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Portugal

The Prospects for External Trade in Light of EEC Entry— with Special Reference to Agriculture

March 3, 1983

Country Programs Department I
Europe, Middle East and North Africa Region

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CURRENCY EQUIVALENTS

(Until)	1971	1 US Dollar	=	28.323 Escudos
		1 Escudo	=	.037 US Dollar
	1972	1 US Dollar	=	27.011 Escudos
		1 Escudo	=	.037 US Dollar
	1973	1 US Dollar	=	24.673 Escudos
		1 Escudo	=	.041 US Dollar
	1974	1 US Dollar	=	25.408 Escudos
		1 Escudo	=	.039 US Dollar
	1975	1 US Dollar	=	25.553 Escudos
		1 Escudo	=	.039 US Dollar
	1976	1 US Dollar	=	30.227 Escudos
		1 Escudo	=	.033 US Dollar
	1977	1 US Dollar	=	38.227 Escudos
		1 Escudo	=	.026 US Dollar
	1978	1 US Dollar	=	43.940 Escudos
		1 Escudo	=	.023 US Dollar
	1979	1 US Dollar	=	48.924 Escudos
		1 Escudo	=	.020 US Dollar
	1980	1 US Dollar	=	50.062 Escudos
		1 Escudo	=	.020 US Dollar
	1981	1 US Dollar	=	61.546 Escudos
		1 Escudo	=	.016 US Dollar
	1982	1 US Dollar	=	78.545 Escudos
		1 Escudo	=	.013 US Dollar

FISCAL YEAR

January - December

This report is based on the findings of a mission which visited Portugal between March 1 and March 19, 1982. The mission comprised A.R. Roe (mission leader), P. Lazar (general economist), E. Lutz (trade specialist) and E. Neville-Rolfe (consultant). The report was discussed with the Government during a mission, December 6-8, 1982, led by Mr. R. Chaufournier, Vice President, and comprised of Messrs. M. S. Aiyer (Division Chief), F. Colaço (Senior Economist) and P. Lazar (Country Economist). The report has been updated by P. Lazar.

ABSTRACT

Although Portugal's recent overall growth performance of exports (1970-1981) does not match that of the leading newly industrialized countries--namely Singapore, Taiwan and the Republic of Korea, it compares well with the average of a group of eight major ones including these three. However, given the low coverage of exports as well as unfavorable terms of trade developments, the merchandise trade deficit has increased by almost ten times during the same period. The most important shifts in the commodity composition of trade have been a radical increase in the fuel component of imports, a serious decline in the share of food products in total exports, and an increasingly important role for cereal imports. While the EEC has become Portugal's main trading partner, a large share of imports is denominated in dollars (oil and cereals, mostly from the US). At present, Portugal's external position is seriously in deficit and external debt is an increasingly important problem. Whatever stabilization program is introduced during the next year or so, exports will probably need to grow at twice the rate of growth of imports, if the external payments and debt situation is to be kept under control.

Portugal's entry into the EEC, possibly in 1985, will probably affect trade in manufacturing in three ways. First, it will result in a number of changes in tariff arrangements and will expose local industries to increased competition from external sources. Because of the extensive tariff dismantling which has already taken place during the 1970s, this effect seems unlikely to be quantitatively significant in an aggregate sense, except for the trade deficit with Spain which could increase. Second, the progressive removal of Portugal's extensive system of non-tariff barriers to trade will cause potential problems for some industries such as garments. Third, the liberalization of the EEC's restrictions against Portugal's own textile exports can certainly result in an increase in trade. In many other areas of manufacturing EEC membership by itself is likely to have less impact on trade performance than many of the restructuring measures which would be advantageous whether or not Portugal were to join the EEC, including those aimed at fostering new direct foreign investment.

Portugal's acceptance of the Common Agricultural Policy (CAP) of the EEC will have a profound effect on pricing, institutional support measures, the protection against external competition and the access to external markets. The results of a commodity by commodity analysis conducted in this report indicate that the outcome for agricultural trade up to 1990 will be dominated by two main elements: a continued and substantial rise in the cereals deficit and an offsetting and impressive improvement in the balance of nonedible (mainly forest-related) products. The report concludes that subject to many assumptions and necessary policy measures Portugal could achieve substantial improvement in the agricultural trade balance during the early years of EEC membership. In addition to a competitive exchange rate, these policy measures include, above all, a strengthening of Portugal's extremely weak extension services and actions to begin to develop the institutions (such as producer associations) necessary for Portugal to draw full benefits from the EEC's complex arrangements for agriculture. For the moment, there is little indication that the effort devoted to this range of issues is anything like commensurate with the scale of the problem.

PORTUGAL - THE PROSPECTS FOR EXTERNAL TRADE IN LIGHT OF EEC ENTRY--

WITH SPECIAL REFERENCE TO AGRICULTURE

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COUNTRY DATA - PORTUGAL

<u>Area</u> 92,072 sq. km	<u>Population</u> 9.88 million	<u>Density (1978)</u> 107.3 per sq. km
<u>Population Characteristics (1979)</u>	<u>Health (1977)</u>	
Crude birth rate 18.2	Population per physician 698	
Crude death rate 9.6	Population per hospital bed 187	
<u>Access to Safe Water</u>	<u>Access to Electricity (1970)</u>	
Percent of Population 65.0	Percent of population 88.0	
<u>Nutrition (1977)</u>	<u>Education</u>	
Calorie intake as % of requirements 126.0	Adult literacy rate (1976) 70.0	
Per capita protein intake (grams per day) 83.0	Primary school enrollment ratio (1978) 117.0	

GNP PER CAPITA: US\$2,370 /a

	<u>GROSS NATIONAL PRODUCT IN 1981</u> (Current)		<u>ANNUAL RATE OF GROWTH /b</u> (% constant prices)				
	<u>US\$Million</u>	<u>%</u>	<u>1974-77</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
GDP at market prices	23,610	100.0	2.6	4.5	5.5	1.8	3.0
Total Consumption	21,843	92.5	2.3	2.6	4.5	4.1	2.8
Gross Domestic Investment	6,410	27.1	-1.5	-2.1	14.7	5.1	3.3
Export of Goods and NFS	6,251	26.5	-3.7	27.3	8.3	-1.5	0.0
Imports of Goods and NFS	10,894	46.1	-4.7	7.8	12.8	6.2	3.1
Gross Domestic Saving	1,767	7.5	5.5	2.3	7.5	-4.0	6.2

OUTPUT, EMPLOYMENT AND PRODUCTIVITY IN 1981

	<u>Value-Added /b</u>		<u>Labor Force (1981)</u>		<u>Value-Added per Worker</u>	
	<u>US\$Million</u>	<u>%</u>	<u>Million</u>	<u>%</u>	<u>US\$Million</u>	<u>%</u>
Agriculture	2,529	11.9	1,090	27.3	2,320	43.5
Industry	8,002	37.6	1,063	26.6	7,528	141.2
Construction	1,393	6.5	383	9.6	3,637	68.2
Services	9,369	44.0	1,458	36.5	6,426	120.5
Total/Average	21,293	100.0	3,994	100.0	5,331	100.0

GOVERNMENT FINANCE (1981)

	<u>Escudos Bln.</u>	<u>% of GDP</u>
Current Receipts	447.1	30.7
of which Central Government	259.1	17.8
Current Expenditures	527.3	36.3
Current Surplus/Deficit	-80.2	5.5
Capital Expenditures	76.5	5.2
Overall Surplus/Deficit	-166.2	11.4

/a Most recent estimate.

/b Based on Banco de Portugal statistics.

MONEY, CREDIT AND PRICES

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
	-----Billion Escudos-----				
Money supply (M ₂)	567.4	726.6	991.8	1340.4	1722.7
Bank Credit to Public Sector	123.2	171.8	248.6	339.3	304.6
Bank Credit to Private Sector (including public enterprises)	579.3	703.2	852.2	1175.1	1347.2
Money as % of GDP	91.2	93.3	93.7	111.1	118.6
General Price Index	126.0	152.8	186.0	219.3	266.6
Consumer Price Index	127.3	155.4	193.0	225.0	269.9
Annual percentage change in:					
General Price Index	26.0	21.3	21.7	15.0	21.6
Consumer Price Index	27.3	22.1	24.2	16.6	20.0
Bank Credit to Public Sector	63.2	39.4	44.7	36.6	39.4
Bank Credit to Private Sector	30.8	21.4	21.2	26.2	25.3

<u>BALANCE OF PAYMENTS (US\$ Million)</u>						<u>MERCHANDISE EXPORTS (1981)</u>	
	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>		<u>\$Mln.</u>
Exports of Goods (f.o.b.)	2001	2379	3550	4575	4083	Agricultural Products	478.3
Imports of Goods (f.o.b.)	4533	4787	6192	8781	9251	Mineral Products	458.7
Trade Surplus/Deficit	-2532	-2408	-2422	-4206	-5168	Chemical Products	228.4
Net Non-Factor Services	82	276	541	568	519	Wood, Cork and Paper	666.0
of which Tourism (gross)	403	592	942	1148	1024	Textiles and Clothing	1104.6
Resource Balance	-2450	-2132	-2091	-3638	-4649	Leather and Footwear	174.0
Net Investment Income	-179	-329	-437	-617	-960	Metals and Metal Products	194.5
Net Transfers	1134	1635	2476	2997	2894	Machinery	384.3
of which Workers Remittances	1174	1671	2445	2928	2839	Other Products	165.9
Current Account Surplus/Deficit	-1495	-826	-52	-1258	-2710	Transport Equipment	109.7
Direct Foreign Investment	52	56	49	119	155	Aircraft and Boats	19.7
Net Public MLT Borrowing	758	1317	1213	790	1016	Diamonds	99.5
of which Disbursements	898	1574	1630	1328	1622	Total Exports	4083.6
of which Amortization	140	257	417	538	606		
Other Capital (net)	326	-444	-1142	-229	1349		
Changes in Foreign Reserves	359	-103	-68	120	190	<u>External Debt, December 31, 1981</u>	<u>US\$Million</u>
Official Reserves (gross at year end)	1394	1883	1954	6450	6123	Public Debt Outstanding,	
of which: Gold /a	1025	1009	1020	5651	5644	including guaranteed	3779
						Non-guaranteed Private Debt	3023
						Total Outstanding and Disbursed	6802
						(Medium- and Long-Term only)	
						<u>Net Debt Service Ratio for 1981</u>	
						Public Debt including guaranteed	-
						Non-guaranteed Private Debt	-
						Total Outstanding and Disbursed	18.6 /b
<u>RATE OF EXCHANGE</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>IBRD LENDING, (December 31, 1981) (Mln. US\$)</u>	
US\$ 1.00 = Escudos	38.227	43.940	48.924	50.062	61.546	Outstanding and Disbursed (\$Mln.)	132.0
Escudo 1.00 = US\$	0.026	0.023	0.020	0.020	0.016	As % of Public Debt	2.5

/a Gold is valued at official prices. The stock of gold was revalued in 1980.

/b Based on Banco de Portugal statistics.

Europe, Middle East and North Africa Region
March 1, 1983

SUMMARY AND MAIN CONCLUSIONS

1. For most of the decade of the 1970s, the natural openness of the Portuguese economy has been fostered both by formal treaty obligations (EEC, EFTA, etc.) as well as a strong political inclination in that direction. Membership in the EEC, possibly in 1985, will strengthen this tendency and exert a further powerful influence on trading patterns. This report attempts to identify and analyze the more important of these influences and to indicate the broad orders of magnitude of the balance of trade effects which they may cause. The central conclusion is that the trade effects of EEC entry on the manufacturing sector are likely to be quite small except in relation to a restricted range of products (notably textiles), and some trading partners (notably Spain). Although the trade consequences of the new direct investment which Portugal may attract as a result of EEC entry are potentially large, they are extremely difficult to quantify at the present time and the report makes no attempt to do so. In the agricultural sector, the trade effects are certainly large but could, on balance, be favorable to Portugal provided that appropriate policies are pursued both in relation to exportable products, and in relation to the production of commodities where Portugal will continue to be in deficit. It should be remembered that EEC entry is coming at a time when Portugal's external payments position is seriously in deficit and external debt is an increasingly important problem. In this situation, it is important that the entry be allowed to act as the catalyst which can ultimately reduce import dependence in some key areas (notably food), and also as the incentive which can encourage further exports from sectors in which the economy has a potential comparative advantage. Whatever stabilization program is introduced during the next year or so, the economy will probably need exports to grow at twice the rate of imports in the medium-term, if the external payments and debt situation is to be kept under reasonable control. Since the short-term trade effects of EEC entry are unlikely to be in a direction consistent with this objective, the EEC transition arrangements will be extremely important in providing the breathing space for the necessary structural changes.

2. The background against which the report is written is a recent trading experience (1970-1981) which has seen a relatively rapid growth of trade (about 6 percent per annum in volume for both exports and imports), in spite of a number of serious interruptions. Although Portugal's overall growth performance of exports does not match up to that of the leading newly industrializing countries (NICs), namely Singapore, Taiwan and the Republic of Korea, it compares well with the average for a group of eight major NICs including the three leaders. This is particularly creditable in view of the severe political and economic disruptions sustained during and after the revolution. However, given the initially low coverage of imports by export earnings (58 percent in 1971), as well as unfavorable terms of trade developments, these growth rates have resulted in an almost tenfold increase in the

merchandise trade deficit during the period. The most important shifts in the commodity composition of trade have been a radical increase in the fuel component of imports (24 percent by 1980), and serious decline in the share of food products in total exports (from 20 percent in 1970 to 12 percent in 1980). In addition, manufactured goods now account for a significantly higher share of total exports than in 1970, and a significantly lower share of imports (partly, because of import substitution). In relation to the geographical composition of trade, the most important developments have been an extremely large decline in the importance of exports to, and imports from, the former colonies (at least until 1980), an increase in the dependence of Portuguese exports on EEC markets and an increasingly important role for imports from the USA associated with Portugal's expanding deficit in the major cereals. These latter developments have had important implications for the conduct of exchange rate policy because they have meant that a large part of the import bill has come to be denominated in dollar terms at the same time as the share of exports denominated in this way has declined.

3. The assessment in this report is highly selective in that the detailed commodity by commodity analysis is confined to commodities where EEC membership makes a fairly clear difference and where it is possible to provide a reasonably concrete analysis of this. In practice, this means a heavy concentration of the analysis on agricultural imports and exports and on a few key manufactured products such as textiles. In many other areas of manufacturing, EEC membership by itself is likely to have less impact on trade performance than many of the restructuring measures which would be advantageous whether or not Portugal were to join the EEC. In addition, the new foreign direct investments which Portugal will be able to attract as a result of her EEC membership have the possibility of substantially reshaping the manufacturing trade account. However, no attempt has been made in the report to speculate about the nature of these investments or to quantify their trade consequences.

4. Entry to the EEC will potentially affect trade in manufacturing in three other main ways. First, it will result in a number of changes in tariff arrangements and so will expose local industries to various degrees of increased competition from external sources. Because of the extensive tariff dismantling which has already taken place in the 1970s, this effect seems unlikely to be quantitatively very significant in an aggregate trading sense, at least in the medium-term. However, because tariff barriers against Spanish trade remain relatively high (as do Spanish tariffs against Portugal), it will result in a significant increase in the trade deficit in manufactured goods with Spain. Assuming that Spain joins the EEC at about the same time as Portugal, there would be a mutual dismantling of tariffs. At present the Spanish tariffs against Portugal are higher than those of Portugal against imports from Spain. However, imports from Spain are higher than exports to her and it is estimated that the absolute value of this deficit would be further increased by the tariff dismantling.

5. Second, the progressive removal of Portugal's extensive system of non-tariff barriers to trade will cause potential problems for some Portuguese industries. The most seriously affected could be garments where Portugal will be required to accept the EEC's Multi-Fibre Agreement (MFA) quota arrangements instead of its present independent system of restrictions. This is certain to result in increased garment imports from the Far East and elsewhere. However, early indications from Portugal's EEC negotiations on this point indicate that her MFA quota could be quite small and result in additional imports of garments of only between \$20 million and \$100 million per annum in the earlier years of EEC membership. Third, the liberalization of the EEC's restrictions against Portugal's own textile exports can certainly result in an increase in trade. Provided that exchange rates and other policies are appropriate, this could be worth up to \$100 million in terms of the trade balance.

6. Overall, the conclusion about manufacturing trade is that the effects of EEC entry per se, other than the effects working through new direct investment, are likely to be dominated by other influences. These include the additional exports and imports associated with certain large investment projects such as the Siderurgia steel expansion, the effects of both general macroeconomic policies which might stimulate or discourage exports, and the implementation/non-implementation of more specific sectoral policies designed to strengthen the underlying productivity and competitiveness of Portugal's traditional export sectors.

7. The position is different in the agricultural sector where Portugal's acceptance of the Common Agricultural Policy (CAP) of the EEC will have a profound effect on pricing, institutional support measures, the protection against external competition, and the access to external markets of a wide range of products. Taking a moderately optimistic view of the supply response which is possible, given the more favorable trading environment offered by the CAP, our analysis suggests that Portugal's present deficit in agricultural trade could be turned into a surplus during the early years of membership. The result of the detailed commodity by commodity analysis conducted in the report is summarized in Table 3.3 in terms of the possible agricultural trade balance position in 1986 and 1990. This shows that the outcome is dominated by two main elements; a continued and substantial rise in the cereals deficit, and an offsetting and impressive improvement in the balance of non-edible (mainly forest related) products. The overall assessment we make is that, subject to the many detailed assumptions necessary in this type of analysis and the necessary policy measures (described in Chapter 3) being taken, Portugal could achieve an overall surplus in the agricultural trade balance by 1990. In the case of cereals the negative trade outcome arise whether one takes an optimistic or pessimistic view of the prospects for increased production of the main cereals namely wheat and maize. The import deficit in livestock products will also rise. Against this negative development can be set a probable large further increase in Portugal's already large surplus in major forestry-based products such as cork and paper

paste. There is also a reasonable expectation of an enlarged trade surplus in both wines and fruits in spite of a probable sharp increase in import penetration (most probably from Spain), in table wines, citrus fruit, and other commodities. Finally, there are good prospects for a significant increase in export earnings from tomato concentrates as Portugal regains the parity in trading conditions with her main EEC competitors which was lost when Britain joined the EEC in 1973. Overall, it seems possible that Portugal can look for an improvement in the agricultural trade balance of up to Esc. 14 billion by 1990 on the most favorable assumption (\$170 million at the present prices and exchange rates).

8. However, a number of important policy actions are needed to bring about the supply response from producers necessary to ensure this improvement. As well as a competitive exchange rate, these include, above all, a strengthening of Portugal's extremely weak extension services and actions to begin developing those institutions (e.g., producer associations for fruits and vegetables and acceptable classification arrangements for wines), necessary for Portugal to draw full benefits from the EEC's complex arrangements for guidance and assistance to agriculture. There is plenty of experience from other European countries (and notably Italy which also entered the EEC with extremely low agricultural productivity) and elsewhere from which Portugal can draw but this will need to be done quickly if the net benefits of CAP membership are to be maximized. For the moment there is no indication that the sense of urgency and the effort devoted to this range of issues is anything like commensurate with the scale of the problem.

PORTUGAL - THE PROSPECTS FOR EXTERNAL TRADE

CHAPTER I

PAST TRADING PERFORMANCE

A. Introduction

1.1 Portugal is a naturally open economy with a relatively small population and a reasonably well diversified production structure in both industry and agriculture. Even before the revolution in 1974, she had built up strong trading links with many parts of the world and both exports and imports represented significant proportions of GDP. 1/ In spite of the interruption caused by the revolution, the openness of the economy was sustained through the 1970s as the result of Portugal's formal association agreement with the EEC from 1973, the tariff dismantling within EFTA, 2/ and a general liberalization of trading arrangements in the latter part of the decade. In the future this liberalization process is likely to be accelerated by full membership of the EEC scheduled for 1984. This further liberalization is coming at a time when Portugal's external payments position is seriously in deficit and external debt is an increasingly important problem. In this situation it is important that the liberalization is allowed to act as the catalyst which can ultimately reduce import dependence in some key areas (notably food) and also as the incentive which can encourage further exports from sectors in which the economy has a potential comparative advantage. It needs to be remembered that whatever stabilization program is introduced during the next year or so, the economy will probably need exports to grow at twice the rate of imports in the medium-term, if the external payments and debt situation is to be kept under reasonable control.

1.2 With this as the broad background, this report is focused on a selective assessment of Portugal's trade prospects for the next few years in the light of EEC membership. The assessment is selective in that the detailed commodity by commodity analysis is confined to commodities where EEC membership makes a fairly clear difference and where it is possible to provide a reasonably concrete analysis of what effects these differences will have. In practice, this means a heavy concentration of the analysis on agricultural imports and exports (including processed products) and on a few key manufactured products such as textiles and clothing. In many other areas of manufacturing, membership of the EEC by itself is likely to have less impact on trade performance than many of the restructuring measures in the sector which would be advantageous whether or not Portugal were to join the EEC. These measures have recently been discussed in considerable detail 3/

1/ 26 percent and 41 percent respectively in 1974 relatively to GDP at current market prices.

2/ In which Portugal has been a member since the inception in 1960.

3/ See Portugal: Policies for Industrial Restructuring, Report No. 3804-PO, August 4, 1982.

and do not need to be repeated in this present report. In addition, with some notable exceptions (e.g., the Renault plant) the foreign investment in Portugal which will arise because of EEC membership is an unknown quantity as are the trade developments that this will bring. No attempt has been made to speculate about this. 1/

1.3 We begin, in the rest of this chapter by a brief discussion of Portuguese trade performance 1970-1981. This has been characterized by very large swings in the aggregate of both exports and imports, by changes in the commodity composition of trade and especially a large increase in both fuel and food imports, and by major shifts in the commodity composition of trade especially in the direction of deemphasizing trade with former colonies. Chapter 2 provides a brief appraisal of some of the impacts of EEC entry on manufacturing trade performance. This is followed in Chapter 3 by a commodity by commodity analysis of agricultural trade prospects.

B. Main Trends and Commodity Composition

1.4 In the past decade, both export and import volumes have experienced two main cycles. In the 1971-1973 period exports expanded at an annual rate of 12 percent as compared to 11 percent for imports (see Table 1.1). Then came the revolution and the mid-1970s recession in the industrialized countries which together resulted in negative export volume growth in 1974-1975 averaging 12 percent per annum, and a remarkable 23 percent fall in import volumes in 1975. The stabilization of both the economy and the political situation from 1977 onwards resulted in a sound recovery of exports especially in 1978 and 1979 when Portugal's competitive position internationally was sharply improved (see Statistical Appendix Table 20). The earlier and sharp recovery of import growth in 1976 (18 percent increase) resulted from the rather aggressive expansionary policy followed at that time. During the period of the stabilization program itself, import volume growth was held at modest levels and was even negative in 1978. In the final leg of the second cycle export volume growth decelerated and then became negative in 1981 as Portugal's competitiveness internationally declined and a second European recession deepened. Import volumes grew very slowly in 1981 after a spurt in 1980 caused by a rapid expansion of domestic demand.

1.5 For the period 1970-1981 as a whole, export volumes grew at an average annual rate of about 6 percent which was a marginally slower rate than for imports, but 1.1 percentage points higher than GDP growth (see Table 1.1). However, in value terms, the corresponding figures were 14 percent for exports and 18 percent for imports; the difference indicating the size of the terms of trade deterioration. Since in the 1971 base year ex-

1/ In addition, there are some gaps in the analysis caused by lack of information or lack of time to collect information which is available.

CHART I
PORTUGAL: MAIN TRENDS IN TRADE, 1971-1981

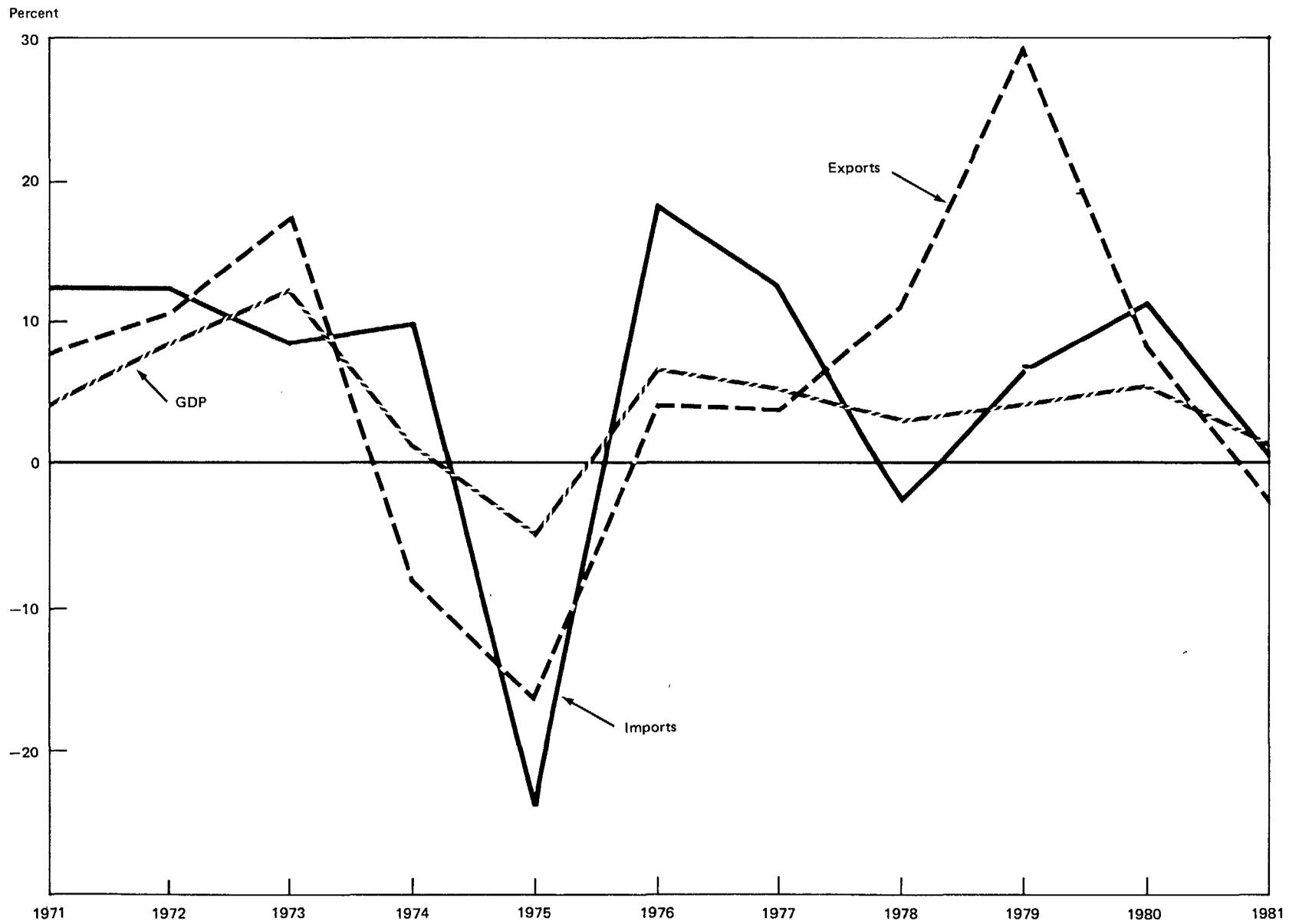


Table 1.1: DEVELOPMENTS IN MERCHANDISE TRADE, 1970-81

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981 a/
Exports f.o.b. (million \$)	952	1073	1304	1840	2263	1882	1822	2029	2423	3600	4615	4142
Value increase (%)	-	12.7	21.5	41.1	23.0	-16.8	-3.2	11.4	19.4	48.6	28.2	-10.3
Export unit value increase (%)	-	4.7	9.7	19.4	24.2	-1.2	-7.1	7.0	7.4	15.0	18.5	-8.5
Volume increase (%)	-	7.6	10.8	17.7	-8.3	-15.9	4.3	4.1	11.1	29.2	8.2	-2.0
Imports c.i.f. (million \$1)	1586	1858	2244	3030	4607	3794	4329	4982	5238	6787	8667	9743
Value increase (%)	-	17.2	20.8	35.0	52.0	-17.6	14.1	15.1	5.1	29.6	27.7	12.4
Import unit value increase (%)	-	4.0	7.3	24.2	39.1	7.2	-3.4	2.0	7.4	21.5	14.3	11.7
Volume increase (%)	-	12.7	12.6	8.7	9.4	-23.1	18.0	12.8	-2.1	6.7	11.7	0.6
Trade balance (million \$)	-634	-785	-940	-1190	-2344	-1912	-2507	-2953	-2815	-3187	-4051	-5601
Exports as a share of imports	60.0	57.8	58.1	60.7	49.1	49.6	42.1	40.7	46.3	53.0	53.3	42.5
Terms of trade index (1970 = 100)	100.0	100.8	100.3	99.3	95.9	88.4	85.1	89.2	89.2	84.4	87.5	71.7
Memo item:												
GDP growth (%)	9.4	4.2	8.7	12.3	1.5	-4.3	6.9	5.6	3.2	4.5	5.5	1.2

a/ Preliminary.

Note: The values of exports and imports are somewhat different from those shown in Annex Table 1 and 2. The reasons for this are unclear since both data sets originate in the National Institute of Statistics. A possible explanation is that some data revisions are not reported to the UN Statistical Office.

Source: Ministry of Commerce and Tourism, External Trade: The Decade of the 1970s and National Institute of Statistics.

ports covered only 58 percent of merchandise imports, the differential growth trends produced an almost tenfold increase in the merchandise trade deficit to a total of over \$5 billion by 1981.

1.6 The cyclical changes in the main aggregates together with a number of specific supply-demand developments, produced the changes in the commodity composition of trade shown in Table 1.2. On the export side, the most notable change was the sharp decline in the importance of food commodities reflecting the increasingly severe inadequacies of the agricultural sector. The significant expansion of manufacturing exports reflects, among other things, two major developments namely a four-fold volume expansion of motor vehicle exports and similarly rapid expansion of footwear exports. The rising share of fuel exports results from the new refinery and downstream capacity established in the late 1970s.

Table 1.2: COMMODITY COMPOSITION OF EXPORTS AND IMPORTS, 1970 AND 1980

Commodity	Exports		Imports	
	1970	1980	1970	1980
<u>Primary Commodities</u>	36.1	28.2	36.0	48.3
Non-fuel primaries	33.8	22.7	26.9	24.2
Food	20.0	11.9	13.7	13.7
Non-food	11.0	9.3	9.2	6.7
Metals and minerals	2.8	1.6	4.0	3.9
Fuels	2.3	5.5	9.1	24.1 <u>a/</u>
<u>Manufactures</u>	63.9	71.8	64.0	51.7
Machinery and transport equipment	8.4	13.3	30.0	25.1
Other manufactures	55.5	58.4	33.9	26.6
<u>Total Merchandise</u>	100.0	100.0	100.0	100.0

Source: Annex Tables 1 and 2.

a/ The full import share is 22 percent if reexports of refined products are excluded.

1.7 However, as Table 1.3 indicates, clothing remained Portugal's most important export commodity with 1980 exports valued at \$640 million and it also grew rapidly in the 1970s. The ten leading commodities shown in Table 1.3 accounted for half of total exports in 1980. Even though the ten commodities are sizeable, they grew faster than the average (which was 17

percent per annum for 1970-80) with the exception of wine and pulp and waste paper. (For a more complete ranking of all three-digit SITC commodity categories by their 1980 value see Statistical Appendix Table 26). This implies that a large number of export commodities with a relatively small value must have had a less than average performance. (For a complete listing of all three-digit SITC commodity categories by their 1970-80 growth rate see Statistical Appendix Table 27). It is noteworthy that wine, one of the few agricultural commodities amongst the top ten export commodities was also the slowest growing. ^{1/}

Table 1.3: THE TEN MOST IMPORTANT EXPORT COMMODITIES RANKED BY THEIR 1980 VALUE

Rank	Commodity	SITC Code	1970 Value	1980 Value	1970-80 Growth Rate
1.	Clothing	841	80148	640727	23
2.	Petroleum products	332	22067	254557	28
3.	Wine & liquor	112	69682	244901	13
4.	Cork manufactures	633	37315	239276	20
5.	Textile products nes	656	22559	206632	25
6.	Pulp & waste paper	251	47405	191396	15
7.	Footwear	851	12593	146030	28
8.	Road motor vehicles	732	4479	121653	39
9.	Shaped wood	243	22046	121282	19
10.	Telecommunications equipment	724	20616	109734	18

Source: Statistical Appendix Table 26.

