



## INVESTMENT CLIMATE

### OPENNESS TO FOREIGN INVESTMENT

The Portuguese Government promotes foreign investment in Portugal through a government agency, ICEP (Investment, Commerce and Tourism). The country maintains a simple, post facto registration regime for foreign investment. On the Portuguese mainland, foreign investors need only register with ICEP within thirty days from the day they make their investment. For investments in Madeira or the Azores, investors need to register with the Regional Secretariat of Planning and Finance.

The Portuguese government recently announced plans to reform ICEP, the federal government agency responsible for promoting exports, investment and tourism. This reform will merge some functions of ICEP and of IAMPEI (Institute for Aid to Small and Medium Enterprises and for Investment) into a new agency called API, which will be responsible for managing the "one-stop shop" system of foreign investment and selected major domestic investments. ICEP's tourism function will, likewise, be transferred to another organization, leaving ICEP responsible solely for the promotion of exports. A timetable has not yet been announced for this transition.

Under Portuguese law, foreign direct investment is defined as an act or contract which obtains or increases enduring economic links with an existing Portuguese institution or one to be formed. In addition to the usual definitions of investment, these acts can include long-term loans (5 years or more); subscription for acquisition of 10 percent of a Portuguese company; acquisition of shareholdings in a Portuguese company in which non-residents hold at least 20 percent of the share capital; or other types of transactions, such as supplemental capital contributions or technical agreements in which the licensor holds the capital of the Portuguese licensee.

Foreigners are allowed to establish themselves in almost all economic sectors open to private enterprise. However, investments which may affect public health or security or which relate to the arms industry require the prior approval of government authorities. Also, Portugal restricts non-EU investment in regular air transport to 49%, and restricts non-EU investment in television operations to 15% (by a single non-EU investor). It subjects complementary telecommunications services to licensing and restricts non-EU investors' participation in the capital of complementary telecommunications operators to 25%. Portugal also restricts foreign investors' participation in the capital of public service telecommunications operators to 25%.

Finance/Insurance: The creation of new credit institutions or finance companies, acquisition of a controlling interest in such financial firms, and establishment of subsidiaries require authorization by the Bank of Portugal (for EU firms) or the Ministry of Finance (for non-EU firms). In both cases, the authorities take prudential considerations into account, but in the case of non-EU firms, the Ministry of Finance also considers the impact on the efficiency of the financial system and the internationalization of the economy. Foreign insurers from non-EU countries seeking to establish an agency in Portugal must post a special deposit and financial guarantee and must have been authorized for such activity for at least five years.

Foreign Workers: Foreigners who want to work in Portugal are required to obtain a work permit and a residence permit. Companies employing more than five workers must limit foreign workers to 10% of the workforce. Companies can request exceptions to this limit if the foreign workers have special technical expertise. Workers from other EU countries are not included in this limitation. EU workers must obtain a residence card for EU nationals but are not required to have work permits. Non-EU workers are required to have both a residence visa and a work permit.



## **CONVERSION AND TRANSFER POLICIES**

Portugal maintains no current or capital account restrictions, and no restrictions on profit remittances. Foreign exchange is easily obtainable. Portugal and 11 other European countries currently comprise the European Monetary Union, which has adopted a new single currency, the Euro. The Portuguese Escudo was been discontinued as a currency in February 2002.

## **EXPROPRIATION AND COMPENSATION**

There have been no cases of expropriation of foreign assets or companies in Portugal in recent history, nor is there concern for future expropriation. In the past, however, at least one U.S. firm claimed that the retroactive application of environmental/zoning standards denied it the right to build a hotel on property purchased for that reason. The firm was never able to win its claim in court (see post's Investment Disputes and Expropriation Claims report).

## **DISPUTE SETTLEMENT**

The Portuguese legal system is slow and ineffective, with cases taking years, if not decades, to be resolved. Portugal does accept, however, binding arbitration of investment disputes between foreign investors and the state. It is a member of the International Center for the Settlement of Investment Disputes (ICSID), also known as the Washington Convention and/or the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards.

