OECD REVIEWS OF FOREIGN DIRECT INVESTMENT: PORTUGAL

Portugal’s approach to foreign direct investment has changed - and continues to change - in ways that make it more open and receptive to foreign investors. Before 1986 foreign investment was deemed prohibited unless explicitly approved; today, FDI is permitted unless otherwise provided. Portugal also has a wide range of incentives to attract foreign investors, including grants which can cover up to 75 per cent of capital expenditures, and a special contract regime under which tax, financial and other benefits may be given for large projects.

Portugal’s FDI liberalisation has been cautious, however, spurred mostly by its obligations to free capital movements for EEC Members when it joined the Community in 1986. Indeed, a number of liberalisations apply to investment by EC firms only, as in banking and financial services, insurance, television and some telecommunications services. There is also a legal provision which allows investments by non-EC investors, but not EC investors, to be assessed and negotiated. This suggests that Portugal remains reluctant to fully extend liberalisation to all investors, regardless of their country of origin.

The Portugal study is the third in a new series of examinations of OECD countries’ foreign direct investment policies. The examinations scrutinise OECD members’ FDI policies on a country-by-country basis, analysing the country’s laws, regulations, and policies, as well as corporate rules and other practices that affect foreign investment. Foreign direct investment’s role in the economy is examined by identifying its contribution to employment, output and domestic capital formation, and by analysing FDI outflows and inflows and its geographic and sectoral characteristics. The FDI examinations are carried out by an OECD working group made up of financial and investment policy officials from Member countries.
FDI studies already published are Ireland (1994), New Zealand (1993) and Sweden (1993). Greece and Italy will be available shortly, and the United States, Denmark and Norway will be published later this year.

Journalists may obtain a copy of the reports from the OECD Press Division, 2 rue André Pascal, 75775 Paris cedex 16 (tel. 45 24 80 88 or 80 89 - fax. 45 24 80 03). Inquiries should be made to Mr. Cory Highland (45 24 89 78) or Ms. Marie-France Houde (45 24 91 26).