date, the establishment of quotas for imports of such goods from the other territories, and the said quotas shall be gradually enlarged.

Sub-paragraph 1 : At the time of determining the establishment of a quota in accordance with the above provision, the Government shall fix its initial amount and, whenever possible, the rhythm of its progressive enlargement, bearing in mind for that purpose:

a) the seriousness of the difficulties which may have been the reason for the quantitative restrictions; and

b) the problems that may arise in the course of the last years of the period of existence of the quota, as a result of too sudden a transition to the conditions of absence of quantitative restrictions.

Sub-paragraph 2 : Whenever for two consecutive years a quota has not been fully utilized, the corresponding restriction shall be cancelled.

Article 20.

The quantitative restrictions on imports established or maintained in accordance with Articles 16, 17 and 18 shall be eliminated as soon as possible, and, at the latest, by the 31st of December 1971.

Article 21.

As from the 1st of July 1962 no export quantitative restrictions may be introduced or intensified in respect of goods of national origin exported from one territory to another.

Article 22.

All restrictions on exports of goods of national origin from one territory to another shall be eliminated by not later than the 1st of January 1964.

Article 23.

The provisions of this chapter shall not apply to quantitative restrictions on trade in goods which may be:

a) indispensable to the safeguarding of public morals, safety

and order;

- b) necessary to protect human, animal or plant life or health;
- c) destined to secure compliance with laws or regulations relating to classification, grading, quality and marketing of goods;
- d) necessary to protect industrial, commercial, literary and artistic property;
- e) necessary to ensure compliance with legal provisions that, in a territory, may limit the trade in or the consumption of a particular product, provided that this does not involve discrimination resulting from the fact of that product having been produced in that or in another territory.

Sub-paragraph : The existing laws and regulations relating to the provisions mentioned in this article, and in particular under c) above, shall be revised and published by not later than the 31st of December 1964, and shall apply, whenever possible, to all national territories.

CHAPTER V

Concerning disparities in the legal and administrative systems

Article 24.

The differences which it may be necessary to maintain between the several territories, in their legal systems, in particular in their fiscal systems, and administrative practices, especially those affecting the purchase, sale, transportation, distribution and use of products, or requirements relating to their quality and composition, shall not be applied so as to create discrimination such as would, in the trade between the several territories, significantly favour or impair certain products of one or more of those territories.

Sub-paragraph : Nothing in this Article shall prevent the application of the other provisions of this Decree-Law, or the adoption by the Government of measures giving effect to a policy of territorial or regional economic development, or relating to the granting of aids to remedy disturbances which may seriously affect the economy of any territory or region.

Article 25.

As from the entry into force of this Decree-Law, the Government shall not establish regimes of contract or of exclusive concession may be contrary to the principle expressed in Article 24 above.

Article 26.

By not later than the 31st of December 1964, the Government shall revoke the legal provisions and administrative practices, and shall take the necessary steps to revise contracts, which may be contrary to Article 25.

Article 27.

Indirect taxes and other fiscal charges of a similar nature levied, directly or indirectly, in a territory on goods imported from another territory shall not, by reason of their amount or the manner of their collection, be applied contrary to the provisions of Article 24 above and, in particular, shall not exceed those levied, directly or indirectly, on like products of that territory.

Article 28.

The levying in a territory of indirect taxes or of other fiscal charges of a similar nature, on goods of national origin which in that particular territory are not produced or are not produced in substantial quantities, shall only be permitted if it does not afford effective protection to goods produced in that or another territory, which although different from those goods, may directly compete with them.

Article 29.

Whenever the competitive position of a product is significantly impaired, directly or indirectly, by the indirect taxation to which it is subject in the several territories, the Government may decide to refund, when that product is exported from one territory to another, the amount of the indirect taxes and other fiscal charges of a similar nature which have been imposed upon it, in order that, so far as concerns charges of the kind referred to in Articles 27 and 28, double taxation shall be avoided and the effects of disparities between the fiscal systems of the several territories shall be corrected.

Sub-paragraph : The provisions of this article shall not, however, apply to:

a) customs duties levied for the purpose of protection, except as provided in sub-paragraph of Article 31; or

b) cases in which there may be insuperable administrative or technical difficulties in determining or verifying the amount to be refunded when the goods are exported.

Article 30.