## **PERFORMANCE REQUIREMENTS/INCENTIVES**

Portugal offers a number of incentives to foreign investors. For the period 2000-2006, the country has adopted an "Economic Operation Plan" (POE) with the objective of reinforcing the productivity and competitiveness of existing businesses and promoting new areas for development. The POE will cost an estimated 10.6 billion Euros over that period. Of that sum, an estimated 4.9 billion Euros will be used for direct financial incentives for companies.

The financial incentives are designed to stimulate investment in industry, trade, construction, tourism, and services such as transportation, business services, information technology and audiovisual. The incentives are also targeted towards investments in the poorer regions of the country, such as the Alentejo and Tras os Montes, towards investments in small and medium-sized enterprises, and towards entrepreneurs under 35 years of age.

The principle incentive scheme, which goes under the acronym SIME (System of Incentives for Modernization), covers investments larger than 150,000 euros. The incentives consist essentially of tax-free loans and grants for a percentage of qualifying investments. The incentives apply differently to three different categories of investments:

For tangible investments, such as buildings, equipment and technology transfers, the loan can range from a base of 30%, to as much as 60% of the investment depending on factors such as the location of the investment, the size of the company, the age of the entrepreneur, etc. In addition, on successful completion of the project, a portion of the loan may be forgiven, ranging from 15% for large companies in the Lisbon region, to 60% for small companies in the less-developed regions of the country.



For certain preferred intangible investments, such as research and development and employee training, SIME can provide non-reimbursable grants equal to 30-70% of the investment.

Finally, to encourage international competitiveness of companies in Portugal, SIME offers interest free loans of 30-60% of these companies' overseas investments.

Projects will compete for SIME funding under three criteria: 1) sectoral merit, such as the degree of innovation, the quality of jobs created, and international competitiveness; 2) economic impact of the project, including return on capital and its investment profile, and; 3) the risk profile of the project.

A second incentive scheme for small projects (less than 150,000 Euros) goes under the acronym SIPIE. The incentives under SIPIE consist of direct grants equal to 40-45 % of eligible investments. Competition for these grants is based on a point system, weighted on such factors as priority investments, investment in underdeveloped regions, job-creation and the company's own stake in the project. Both SIME and SIPIE have a number of other criteria. Interested parties should contact ICEP for more details.

In addition to these two programs, Portuguese decree law number 401/99, published on October 10, 1999 establishes tax credits for Portuguese companies which invest abroad. Companies that invest abroad in manufacturing, tourism, agriculture, fish farming, livestock, forestry, construction, wholesale and retail trade, environment, energy, telecommunications, transport, information technology, audiovisual and multimedia may qualify for tax credits of 10 percent. The credit can be increased by 5% for investments in the EU, Lusophone Africa or Brazil, and another 5% for small and medium sized enterprises.

Taxes: Portugal has one of the lowest corporate tax rates in the EU, with rates on the Portuguese mainland set at 32%, and an additional municipal tax in certain areas of up to 3.2%. Other tax regimes are in place for the country's autonomous regions, the islands of the Azores and Madeira. Personal income taxes are 17.8%.

Portugal also offers a number of special corporate income tax regimes in which businesses either pay reduced corporate income tax rates, are exempted from certain taxes altogether, or are able to artificially inflate tax deductible allowances so as to reduce taxable profits. For example, companies can deduct from 108 to 130 percent of their research and development costs from taxable profits. Micro-business whose turnover does not exceed USD 140,000 in either the year of their creation or in each of the previous 2 tax years can qualify for either a 15% corporate income tax (if it is set up in an inner city area in need of urban regeneration) or an exemption from the corporate income tax (if at least 75 percent of its shares are owned by young people and its establishment has resulted in net job creation). They can also qualify for artificial tax credits and exemptions from capital transfer taxes. Tax incentives also exist for major inward investment projects, and capital gains are not taxed if reinvested within three years.