^{1/} While there are few agricultural food products among the leading export commodities (notably preserved vegetables and vegetable oils) there are several other non-food agricultural commodities in addition to cork. They are: pulp and waste paper (US\$91 million in 1980), shaped wood (US\$21 million), rough wood (US\$21.5 million), and fuel wood and charcoal (US\$9.5 million). Also, there are several manufacturing or processing industries based on these agricultural raw materials which produce the following materials for export: paper and paperboard (US\$73 million), veneers and plywood (US\$25.4 million), crude animal matter (US\$17.2 million), wood manufactures not elsewhere specified (US\$17.1 million), furniture (US\$14.7 million) and articles of paper (US\$7.2 million). Among the non-food agricultural raw materials the fastest growing export commodity was fuel wood and charcoal (that grew from a negligible US\$13 thousand in 1970 to US\$9,546 thousand in 1980), and among the processed non-food commodities paper and paperboard exports expanded at a value rate of 30 percent during the 1970s, and the volume expanded at a 15.6 percent rate per year.

1.8 On the import side, the most notable change in composition has been the increased importance of fuels whose share in total imports increased from 9 percent in 1970 to no less than 24 percent in 1980. This was due both to the major price increases of 1974 and 1980 but also to a doubling of the volume of crude petroleum imports. Part of this volume increase is attributable to the coming on stream of the new Sines refinery in 1980. If the new trade in petroleum exports which resulted from this are subtracted, the growth of petroleum imports in 1980 is reduced from 77 percent to 57 percent in dollar terms. Food imports with an average annual growth rate of 19.3 percent (1970 to 1980) was the second most rapidly growing import category. This growth together with the export trend already discussed resulted in a radical deterioration in the food trade balance (see Chapter 3). However, the overall import structure amongst manufactured goods remained unchanged through the 1970s. The main visible import substitution was in seven items, namely clothing, footwear, furniture, ceramics, glass, iron and steel. However, the combined share of these items in total manufactured imports declined by only 3 percentage points.

1.9 Looking at imports in another way, namely in terms of functional categories (see Statistical Appendix Table 21), food imported directly for human consumption increased at an average annual rate, in volume terms, of only 1.7 percent from 1970-1979 while imports of animal feedstuffs and inputs for processing industries (including grains) grew at 6.5 percent. Also from the last section of Statistical Appendix Table 21, it is apparent that the volumes of non-food consumer goods have declined in the 1970s in response to import substitution in motor vehicles, other durables and other products. The fastest growing functional categories, in order have been intermediate goods (6.3 percent average growth), fuels (5.3 percent average growth) and capital goods (4.8 percent average growth). Four main items, namely industrial chemicals, iron and steel, electrical and non-electrical machinery, continued to account for the major part of industrial imports (61 percent in 1979).

C. The Geographical Pattern of Trade

1.10 The geographical composition of trade, however, has undergone significant changes as Portugal has adjusted its relationships with former colonies and moved closer to Europe, and as relative prices have shifted. The position is summarized in Table 1.4. In brief, this shows a very large reduction in the relative importance of the former colonies of Angola and Mozambique on both the import and export side at least until 1980; a large increase in the importance of exports to the EEC; a decline in exports to the USA; a large increase in imports from the USA and other countries, particularly oil-exporting countries and a relative decline in imports from the EEC and EFTA.

1.11 Trade with the colonies which was extremely important on both the export and the import side in 1970, fell away sharply after 1974. 1/ The export trade which consists mostly of manufactures (including a 12 percent share for machinery and transport equipment) has now begun to recover and was worth \$215 million in 1980. This was followed by a further substantial increase in 1981 which brought the share of this trade to about 9 percent of total exports. There is a general expectation that because of the strong linguistic and cultural affinities, Portugal can play an extremely important role as a supplier of equipment and services to aid the development of its former colonies. On the import side where 90 percent of the trade is in food and other agricultural commodities, the trade recovery has been rather slower in coming. 2/ However, given that Portugal will increasingly need to accept bilateral trading arrangements as the device to gain access for its exports to the former colonies, a growth in the import trade flow is likely to follow. What is not yet clear is whether any special EEC preferential arrangements will be made to accommodate such flows after Portugal's EEC entry.

1.12 Trade with the EEC itself is characterized by quite different patterns on the import and export sides. 3/ As regards exports, the share of the total going to the EEC is virtually the same for primary commodities as for manufactures (52 percent and 55 percent in 1980). However, on the import side only 13.6 percent of primary commodities came from the EEC as compared to 64 percent of manufactured goods. In relation to primary commodities this reflects the fact that for the commodities where Portugal is in deficit, the USA is often the major surplus country and is also typically a far cheaper source of supply than the EEC. As will be detailed more fully in Chapter 3, the switch of at least part of the imports to EEC sources of supply and the imposition of variable levies on non-EEC supplies of primary imports will represent the major cost of Portugal's acceptance of the Common Agricultural Policy (CAP).

1/ The major export commodities at present are cotton fabrics, metal products, clothing and woven textiles. The major imports are cotton, coffee, vegetable fibre and oil seeds. See Statistical Appendix Tables 18 and 19.

2/ A detailed analysis of the commodity composition of the trade is given in Statistical Appendix Table 18 and 19.

3/ See Statistical Appendix Tables 6, 7, 10 and 11 for full details.

Table 1.4: EXPORTS AND IMPORTS TO/FROM VARIOUS DESTINATIONS/ORIGINS

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981 a/
<u>EEC</u>												
Export shares	41.9	44.2	46.9	48.6	48.2	50.2	51.5	51.7	56.1	57.0	54.5	52.9
Import shares	48.3	47.5	45.7	44.9	43.5	40.2	41.5	43.6	45.9	41.5	39.5	38.0
<u>EFTA</u>												
Export shares	12.3	12.4	14.9	13.8	14.5	15.3	16.0	15.1	12.1	13.2	13.9	13.7
Import shares	9.3	10.2	10.2	11.6	10.0	9.0	10.5	8.4	8.9	7.6	7.6	7.4
<u>United States</u>												
Export shares	8.7	9.7	10.7	9.8	9.9	7.2	6.7	6.7	7.1	6.0	5.7	5.2
Import shares	7.1	6.9	8.9	8.2	9.2	12.4	9.8	10.2	11.8	11.7	10.9	11.7
<u>Spain</u>												
Export shares	1.6	1.7	2.1	2.2	2.1	2.7	2.1	2.1	2.2	2.9	3.7	2.8
Import shares	4.3	4.8	5.0	5.4	4.6	4.3	4.7	4.8	5.4	5.7	5.5	6.6
<u>Former Colonies</u>												
Export shares	21.6	18.7	11.9	12.2	9.2	6.1	3.1	4.9	4.2	4.0	4.6	8.7
Import shares	13.9	12.5	11.0	9.3	10.0	4.6	2.1	0.9	0.5	0.8	0.4	0.4
<u>Others</u>												
Export shares	13.4	13.3	13.5	13.4	16.1	18.5	20.6	19.5	18.3	16.9	17.6	16.7
Import shares	17.1	18.1	19.2	20.6	22.7	29.5	31.4	32.1	27.5	32.7	36.1	35.9
<u>Total</u>												
Export shares	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Import shares	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

a/ Estimates based on data for the first three quarters of 1981.

Sources: UN Trade Tapes and UN Yearbook of International Trade Statistics.

1.13 On the export side, the pattern whereby the EEC has become a progressively more important market has been similar for most commodity categories. Part of the reason for this has been the dismantling of tariff barriers under the EEC Association Agreement which entered into force on January 1, 1973. ^{1/} As a result of this, most industrial products originating in Portugal are now able to enter the EEC free of duty. The duty rates for certain fresh and processed agricultural products have also been partially reduced.

1.14 On the import side, the declining share of EEC products in the total is largely explained by the rapid growth in the value of oil imports from non-EEC sources. In addition, machinery and transport equipment imports from the EEC (the most important of the EEC import categories in 1970) has declined significantly in its importance as a result of Portuguese import substitution. The import trends do not seem to have been much affected by the exemption from Portuguese duties of about 40 percent of industrial imports from the EEC as from July 1, 1977 (under the terms of the 1973 agreement).

1.15 Export trade with the USA has declined in relative terms since 1972 and now accounts for only about 5 percent of the total (10.7 percent in 1972). The major export commodities are petroleum, cork and wine. By contrast, imports from the USA have increased their relative importance very considerably largely as a result of Portugal's food trade deficit; the largest import categories in 1980 were corn, soybeans and wheat.

1.16 As regards trade with Spain, this is hindered by tariff barriers in both directions which are far higher than the general levels as well as by a stringent application of non-tariff barriers. In spite of this, both exports to and imports from Spain have risen considerably faster than total trade causing the export share to rise to 2.8 percent in 1981 (1.6 percent in 1970) and the import share to rise to 6.6 percent in 1981 (4.3 percent in 1970). The ten largest export commodities to Spain in 1980 were: rough wood (\$39 million), paper (\$39 million), pulp (\$9 million), telecommunications equipment (\$7 million), vehicles (\$7 million), fresh fish (\$6.5 million), metal tanks (\$5 million), and stones (\$3 million). On the import side, the following categories were the most important: motor vehicles (\$55 million), non-electric machinery (\$41 million), plastic materials (\$41 million), organic chemicals (\$32 million), aluminum (\$18 million), other chemicals (\$16.5 million), shaped iron (\$16.5 million), special machinery (\$15 million), other inorganic chemicals (\$14 million), and electrical machinery (\$13 million).

^{1/} This was one of a series of agreements between the EEC and members of EFTA. They were necessitated by the EEC accession of two principal EFTA members namely Denmark and the UK (accounting then for 25 percent of Portugal's exports). The parties committed themselves to the elimination of industrial duties by July 1977 but because of Portugal's particular economic problems, this deadline was extended to 1985.

D. Trade Performance Relative to Other Newly Industrializing Countries (NICs)

1.17 A final aspect of Portugal's historical trade performance which is of considerable interest concerns her trade performance relative to other NICs. As shown earlier, the EEC and the other industrial countries represent the largest market for Portugal's exports, and the ability to further penetrate these markets is crucial to the future success of exporting industries. Although the decade of the 1970s was a period when the NIC penetration of industrial markets in many manufactured products was considerable, Portugal's relatively small absolute export trade normally excludes her from close attention in this context. It is, therefore, interesting to realize that between 1970 and 1980, Portugal's average annual export growth rate for total merchandise exports to major industrial countries (20 percent) was faster than that of either Brazil (19 percent) or Yugoslavia (16 percent), and equal to that of Hong Kong. However, Portugal did lag behind Singapore (34 percent), the Republic of Korea (32 percent), Taiwan (30 percent), Spain (23 percent), and Greece (23 percent) (see Statistical Appendix Table 22). In individual SITC one-digit commodity categories Portugal achieved a rank of 3 (of all 9 countries) 1/ for fuels (that started from a lower base in 1970), a rank of 6 for beverages (wine, etc.), crude materials (cork, etc.), basic manufactures (textiles, etc.) and miscellaneous manufactured goods (clothing, etc.) and a rank of 7 for chemicals and animal and vegetable oils (see Statistical Appendix Table 22). Portugal's comparatively weakest performance was in food products (rank 8), machines and transport equipment (rank 8) and other goods not classified by kind (rank 9) (see Table 1.5 and Statistical Appendix Table 22).

1.18 Portugal's overall growth performance does not match up to that of the leading NICs namely, Singapore, Taiwan and the Republic of Korea but compares reasonably well with the average for the whole of the comparator group as well as with the average for the Southern European economies. 2/ This is particularly true in light of the severe economic and political disruptions that were sustained during and after the revolution. 3/

1/ The eight comparators are Greece, Spain, Yugoslavia, Hong Kong, Brazil, Singapore, Taiwan and the Republic of Korea. The eleven major industrial country importers are Australia, Belgium/Luxembourg, Canada, France, Germany, Italy, Japan, Netherlands, Sweden, the United Kingdom and the United States.

2/ Performance relative to levels and shares of exports are shown in Statistical Appendix Table 23.

3/ Broadly similar results arise from examining Portugal's export performance relative to all developing countries (see Table 1.5). In that comparison, Portugal's performance was better than average in fuels, beverages, basic manufactures (including textiles), and crude materials. It is worse than average in oils and fats, food and live animals and, somewhat surprisingly, machinery and transport equipment. Given Portugal's strong export performance in transport equipment this indicates the serious weaknesses in her exports of machinery.

1.19 The composition of Portugal's exports to the major industrial countries varies substantially from country to country (see Annex Table 24). On average about 30 percent of those exports are basic manufactures (textiles, etc.), however, Australia's imports from Portugal in that commodity category amount to 68 percent of total imports whereas for Japan and the Netherlands it is only 16 percent. More than half of Sweden's imports consist of miscellaneous manufactured goods (clothing and footwear), but the imports of Australia, Italy and Japan in that category are only 1 percent of their respective imports. By far the most machinery and transport equipment goes to Italy compared to about half that amount to Germany. Japan's imports from Portugal are concentrated on raw and basic materials and the major items are cork, paper, pulp, chemicals and oils and fats. The United States import composition from Portugal does not deviate much from that of the average industrial economy except for fuels where she is the leading importer together with the Netherlands (with 18 percent as compared to the average of 4 percent), and in beverages where the share is 12.5 percent (or about twice the average for all importers). Australia, Belgium, Canada, and France also have an import share for beverages of the same order.

Table 1.5: EXPORT PERFORMANCE TO MAJOR INDUSTRIAL COUNTRIES
COMPARED WITH THAT OF SOUTHERN EUROPE AND ALL LDCs, 1970-80

Commodity Description	SITC Code	Portugal	Southern Europe	All LDCs
		(Average Annual Growth Rates 1970-80)		
Total merchandise	0 to 9	20	21	21
Food and live animals	0	8	14	14
Beverages and tobacco	1	18	13	13
Crude materials (excluding fuels)	2	14	14	13
Mineral fuels, etc.	3	37	24	31
Animal, vegetable oil, fat	4	3	6	13
Chemicals	5	18	25	23
Basic manufactures	6	21	23	17
Machines, transport equipment	8	27	26	28
Miscellaneous manufactured goods	8	27	26	28
Goods not classified by kind	9	5	15	19

Source: UN Trade tapes.

CHAPTER II

PROSPECTS FOR MANUFACTURING TRADE IN THE LIGHT OF EEC ENTRY

A. Tariff Dismantling

2.1 To accede to the European Community means to cease being a member of EFTA. But, in addition, Portugal will have to apply all the preferential agreements concluded by the Community, namely those with the African, Caribbean and Pacific States (ACP) that have signed the Lomé Convention, the Maghreb countries and Israel, Malta and Cyprus. Portugal will also have to become a party to the EEC-Turkey Association Agreement and, more generally, she will have to participate in the generalized system of preferences for developing countries. As a result of the participation in these agreements many tariff and non-tariff levels will have to be changed which will affect trade flows, the balance of payments and domestic production and consumption. The treaties will apply to continental Portugal and to Madeira and the Azores, since the latter two form part of Portugal's customs territory. With regard to Macao, which is a non-European territory with a special status administered by Portugal, the negotiations will have to determine how it will be treated.

2.2 The potential effects of tariff reductions have been analyzed in detail by the Cabinet of Studies and Planning in the Ministry of Industry and Energy (MI), as well as in an earlier World Bank Report. 1/ The main conclusion from the studies is that for most Portuguese manufacturing sectors there would be no major impact of a complete dismantling of tariffs vis-a-vis the other EEC members. For the purposes of the MI calculations the hypothesis was made that the level of non-tariff barriers for imports (which is in some cases very high) would not be reduced. 2/ The effects were analyzed by considering two possible options open to Portuguese industry to adapt to the changes in the conditions of competition.

Option 1: No Output Price Reductions and Acceptance of Potential Market Loss

2.3 The overall conclusion for this option is that the reduced market size would only have a minimal impact on the rate of profit; in certain industries it even would increase due to lower prices of imported inputs. The industries where the profit rate would be most negatively affected are: non-ferrous metals, beverages, tobacco and various food processing industries.

1/ Report No. 3804-PO.

2/ This hypothesis is unlikely to hold for the whole transition period and even less upon the arrival of full membership.

Option 2: Price Reduction but no Loss of Market Share

2.4 The price reductions 1/ involved in each sector to maintain the market share would be substantial for some of the sectors (but marginal for most others): beverages (35.5% of the domestic market price), dairy products (24.1%), tobacco (17.8%), footwear (18.7%). Of the remaining 35 industries analyzed only the following nine would incur price reductions in excess of 5%: cement, fruit and vegetable preserves, the cotton industry, clothing, leather, furniture, other non-metallic minerals, metal products and electrical machinery and equipment.

2.5 The broad conclusion is that, on average for all industries, profit rates would only be reduced slightly and that in practice most industries would choose a combination of options 1 and 2. These impacts on manufacturing and agricultural sector producers would be minor relative to the trade balance and budgetary effects of applying EEC arrangements to agricultural imports (see Chapter 3 for more detailed analysis of this).

B. The Entry of Spain

2.6 Assuming that Spain joins the EEC simultaneously with Portugal, it would imply a mutual dismantling of tariffs. At present the Spanish tariffs against Portuguese products are higher than those of Portugal against imports from Spain which themselves remain high relative to the general level of tariffs. However, since imports from Spain are about five times the level of exports to Spain, the tariff dismantling would further increase the trade deficit by an estimated US\$22 million from the current US\$500 million. 2/ The main exports of Portugal that probably would expand are: footwear, paper and cardboard, non-ferrous metals, other textiles, pulp and transportation equipment. Imports from Spain probably would increase in the following categories: "Other food products" (including fruits and vegetables and fish), 3/ paints and varnishes, non-ferrous metals, wool and cotton products, paper and cardboard, glass, and electrical machinery and equipment. It is interesting to note that some mutual increase in market penetration would occur in some of the same product categories. Apart from that one would expect that the tariff dismantling would reinforce (in terms of bilateral specialization) Spain's specialization in relatively heavier industries and Portugal's in relatively lighter ones.

1/ These refer to price reductions under comparative static conditions. In practice, under existing inflationary conditions, this would imply only a slowing down in price rises and not an increase in nominal prices.

2/ Ministry of Industry estimate.

3/ Imports of this category would increase more than five-fold.

C. Removing Non-Tariff Barriers

2.7 For many years Portugal has been using an import permit system 1/ under which it is sometimes difficult to obtain a permit for some products (particularly, but not exclusively, as far as products with Spanish origin are concerned). This system has a protective and a balance of payments effect. It is clear that the dismantling of the permit system would have an estimated impact on the level of imports that would exceed those from dismantling of import tariffs and the import surcharge. Import of fruits and vegetables and some other agricultural commodities, particularly from Spain and other Mediterranean countries, would be expected to increase substantially based on current price differentials. Among manufactured products, textile and garments imports would be affected most significantly, but BRIs are known to have been used, in addition, to keep out some imports of steel, paper, ceramics and food products and, at certain times, have virtually excluded imports from Spain. It is difficult to speculate about the effects of removing the BRIs since their use is sporadic and is not officially acknowledged to exist. However, some remarks regarding textiles and garment items are possible.

2.8 The situation here will be governed by Portugal's position as defined by the new Multi-Fibre Agreement (MFA) covering the period 1983-86 and due to be signed by the EEC in 1982. Portugal will become a party to the MFA upon entry to the EEC if not before. This will mean that she will be required to accept a portion of the global EEC limit for import penetration from the newly industrializing countries (NICs). The size of the Portuguese quota is difficult to determine, however, since the present level of imports from most of the countries concerned is virtually zero. It seems likely that, following the Greek example, a base year quota will be fixed as a proportion of textile sector output and this will be gradually adjusted during a five to seven year transition period. 2/ The disruptive effects of this on domestic production could be small or large depending on the size of the base-year quota which is still under negotiation. Although there is a general expectation in Portugal that the quota will be quite small, it has to be remembered that even a quota equal to 1 percent of domestic production could add \$20 million to the import bill. It seems reasonable to assume that the extra imports during the first five or six years of membership would fall somewhere in the range \$20 million to \$100 million.

D. Textile Exports

2.9 On the export side of the trade accounts, the most obvious benefit of EEC membership will concern Portugal's largest export sector namely textiles and clothing. The formal "self-limitation" agreement between Portugal

1/ The system of Boletims de Registro de Importacoes (BRIs).

2/ Similar arrangements are likely to be followed regarding the implementation of GSP and Lomé Convention arrangements.

and the EEC expired at end-1981 and in de jure terms, these exports are now unrestricted. In practice the granting of export licenses by the Textile Institute will continue to be voluntarily restricted up until the date of EEC accession to avoid export volume growth of more than 15-20 percent in certain sensitive items, and markets. After the date of accession, the Portuguese laid down the principle that no further restrictions would be acceptable, but this position received opposition from Britain and France (where the penetration from Portugal has been particularly rapid of late). The compromise which emerged involved a rate of expansion of the export quota for a transition period of three years following the accession. 1/ If other conditions are right (e.g. the exchange rate and the pace of new investment and restructuring in the sector), then Portugal might reasonably be expected to see an expansion of textile sector exports of the order of 7 to 10 percent during the next few years. This would have a value of the order of \$100 million per annum which is possibly 30 or 40 percent higher than the growth to be expected if restrictive quotas were to continue to be applied.

E. Further Aspects of the Prospects for Manufacturing Exports

2.10 Our general assessment of the impact of EEC entry on manufactured product trade is that it will have a marked percentage impact on one or two key areas. However, on plausible assumptions about the outcome of the negotiations, the pace of dismantling of BRIs etc., the net dollar gain or loss to the trade balance is unlikely to be large at least in the next five or six year. Furthermore, this effect seems capable of being overshadowed by the trade effects of (i) a number of new investments already in the pipeline or planned for the future including some major new foreign investments such as those by Renault (definite) and Ford (possible), and (ii) the implementation or non-implementation of macroeconomic policy measures designed to give a stronger stimulus to exports. The new investments include the Seixal Steel expansion which will generate an export surplus of about \$290 million by 1987; 2/ the new petrochemical plants of PETROGAL, QUIMIGAL and CNP which will export a variety of aromatics, aniline and ethylene related products, 3/ the copper/pyrites development near Aljustrel which will produce sizeable exports of copper and other minerals, and the Renault investment which will generate exports of well over \$100 million of cars and components in due

1/ Up to a maximum rate of 15 percent in volume per year depending on the product; see Annex V.

2/ At 1980 prices, this is offset on the import side by the foreign exchange cost of equipment totalling an estimated \$330 million (at 1980 prices) during the period 1981-1985.

3/ In 1982, the expansion of exports of chemical products is expected to be about 35 percent or about \$80 million (this excludes exports from CNP's steam-cracker which is still not in full operation).

course. The new foreign direct investments which EEC membership is capable of generating seem likely to represent the major economic argument for EEC membership. However, the possible trade effects of these are quite impossible to quantify at the present time.

2.11 As regards the second point there is ample evidence that Portugal's traditional sector exporters need a competitive exchange rate to achieve rapid growth rates in the very competitive markets where they trade. In addition, exports from less traditional areas are more likely to be generated (especially where they involve direct foreign investment) if supported by attractive policy incentives to exportation. The trade effects of these developments are extremely difficult to project on a commodity by commodity basis not least because they concern non-homogenous products whose production is only minimally dependent on Portuguese natural resources and endowments. However, they do seem likely to dominate the effects of dismantling tariff and non-tariff barriers to trade. In the past, Portugal has shown the ability to develop successful exports in areas quite distant from those of her traditional specializations if appropriate investments are forthcoming. This will happen to an increasing extent in the future if appropriate policies are pursued.

CHAPTER III

THE PROSPECTS FOR AGRICULTURAL TRADE

A. Introduction

3.1 By contrast with the situation in relation to manufactured goods, EEC entry is likely to have an effect on agricultural trade which is both large and (given that homogenous commodities are involved) reasonably identifiable. Thus, this Chapter and the accompanying Annexes attempts a detailed commodity by commodity analysis of agricultural trade possibilities to 1990. Although we have not concentrated centrally on the policy adjustments which are implied by CAP membership, these are considerable and an attempt is made to outline the more important of these in the course of the analysis.

3.2 As was noted in Chapter I, the 1970s witnessed a considerable widening of the gap between Portuguese imports and exports of agricultural and fishery products. Whereas, in 1970, agricultural imports were covered as to 88 percent by agricultural exports, the extent of the coverage in 1979 was no more than half of that. Although an unfavorable movement in the terms of trade was partly responsible, the disparity in volume growth between imports and exports has been particularly marked. Broadly speaking the origins of this lie in the revolution of 1974 and its aftermath. The influx of retornados from the abandoned Africa colonies and the sharp rise in real wages till 1977 combined to produce a growth in demand, and especially urban demand, for food which the country's underdeveloped agriculture was ill equipped to satisfy. The subsequent land reform, by converting large areas of the South into collectives and cooperatives, whose leaders often had no previous experience in farm management, resulted, especially from 1977 onwards, in a further decline in the already low productivity of arable farming.

3.3 Domestic supplies were thus unable to meet increased demand for breadgrains and imports of wheat rose steadily, up to 1979 when they were more than double the previous three-year average. After some recovery in 1980, wheat imports have again been boosted by drought conditions to a record level in 1981. Even some rye had to be imported from 1978 to 1980.

3.4 The increase in demand for the more income elastic products such as beef, pigmeat and poultry was less marked. However, a switch to more intensive forms of their production was stimulated after the revolution by the heavy subsidization of imported feedgrains. To the extent that at least part of this subsidy was passed on to the consumer in the form of artificially low retail prices for all forms of meat, the rise in the cost of living was checked, but at the expense of an additional large burden on the trade balance. Maize imports in 1978 were up by 66 percent on the previous three-year average, they rose by a further 20 percent in 1979, by 33 percent again

in 1980 and are estimated to have reached an all-time high of 2.9 million tons--well over twice the 1975 to 1977 average--in 1981. Including oats and sorghum, the volume of imports of feedgrains increased by 117 percent between 1977 and 1980, and their nominal value by over 200 percent, to almost 21 billion escudos (\$400 million). Furthermore, the expansion of production of compound feeds--about 60 percent between 1976 and 1980--has also involved a massive increase in the import cost of oilseeds and meals, which are also available to compounders at subsidized prices, and of other components. A 165 percent increase in demand for these imports between 1976 and 1980 involved a more than quadrupling of their cost to some 12.7 billion escudos (\$250 million).

3.5 The result of these trends was that imports of cereals and oilseeds attained a total of 4.3 million tons in 1980 which rose to 4.7 million tons (over 4 million of which was for cereals) in 1981. The dollar cost of these imports was approximately \$815 million in 1980 (9 percent of total imports) and considerably higher in 1981. Largely because of this situation, the trade effects of Portuguese accession to the European Community will be strongly influenced through the agricultural account. As the existing members of the Community--and especially those which joined it in 1973--have discovered to their cost or benefit, adoption of the Common Agricultural Policy (CAP) has profoundly differing implications for trade and payments according to whether or not a country is primarily an importer or an exporter of foodstuffs. As far as trade is concerned, an acceding country with a large net deficit will be penalized by being no longer able to import produce at prices prevailing on world markets. These are, in general, substantially lower than the Community market prices at which, by the end of whatever transition period may be negotiated, the acceding country will be obliged to make purchases from its EEC partners. These market prices are established between intervention and target level according to the extent that the Community is close to self-sufficiency in the product concerned. In practice, substitution in the cereals area is possible in relation to maize and feed wheat. Any purchases from third (i.e. non-EEC) countries, on the other hand, will have to be made at the minimum prices at which imports are permitted to enter the Community. In the case of cereals, of livestock products mainly derived from cereals, of beef, and of milk products, import levies are applied to raise cif prices at the common frontier to the threshold price (related to the appropriate target price) set for each product. ^{1/} For horticultural products this so-called "community preference" is secured by reference prices at the common frontier below which imports are not admitted.

3.6 Importing food products from third countries also has an additional unfavorable payments effect. Levies and import duties (together with up to 1 percent of member countries' imputed VAT yield) constitute the Community's

^{1/} This is a broad definition. The method of calculating levies varies in detail. They may in some cases be applied as well as a duty.

"own resources". Being automatically remitted to the EEC budget they constitute payments across the exchanges over and above those normally involved in importing from third countries. The purpose of the levy system is of course to encourage intra-Community trade.

3.7 A country with an export deficit may secure at least some reverse flow of budgetary funds in a number of ways. It will receive "refunds" on any exports to third countries--subsidies enabling those exports to compete on world markets. It may also benefit from direct transfer payments in the form of EEC contributions towards recognized expenditure on measures to improve the structure of agricultural production and marketing and towards agriculture in hill and mountain areas. These, however, require counterpart funds from the national budget and in some cases contributions from the beneficiaries, whether cooperatives, individuals or private processing firms. A third source of funds arises when a member country maintains a "green" rate of exchange that is overvalued in relation to its central rate, thus giving rise to a negative "monetary compensation amount" (MCA), in the form of a subsidy on its imports from other countries, of agricultural products. How far the Portuguese Government will choose to under compensate farmers in this way for devaluations of the escudo, to the benefit of consumers (e.g. the British Government policy between 1974 and 1978), remains to be seen. However, negative MCA's may be periodically applied, for anti-inflationary reasons, when the escudo is devalued in relation to the ECU. 1/

3.8 This Chapter attempts to assess the extent to which the adverse effects of being a large net importer within a virtually free common agricultural market (or within one that will become so after only a few years of transition) can be counteracted for Portugal by means of export expansion and import saving. Section 2 identifies those products which already make a significant contribution to either side of the account. Section 3 summarizes the implications for each of the main traded products of adopting the CAP and the common customs tariff (CCT) in a Community of Twelve. This section also attempts to provide rough orders of magnitude for Portugal's agricultural trade balance in 1985 and then in 1990. These estimates are explained in fuller detail in Annex I (import trade) and Annex 2 (export trade). In each of these Annexes, an assessment is made of how far, and how soon, it will be possible to secure the higher returns to the factors of production that are essential if the output of suitable exports and import substitutes is to be increased. The final section of this Chapter discusses a number of key areas where policy actions are needed to bring about the improvements in agricultural sector performance which we discuss.

1/ The issue of the green exchange rate and possible MCA's is an extremely important one in the context of Portugal's EEC entry. It has not been dealt with in any depth in this present report but is analyzed in some detail in the PROCALFER study sponsored by USAID.

B. The Main Components of Agricultural Trade

3.9 It has not been possible to analyze trade in any detail after 1979. 1/ Provisional figures suggest, however, that there was a further decline in the coverage of food imports by food exports. In addition, both the 1980 and 1981 trade balance figures will have been distorted by the drought related shortfall in output of virtually all plant products but especially of cereals, which not only reduced the supply of export crops but pushed up still further imports of animal feedstuffs. For this reason, the years 1978 and 1979 represent reasonably satisfactory base years from which to examine the future. The trade balance for each of the main components of trade in agricultural and forestry products in 1979 is set out in Appendix Table 5.

Food Imports

3.10 Appendix Table 3 indicates that the heaviest import burden in agricultural goods is associated with about twenty food commodity categories which are arranged in order of importance in Table 3.1. Amongst these, the five categories used for animal feedstuffs (maize, soya, sunflower, sorghum and residues) account for a major proportion of the total of temperate product imports, namely 56 percent in 1978 and 47 percent in 1979. The second most important category is wheat, essentially used for breadmaking followed by sugar. 2/ Next comes beef, followed by tobacco and spirits. This latter item consists mainly of whisky and cognac which is principally required for fortifying port and, for this reason, is unlikely to be import substitutable in present circumstances. The imports of table wine in 1979--exceeding in value those of spirits--appear to have been exceptional, following two particularly poor domestic harvests, with output some 80 percent of average. The level of olive oil imports also seems to be a function of the yield of the previous year's domestic harvest. For plant health reasons there is a regular import demand for seed potatoes. Livestock products, other than beef, still represent a fairly small proportion of imports. Offals, live animals and the main dairy products between them accounted for no more than 2 to 3 percent by value of total temperate imports in 1978 and 1979.

3.11 Completing the story in relation to food imports are a number of mainly tropical products which in no circumstances could be supplied directly out of national resources. These items had a combined value of Esc. 3.4 billion in 1979, represented about 8 percent of the food import bill and comprised mostly coffee, tea and spices (64 percent of the total) and cocoa and chocolate (12 percent).

1/ Publication of detailed agricultural trade figures for 1980 having been delayed.

2/ At present no sugar is produced on the mainland.

