

PORTUGAL

Overview

Portugal offers a steadily expanding market for U.S. goods and services. Ground floor opportunities are available for companies willing to establish themselves by offering quality products, competitive pricing, and after-sales service. U.S. firms should not be put off by the apparent small size of the market. U.S. exports to Portugal are roughly double the official figure. Many American firms indirectly export to Portugal through distribution channels in other EU countries for tax and logistics reasons.

With government incentives, Portugal is an attractive market to invest in production facilities. With access to the EU countries, it is a good place to establish distribution facilities.

Defense Industry Environment

The Portuguese military has experienced recent declines in both personnel and spending. Although nominal spending shows an increase, real buying power is down and is holding at less than 5% of the national budget. Because Portugal is in the lower income category of the European Union (EU), it has been the recipient of financial assistance for most major acquisitions and will continue to try to utilize these programs to the greatest extent possible in the future. Forecasted defense spending in 1996 is approx. US \$2.87 billion. This is 2.59 percent of the GNP and represents a minimal increase over 1995 spending, but almost 15 percent over 1994 spending. Almost 10% of the 1996 defense budget, or approximately US \$280 million, is earmarked for procurement.

The domestic defense industry consists primarily of state owned manufacturing firms and several private firms that markets defense products throughout the world. Defense related business has decreased in size and importance in recent years, but is still active. The two state-owned manufacturing companies are:

- *Industria Aeronautica de Portugal, S.A., (OGMA)*
2615 Alverca, Portugal

OGMA overhauls and repairs both civil and military aircraft, engines, accessories, avionics, and ground equipment. Current cooperative production arrangements at OGMA include a Lockheed service center for work on Hercules (C-130) aircraft, Litton aerospace products repair station for maintenance of inertial platforms, and an Allison Gas Turbine Division authorized maintenance/overhaul center. OGMA should be considered a potential area to meet offset requirements for any commercial military or aeronautical sale.

- *Industrias e Participacoes de Defesa, SA (INDEP)*
Rua Fernando Palha, AP 8106
1802 Lisboa, Portugal

This joint-stock company is undergoing a 50% privatization. INDEP studies, develops, produces, tests, overhauls, and trades in defense products. Management is demonstrating an increased interest in cooperative and non-military/dual use programs.

Foreign Defense Suppliers

The Portuguese military is completing a recent modernization program with the financial assistance of the U.S. and European countries. Three new frigates, 20 F-16 aircraft, and substantial amounts of tanks, armored personnel carriers, air defense artillery, and other Army assets have been provided to the Portuguese military through grants, loans and offers of NATO excess equipment. Countries which have sold or provided major equipment to Portugal are:

- *United States:* Shipboard systems (torpedoes, missiles, gas turbine engines, gun systems), combat aircraft (A-7 & F-16), patrol aircraft (P-3), logistic aircraft (C-130), and nearly all Army systems and armaments.
- *Germany:* Combat aircraft (Alfa Jets), ship hulls, and diesel & mechanical platforms.
- *France:* Helicopters (Puma & Alouette), and shipboard gun systems.
- *United Kingdom:* Shipboard helicopters (Super Lynx).
- *Netherlands:* Shipboard combat data systems.

Defense Opportunities

New Systems, Upgrades, Logistics

In order to stretch limited budget resources, new systems acquisitions will be tightly controlled, with financial incentives remaining a key part of any negotiation. There will be an ongoing need for logistics support, in addition to periodic planned upgrades. Major planned or desired acquisition and upgrade projects are listed below by service:

- *Army:* Air defense, helicopters, light artillery, and electronic warfare equipment.
- *Navy:* Mine warfare, missile system improvements, shipboard self defense systems, equipment upgrades for marines, hydrographic/ oceanographic outfitting for new ship conversion, and communication enhancements.
- *Air Force:* New squadron of F-16 aircraft, mid-life upgrades to the current squadron, and AMRAAM missiles; ground radar upgrade, ELINT, self protection suites for aircraft, and SAR helicopters.

The MOD defense plan is to provide for the external defense of Portugal's territorial areas, to contribute to European defense by maintaining NATO and WEU force structures, and to stay involved with former Portuguese colonies in Africa and with Brazil. This plan provides the basis for these procurements.

Bid Procedure and Key MOD Points of Contact

While major acquisitions will be the responsibility of the MOD, the Services generate requirements which are submitted for approval to Parliament. Once approved, the Services, with supervision and control over major programs by the MOD and Parliament, will execute the budgets. Contracting and negotiation are generally an open bid process with intense negotiations usually occurring after preliminary bids are received. There are no barriers to U.S. companies desiring to do business with the MOD but there will be continuing pressure by the EU to buy from within Europe. There are contracting offices within the Services for different types of procurements; however, the first point of contact for discussion of requirements and potential interest in new products will be the logistics divisions at each of the Service's headquarters:

MOD

Director Nacional do Armamento E Equipamento
Ministerio da Defesa
Avenida Ilha da Madeira 1
1400 Lisboa, Portugal

Army

Chefe de Divisao de Logistica
Estado-Maior do Exercito
Rua Museu de Artilharia
1100 Lisboa, Portugal

Navy

Chefe de Divisao de Logistica
Estado-Maior Da Armada
Praca Do Comercial
1188 Lisboa , Portugal

Air Force

Chefe de Quarta Divisao (Logistica)
Estado-Maior da Forca Aerea
Avenida Leite de Vasconcelos
Alfragide 2700 Amadora
Portugal

Diversification/Commercial Opportunities

Privatization of Defense Industries

The Portuguese Privatization Program, now into its eighth year, has been an unqualified success. Forty six companies have been partially or fully privatized. The Government of Portugal has announced the privatization of twenty more companies in the industrial, financial and service sectors for 1996 and 1997. The Government of Portugal estimates that it will obtain revenues of US \$2.5 billion in 1996 and US \$ 2.1 billion in 1997 from privatization.

