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Neste artigo são estudadas as relações entre comércio internacional, integração e crescimento, à luz da experiência portuguesa de integração na União Europeia. Construindo modelos gravitacionais, investiga-se a influência da dimensão tanto dos países exportadores como importadores, bem como do seu processo de integração, sobre o volume do seu comércio, a dois níveis distintos. Por um lado, considera-se o comércio bilateral entre Portugal e a CE-12, nomeadamente as exportações portuguesas. Por outro lado, analisam-se blocos comerciais, ressaltando o carácter de bloco comercial por excelência da CE-12. O estudo empírico — painel com efeitos fixos — em geral confirma as previsões teóricas.

Dans cet article on met en rapport le commerce international, l'intégration et la croissance, à la lumière de l'expérience portugaise d'intégration dans l’Union Européene. En utilisant des modèles gravitacionaux, on recherche l'influence de la dimension des pays exportateurs et des pays importateurs, aussi que de sa intégration, sur le volume de son commerce, et ça selon deux perspectives. D'abord, on étudie le commerce bilatéral, c'est à dire, des exportations portugaises pour la CE-12. D'autre part, on analyse des blocs commerciaux, parmi lesquels la CE-12 apparaît comme le plus parfait. Les données empiriques sont la confirmation des postulats théoriques.

This paper studies the links between trade, integration and growth through the mirror of the Portuguese experience of integration in the European Union. A gravity model framework is used to investigate the influence of both exporting and importing countries dimension and of their integration over the volume of trade at two different levels. First, the bilateral trade between Portugal and EC-12 is analysed, namely Portuguese exporting performance. Then this work focuses on trade within regional trading blocs. Here EC-12 is compared with two other country groups and is proved to perform better as a natural trading bloc. The theoretical predictions are generally confirmed by the empirical study, carried out through pooled least squares with fixed effects.

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1 Research paper presented at the Katholieke Universiteit Leuven for the Master of Science in Economics, under the supervision of Prof. Filip Abraham.
It is not a coincidence that the smallest economies are also the most open. If we accept that demand determines supply, the lack of market dimension may work as a growth constraint. In this sense, small economies, with small internal markets, tend to turn to external markets as a complement of the dimension they need to expand their economies.

Portugal is no exception. The internal market scarcity has been felt at two levels: the number of potential consumers and their low purchasing power. The former would not increase much and the latter was expanding slowly. Therefore, greater openness was unavoidable and since 1960 Portugal engaged on an export-led growth strategy that evolved throughout the last (almost) four decades. Such strategy is assumed to have three main determinants we deal with in this paper.

First, the country’s own potential. Portugal needed to find its comparative advantages and the factors in which it differentiated from its main competitors. It had to transform itself into a fully industrialised nation and make its way to European markets. This involved turning away from primary exports and promoting industries based on low cost labour (textiles, leather, electronics, cars) and abundant raw materials (food processing, cork, marbles).

Second, the growth of Portugal’s main trading partners. When a country engages on export-led growth, the existence of sound markets is crucial for the strategy’s success. This is moreover true in the Portuguese case, since external markets have served as a complement to the scarce internal market.

Third, the integration in trade blocs. From the very beginning Portugal participated in the process of European integration. It joined EFTA in 1960, signed a free trade agreement with EC in 1972 and became a full member in 1986. It is also a member of the former GATT and of OECD.

The objective of this paper is to study the links between trade, integration and growth through the mirror of the Portuguese experience of integration in EC. We use the gravity model framework to investigate if, when, and how the three factors previously mentioned have determined the volume of trade at two different levels. We first look into bilateral trade between Portugal and EC-12, namely Portuguese exporting performance. Then we deal with trade within regional trading blocs. Here EC-12 is compared with two other country groups and is proved to perform better as a natural trading bloc.

The analysis of the empirical results presented in the paper is based upon Linnemann (1966) and Linder’s (1961) gravity model. Tinbergen (1962) also set up such a model. The gravity model is motivated by the fact that in the presence of differentiated products and economies of scale the volume of trade depends on relative country size, as claimed by Krugman (1979; 1981), Lancaster (1980), Helpman (1981) and Helpman and Krugman (1985). Theoretical support for the gravity model can also be found in Learner and Stern (1970), Cochrane (1975), Anderson (1979) and Bergstrand (1985; 1989).

A great number of empirical studies has been done using the gravity model. We can point out Tinbergen (1962), Pollins (1989), and Summary (1989) in what concerns the influence of politics on trade variables. The effect of exchange rate variability is studied by Hooper and Kohlhagen (1978), Abrams (1980), Cushman (1983) and Thursby and Thursby (1985). Hummels and Levinsohn (1993) provide empirical testing of the theory using a country-pair based approach. The importance of regional integration for trade flows is studied by Aitken (1973), Balassa (1975), Jacquemin and Sapir (1988), Bayoumi and Eichengreen (1995) and Abraham, Buyst and Geysens (1997). In addition, it is especially interesting to mention the work of Mendes (1986; 1987) on the effects of integration on economic growth, with a focus on the Portuguese economy (see Mendes et al., 2 These two groups are Portugal’s main trading partners and EC-15, plus USA, Canada and Japan. The samples build-up is described in more detail further in the paper.)