Table 3.1: FOOD, FEED, DRINK AND TOBACCO IMPORTS RANKED BY VALUE

	1978			1979	
	mln. esc.	% of total a/		mln. esc.	% of Total a/
Maize	8,344	26.7	Maize	12,902	27.1
Wheat	3,769	12.1	Wheat	6,011	12.6
Soya <u>b/</u>	3,000 <u>c/</u>	9.6	Soya <u>b/</u>	3,385	7.1
Residues	2,471	7.9	Sunflower <u>b/</u>	2,971	6.2
Sugar	2,286 <u>d/</u>	7.3	Sugar	2,653 <u>d/</u>	5.6
Sunflower <u>b/</u>	2,057 <u>c/</u>	6.6	Residues <u>e/</u>	2,623	5.5
Sorghum	1,473	4.7	Rice	1,976	4.1
Beef	908	2.9	Beef	988	2.1
Tobacco	690	2.2	Tobacco	963	2.0
Spirits	675	2.2	Wine	956	2.0
Rice	670	2.2	Pigmeat	831	1.7
Barley	338	1.1	Spirits	720	1.5
Offals	332	1.1	Sorghum	697	1.5
Olive oil	298	1.0	Safflower <u>b/</u>	641	1.3
Seed potatoes	276	0.9	Offals	409	0.8
Live animals	222	0.7	Seed potatoes	400	0.8
Milk powder	154	0.5	Barley	370	0.8
Flour	146	0.5	Live animals	327	0.7
Malt	144	0.5	Malt	257	0.5
Pulses	141	0.5	Olive oil	203	0.4
Rye	132	0.4	Cheese	146	0.3
Cheese	<u>102</u>	<u>0.3</u>	Pulses	141	0.3
			Butter	<u>108</u>	<u>0.2</u>
TOTAL	28628	91.9	TOTAL	40679	85.1

a/ Total of temperate products.

b/ Seeds and meal.

c/ Estimate.

d/ Including sugar confectionary.

e/ Animal, fish and vegetable residues for animal feed.

Non-Food Imports

3.12 As Appendix Table 3 shows, these have a value which is quite small compared to food imports (Esc. 6.3 billion as against Esc. 47.8 billion in 1978). They comprise two main categories namely forest related products and hides, skins and leather. 1/ In both of these cases there is a

1/ Full detail on the composition of these two items is shown in Appendix Table 3.

substantial overall export surplus and so the imports do not represent a net burden on the trade balance. In the case of leather, skins and hides, it is unlikely that domestic supplies of livestock for slaughtering could be sufficient in the foreseeable future to fully meet the demand of user industries.

Food Exports

3.13 Full details on Portugal's agricultural export trade are given in Appendix Table 4. This shows that, by contrast with the situation on the import side, Portugal receives approximately equal revenues from food and beverage exports on the one hand and non-food exports on the other. The most important food and drink exports are listed in order in Table 3.2. This shows a heavy concentration on wine, which accounts for over half of total food and drink exports, and tomato concentrate, which represented 13 percent of the total in 1979. The remaining horticultural products together accounted for only between 10 and 12 percent of the total in the two years in question.

Table 3.2: FOOD AND DRINK EXPORTS RANKED BY VALUE

	1978			1979	
	mln. esc.	% of Total		mln. esc.	% of Total
Fortified wine	3,722	30.3	Fortified wine	5,786	31.8
Ordinary wine	3,077	25.0	Ordinary wine	3,540	19.4
Tomato concentrate	1,984	16.1	Tomato concentrate	2,345	12.9
Nut	612	5.0	Vegetable oils <u>a/</u>	979	5.4
Offals	411	3.3	Nuts	662	3.6
Vegetable oils <u>a/</u>	259	2.1	Offals	555	3.0
Frozen/dehydrated fruits and vegetables	247	2.0	Sugar	473	2.6
Olive oil	230	1.9	Carobs	432	2.4
Carobs	192	1.6	Frozen/dehydrated fruits and vegetables	422	2.3
Cheese	181	1.5	Animal residues	386	2.1
Potatoes	149	1.2	Olive oil	384	2.1
Flour	142	1.2	Cheese	237	1.2
Olives	119	1.0	Pulses	226	1.2
			Olives	179	1.0
			Cereal products	141	0.8
			Flour	137	0.8
			Spirits	122	0.7
			Fig paste	102	0.6

a/ Excluding olive oil.

Source: Appendix Table 4.

Non-Food Exports

3.14 Forestry products--paper paste, timber and cork, raw and processed, and pine resins--constitute the bulk of non-food exports, and together make an extremely important positive contribution to the trade balance. According to the Forestry Products Institute's (IPF) latest estimates, the value of paper paste exports almost doubled between 1976 and 1980, leading to a tripling of the positive trade balance for this commodity. In the case of cork, 1/ the balance was quadrupled over the same period, and for timber it rose from 142,000 escudos in 1976 to over 5 billion escudos in 1980. To put this into perspective, it can be noted that by 1979, forest product exports were equivalent to almost 70 percent of Portugal's extremely large food imports, and several times larger than her exports of wine.

C. EEC Accession and Prospects for the Agricultural Trade Balance

3.15 This section of the paper will consider the main implications of accession to the EEC for each of the important import and export commodities identified earlier. In each case a possible order of magnitude will be established of the trade balance in 1986, now the most likely second year of accession, and in 1990, 2/ after five years of transitional arrangements have progressively brought the agricultural economy closer to integration within the Community. For reasons already stated--availability of detailed statistics, and atypicality of the 1980 and 1981 seasons--1979 is taken as a base year. It has been necessary to make certain broad assumptions about agricultural prices. First, it is assumed that, contrary to the present situation, the level of EEC price support expressed in escudos will be generally above rather than below the level of Portuguese support prices immediately prior to accession. This will have been achieved by a reorientation of Portuguese exchange rate arrangements towards the currency basket in which the European Currency Unit (ECU) currencies, rather than the US dollar will have a predominant weight, accompanied by regular devaluations of the escudo. The present balance between Portuguese and EEC support prices has been brought about partly by the recent sharp increases in Portuguese prices, but also by the unrealistically small adjustments of the escudo against the ECU during the past two or three years.

3.16 The second main assumption is that the support price level in Portugal and the EEC has moved, and will move, pari passu with the rate of inflation. This is only unrealistic to the extent that, in the past, the

1/ It should be noted that there is a major discrepancy between the IPF estimate of the cork trade surplus as compared to that of the INE. So far we have not been able to resolve this discrepancy.

2/ The more detailed analysis underlying these estimates is set out in Annexes 1 and 2.

real level of support prices has tended, despite pressure from farm lobbies, to decline over time. But the assumption makes it possible to assess the future trade balance at constant 1979 prices. The key exception to this will be that by 1990 there will, thanks to transition arrangements adapting Portuguese to EEC prices, have been a once and for all real increase in Portuguese prices equivalent to the difference on accession between the two sets of prices. This is assumed to be 15 percent for most products. For 1990, the 1979 unit prices used in costing the volume of imports and exports of price supported products are therefore raised by a coefficient of 1.15. 1/ A third assumption concerns the remaining subsidies to agricultural production and/or food consumption in Portugal. Although a more gradual removal of some of them may be negotiated as part of the transitional arrangements for accession, it is here assumed that the subsidy system will have been fully dismantled by 1986. 2/

3.17 The results of our detailed commodity by commodity analysis is set out in terms of possible trade balance outcomes for 1986 and 1990 in Table 3.3 which also shows the 1979 trade balances for major commodities. It can be seen that outcomes are dominated by two main elements; a continued and substantial rise in the cereals deficit, and an offsetting and impressive improvement in the balance of non-edible (mainly forest related) products. The overall assessment that we make is that subject to the many detailed assumptions described in Annexes 1 and 2, and the necessary policy actions being taken, Portugal could achieve a significant improvement in the agricultural trade balance by 1990 (in 1979 prices). By 1990, on the most favorable assumptions, there could be an overall agricultural trade surplus of Esc. 6.3 billion. On the least favorable assumptions there would still be a deficit of nearly Esc. 15 billion.

3.18 In the case of cereals, the anticipated large increase in the deficit is the resultant of several different elements. The first, is the impact of full acceptance of Community prices by 1990 which will increase the cost of whatever imports are then necessary by a considerable margin. 3/ The second is an assumed increase in domestic cereal production and especially of maize which is based on a realistic assessment of potential yield increases in the main growing areas. 4/ The third is a substantial reduction

1/ This assumes that the green escudo is allowed to devalue pari passu with the central rate. To the extent that this is not done and negative MCA's accumulate, the support prices for products other than fruit and vegetables would rise less rapidly than the rate of inflation.

2/ No attempt has been made to take into account precise elasticities of supply and demand in estimating the effect of this dismantling.

3/ See Annex I for full details.

4/ See Annex 3 for full details.

in the domestic demand for cereals and especially maize for compound feed production and wheat for bread consumption, resulting from higher EEC prices. This reduction is offset, in part, by an increase in imports of substitute products (such as soya) for compound feed purposes.

3.19 In the case of sugar, the projected increase in the trade deficit is derived from an assumed increase in per capita consumption (to a level nearer that of the EEC) and the application of the EEC intervention price, with no availability to Portugal of part of the cheaper ACP sugar as defined in the Lomé convention. The difference between our optimistic and pessimistic view of the sugar deficit largely depends on whether the EEC grants Portugal a production quota to establish an indigenous sugar beet industry. There are certain good reasons why Portugal might not decide to establish such an industry (see Annex I) but from a narrow trade balance point of view it could save about Esc. 4 billion by 1990.

3.20 The improved balance for wines, assumes a recovery in the proportion of fortified wines exported to about its 1977 level giving additional exports of Esc. 3 billion. In the case of table wines it is expected that there will be a small increase in the proportion of production which is exported but that this will be increasingly offset by the penetration of cheaper wines from EEC partners and especially Spain.

3.21 In the case of tomato concentrate, the removal of the protection introduced after Britain's accession to the EEC, will provide a new boost to Portugal's exports relative to the, mainly, Italian competition. The Portuguese industry should by then be in good shape to respond to this incentive and is quite capable of producing the significant percentage increase in exports shown in Table 3.3.

3.22 The EEC accession undoubtedly offers considerable possibilities for expanding exports of fruits and vegetables to other member countries but this is an advantage also shared by other southern members of the enlarged Community as well as countries of the Mediterranean littoral (notably Israel). Given the competition and the generally weak state of preparation of the Portuguese industry, it would be excessively optimistic to extrapolate the rapid export growth achieved by most products between 1977-1979. In addition, an increasing import penetration from Spain is to be expected once the strict licensing restriction on these imports are liberalized. Our assessment therefore takes account of a good expansion of Portuguese exports to the EEC as Community trading arrangements are adopted, as well as about Esc. 2 billion of imports from Spain.

3.23 These various commodity assumptions together suggest that the most favorable outcome which Portugal can expect for plant products taken as a whole, is a stabilization of the trade deficit at about its 1979 level of Esc. 27 billion. Combining all the least favorable outcomes for the separate commodities would increase this to Esc. 43 billion by 1990.

3.24 The EEC impact on Portugal's trade in livestock products is relatively complex. It is realistic to expect a recovery of domestic per capita demand (which has declined since the mid-1970s). At the same time, domestic production will be stimulated by the higher EEC support price but this production will increasingly be based on an extensive technology as the prices of feed grain are increased. Our assessment would be that the combination of these various influences is likely to result in a widening of the imports deficit to 1990.

3.25 In the case of non-edible products there are a variety of forest-based products for which future export prospects are extremely good, and the positive trade balance should continue to rise significantly. This is especially true for paper paste partly as a result of a new mill coming on stream in 1985. Given reasonable assumptions about the domestic use of paste, the trade surplus could reach Esc. 12.5 billion by 1990. Cork, however, will continue as the major foreign exchange earner with earnings of between Esc. 13 and Esc. 15 billion by 1990. This will reflect a probable decline or stagnation of export volumes combined with a rising unit value associated partly with further processing of the raw product. Given that the bulk of Portugal's forest product exports go to the EEC where restrictions on trade in these items is already minimal, EEC accession per se should not have much impact on export volumes. However, adjustment to the common external tariff will result in a considerable reduction of protection against timber imports from non-EEC and non-EFTA countries, and especially those from Spain. Although this must result in some increase in imports, we would expect the overall surplus in forestry products to rise to between Esc. 32 billion and Esc. 37 billion by 1990 as against Esc. 22 billion in 1979. This will represent easily the largest agriculture sector offset to the large cereal deficit.

D. Policy Implications

3.26 There is of course a substantial menu of policy actions which need to be addressed to realize the outcome for the agricultural trade balance shown in Table 3.3.

3.27 It is not the main purpose of this report to fully identify and analyze these but a brief note about some of the more important action can provide a useful starting point for further work on the sector. Many of them are discussed further in the Annexes. In the case of cereals, there are climatic, structural, technical and psychological constraints to the increases in production which seem to be potentially possible. The central element in overcoming these has to be a much improved agricultural extension system linked up well both to research facilities (the University Institute of Vila Real seems to provide a good model) as well as to the expertise of fertilizer and pesticide suppliers. Such a system cannot overcome the residual problems from the 1974 land reform but it will certainly be critical where these problems have been satisfactorily resolved. It is also important

to undertake a careful evaluation of the negative and positive aspects of the monopoly purchasing and input supply position of EPAC (Empresa Publica de Abastecimento de Cereales); to develop a clear program for dismantling those aspects of its operations which run contrary to EEC rules; and to establish appropriate alternative arrangements as soon as possible.

3.28 In the case of livestock, a timetable needs to be established for phasing out the feedgrain subsidy and this needs to be clearly linked to a program of technical support (including credit) to farmers to provide adequate pasturage for increased extensive livestock production. However, even with a successful program along these lines, the demand for imported products is likely to rise significantly. In the case of sugar, a careful evaluation is needed of the merits of seeking a sugar beet production quota from the EEC. This would need to take account, among other things, of the alternative uses of possible beet lands and the investment costs of switching refineries to use a non-cane feedstock.

3.29 On the export side many of the major policy actions relate to improved institutional arrangements either to maximize Portugal's benefits from EEC aid schemes to agriculture or to minimize the trade losses associated with quality and other non-tariff limitations on trade. In the case of table wines, the rapid introduction of EEC standards in relation to the declaration of harvested quantities and the compulsory distillation of sub-standard products is needed. So too is resolution of the revised delineation of the zones for wines of designated origin. This is in addition to the obvious need for improved marketing and promotion. In the case of tomato concentrates, the policy of subsidising the reequipping of outdated plants seems sound and is likely to permit a strong export response to the improved trading conditions for the products after EEC entry. Similar comments are applicable to official attempts to provide user subsidies to encourage a high rate of utilization of Portugal's much increased oil seed crushing capacity.

3.30 In the case of fruits and vegetables, improved location and organization of wholesale markets is required, as is better transportation and storage facilities for vegetables. It is vitally important to establish a plan of action, including the necessary technical advice, to establish EEC--acceptable standards for grading especially for export products. Furthermore, full benefit from the EEC support system will be denied to Portugal unless actions are implemented to establish recognized producer groups through which can be organized the withdrawal of surplus products at times of surplus. Finally in the case of forestry products the main need is to finalize the long-term program for new plantings already underway, and to link this with a coherent strategy for the optimal development of processed products.

3.31 The four paragraphs above provide merely an impression of the need for policy actions in the sector--an impression which will hopefully serve as the basis for further indepth analysis. We can conclude by highlighting three issues which seemed to the mission to have particular importance.

(i) Group marketing and producer associations.

3.32 Producer cooperatives have played an important part in all the member countries of EEC-10 except the United Kingdom. This role was given a fresh impetus by the dismantling of the protective cocoon, of greater or less intensity, within which the agriculture of each of the original six member states of the Community had traditionally operated. Whether in expanding exports or withstanding imports, organizing market supply proved essential. The past two decades, which have seen the setting up and then the functioning, however imperfectly, of the CAP, have at the same time witnessed, in all member countries, a revolution in the food processing and retailing sectors. Their demands have become increasingly difficult for the isolated producer to satisfy in terms of quantity, quality and regularity of supply. Some member countries have customarily given active support to cooperatives, mainly through fiscal privileges. Some encouraged a parallel development, by means of direct grants or soft loans, to groups of producers specializing in a single product or group of products whose members undertake to market their entire output through the group. 1/

3.33 In Portugal, cooperatives, incorporated into regional and national unions, already operate with considerable success in the dairy sector. The milk, produced from thousands of holdings in the north on which a herd of ten cows would be exceptionally large, 2/ can thus be processed and distributed for consumption in Lisbon and the south. There has also been some cooperative development in the wine sector. But much remains to be done in encouraging the setting up of cooperatives and producer groups. As far as intensive pig and poultry and egg production is concerned, vertical integration between feed firms and slaughterhouses has already provided some kind of substitute, even if it is one in which the producer may find that he has bought his security dearly. Encouragement to group marketing will be necessary for beef and cattle (provision of calves and stores for fattening, as well as the sale of fat cattle) and cereals (especially after the dismantling of EPAC's monopoly).

3.34 However, action is particularly necessary in relation to fruit and vegetables where the producer group model is an integral part of the Community's regime, and is the means through which the market withdrawal system discussed in Annex 2 is operated. Aid to olive oil producers is also

1/ Provision is also made for two-, or even three-, tier unions of such groups operating at regional and/or national level.

2/ The average herd consists of three cows.

partly channelled through groups. 1/ Since counterpart funds are in any case required from national budgets to match those available from the Guidance Section of the EAGGF 2/ towards setting up producer groups, it would seem to be a highly desirable investment for the Portuguese Government to finance such groups ahead of accession. It is not too early to start now. Perhaps the Community's share could in the interim be provided from pre-accession aid or other external resources. France and Italy provide appropriate models from which Portugal could draw valuable lessons: France because producer groups, having originated there, are in particularly good working order; Italy, because the system had to be set up from scratch during the 1970s in a country with no strong tradition in agricultural cooperation. After numerous teething troubles it is now working with reasonable efficiency, despite the peculiarity of being highly politicized into groups of "white", "red" and neutral (non-communist/socialist) inspiration. But even this precedent might prove an encouragement to the Communist-inspired collectives in Portugal to set up their own fruit and vegetable and other marketing groups on the lines laid down in the EEC regulations.

(ii) Extension Services

3.35 The starting up aids for producer groups are designed not simply to provide premises and equipment but also to enable the farmers concerned to hire professional advice. This may consist not only of skills in accountancy and marketing but technical advice, including veterinary where appropriate, about the particular production process in which the group is involved. Technical advice is usually available as well to farmers subject to any form of contract, whether of the closely integrated kind associated with intensive livestock production, or of the annual harvest kind associated with crop

1/ Since 1978 aid from the common budget has also been made available towards setting up marketing groups for other products in a number of member countries particularly in designated "less favored areas": in Belgium (for cereal storage, lucerne production and live cattle and pigs), France (perfumery plants, table olives and grapes) and Italy (most products). There is every likelihood that this facility will be extended to other Mediterranean member countries. Aid may be granted by member states over the first three years of operation of each group up to a maximum of 60 percent, 40 percent and 20 percent respectively of the group's formation and operating costs. Between 25 percent and 50 percent (depending on the extent of the economic disadvantage of the region concerned) of the aid granted may be recovered from the Community budget.

2/ European Agricultural Guidance and Guarantee Fund, usually known by its more easily pronounced French acronym FEOGA. The Guarantee Section finances all price support policies. The much smaller Guidance Section finances what are broadly called "structural" measures.

production. Other advice--not always entirely disinterested--is available from technicians employed by firms marketing feed, seed, fertilizers or machinery. In most EEC member countries there has in addition been built up over the past 25 years--sometimes over a longer period--a government-financed extension service whose members are in regular personal contact with, and whose disinterested technical and economic advice is listened to with respect by working farmers. All these agencies have made an important contribution to the remarkable improvements in the productivity of land, labor and capital achieved in the agriculture of most western European countries since the end of World War II. That these improvements have largely passed Portugal by cannot be unconnected with the relative paucity and poverty of its extension services both before and since the 1974 revolution.

3.36 In 1982, however, the paucity does not lie in the numbers coming under the jurisdiction of the Directorate for Extension Services of the Ministry of Agriculture. We understand that some 8,500 engenheiros técnicos are employed by the Ministry, 2,500 in Lisbon and 2,000 in Porto, the remaining 4,000 being employed in the Ministry's seven regional directorates. Of these only about 1,000 have some direct contact with farmers, of whom perhaps 400--i.e. fewer than 5 percent of all técnicos--might be expected to be in regular contact with them. There are several institutional constraints that contribute to this anomalous state of affairs. The academic standards required to obtain the status of engenheiro técnico appear to be unexacting--a degree or diploma providing an almost fail-safe passport to government employment. 1/ Disinclination to give up rent controlled accommodation in Lisbon and Porto is a strong disincentive to técnicos to move with their families to the provinces, where there is a chronic housing problem and social life is often, to say the least, restricted. Many of the more able and better qualified prefer to engage in fundamental research or, at best, work at experimental stations that tend to be isolated from commercial agriculture. Certainly the absence of any tradition of active fieldwork tends to perpetuate both a diffidence on the part of técnicos to come into contact with farmers and a reciprocal lack of confidence on the part of farmers about contacting extension workers. In the time available we were not able to investigate more closely the shortcomings of the official extension services, but their inadequacy has already been well attested. 2/ Nor does sufficient effort seem to be made to contact farmers through the media, or even by post. A large farmer who has been operating in the Alentejo for 12 years told us that he had just received his first ever advisory leaflet on cereal growing.

1/ On the notice board at one of the district agricultural offices we noted a list of some 700 successful candidates in the 1981 annual national examination.

2/ Portugal, Agricultural Sector Survey, op. cit. pp. 18-29.

3.37 Without better productivity it will be difficult to achieve the kind of import savings and export expansion necessary to prevent a further deterioration in the agricultural trade balance after EEC accession. Part of that improvement will come from the efforts of the private sector, whether from the demonstration effect provided by individual go-ahead farmers or from the various types of commercial advice outlined above. For instance, one large pasta manufacturer already exercises considerable control over the cultivations of his contracted suppliers, and of course provides the correct variety of seed wheat. One of the nationalized banks provides technical advice to its agricultural borrowers--an activity which IFADAP could usefully expand. One citrus farmer whom we visited has built up, through importing Californian budstock, 1/ a promising local business in virus-free nursery trees. In order to ensure that his customers obtain maximum satisfaction he is obliged to provide his own private extension service in the form of advice on planting, cultivations, sprays, etc.

3.38 But the main extension effort will have to be a public one. Two measures appear important. The first is a major revamping of the extension service to increase its acceptability in the eye of the farmers. This might include the loan to Portugal of qualified Portuguese-speaking extension staff, prepared to live for a period out in rural small towns and villages, to work alongside the Portuguese in the field, encourage initiative among younger farmers, and build up an atmosphere of trust between them and the extension services. 2/ Landowners who have had their land returned to them and new farmers who have applied for and obtained holdings under the redistribution scheme would appear to provide a potentially fruitful field for action of this kind. The second is the acquiring, through visits and attachments, some first hand experience by Portuguese staff of extension work in other countries in those product areas in which higher productivity is most important, especially cereal growing and horticulture. The best know-how would probably be available in Israel, but some acquaintance with the difficulties met with--and shortcomings probably not yet by any means remedied--in Italy and Spain would also be valuable. 3/

1/ Illegally, as it happens, but with the connivance of the local directorate for agriculture which recognized the interminable bureaucratic delays that would result from the statutory request for an import license.

2/ The recent developments in technical agricultural and extension work by the University Institute of Tras-os-Montes and Alto Douro at Vila Real, is an important example of a successful innovative approach in this context.

3/ It would be essential that staff sent on such visits were in a sufficiently influential position to apply their experience in an effective manner when they return to Portugal.

(iii) Trade with Spain

3.39 Trade in agricultural produce, food, and beverages between Portugal and Spain is limited by protective tariffs, poor communications and ancient custom. The gradual removal of the first constraint will lead to the gradual disappearance of the others. Our analysis suggests that the opening of the frontier within the common market could be of greater disadvantage to the Portuguese trade balance than to the Spanish. The proximity of the two countries is likely to make Portuguese producers vulnerable to Spanish exports of wine, citrus, other fruit, vegetables and possibly eggs and poultry meat. ^{1/} The Spanish dimension appears so far to have been largely ignored in the Portuguese appreciation of the trade implications of EEC accession. It is characteristic that a recent pamphlet published by the Instituto Nacional de Estatistica comparing, mainly by means of histograms, the principal aspects of the economies of Portugal and the EEC member countries contains no parallel data for Spain. A detailed look at the potential costs and benefits for Portuguese agriculture of trade with Spain seems overdue.

^{1/} Trade flows may also be marginally influenced by the "agrimonetary" policies pursued by each government. To the extent that green rates were permitted, for anti-inflationary reasons, to remain more overvalued in relation to central rates (i.e. through maintenance of larger negative MCAs) in one country than in the other, agricultural and food imports would be correspondingly encouraged and exports hindered. However, given the political and economic importance of the farm sector in both countries, it seems probable that in neither will guaranteed farm prices in terms of national currencies be prevented, for any significant period at any rate, from reflecting the upward effect of devaluations. This has generally been the case with Italy over the past decade. In any case MCAs are not applied to trade in fruit and vegetables and only to a limited extent on ordinary wine.

Table 3.3: BALANCE OF EACH OF THE PRINCIPAL SECTORS OF AGRICULTURAL TRADE, 1979 AND ESTIMATES FOR 1986 AND 1990 AT CONSTANT 1979 PRICES

(million escudos)

	1979	1986	1990
Cereals, Oilseeds, etc.	-34,070	-36,440 <u>a/</u>	(1) -47,600 <u>b/</u> (2) -54,400 <u>c/</u>
Vegetable Oils	+363	+3,500 <u>d/</u>	+4,000 <u>e/</u>
Sugar	-2,181	-2,500	(1) -8,000 <u>f/</u> (2) -3,500 <u>g/</u>
Wines	+8,410	+10,000	(1) +15,400 <u>h/</u> (2) +13,300 <u>h/</u>
Beers, Spirits, etc.	-513	-800	-1,000
Tomato Concentrate	+2,345	+2,400	(1) +3,350 <u>i/</u> (2) +3,050 <u>i/</u>
Fruit			
Fresh	+913))	(1) +6,000 <u>k/</u>
Preserved	+84))	
Vegetables)	+3,000)	(2) +4,000 <u>k/</u>
Fresh	-183))	
Preserved	+335))	
Tobacco	-963	-1,000	-1,000 <u>l/</u>
Coffee, Tea & Spices	-2,177	-2,300	-2,500
Cocoa and Chocolate	-402	-450	-600
Other Plant Products	+139	+200	+400
<u>Total Plant Products</u>	<u>-27,900</u>	<u>-24,390</u>	(1) <u>-27,050</u> <u>m/</u> (2) <u>-42,750</u> <u>n/</u>
Live Animals, etc.	-302	-300	-600
Meat and Offals	-1,710	-500	(1) -2,500 <u>p/</u>
Dairy Products, etc.	-126	-200	-400
<u>Total Livestock Products</u>	<u>-2,138</u>	<u>-1,000</u>	(1) <u>-3,500</u> <u>m/</u> (2) <u>-4,200</u> <u>n/</u>
Timber	+4,725	+5,000	(1) +6,250 <u>r/</u>
Furniture	+316	+600	(2) +5,500 <u>r/</u>
Pine Resin, etc.	+2,782	+4,500	(1) +5,600 <u>r/</u> (2) +4,950 <u>r/</u>
Cork	+10,313	+12,000	(1) +15,000 <u>r/</u> (2) +13,200 <u>r/s/</u>
Paper Paste	+5,823	+10,000	(1) +12,500 <u>r/t/</u> (2) +11,000 <u>r/</u>
Paper and Board	+980	+1,000	
Skins, etc.	-2,809	-3,500	-3,000
Plants and Flowers	-67	-50	+500
<u>Total Non-Edible Products</u>	<u>+22,063</u>	<u>+29,550</u>	(1) <u>+36,850</u> <u>m/</u> (2) <u>+32,150</u> <u>n/</u>
<u>Total Agricultural Products</u>	<u>-7,975</u>	<u>+4,160</u>	(1) <u>+6,300</u> <u>m/</u> (2) <u>-14,800</u> <u>n/</u>

Note: Plus sign denotes surplus; minus sign denotes deficit.

a/ See Appendix Table 4.

b/ See Appendix Table 5.

c/ On the basis of more pessimistic assumptions about the development of domestic cereal production, involving an increase in maize production of 400,000 t (instead of 800,000 t); in wheat production of 120,000 t instead of 155,000 t; and in rice production of 80,000 t instead of 160,000 t.

d/ Assumes a quadrupling of soya oil exports.

e/ Assumes some further increase in oil exports.

f/ Assumes no domestic beet sugar and some increase in imports of sugar products.

g/ Assumes 150,000 t quota of beet sugar and some reexport of refined cane.

h/ Assumes a maximum export value of 17 billion escudos and a minimum of 14.9 billion, less, in each case, imports valued at 1.6 billion escudos.

j/ Assumes maximum and minimum export values respectively.

k/ Assumes net maximum and minimum export values, based on increases in exports of 50 percent and 25 percent over the 1986 level respectively.

l/ Assumes some increase in domestic availabilities.

m/ The best case, assuming minimum imports and maximum exports in every case.

n/ The worst case, with the opposite assumption.

p/ Assuming 17,000 of beef imports and 10,000 of pigmeat imports.

q/ Assuming 20,000 t of beef imports and 15,000 t of pigmeat imports.

r/ Assuming either 25 or 10 percent increase over 1986.

s/ In this case, the lower estimate seems the more likely.

t/ The maximum could rise to 14,500 million escudos.

Source: INE Estadísticas Agrícolas, 1979, Instituto dos Productos Florestais and own estimates.

ANNEX I - EEC ACCESSION AND AGRICULTURAL IMPORTS

A. Plant Products

Cereals

1. The incapacity of domestic cereal producers to meet more than a small proportion of rising demand, is evident from Table 1. Imports of maize have constituted a steadily increasing proportion of total domestic consumption of that product. Imports of wheat are two to three times the volume of domestic production; those of maize four or five times or more reaching over 90 percent of consumption in the drought year of 1981. Self-sufficiency in barley, used almost entirely for brewing is considerably higher. Imports of oats and rye have been relatively smaller and more sporadic. Annual imports of rice although variable have also been substantial. Table 2 summarizes the steeply rising annual burden on the trade balance represented by wheat and by the principal ingredients of compound animal feeds.

2. EEC accession is likely to further upset the trade balance. By the end of any transition period cereals will not enter Portugal as at present, at a cif price related to the fob price at which they can be purchased from third countries (mainly the U.S.). ^{1/} They will have to be purchased either from third countries at the threshold (minimum import) price at which they are permitted to enter the Community, or from other member countries at a market price somewhere between the Community's intervention price and its threshold price. In both cases, this will be higher than the "world" price being paid for imports immediately prior to accession. During 1981 the EEC levy on maize imports from third countries averaged 48 percent of the cif price and that on wheat imports about 46 percent. Levies will be chargeable on a substantial proportion of maize imports, since these will have to continue to be largely purchased from third countries; the EEC producer countries other than France being themselves net importers. Wheat and barley imports, on the other hand, being available from exporting member countries at below threshold prices (due to the operation of community preference), will not be imported from third countries unless special qualities are required, or in the unlikely event of the enlarged Community of Twelve being no longer self-sufficient. At present prices and volumes, the additional cost of cereal imports would be of the order of Esc. 14 billion (\$200 million).

^{1/} In 1979, 19 percent of wheat imports were from France, but in earlier years the volume had been negligible.

3. Thus, for Portugal cereals represent the main factor in the paradox of an economy with an important agricultural sector that is subject to a heavy burden of food imports. Within the EEC it will become all the more urgent to resolve this paradox by means of a higher output of all cereals and a lower use of feedgrains through the adoption of more extensive forms of beef production.

**Table 1: PRODUCTION, IMPORTS AND CONSUMPTION OF
PRINCIPAL CEREAL CROPS, 1975-81**

(million tons)

	1975	1976	1977	1978	1979	1980 /a	1981 /a
Wheat							
Production	601	686	224	260	248	430	310
Imports	299	222	367	637	755	807	800
Consumption	825	871	542	857	1,075	1,100	1,100
Imports as % of Production	50	32	164	245	304	187	258
Imports as % of Consumption	36	25	68	74	70	73	72
Barley							
Production	40	86	116	39	44	41	54
Imports	9	/b	31	49	61	50	50
Consumption	81	101	62	86	94	75	85
Imports as % of Production	23	-	27	126	139	122	93
Imports as % of Consumption	11	-	50	57	65	67	59
Maize							
Production	451	379	442	449	461	489	375
Imports	1,208	1,196	1,202	1,673	2,003	2,782	3,000
Consumption	1,643	1,558	1,627	2,105	2,447	3,200	3,400
Imports as % of Production	268	316	272	373	434	569	800
Imports as % of Consumption	74	77	74	79	82	87	88
Rice							
Production	133	97	102	135	145	155	131
Imports	49	93	100	51	117	68	134
Consumption	177	184	197	181	253	223	265
Imports as % of Production	37	96	98	38	81	44	102
Imports as % of Consumption	28	51	51	28	46	30	51

Source: INE Estadísticas Agrícolas, 1979.

/a EPAC estimates.

/b Net imports; 9,000 tons were exported.

/c Net imports; 7,000 tons were exported.