## **RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT**

Private Ownership/Enterprise: Private ownership is limited to 49% in the following sectors: basic sanitation (except waste treatment); international air transport; railways; ports; arms and weapons manufacture; and airports. The government requires private firms to obtain concessions, contracts, and licenses to operate in a number of sectors (public service television, waste distribution, and waste treatment), but grants these on a non-discriminatory basis. Foreign firms have the right to establish themselves in all economic sectors open to private enterprise. However, domestic ownership of several sectors, including banking and petroleum refining, receives strong preference. Foreign investments that affect public health, order or security, or which relate to the arms industry, require prior approval of the competent authorities.



Competitive Equality: Decree-law No. 371/93, of October 29, 1993, governs protection and promotion of competition in Portugal. It specifically outlaws collusion between companies to fix prices, limit supplies, share markets or sources of supply, discriminate in transactions, or force unrelated obligations on other parties. Similar prohibitions apply to any company or group with a dominant market position. The law also requires prior notification of the government of mergers or acquisitions which would serve to give one company more than 30% market share in one sector or among entities which had total sales in excess of USD 150 million in the preceding financial year. The law is administered by the Directorate General for Competition and Prices (Ministry of Economy) and the Council of Competition, which is appointed by the Prime Minister.

Under EU agreements, the European Commission may claim authority on cross-border competition issues or those involving entities large enough to have a significant EU market share. In 1999, there was a well-publicized dispute between Portugal and the European Commission over the attempted takeover of a Portuguese banking group by a Spanish bank, Banco Santander Centro Hispano (BSCH). Despite protests by the EC, the Government of Portugal effectively blocked the transaction for 5 months, and ultimately negotiated a deal in which BSCH took control of part of the group and the remainder was purchased by the Portuguese state-owned bank, Caixa Geral de Depósitos (CGD).

Privatization Program: Portugal has engaged in a wide-ranging privatization program that has generated approximately USD 24 billion in proceeds between 1989 and 1999. The government used the bulk of these proceeds to reduce public debt. Privatization involves selling off government shares in state-owned companies, typically in a series of share offerings. These share offerings often include private transactions, usually to attract a "strategic partner" as an equity holder, and public offerings.

Major privatizations in 1999 included sales of interest in Soporcel (paper), Portugal Telecom (telecommunications), and Brisa (toll-road concessionaire). In 2000, an additional trench of EDP (electricity) was sold, as well as an initial public offering for Papercel (paper). Partial privatization of OGMA (military components), GALP (petroleum refining and marketing, natural gas distribution), Cimpor (cement), TAP (airline), ANA (airport management), as well as transportation and water systems are planned. In addition, additional trenches of stock of Portugal Telecom and Brisa are expected.

As a result of Portugal's privatization program, the share of GDP attributable to state-owned companies fell from 19.7% in 1988 to 8% by the end of 1997. Similarly, state-owned companies' share of total employment fell from 5.5% to 2.6% over the same period.

## **PROTECTION OF PROPERTY RIGHTS**

Trademark Protection: Portugal is a member of the International Union for the Protection of Industrial Property (WIPO) and a party to the Madrid Agreement on International Registration of Trademarks and Prevention of the Use of False Origins. Portugal's current trademark law entered into force on June 1, 1995. The law, however, is not considered to be entirely consistent with the terms of the trade related intellectual property provisions of GATT (TRIPS).

Copyright Protection: Portugal is finishing the process of adopting EU directives in the form of national legislation. Of 25,000 pages of EU code, some four to five thousand have yet to be adopted. Progress is steady, and no known legal problems have emerged in the meantime. In all cases where a discrepancy between Portuguese and EU law has been pointed out, Portuguese authorities have agreed to implement the relevant Community law provisions.

