

# **Country**

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# **Questionnaire:**

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# **Portugal**

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**ESD.265 International Logistics**

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***Q1. What are the rough dimensions of the country in miles?***

Portugal is a country of size slightly smaller than Indiana, with a total surface area of 92,391 km sq (35,672 mi sq), of which 91,831 km sq (35,455 mi sq) is land and 440 km sq (170 mi sq) is water. Continental Portugal has 88,790 km sq (34 mi sq) of surface area, the Azores archipelago 2,247 km sq (0.868 mi sq) and Madeira archipelago 794 km sq (306 mi sq). The country has 1,214 km (754 mi) of border with Spain, and a coastline of 1,793 km (1,114 mi).

***Q2. What is the population? What percentage live in the 3 largest cities?***

The Portuguese population is estimated at 10.04 Million people on July 2002, 9.5% of which live in the 3 largest cities:

- Lisbon, with approximately 556,797
- Porto, with approximately 262,928
- Amadora, with approximately 174,788

However, around 30% of the Portuguese population lives on the three main agglomerations of Portugal, according to the Portuguese Institute of Statistics. The population density is 10,725 inhabitants per km sq (27,778 inhabitants per mi sq).

***Q3. What is the predominant language? How widely used is English in business?***

Portuguese is the predominant language. Portuguese is also the main language in business. Major businesses have English training programs for all employees. In addition, English is a common language among managers when foreign businesses are involved.

***Q4. In the last three years have there been any instances of political instability?***

The last three years have been politically stable. Since the establishment of democracy in 1975, Portugal has no boundary disputes with its ex-colonial territories. The EU integration process has been smooth. Small disputes exist with its only neighbor Spain, namely on territorial waters.

***Q5. What is the currency? What is the exchange rate to US dollars? How has it changed in the past two years?***

As of January 1<sup>st</sup> 2002, the official currency is the Euro – EUR - (EU common currency). The previous currency was the Portuguese Escudo – PTE - (1EUR=200.5 PTE). Currently, the Euro exchange rate per US dollar is 1.07. The yearly Euro exchange rate per US dollar has been 1.1324 (January 2002), 1.1175 (2001), 1.0854 (2000), and 0.9386 (1999).

***Q6. What time zones exist in this country? What time is it in the capital when it is noon in Cambridge, MA?***

Two time zones: GMT + 0, and GMT –1 at the Azores and Madeira arquipelagos, add one hour for DST. It would be 5:00pm in the Capital, Lisbon, and 4:00pm at the islands.

***Q7. What unique requirements exist for products sold in this country? (e.g. testing, packaging, language, safety, etc.)***

All products must be marked according to EU directives.

The origin of the product must be printed on the label if the product is foreign or imported. Labels must be written in Portuguese. Usually all products directly sold to the public must have their labels or markings – composition, usage instructions, validity, name and address of the importer - translated into Portuguese. Weights, when marked outside of cases, should be in kilograms (Portugal uses NP EN ISO 9000 Standards).

Gold and other precious metals must be assayed and hallmarked in Portugal by the assayer's office in Lisbon or Porto, being the importation of these articles limited to firms registered in the assayer's office.

There may be special requirements for some products such as pharmaceuticals, detergents, tobacco, fertilizers, alcoholic beverages and foodstuffs containing preservatives and colorings. There are also special requirements for the packaging and labeling of dangerous or toxic products, which must be marked according to the instructions of the UN.

***Q8. What regulations or limitations exist regarding freight transport?***

Boxes must be marked with their weights. In addition, vehicle taxes are periodic (normally annual) taxes levied on vehicles in their country of registration. The minimum rates of taxation for vehicles and vehicle combinations with a total weight of 12 tons and over are specified in the Directive. According to the Directive, the taxes should be differentiated by the vehicle's total weight, axle number and suspension system. There are also road tolls—payments of a specified amount for a vehicle traveling between two points in the infrastructures concerned.