Table 2: IMPORTS OF CEREALS, OILSEEDS, MEALS, ANIMAL AND OTHER RESIDUES, 1975-79

	<u>Wheat</u>		<u>Maize</u>		<u>Sorghum</u>		<u>Barley, Rye & Oats</u>		<u>Oilseeds & Meals</u>		<u>Animals & Vegetable Residues</u>		<u>Total</u>
	(000 mln) ton	Esc.	(000 mln) ton	Esc.	(000 mln) ton	Esc.	(000 mln) ton	Esc.	(000 mln) ton	Esc.	(000 mln) ton	Esc.	(million) Esc.
1975	299	1575	1208	4831	93	309	9	51	235	2420	134	818	10004
1976	222	1021	1196	4681	291	1057	6	29	333	3016	146	982	10784
1977	367	1791	1202	5159	437	1707	45	315	337	5011	237	2231	16214
1978	637	3769	1673	8333	327	1473	73	470	436	6296	253	2481	2282
1979	755	6001	2003	12902	132	697	86	519	514	9129	199	2623	31871
1980/a	742/b	7272	2782	21143	86	749	21	188	573	11562	220	2900	43814

Source: ENI, Estatísticas Agrícolas 1975-1979.

/a Estimates from various Portuguese sources.

/b EPAC estimates 807,000 ton.

4. There are climatic, structural, financial, technical and psychological constraints to stepping up cereal production. However, production certainly can be increased and our assessment of possibilities (explained more fully in Annex III) would be as follows. In the case of maize it would not be an unduly ambitious target to increase output from 489,000 to 1,300,000 tons. This is an output increase which would reduce the current level of maize imports by almost a third and produce an import saving of Esc. 5.2 billion at 1981 prices. In the case of wheat, a far smaller increase in output is to be expected. Specifically, for reasons argued more fully in Annex III, a realistic target for 1990 would be a wheat crop in the range of 550,000-585,000 tons representing a potential saving in import demand, compared with 1980, of 120,000-155,000 tons, worth between Esc. 1.0 and 1.3 billion in 1981 prices. 1/ In the case of rice it is a reasonable expectation (confirmed by Ministry of Agriculture estimates) that improved seed and better production techniques could raise annual rice production by up to 160,000 tons. This would virtually eliminate the need for imports. It might even provide scope for some exports of the long grain rice in which the EEC is perennially deficient and which Portugal already produces.

1/ It should be noted that these figures involve some significant differences when compared to the Ministry of Agriculture production strategy as embodied in its Plano 1982.

Table 3: IMPORT COSTS OF CEREALS AND OILSEEDS, 1979

	'000 tons				Imports	Import value million escudos
	Estimated Compound feed use	Consumption On-farm use	Total Estimated Consumption	Domestic Pro- duction		
Maize/Sorghum	2,000	300	2300	300	2,140	13,600
Sunflower/Safflower	240	-	240	15	220	3,600
Soybean	230	-	230	-	230	3,400
Groundnut, etc.	50	-	50	-	50	1,500
Residues	n.a.	-	n.a.	n.a.	200	<u>2,600</u>
Total import cost for animal feed						24,700
Maize	-	-	130	130 ^{/a}	-	-
Wheat	-	-	1,000	250	750	6,000
Rye	-	-	130	120	10	10
Barley	-	-	100	40	60	370
Malt	-	-	n.a.	n.a.	25	260
Rice	-	-	265	145	120	1,980
Other Cereal Products	-	-	n.a.	n.a.	10	<u>350</u>
Total import cost for human consumption						9,000
Other Oilseeds for crushing			n.a.	n.a.	25	370
Total import cost for cereals, cereal products and oilseeds						34,070

Source: INE.

^{/a} White maize for breadmaking.

5. Combining these assessment of production possibilities with estimates of the growth of demand generates the estimates of the supply--demand balances for the main items shown in Tables 4 and 5. Those will be discussed further following a consideration of the further products (mainly oilseeds) involved in supplying Portugal's requirements for feed grains.

Other Animal Feeds

6. The Community has for the past few years been faced with the annual problem of disposing of substantial amounts--sometimes several million tons--of cereals surplus to domestic demand. On the one hand, this reflects large scale producers' response, through improved techniques and hence higher yields, to support prices set at a level sufficient to satisfy the income expectations of small-scale producers. On the other hand it reflects the negative response of compound feed manufacturers, concerned with least cost formulations, to those same prices. This has led compounders in member countries, especially the Netherlands and Germany, with low cost port handling facilities, increasingly to replace domestic grain with cheaper sources of imported starch, notably manioc. Owing to an historical accident these and other non-cereal feeds, whether sources mainly of starch or of protein, have been consolidated by the Community in the GATT since the early sixties at low or nil duties. Not only have they become increasingly attractive to compounders, but the use of relatively low priced soya as a feed for dairy cows has in its turn helped to build up the surpluses of milk which, like those of cereals, have placed a perennial burden on the EEC's budget. Pressure, notably from France (the Community's largest cereal producer and no great importer of starch and protein feeds), has therefore built up to raise duties on them by deconsolidating the GATT arrangements instead of adopting the more logical alternative, favored by the EEC Commission and some member states, of lowering, the support prices for cereals and milk. Since the international political obstacles of the first alternative are even greater than the domestic ones to the second, the low duties seem likely to be still applicable at the time of Portuguese accession. Once in the Community, the Portuguese feed industry will probably respond in a similar way to its counterparts in other cereal importing countries, substituting with various alternative commodities part at least of the now higher priced imports of maize but, in particular, preferring them as an alternative to turning to Community supplies of feed wheat and feed barley. ^{1/} A switch to manioc might constitute a small saving in import costs, and would, of course, reduce Portugal's contribution to the budget if substituted for grain imported from third countries.

^{1/} Imports into Portugal of manioc (tapioca) at present bear a specific duty of about \$23.00 per ton including a 10 percent surcharge. The current cif Rotterdam price for pellets of \$120 therefore attract a total duty of about 19 percent. The EEC duty bound in GATT is 6 percent. The advantage to compounders of using substitutes may be illustrated by noting that one ton of barley or maize may be substituted either by 800 kg of manioc and 200 kg of soya (cost ECUs 150 per ton) or by 600 kg of manioc and 400 kg of maize gluten feed (cost ECUs 145 per ton). This compares with the target price of barley and maize of 228 ECUs and the intervention price of 183 ECUs.

7. It is only possible at this stage to estimate the broad effects on the Portuguese trade balance, by the end of a transitional period, of adopting the CAP for grains and the Common Customs Tariff (CCT) for other forms of animal feed. Some broad estimates are set out in Tables 4 and 5 for 1986 and 1990 respectively. The price assumptions incorporated in these estimates are as stated in Chapter 3. The additional assumptions about compound feed manufacture are as follows: First, it is assumed that there will be some slowing down in the rate of expansion of consumption resulting from the phasing out of the grain and oilseed subsidies between now and 1986, especially in the case of beef production. However, the proportion of intensive production of eggs, poultry meat and pigmeat is assumed to continue steadily to increase during the second half of the 80s. It is also assumed that the percentages of grains and oilseeds currently incorporated in each type of feed remain broadly unchanged. ^{1/} Finally, in estimating the maize price in 1990 it is assumed that two-thirds will be imported from third countries and one-third, at a 5 percent discount from the Community. All wheat and barley imports are assumed to come from the Community.

8. The results of combining these assumptions suggest that, thanks to increased domestic production, and some decline in consumption by feed compounders, the total import bill for cereals and for animal feed will not rise appreciably to 1986 when it will be about Esc. 27.4 billion as against Esc. 24.7 billion in 1979 (see Table 4). However, by 1990 adoption of full community prices will have pushed imports up substantially from that level in 1979 price terms (see Table 5). The underlying estimates of feed grain production are shown in Table 6.

9. Combining our assumptions about the feasible expansion of cereal production with the supply/demand balance in relation to feedgrains, produces the final estimate of import requirements shown in the lower half of Tables 4 and Table 5. This indicates only a small change in the import bill for cereals and oilseeds in 1985 compared with 1979 but a 31 percent increase between 1986 and 1990 (all data at 1979 prices). This is made up of a significant decline in the imports required for human consumption and a large increase in imports for feed grain purposes.

Sugar

10. Sugar imports represented 6 percent of imports of temperate product items in 1979. At least in the short to medium-term, Portugal is likely to remain predominantly an importer of sugar cane (which now comes mainly from Brazil--formerly from the Africa colonies) for refining by its old established domestic industry. Current facilities for imports of certain

^{1/} In practice, by 1990, there will be some substitution by domestic and Community wheat for maize in the poultry ration and by barley for maize in the pig ration, and by manioc for grain, mainly in pig and cattle rations.

quantities of cane under preferential conditions for subsequent re-export in a refined state provide a small contra to the unfavorable trade balance. EEC accession raises three questions that will only be answered by negotiation. First, how far will the cane refineries' future supplies be assured? Second, will they hope to obtain some part of the existing levy-free quota of 1.3 million tons of ACP sugar, which might possibly become available as a result of the partial closure of the UK cane refining industry? And, additionally, will the Portuguese Government alternatively succeed in securing an additional ACP quota for the former African colonies supposing, as seem probable, that they seek and secure for themselves membership of the Lomé Convention? Third, will the Government also obtain the agreement of the

Table 4: ESTIMATED IMPORT COSTS OF CEREALS AND OILSEEDS, 1986

	-----'000 tons-----				Import	
	Compound	Straight	Total	Domestic	Import	Value /a
	Feed	Use	Estimated	Pro-	Require-	Million
	Use	Use	Consumption	duction	ment	Escudos
Maize/Sorghum	1,930	370	2,400	370	1,930	12,350
Sunflower/Safflower	160	-	160	30	200	3,400
Soybean	600	-	600	-	600	9,000
Groundnut, etc.	-	-	-	-	-	-
Residues	n.a.	-	n.a.	n.a.	200	<u>2,600</u>
Total import cost for animal feed						27,350
Maize	-	-	150	150 /b	-	-
Wheat	-	-	1,000	475	525	4,200
Rye	-	-	130	120	10	10
Barley	-	-	100	60	40	250
Malt	-	-	n.a.	n.a.	25	260
Rice	-	-	300	200	100	1,700
Other cereal products	-	-	n.a.	n.a.	15	<u>520</u>
Total imports cost for human consumption						6,940
Other Oilseeds for crushing			n.a.	n.a.	150	2,150
Total import cost for cereal, cereal products and oilseeds						36,440

Source: Own estimates.

/a Estimated.

/b White maize for breadmaking.

Table 5: ESTIMATED IMPORT COST OF CEREALS AND OILSEEDS, 1990

	'000 tons				Import	
	Compound	Straight	Total	Domestic	Import	Value /a
	Feed	Use	Estimated	Pro-	Require-	Million
	Use	Use	Consumption	duction	ment	Escudos
Maize	1,500	900	2,400	1,100	1,300	15,500
Wheat	400	-	400	100	300	3,700
Barley	300	200	500	100	400	4,600
Oats	50	100	150	150	-	-
Sunflower/Safflower	240	-	-	65	175	300
Soybean	800	-	800	-	800	11,800
Other /b	50	-	50	-	100	900
Residues	n.a.	-	n.a.	n.a.	300	<u>3,900</u>
Total import cost for animal feed						40,700
Maize	-	-	150	150	-	-
Wheat	-	-	750	450	<u>/c</u> 300	3,700
Rice	-	-	120	120	-	-
Barley	-	-	50	50	-	-
Malt	-	-	n.a.	n.a.	35	500
Rue	-	-	300	300	-	-
Other cereal products	-	-	n.a.	n.a.	30	<u>1,200</u>
Total import cost for human consumption						5,400
Other Oilseeds for crushing			n.a.	n.a.	100	1,500
Total import cost for cereals, cereal products and oilseeds						47,600

/a Estimated.

/b Manioc, etc.

/c 585,000 tons of wheat would be the upper end of the range.

Table 6: ACTUAL PRODUCTION IN 1976 AND ESTIMATED PRODUCTION
IN 1986 AND 1990 OF COMPOUND FEEDS

(million tons)

Used For	1976	1979	1986	1990
Poultry	736	960	1,400	1,750
Pigs	856	1,000	1,400	2,000
Cattle	577	750	400	500
Other	49	110	130	150
Total	2,218	2,815	3,330	4,400

Community to a production quota for beet sugar for the Portuguese mainland ^{1/} within the existing EEC régime despite the fact that none is at present produced?

11. As far as the first and second of these questions are concerned, the hostility of the present Community's beet growers, particularly the French, to the existing ACP quota, which they have always considered as an unwarranted political concession made to the UK during its negotiations for accession and directed more to preserving Tate and Lyle than to assisting the economies of the developing countries, suggests that any increase in that quota would be vigorously resisted. As regards, the third, to the extent that "co-responsibility" arrangements under the present EEC sugar market regime ensure that the cost of disposing, on third markets, of any volume of sugar produced over and above the total Community quota, is borne by the producers, there might be no objection in theory on the part of the Commission to negotiating a quota for Portugal that covered at least part of its domestic need. However, since this would effectively close a potential new market for their own beet sugar, the present member countries might be reluctant to concede a quota where no previous production has existed.

12. From a husbandry point-of-view, sugar beet has a number of merits. It plays a useful role in a cereal rotation, and its by-products are a valuable source of animal feed. From the trade balance point-of-view too, the setting up of a domestic beet industry now that the colonial supplies of cane are no longer available has obvious attractions. Against this, the existing Portuguese cane refineries whose plants, by their location as well as for technical reasons, do not lend themselves to beet refining, are likely to oppose any change. In addition, doubt has been expressed as to whether the investment cost of setting up a beet industry could be justified on balance of payments grounds. The optimum size of plant might well demand a

^{1/} The present output of cane and beet sugar in the Azores and Madeira respectively no more than satisfies the islands' local demand and is not considered capable of being expanded.

minimum throughput of beets that could only be satisfied by shifting land out of alternative irrigated crops of greater export or import-saving potential and requiring a smaller industrial investment.

13. In considering this issue, it can be said first of all that import costs in the absence of a domestic beet industry will rise considerably. In estimating this cost, two assumptions may be made. The first is that by 1990, Portugal will still be importing much, or even all, of its domestic needs. The second is that general economic circumstances will have caused per capita consumption to rise from 28 kg in 1979 to 32 kg 1/ (compared with the 1979 EEC-10 level of 36 kg) by 1990. Thus, in 1990 imports could be costing as much as 8.5 billion escudos. 2/ This compares with 1979, when the unit cost of imports, benefitting from world market availabilities, appears as low as 10,000 esc./ton. Even if, as seems likely, some cane imports continued to be permitted in order to protect employment in the local refineries, this would not raise the total import cost. The Lomé quota enters levy free and, for evident reasons, at a price no lower than the international market price for beet sugar.

14. The establishment of an indigenous beet industry could therefore be a direct benefit to the trade balance. Even if Portugal were granted a quota of no more than 150,000 tons, sufficient to supply, say, half of its domestic needs, an import saving of some 4.0 billion escudos would be obtained by 1990. Furthermore, some of the spare capacity left to the cane refineries could be used to maintain, or possibly even expand, the volume of their re-export trade, which in 1979 contributed 450,000 escudos to export income. Thus, the total foreign exchange saving would be about Esc. 4.5 billion. This would represent a significant offset to the extra costs of cereal and oilseed imports as calculated earlier.

Tobacco

15. Tobacco, which represented 2 percent of temperate product imports in 1979, is a product in which the Community has had a low degree of self-sufficiency, and which has received rather generous price support through the CAP. Production being on a very small scale, this has been largely in the nature of a social transfer payment. With the accession of Greece, however, tobacco threatens to become a heavier charge on the budget. In the future, therefore, price support is likely to be weighted in favor of particular varieties with a view to discouraging the production of tobacco for which there is little demand, leading to its purchase into intervention, and subsequent disposal, at public expense. This constraint apart, adoption of the EEC regime should provide an incentive for the expansion of Portuguese production and result in at least some marginal reduction in present imports.

1/ Including confectionary and other products.

2/ Population 9.7 million X per capita consumption 32 kg X EEC intervention price for white sugar (1979) 27,540 Esc./ton.

B. Livestock Products

Meat and Offals

16. The situation as regards Portugal's recent imports of meat and milk products is summarized in Table 7. In most years, as will be seen from the table, only beef is a significant item of the import bill. However, the removal of import duties (about \$0.02 per pound, including a 10 percent surcharge for beef and about \$0.04 per pound on poultry meat) on all types of meat from EEC countries may lead to some increase in imports. In addition, the demand for meat products is strongly income elastic and the steady growth of living standards which is projected for the next few years is likely to strongly affect the demand for a product which has traditionally played a small part in the popular diet.

17. Total consumption increased markedly in 1976 and 1977, in response to the surge in disposable income released by the revolution, but has since, with rising inflation and the removal of the consumer subsidy, steadily declined. Per capita beef and veal consumption is now not much more than 12 kg, compared with 25 kg in EEC-10. Moreover, the growth in demand has been assisted indirectly by subsidies to producers' feed inputs that were equivalent at one time to almost 40 percent of the farmgate price of beef. Their gradual removal will provide a further check, at least in the short-term, to the expansion in demand of a commodity whose price elasticity in Portugal appears to be quite high. In 1980, annual consumption fell to under 100,000 tons for the first time since 1972. By 1986, therefore, it is realistic to expect that it may well be no more than 95,000 tons, compared with a peak of 127,000 tons reached in 1976. Production, which is estimated to have reached a record 100,000 tons in 1981, 1/ will by then be reflecting the delayed effect of the removal of the feed subsidy, and may be barely adequate to meet even the reduced level of demand.

18. The short-term effects of this development to the trade balance will be relatively complex. Official encouragement to domestic beef production in the mid-1970s duly achieved the intended effect of reducing imports (see Table 7). But thanks to inadequate pasturage for extensive production this was achieved only at the cost of the massive expansion in maize imports needed to supply intensive feedlots. In retrospect it would have been of greater benefit to the trade balance if advantage had been taken of the availability of relatively low priced supplies on the world market 2/ (including the EEC's own surplus subsidized with export refunds). With accession to the Community, however, no such opportunity will recur. Beef

1/ Helped by the accelerated pace of slaughtering induced by the drought.

2/ Portugal Agricultural Sector Survey, World Bank, November 1978.

imports will have to be purchased either at EEC market prices or duty and levy paid from Portugal's traditional third country suppliers, mainly Argentina and Uruguay. 1/

Table 7: IMPORTS OF MEAT, OFFALS AND MILK PRODUCTS, 1975-79

	<u>All</u>		<u>Beef & Veal</u>		<u>Pigmeat</u>		<u>Offals</u>	<u>Milk</u>	<u>Total</u>
	<u>Meat</u>	<u>escudos</u>	<u>'000</u>	<u>escudos</u>	<u>'000</u>	<u>escudos</u>	<u>escudos</u>	<u>Products</u>	
	mln.	tons	mln.	tons	mln.	mln.	mln.	mln.	mln.
1975	996	24	667	9	327	145	245	1386	
1976	1883	35	1013	15	819	235	379	2497	
1977	2359	51	1898	7	407	292	340	2991	
1978	965	20	908	3	46	332	384	1681	
1979	1899	13	988	10 <u>/a</u>	831	409	409	2717	
1980	550 <u>/b</u>	5 <u>/b</u>	380	2 <u>/c</u>	165 <u>/b</u>	400 <u>/b</u>	400 <u>/b</u>	1600	

Source: INE, Statisticas Agricolas, 1975-79.

/a 18,000 tons according to the Junta Nacional de Productos Pecuarios (JNPP).

/b Our estimate.

/c Less than 1,000 tons according the the JNPP.

19. Against this, however, a stimulus will be given to domestic production by a move to the EEC support price level while the simultaneous rise in cereal prices is likely to result in increasing recourse to the extensive forms of production suited to the Alentejo. Establishing the necessary irrigable pastures will, however, be a long-term business. Any increase in demand, therefore, is likely to have to be met during the transitional period primarily from imports. If we assume that accession engenders an increase in real urban incomes sufficient to raise per capita consumption by 2 or 3 kg by 1990, perhaps no more than 20 percent of the extra 20,000 to 30,000 tons demanded will be met from domestic production. This could involve an addition to the import bill of up to 1.8 billion escudos. Nor, with the decline in beef production, could the earlier export surplus in offals be counted on.

20. A steadily rising demand for pigmeat has hitherto been met partly from imports though, for cyclical reasons, import needs tend to be erratic

1/ Judging from the Greek precedent, it seems unlikely that the Community's levy free import quota would be expanded on the further enlargement of the Community by anything like the current volume of imports from third countries by Portugal and, more important, Spain.

(see Table 7). Taking one year with another an import demand of between 5,000 and 10,000 tons seems likely to persist. One estimate, however, suggests that it could be as high as 10,000 to 15,000 tons. 1/ The removal of the duty on ham and other pork products (19.8 esc/kg or \$0.12/lb) during the transitional period could provide an additional stimulus to imports. 2/ Improving the quality of its produce will present a major challenge to the Portuguese pig industry. However, the scope for import saving by the expansion of intensive domestic production linked to rational processing methods is substantial. Over half the breeding sows are still within the traditional sector, and their progeny, representing an estimated 60 percent of total output, are largely being slaughtered on farm for auto-consumption. Three large private companies, producing mainly Large White and Landrace cross pigs and with their own slaughterhouses, now account for about half the balance of so-called "controlled" slaughterings. One of them is establishing a 750 sow unit in the Azores and a slaughterhouse with an annual capacity of 100,000 pigs, whose output, originating in a swine-fever free area, will be largely intended for export.

21. As in the case of beef, total demand has declined since the mid-70s. The average for 1977 to 1980 suggest a per capita consumption of just over 15 kg, less than half that of EEC-10 and the price effect of the removal of the feedgrain subsidies is likely to slow down any consumption increase. In these circumstances, import demand might not be much greater than 5,000 tons in 1986. It would not be unreasonable to suppose that by 1990, however, per capita consumption would be closer to the 20 kg mark, creating a total demand of 190,000 tons. An expansion of the intensive sector (in spite of higher feed costs) and a steady decline in auto-consumption seem capable between them of making supplies to the domestic market of between 175,000 and 180,000 tons. Agra-Europe's estimate of an import gap of between 10,000 and 15,000 tons thus appears a realistic one.

22. The value of imports, which by then would include a substantial portion of processed products, might therefore be around 1.1 billion escudos; a substantial increase on the 1980 figure.

Milk Products

23. Cheese and butter come low down on the list of principal imports. In 1978 and 1979, for example, milk products as a whole amounted to around 1 percent of total temperate zone imports. If a consumer subsidy for butter, partly financed out of Community funds, remains a feature of the EEC dairy regime, demand will at least remain static rather than decline, but no large

1/ Agra Europe Special Report No. 5, 1980, p. 67.

2/ Although a major proportion of imports has traditionally come from Eastern Europe, EEC countries, notably Denmark, have recently acquired an increasingly large share, and accession will clearly squeeze out third country supplies still further, if not entirely.

increase in imports seems likely. On the other hand, the thrusting export marketing effort already built up by countries producing regional cheeses, yoghurts and other fresh products will be turned on Portugal. With the removal of the present 60 percent surcharge on imported cheeses (making a total duty of Esc. 11.60 per kg (\$0.7 per pound), this effort is likely to make steady inroads, especially in urban areas, even among a population with conservative tastes.

ANNEX II - EEC ACCESSION AND AGRICULTURAL EXPORTS

1. As was noted earlier, the bulk of Portugal's exports of food products are accounted for by two products: wines and tomato concentrates. In addition later subsections of this Annex give separate attention to vegetable oils and to fruits and vegetables. The final section concentrates on Portugal's major agricultural export sector namely forestry. The final section concentrates on Portugal's major resource-based exporting sector namely forestry.

Wine

2. Between 40 and 50 percent by volume of wine exports from the mainland consists of port wine. 1/ About one third of the balance of table wines is exported in bulk. Wines from "denominated" areas, Dao and Vinho Verde, constitute only a small proportion of exports, usually well under 10 percent and rosé has been the most successful export among non-denominated table wines. The EEC is already Portugal's principal customer, taking 28 percent of total wine exports in 1981, compared with 26 percent going to the USA. Of total exports to the EEC, Germany and the UK take about a quarter each and Italy just under 20 percent. More than half of bulk exports go to Germany.

3. The problems for Portugal's wine industry consequent upon EEC entry are somewhat different for the table wines on the one hand, and the fortified wines and notably port, on the other. The well organized export-oriented fortified wines trade will experience few difficulties in adapting to EEC conditions. Some marginal competition on the domestic market may be expected from sherry imports, now restricted by high duties and quotas, but this is not likely to affect significantly the favorable trade balance provided by what has been traditionally Portugal's principal agricultural currency earner. 2/ Portugal currently enjoys preferential quotas from the EEC for exports of port as well as for Madeira and Setubal Muscatel. 3/ Nonetheless, as Table 1 shows, the proportion of fortified wines exported has declined in recent years. 4/ The removal of the EEC quotas against Portugal can be expected to increase this proportion again. It would not be

1/ Exports of Madeira are equivalent to no more than 7 to 10 percent of the volume of port.

2/ Now superceded by pulp and paper exports.

3/ Namely a 50-60 percent reduction (depending on size of containers) in basic duties for 360,000 hl (plus 18,500 hl for Madeira and 3,000 hl for Muscatel.

4/ However, rising prices have more than compensated for this decline.

unreasonable to expect the proportion to return to the 1977 level of 18 percent by 1990 and this would raise the export earnings by over 50 percent (more than Esc. 3 billion) by 1990 (at 1979 prices).

4. In the case of table wines, the position is far more problematic for two main reasons. First, exemption from EEC quota restrictions will be subject to observance of the Community's reference price and to the wine being produced under national law equivalent to the Community's rules on designation or origin. Conforming to these rules, and adopting all the measures required by the EEC market regulations for wine, as they affect producers, wineries and wholesalers, presents a major challenge to an industry noted for a somewhat anarchic attitude to national rules and regulations. 1/ If Portuguese wines fail to conform in time, the other member states will, no doubt, welcome the opportunity to exclude from the common market, if only for a limited period, a potentially competitive product and the chance of expanding a major export would be needlessly delayed.

5. Second, although wine will remain a major, and probably expanding, source of foreign currency earnings, the establishment of a common market, and the removal of present restrictions, is bound to lead to more regular imports of table wine, especially from Spain, than in the past. At present, apart from sherry, Spanish and EEC wines are treated equally. All are currently subject to a 60 percent surcharge on the basic rate of duty. Bottled wines of designated origin bear a total duty of Esc. 51 (\$0.68) per litre. Ordinary wine is levied at a much higher rate: Esc. 128 (\$1.71) per litre in containers of up to 2 litres and Esc. 448 (\$5.97) per litre in the case of larger containers. These present rates are prohibitive, and even the duty on designated wines discourages competition with domestic ones. Although the process of breaking down traditional popular taste for local wines is likely to be a slow one, once ordinary wine can enter free of duty, by the end of a transitional period, the capacity for Spanish, as well as Italian and Greek wines, to establish a foothold in Portugal will be largely a function of their price. Bulk supplies constitute the main threat. Already in 1979, after two poor harvests (see Table 1), the Government arranged for the import of 60,000 tons 2/ of low priced ordinary wine,

1/ The price guarantees available to EEC producers are conditional on the observance of rules--declaration of quantities harvested, compulsory distillation of substandard wine, for instance--with which Portuguese producers, accustomed simply to selling their surplus into intervention, are quite unfamiliar. Furthermore, a fresh delimitation of the zones of wines of designated origin, which have not been revised for 75 years, and which are now urgently required as a preliminary to EEC accession, has been held up by a long-running debate in which local politics inevitably play a part.

2/ Approximately 60 million litres.

mainly from Spain and Greece, with the purpose of bringing down the very high market prices resulting from the prevailing shortage--a predictably unpopular move with wine-growers, who considered that, at times of glut, the Government did little to support the market.

6. On the positive side, there is one major respect in which Portuguese regulations already conform with those of the Community; no grower may extend the area planted to vines for wine-making. In the EEC a contribution from the Community budget is available towards financing the "grubbing" of vineyards and their conversion towards other forms of production--always a severe problem where holdings are small and fragmented. Especially in the area of south of the Tagus, there are impressive examples of vineyards being reconverted to lower yielding but higher quality wine; something which is permitted by Community rules. Unfortunately, most of the producers involved in this are large whereas the bulk of Portugal's producers are small (87 percent produce less than 100 hl). For these smaller producers, it will be essential to develop marketing, and especially export marketing, to the northern part of the Community, through existing or new cooperatives, on the generally successful model of Italy and Spain.

7. Overall, it would be our assessment that the tightening of quality standards is certain to reduce the total volume of output; an effect which will start to be felt by 1985. Thus, discounting the occasional poor harvest, production of table wines seems likely to settle down at between 7.5 and 8 million tons (compared with 13 million in the good harvest year of 1979--see Table 1). However, an increase in the proportion exported (2 percent in most years) is likely because of EEC liberalization. It would not be unrealistic to expect this ratio to rise by between 50 and 100 percent and this would produce export earnings by 1990 of between Esc. 6.3 billion and Esc. 8.4 billion (i.e. somewhat above the earnings of 1978). Against this must be set imports of wines of the Community. It is difficult to forecast the success of exporters in other member countries but given the proximity of Spain, it would be short-sighted to anticipate imports of less than 100,000 tons. Even costing them at the low prices paid for the 1979 imports, this would represent a trade account contra of some 1.6 billion escudos. The value of imports might well be higher than this by 1990. Thus, on a net basis, it seems somewhat unrealistic to expect very much in the way of an increased trade balance contribution from table wines to add to that coming from fortified wines.

Tomato Concentrate

8. The development of irrigated production of tomatoes for processing, mainly into concentrate, has been one of the few success stories of Portuguese agriculture during the past two decades. Since 1973, however, production has steadily declined, as have exports, because of reduced market shares in the British and US markets. A once prosperous export industry finds itself in the doldrums, desperately holding on until, it believes--with some justification--EEC accession restores part of its lost market. For the loss of British market shares much of the blame is put on the production

Table 1: PRODUCTION AND TRADE OF WINES AND SPIRITS, 1975-80

	1975	1976	1977	1978	1979	1980
-----thousand tons /a-----						
<u>Production</u>						
Table wine	8,136	8,446	5,895	5,678	13,199)
Fortified wine	450	509	578	475	547) 10,035 /a
Other /b	187	298	114	209	332)
<u>Imports</u>						
Table wine	-	-	-	-	60	-
Brandy, etc.	-	-	2	16	13	n.a.
Whisky	54	104	87	150	252	n.a.
<u>Exports</u>						
Table wine	164	184	115	113	135	88 /b
Fortified wine	39	137	108	52	63	61 /b
Other /c	5	2	2	1	1	1 /b
-----million escudos-----						
<u>Imports</u>						
Table wine	2	4	4	3	956	n.a.
Brandy, etc.	9	12	66	525	468	n.a.
Whiskey	<u>54</u>	<u>104</u>	<u>87</u>	<u>150</u>	<u>252</u>	n.a.
Total Imports	65	117	157	678	1,676	
<u>Exports</u>						
Table wine	3,206	3,425	2,273	6,806	3,580	3,774
Fortified wine	1,552	1,581	2,100	3,722	5,786	7,138
Other /d	<u>127</u>	<u>60</u>	<u>83</u>	<u>77</u>	<u>9,508</u>	n.a.
Total Exports	4,885	5,066	4,456	10,605	9,508	
<u>Trade Balance</u>	+4,820	+4,949	+4,299	+9,927	+7,832	

Source: INE Estatísticas Agrícolas, 1979.

/a 1 tons equal approximately 1,000 litres.

/b Estimate.

/c Brandy and vermouth.

/d Includes wine for distilling, "American" wine and must.

subsidies paid out of Community funds since 1978 to the Italian tomato processing industry. But these were, in fact, introduced as an alternative to minimum import prices, which the Italians wished to be set still higher--a move strongly opposed by the northern member states whose food industries are the principal users of tomato paste. Portuguese losses in its traditional British market were largely attributable to the gradual application, over the UK's five-year transition period up to 1977, of the full level of EEC protection--a duty of 12.6 percent. Despite complaints that it was being cut off from a source of high quality paste (with a low mould count) the British industry had little alternative but to turn for at least part of its requirements to lower priced Greek and Italian supplies. ^{1/} No doubt, too, part of the subsidies have been used by the Italians, as they were intended to be, to improve the quality of their own product. In the meantime, a certain amount of oxygen has been provided by the Portuguese Government for its own industry in the form of a unit subsidy (1.2 esc/kg of paste), and of soft loans for reequipping obsolescent plant in anticipation of renewed access to the EEC. On the other hand, mounting budgetary costs and Greek accession has obliged the EEC Commission to propose a ceiling on the volume of output to be aided. But the volume proposed is a generous one, and, even if accepted by the Council of Ministers, any consequent cut in support will not make itself felt until 1983/84. If the so-called production refund is still applicable when the Community is enlarged, the Portuguese industry would, of course, be eligible for it--a small credit item in the balance of payments--within the limits of whatever production threshold may by then be in force.