Patent Protection: Currently, Portugal's patent protection is afforded by the Code of Industrial Property that went into effect on June 1, 1995. In 1996, new legislation was passed to extend the life of then-valid patents to 20 years, consistent with the provisions of TRIPS. The current code, however, remains



inconsistent with TRIPS in certain regards. A new industrial property code has been drafted and is currently open for public comment.

### **TRANSPARENCY OF THE REGULATORY SYSTEM**

In the past, one of the most common complaints by American companies wishing to invest in Portugal was the prevalence of bureaucratic red tape. Decision-making tends to be overly centralized and obtaining government approvals or permits can be time-consuming and costly, particularly for small- and medium-sized foreign investors and entrepreneurs. Some U.S. firms report substantial delays and red tape in accomplishing such basic tasks as registering companies, filing taxes, receiving value-added tax refunds, and importing vehicles. To counter these problems, Portugal has created "Formality Centers" for companies. These are intended to act as one-stop shops where all the bureaucratic and administrative procedures necessary to register companies are carried out quickly and efficiently. Part of this reform includes a network in which a single point of contact in each agency will help U.S. companies shepherd their investments through the system.

### **EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT**

With European monetary integration, Portugal is increasingly incorporated into a European-wide financial market. As a member of the Euro-zone, Portugal now offers low exchange rate risk for foreign investors, interest rates comparable to other EU countries and a greater availability of credit. In addition to bank lending, the private sector has access to a variety of credit instruments, including bonds. Legal, regulatory, and accounting systems are consistent with international norms.

The new Portuguese capital markets code (the CVM) came into effect on March 1, 2000. According to one legal group here, the CVM has gone a long way to rationalize and streamline Portuguese capital markets legislation. In one area, pertaining to the definition and regulation of financial intermediaries, the CVM appears to have put greater regulation on the activities of stockbrokers and investment advisors. Although the Lisbon Stock Market (Bolsa de Valores Lisboa or BVL) is one of the smaller markets in Europe, total capitalization has grown rapidly (from 29% of GDP in 1987 to more than 99% of GDP in 1998). The Lisbon Stock Market has also recently been integrated into Euronext, a joint stock market including the Amsterdam, Brussels, Paris, and London Markets. The Oporto Stock Exchange deals in derivatives, essentially futures and options contracts on financial instruments.

As of mid-year 2002, Portugal had around 40 banks. The largest five bank groups, however, accounted for 75% of the sector's total assets. Nevertheless, Portugal's banking sector continues to undergo consolidation in order to create banks large enough to compete in an EU marketplace. The country's largest bank, Caixa Geral de Depositos (CGD), is still fully controlled by the Portuguese Government. That accounts for its heavy focus on domestic markets. The net revenues of the four largest private banks – Grupo BCP (Banco Comercial Portugues); Banco Espirito Santo (BES); Grupo Totta which includes Banco Totta & Acores (BTA), Credito Predial Portugues (CPP), and Banco Santander; and Banco Portugues de Investimento (BPI), totaled 900.3 million Euros at the end of the third quarter of 2001. This represented growth of 23.45 percent over the second quarter of 2001.

In addition to banks and stock markets, Portugal has taken specific steps towards assisting the financial needs of small and medium sized enterprises (SME's). Portugal's Institute for Supporting Small and Medium-sized Enterprises and Investment (IAPMEI) has promoted a program of mutual guarantees so that SME's do not have to use their assets or those of their shareholders to collateralize debt. The companies pay an initial evaluation fee and an annual fee equal to 0.75-3.00 percent of the guarantee. Between 1995 and 1999, 286 such loans were approved. IAPMEI has also supported the



creation of 11 venture capital funds and 9 venture capital companies, which will channel capital to SME's.

## POLITICAL VIOLENCE

There have been no incidents involving politically motivated damage to projects and/or installations. Potentially destructive civil disturbances are not likely.