***Q9. Are there saltwater ports which can handle large ships? How far are the major population centers from those ports?***

Active ports and merchant marine. Main saltwater ports include: Aveiro, Funchal (Madeira Islands), Horta (Azores), Leixoes, Lisbon, Porto, Ponta Delgada (Azores), Praia da Vitoria (Azores), Setubal, and Viana do Castelo. Population is close to ports, as exemplified by Lisbon and Porto.

***Q10. What business terms and financial instruments are typically used for import commercial transactions?***

The business terms used for commercial transactions and financial instruments are international. Portugal uses Cost Insurance and Freight (CIF) terms – Import commodities are transacted on CIF terms.

***Q11. How large is a typical supermarket or retail food store (square feet or meters)?***

A typical Portuguese supermarket is about 80 square miles. During the last decade, supermarkets and retail food stores have been increasingly replaced by large hypermarkets of about 800 square miles integrated in large shopping centers. Discount retailers such as Carrefour or Pao de Acucar own these hypermarkets.

***Q12. Do any of the large US discount retailers (Wal-Mart, K-Mart, Toys 'R Us) have stores in this country?***

Wal-Mart and K-Mart have no stores in Portugal, while Toys 'R Us have stores in Portugal (although Babies'R Us is not represented). European discount retailers, such as Carrefour and Makro, also have numerous stores in Portugal.

***Q13. Describe the highway and rail infrastructure. Are they: extensive, moderate, or primitive nationwide?***

Extensive rail infrastructure, estimated on 3600 km (2237 mi) of rail trails. The rail infrastructure connects almost all cities in Portugal, as well as connections with the main Spanish bordering cities.

Moderate highway infrastructure. As estimated in 1999, it includes a total of 68,732 km (42,710 mi) of highways, from which 59,110 km (36,730 mi) is paved (including 495 miles of expressways) and 9,622 km (5,979 mi) are unpaved. Expressways connect main cities from south to North, and the Capital to Spain.

***Q14. How bad is the traffic congestion in the major cities?***

Congestion could be very bad—an average of two hours daily commute at Lisbon and Porto.

***Q15. Which countries are the primary trading partners? For each partner, in which direction is the balance of trade (import or export)?***

Portugal primarily trades with Spain and sister EU countries. According to 2000 estimates, Portugal imports (38 B US\$) more than exports (24 B US\$). Imports, as of 2000, consists of machinery and transport equipment, chemicals, petroleum, textiles and agricultural products – EU 74% (Spain 25%, Germany 14%, France 11%, Italy 7%, UK 6%), US 3%, Japan 3%. Exports, as of 2000, consists of clothing and footwear, machinery, chemicals, hides, cork and paper products – EU 79% (Spain 19%, Germany 18%, France 13%, UK 11%, Benelux 6%) and US 6%.

***Q16. Is security an issue in logistics? Why?***

Security is not an issue in Portugal because the country is relatively safe (theft during transportation and warehouse is usually not a problem logistics) and has no terrorist attacks. However, the European Union is pressing Portugal for higher security measures because of the threat of terrorist attacks elsewhere in Europe.

***Q17. How reliable is the phone system? How long for a consumer to get a phone line installed? How extensive is the mobile phone network?***

Very reliable: state-of-the art network, under a rapid development in recent years. Estimated 5.3 million telephone lines in use on the end of 1998. It takes about four days for a consumer to get a phone installed in a new house, and from one to two weeks for installation in old houses. 30% of the population has mobile phones (1999 estimate – 3,074,194).

***Q18. How many people have internet access?***

Around 46% of the population has internet access. Estimates in 2001 indicated two million internet users, being served by 16 internet providers. However, a fast growth of around 10% per quarter as resulted in a total of nearly 4,718,000 of internet access service customers in the 3<sup>rd</sup> quarter of 2002 (a 55% yearly growth).

At the end of the 3<sup>rd</sup> quarter of 2002, nearly 189,000 customers had broadband internet access (including cable and ADSL accesses), which represents only about 4% of total accesses. 171,000 customers have cable access (cable-modem), which represent about 91% of total broadband accesses.