9. The best that can be hoped for up to 1986 will be maintenance of the present level of exports. Between 1978 and 1981, these averaged 77,000 tons, representing an increasing percentage of a steadily declining output of concentrate that itself averaged no more than 80,000 tons during the same period. Output, 112,000 tons in 1977 and 103,000 tons in 1978 fell as low as 58,000 tons in the 1981 drought-year, when part of export demand had to be met out of stocks. If EEC membership brings about the anticipated revival in the industry's fortunes, production could by 1990 have risen again to earlier levels, if not to the 153,000 tons record of 1973, at least to between 120,000 and 130,000 tons. Even with Greek and Italian competition, exports should then increase between 100,000 tons and 110,000 tons--worth, at 1979 prices, between 3,050 and 3,350 million escudos (compared with Esc. 2.0 billion in 1979).

Vegetable Oils

10. Up to 1977, vegetable oils made a negligible contribution to exports, consisting mainly of olive oil. Since 1978, however, both olive and

^{1/} Before its accession, Greece already enjoyed preferential access to the EEC.

other oil exports have become more significant (see Table 2). ^{1/} In order to maintain some supply to regular export customers, it is expected that imports amounting to about a third of normal domestic consumption will be necessary in 1982. But it is anticipated that, in most future years, olive oil will provide some source of export earnings. In the recent past, the pattern established by price control has been one of the olive oil retailing at about twice the price of competing oils. This has already lead to a decline in domestic consumption of olive oil which is expected to continue in the future and which will help the creation of an export surplus.

11. However, this situation also needs to be evaluated in relation to what will happen in Spain (a very much larger producer than Portugal) where the establishment of EEC prices and support arrangements could stimulate production and will certainly reduce consumption. To reduce the risk of a large surplus of production over consumption, a fairly high consumer subsidy will be necessary and there is an unresolved debate as to whether the costs of this should be financed by a non-discriminatory tax on all vegetable oils, or simply become a direct charge (probably a large one) on the Community budget. In any event, the decline in domestic demand in Spain which is bound to occur even with a consumer subsidy, will increase competition from Spanish oil not only on third country markets but eventually within Portugal itself.

12. There are two further aspects of Portugal's ability to take advantage of the increasing export possibilities for vegetable oil. The first concerns the ability to increase the tonnages of oil seeds which are grown in Portugal. The second concerns the crushing and other capacities to produce oil from either Portuguese or imported seeds. As regards the first of these, oilseeds are one of the few product groups whose support price in 1981 and 1982 was lower than in the community. It therefore seems likely that the price to Portuguese producers during the transition will rise by more than the 15 percent assumed for other products. This should provide an encouragement to raise yields (and possibly acreages) of sunflower and safflower above their present very low level. In much of the Alentejo oilseeds are grown as an alternative to summer fallow in a mainly cereal rotation and not seriously considered as a remunerative cash crop. Production, mainly sunflower increased, however, from 10,000 tons to 26,000 tons between 1977 and 1980. Although the area sown to safflower has remained fairly constant, yields have declined and the main increase, encouraged by a somewhat higher guaranteed minimum price, has come from a tripling of the sunflower acreage and fairly constant, if rather low, yields. A subsidy paid by the intervention agency for vegetable oils and seeds, IAPO (Instituto de Azeite e Produtos Oleaginoso), to crushers enable them to obtain home-grown seed at the same subsidized price as that at which IAPO makes available the seed which it purchases on the world market. This "deficiency payment" type of subsidy to the Portuguese producer is analogous to the aid paid to oilseed producers in the EEC. At accession safflower will no doubt be added to the

^{1/} Although olive oil exports received a severe check from two successive years of drought and frost in 1980 and 1981.

list of products aided in this way. Crushers will, however, no longer be reimbursed by IAPO for the cost of drawing up contracts with their suppliers. IAPO's monopoly over purchases of imported seeds and meals will also have to be dismantled.

13. Even a doubling of present yields of growers to 1 ton per ha would provide a useful offset (Esc. 400,000 at 1979 prices) against a trade deficit on oilseeds and meal of Esc. 9 billion in 1979. However, on any realistic assessment of domestic oilseed production possibilities, Portugal's exports of oils will remain almost entirely a function of imports of seeds. 1/

14. As regards the processing potential, the export earnings of the industry will be considerably boosted during and after 1982 by recent investments that have almost doubled processing capacity from 1,650 tons to 3,000 tons a day. As a result, it is estimated that Portugal, which imported nearly 300,000 tons of soybean meal in 1981, will become virtually self-sufficient in meal by 1982. At the same time, export availability of soybean oil may well have been quadrupled. With the decline in imports of meal, those of beans will of course have increased pro rata; from 230,000 tons in 1980, they are expected to reach over 750,000 tons by 1983. In the case of sunflower seed crushings also increased in 1981 to 300,000 tons, but meal imports, too, continued to rise.

15. In order to lessen the risk of underutilization of the new crushing capacity, official encouragement is to be given by means of price adjustments to the use of soybean oil by the fish canning and margarine industries. After EEC accession discriminatory pricing will no longer be permissible, but may have operated sufficiently long to have firmly established the seed crushing industry's position on the domestic market. In any case, the price advantage of incorporating soybean meal in animal feed compounds will provide crushers with an expanding outlet for the other main aspect of their activity. The value-added to imports by seed crushers will, to the extent that they are able to build up a stable export market for their oil, make a valuable contribution to the trade balance. A quadrupling of oil exports in 1983 would at 1979 export prices make for a contra of 3.3 billion escudos.

1/ Domestic output of sunflower and safflower seed was only 2 percent of the total crush in 1981; admittedly a year of drought.

Table 2: TRADE AND PRODUCTION OF OILSEEDS AND MEALS, 1978-81

(thousand tons)

	1978	1979	1980	1981 /a
Oilseed imports				
Soybeans)		228	231	329
Sunflower)	362	176	292	281
Safflower)		41	..	7
Palm kernel	4	3	17	21
Other	<u>73</u>	<u>70</u>	<u>13</u>	<u>9</u>
TOTAL	439	518	553	647
Oilmeal imports				
Soybeans			279	288
Groundmeat			69	57
Sunflower			4	19
Palm kernel			<u>37</u>	<u>60</u>
TOTAL			389	424
Edible oil exports				
Olive	2	3	3	2
Soybean	3	15	17	20
Sunflower	<u>-</u>	<u>5</u>	<u>5</u>	<u>5</u>
TOTAL	5	23	25	27

Source: IAPO

/a Estimates

/b Excluding olive cake

Fruits and Vegetables

16. The value of exports of all forms of fruit and vegetables increased steadily between 1976 and 1979, 1/ an increase, in real terms, of about 50 percent (see Table 3). In 1979, however, they still constituted no more than 11 percent of total agricultural and horticultural exports. For certain products, such as potatoes and pulses, exports tend to reflect the current surplus of domestic supply over demand, but in the case of canned, frozen and dehydrated produce, a conscious export effort is evident. This has produced

1/ The most recent year for which full details are available.

a 70 percent increase in the export volume of canned produce; an almost sevenfold increase in that of frozen produce, and a more than 50 percent increase in that of dehydrated products since 1976. The volume and real value of fig paste and chestnut exports also increased, but the value of exports of other nuts only increased thanks to a sharp rise in prices. ^{1/} Little effort seems to have been made to develop a market for onions and garlic, exports of which fell over the four-year period. The rise in citrus exports shown in Table 3 is deceptive. The value of imports in 1979 was 15 million escudos, and in at least one year out of every two Portugal is a net importer. Exports of other minor items such as apples did increase, however, and the appearance of pimentos in the trade statistics suggests a new trend toward innovation and specialization. On the other hand, exports of berry fruit, for which there must be a potentially valuable market for earlies, has shown little sign of expansion. Indeed from a value of 10 million escudos in 1975 they had declined to little over 2 million by 1979.

17. EEC accession undoubtedly offers considerable possibilities for expanding exports of fruit and vegetables, both fresh and preserved, to other member countries. The Portuguese climate is generally favorable to growing out of season produce. This advantage will, however, be shared not only by the other southern member countries of the enlarged Community, but also by the countries of the Mediterranean littoral, including Israel, which already enjoy some degree of preferential access (usually on a tariff quota basis) through their bilateral trade agreements with the Community. In Portugal, a number of serious technical and organizational constraints to expansion therefore require urgent attention. Protection against imports ^{2/} and a primitive internal distribution system have accustomed the Portuguese urban consumer to accepting fruit and vegetables whose quality is generally mediocre. The Lisbon wholesale markets are inconveniently located and badly organized. Transport facilities for perishables in most parts of the country are primitive. ^{3/} Cooperatives have tended to wither for lack of professional management.

^{1/} Owing to frost and drought, exports of fig paste in 1980 were much reduced, and those of almonds were virtually nil. The total value of fruit and vegetable exports was similar to that of 1979. There appears to have been a further substantial increase in the export value of processed vegetables.

^{2/} Apart from a high level of duty on such items as table grapes (about \$0.07 per pound) there is currently an overall import quota for all fruit amounting to 560 million escudos.

^{3/} Portugal Agroindustries, Reconnaissance Report, EMENA Projects Department, July 1980, p. 29.

Table 3: EXPORTS OF FRUIT AND VEGETABLES, 1976-79

(million escudos)

	1976	1977	1978	1979
<u>Fruit</u>				
Citrus	3	3	5	14
Fig paste	24	19	55	102
Almonds	133	350	324	322
Pine kernels	51	72	53	142
Chestnuts	58	82	236	198
Apples	8	22	20	32
Pears	..	1	..	12
Other	<u>8</u>	<u>11</u>	<u>13</u>	<u>52</u>
TOTAL	285	560	706	874
<u>Vegetables</u>				
Frozen	9	19	38	80
Dehydrated	102	136	209	341
Olives	2	4	3	..
Pulses	63	56	89	226
Potatoes	39	21	149	79
Onions/garlic	14	8	8	9
Pimentoes	-	-	-	13
Other	<u>23</u>	<u>19</u>	<u>19</u>	<u>29</u>
TOTAL	252	263	515	777
<u>Canned Fruit and Vegetables /a</u>	113	136	220	334
<u>Total Fruit and Vegetables</u>				

Source: INE, Estatisticas Agrícolas, 1976-1979.

/a Excluding tomato paste.

18. The EEC's support mechanism for fruit and vegetables is based on external protection by means of minimum import--so-called reference--prices, and on market intervention. This takes the form of withdrawing produce from the market when prices for a particular product in a given region have fallen below a specified level for a specified number of days. Only members of

officially recognized producer groups may benefit from this, each group buying in, on behalf of the authorities, its members' unsalable produce at the currently authorized price (usually for distillation into alcohol). The market withdrawal costs are reimbursed out of the Community budget, which also provides starting up finance for producer groups, on a degressive annual basis, during their initial years of operation. Since Portuguese fruit and vegetable growers at present enjoy no form of market support they will no doubt be anxious to take advantage of the EEC system. But if producers of the principal crops covered by the common régime 1/ are to do so, and benefit from the outset, it will be essential for groups to be set up, at least in embryo, by the moment of accession, and for encouragement to be given to investment in the necessary grading and other equipment.

19. Adoption of Community quality standards for the fruit and vegetables that enjoy market support will also present serious difficulties. No doubt some derogation from their immediate application at retail level in Portugal itself will be negotiated. But they will be mandatory for exports to other member countries. The minority of growers or traders who export to EEC countries will already be familiar with these requirements. The much larger numbers of those trading on the domestic market who will wish on accession to benefit from the buying-in procedures by joining producer groups will be obliged to adopt the EEC's quality standards at an early date. Their education should obviously start as soon as possible.

20. There are numerous cases of individual growers who have accurately gauged the possibilities opened up by EEC accession not only for exports but on a domestic market that will also have to become more responsive to the demand for even quality, good presentation, and regular and punctual deliveries. One grower whom we visited in the Ribatejo had formed a partnership with a French distributor who purchases for the Paris market the entire crop of first grade fruit from 10 ha of early strawberries and raspberries and 1 ha of kiwi fruit. The produce from 25 ha each of table grapes and peaches are sold on the domestic market.

21. An English citrus grower in the Algarve, with 16 ha of established virus-free trees of Californian stock (as well as 2 ha of avocados and kiwi fruit) was also marketing his produce, of high quality, through an agent in Lisbon. But very strong competition on the Portuguese market for citrus is to be expected from Spain, where growers have already streamlined their unit costs in order to compete with other third country suppliers on the EEC's northern markets. Prices for even poor quality fruit in the Algarve are already high in relation to Spain. Spanish exporters would have little problem in penetrating the frontier once it was open.

1/ Apples, pears, peaches, table grapes, oranges (hybrids), lemons, tomatoes and cauliflowers. The list may well be extended at a later date.

22. It would be over-optimistic to extrapolate the 1978-79 rate of export expansion achieved for the three categories of product listed in Table 3. It might, however, be reasonable to expect a further doubling of their value by 1985 to 4.0 billion escudos. Whatever the export potential for this sector within the EEC, the removal of protection and competition from Portugal's Mediterranean partners on northern markets and, especially from Spain, on the Portuguese domestic market, will tend to build up a contra account that has hitherto been relatively modest. ^{1/} Even if the value of exports were to be increased by a further 50 percent by 1990, to 6.0 billion escudos, it would perhaps be rash to expect an import bill of much less than 2.0 billion escudos.

C. Non-Edible Products

Forestry Products

23. There are currently 3 million ha of woodland in mainland Portugal--a third of the total land area. Of these 1.3 million ha of conifers, 0.25 million ha of eucalyptus and 0.65 million ha each of cork oak and ilex are, to a greater or lesser extent, commercially exploited. Much of the area of oak, south of Tagus is associated with extensive grazing and cereal production. Ilex (holm oak), now used less and less as a source of acorns for herds of scavenging pigs, provides, along with the prunings from cork oaks, fuel, including charcoal. An estimated further 1.5 million ha of scrub and rough mountain grazings could usefully be afforested. Current new plantings--the first phase of a 30-year plan to bring this marginal land into production--comprise some 150,000 ha. Like agriculture, forestry is beset with problems of structure. Ownership is divided between a fragmented private sector (80 percent of woodlands belonging to some 80,000 mainly small proprietors), the state (60,000 ha) and local authorities (300,000 ha) administered through the Ministry of Agriculture, and, mainly in the land reform areas, cooperatives and collectives. There has been some development of voluntary association among small holders. PORTUCEL, the state-owned pulp concern, has since its formation in 1976 been extending its directly owned forests (mainly eucalyptus) by about 20,000 ha a year.

24. Portugal produces 35 percent, and processes 65 percent, of the world output of cork. Cork, grown south of the Tagus, has to be transported to the northern wine-growing areas, where its prime users, the traditional stopper manufacturing industry, is located. This comprises some 400 small firms, employing an average of 30 workers in what is still an unmechanizable

^{1/} The main contra item at present is seed potatoes. There are possibilities of developing the production of virus-free varieties in the far northeast. An increase in the very low yield of early and main crop potatoes might also provide an export surplus, both to the Community and to North Africa. At present the yield is 9.5 tons per ha in 1979, compared with 17 tons per ha in Italy and 15 tons per ha in Greece.

process. Only 25 percent of cork being of appropriate quality for this purpose, the extensive waste is used for the manufacture of agglomerates for the construction industry. Since most of these more modern processing plants are located in the Lisbon area a further transport cost is involved.

25. Between 1976 and 1980 Portugal's favorable trade balance on forestry projects effectively quadrupled (Table 4). Only in the case of timber and paper and board was there any significant offset of imports against exports. Sawn timber has regularly constituted the bulk of timber exports. Their unit value went up by 180 percent over the five year period and their volume more than doubled. Even allowing for the depreciation of the escudo, therefore, the real increase in exports has been substantial; exports of chipboard etc. tripled between 1976 and 1980. Raw timber exports, mainly to Spain, have also increased significantly, to 10 percent at least by value of total timber exports in 1980. Portugal is said by the Confederation of Portuguese Industry to be the only European country which permits the export of low value-added raw timber. The extent of the favorable balance in 1979 and 1980 is still uncertain and there is a marked discrepancy between different estimates of export values (see Table 4, footnotes /b and /e). Nor is it clear whether the sharp increase in imports in 1980 is a random one or part of an upward trend due to inability of domestic supply to meet the demand of the construction industry. On the other hand, the rising trend between 1976 and 1980 in the value of exports of chipboard etc. (an almost eightfold increase) and of furniture (a thirtyfold increase)--admittedly from a very low base--indicates two steadily improving positive factors in the trade balance. Any forecast for 1985 must therefore be a cautious one. By the end of the decade, however, some improvement in the productivity of Portugal's forests should result in a more favorable balance in the trade in sawn timber.

26. A further increase in the positive contribution to the trade balance of paper paste, which tripled between 1976 and 1980, is expected when a new pulp mill comes on stream in 1985. Domestic demand for paper products will certainly go up, but if exports continue to constitute 70 percent of production, they could rise to 900,000 tons by the end of the decade.

27. Although some replanting of cork forests may occur where trees are over 200 years old, or so spaced that the land fails to yield an optimum crop of either cork or associated crops, there is limited scope for any significant increase in output of raw cork. After the interruption to harvesting caused by the disturbances in the Alentejo in 1975 and 1976 output did not return to earlier levels until the early 1980s. A continuing increase in the value of exports, however, can be expected from a further gradual decline in the volume of raw cork exported, and rise in the real unit value of processed forms of a product in the market for which Portugal holds a built-in dominant position. The volume of exports of processed cork

Table 4: TRADE IN FORESTRY PRODUCTS, 1976-1978
(in billion escudos)

	1976	1977	1978	1979	1980
Cork					
Imports	-	-	-	0.7	1.4
Exports	<u>3.6</u>	<u>5.5</u>	<u>7.5</u>	<u>11.0</u>	<u>15.8</u>
Balance <u>/a</u>	+3.6	+5.5	+7.5	+10.3	+14.5
Timber					
Imports	1.4	2.9	1.5	3.1	6.0
Exports	<u>1.5</u>	<u>2.7</u>	<u>3.9</u>	<u>7.7</u> <u>/b</u>	<u>9.4</u> <u>/c</u>
Balance <u>/a</u>	+0.1	-0.2	+2.3	+4.6 <u>/d</u>	+3.4 <u>/e</u>
Paper paste					
Imports	0.3	1.0	0.6	1.0	1.4
Exports	<u>3.5</u>	<u>3.6</u>	<u>4.2</u>	<u>6.8</u>	<u>11.0</u>
Balance <u>/a</u>	+3.2	+2.6	+3.6	+5.8	+9.7
Resins					
Imports	-	-	-	-	-
Exports	<u>1.2</u>	<u>1.1</u>	<u>2.2</u>	<u>2.8</u>	<u>4.1</u>
Balance <u>/a</u>	+1.2	+1.1	+2.2	+2.8	+4.1
Paper and board					
Imports	0.9	1.6	1.7	2.4	3.8
Exports	<u>1.3</u>	<u>1.4</u>	<u>1.7</u>	<u>3.4</u>	<u>4.5</u>
Balance <u>/a</u>	+0.4	+0.2	-	+1.0	+0.7
Furniture					
Imports	-	-	-	-	-
Exports	-	-	<u>0.1</u>	<u>0.4</u>	<u>0.4</u>
Balance <u>/a</u>	-	-	+1	+0.3	+0.4

/a Balances may differ from apparent differences due to rounding.

/b Projecto Florestal Portuguesa (Lisbon, February 1982) Table 8. Table 3 of the same study, however, gives a much higher value of 9.4 billion escudos.

/c Ibid. Table 8. Table 3 gives 11.5 billion escudos.

/d \$6.4 billion if the higher export value is accepted.

/e \$5.5 billion if the higher export value is accepted.

doubled between 1976 and 1980 and their value more than quadrupled. If the proportion of raw cork exports were to continue to decline at the current rate of 5 percent a year, the value of exports of processed products could reach 13.0 billion escudos, at 1979 prices, by 1990.

28. Around half, by value, of Portugal's exports of forestry products already go to EEC countries. For all significant items, trade in forestry products between Portugal and the Community is already free in both directions. On the other hand, Portugal, in adjusting to the CCT, will be vulnerable to the dismantling of the much higher rates of duty applied by its own tariff to imports from non-EEC and non-EFTA countries. The reduction will be especially great in the case of imports from Spain. In spite of this, the forestry sector will continue to be easily the major factor in redressing the unfavorable trade balance for food and feed.

Plants and Flowers

29. The other group of non-edible agricultural products which offers particular promise for Portuguese exporters is the horticultural one. Potted plants and out of season cut flowers bear fairly heavy duties under the CCT. The climate in certain areas of the Portuguese mainland is suitable, but, as with fruit and vegetables, a strong injection of marketing expertise is needed to take advantage of it. The negative balance of trade in this sector suggests that at present this is lacking.

ANNEX III - PROSPECTS FOR INCREASED CEREAL PRODUCTION

1. Thanks to high natural rainfall, maize is traditionally grown in the northwest. The three districts of Braga, Porto and Aveiro between them produce about half of Portugal's maize crop. Yet average yields in these districts, at around 1.8 tons per hectare (higher than anywhere else in the country), are just under a third of those in EEC-10. Even in Greece, the average yield was 6.8 tons per hectare in 1980. North of the Douro, at any rate, the minifundial structure is an obstacle to higher output. But experience in Italy and Greece suggests that at least a proportion of what might be thought of as subsistence holdings can be brought into the cash economy through the introduction of hybrid seed, machinery syndicates and cooperative drying and marketing methods.

2. It was suggested to us that import restrictions on single-line hybrid seed, adequate facilities for breeding of which currently exist only in France and the U.S., impeded its wider use, so that much of the hybrid seed that is available from domestic sources to growers wishing to increase their output is of lower yielding double cross or three line varieties. Evidently the use of hybrid seed demands a widespread improvement in standards of husbandry and, as a precondition for this, greater availability of on-farm technical advice. This is particularly necessary where irrigation is to be adopted. The possibility of obtaining yields of 9 tons, and even up to 12 tons, per hectare through overhead sprinkler irrigation, even from poor sandy soils, suggests that this is the main potential source of higher output on the marginally better structured holdings of the central coastal plain, and on the much better structured ones of the Tagus basin (Ribatejo), and even on those of the Alentejo, wherever borehole water is available. Given the necessary investment in irrigation, it is here that financial constraints mainly operate. In the northern rainfed areas it may be possible to limit financing to the provision of harvest credit and, where mechanization is justified, the cooperative purchase of machinery.

3. What increase in total output might be expected from the adoption of higher yielding varieties and, where appropriate, of irrigation? It would not be unreasonable to assume that there was no scope for any increase in yields from half the area at present sown to maize, say 190,000 ha, which would continue to produce at half the present national average yield, say 0.65 tons per ha, giving a total output of 124,000 tons. If yields from two thirds of the remaining area (127,000 ha) were raised to 4 tons per ha and from one third (63,000 ha), through irrigation, to 9 tons per ha, total output would go up from the present (1980) level of 489,000 tons to 1,300,000 tons. This is not within, say, the ten years before the end of a possible transition period, an unduly ambitious target. It is one that would reduce the current level of maize imports by almost a third, a saving of 8.2 billion escudos at 1981 prices.

4. Wheat presents a much more intractable problem. Output fell dramatically in the late seventies, but in 1980, at 430,000 tons, seemed to be returning towards an earlier level of 600,000 tons. This trend was severely interrupted by the 1981 drought. The decline in output in 1977 to 1979 was caused by a combination of lower acreage and poor yields, both in part due to the aftermath of the land seizures in the Alentejo. In 1980, the first harvest following the reform settlement, marked a return to more normal political conditions. Much of the 200,000 ha taken out of wheat cultivation since 1976 was probably unsuited to it. Nevertheless, the national average yield in 1980 (1.256 tons per ha) was lower than that of 1976 (1.289 tons per ha). Above average yields are obtained only in the districts of the Ribatejo and Alentejo regions, which comprise 90 percent of Portugal's wheat land. The ten-year average of yields obtained between 1970 and 1979 on the Evora University farm in the Beja district was 2.12 tons per ha--compared with an average for the district as a whole (which currently comprises some 44 percent of the southern wheat land) over the same period of 1.16 tons per ha (1.31 tons per ha if the last three disturbed years are left out of account).
1/ The university farm lies on the strong barros clay land considered (except in a very wet sowing season) the most suitable for obtaining high yields of wheat. Unfortunately, this type of land represents no more than 67,000 ha, or just over half the Beja district wheat acreage. To raise yields throughout the south to the university farm level would give a total output of 620,000 tons (plus some 55,000 tons from the rest of Portugal, assuming no higher yields there than in 1980). A more realistic target for the end of the 1980s would be to raise yields in the barros to the 2.2 tons per ha level (production of 145,000 tons) and in the rest of the south raise them by 120 percent of the 1980 level (345,000 tons) or, at a pinch, by 133 percent (380,000 tons). This would give a total wheat crop in the range of 550,000 to 585,000 tons, representing a potential saving in import demand, compared with 1980, of 120,000 to 155,000 tons, worth, at 1981 prices, between 1.0 and 1.3 billion escudos.

5. Although to achieve such low average yields may not appear ambitious, the climatic, psychological and institutional constraints to doing so are considerable. There are also problems of land drainage. For rainfed crops the distribution of the rainfall, both within the year, and between one year and another, tends to be very uneven. Long experience of intermittent drought conditions has engendered among most farmers a widespread scepticism in favor of an investment in seed and fertilizers that aims to minimize losses rather than maximize profits. This sort of attitude also minimizes any demonstration effect which the superior crops of the minority of more ambitious farmers might have. It accounts too for an evidently low price elasticity of supply. Even allowing for the drought, output appears not to have been much affected recently by even quite generous increase in price guarantees. Between 1978 and 1981 these have been virtually doubled. Moreover, the removal of the fertilizer subsidy, though necessary for EEC

1/ John M. Sanders and Antonio C. Pinheiro, Alentejo Agriculture: Background and Some Research Suggestions, unpublished draft, November 1981.

accession and economically desirable for budgetary and other reasons, will tend still further to fortify many cereal farmers in their minimalist attitude.

6. There is no doubt that by 1977 the 1975 land reform had a disastrous effect on cereal production in the Alentejo. Low though yields had been before 1975, the transfer of tens of thousands of hectares to the management of political appointees was not calculated to improve them. The return to the former owners of considerable areas of expropriated land has no doubt put many of them--or their heirs--on their mettle to modernize methods of husbandry. Indeed many of them have little alternative but to produce profitable cash crops out of which to finance the purchase of new equipment to replace that expropriated at the revolution. Others, taking a sceptical view of the durability of present arrangements, are more cautious of undertaking the necessary investments--a view shared by some large landowners on the northern periphery of the land reform area who fear its eventual extension by a future left-wing government. Not all the land--some 400,000 ha, it is believed--remaining in collective hands is necessarily badly farmed. On one collective near Beja we saw wheat crops as good as any in the district, the highly efficient manager being the former foreman of one of the expropriated latifundia that had been incorporated in the 6,000 ha enterprise. We were, however, told that it was exceptional. So too, no doubt, are the crops of wheat being grown by an increasingly large group of Danish farmers around Aljustrel. But there is a sufficiently large minority of well run enterprises to suggest that raising yields to well above the present average for the main wheat growing areas is not an unrealistic aim for a go ahead farmer during the current decade.

7. About 100,000 ha of the illegally occupied land, over and above the present legal entitlement of the former owners, has been distributed to "small" farmers. As some of the collectives become insolvent it is expected that more land will be redistributed in this way. We did not have the opportunity of visiting any of these relatively small (40 ha) holdings, but the experience of the Italian land reform of the late 1940s suggests that, without at least partial access to irrigation water and to good extension services, they will become economically viable, with great difficulty, and are certainly unsuited to low-yielding cereal cultivation. 1/

8. The Ministry of Agriculture is well aware of the need to increase cereal production through higher yields, there being no significant reserves of appropriate land. The "production strategy" outlined in its Plano 1982 indeed envisages a reduction in cropping area in certain districts. The maize area would be cut by nearly a quarter and that of wheat by about 14

1/ It is worth noting, however, that in 1979 over 50 percent of wheat producers sold no more than 2 tons of grain. Only 16 percent, numbering fewer than 6,000, sold over 10 tons (EPAC Annual Report, 1979).

percent. No more than 27,000 ha of irrigated maize is envisaged, but 53,000 ha of wheat. According to these estimates, total maize output would, through higher yields, increase by just over 410,000 tons and wheat output by 360,000 tons. These forecasts are puzzling inasmuch as irrigated wheat is expected to yield 9.5 tons per hectare, whereas maize would only yield 4.5 tons. Curiously, too, whereas rainfed maize would, in the Ministry's view, yield much the same as irrigated, rainfed wheat would yield no more than 1.9 tons. Since the unit value of wheat is substantially higher than that of maize, the Ministry probably takes the view that a greater potential saving in import costs lies in encouraging irrigation of a crop with which Alentejan farmers are already familiar. But it seems to underestimate the potential yield of well managed maize from single-line hybrid seed that could ensure a larger per hectare saving in imports than in the case of wheat.

9. The Ministry's production strategy also envisages the possibility that improved seed and better production techniques could raise annual rice production by up to 160,000 tons. This would virtually eliminate the need for imports. It might even provide scope for some export of the long-grain rice demanded by northern industrial users in which the European Community is perennially deficient, and which Portugal already produces.

10. A further implication of EEC accession for the cereals sector relates to the likely future status of EPAC (Empresa Publica de Abastecimento de Cereales), the state-owned company which currently enjoys a monopoly of purchasing all imported cereals as well as the whole of the domestic wheat crop. Although the competition rules of the Community will demand the dismantling of its import monopoly, the future legal status of EPAC is obscure. It cannot, at present, constitutionally be sold to private shareholders, though it might acquire some form of cooperative status. In any case, the company's ownership of some 90 percent of the country's silo capacity, whether at ports or inland, is likely to retain for it a dominant position in the cereals market. EPAC is at present showing a loss owing to delay in reimbursement of the subsidies on its purchases of imported grain. But, in principle, its foreign trading activities are the company's main source of income, which would probably not be seriously reduced were it to cease to be the exclusive purchaser of the national wheat crop. Given EPAC's financial interest in the international trade in feed grains, and its small share in marketing the domestic maize crop, its commercial influence is unlikely to be directed towards the promotion of import saving policies. Indeed one of its senior directors expressed the view to us that it was no part of EPAC's role to persuade its farmer clients to improve their yields by higher applications of fertilizers; this would be poaching the territory of the fertilizer companies (which are also largely state-owned).

11. Although we came across a good deal of criticism of EPAC's present monopoly powers, notably from a leading pasta manufacturer who claims that it was promoting the use of unsuitable varieties of durum wheat, and from the feed compounders' trade association, the "liberalization" of the cereals market, recognized as an inevitable accompaniment to EEC accession, is by no

means universally welcomed. Most wheat producers are well content with an organization that not only relieves them of any marketing effort but also pays promptly and provides them with interest free "harvest credit" for the purchase of seed. Even the chief buyer of one of the three main national feed compounders, belonging to a multinational group, admitted to us that liberalization would cause him many marketing headaches from which he was currently free. Broadly, however, those involved in the grain trade will welcome a dilution of EPAC's powers. Already a group of the more important port millers has associated itself with one of the principal international shippers in order to take advantage of it. The feed compounders, or at least their association (which represents a large number of small firms as well as the larger ones), are still sceptical that the stranglehold of EPAC will really be released. But they seem likely eventually to follow the millers' example. Liberalization within the EEC is unlikely to orientate the trade towards third country suppliers. Community preference will, by its nature, tend to create demand for EEC grain. Furthermore, the higher price of imports, resulting initially from the removal of national subsidies and, after accession, from the imposition of import levies on third country supplies, should incline cereal users to look increasingly to those domestic producers who are able to supply grain of correct quality in appropriate quantities. This could have a ripple effect by encouraging the formation of producer groups and, through them, the wider adoption of up-to-date husbandry techniques.

ANNEX IV - PORTUGAL'S REVEALED COMPARATIVE ADVANTAGE

1. The concept of "revealed" comparative advantage (RCA), as introduced by Balassa 1/ pertains to relative trade performances of individual countries in particular commodities. On the assumption that the commodity pattern of trade reflects inter-country differences in relative costs as well as in non-price factors, this is assumed to "reveal" the comparative advantage of the Heckscher-Ohlin theory in the sense that it observes the export products in which a country has been successful and that it then deduces from this that the country must have a comparative advantage in those commodities. The RCA index is computed by dividing a country's share of a certain commodity category in total exports by the corresponding share of a comparator group of countries. This computation can be done for various comparator groups and for various markets (including the world as a whole).

2. Several RCA index computations were performed for Portugal. 2/ We have selected only the most important ones and presented them in the Tables at the end of this Annex. The results are presented in terms of the International Standard Industrial Classification (ISIC) 3/ and are therefore not strictly comparable to other analyses in this report where the Standard International Trade Classification (SITC) has been used.