## CORRUPTION

Corruption is a relatively limited but enduring aspect of the business culture in Portugal. The "2001 Corruption Perceptions Index" published by Transparency International, ranked Portugal 25th out of a total of 99 countries considered (listed from least corrupt to most corrupt). Within the EU, Portugal ranked 13<sup>th</sup> out of 15 countries on the list. Both rankings were slightly worse than in the previous year's survey. (As a point of comparison, Transparency ranked the U.S. 16<sup>th</sup> out of 99 countries considered.) 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.

Portugal has ratified the OECD Anti-bribery Convention, but has not yet passed legislation to bring its criminal code into compliance with the Convention. It has, however, had an extensive anti-corruption law on the books since September of 1994.

## BILATERAL INVESTMENT AGREEMENTS

As of June 1999, Portugal had bilateral investment treaties with twenty-five countries.

<b>Country</b>	<b>Signed</b>	<b>Publication</b>	<b>Entry in Force</b>
Germany	09/16/80	07/08/81	04/23/82
Morocco	10/18/88	03/01/90	03/22/95
Cape Verde	10/26/90	04/26/91	10/04/91
China	02/03/92	07/23/92	12/01/92
Guinea-Bissau	06/14/91	10/08/92	04/08/96
Hungary	02/28/92	10/30/92	10/08/97
Poland	03/11/93	10/09/93	08/03/94
Romania	11/17/93	07/26/94	12/06/94
Czech Rep.	11/12/93	07/21/94	08/03/94
Brazil	02/09/94	08/10/94	--n/a--
Tunisia	05/11/92	11/17/94	12/06/94
Venezuela	06/17/94	04/15/95	05/11/95
Peru	11/22/94	07/15/95	10/02/95
Russian Fed.	07/22/94	07/21/95	--n/a--
Argentina	10/06/94	08/08/95	05/03/96
Mozambique	09/01/95	05/28/96	--n/a--
South Korea	05/03/95	05/28/96	09/30/96
Pakistan	04/17/95	10/11/96	11/28/96
Letonia	05/27/95	05/20/97	07/17/97
Rep. Of Croatia	05/10/95	06/20/97	11/27/97



Sao Tome & Principe	05/12/95	07/18/97	--n/a--
Slovakia	07/10/95	09/08/97	--n/a--
Chile	04/28/95	12/24/97	02/05/98
Uruguay	07/25/97	12/30/97	--n/a--
Slovenia	05/14/97	01/24/98	--n/a--
Mauritius	12/12/97	07/22/98	07/27/98
Cuba	07/08/98	12/04/98	--n/a--
Angola	10/24/97	12/17/98	12/22/98
Albania	09/11/98	05/12/99	--n/a--

### DOUBLE TAXATION TREATIES:

U.S. companies benefit from the U.S.–Portugal tax treaty, which protects U.S. investors from double taxation and extends exceptional tax reductions on profits and capital gains to investors. It reduces the withholding tax rate for the Portuguese-source income of non-residents to 15% for dividends and 10% for interest and royalties. The double tax treaty does not apply to Madeira. Other countries with which Portugal has double taxation treaties include:

Maximum Rate

<b>Country</b>	<b>Dividends</b>	<b>Interest</b>	<b>Royalties</b>
Austria	15	10	5/10
Belgium	15	5	5
Brazil	15	15	10/15
Bulgaria	10/15	10	10
Cape Verde	10	10	10
China	10	10	10
Czech Republic	10/15	10	10
Finland	10/15	15	10
France	15	12	5
Germany	15	10/15	10
India	15	10	10
Ireland	15	15	12
Italy	15	15	12
Luxembourg	10	15	10
Macao	10	10	----
Morocco	15	12	10
Mozambique	15	10	10
Netherlands	10	10	----
Norway	10/15	15	10
Poland	15	10	10
Romania	15	10	10
South Korea	10/15	15	10
Spain	10/15	15	5
Switzerland	10/15	10	5
Tunisia	15	10	----
United Kingdom	10/15	10	5
Venezuela	10	10	10/12



## OPIC AND OTHER INSURANCE PROGRAMS

Portugal is rightly perceived as a country with low political risk, and the potential for significant OPIC insurance programs in Portugal is limited. Portugal is a member of the Multinational Investment Guarantee Authority (MIGA) of the World Bank.