Whenever in a territory exemptions from import duties are accorded to certain goods of foreign origin, similar goods sent from other national territories shall be entitled, on the same conditions,

and regardless of whether they have acquired national origin, to benefit from drawback or other exemptions, so as not to be accorded treatment which would place them in an unfavourable position to compete with the goods imported from the foreign countries.

Sub-paragraph : Exemptions from import duties shall not be granted, in principle, to goods of foreign origin, when similar goods can be produced on satisfactory conditions as to price and quality in any one of the national territories.

Article 31.

Up to the 31st of December 1964, such drawback as is at present accorded in the trade between national territories, shall be reviewed, with a view to eliminating such drawback as may have become less justified by reason of the provisions of this Decree-Law.

Sub-paragraph : Drawback authorizations to be granted after the 1st of January 1965 shall, as far as possible, be restricted to cases in which the provisions of Articles 29 and 30 above apply, or in which it may be necessary to compensate for certain adverse conditions in the acquisition of raw materials, parts or spares, which might impair national productions when competing in other national territories, with foreign goods imported without payment of duties.

Article 32.

The Government shall, by the 31st of December 1962, revise and codify the industrial conditioning systems in force, so that, after providing for the particular circumstances of the several territories, uniform criteria shall apply among such territories.

CHAPTER VI

Transport

Article 33.

The Government shall adapt its policy regarding the transportation of goods between the several national territories to the basic principles of this Decree-Law, with a view to:

- a) facilitating trade between those territories and encouraging competition between their respective productions in them;
- b) maintaining, in relation to external competition, the natural protection afforded to the products of other national territories by means of tariffs applied in one such territory to goods imported from foreign countries;
- c) ensuring that the cost of transporting raw materials and semi-manufactured goods between the several national territories does

not so rise as to hamper the ability of goods made in Portuguese territory from such raw materials or semi-manufactures to compete in Portuguese territory or abroad with goods of foreign origin; and,

d) ensuring that sufficient transport capacity is available and that transport takes place with sufficient speed and in satisfactory conditions.

Article 34.

For the purpose of applying the condition relating to the form of transportation, set out in Article 9 and the subsequent Articles, the Government shall consider to what extent the requirements of the preceding article are actually complied with.

CHAPTER VII

Restrictive business practices

Article 35.

Restrictive business practices by enterprises or firms which, separately or jointly, take unfair advantage of a dominant position in the production of goods in or trade in or transport of goods between the several national territories, where such practices have as their purpose the hampering of the normal conditions of competition or of the supply of goods to the public, or in any other way obstruct the basic objectives of this Decree-Law, shall be a public crime.

Article 36.

The provisions of Article 35 shall apply in particular to those practices which, directly or indirectly, result in:

a) the sharing of the national market between enterprises on a geographical basis for the purpose of selling products or obtaining the factors of production;

b) the use, systematically or otherwise, in selling or in purchasing, of prices or other conditions which, other things being equal and having no regard to the costs of transport, insurance or marketing, may vary according to the person with whom the transaction takes place, and particularly if such variation relates to the part of the national territory in which such persons or their establishments are located; and

c) the use of abnormally low selling prices or of measures designed to obstruct the supply of the factors of production to competing enterprises, in order to destroy the competitive ability of such enterprises.

Article 37.

The Government shall publish, by not later than 30th of December 1963, implementary regulations for the enforcement of the provisions of Articles 35 and 36.

CHAPTER VIII

The products of agriculture and stock-raising

Article 38.

The Government may adopt such measures as it considers best suited to deal with problems having serious social consequences, arising, as a result of the implementation of this Decree-Law, in the agricultural and stock-raising sectors of the economy in any national territory or region.

Sub-paragraph : Such measures shall not, however, constitute an exception to the provisions of Article 24 unless such problems arise from disparity in the costs of production and only to the extent that such disparity cannot be eliminated within the period stated in Article 1 by structural or institutional modifications.

Article 39.

Measures taken in accordance with Article 38 shall satisfy the following conditions:

- a) they shall not take the form of restrictions on trade between the several national territories or of the imposition of customs duties on such trade;
- b) they shall not obstruct the operation of the normal preference for national products in trade between the several territories;
- c) they shall limit as little as possible the normal development of trade in agricultural or stock-raising products, having due regard to the interests of the national territories best suited to such production;
- d) they shall further the more rapid structural or institutional changes made necessary or desirable by the integration of the national market for agricultural goods; and
- e) they shall have due regard to the general objectives of national farming policy, in particular the assurance of supplies, stability of the market and of prices, and the interest of consumers.