1/ Bela Balassa, "Trade Liberalization and Revealed Comparative Advantage", The Manchester School, Vol. XXXIII, No. 2 pp. 99-123.

2/ As part of ongoing research on trade among developing countries by Iradj Alikhani and Oli Havrylyshyn.

3/ A disadvantage of the ISIC classification is that it is less comprehensive than the SITC classification and does not include unprocessed agricultural commodities.

3. In Tables 2 and 3, forty developing countries 1/ were used as the comparator group; Table 2 shows the RCA's to all destinations and Table 3 analyzes only the exports to the industrialized countries. From the comparison one can deduce Portugal's performance to developing countries and the centrally planned economies. For example, other wear, men's outerwear and women's outerwear show the following coefficients to all destinations: 1.82, 1.81 and 0.89, respectively, whereas for exports to the industrial countries the following coefficients are shown: 1.36, 1.30, and 0.61. This means that Portugal's comparative advantage is in other wear and men's outerwear but not in women's outerwear and that Portugal's performance is better in non-industrial country markets. This latter point might be the result of an edge in quality of countries like the Republic of Korea, Taiwan, Singapore and Hong Kong. In footwear the situation is similar: The RCA coefficient for exports to all destinations is 1.33 and to industrial countries only 0.99 showing that Portugal is doing better than average in that commodity category in exports to developing countries and centrally planned economies but that the performance in exports to industrial countries is almost exactly an average one. Also, in the following export commodities Portugal performs better in non-industrial country markets: wood and cork, wine, and special textile fabrics.

4. The commodities in which Portugal performs clearly better in industrial country markets compared to other ones are shown in Table 1. An explanation why Portugal has a competitive edge in these commodities is not easily apparent as they are diverse, ranging from resource based products like paper, malt and liquors, dairy and glass to basic manufactures like paints, fertilizers, other chemicals and textiles and to boilers and metal and wood machinery. Possible explanations might be: (a) that Portugal has a qualitative edge over the other developing countries; (b) that Portugal's marketing in industrial countries in these products is better; or (c) that Portugal, through its EFTA membership and the 1972 agreement with the EEC, is facing smaller trade barriers than other developing countries and that this advantages has been exploited in the products mentioned.

1/ The results of similar computations are shown in Table 4 and 5. The difference between them and the two earlier ones arises from the fact that 40 developing countries were used as the relevant comparator group in the earlier ones and that the industrial countries were used for the second pair of tables. Since Portugal's economy and export structure is more similar to that of the newly industrializing countries than to that of the industrial ones, and given that the newly industrializing ones have a large weight in trade of the 40 selected developing countries, the results in Tables 2 and 3 are the more relevant ones. Therefore, we have discussed them in some detail, whereas Table 4 and 5 are presented for purposes of information but without a description in the text.

Table 1: COMMODITIES IN WHICH PORTUGAL HAS A COMPARATIVE ADVANTAGE
AND WHERE PORTUGAL'S PERFORMANCE IS BETTER IN
INDUSTRIAL COUNTRY MARKETS THAN IN OTHERS

Commodity	Rank	RCA to World	RCA to Industrial Countries	Difference
Paints	1	1.88	17.58	15.70
Boilers	2	0.88	8.56	7.68
Paper	3	3.46	8.32	4.86
Malt and Liquors	4	2.19	5.18	2.99
Dairy	5	1.53	6.04	2.51
Fertilizer and pesticides	5	1.43	3.27	1.84
Glass	7	2.92	4.40	1.48
Textiles nes	8	2.25	3.70	1.45
Metal and wood machinery	9	2.08	3.34	1.26
Other chemicals	10	7.13	8.32	1.19
Artificial fabrics	11	2.32	3.34	1.02
Textile bags	12	1.49	2.46	0.97

Table 2: RCA INDEX COMPUTATION FOR 1978 USING 40 DEVELOPING COUNTRIES AS A COMPARATOR GROUP AND CONSIDERING EXPORTS TO ALL DESTINATIONS

ISIC Codes	Sector Name	RCA	Rank
3319	Wood and cork nes	17.932	1
3182	Wine	12.253	2
32118	Special textile fabrics	11.348	3
34111	Pulp	9.413	4
35113	Other chemicals	7.131	5
3114	Canned fish, etc.	5.441	6
3215	Cordage, rope and twine	5.336	7
32123	Other made up fabrics	4.412	8
34112	Paper	3.464	9
3610	China and earthenware	3.412	10
3620	Glass	2.925	11
3388	Non-metallic minerals nes	2.781	12
36252	Computers	2.788	13
38523	Photographic equipment	2.455	14
32113	Artificial fabrics	2.324	15
32111	Cotton fabrics	2.324	16
32192	Textiles nes	2.253	17
3133	Malt and liquors	2.192	18
38252	Sewing machines	2.132	19
3623	Metals and wood machinery	2.085	20
3312	Wood and cane containers	2.004	21
38522	Optical instruments	1.9528	22
38511	Medical equipment	1.9245	23
32203	Textile underwear	1.9191	24
38323	Record and tapes	1.9033	25
3831	Electrical industrial machinery	1.6933	26
3521	Paints, etc.	1.8876	27
32208	Other wears	1.8294	28
33111	Lumber	1.8185	29
32201	Men's outerwear	1.8135	30
32116	Yarn and thread	1.7044	31
32112	Woolen fabrics	1.3047	32
3523	Drugs and medicines	1.5707	33
38233	General machinery	1.5447	34
3112	Dairy	1.5353	35
32133	Textile bags	1.4941	36
38321	Radio and TV components	1.4913	37
38112	Hardware	1.4731	38
3512	Fertilizers and pesticides	1.4312	39
3240	Footwear	1.3305	40
32142	Other floor coverings	1.2816	41
3113	Canned fruits and vegetables	1.2281	42
3412	Paper and paperboard containers	1.1884	43
3213	Knitting mills	1.1163	44
39061	Needles, pins and fasteners	1.1133	45
39398	Other electrical appraisals	1.0853	46
32205	Head gears	1.0618	47
3812	Metal fixtures	.8878	48
32202	Women's outerwear	.8863	49
38192	Metal containers	.8856	50
38322	Telephone and telegraph equipment	.8076	51
34202	Books, etc.	.7789	52
38431	Motor vehicles and parts	.7725	53
3117	Bakery	.7577	54
3134	Soft drinks	.7185	55
3842	Railroad equipment	.7019	56
38132	Boilers	.8842	57
35132	Synthetic fibers	.8888	58
3523	Soap and perfume, etc.	.3357	59
38521	Ophthalmic goods	.6255	60

Table 3: RCA COMPUTATION FOR 1978 USING 40 DEVELOPING COUNTRIES AS A COMPARATOR GROUP AND CONSIDERING ONLY THE EXPORTS TO INDUSTRIAL COUNTRIES

ISIC Codes	Sector Name	RCA	Rank
3521	Paints, etc.	17.583	1
3318	Wood and cork nes	13.035	2
34111	Pulp	9.583	3
321118	Special textile fabrics	9.542	4
35114	Other chemicals	8.324	5
3132	Wine	9.25	6
38132	Boilers	8.558	7
34113	Paper	8.323	8
3215	Cordage, rope and twine	5.321	9
32123	Other made up fabrics	5.255	10
3135	Malt and liquors	5.183	11
3114	Canned fish, etc.	4.881	12
3520	Glass	4.405	13
3112	Dairy	4.041	14
32113	Artificial fabrics	3.343	15
32162	Textiles nes	3.702	16
3333	Non-metallic minerals nes	3.408	17
3823	Metal and wood machinery	3.343	18
3512	Fertilizers and pesticides	3.275	19
3310	China and earthenware	3.055	20
3842	Railroad equipment	2.226	21
3412	Paper and paperboard containers	2.858	22
322292	Sewing machines	2.779	23
33329	Records and tapes	2.545	24
32111	Cotton fabrics	2.485	25
32122	Textile Bags	2.458	26
33233	General machinery	2.441	27
35132	Synthetic fibers	2.331	28
3523	Drugs and medicines	2.381	29
3134	Soft drinks	2.357	30
38383	Other electrical apparatus	2.342	31
38511	Medical equipment	2.27	32
3831	Electrical industrial machinery	2.158	33
3523	Soap and perfume, etc.	2.158	34
38252	Computers	2.144	35
38522	Optical instruments	2.136	36
32118	Yarn and thread	1.9733	37
38523	Photographic equipment	1.9383	38
38131	Steel pipes etc.	1.9486	39
32112	Woolen fabrics	1.9136	40
38812	Hardware	1.8018	41
33111	Lumber	1.7125	42
3312	Wood and cane containers	1.53	43
3891	Lifting and loading machinery	1.484	44
38192	Metal containers	1.4482	45
32203	Textile underwear	1.4354	46
32201	Men's outerwear	1.3585	47
32206	Other wears	1.3016	48
38351	Batteries	1.2827	49
39091	Needles, pins and fasteners	1.2534	50
3213	Knitting mills	1.2175	51
32142	Other floor coverings	1.192	52
3117	Bakery	1.1902	53
3140	Tobacco	1.1841	54
35321	Radio and TV components	1.1385	55
34202	Books, etc.	1.1341	56
38242	Other special machinery	1.02	57
3240	Footwear	.9895	58
3113	Canned fruits and vegetables	.9814	59
38322	Telephone and telegraph equipment	.5233	60

Table 4: RCA COMPUTATION FOR 1978 USING THE INDUSTRIAL COUNTRIES AS A COMPARATOR GROUP AND CONSIDERING ONLY THE EXPORTS TO INDUSTRIAL COUNTRIES

ISIC Codes	Sector Name	RCA	Rank
3319	Wood and cork nes	24.23	1
3132	Wine	12.568	2
3521	Paints, etc.	5.753	3
3183	Malt and liquors	5.481	4
34111	Pulp	5.29	5
3240	Footwear	5.094	6
38253	General machinery	4.085	7
3114	Canned fish, etc.	3.861	8
32203	Head gears	3.505	9
3215	Cordage, rope and twine	3.693	10
32115	Tulle, lace, etc.	3.557	11
32122	Textile bags	3.445	12
32111	Cotton fabrics	3.118	13
34112	Paper	3.074	14
32118	Special textile fabrics	3.055	15
35114	Other chemicals	2.951	16
36322	Telephone and telegraph equipment	2.902	17
38511	Medical equipment	2.841	18
3523	Drugs and medicines	2.739	19
34201	Printed paper	2.734	20
38112	Hardware	2.549	21
32201	Men's Outerwear	2.527	22
3599	Non-metallic minerals nes	2.46	23
3117	Bakery	2.242	24
32141	Carpets and rugs	1.5719	25
3213	Knitting mills	1.9554	26
32123	Other made up fabrics	1.9089	27
3312	Wood and cane containers	1.838	28
3323	Metal and wood machinery	1.8774	29
32113	Artificial fabrics	1.7364	30
34202	Books etc.	1.7163	31
3134	Soft drinks	1.5979	32
3320	Glass	1.6766	33
3323	Soap and perfume etc.	1.5871	34
3140	Tobacco	1.5529	35
30111	Lumber	1.434	36
3681	Structural clay	1.4168	37
39085	Miscellaneous manufactures	1.4037	38
3812	Metal fixtures	1.6976	39
3113	Canned fruits and vegetables	1.3727	40
3331	Electrical industrial machinery	1.3616	41
32206	Other wears	1.3349	42
33116	Wood work	1.3043	43
3610	China and earthenware	1.2248	44
3112	Dairy	1.2180	45
36111	Cutlery	1.2036	46
3131	Spirits	1.1755	47
38391	Batteries	1.1471	48
3539	Rubber products nes	1.0656	49
38512	Professional equipment	1.0708	50
3530	Petroleum refineries	1.0573	51
39094	Brooms and brushes	1.0412	52
3820	Furnitures	1.0074	53
38114	Other woven fabrics	.8479	54
3529	Chemicals nex	.9322	55
3512	Fertilizers and pesticides	.9302	56
38393	Other electrical apparatus	.8896	57
32182	Textiles nes	.8076	58
38192	Metal containers	.8827	59
3844	Motorcycles and bicycles	.8303	60

Table 5: RCA COMPUTATION FOR 1978 USING THE INDUSTRIAL COUNTRIES AS A COMPARATOR GROUP AND CONSIDERING EXPORTS TO ALL DESTINATIONS

ISIC Codes	Sector Name	RCA	Rank
3319	Wood and cork nes	56.4	1
32118	Special textile fabrics	45.98	2
3215	Cordage, rope and twine	31.12	3
3132	Wine	20.93	4
32203	Textile underwear	15.13	5
3312	Wood and cane containers	14.373	6
32123	Other made up fabrics	13.396	7
3114	Canned fish etc.	12.763	8
32201	Men's outerwear	10.354	9
32206	Other wears	9.678	10
32111	Cotton fabrics	7.191	11
3113	Canned fruits and vegetables	6.308	12
3240	Footwear	5.051	13
32122	Textile bags	4.848	15
34111	Pulp	4.815	16
32116	Yarn and Thread	3.799	17
32113	Artificial fabrics	3.353	18
35114	Other chemicals	3.352	19
32202	Women's outerwear	3.325	20
32203	Head gears	3.21	21
33111	Lumber	2.896	22
32204	Leather Wear	2.71	23
3610	China and earthenware	2.236	24
3699	Non-metallic minerals nes	2.122	25
38321	Radio and TV components	2.09	26
32114	Other woven fabrics	1.8714	27
3820	Glass	1.7857	28
33112	Veneer	1.4637	29
3213	Knitting mills	1.3421	30
38323	Records and tapes	1.3056	31
3512	Fertilizers and pesticides	1.1985	32
3133	Malt and liquors	1.0517	33
38112	Hardware	1.0167	34
38292	Sewing machines	1.0113	35
3521	Paints etc.	.9468	36
39252	Computers	.9198	37
38522	Optical instruments	.9156	38
32192	Textiles nes	.901	39
34112	Paper	.8931	40
38152	Metal containers	.8921	41
3861	Electrical industrial machinery	.6716	42
32112	Woolen fabrics	.8633	43
38324	Other electronic apparatus	.8554	44
39082	Toys etc.	.8451	45
39051	Needles, pins and fasteners	.8361	46
3523	Drugs and medicines	.8124	47
3115	Oil and fats	.8087	48
3412	Paper and papercard containers	.9054	49
3530	Petroleum refineries	.7717	50
34201	Printed paper	.7499	51
39523	Photographics equipment	.7657	52
34202	Books etc.	.7365	53
39094	Brooms and brushes	.7006	54
3231	Leather	.7154	55
3812	Metal fixtures	.6761	56
38111	Cutlery	.6742	57
3842	Railroad equipment	.6433	58
32191	Textile waste	.617	59
32142	Other floor coverings	.3941	60

ANNEX V - STATUS OF NEGOTIATIONS FOR PORTUGAL'S ACCESSION TO THE EEC

1. Portugal is proceeding with negotiations which will determine the timing and the terms of its accession to the EEC. Portugal must ultimately accept the whole "acquis communautaire," the rules of the EEC, but transition measures are being designed through the negotiation process in the areas where adoption of the EEC rules will be too stressful for the Portuguese economy. Discussions took place so far on the following ten files: Customs Unions, Economic and Financial Questions, Right of Establishment, Taxation, Regional Policy, Transport, EURATOM, Transfers of Capital, CECA and External Relations. Many issues have already been settled in several of these files, but important ones remain to be finalized. Discussions have started, but the progress has been slow on the following files: Agriculture, Fisheries, Social Policy and Institutional Questions, and Budgetary Issues. The problem is further complicated by the fact that the EEC is presently in the process of redesigning the rules for many of these files in the view of the accession of Portugal and Spain.

2. In November 1982 the EEC Commission recommended to its Council of Ministers that, in approaching 1/ the Portuguese and Spanish candidatures, the following principles be followed:

- (i) Clarity: The conditions for the accession should be clear and "transparent," especially as concerns the length of the transition period. The new members will have to accept all of the community rules, known as the "acquis communautaire," i.e., no exceptions will be made for the new candidates as they had requested, as regards the Common Agricultural Policy (CAP), although the principle of transition periods of different lengths have been accepted; and
- (ii) Simultaneousness: The accession of Spain and Portugal should be simultaneous although the negotiations with the two countries could proceed at different speeds. The EEC Council of Ministers, which met in December 1982 in Copenhagen, accepted the EEC's conclusions and decided to postpone, until its next meeting in March 1983, the decision on the date for accession for Portugal and Spain. 2/ The Council of Ministers also requested that, in the meantime, the EEC Commission prepare proposals to change the rules for the CAP and the EEC Budget in order to accommodate the accession of the new members.

1/ Problèmes de l'enlargissement; Inventaire et propositions-Communications de la Commission au Conseil Européen, Copenhagen, 3d and 4th of December 1982.

2/ Originally, planned for 1983, it was postponed to 1984. Senior officials were recently mentioned 1985, or perhaps 1986.

3. Despite some progress in the preparation of the Portuguese delegation, it is widely felt among EEC members that the situation is not ripe enough to enter the final negotiation stage. The future of Portugal within the EEC will be largely determined by the policy discussions which will take place in the next few months. Negotiations were interrupted in December 1982 to allow for rethinking on the part of the EEC of the policies to be followed over the next five to ten years. Most EEC members now feel that Spain and Portugal's accession to the EEC will change the nature of the European community, and that it will require substantial amendments to the CAP and to the EEC's budgetary rules. The terms and timing of Spain's accession to the EEC is a crucial element in Portugal's own future as it is likely that Spain will become Portugal's major trading partner as soon as both countries have joined the Community. Presently the trade between the two countries is considerably limited by high tariffs and elaborate non-tariff barriers. Yet Spanish agriculture and most of its industry as much more efficient than those of Portugal. The major challenge for Portugal within the EEC could be Spanish agriculture which specializes in some of the same products as Portugal but is much more modern and efficient.

4. Major consequences for Portugal can be expected from the decisions of the EEC Council of Ministers of December 1982. First, the date of accession for Portugal is now linked to the progress of negotiations with Spain. Second, Portugal will join a community whose rules on agricultural policy are to be redefined, mostly in light of the accession of its closest neighbor. The EEC Commission is presently studying the changes of the CAP which are necessary to accommodate the entrance of Portugal as well as Spain, in particular:

- (i) Proposals to improve the functioning of CAP rules as regards the sectors of fruit and vegetables and olive oil;
- (ii) Proposals to change the rules of the Regional Fund in order to increase the assistance provided to backward regions; and
- (iii) Proposals to complete as soon as possible the rules of the CAP on the fishing sector which will be greatly transformed by the accession of Spain. By March 1983, the proposals for the new CAP regulations should be ready for presentation to the Council of Agricultural Ministers of the EEC two weeks before the EEC Council (or the Council of Foreign Ministers) meets again to discuss the question of the date of the accession and the reform of the Community's budget.

5. The discussions between Portugal and the EEC on agricultural issues began in April 1981, but no major breakthrough has been achieved. In June 1981 the Council of Ministers of the Community approved a declaration of principles and recommended that further preparatory work be done before negotiations can proceed. It was felt that the EEC lacked sufficient information on the nature of Portuguese agriculture to discuss policy changes

linked to the accession. In order to improve its knowledge of Portuguese agriculture, the EEC has therefore started to finance the development of two projects in the framework of the preaccession aid. They are RICA, a system of agricultural accounts and farm budgets, and SIMA, a system of marketing of agricultural products at the national level. The cost of the two projects is 23 million ECUs. 1/

6. Since agriculture has the largest weight in the Community's budget (about 70 percent of total expenditures), changing the CAP implies that the rules of the EEC budget will have to be transformed as well. A task force has been set by the Community to estimate the cost to the Community of the accession of Spain and Portugal. Preliminary estimates indicate that the increases of receipts necessary might be in the order of 10 percent to 15 percent. If the EEC countries were not able to raise the funds (for example by increasing the value-added tax) or to find a consensus on how to pay for it, 2/ it can be expected that Portugal will receive lower amounts of funds from the EEC budget than could be extrapolated from the present rules. Under these rules, Portugal could expect to receive large amounts of funds (up to \$200 million a year) through the regional development fund (FEDER), if all of Portugal could be considered as a backward region; however, this case which is often presented by Portuguese officials is quite academic since regions, as defined by the EEC, do not exist. Prior to receiving the assistance of FEDER, Portugal will have to define economic regions, and have them (or some of them) accepted by the EEC Commission as backward regions. In addition, funds from FEDER have to be claimed by producers' associations. The associations in Portugal are not sufficiently well organized to take advantage of these funds.

Customs Union

7. The following paragraphs summarize what is known of the status of the negotiations for Portugal in each of the main files, besides agriculture:

8. Elimination of tariff and non-tariff barriers towards EEC countries and adjustment to the common external tariff of the EEC. Portugal will be granted a period of seven years following the accession date to eliminate all

1/ The ECU, European unit of account, is a weighted average of EEC currencies whose value fluctuates around the US dollar.

2/ The discussions on the EEC budget are already complex and highly political. The UK has often claimed its opposition to the present rules. Along with northern European countries, it will oppose the continuation of the present policies to subsidize Mediterranean products which could benefit Portugal and Spain.

remaining tariffs against EEC imports 1/ and to adopt the common external tariff. At present the common external tariff averages 6.5 percent, compared to 16.5 percent for Portugal's external tariff. During the same period, tariff equivalent measures will also have to be eliminated. Taxes equivalent to tariffs 2/ annually bring in Esc. 1 billion in customs and in revenues, compared to Esc. 5 billion for tariffs. The EEC is asking Portugal to eliminate these taxes as well as import licenses. This could be difficult for Portugal given the widespread use of these restrictions. Finally, the EEC requires Portugal to eliminate all tariff exemptions which are presently granted on a piecemeal and somewhat arbitrary basis.

Textiles

9. As is well known, the exports of the Portuguese textile industry are seen as a serious threat by industries in the EEC, especially in the United Kingdom and in France. The self-limitation agreement signed in 1979 between the EEC and Portugal expired in December 1981. Although there was no official agreement between the EEC and Portugal, for 1982, the Textile Institute continued to grant export licenses by using implicit ceilings. The arrangement to be found after Portugal's accession was the subject of a major controversy among EEC members and within Portugal. During the recent negotiations for the renewal of the Multi-Fibre Agreement (MFA), the EEC linked its continued participation in the MFA to the settlement of satisfactory bilateral agreements with its principal low-cost suppliers. Portugal, while a future EEC member, is also one of the low-cost suppliers. This means there was a lot of pressure, especially from the UK and France to hold Portugal to the global ceilings applied to all non-member, low-cost producers for sensitive products. Portugal maintained that, as a potential full member of the EEC, it could not accept any further limitations to its exports. In September 1982, an arrangement was made that the growth of Portuguese textiles exports to the EEC will be limited to an average annual of 8 percent to 15 percent (depending on the product) prior to accession and during the first three years following accession--after that export limitations would be totally eliminated.

10. Tariffs are extremely high for Portugal's textile imports from non-EEC countries, and non-tariff barriers are even more effective in keeping imports at a low level. It has been widely felt that the lowering of tariff and non-tariff barriers, following the accession, would be detrimental to the

1/ This arrangement replaces the 1979 agreement signed with the EEC, in which Portugal was to start eliminating all remaining tariffs against the EEC by end-1982 and should have completed the dismantling of tariffs by end-1984.

2/ A tax of 0.9 percent ad valorem applicable to commodities imported for consumption; a tax of 0.4 percent ad valorem applicable to commodities temporarily imported and reexported as well as to the commodities imported on a drawback regime; and a 0.2 percent ad valorem tax applicable to commodities exported and reexported.

Portuguese textiles industry. However, after its accession, Portugal will have to share the Community import burden and its share is estimated to be about 1.5 percent of the EEC's total textile imports. Since this quantity represents a fairly small amount of total imports for Portugal, it appears Portugal will benefit from EEC protection against third world countries (especially from East Asia), even if this level of protection is likely to be inferior to the one it is experiencing at present. As long as the restructuring of the textile industry will consist of replacing old and inefficient capacities by new ones, it should not become a source of major concern for the EEC.

Economic and Financial Questions,
Transfers of Capital and Tax Policy

11. Capital Flows Following the accession, a transition period of three years has been granted to Portugal to adopt the rules of the EEC concerning the free movement of capital (short term only) and of real estate investments.
Rules concerning direct investment in Portugal by EEC nationals could not be defined yet because of a disagreement between the EEC Commission and Portugal. Portugal wants to keep a control on large foreign investments, despite the principle of free movement of capital which is one of the basic principles of the EEC.
12. Tax Policy One of the most important innovations brought by the accession to the EEC for Portugal will be the adoption of the value added tax (VAT). This should simplify the Portuguese tax system and make it compatible with EEC country systems. An agreement was reached in 1982 to grant Portugal a period of three years following accession to install VAT. Because the introduction of VAT would normally increase food prices, the Portuguese Government is seeking permission from the Commission to set the VAT for food items at zero. The question remains to be settled.
13. Financial issues Portugal has agreed to take measures before the accession to create a foreign exchange market comparable to the ones existing in the present member countries of the EEC. In addition, it has been confirmed that after accession Portugal will benefit from the short-term monetary and medium-term financial assistance mechanisms. No decision could be reached, however, on the inclusion of the escudo in the ECU. It should be noted that Portugal's participation in the European Monetary System is independent from its EEC accession and does not depend on it.
14. Regional Policy, Transport Policy, EURATOM and CECA Portugal has fully endorsed the EEC's position which does not include a transition period for regional policy. As a result, Portugal should benefit from the regional fund's resources as soon as it accedes to the EEC. A transition period of five years has been granted to Portugal in order to adjust to European regulations on road transportation. Portugal has also fully accepted the EURATOM (nuclear policy) rules, as well as the rules of the CECA (European Community of Steel and Coal).

Sensitive Industries and the EEC Restructuring Policy

15. It is widely known that there is an excess of productive capacity in the EEC in the steel industry, the petrochemical industry, the synthetic fibers industry, and the shipbuilding industry. In each of them the EEC is seriously controlling the increase of productive capacity for its members. However, considering the low level of capacity, the low productivity, the limited level of comparative advantage, and the large trade deficit of Portugal in each of these industries, the EEC seems to be ready to amend the strict rules it is otherwise applying for its members. In the steel industry, a restructuring or crisis program was introduced in 1978; the Davignon Plan aimed at stabilizing the Community's market through production quotas, fixed prices and voluntary restraint agreements for countries exporting steel to the EEC. Despite the small size of the Portuguese steel industry, there are pressures in the EEC to include Portugal in the crisis program, as some of the planned expansion in Portugal is in sectors where the EEC envisages reductions in productive capacities. As a result Portugal cannot expect much official financial assistance from the EEC and the EIB in order to carry out its expansion program. However, the EEC is aware that the bulk of the Portuguese expansion program would be oriented towards the domestic market so that a special treatment might be granted to the steel industry. While there may also be a considerable surplus capacity in the petrochemical and synthetic fibers industries of the EEC, Portugal continues to have a large trade deficit in those industries. The volume of production of synthetic fibers in Portugal is insignificant compared to the EEC so that the pressures on Portuguese industry to reduce productive capacity are likely to be limited. In addition, because of the low level of competitiveness of the Portuguese petrochemical industry, either when compared to oil producing countries or to countries more technologically advanced, the EEC sees a greater advantage for Portugal to integrate its petrochemical industry and synthetic fibers industry and to develop joint ventures with EEC partners. The shipbuilding industry in the EEC has been in a crisis since 1976, as a result of a drop in demand but also because of competition from the Republic of Korea, Taiwan, Brazil and other countries. the Portuguese shipbuilding industry is in no better state. However; with regard to ship repairing, the Portuguese industry is much better off and has been restructuring its shipbuilding activities towards ship repairing quite successfully. The EEC encourages this evolution and sees as well considerable scope for developing and modernizing small shipyards on the basis of domestic demand despite the crisis elsewhere in the Community.

EEC Preaccession Aid

16. The EEC and Portugal settled an agreement in December 1980 on preaccession aid to Portugal. This agreement expires the day of Portugal's accession to the EEC and provides a total of 275 million ECUs to Portugal, of which 150 million ECUs will be lent by the EIB and 125 million ECUs will take the form of grants to be paid by the EEC budget. The program emphasizes particularly the restructuring of small enterprises, the improvement in

productive capacities in agriculture and in fisheries, the creation of projects aimed at improving infrastructure at the regional level and training programs. The first loan of this program was signed in December 1981 between the EIB and BFN; it finances a project of 30 million ECUs for the SMIs. A second loan of 30 million-35 million ECUs for EDP should be signed soon. As for the aid in the form of non-reimbursable grants, Portugal has submitted to the EEC projects amounting to a total of 63 million ECUs in the following sectors: (i) industry: a second project for the development of the SMIs (10 million ECUs); (ii) agriculture: two projects totalling about 1 million ECUs aimed at improving the information (marketing and accounting) in the sector, and a project to build a dam from 2.4 million ECUs; and (iii) infrastructure: a highways project of 30 million ECUs (the Aveiro-Vilar-Formoso road and the Oporto-Bragança road), a school building project of 5 million ECUs, a project of 6 million ECUs aimed at improving the traffic circulation on the Douro River, an industrial estate park in the North of 4 million ECUs, and a water and sewerage project in the Algarve of 1.4 million ECUs. The highways projects have been approved by the EEC and the schools and Algarve projects are at an advanced stage.

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Table 1: NATIONAL ACCOUNTS SUMMARY

	1976	1977	1978	1979	1980	1981
1. Gross Domestic Product	467655	622234	780300	994412	1206400	1453100
2. Resource Gap (M-X)	64111	93656	93680	102300	178953	285758
3. Imports (g+nfs)	142036	204285	248393	358368	508919	670482
4. Exports (g+nfs)	77925	110629	154712	256068	329966	384724
5. Total Expenditures	531766	715890	873980	1096712	1385353	1575158
6. Consumption	434433	557964	691980	875412	1075753	1344358
7. General Government	66122	88200	114700	147600	185600	230800
8. Private	368311	469764	577280	727812	890153	1113558
9. Investment	97333	157926	182000	221300	309600	394500
10. Fixed Investment	88931	125500	156500	189900	252500	322100
11. Changes in Stocks	8402	32426	25500	31400	57100	72400
12. Domestic Savings	33221	64270	88320	119000	130647	108742
13. Net Factor Income	-3990	-6843	-14456	-21380	-30350	-59084
14. Current Transfers	29139	43349	71842	121136	147422	178052
15. National Savings	58370	100776	145706	218756	247719	227710
Average Exchange Rate						
16. Escudo per US\$	30.227	38.227	43.940	48.924	49.190	61.546
17. Escudo per SDR	36.655	48.412	59.941	65.578	66.469	75.947

The national accounts are in millions of current escudos. The exchange rates shown on line 16 and 17 are the official exchange rates except for the year 1980 where a rate 2.9 percent below the official rate has been chosen. Private consumption and as a result total consumption and savings have been adjusted to account for the difference between real effective exchange rates and official exchange rates.

Table 2: NATIONAL ACCOUNTS SUMMARY
(Millions of US\$ at Constant 1978 prices)

	1976	1977	1978	1979	1980	1981
1. Gross Domestic Product	17447.6	17206.6	17758.3	18550.1	19472.1	19814.3
2. Terms of Trade Effect	-64.4	+22.8	0.0	-151.1	-420.0	-103.6
3. Gross Domestic Income	17383.2	17229.4	17758.3	18399.0	19052.1	19710.7
4. Resource Gap (5-6)	2323.3	2628.1	2132.0	1737.4	2376.0	3125.1
5. Imports (g+nfs)	5147.3	5732.6	5653.0	6086.4	6757.4	7332.5
6. Capacity to Import	2823.9	3104.5	3521.0	4349.0	4381.4	4207.4
7. Exports (g+nfs)	2888.3	3081.7	3521.0	4500.1	4801.4	4311.0
8. Total Expenditures	19706.5	19857.5	19890.3	20136.4	21428.1	22835.8
9. Consumption	16360.4	15474.4	15748.3	16048.2	16612.3	17769.9
10. General Government	2203.3	2462.9	2610.4	2746.6	2820.0	3006.6
11. Private	14157.2	13011.5	13137.9	13301.5	13792.3	14763.3
12. Investment	3346.1	4383.1	4142.0	4088.2	4815.8	5065.9
13. Fixed Investment	3057.2	3424.7	3561.7	3533.8	3999.0	4203.2
14. Changes in Stocks	288.9	958.4	580.3	554.4	816.8	862.7
15. Domestic savings	1022.8	1755.0	2010.0	2350.8	2439.8	1940.8
16. Net Factor Income	-147.9	-190.4	-329.0	-392.7	-479.3	-688.6
17. Current Transfers	1080.1	1206.0	1635.0	2225.6	2328.3	2075.3
18. National Saving	1955.0	2770.6	3316.0	4183.7	4288.8	3327.5
Escudo Deflators (1978 = 100)						
19. Gross Domestic Product	0.610	0.823	1.000	1.220	1.410	1.669
20. Imports (g+nfs)	0.628	0.811	1.000	1.340	1.714	2.081
21. Exports (g+nfs)	0.614	0.817	1.000	1.295	1.564	2.031
22. Total Expenditures	0.614	0.818	1.000	1.239	1.473	1.570
23. Government Consumption	0.683	0.815	1.000	1.223	1.498	1.747
24. Private Consumption	0.592	0.810	1.000	1.245	1.468	1.717
25. Fixed Investment	0.662	0.834	1.000	1.223	1.437	1.744
26. Changes in Stocks	0.662	0.770	1.000	1.283	1.591	1.910
27. Exchange Rate Index (US cents per Escudo)	1.453	1.149	1.000	0.898	0.894	0.715

All data are from Central Bank source. Current adjusted price data in Table 1 have been converted to constant 1978 dollars by using the escudo deflators shown in lines 19-26.