## LABOR

The historically low Portuguese unemployment rate was only 3.8% in the second quarter of 2000, considerably below EU averages. According to studies by ICEP, Portugal also has the lowest labor costs in the EU. In 2000, Portugal's manufacturing labor costs were \$4.75 per hour, less than one-fourth of what they are in the United States and less than one-fifth of what they are in Germany.

While Portugal's labor costs are low, so too is its labor productivity. Portugal has the lowest output per hour worked among the EU countries, and the situation has only worsened in recent years. According to the "World Competitiveness Yearbook," Portugal fell from 29<sup>th</sup> to 33<sup>rd</sup> place between 1998 and 2002. The BBC also reports that Portuguese spend more time at work than their EU brethren, but tend to get less of a return on that time. The *Financial Times* reports that Portugal's output per hour is about half that of U.S. workers. (Portugal's per capita GDP is also about half that of the U.S.) For comparison, Spain's output is 76 percent of U.S. levels, the UK's is 80 percent, and Ireland's is 98 percent. Between 1995 and 2001, however, Portugal's productivity growth rate was as high or higher than the U.S.

Another common complaint made by U.S. investors is that the Portuguese labor market is overly rigid. Portuguese labor law explicitly defines the conditions under which an employer can hire and fire workers. The dismissal of an employee, for example, is allowed only when his behavior makes it impossible to allow him to continue in the job. Furthermore, there are a number of restrictions on part time or temporary employment contracts.

Labor strikes and work stoppages in Portugal, as in much of Europe, are much more common than in the United States. Fortunately, most strikes are of short duration. Moreover, the Socialist and the Communist labor unions are the only ones officially allowed to call for strikes. Over the last year, work stoppages have been much more common among public sector workers than those in the private sector. Portugal is a member of the International Labor Organization and adheres to the ILO Conventions Protecting Labor Rights. Portugal signed and ratified ILO Convention 138, which establishes a minimum employment age of 15 for all economic sectors. Since January 1, 1997, Portugal's legal minimum working age (except for light work) has been 16.

## FOREIGN TRADE ZONES/FREE PORTS

Portugal has two foreign trade zones/free ports in the autonomous regions of the islands of Madeira and the Azores. These foreign trade zones/free ports were authorized in conformity with EU rules or incentives granted to member states. The authorized activities are industrial and commercial activities, international service activities, trust and trust management companies and offshore financial branches. Companies established in the foreign trade zones enjoy several benefits including import/export-related benefits, financial incentives, and tax incentives for investors and tax incentives for companies.

The Madeira Foreign Trade Zone has some success, with approximately 4000 companies registered there, according to press reports. According to those same reports, however, the European Union has opened an investigation of the Madeira FTZ to see whether it functions as a platform for tax evasion. Under the terms of Portugal's agreements with the EU, companies in the Madeira FTZ can take full



advantage of the tax incentives provided until December 2011, when those incentives will begin to be phased out. The Foreign Trade Zone of the Azores Islands has not achieved the same degree of international acceptance as Madeira.

## FOREIGN DIRECT INVESTMENT STATISTICS

As shown in the table below, gross foreign direct investment inflows into Portugal continue to rise, reaching 4.6 billion euros in 2000. The largest component of new foreign direct investment in Portugal is in the real estate sector, with the bulk of investment coming from other EU countries, led by Spain and the Netherlands. The U.S. is the largest non-EU investor in the country.