***Q19. What is the price of regular gasoline, \$ per gallon?***

As of January 2003, the price of regular gasoline per gallon is \$3.75 (.99 cents a liter).

***Q20. What trade restrictions exist? What are the highest import duties – which products and countries of origin? What embargoes exist, if any?***

Portugal has a generally liberal trade, and follows EU regulations and United Nations resolutions on foreign trade. It uses the EU's Customs Coordinating Council Nomenclature (CCCN) for customs duties, which is based on the Harmonized System (HS), comprising maximum and minimum rates. The maximum tariff applies to products from countries that have no signed commercial treaty with Portugal. The minimum tariff applies to products from all countries entitled to most-favored-nation (MFN) treatment (this includes members of the GATT and countries with which Portugal has signed trade agreements, such as the United States). Portugal levies the EU Common Tariff on all non-EU and non-EFTA goods (with the exception of the products affected by the terms of Portugal's accession to the European Community).

Duty rates for agricultural and fishery products are higher than EU Common Tariff rates, but are gradually being adjusted towards the EU standard. There are higher duties on cigarettes, textiles, automobiles, and alcoholic beverages. Although Portugal follows the EU Customs Code and has no prohibited imports, some products are under strict controls such as strategic products, wildlife, hazardous articles, non-sport firearms and ammunition.

As of February 2003, the country has embargoes in place against Indonesia, because of that country's occupation of the former Portuguese colony of East Timor, and Iraq and Libya in accordance with EU sanctions. A EU embargo prohibits exportation of bovine cattle from Portugal and importation of bovine cattle from the UK.

There are no official free-trade zones in Portugal. However, there are free depots and duty-free zones in the autonomous regions of the islands of Madeira and the Azores. Companies established in the Free Trade Zones enjoy several benefits including import/export-related benefits and financial incentives.

***Q21. What customs documents are required for an import shipment? For export?***

The following documents are required for ocean or air cargo: a bill of lading (in either Portuguese or English) or an airway bill, accompanied by two copies of commercial invoices. Commercial invoices need certification by a local chamber of commerce.

Although certificates of origin are not required, they are needed for minimum rates on tariffs. Entry of a textile product can be denied if Portugal or the European Union has an import quota on the product and a license from the country of manufacture is not produced.

Some products, such as food, need special documentation, such as import certificates for agriculture products and international import certificates for strategic products

For exports, Portugal uses a "simplified" system; only an export declaration is needed.

***Q22. How common is “bribery” (US definition) in trade transactions? (normal, infrequent, very rare). What are the legal ramifications?***

Corruption is a relatively limited but enduring aspect of the business culture in Portugal. In Portugal's business culture, well-developed contacts are extremely important because the Portuguese feel this lends confidence and trust to business transactions. Connected advisers are commonly employed to provide this extra measure of support. These intermediaries are often very well paid for their services. Although U.S. firms acknowledge occasional encounters with corruption in the course of doing business in Portugal, they do not identify corruption as an obstacle to foreign direct investment. However, bribery is not infrequent, as exemplified by a bribery scandal involving police and road freight transportation uncovered a few months ago.

Portugal's basic law to combat corruption dates from 1994. The penalties for conviction on corruption charges are one to six years in prison and/or heavy fines, depending on the nature of the crime. Primary responsibility for preventing and prosecuting corruption lies with the Public Prosecutor's Office and the Judicial Police. Portugal signed the OECD Convention on Combating Bribery.

***Q23. How strong are the unions? In what industries are they an important factor? Are they predominantly national or local? What impact do they have on logistics?***

Unions in Portugal are very strong, and are predominantly national (the two main national unions are UGT and CGTP). Portugal is a member of the International Labor Organization and adheres to the ILO conventions protecting labor rights. Current legislation protects in great extent labor, and unions have traditionally opposed through strikes to new legislation. In recent years, labor/management relations in the private sector have been generally good. Strikes in this sector are relatively rare, except in the mining sector. Labor disruption is more common in the large public sector, especially in the transportation sector (namely air and land transportation). Therefore, unions have a great impact on logistics.