Table 3: BALANCE OF PAYMENTS

(Millions of US\$ at Current Prices)

	1976	1977	1978	1979	1980	1981
1. EXPORTS (g+nfs)	2578	2894	3521	5234	6708	6251
2. Merchandise (fob)	1790	2001	2379	3550	4575	4083
3. Non-Factor Services	788	893	1142	1684	2133	2168
4. IMPORTS (g+nfs)	4699	5344	5653	7325	10346	10894
5. Merchandise (fob)	3965	4533	4787	6182	8781	9251
6. Non-Factor Services	734	811	866	1143	1565	-1643
7. RESOURCE BALANCE	-2121	-2450	-2132	-2091	-3638	-4643
8. Net Factor Income	-132	-179	-329	-437	-617	-960
9. Factor Receipts	29	44	63	100	132	154
10. Factor Payments	162	223	392	537	749	1114
11. (M< Interest Paid)	41	78	150	311	451	641
12. Net Current Transfers	964	1134	1635	2476	2997	2893
13. Transfer Receipts	1014	1122	1718	2535	3038	2921
14. Transfer Payments	42	88	83	59	41	28
15. CURRENT BALANCE	-1289	-1495	-826	-52	-1258	-2710
M< CAPITAL INFLOW						
16. Direct Investment	58	52	56	49	119	155
17. Official Grant Aid	-	-	-	-	-	-
18. Net M< Loans (DRS)	309	758	1317	1213	790	1016
19. Disbursements	411	898	1574	1630	1328	1622
20. Repayments	102	140	257	417	538	606
21. Other M< Loans	-341	-715	-615	-400	-72	266
22. Net Credit from IFM	201	83	-53	-41	-146	-52
23. Disbursements	-	-	-	-	-	-
24. Repayments	-	-	-	-	-	-
25. Net Short-Term Capital	-89	-30	228	594	1395	1202
26. Capital Flows NEI	1384	988	-4	-1295	-948	-67
27. Errors and Omissions	-	-	-	-	-	-
28. Change in Net Reserves (- indicates increase)	233	359	-103	-68	120	190

NOTE: Underlying data are from the Central Bank. Lines 16 and 22 are from IFS. Line 25 is from the IMF for the years 1976-77; from the Central Bank for later years. Line 28 is from IMF except for 1981 where the estimate is from the Central Bank. The increase in reserves for 1980 does not include the revaluation of the country's gold stock. The large flows of NEI reflect the increase in net foreign asset position of commercial banks and the change in external credits to the Bank of Portugal. Line 25 includes errors and omissions.

Table 4: TOTAL EXPORTS
(in millions of US Dollars)

	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
<u>Primary Commodities</u>	221.2	343.0	343.2	412.0	565.1	698.4	569.5	589.3	593.8	653.5	825.1	1,307.4
Non-Fuel Primaries	212.7	320.8	320.2	389.9	542.8	632.9	529.9	550.6	560.0	609.4	821.9	1,052.1
Food	147.3	190.0	196.4	240.7	335.6	354.4	311.9	299.9	314.9	364.0	458.8	550.9
Non-Food	49.4	104.0	103.2	130.9	177.5	233.0	184.2	214.2	202.3	198.1	295.6	428.6
Metals & Minerals	16.0	26.7	20.6	18.3	29.7	45.5	33.8	36.5	42.8	47.4	67.5	72.6
Fuels	8.5	22.2	23.0	22.1	22.3	65.5	39.6	38.7	33.8	44.0	3.2	255.3
<u>Manufactures</u>	355.2	606.2	709.4	881.8	1,296.5	1,603.6	1,370.2	1,231.1	1,419.5	1,757.0	2,528.7	3,321.6
Machinery & Transport Equipment	20.1	79.4	102.5	152.4	245.7	292.2	256.1	229.8	299.4	330.4	414.3	617.9
Other Manufactures	335.2	526.8	606.9	729.4	1,050.8	1,311.4	1,114.1	1,001.3	1,120.2	1,426.7	2,114.4	2,703.7
<u>Total Merchandise</u>	576.4	949.2	1,052.6	1,293.8	1,861.7	2,302.0	1,939.7	1,820.4	2,013.4	2,410.5	3,353.8	4,629.0

Table 5: TOTAL IMPORTS
(in millions of US Dollars)

	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
<u>Primary Commodities</u>	396.5	572.5	652.2	802.5	1,126.1	2,017.4	1,851.3	2,043.9	2,281.4	2,256.0	3,111.9	4,490.7
Non-Fuel Primaries	319.1	427.1	495.9	648.6	934.0	1,433.9	1,262.8	1,351.7	1,544.0	1,430.0	1,845.3	2,247.3
Food	152.2	217.1	281.5	383.4	509.8	903.1	891.7	862.2	888.1	864.7	1,106.0	1,269.9
Non-Food	129.4	145.9	150.1	193.8	326.3	358.8	258.9	347.2	443.5	338.5	460.1	618.4
Metals & Minerals	37.5	64.0	64.3	71.4	97.9	172.0	112.3	142.4	212.5	226.7	279.1	359.0
Fuels	77.3	145.4	156.4	153.9	192.1	583.5	588.5	692.2	737.4	826.0	1,266.7	2,243.4
<u>Manufactures</u>	527.1	1,017.3	1,171.6	1,424.7	1,946.7	2,623.2	2,011.7	2,272.1	2,682.6	2,972.6	3,396.8	4,802.2
Machinery & Transport Equipment	250.9	478.4	580.1	759.7	981.0	1,194.3	966.9	1,065.7	1,301.0	1,463.9	1,648.2	2,332.8
Other Manufactures	276.2	538.9	591.5	665.0	965.7	1,428.9	1,044.8	1,206.4	1,381.6	1,508.7	1,748.6	2,469.4
<u>Total Merchandise</u>	923.5	1,589.8	1,823.8	2,227.2	3,072.8	4,646.6	3,863.0	4,316.0	4,964.0	5,228.6	6,508.7	9,292.9

Table 6: PRINCIPAL AGRICULTURAL IMPORTS, 1978-79 AND ESTIMATES FOR 1980 (million escudos)

	1978	1978	1980
Livestock Products			
Meat			
Live animals	222	327	
Beef	908	988	
Pigmeat	46	831	
Canned meat	2	3	
Other	9	81	
Total	1,187	2,230	800
Dairy			
Powdered milk	154	86	
Butter	81	108	
Cheese	102	146	
Other	58	131	
Total	395	471	400
Offals	322	409	400
Total Livestock Products	1,914	3,110	1,600
Plant Products			
Fruit and Vegetables			
Seed potatoes	276	400	
Pulses	141	141	
Tropical fruit	48	119	
Live plants	76	108	
Other	127	192	
Total	668	960	1,180
Coffee, Tea and Spices	1,401	2,177	2,100
Sugar	2,327	2,609	5,350
Cereals			
Wheat	3,769	6,011	
Rye	132	88	
Barley	338	370	
Oats	"	61	
Maize	8,344	12,902	
Rice	670	1,976	
Sorghum	143	697	
Other	30	54	
Total	13,426	22,159	27,900
Flour, etc.	146	60	60
Malt	144	257	260
Seeds and Oilseeds			
Groundnut	1,057	1,192	
Safflower	-	641	
Copra	475	636	
Sunflower	-	2,971	
Soya	-	3,385	
Other	5,057 ^{a/}	657	
Total	6,589	9,482	12,900
Oils and Fats			
Olive oil	298	203	
Palm oil	471	643	
Other	99	154	
Total	868	1,000	550
Other	47	177	200
Total Plant Products	26,946	38,881	50,500
Mainly Processed Products			
Prepared and Canned Meat	9	12	
Sugar Products	10	44	
Cocoa and Chocolate	440	402	
Cereal Products	59	85	
Fruit Preserves	12	21	
Other Preserved Foods	40	48	
Alcoholic Beverages			
Wines	3	956	
Spirits	675	720	
Other	3	5	
Residues for Animal Feed	2,481	2,623	
Tobacco	690	963	
Total Processed Products	4,422	5,879	5,800
Total Food Products and Beverages	33,282	47,870	57,900
Non-Food Products			
Raw and Sawn Timber	1,397	1,414	
Worked Timber	81	52	
Pine Resins and Essences	62	16	
Raw and Worked Cork	86	467	
Paper Paste	372	1,014	
Hides and Leather	1,434	3,367	
Total Non-Food	3,382	6,334	13,100

^{a/} Distribution not stated.

Source: Instituto Nacional de Estadística.

Table 7: PRINCIPAL AGRICULTURAL EXPORTS, 1978-79 AND ESTIMATES FOR 1980

(million escudos)

	1978	1978	1980
<u>Livestock Products</u>			
Live Animals and Meat	31	42	
Dairy Products			
Milk powder	27	86	
Cheese	181	237	
Other	7	22	
Offals	<u>411</u>	<u>555</u>	
<u>Total Livestock Products</u>	657	941	800
<u>Plant Products</u>			
Fruit and Vegetables			
Potatoes	149	79	
Pulses	89	226	
Frozen and dehydrated produce	247	422	
Citrus	5	14	
Fig paste	55	102	
Almonds	323	322	
Pine kernels	53	142	
Chestnuts	236	198	
Apples and pears	21	44	
Dried fruit	4	1	
Other	126	92	
Flour, etc.	142	137	
Carobs	193	432	
Vegetable Oils			
Olive oil	230	384	
Sunflower	-	206	
Soybean	74	496	
Other	185	277	
Other	<u>77</u>	<u>185</u>	
<u>Total Plant Products</u>	2,209	3,759	4,000
<u>Mainly Processed Products</u>			
Prepared and Canned Meat	12	41	
Sugar	90	473	
Cocoa, etc.	42	17	
Cereal Products	84	141	
Fruit and Vegetables			
Olives	119	179	
Tomato concentrate	1,984	2,345	
Peeled tomatoes	24	22	
Fruit preserves	11	13	
Fruit juices	15	25	
Other Preserved Foods	26	78	
Total Processed Products	<u>2,407</u>	<u>3,374</u>	3,700
<u>Alcoholic Beverages</u>			
Ordinary wine	3,077	3,540	
Fortified wine	3,722	5,786	
Spirits	71	122	
Other	53	129	
Total Alcoholic Beverages	<u>6,923</u>	<u>9,577</u>	11,600
Other	89	608	500
<u>Total Processed Products and Beverages</u>	9,419	13,519	15,800
<u>Total Food Products and Beverages</u>	12,285	18,219	
<u>Non-Food Products</u>			
Raw Timber	384	925	
Sawn Timber	2,626	4,675	
Worked Timber	127	482	
Charcoal, etc.	76	158	
Pine Resins and Essencies	2,104	3,090	
Raw Cork	333	446	
Processed Cork	867	1,137	
Paper Paste	3,220	5,804	
Hides and Leather	<u>351</u>	<u>558</u>	
<u>Total Non-Food Products</u>	10,108	17,275	43,000

Source: Instituto Nacional de Estadística.

Table 8: TRADE IN AGRICULTURAL AND FORESTRY PRODUCTS, 1979

	1979		
	Imports	Exports	Balance
Plant Products			
Cereals a/			
Maize	12,902	-	-12,902
Wheat	6,011	-	6,011
Barley	370	-	-370
Sorghum	497	-	-497
Rice	1,976	-	-1,976
Malt	257	-	-257
Other	263	-	-263
Total	22,476	-	-22,476
Cereal Products	85	137	+52
Oilseeds and Meals			
Sunflower	2,971	-	-2,971
Safflower	641	-	-641
Soybean	3,385	-	-3,385
Copra	636	-	-636
Groundnut	1,389	-	-1,389
Other	107	-	-107
Total	9,129	-	-9,129
Vegetable Oils			
Palm	643	-	-643
Olive	203	384	+181
Sunflower	-	206	+206
Soybean	-	496	+496
Other	154	277	+123
Total	1,000	1,363	+363
Seeds			
Carobs	-	432	+432
Other	443	66	-377
Total	443	498	+55
Sugar			
Cane and beet	2,609	451	-2,158
Products	45	22	-23
Total	2,654	473	-2,181
Livestock Products			
Live Animals			
Cattle	63	-	-63
Pigs	64	-	-64
Other Poultry	180	15	-165
Other	19	9	-10
Total	326	24	-302
Meat and Offals			
Beef	988	1	-987
Pigmeat	831	-	-831
Canned Meat	15	48	+33
Offals	409	555	+146
Other	87	10	-77
Total	2,325	614	-1,712
Dairy Products, Etc.			
Fresh milk and cream	35	-	-35
Powdered milk	85	86	+1
Other preserved	35	13	-22
Butter	108	1	-107
Cheese	146	237	+91
Eggs	2	7	+5
Honey	60	-	-60
Total	471	345	-126
Soups, Etc.			
	11	-	-11
Total Livestock Products	3,123	983	-2,140
Wines, Beer and Spirits			
Fortified wines			
Table wines	956	5,786	+4,830
Total	956	9,366	+8,410
Vermouths	-	2	+2
Beer	2	64	+62
Spirits and Liqueurs			
Cognac	8	-	-8
Whisky	252	-	-252
Other	460	122	-338
Total	720	122	-598
Vinegar and Other	3	6	+3
Total	1,681	9,578	+7,897
Horticulture, Etc.			
Tomato concentrate			
	-	2,345	+2,345
Olives			
	-	188	+188
Other vegetables			
Fresh	3	-29	-26
Preserved	89	424	+335
Pulses	141	226	+85
Potatoes	402	79	-323
Other	-	29	+29
Fruit			
Fresh	28	51	+23
Preserved b/	54	141	+86
Citrus	15	14	-1
Tropical	119	-	-119
Nuts	2	697	+695
Plants, Bulbs and Flowers			
	125	58	-67
Other	1	99	+98
Total	381	4,380	+3,999
Tobacco			
	963	-	-963
Residues for Feed Industry c/			
	2,623	386	-2,237
Coffee, Tea and Spices			
	2,177	-	-2,177
Cocoa and Chocolate			
	402	-	-402
Other	46	78	+32
Total Plant Products	43,662	16,752	26,910
Non-Edible Products			
Timber			
Raw	1,326	925	+401
Sawn	88	4,575	+4,587
Worked	52	482	+430
Charcoal	-	158	+158
Total	1,466	6,240	+4,774
Cork			
Raw	467 d/	446	-21
Worked	-	1,137	+1,137
Total	467	1,583	+1,116
Pine Resin and Essence			
	16	2,683	+2,667
Paper Paste			
	1,014	5,304	+4,290
Skins, Hides and Leather			
	3,367	556	-2,811
Total Non-Edible Products	6,330	16,866	+10,536

a/ Includes milling by-products.

b/ Includes fig paste.

c/ Includes some animal by-products.

d/ Includes some worked.

Source: INE, *Estadísticas Agrícolas*, 1979.

Table 9: EXPORTS TO THE EEC (9)

	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
<u>Primary Commodities</u>	119.0 (53.8)	179.2 (52.3)	175.7 (51.2)	210.7 (51.1)	301.6 (53.4)	366.1 (52.4)	279.3 (49.0)	304.2 (51.6)	323.6 (54.5)	344.6 (52.7)	478.3 (58.0)	682.6 (52.2)
Non-Fuel Primaries	114.8 (54.0)	167.1 (52.1)	164.8 (51.5)	201.8 (51.6)	293.1 (54.0)	355.3 (56.1)	272.9 (51.5)	299.1 (54.3)	321.2 (57.4)	344.0 (56.4)	478.2 (58.2)	606.5 (57.6)
Food	75.7 (51.4)	76.8 (40.4)	79.0 (40.2)	102.1 (42.4)	157.1 (46.8)	171.7 (48.4)	127.4 (40.9)	125.4 (41.8)	152.1 (48.3)	175.9 (48.3)	235.2 (51.3)	273.1 (49.6)
Non-Food	26.7 (54.1)	69.5 (66.8)	69.0 (66.9)	86.1 (65.8)	117.4 (66.1)	158.2 (67.9)	121.4 (65.9)	153.4 (71.6)	141.4 (69.9)	136.7 (69.0)	198.4 (67.1)	291.1 (67.9)
Metals & Minerals	12.4 (77.4)	20.8 (77.9)	16.8 (81.6)	12.8 (70.0)	18.6 (62.6)	25.4 (55.8)	24.1 (71.1)	20.3 (55.4)	27.8 (64.8)	31.4 (66.4)	44.6 (66.1)	42.3 (58.3)
Fuels	4.2 (49.8)	12.1 (54.5)	10.9 (47.5)	9.6 (43.6)	8.6 (38.4)	10.7 (16.4)	6.4 (16.2)	5.1 (13.1)	2.4 (7.0)	0.7 (1.6)	- (0.5)	76.0 (29.8)
<u>Manufactures</u>	115.7 (32.6)	218.2 (36.0)	289.8 (40.9)	396.5 (45.0)	603.6 (46.6)	743.4 (46.4)	694.7 (50.7)	632.9 (51.4)	716.8 (50.5)	1,008.3 (57.4)	1,431.7 (56.6)	1,843.9 (55.5)
Machinery & Transport Equipment	2.5 (12.6)	21.0 (26.4)	27.9 (27.2)	48.7 (32.0)	89.1 (36.2)	133.0 (45.5)	142.8 (55.8)	123.9 (53.9)	157.1 (52.5)	222.7 (67.4)	271.1 (65.4)	394.9 (63.9)
Other Manufactures	113.2 (33.8)	197.2 (37.4)	262.0 (43.2)	347.8 (47.7)	514.5 (49.0)	610.4 (46.5)	551.8 (49.5)	509.0 (50.8)	559.7 (50.0)	785.6 (55.1)	1,160.6 (54.9)	1,449.0 (53.6)
<u>Total Merchandise</u>	234.8 (40.7)	397.4 (41.9)	465.5 (44.2)	607.2 (46.9)	905.2 (48.6)	1,109.5 (48.2)	974.0 (50.2)	937.1 (51.5)	1,040.4 (51.7)	1,352.9 (56.1)	1,910.0 (57.0)	2,526.5 (54.5)

(Figures in brackets indicate the EEC share of the total exports of the item in question.)

Table 10: IMPORTS FROM THE EEC (9)

	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
<u>Primary Commodities</u>	77.4 (19.5)	118.1 (20.6)	129.2 (19.8)	145.8 (18.2)	192.9 (17.1)	375.3 (18.6)	277.5 (15.0)	306.7 (15.0)	349.1 (15.3)	382.0 (16.9)	463.6 (14.9)	611.7 (13.6)
Non-Fuel Primaries	59.8 (18.7)	89.1 (20.9)	94.2 (19.0)	112.6 (17.4)	156.5 (16.8)	284.1 (19.8)	200.7 (15.9)	227.2 (16.8)	264.4 (17.1)	274.1 (19.2)	328.6 (17.8)	410.2 (18.3)
Food	20.2 (13.2)	30.4 (14.0)	37.5 (13.3)	44.8 (11.7)	44.7 (8.8)	113.8 (12.6)	101.2 (11.3)	92.5 (10.7)	94.8 (10.7)	98.4 (11.4)	120.5 (10.9)	169.2 (13.3)
Non-Food	19.5 (15.0)	26.0 (17.8)	26.3 (17.5)	32.4 (16.7)	57.3 (17.6)	81.2 (22.6)	49.2 (19.0)	63.8 (18.4)	63.6 (14.3)	62.5 (18.5)	79.1 (17.2)	95.4 (15.4)
Metals & Minerals	20.1 (53.7)	32.7 (51.1)	30.4 (47.3)	35.4 (49.5)	54.5 (55.7)	89.2 (51.8)	50.3 (44.8)	71.0 (49.9)	106.1 (49.9)	113.3 (49.9)	128.9 (46.2)	145.6 (40.6)
Fuels	17.6 (22.7)	29.0 (20.0)	35.0 (22.4)	33.2 (21.6)	36.4 (18.9)	91.2 (15.6)	76.8 (13.1)	79.5 (11.5)	84.7 (11.5)	107.9 (13.1)	135.0 (10.7)	201.6 (9.0)
<u>Manufactures</u>	374.4 (71.0)	649.4 (63.8)	737.7 (63.0)	873.1 (61.3)	1,186.8 (61.0)	1,644.7 (62.7)	1,275.1 (63.4)	1,483.1 (65.3)	1,814.2 (67.6)	2,016.3 (67.8)	2,239.9 (65.9)	3,061.6 (63.8)
Machinery & Transport Equipment	195.8 (78.0)	351.9 (73.5)	404.0 (69.6)	504.0 (66.3)	620.0 (63.2)	770.1 (64.5)	621.4 (64.3)	715.4 (67.1)	929.3 (71.4)	1,045.8 (71.4)	1,125.1 (68.3)	1,569.7 (67.3)
Other Manufactures	178.6 (64.7)	297.5 (55.2)	333.7 (56.4)	369.1 (55.5)	566.7 (58.7)	874.6 (61.2)	653.6 (62.6)	767.7 (63.6)	884.9 (64.0)	970.5 (64.3)	1,114.8 (63.8)	1,491.9 (60.4)
<u>Total Merchandise</u>	451.7 (48.9)	767.5 (48.3)	866.9 (47.5)	1,018.9 (45.7)	1,379.7 (44.9)	2,020.0 (43.5)	1,552.6 (40.2)	1,789.8 (41.5)	2,163.3 (43.6)	2,398.3 (45.9)	2,703.5 (41.5)	3,673.3 (39.5)

Table 11: EXPORTS TO ANGOLA AND MOZAMBIQUE
 (in millions of US Dollars)
 (share of total exports shown in parenthesis)

	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
<u>Primary Commodities</u>	29.8 (13.5)	45.4 (13.2)	39.9 (11.6)	30.8 (7.5)	42.8 (7.6)	44.7 (6.4)	18.9 (3.3)	7.8 (1.3)	4.6 (0.8)	7.9 (1.2)	11.0 (1.3)	27.9 (2.1)
Non-Fuel Primaries	29.0 (13.7)	43.0 (13.4)	38.6 (12.0)	30.2 (7.8)	41.4 (7.6)	37.4 (5.9)	17.2 (3.2)	7.7 (1.4)	4.6 (0.8)	7.7 (1.3)	10.9 (1.3)	27.7 (2.6)
Food	27.8 (18.9)	40.8 (21.5)	37.1 (18.9)	28.8 (12.0)	38.8 (11.6)	34.0 (9.6)	16.0 (5.1)	7.2 (2.4)	4.0 (1.3)	6.7 (1.8)	9.0 (2.0)	26.1 (4.7)
Non-Food	0.6 (1.3)	0.7 (0.7)	0.5 (0.5)	0.4 (0.3)	1.1 (0.6)	1.2 (0.5)	0.7 (0.4)	0.4 (0.2)	0.3 (0.2)	0.6 (0.3)	1.1 (0.4)	0.4 (0.1)
Metals & Minerals	0.6 (3.8)	1.5 (5.7)	0.9 (4.6)	1.0 (5.6)	1.6 (5.5)	2.2 (4.8)	0.5 (1.6)	0.2 (0.4)	0.3 (0.7)	0.4 (0.8)	0.9 (1.3)	1.1 (1.5)
Fuels	0.8 (9.5)	2.4 (10.7)	1.3 (5.7)	0.5 (2.4)	1.3 (5.9)	7.3 (11.2)	1.7 (4.2)	- (0.1)	- (0.2)	0.2 (0.4)	0.1 (2.6)	0.2 (0.1)
<u>Manufactures</u>	98.8 (27.8)	159.5 (26.3)	156.8 (22.1)	123.0 (14.0)	183.9 (14.2)	166.6 (10.4)	99.2 (7.2)	48.5 (3.9)	94.5 (6.7)	92.4 (5.3)	124.4 (4.9)	187.3 (5.6)
Machinery & Transport Equipment	11.2 (56.0)	27.2 (34.3)	30.9 (30.1)	34.4 (22.6)	48.5 (19.8)	32.7 (11.2)	16.2 (6.3)	10.8 (4.7)	9.9 (3.3)	11.7 (3.5)	21.1 (5.1)	25.5 (4.1)
Other Manufactures	87.6 (26.1)	132.3 (25.1)	125.9 (20.7)	88.6 (12.2)	135.3 (12.9)	133.9 (10.2)	83.0 (7.4)	37.6 (3.8)	84.6 (7.6)	80.7 (5.7)	103.3 (4.9)	161.8 (6.0)
<u>Total Merchandise</u>	128.7 (22.3)	204.9 (21.6)	196.7 (18.7)	153.8 (11.9)	226.6 (12.2)	211.3 (9.2)	118.1 (6.1)	56.2 (3.1)	99.1 (4.9)	100.2 (4.2)	135.4 (4.0)	215.2 (4.6)

Table 12: IMPORTS FROM ANGOLA AND MOZAMBIQUE

(in millions of US Dollars)
(share of total imports shown in parenthesis)

	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
<u>Primary Commodities</u>	87.6 (22.1)	134.7 (23.5)	149.5 (22.9)	165.8 (20.7)	209.3 (18.6)	356.9 (17.7)	132.0 (7.1)	78.3 (3.8)	30.9 (1.4)	27.0 (1.2)	53.3 (1.7)	35.1 (0.8)
Non-Fuel Primaries	82.5 (25.8)	131.4 (30.8)	139.6 (28.1)	154.7 (23.8)	187.9 (20.1)	201.8 (14.1)	131.5 (10.4)	78.3 (5.8)	30.9 (2.0)	25.5 (1.8)	53.3 (2.9)	35.1 (1.6)
Food	43.8 (28.7)	71.6 (33.0)	76.5 (27.2)	105.9 (27.6)	112.4 (22.0)	117.9 (13.1)	74.7 (8.4)	43.2 (5.0)	14.8 (1.7)	8.7 (1.0)	15.0 (1.4)	16.2 (1.3)
Non-Food	38.6 (29.9)	56.7 (38.9)	58.7 (39.1)	44.6 (23.0)	72.4 (22.2)	77.7 (21.7)	53.9 (20.8)	34.2 (9.9)	16.0 (3.6)	16.8 (5.0)	38.3 (8.3)	17.7 (2.9)
Metals & Minerals	0.1 (0.3)	3.0 (4.7)	4.3 (6.7)	4.2 (5.9)	3.1 (3.2)	6.2 (3.6)	2.9 (2.6)	0.8 (0.6)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	1.1 (0.3)
Fuels	5.1 (6.6)	3.3 (2.3)	9.9 (6.3)	11.1 (7.2)	21.4 (11.1)	155.1 (26.6)	0.5 (0.1)	0 (0.0)	0 (0.0)	1.5 (0.2)	0 (0.0)	0 (0.0)
<u>Manufactures</u>	30.3 (5.7)	85.6 (8.4)	78.4 (6.7)	78.7 (5.5)	77.6 (4.0)	105.4 (4.0)	47.4 (2.4)	10.9 (0.5)	15.2 (0.6)	0.6 (-)	1.6 (-)	1.2 (-)
Machinery & Transport Equipment	0.3 (0.1)	0.2 (-)	0.3 (-)	0.4 (0.1)	0.4 (-)	0.4 (-)	0.9 (0.1)	0.8 (0.1)	0.2 (-)	0.2 (-)	1.5 (0.1)	1.2 (0.1)
Other Manufactures	30.0 (10.8)	85.4 (15.8)	78.2 (13.2)	78.3 (11.8)	77.3 (8.0)	105.0 (7.3)	46.5 (4.5)	10.1 (0.8)	15.0 (1.1)	0.4 (-)	0.1 (-)	0.1 (-)
<u>Total Merchandise</u>	117.8 (12.8)	220.3 (13.9)	227.9 (12.5)	244.5 (11.0)	286.9 (9.3)	462.3 (10.0)	179.4 (4.6)	89.2 (2.1)	46.1 (0.9)	27.6 (0.5)	54.9 (0.8)	36.4 (0.4)

Table 13: THE 20 MAJOR EXPORT COMMODITIES TO EEC COUNTRIES
(million US dollars)

Commodity	SITC Code	Rank	1980 Value	1970-80 Growth Rate
Clothing	841	1	404.3	63.1
Wine	112	2	161.1	65.8
Textiles nes	656	3	159.5	77.2
Cork Manufactures	633	4	149.5	62.5
Pulp	251	5	134.4	70.2
Vehicles	732	6	106.6	87.6
Shaped Wood	243	7	105.5	87.0
Footwear	851	8	83.4	57.1
Telecommunication Equipment	724	9	81.8	74.5
Petroleum Products	332	10	76.0	29.9
Electrical Machinery nes	729	11	75.5	84.6
Textile Yarn	651	12	66.8	66.4
Chemicals nes	599	13	62.8	75.2
Woven Textiles	653	14	55.3	57.2
Tinned Fish	032	15	54.5	56.1
Paper	641	16	45.8	62.8
Electrical Machinery	722	17	44.7	78.6
Cotton Fabrics	652	18	38.8	36.7
Instruments	861	19	37.6	80.7
Special Textiles	655	20	33.6	51.1

Table 14: THE 20 MAJOR IMPORT COMMODITIES FROM EEC COUNTRIES
(million US dollars)

Commodity	SITC Code	Rank	1980 Value	1970-80 Growth Rate
Vehicles	732	1	383.0	62.3
Non-electric Machinery	719	2	335.4	71.2
Plastic Materials	581	3	188.8	86.7
Organic Chemicals	512	4	166.7	66.6
Electrical Machinery nes	729	5	139.3	67.1
Special Machinery	718	6	121.8	66.7
Textile Machinery	717	7	114.9	68.7
Iron Sheets	674	8	100.5	65.8
Electrical Machinery	722	9	97.0	76.8
Medicinal Products	541	10	94.2	55.4
Agricultural Machinery	712	11	94.2	75.1
Natural Gas	341	12	91.2	84.8
Petroleum Products	332	13	90.6	53.2
Telecommunication Equipment	724	14	82.0	77.6
Textile Yarn	651	15	79.4	51.8
Instruments	861	16	77.0	70.0
Other Chemicals	599	17	74.9	71.7
Woven Textiles	653	18	59.4	78.7
Power Machinery	711	19	59.3	69.5
Iron	672	20	51.2	61.0

Table 15: THE 20 MAJOR EXPORT COMMODITIES TO EFTA, 1980
(million US dollars)

Commodity	SITC Code	Rank	1980 Value	1970-80 Growth Rate
Clothing	841	1	203.4	19.9
Pearls etc.	667	2	107.5	n.a.
Footwear	851	3	40.2	33.3
Textiles nes	656	4	33.8	24.5
Textile Yarn	651	5	25.1	24.5
Cotton Fabrics	652	6	18.9	8.4
Cork Manufactures	633	7	18.7	11.5
Woven Textiles	653	8	18.7	6.5
Wine	112	9	13.6	13.1
Pulp	251	10	12.3	20.8
Telecommunication Equipment	724	11	11.1	6.8
Ships	735	12	10.4	28.8
Tinned Fish	032	13	9.7	9.2
Petroleum Products	332	14	9.4	324.4
Pottery	666	15	9.1	53.3
Special Textiles	655	16	8.9	15.4
Preserved Vegetables	055	17	8.4	11.4
Iron Sheets	674	18	6.6	90.2
Electrical Machinery	729	19	6.0	43.8
Mail	911	20	4.6	21.6

Table 16: THE 20 MAJOR IMPORT COMMODITIES FROM EFTA, 1980
(million US dollars)

Commodity	SITC Code	Rank	1980 Value	1970-80 Growth Rate
Pearls etc.	667	1	93.7	106.2
Vehicles	732	2	65.0	27.1
Fresh Fish	031	3	56.9	21.1
Medicinal Products	541	4	55.7	19.4
Non-electrical Machinery	719	5	43.5	17.5
Paper	641	6	36.2	12.3
Textile Machinery	717	7	25.1	16.7
Textile Yarn	651	8	21.6	8.9
Petroleum Products	332	9	20.8	48.2
Special Machinery	718	10	19.5	15.4
Aluminum	684	11	16.3	16.4
Organic Chemicals	512	12	16.2	25.5
Electrical Machinery nes	729	13	15.2	19.2
Cotton Fabrics	652	14	14.7	8.4
Plastic Materials	581	15	12.6	15.0
Power Machinery	711	16	12.4	22.5
Synthetic Fabrics	266	17	11.9	9.1
Woven Textile	653	18	11.9	20.6
Electrical Machinery	722	19	11.1	15.2
Instruments	861	20	7.8	21.8