Foreign Direct Investment Inflows into Portugal per year

Balance in Millions of Euros

	1998	1999	2000
Total Foreign Direct Investment	2,824.0	1,061.0	4,609.4
<b>Breakdown by Sector</b>			
Agriculture, Forestry, Fishing	7.7	8.1	16.4
Mining and Quarrying	12.8	12.4	0.2
Manufacturing, Electricity	197.5	86.0	4.0
Gas and Water	267.1	45.8	41.9
Construction	34.1	49.8	18.6
Wholesale & retail trade, repairs, hotels and restaurants	364.8	370.4	736.4
Transport, storage & Communication	86.7	247.1	284.8
Banks & Financial Services	235.4	649.2	330.1
Real Estate, Rentals & Bus Act.	1939.1	1870.5	2760.8
Other	99.4	136.4	500.3
<b>Breakdown by Country of Origin</b>			
Total EU	1203.1	1746.5	4399.3
Germany	196.8	-71.4	356.3
Spain	444.5	-408.0	692.1
France	-28.3	246.3	331.7
U.K.	218.6	351.5	416.5
Ireland	28.5	56.7	72.9
The Netherlands	296.3	563.3	2286.1
Brazil	68.4	112.9	69.0
Switzerland	27.5	31.6	8.3
U.S.	27.5	31.6	8.3

(Source: Banco de Portugal)

As shown below, Portuguese direct investment abroad has undergone a remarkable increase over the last few years. The largest component of investment abroad has been in the real estate sector. While Brazil appears to continue to attract the largest single chunk of this investment, other countries, including those in Eastern Europe, are growing targets for Portuguese investment abroad.



## Portuguese Direct Investment Abroad

Balance in Millions of Euros

	1998	1999	2000
Total Direct Investment Abroad	2,659.2	3,183.5	6,365.6
<b>Breakdown by Sector</b>			
Agriculture, Forestry, Fishing	4.7	-2.4	2.8
Mining and Quarrying	-16.1	-20.7	-28.9
Manufacturing	81.4	128.0	569.0
Electricity, Gas and Water	621.8	670.3	324.5
Construction	42.2	81.2	91.0
Wholesale & retail trade, repairs, hotels and restaurants	39.9	80.5	106.2
Transport, storage & Communication	-1054.1	1084.3	-900.0
Banks & Financial Services	388.1	503.3	532.5
Real Estate, Rentals & Bus Act.	2517.9	263.3	5460.7
Other	33.5	395.7	207.8
<b>Breakdown by Country of Destination</b>			
Total EU	1,166.8	-1,430.0	942.6
Germany	54.6	10.5	40.8
Spain	260.8	-666.0	399.8
France	22.5	-9.3	-1.4
U.K.	-6.6	41.9	101.0
Ireland	150.4	62.4	63.8
The Netherlands	421.6	-907.9	689.1
Brazil	3,447.9	1,437.0	2,583.4
Central, Eastern Europe	36.6	144.3	144.7
U.S.	71.8	55.1	396.1
Lusophone Africa	66.0	134.2	204.8
Offshore financial Centers	-2,306.6	2,566.4	1,027.7

(Source: Banco de Portugal)

Source: Foreign Trade Division, U.S. Bureau of the Census)

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## MAJOR FOREIGN DIRECT INVESTORS

Selected Major Foreign Investors in Portugal include:

<u>COMPANY</u>	<u>INDUSTRY</u>	<u>FOREIGN CONTROL</u>
Autoeuropa (Volkswagen)	Motor Vehicles and Parts	Germany
BP Portuguesa.	Fuel Distribution	UK