Article 40.

The Government shall take such measures as may be necessary to remedy the effects of differences, attributable to the implementation of the provisions of this Chapter, in the prices of those agricultural or stock-raising products which are the raw material of an industry, as between those national territories in which such an industry is established.

Article 41.

With a view to the gradual reduction of obstacles to the unification of the national market for agricultural goods, the Government shall periodically review the measures taken in accordance with the provisions of this Chapter, in the light of such changes as may have taken place in productivity and the relative costs of the factors of production.

CHAPTER IX

Regime of payments

Article 42.

In accordance with the general principle for the maintenance of financial stability and the external solvency of the national currency, and with the international obligations already assumed or to be assumed by the State, a system of payments shall be established in the Portuguese territories so as to permit the regular settlement of all those transactions between the several national territories, in respect of goods, services or capital, which may have been progressively liberalized or specially authorised, and so as to contribute to the gradual liberalization of those transactions.

Article 43.

The regulations applied in the several territories for monetary exchange operations with foreign countries shall be revised with the aim of establishing a uniformity as complete as possible, even though it may be necessary, in drawing up the lists of liberalization, to consider the circumstances of an economic and financial nature pertaining to each territory. The regulations applied to monetary transfers between the several national territories shall also be revised.

Article 44.

The regulations concerning the currency exchange activities, applied in continental Portugal, Madeira and the Azores under Article 7 of Decree-Law No. 41 403, of the 27th November 1957, shall also be applied to the overseas provinces, with such differences as may be

found necessary.

Sub-paragraph : In parallel with the regulations referred to in this Article, regulations shall be issued concerning the participation in the monetary transfer operations between the several national territories, of credit institutions authorized to deal in currency exchange.

Article 45.

The rates of exchange for the purchase and sale of foreign currency in the several national territories shall be fixed in such a way as not to differ significantly, and so as to fulfill the obligations already assumed or to be assumed under international agreements.

Article 46.

The settlement of external transactions of the overseas provinces shall be centralized, directly or indirectly, in the respective central banks, acting in this capacity or as agents of the exchange funds where such funds exist.

Sub-paragraph 1 : Notwithstanding the provision of this Article, the credit institutions which are authorized, or may be authorized to deal in currency exchange, may maintain and employ certain adequate amounts as "working balances", in accordance with the regulations referred to in Articles 43 and 44.

Sub-paragraph 2 : In special circumstances pertaining to the internal or international payments situation of the escudo area, and after consulting, as the case may be, the Banco de Portugal or the central banks and exchange authorities of the overseas provinces, the Government may require the total or parcial transfer to the Banco de Portugal or to the overseas central banks, acting in this capacity or as agents of exchange funds, where such funds exist, of the "working balances" referred to under sub-paragraph 1 above, provided that the corresponding countervalue is delivered.

Article 47.

The parties to transactions in respect of goods, current invisible transactions or capital transactions between national territories, or between such territories and foreign countries, shall settle their accounts through the institutions authorized to deal in currency exchange, and shall use for that purpose, in the case of transactions relating to goods or capital, the appropriate forms of preliminary registration within the periods of their validity.

Sub-paragraph 1 : Exporters of goods and other individual or collective persons, resident or domiciled in the overseas provinces, who may be in possession of credit balances in foreign markets, shall hand over to the authorities referred to in this Article the whole of the foreign currency resulting from the settlement of the exports and credits or its equivalent amount in escudos of the Banco de Portugal.

Sub-paragraph 2 : Bearing in mind the provisions of this article, and of the preceding one, the internal and international settlements of the escudo area shall be regulated in such a way that the global accounts of each national territory may reflect entirely the general position of the respective external transactions.

Sub-paragraph 3 : By the 1st of July 1962, the Government shall take the necessary measures to revise all contract clauses that may be contrary to the provisions of this Article.

Article 48.

The assets in gold and foreign currency obtained by the overseas provinces, shall be handed over to the Banco de Portugal, in its capacity as central and reserve bank of the escudo area, and the said bank shall credit them to special accounts, one for each province, known as "reserve accounts", and opened in the name of the overseas central banks, acting in this capacity or as agents of exchange funds, where such funds exist. The assets in escudos of the Banco de Portugal which the overseas provinces may possess shall also be credited in the "reserve accounts".

