

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

BOP/171  
10 November 1976

Limited Distribution

Committee on Balance-of-  
Payments Restrictions

Original: English

## 1976 CONSULTATION WITH PORTUGAL - IMPORT SURCHARGES

### Basic Document for the Consultation on the Portuguese Import Surcharge<sup>1</sup>

#### 1. Legal and administrative basis of the import restriction

Trade control policy is formulated and implemented by the Ministry of Commerce and Tourism.

All imports, valued at over Esc 5 million, and all exports valued at over Esc 2.5 million are subject to the Foreign Trade Control Committee, with a view to check possible over - or under - invoicing.

Practically all foreign trade transactions are subject to prior registration with the Ministry of Commerce and Tourism, on the basis of a "bulletin".

Import and export "bulletins" are issued by a specific department within the Directorate-General of Foreign Trade or by other executive departments, duly authorized.

Prior registration (in the form of an import "bulletin" or ledger) is required for all imports valued at over Esc 5,000 and, for certain goods, even if invoice values are under Esc 5,000.

Any physical or juridical entity may be an importer. Importers must be duly authorized and must pay income taxes regularly.

For imports free of quantitative restriction, the "bulletin" serves a statistical purpose and enables the importer to obtain the necessary foreign exchange as specified therein.

For imports subject to quantitative restrictions, the "bulletin" is equivalent to an import licence.

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<sup>1</sup>Material supplied by the Portuguese authorities.

2. Methods used in restricting imports

(a) Residual restrictions

GATT liberalization is applied to goods not included in the so-called negative list (document GATT L/2981/Add.14, 25 July 1968), when imported from member countries of GATT.

Non-liberalized imports from member countries of GATT are subjected to individual authorization.

There are bilateral quotas for specified agricultural imports from certain EFTA countries.

Imports of non-liberalized industrial products, except for certain protected steel products and automobiles, are free of restriction, when originating in EFTA or EEC countries.

Special legislation provides that automobiles must be assembled in Portugal.

Imports of passenger automobiles are allowed, up to fifteen units per producer per year, for those makes not assembled in Portugal and, for other makes, up to 2 per cent of the number of passenger automobiles of the same make, which were assembled in Portugal in the preceding year.

Imports of passenger automobiles of EFTA origin are allowed, up to 150 units a year, and imports of some makes of EEC origin are allowed, up to 150 units a year, for each producer.

Imports of commercial vehicles for special purposes are free of restrictions.

Imports of completely-knocked-down (C.K.D.) vehicles from EFTA and EEC countries are free of restrictions, and allocations for imports from other GATT countries are available, under special open licences and subject to the use of certain minimum percentages of domestic components.

All imports from countries which are not members of GATT, are based on individual authorization. The same treatment is granted to all imports from countries which are not parties to bilateral or multilateral agreements.

(b) Other restrictions

Import surcharge

In May 1975, an import surcharge was introduced, with rates of 20 and 30 per cent, in force until 31 December 1975. With some modifications, it was extended until 31 March 1976 (document GATT L/4185/Add.1).

Since 31 March 1975 there has been in force a new extension introducing considerable modifications, which reduced its restrictiveness. This measure was subjected to a new revision, by Decree-Law 720-B/76 of 9 October 1976 and Decree-Law 779/76 of 28 October 1976 which also extended its application until 31 March 1977.

By Decree-Law 720-B/76, the surcharge of 20 per cent was changed to 30 per cent, which applies to most of the goods covered by this measure. A rate of 60 per cent was introduced, covering a group of less essential or superfluous goods, initially subjected to the 30 per cent surcharge.

Import deposit scheme

An import deposit scheme was established by Decree-Law 720-C/76 of 9 October 1976. The importer, within eight days after obtaining the "bulletin", must deposit in a credit institution, an amount corresponding to 50 per cent of the c.i.f. value of the goods, during a period of 180 days.

The surcharge and the import deposit scheme are applied to all listed goods, regardless of their origin.

Quota system

According to Decree-Law 720-A/76 of 9 October 1976, a quota system may be introduced, covering less essential or superfluous goods, if the deterioration of the situation of the balance of payments becomes very serious.

3. Treatment of imports from different sources including information on the operation of bilateral agreements

Foreign trade policy of Portugal is based on the principle of non-discrimination, and imports from countries members of GATT are treated on a most-favoured-nation basis.

Authorities do not interfere in the choice of supply sources.

There are no bilateral agreements, with non-GATT countries, providing for more favourable treatment than that granted to GATT members.

4. Commodities, or groups of commodities, affected by the various forms of import restrictions

(a) Residual restrictions

Goods listed on the negative list (document GATT L/2981/Add.14).

(b) Other restrictions

Import surcharge

An integrated list of goods affected by the surcharge of 30 per cent is included in Annex I.

The list of goods affected by the surcharge of 60 per cent is included in Decree-Law 720-B/76 of 9 October 1976.

Import deposit scheme

Goods subject to the import deposit scheme are listed in Decree-Law 720-C/76 of 9 October 1976.

The surcharge and the import deposit scheme are applied without any discrimination.

5. State trading or government monopoly, used as a measure to restrict imports for balance-of-payments reasons

Some agricultural products (e.g. codfish; cereals such as corn, wheat, barley, maize, rye, etc.; oleaginous seeds; olive oil; potatoes and other vegetables; citrus fruit; raw sugar; milk, butter; cheese; meat and edible offals etc.) are imported by specified public agencies.

These agencies estimate needs for public supply, according to internal production, and arrange for external purchases, without discrimination, from the sources that grant them the best conditions of price and quality.

State trading is not used for the purpose of restricting imports.