SA		
<u>Shell Portuguesa, SA</u>	<u>Fuel Distribution</u>	<u>Netherlands/UK</u>
<u>Renault Portuguesa, SA</u>	<u>Motor Vehicles and Parts</u>	
<u>Opel, SA</u>	<u>Motor Vehicles and Parts</u>	
<u>Asea Brown Boveri, SA</u>	<u>Construction</u>	
<u>G.M.A.C.</u>	<u>Vehicle Rental</u>	
<u>Siemens</u>	<u>Electrical Component</u>	
<u>Fiat Auto Portuguesa</u>	<u>Motor Vehicles and Parts</u>	
<u>Visteon Auto</u>	<u>Electronic Components</u>	
<u>Halle</u>	<u>Climate Control Compressors for Auto A/Cs</u>	
<u>Wolverine Portugal</u>	<u>Cooling/Heating Equipment</u>	
<u>Carrefour, SA</u>	<u>Food Distribution</u>	
<u>Citroen-Automoveis, SA</u>	<u>Motor Vehicles and Parts</u>	
<u>Mitsubishi, SA</u>	<u>Motor Vehicles and Parts</u>	
<u>Delphi Packard Auto</u>	<u>Electronic Components</u>	
<u>Tisep, LDA</u>	<u>Electronics</u>	
<u>Repsol, SA</u>	<u>Fuel Distribution</u>	
<u>Peugeot Portugal, SA</u>	<u>Motor Vehicles and Parts</u>	
<u>Sony, Portugal, LDA</u>	<u>Electronics</u>	
<u>IBM, SA</u>	<u>Copmputers and Electronics</u>	
<u>Lever, LDA</u>	<u>Soaps and Cosmetics</u>	
<u>Esso Portuguesa, SA</u>	<u>Fuel Distribution</u>	
<u>Citroen Lusitana, SA</u>	<u>Motor Vehicles and Parts</u>	
<u>Lear Corporation</u>	<u>Auto seats/electronics</u>	
<u>UT Automotive Auto</u>	<u>Electronic Components</u>	
<u>Philip Morris (Portugal), LDA</u>	<u>Trade</u>	
<u>Rover, LDA</u>	<u>Motor Vehicles and Parts</u>	
<u>Mobil Oil Portuguesa, LDA</u>	<u>Fuel &amp; Lubricants</u>	
<u>Ericsson</u>	<u>Telecommunications</u>	
<u>Hewlett-Packard, SA</u>	<u>Computers and Electronics</u>	



<u>Dow Portugal, SA</u>	<u>Chemicals</u>	
<u>Iglo, LDA</u>	<u>Food</u>	
<u>Globe Motors/Snecma</u>	<u>Auto Electric Motors</u>	
<u>Wyeth Lederle</u>	<u>Pharmaceuticals</u>	
<u>Jansson Cilag</u>	<u>Pharmaceuticals</u>	
<u>Abbott Laboratories</u>	<u>Pharmaceuticals</u>	
<u>Amtrol Gas</u>	<u>Containers</u>	

## **SIGNIFICANT INVESTMENT OPPORTUNITIES**

As Portugal rapidly integrates into the EU and Portuguese economic development approaches the level of other economies in the Union, the number of business opportunities increases and the country becomes a more attractive destination to exporters and investors.

Importation will grow because industrial modernization requires a large volume of machinery, equipment and instruments. Consumers also require more and better products. Inter-EU import duties have ended. Import duties vis-a-vis third countries have been reduced to EU levels.

Given the priorities of the EU and the Portuguese Government in the spending of structural funds and considering where U.S. companies have a clear technological and industrial edge, the following sectors are the most attractive:

- Telecommunications
  - Environmental pollution control/waste management
  - Health systems and medical equipment
  - Computers and peripherals, software
  - Energy conservation
  - Franchising
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- o Upscale tourism
  - o Port development and renovation

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**Country Commercial Guides** can be ordered in hard copy or on diskette from the **National Technical Information Service (NTIS)** at **1-800-553-NTIS**. U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** of the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to one of the following websites: [www.usatrade.gov](http://www.usatrade.gov) or [www.tradeinfo.doc.gov](http://www.tradeinfo.doc.gov)

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.