Sub-paragraph 1 : The provisions of this Article shall not prevent the overseas central banks, acting in this capacity or as agents of exchange funds, where such funds exist, from maintaining appropriate amounts of "working balances" in foreign currency, and also in escudos of the Banco de Portugal, if that is deemed necessary.

Sub-paragraph 2 : The "reserve accounts" will be opened with the balances existing in the respective overseas provinces, after deduction of the authorized "working balances".

Sub-paragraph 3 : In order to make the settlements in foreign currencies that may be required by the economy of each province, the respective central banks, acting in this capacity or as agents of exchange funds, where such funds exist, shall draw on the respective "reserve accounts", and the Banco de Portugal, as central and reserve bank of the escudo area, shall open the necessary credits in foreign currency, up to the amount of the balance shown in the same accounts.

Article 49.

In order to effect the settlement of operations between the several national territories, the Banco de Portugal and the central banks of the overseas provinces, acting in this capacity or as agents of exchange funds, where such funds exist, shall agree upon the opening and operation of special accounts, referred to as compensation accounts, expressed in the currencies of such territories, and the transfers relating to such settlement of accounts shall be made by means of debit and credit entries in the same accounts.

Sub-paragraph 1 : The balances shown by the compensation accounts shall be reported monthly to the Banco de Portugal, and the latter, acting as agent of the compensation system between the several national

territories, shall determine the net debit or credit balances of each such territory.

Sub-paragraph 2 : Balances not cleared by compensation shall be wholly settled through transfer between the "compensation accounts" and the "reserve accounts".

Article 50.

In order to assure the settlements of accounts mentioned in sub-paragraph 2 of the preceding Article, the "Monetary Fund of the Escudo Area" shall be established by means of credits, in escudos of the Banco de Portugal, opened by the State and by the central banks, on terms and special contractual conditions to be established between the State and such banks.

Sub-paragraph 1 : Special regulations shall establish the amounts of the shares of each territory in the "Monetary Fund of the Escudo Area" and the form of their realization.

Sub-paragraph 2 : The Banco de Portugal shall be the agent of the "Monetary Fund of the Escudo Area", and shall agree with the State the terms and conditions under which both this service and also its service as agent for the compensation system shall be carried out.

Sub-paragraph 3 : The credits granted by the "Monetary Fund" shall always be utilized through transfers to the "reserve account" of the particular territory that will benefit from them.

Sub-paragraph 4 : The periods of effectiveness, rates of interest and other conditions pertaining to the credits mentioned in sub-paragraph 3 above shall be separately fixed for each particular case, provided that the period for re-payment shall not exceed five years, and the rate of interest shall not exceed the maximum discount rate of the Banco de Portugal by more than 1 1/2 per cent.

Sub-paragraph 5 : The "Monetary Fund of the Escudo Area" shall be governed by a Directing Board, whose structure shall be determined by the Government, and which shall, among other tasks, examine the applications for credit and decide whether they should be granted and on what terms.

Sub-paragraph 6 : The assets of the "Monetary Fund of the Escudo Area" may be partially applied in public debt bonds, provided that such bonds can be readily realised.

Sub-paragraph 7 : The net profits of the "Monetary Fund of the Escudo Area" shall be annually distributed among the State and the central banks, in proportion to their respective shares, and such profits shall constitute their remuneration.

Article 51.

Whenever fundamental imbalances in the external payments of

any territory occur, the Government shall take the necessary measures to remedy such imbalances and their effects on the "reserve accounts" and on the assets of the "Monetary Fund of the Escudo Area".

Article 52.

The Banco de Portugal shall annually render accounts of the system of internal payments and of the "Monetary Fund of the Escudo Area", and of the situation of the "reserve accounts", and shall also draw up on the basis of information collected in this way or by any other advisable means, the general balance of the external settlements of the several national territories and of the settlement of accounts between them. All these accounts and balances shall be submitted to the Council of Ministers, together with a corresponding report.

Article 53.

The necessary contracts shall be concluded, between the State and the central banks, for the implementation of the payments system dealt with in this Chapter.

Article 54.

The provisions of this Chapter shall enter into force by the 1st of July 1962.

CHAPTER X

Organic Provisions

Article 55.

The Government shall establish, under the Presidency of the Council, the organ responsible for assuring the implementation of the provisions of this Decree-Law.