6. Measures taken since the last consultation, in relaxing or otherwise modifying import restrictions

The import surcharge created on 31 May 1975 has been revised and extended until 31 March 1976 (documents L/4185 and L/4185/Add.1). During this period, the rate of coverage of the surcharge was 37 per cent (29 and 8 per cent, respectively, for the 20 and 30 per cent lists).

Extension of the surcharge, on 31 March 1976, included a significant revision of criteria used for elaboration of the lists of products covered. (Table 1)

Both the changes made in the contents of the lists and the qualitative changes made in the Decree regulating application of the surcharge, contributed to a less restrictive feature of the latter. The rate of coverage of the surcharge fell to 31 per cent (23 and 8 per cent, respectively, for the 20 and 30 per cent lists).

New regulations on import restrictions were published recently, as referred to in 2(b).

Rates of coverage of those measures, related to 1975, are 7.5 per cent for the import deposit, 30.3 per cent for the 30 per cent surcharge and 1.3 per cent for the 60 per cent surcharge. (Table 2)

7. Effects of import restrictions on trade

According to the analysis of the evolution of imports in 1975, we can conclude that the surcharge was a relevant factor in the decrease of imports of products subjected to this measure. (Table 3)

The persistence of balance-of-payments difficulties led to the extension of the surcharge, though reducing temporarily its restrictive effect as mentioned in paragraph 6.

8. General policy in using restrictions for balance-of-payments reasons

Following a 2.7 per cent decrease in the GDP in 1975, the Portuguese economy is now recovering (industrial production increased by about 5 per cent in the first half of 1976, over the first half of 1975) but, internal demand still being rather high, the increase in production is not enough to prevent aggravation of the trade deficit. In the end of the third quarter of 1976, the Central Bank foreign exchange balance showed a deficit which exceeded that obtaining in the end of year 1975. Several measures to restrain consumption and encourage investment and exports, have been taken or are being prepared. The following can be listed: increase of sales and other taxes, establishment of a mandatory savings scheme, increase in prices of oil products and electricity, a new system of housing credit for residents and emigrant workers, revision of export credit and credit insurance, etc. Some improvement of the invisibles balance is being achieved through increased restrictions to travelling by Portuguese citizens, abroad, encouraging internal tourism and introduction of special bank accounts for emigrants. Considerable efforts have been made, to use foreign capital in internal investment, especially through possibilities opened by the European Investment Bank, the European Free Trade Association (EFTA Investment Fund), the World Bank and also through a clearer definition of the rôle of foreign private investment in the Portuguese economy (an Investment Code was published in April 1976).

Deep political changes occurred in Portugal since 1974, entailed the preparation of basic laws, connected with the re-organization of the economic system.

Only recently could these laws be drafted, under the new constitutional Government, and some of them are subject to approval by the newly elected Parliament. This has been a major difficulty, in restoring the confidence of domestic as well as foreign investors, and a reason for the present low level of investment and for the deficit in the capital balance in 1975 and 1976.

After two years of very slow depreciation of the escudo's effective exchange rate, a deliberate depreciation policy was followed, during some months (-10 per cent in September relating to the beginning of the year). In spite of all these measures, the balance of payments has deteriorated recently.

The surcharges which had been extended in March 1976, were not proving restrictive enough, in view of a general increase in prices and wages. The new measures - import deposit and increase of the surcharge - are an attempt to restrain imports of less essential goods. Inasmuch as they cover only imports of less essential goods, such measures will not be too harmful to international trade, and will permit the growth of internal production, with no great increase in production costs.

TABLE 1

Coverage of the Surcharge Scheme by Types of Goods

|                    | Lists of Decree<br>Law 271-A/75 of 31 May 1975 |                  |       | Lists of Decree<br>Law 225-G/76 of 31 March 1976 |                  |       |
|--------------------|--|------------------|-------|--|------------------|-------|
|                    | 20%<br>surcharge                               | 30%<br>surcharge | Total | 20%<br>surcharge                                 | 30%<br>surcharge | Total |
| Consumer goods     | 6.8  | 63.8             | 19.5  | 6.1  | 87.2             | 26.3  |
| Intermediate goods | 65.9   | 34.2             | 58.8  | 63.2   | 10.7             | 50.2  |
| Capital goods      | 27.3   | 2.0              | 21.6  | 30.7   | 2.1              | 23.6  |
| Total              | 100.0  | 100.0            | 100.0 | 100.0  | 100.0            | 100.0 |
| % of total imports | 29.0   | 8.0              | 37.0  | 23.0   | 8.0              | 31.0  |

TABLE 2

Coverage of the Surcharge and the Import Deposit System

|                           | % Total imports |             |
|---------------------------|-----------------|-------------|
|                           | 1974            | 1975        |
| 1. Import deposit system: | <u>8.0</u>      | <u>7.5</u>  |
| - 30 per cent surcharge   | 6.4             | 6.2         |
| - 60 per cent surcharge   | 1.6             | 1.3         |
| 2. Surcharge - Total      | <u>30.0</u>     | <u>31.6</u> |
| - 30 per cent surcharge   | 28.4            | 30.3        |
| - 60 per cent surcharge   | 1.6             | 1.3         |

TABLE 3

Evolution of Imports by Groups of Goods

| Groups   | Change 1974/1975 (%) |               |
|--|----------------------|---------------|
|  | January-May          | June-November |
| Surcharged goods   | + 4.7                | - 43.4        |
| Non-surcharged goods (excluding agricultural, energy and aircraft goods) | - 0.9                | - 1.8         |
| Total imports (excluding agricultural, energy and aircraft goods)        | + 2.2                | - 25.3        |