

RESTRICTED

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GENERAL AGREEMENT ON TARIFFS AND TRADE

Committee on Balance-of-Payments
Restrictions

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CONSULTATION WITH PORTUGAL - IMPORT MEASURES

Basic Document for the Consultation¹

1. Legal and administrative basis of the import measures

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, in order to check eventual 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 for Foreign Trade or by any other duly authorized executive departments.

Prior registration (in the form of an import "bulletin") 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" has 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.

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 GATT countries.

¹Material supplied by the Portuguese authorities.

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

There are bilateral quotas for specified agricultural imports from certain EFTA countries (Switzerland, Sweden and Finland).

All industrial products, except certain protected steel products and automobiles, are imported free of restriction, when originating in EFTA or EEC countries.

Special legislation provides that automobiles (included in the negative list) must be assembled in Portugal.

Imports of passenger automobiles are allowed up to 15 units per producer per year for those makes not assembled in Portugal and, for the other makes, up to 2 per cent of the number of passenger automobiles of the same make assembled in Portugal during 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 215 units a year, for each producer until 31 December 1977; as from 1 January 1978, 280 units will be allowed.

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

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

Temporarily this system is not applied in what concerns completely knocked-down (CKD). As from 12 February, for completely knocked-down (CKD) vehicles was introduced an import quota system, applied regardless of their origin.

All imports of other liberalized goods from non-member GATT countries are based on individual authorization. Equal 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, a system of 20 and 30 per cent import surcharges intended to remain in force until 31 December 1975, was introduced. Subsequently, it was extended, with some modifications, until 31 March 1976 (document GATT L/4185/Add.1).

As from 31 March 1975, a new extension of this system, introducing into it considerable modifications which reduced its restrictiveness has been in force.

By Decree-Law 720-B/76 of 9 October 1976, and Decree-Law 779/76 of 28 October 1976, this measure was subject to a new revision, its application having been extended until 31 March 1977. In this revision the surcharge of 20 per cent was raised to 30 per cent, being levied on most of the goods covered by this measure and a surcharge of 60 per cent covering a group of less essential or superfluous goods initially subject to the 30 per cent surcharge was introduced. By Law 34/77 of 6 June 1977, the 60 per cent surcharge was extended to a new group of goods (document GATT L/4568).

By Decree-Law 300/78 of 29 September the level of the 30 per cent surcharge was reduced to 20 per cent (document GATT L/4709).

Decree-Law 115/78 of 30 April provided for the prorogation of the surcharge until 31 December 1978 (document GATT L/4709).

The surcharges are applied to all listed goods, regardless of their origin and without any discrimination.

Import quota system

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

In accordance with the above-mentioned authorization, an import quota system for 1977 for some consumer goods (Government Orders Nos. 99-A/77 of 28 February and 365-A/77 of 18 June) as well as an import quota system for completely knocked-down (CKD) motor vehicles having a kerb weight up to 2,000 kgs. (Government Orders Nos. 70/77 of 12 February 1977 and 446/77 of 20 July 1977) were established.

The import quota system for consumer goods and for completely knocked-down (CKD) motor vehicles, were revised and prorogated until 31 December 1978.

The import quota system is applied without any discrimination.

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

Portuguese foreign trade policy is based on the principle of non-discrimination, and imports from GATT member countries 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 the one 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 subject to the 20 per cent surcharge is included in Annex I.^{1/}

An integrated list of goods subject to the 60 per cent surcharge is included in Annex II.^{1/}

Import quota system

The list of consumer goods subject to the import quota system is included in Government Order No. 331/78.

The list of completely knocked-down (CKD) motor vehicles having a kerb weight up to 2,000 kgs. is included in Government Order No. 762/77 (document GATT L/4568/Add.5).

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

Some agricultural products (e.g. cod fish; 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 home production and arrange, without discrimination, for external purchases from sources granting them the best conditions of price and quality.

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

^{1/} See BOP/195/Add.1.

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

The import surcharge established on 31 May 1975, was revised and prorogated until 31 December 1978.

After the relevant revisions introduced before 1977, concerning products subject to the surcharge scheme, no further alterations have been introduced in the coverage of the surcharge. However, some minor adjustments were introduced related to the amendment of the nomenclature for the classification of goods in customs tariffs recommended by the Customs Co-operation Council. In what concerns the surcharge levels the surcharge of 20 per cent, previously raised to 30 per cent, was reduced to 20 per cent by Decree-Law 300/78 of 29 September.

The import deposit scheme was eliminated from 1 January 1978 by Decree-Law 556/77 of 31 December (document GATT L/4647).

The consumer goods import quota system established on 28 February 1977, was revised and prorogated until 31 March 1979 by Government Order.

Rates of coverage, related to 1975, 1976, 1977 and 1978 of the import surcharge scheme presently in force are included in Tables V^{1/} and VI.^{1/}

In what concerns the import quota system, rates of coverage, related to 1975, 1976, 1977 and 1978 are shown in Table II.^{1/}

On the other hand, Table III^{1/} shows the intercepted rates of coverage of the consumer goods import quota system with the other restrictive measures still in force.

Rates of coverage, related to 1975, 1976, 1977 and 1978 of completely knocked-down vehicles subject to an import quota system are included in Table IV.^{1/}

7. Effects of import restrictions on trade

The import restrictive measures in force since June 1975 were gradually lessened during 1978 beginning with the abolishment of the import deposit requirement, from 1 January on, followed by a reduction from 30 per cent to 20 per cent in the rate of the surcharge from October on. This reduction was the first step of a gradual phasing-out of the 30 per cent surcharge according to the programme set up in the "letter of intent" of the Portuguese Government to the IMF.

^{1/} See BOP/195/Add.1.

As a result of the easing in import restrictions, imports of goods surcharged with 30 per cent until September and with 20 per cent from October on, showed a decline in 1978 of about 4.7 per cent in volume while total imports decreased at only a slightly lower rate - 3.7 per cent.

The slowing down of the rate of decrease of surcharged goods comparatively to total imports is accounted for both to the abolishment of the import deposit requirement and the phasing-out of the surcharge. Imports of goods surcharged with 60 per cent however still kept decreasing in 1978 in value (Table VII).^{1/} This decline cannot be accounted as a direct effect of the import surcharge but rather as a result of several other internal measures, mainly fiscal policy and credit restrictions.

8. After the further increase in the current account deficit to \$1,495 in 1977 as a result of a continued high rate of increase in domestic demand, the Portuguese Government decided to adopt a stabilization programme by means of which the external current account deficit should be reduced from about \$1,500 million in the period April 1977-March 1978 to about \$1,000 million in the period April 1978-March 1979. In accordance with this programme, economic policy followed in 1978 was also designed to reduce inflationary pressures while maintaining a positive rate of growth of the economy to prevent from further deterioration in unemployment.

These objectives were achieved through fiscal monetary and wage restraint as well as with an exchange rate policy. On the contrary, direct import restrictions were reduced as mentioned above.

As a result, the growth of GDP in 1978 was estimated by about 3.4 per cent while the current account deficit decreased from \$1.5 to \$0.9 billion, mainly due to the improvements achieved both in trade account and emigrants' remittances.

Real wages kept declining in 1978 while the rate of price increase slowed down from 27 per cent in 1977 to 22 per cent in 1978.

Unemployment increased from 7 per cent in 1977 to 8 per cent in 1978 mainly as a result of new arrivals to the labour market.

^{1/}See BOP/195/Add.1.