Table 17: THE 20 MAJOR EXPORT COMMODITIES TO THE US, 1980
(million US dollars)

Commodity	SITC Code	Rank	1980 Value	1970-80 Growth Rate
Petroleum Products	532	1	48.4	223.5
Cork Manufactures	633	2	25.4	20.4
Wine	112	3	24.4	13.5
Non-electrical Machinery	714	4	14.2	18.4
Tinned Fish	032	5	11.2	5.8
Special Textiles	655	6	9.5	4.0
Clothing	841	7	8.7	5.1
Glassware	665	8	8.1	11.7
Cotton Fabrics	652	9	8.0	20.8
Office Machines	714	10	7.8	15.9
Pig Iron	671	11	7.7	198.1
Metal Manufactures	698	12	6.0	24.1
Metal Ore	283	13	4.5	54.5
Household Equipment	697	14	4.5	11.3
Preserved Vegetables	055	15	3.9	-5.8
Medicinal Products	541	16	3.8	10.7
Pottery	666	17	3.1	15.7
Other Manufactures	899	18	3.0	5.7
Instruments	861	19	2.8	32.0
Footwear	851	20	2.3	13.0

Table 18: THE 20 MAJOR IMPORT COMMODITIES FROM THE US, 1980
(million US dollars)

Commodity	SITC Code	Rank	1980 Value	1970-80 Growth Rate
Corn	044	1	395.5	46.9
Oil Seeds	221	2	103.3	35.5
Wheat	041	3	89.9	17.5
Cotton	263	4	33.8	74.0
Non-electrical Machinery	719	5	27.9	16.4
Plastic Materials	581	6	26.6	29.1
Animal Feed	081	7	23.2	25.5
Aircraft	734	8	21.6	1.7
Office Machines	714	9	20.6	26.7
Electrical Machinery nes	729	10	19.3	21.2
Organic Chemicals	512	11	17.7	17.1
Special Machinery	718	12	16.4	24.4
Coal	321	13	15.1	20.6
Iron	672	14	14.2	15.6
Pulp	251	15	12.3	52.2
Cereals nes	045	16	11.7	83.0
Vehicles	732	17	11.1	24.1
Medicinal Products	541	18	9.9	11.9
Sugar and Honey	061	19	9.3	86.9
Power Machinery	711	20	8.7	11.3

Table 19: THE 20 MAJOR EXPORT COMMODITIES TO SPAIN, 1980
(million US dollars)

Commodity	SITC Code	Rank	1980 Value	1970-80 Growth Rate
Paper Products	332	1	39.5	84.5
Pulp	251	2	14.4	11.7
Rough Wood	242	3	12.6	39.7
Paper	641	4	9.0	106.8
Telecommunication Equipment	724	5	7.1	58.0
Vehicles	732	6	6.9	88.4
Fresh Fish	031	7	6.7	26.1
Metal Tanks	692	8	5.3	30.5
Stoves etc.	273	9	3.8	27.9
Non-electrical Machinery	719	10	3.3	30.6
Veneers	631	11	2.7	9.9
Pig Iron	671	12	2.6	34.2
Clothing	841	13	2.0	55.0
Iron Sheets	674	14	1.7	51.5
Organic Chemicals	512	15	1.7	17.4
Vegetable Oil	421	16	1.5	-99.1
Cement	661	17	1.3	32.1
Special Textiles	655	18	1.3	18.6
Electrical Machinery	722	19	1.2	16.7
Instruments	861	20	1.1	35.1

Table 20: THE 20 MAJOR IMPORT COMMODITIES FROM SPAIN, 1980
(million US dollars)

Commodity	SITC Code	Rank	1980 Value	1970-80 Growth Rate
Vehicles	732	1	43.6	48.8
Non-electrical Machinery	719	2	41.4	25.8
Plastic Materials	581	3	41.3	34.1
Organic Chemicals	512	4	32.4	33.7
Aluminum	684	5	18.3	35.6
Other Chemicals	599	6	16.5	40.8
Iron Shaped	673	7	16.4	27.7
Special Machinery	718	8	14.9	28.4
Other Chemicals	514	9	13.8	27.1
Electrical Machinery nes	729	10	12.8	24.0
Animal Feed	081	11	12.3	24.9
Iron Sheets	674	12	10.6	42.2
Inorganic Chemicals	513	13	10.5	22.5
Petroleum Products	332	14	9.1	10.2
Textile Machinery	717	15	8.8	15.5
Agricultural Machinery	712	16	8.5	25.6
Copper	682	17	8.0	35.9
Fresh Fish	031	18	7.8	-4.7
Electrical Equipment	725	19	6.4	7.8
Textile Yarn and Thread	651	20	6.4	26.8

Table 21: THE 20 MAJOR EXPORT COMMODITIES TO THE FORMER COLONIES, 1980
(million US dollars)

Commodity	SITC Code	Rank	1980 Value	1970-80 Growth Rate
Cotton Fabrics	652	1	30.2	28.6
Metal Products	541	2	18.0	40.9
Clothing	841	3	12.8	2.0
Woven Textiles	653	4	11.9	12.3
Structure and Parts nes	691	5	9.1	64.4
Printed Matter	892	6	8.5	46.1
Soap	554	7	8.0	47.9
Footwear	851	8	7.4	5.1
Non-electric Machinery	719	9	6.4	10.4
Textiles nes	656	10	6.4	3.1
Wine	112	11	5.8	2.4
Metal Manufactures	678	12	4.6	13.0
Tinned Fish	032	13	4.1	4.3
Textile Yarn and Thread	651	14	4.1	4.1
Telecommunication Equipment	724	15	3.0	2.7
Special Textiles	655	16	2.8	4.3
Vehicles	732	17	2.7	2.2
Electric Machinery	722	18	2.6	4.6
Tools	695	19	2.6	16.8
Preserved Vegetables	055	20	2.5	3.7

Table 22: THE 20 MAJOR EXPORT COMMODITIES FROM THE FORMER COLONIES, 1980
(million US dollars)

Commodity	SITC Code	Rank	1980 Value	1970-80 Growth Rate
Cotton	263	1	12.7	4.9
Coffee	071	2	11.8	28.8
Vegetable Fibre	265	3	4.9	18.5
Oil Seeds	221	4	2.1	1.5
Crude Fertilizer	271	5	1.1	4.1
Vehicles	732	6	1.1	0.2
Animal Feed	081	7	0.8	0.6
Sugar and Honey	061	8	0.6	0.4
Fresh Vegetables	054	9	0.1	0.4
Fresh Fish	031	10	0.1	0.1
Power Machinery	711	11	-	n.a.
Non-electric Machinery	719	12	-	n.a.
Textile Yarn and Thread	651	13	-	n.a.
Tobacco	121	14	-	n.a.
Hides and Skins	211	15	-	n.a.
Printed Matter	892	16	-	n.a.
Agricultural Machinery	712	17	-	n.a.
Rubber Articles	629	18	-	n.a.
Snips	735	19	-	n.a.
Toys	894	20	-	n.a.

Table 23: SELECTED INDICATORS OF COMPETITIVENESS 1/

(Indices: 1975 = 100)

	Ratio of Portugal to 16 Industrial Countries Adjusted for Exchange Rate Changes				Ratio of Portugal to EEC Countries Adjusted for Exchange Rate Changes <u>2/</u>			
	Whole-sale Prices	Wholesale Prices in Manufacturing	Consumer Prices	Unit Labor Costs	Whole-sale Prices	Wholesale Prices in Manufacturing	Consumer Prices	Unit Labor Costs
1973	94.3	116.3	92.6	73.1	93.4	115.1	92.5	73.2
1974	98.7	110.9	102.0	89.0	98.6	111.5	102.6	89.8
1975	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1976	101.5	95.4	102.9	100.2	103.0	96.8	104.9	103.2
1977	94.1	82.9	93.9	76.1	94.5	83.1	95.0	78.1
1978	93.7	75.4	85.2	60.0	93.0	74.5	85.3	60.6
1979	92.5	72.5	81.2	53.6	90.7	70.7	79.8	52.8
1980	83.1	78.7	80.0	52.0	80.9	76.1	77.8	50.1
1979								
I	96.7	71.0	79.7	54.6	95.2	69.7	80.7	54.0
II	95.0	77.4	80.4	54.4	93.5	75.8	81.2	53.9
III	90.5	69.7	78.1	53.8	88.3	67.7	78.0	52.6
IV	87.7	71.4	77.0	51.2	85.6	69.3	78.9	49.9
1980								
I	83.3	74.4	79.4	50.5	81.1	72.0	78.9	48.8
II	83.8	78.5	79.1	51.9	81.6	75.9	78.6	50.2
III	82.5	80.6	77.5	53.4	80.3	77.7	76.7	51.2
IV	82.5	80.9	77.3	51.9	80.7	78.3	77.0	50.0
1981								
I	-	-	80.0	-	-	-	80.5	-
II	-	-	81.4	-	-	-	82.8	-

1/ For the purpose of this exercise, the effective exchange rate was calculated on an export trade-weighted basis.

2/ Belgium, Denmark, France, Germany, Italy, Netherlands, and the United Kingdom.

Sources: Bank of Portugal; IMF, International Financial Statistics, and Research Department.

Table 24: IMPORTS BY BROAD FUNCTIONAL CATEGORIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
	<u>VALUES (MILLIONS OF US DOLLARS)</u>											
Capital goods	262	317	397	499	664	486	549	729	854	1042	1920	1930
Intermediate goods	877	982	1163	1696	2511	2086	2415	3004	3083	3874	4240	4111
Fuels	141	156	151	183	570	605	696	726	809	1259	2262	2363
Consumer goods	198	269	360	453	671	507	590	472	411	513	576	6546
Food	60	112	170	180	303	203	263	215	137	184	196	257
Durables	76	88	107	155	204	165	179	164	182	208	131	138
Others	62	69	83	117	164	139	148	93	92	122	231	261
Miscellaneous	108	134	173	198	191	108	74	46	78	96	507	682
Total	1586	1858	2244	3030	4607	3794	4329	4982	5238	6787	9505	9743
	<u>CURRENT VALUE SHARES</u>											
Capital goods	16.5	17.1	17.7	16.5	14.4	12.1	12.7	14.6	16.3	15.3	20.2	19.8
Intermediate goods	55.3	52.8	51.8	56.0	54.5	55.0	55.8	60.3	58.8	57.1	44.6	42.2
Fuels	8.9	8.4	6.7	6.0	12.4	15.9	16.1	14.6	15.4	18.5	23.8	24.3
Consumer goods	12.5	14.5	16.0	14.9	14.6	13.4	13.6	9.5	7.8	7.6	6.1	6.7
Food	3.8	6.0	7.6	5.9	6.6	5.3	6.1	4.3	2.6	2.7	2.1	2.6
Durables	4.8	4.7	4.8	5.1	4.4	4.3	4.1	3.3	3.5	3.1	1.4	1.4
Others	3.9	3.7	3.7	3.9	3.6	3.6	3.4	1.9	1.7	1.8	2.4	2.6
Miscellaneous	6.8	7.2	7.7	6.5	2.8	1.7	0.9	1.4	1.4	1.4	5.3	6.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	<u>INDICES OF UNIT VALUES (1970=100.0)</u>											
Capital goods	100.0	112.2	122.6	128.6	150.8	173.4	195.6	263.8	357.2	444.0		
Intermediate goods	100.0	100.9	102.7	117.8	170.1	186.5	204.4	267.9	321.5	433.7		
Fuels	100.0	104.6	97.6	109.7	181.8	330.8	411.6	551.9	638.0	958.9		
Consumer goods	100.0	109.3	117.5	130.7	161.1	167.5	191.0	248.3	339.7	426.0		
Food	100.0	115.9	122.9	148.7	205.7	188.7	219.8	289.2	357.2	444.7		
Durables	100.0	113.8	122.6	138.7	156.8	175.6	200.6	267.0	365.8	464.6		
Others	100.0	103.6	111.0	118.8	135.8	143.4	150.5	181.6	248.8	316.0		
Miscellaneous												
Total	100.0	102.2	105.1	119.2	172.2	188.7	210.2	271.6	334.9	452.8		
	<u>INDICES OF VOLUMES (1970=100.0)</u>											
Capital goods	100.0	106.1	116.6	127.4	150.2	97.7	112.9	140.7	139.8	152.8		
Intermediate goods	100.0	109.1	121.7	141.3	150.4	116.7	142.0	170.7	167.5	173.7		
Fuels	100.0	104.0	103.5	102.1	128.8	119.1	127.1	125.2	138.5	159.7		
Consumer goods	100.0	122.5	145.9	150.7	188.4	139.8	164.7	128.5	93.8	103.9		
Food	100.0	157.5	216.4	170.5	215.0	160.8	205.9	162.4	97.3	116.9		
Durables	100.0	100.9	108.6	127.5	154.0	113.2	124.1	108.1	100.9	100.7		
Others	100.0	106.1	114.0	139.4	183.1	133.9	150.5	95.6	78.8	91.6		
Miscellaneous												
Total	100.0	112.7	126.9	137.9	150.8	115.8	136.8	154.3	151.0	161.1		

Source: Ministry of Commerce and Tourism, "External Trade", The decade of the 1970s.

Table 25: GROWTH RATES OF INDUSTRIAL COUNTRY IMPORTS FROM PORTUGAL AND
OTHER NEWLY INDUSTRIALIZED COUNTRIES
(Annual Percentage)

SITC	Description	Portugal	Spain	Yugoslavia	Greece	Korea	Taiwan	Singapore	H. Kong	Brazil
A. 1970-80 Growth Rate of Imports										
T	Total Merchandise	20	23	16	23	32	30	34	20	19
0	Food and Live Animals	8	15	6	16	31	18	19	21	16
1	Beverages and Tobacco	18	18	11	8	23	12	76	18	26
2	Crude Materials (excluding fuels)	14	20	11	14	9	17	17	21	17
3	Mineral Fuels etc.	37	13	30	79	-13	14	36	72	29
4	Animal, Vegetable Oil, Fat	3	5	3	25	47	43	-5	18	12
5	Chemicals	18	28	17	20	48	36	54	15	31
6	Basic Manufactures	21	30	12	21	32	29	32	18	28
7	Machines, Transport Equipment	24	36	24	25	45	33	46	24	44
8	Miscellaneous Manufactured Goods	27	21	21	42	33	34	39	20	43
9	Goods Not Classed by Kind	5	15	22	16	19	20	36	14	25
B. Rank of Country by Growth Rates of Imports										
T	Total Merchandise	7	4	9	5	2	3	1	6	8
0	Food and Live Animals	8	7	9	6	1	4	3	2	5
1	Beverages and Tobacco	6	5	8	9	3	7	1	4	2
2	Crude Materials (excluding fuels)	6	2	8	7	9	5	3	1	4
3	Mineral Fuels etc.	3	8	5	1	9	7	4	2	6
4	Animal, Vegetable Oil, Fat	7	6	8	3	1	2	9	4	5
5	Chemicals	7	5	8	6	2	3	1	9	4
6	Basic Manufactures	6	3	9	7	1	4	2	8	5
7	Machines, Transport Equipment	8	4	7	6	2	5	1	9	3
8	Miscellaneous Manufactured Goods	6	8	7	2	5	4	3	9	1
9	Goods Not Classed by Kind	9	7	3	6	5	4	1	8	2

Table 26: SHARES OF INDUSTRIAL COUNTRY IMPORTS FROM PORTUGAL AND
OTHER NEWLY INDUSTRIALIZED COUNTRIES

SITC	Description	Portugal	Spain	Yugoslavia	Greece	Korea	Taiwan	Singapore	H. Kong	Brazil
A. Share of Imports										
T	Total Merchandise	0	1	0	0	1	1	1	1	1
0	Food and Live Animals	0	2	0	0	1	1	0	0	5
1	Beverages and Tobacco	2	3	1	2	1	0	0	0	2
2	Crude Materials (excluding fuels)	0	1	0	0	0	0	0	0	3
3	Mineral Fuels etc.	0	0	0	0	0	0	1	0	0
4	Animal, Vegetable Oil, Fat	0	3	0	1	0	0	0	0	4
5	Chemicals	0	1	0	0	0	0	0	0	0
6	Basic Manufactures	1	2	0	0	2	1	0	1	1
7	Machines, Transport Equipment	0	1	0	0	1	1	1	1	0
8	Miscellaneous Manufactured Goods	1	1	1	1	4	6	1	7	0
9	Goods Not Classed by Kind	0	0	0	0	0	0	1	2	0
B. Rank of Country by Share of Imports										
T	Total Merchandise	9	2	8	7	5	1	6	4	3
0	Food and Live Animals	8	2	6	5	4	3	9	7	1
1	Beverages and Tobacco	3	1	6	4	5	7	8	9	2
2	Crude Materials (excluding fuels)	4	2	5	7	8	6	3	9	1
3	Mineral Fuels etc.	5	3	4	2	9	7	1	8	6
4	Animal, Vegetable Oil, Fat	5	2	6	3	7	8	4	9	1
5	Chemicals	5	1	6	7	3	4	8	9	2
6	Basic Manufactures	6	1	8	7	2	3	9	5	4
7	Machines, Transport Equipment	8	1	7	9	5	2	3	4	6
8	Miscellaneous Manufactured Goods	8	4	6	5	3	2	7	1	9
9	Goods Not Classed by Kind	9	3	6	8	4	7	2	1	5

Table 27: COMPOSITION OF PORTUGAL'S 1980 EXPORTS OF 1-DIGIT SITC COMMODITIES
TO THE WORLD AND TO INDUSTRIALLY ADVANCED COUNTRIES

SITC	Description	Portugal's Exports of the Products as a Percentage of Portugal's Exports of Total Merchandise to											
		World	IAE's	Australia	Bel-lux	Canada	France	Germany	Italy	Japan	Nether-lands	Sweden	United Kingdom
T	Total Merchandise	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
6	Basic Manufactures	31.4	30.4	67.6	31.4	41.7	32.4	26.8	22.7	16.3	16.7	34.1	32.7
8	Miscellaneous Manufactured Goods	20.0	22.3	0.9	14.1	7.0	22.8	24.8	1.1	1.0	24.8	53.5	27.1
7	Machines, Transport Equipment	13.3	14.4	4.2	5.8	3.6	10.3	24.1	42.6	2.4	4.8	4.3	8.0
2	Crude Materials (excluding fuels)	10.4	11.6	9.3	12.2	0.6	13.4	8.6	14.2	35.4	16.7	2.0	15.5
5	Chemicals	6.2	4.8	0.9	11.4	1.2	4.8	6.9	4.4	21.8	8.4	1.2	1.9
0	Food and Live Animals	5.8	5.0	6.7	5.0	31.2	2.5	3.6	10.6	15.7	2.8	1.9	3.8
3	Mineral Fuels etc.	5.5	4.2	0.0	4.6	0.0	1.4	1.8	0.0	0.0	18.5	1.0	1.6
1	Beverages and Tobacco	5.4	6.6	10.1	13.9	14.1	12.1	2.2	4.4	5.9	6.1	1.6	5.0
9	Goods Not Classed by Kind	1.3	0.4	0.2	1.6	0.0	0.0	0.8	0.1	0.1	0.6	0.3	0.2
4	Animal, Vegetable Oil, Fat	0.7	0.2	0.1	0.1	0.7	0.3	0.4	0.0	1.4	0.6	0.0	0.0

Table 28: INDUSTRIAL COUNTRY IMPORTS FROM PORTUGAL AND OTHER COUNTRIES

SITC	Description	Portugal	Spain	Yugoslavia	Greece	Korea	Taiwan	Singapore	Hong Kong	Brazil	LDC	DC	CPE	EEC
A. Commodity Ranked by Its Share in 1980 Imports														
T	Total Merchandise	1	1	1	1	1	1	1	1	1	1	1	1	1
6	Basic Manufactures	2	3	4	3	3	4	6	4	4	4	3	3	3
8	Miscellaneous Manufactured Goods	3	5	2	2	2	2	4	2	6	5	4	5	5
7	Machines, Transport Equipment	4	2	3	9	4	3	2	3	5	7	2	8	2
2	Crude Materials (excluding fuels)	5	7	6	6	7	7	5	6	3	6	8	4	8
1	Beverages and Tobacco	6	8	9	7	8	10	11	11	8	10	10	10	10
5	Chemicals	7	6	8	8	6	6	9	8	7	8	5	7	4
0	Food and Live Animals	8	4	5	4	5	5	8	7	2	3	7	6	6
3	Mineral Fuels etc.	9	9	7	5	11	9	3	9	10	2	6	2	7
9	Goods Not Classed by Kind	10	11	10	10	9	8	7	5	11	9	9	9	9
4	Animal, Vegetable Oil, Fat	11	10	11	11	10	11	10	10	9	11	11	11	11
B. Commodity Ranked by Its 1970-80 Import Growth Rate														
3	Mineral Fuels etc.	1	10	1	1	11	10	6	1	4	2	1	1	1
8	Miscellaneous Manufactured Goods	2	5	4	2	4	3	4	5	2	3	3	2	4
7	Machines, Transport Equipment	3	1	2	4	3	4	3	2	1	1	6	6	8
6	Basic Manufactures	4	2	7	6	5	6	8	8	5	7	7	7	9
T	Total Merchandise	5	4	6	5	6	5	7	6	8	5	5	4	5
5	Chemicals	6	3	5	7	1	2	2	10	3	4	2	3	2
1	Beverages and Tobacco	7	7	9	11	8	11	1	7	6	9	8	8	7
2	Crude Materials (excluding fuels)	8	6	8	10	10	9	10	3	9	11	11	9	10
0	Food and Live Animals	9	8	10	9	7	8	9	4	10	8	9	10	6
9	Goods Not Classed by Kind	10	9	3	8	9	7	5	11	7	6	4	5	3
4	Animal, Vegetable Oil, Fat	11	11	11	3	2	1	11	9	11	10	10	11	11

Table 29: 3-DIGIT SITC COMMODITIES RANKED BY 1980 EXPORT VALUE
(values in thousands of US dollars)

Rank	SITC	Description	Export Growth Rate a/	1970 Export Value	1980 Export Value	Rank by 1970-80 Growth Rate
1	841	Clothing Not of Fur	23	80148	640727	46
2	332	Petroleum Products	28	22067	254557	33
3	112	Alcoholic Beverages	13	69682	244901	93
4	633	Cork Manufactures	20	37315	239276	55
5	656	Textile etc Products nes	25	22559	206632	41
6	251	Pulp and Waste Paper	15	47405	191396	81
7	851	Footwear	28	12593	146030	31
8	732	Road Motor Vehicles	39	4479	121653	15
9	243	Wood Shaped	19	22046	121282	60
10	724	Telecommunications equipment	18	20616	109734	65
11	667	Pearl, Prec-, Semi-P Stone	9	45439	107463	122
12	652	Cotton Fabrics, Woven	10	41461	105783	116
13	651	Textile Yarn and Thread	12	33709	100593	102
14	032	Fish etc. Tinned, Prepared	10	37632	97155	115
15	653	Woven Textiles Noncotton	11	33806	96647	106
16	729	Electrical Machinery nes	21	13470	89271	52
17	599	Chemicals nes	12	27216	83523	99
18	641	Paper and Paperboard	30	5379	72980	25
19	055	Vegetables etc. Preserved, Prepared	6	37718	66935	137
20	655	Special Textile etc. Products	12	21742	65767	100
21	719	Machines nes Non-electric	17	13251	61843	74
22	722	Electric Power Machinery, Switchgear	23	6897	56875	44
23	951	War Firearms, Ammunition	174	2	47046	1
24	861	Instruments, Apparatus	40	1580	46587	13
25	244	Cork Raw and Waste	8	20710	46318	127
26	734	Aircraft	91	71	44831	3
27	541	Medicinal etc. Products	12	13562	44021	97
28	665	Glassware	16	9225	41441	76
29	714	Office Machines	26	4122	41108	38
30	661	Cement etc Building Products	18	7231	38889	63
31	671	Pig Iron etc.	28	3221	37898	29
32	561	Fertilizers Manufactured	17	7829	37780	71
33	698	Metal Manufactures nes	17	7327	35210	72
34	666	Pottery	28	2696	30782	34
35	513	Inorganic elements, oxide, etc.	26	2758	27683	37
36	631	Veneers, Plywood, etc.	21	3893	25366	53
37	735	Ships and Boats	30	1703	24322	23
38	283	Nonfertilizer Base Metal Ore, Conc	9	10461	24261	124
39	421	Fixed Vegetable Oils, Soft	9	10042	23146	125
40	242	Wood Rough	20	3418	21529	56
41	031	Fish Fresh, Simply Preserved	12	6460	20738	98
42	273	Stone, Sand and Gravel	11	7298	20552	108
43	731	Railway Vehicles	27	1839	20536	35
44	697	Base Mtl Household Equipment	14	5525	19821	92
45	892	Printed Matter	28	1598	18523	32
46	657	Floor Cover, Tapestry, etc.	9	7011	17362	119

a/ Annual Percentage Rate.

Table 30: 3-DIGIT SITC COMMODITIES RANKED BY 1970-80 EXPORT GROWTH RATES
(values in thousands of US dollars)

Rank	SITC	Description	Export Growth Rate a/	1970 Export Value	1980 Export Value	Rank by 1970-80 Export Value
1	951	War Firearms, Ammunition	174	2	47046	23
2	241	Fuel Wood and Charcoal	93	13	9546	76
3	734	Aircraft	91	71	44831	26
4	515	Radioactive Etc Material	90	19	11668	65
5	061	Sugar and Honey	78	49	15756	54
6	042	Rice	66	6	962	123
7	285	Silver and Platinum Ores	59	5	521	137
8	072	Cocoa	56	6	521	136
9	211	Hides, Skins, Undressed	48	187	9588	74
10	676	Railwy Raisl Etc Irn, Stl	46	12	539	135
11	013	Meat Tinned Nes or Prepd	43	226	7864	80
12	679	Irn, Stl Castings, Unworked	42	308	9974	72
13	861	Instruments, Apparatus	40	1580	46587	24
14	684	Aluminum	40	235	6702	84
15	732	Road Motor Vehicles	39	4479	121653	8
16	612	Leather Etc Manufactures	38	538	13950	60
17	231	Rubber Crude, Synthetic	36	27	570	133
18	044	Maize, Unmilled	36	1	21	160
19	681	Silver, Platinum, Etc	36	321	6706	83
20	431	Procesd Anml Veg Oil, Etc	35	166	3331	99
21	896	Works of Art Etc	35	23	447	139
22	691	Structures and Parts Nes	32	871	14121	59
23	735	Ships and Boats	30	1703	24322	37
24	284	Non-Ferrous Metal Scrap	30	226	3153	102
25	641	Paper and Paperboard	30	5379	72980	18
26	048	Cereal Etc Preparations	29	762	10062	71
27	674	Irn Stl Univ, Plate, Sheet	29	1268	16613	51
28	891	Sound Recorders, Producrs	29	683	8921	77
29	671	Pig Iron Etc	28	3221	37898	31
30	673	Iron and Steel Shapes	28	1251	14521	58
31	851	Footwear	28	12593	146030	7
32	892	Printed Matter	28	1598	18523	45
33	332	Petroleum Products	28	22067	254557	2
34	666	Pottery	28	2696	30782	34
35	731	Railway Vehicles	27	1839	20536	43
36	894	Toys, Sporting Goods, Etc	27	599	6604	86
37	513	Inorg Elements, Oxide, Etc	26	2758	27683	35
38	714	Office Machines	26	4122	41108	29
39	267	Waste of Textile Fabrics	25	136	1303	119
40	571	Explosives, Pyrotech Prod	25	1599	14684	57
41	656	Textile Etc Products Nes	25	22559	206632	5
42	864	Watches and Clocks	24	274	2399	107
43	821	Furniture	24	1764	14716	56
44	722	Elec Pwr Mach, Switchgear	23	6897	56875	22
45	689	Non-Fer Base Metals Nes	23	23	188	150
46	841	Clothing Not of Fur	23	80148	640727	1

a/ Annual Percentage Rate.

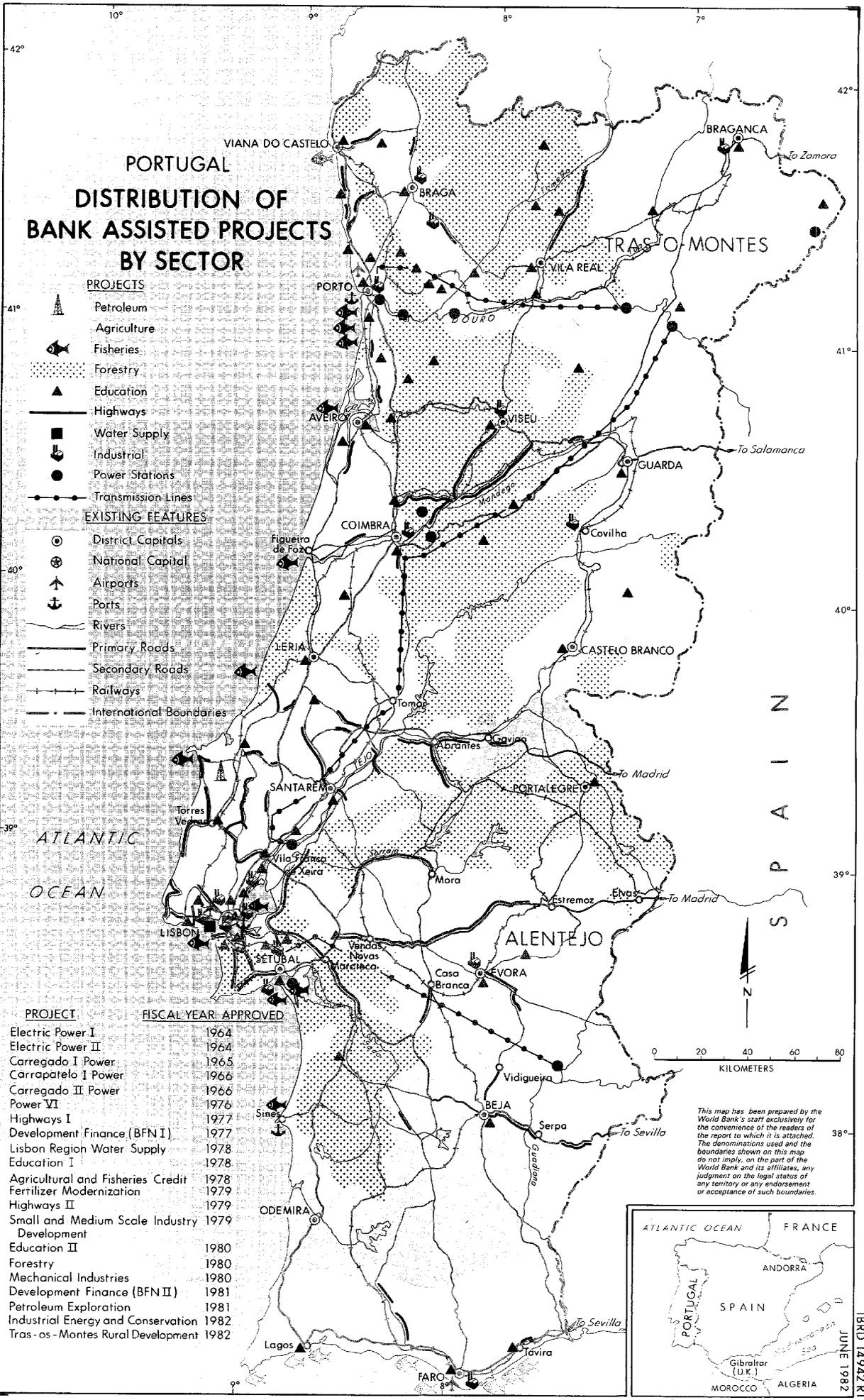
PORTUGAL DISTRIBUTION OF BANK ASSISTED PROJECTS BY SECTOR

PROJECTS

- Petroleum
- Fisheries
- Forestry
- Education
- Highways
- Water Supply
- Industrial
- Power Stations
- Transmission Lines

EXISTING FEATURES

- District Capitals
- National Capital
- Airports
- Ports
- Rivers
- Primary Roads
- Secondary Roads
- Railways
- International Boundaries



PROJECT

FISCAL YEAR APPROVED

Electric Power I	1964
Electric Power II	1964
Carregado I Power	1965
Carrapatelo I Power	1966
Carregado II Power	1966
Power VI	1976
Highways I	1977
Development Finance (BFN I)	1977
Lisbon Region Water Supply	1978
Education I	1978
Agricultural and Fisheries Credit	1978
Fertilizer Modernization	1979
Highways II	1979
Small and Medium Scale Industry Development	1979
Education II	1980
Forestry	1980
Mechanical Industries	1980
Development Finance (BFN II)	1981
Petroleum Exploration	1981
Industrial Energy and Conservation	1982
Tras-os-Montes Rural Development	1982

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