Dual Use and Related Technology

Given the spending of the EU and the Portuguese Government, coupled with those industrial sectors in which U.S. companies have a clear technological advantage, the following areas would be the most attractive for U.S. companies:

- Telecommunications;
- Pollution control equipment/waste management;
- Energy conservation;
- Medical equipment and health management systems;
- Computers and peripherals;
- Software
- Franchising

U.S. firms interested in selling in Portugal generally start by appointing an agent or a distributor. This may be followed by the establishment of local facilities through wholly owned subsidiaries, joint ventures, or franchising. Most marketing techniques valid in other EU countries apply to Portugal, as well.

Points-of-Contact at Key Non-Defense Ministries

The Procurement Department at the Ministry of Finance authorizes the purchase of all Ministries, except those necessary for daily operation. In the latter case, the Secretary-General at each Ministry is the authorizing officer.

- *Ministry of Finance*

Dra. Graca Almeida Hespanha
Secretaria-Geral
Ministerio das Financas
Av. Infante D. Henrique 5
1100 Lisboa, Portugal
Tel: (351-1) 8884675
Fax: (351-1) 8885111

Dr. Issuf Ahmad
Director-General
Direccao-Geral do Patrimonio de Estado (Procurement)
Ministerio das Financas
Av. Elias Garcia 103
1050 Lisboa, Portugal
Tel: (351-1) 7932933
Fax: (351-1) 7967699

- *Ministry of Economy*

Dr. Antonio Joao Campo Rodrigues
Secretario-Geral
Ministerio da Economia
Rua da Horta Seca 15
1200 Lisboa, Portugal
Tel: (351-1) 3465183
Fax: (351-1) 3475901

- *Ministry of Environment and Natural Resources*

Dr. Mario Pinho da Cruz
Secretario Geral
Ministerio do Ambiente e Recursos Naturais
51 Rua do Seculo
1200 Lisboa, Portugal
Tel: (351-1) 3462751
Fax: (351-1) 3472036

- *Ministry of Health*

Eng. Antonio Jose Silveira
Director-Geral
Direccao Geral Instalacoes e Equipamentos de Saude
Ministerio da Saude
Av. da Republica 34, 3
1050 Lisboa, Portugal
Tel: (351-1) 7966044
Fax: (351-1) 7939770

- *Ministry of Planning, Public Works and Transportation*

Dra. Joana Candeias Araujo
Ministerio do Planeamento, Equipamento Social e Transportes
Rua da Prata 8, 4

1100 Lisboa, Portugal
Tel: (351-1) 8812500
Fax: (351-1) 8812590

Doing Business in Portugal

The Portuguese market is fully open to U.S. firms. American firms interested in selling in Portugal should start by appointing an agent or a distributor with good contacts in both the Government and private sectors, to be followed by the establishment of local facilities through wholly owned subsidiaries or joint-ventures. Most manufacturers and exporters are represented in the market through exclusive importers/distributors, who may appoint sub-distributors and dealers. U.S. firms with EU-based offices are in a good position to participate directly in all international tenders. However, teaming with a Portuguese partner whenever possible is highly recommended.

Export and Customs Requirements

Since May 1988, Portugal has adopted EU directives regarding exports. Portuguese exporters are required to obtain an export declaration before they ship their merchandise. The export declaration is used for Portuguese Customs purposes.

Portuguese Customs has recently approved the implementation of simplified export regulations. This allows authorized exporters and express mail operators to export merchandise directly from their establishments. They are only required to present a commercial invoice to the Customs authorities.

Foreign Investment

Foreign investment is an essential part of the Portuguese Government's overall strategy to modernize the economy. A key objective of the government's 1994-1999 Regional Development Plan (PDR) is to boost international competitiveness through increased foreign investment in transport, telecommunications, energy, agriculture, fisheries, and tourism.

A simple post facto registration regime for foreign investment took effect in Portugal as of December 4, 1995. The new regime responds to the need for simpler procedures in the new context (since 1992) of fully liberalized capital markets. Under the new regime, foreign investors need only register with the Foreign Trade, Tourism, and Investment Promotion Agency (ICEP) within thirty days from the day the foreign investment is made. The regime is designed to obtain administrative or statistical information and applies to all foreign investors, EU and non-EU alike.

Import Restrictions

Because Portugal is a member of the EU, most import rules and procedures have been liberalized. However, there are certain products which require import licenses called import certificates for strategic/dual use products. For dual use products, a certificate of delivery may be

required. There are also some licenses required for imports of textile products and some industrial products from certain countries other than the United States. Applications for import licenses should be submitted to the General Directorate of External Commerce. Tobacco, alcoholic beverages, and automobiles are still subject to some import controls, generally resulting from bilateral agreements. Imports of these products from the United States have been restricted by import barriers, including duties.

Product Standards

Portugal follows closely the EU directives and, as a GATT member adopts the European Committee for Standardization (ECS) standards for a number of products, including low voltage electrical material, construction equipment/machinery, gas cylinders, boilers, and telecommunication peripheral equipment. If American exporters wish to be exempted from European security standards, they must demonstrate through a certifying entity that the products offered meet equivalent security standards.

Intellectual Property Protection

Consistent with the accession to the EU, the Government of Portugal published on August 30, 1991 Decree 52/91 which ratified the Munich Convention of European patents. Portugal passed a new Code of Industrial Property that took effect on June 1, 1995.

U.S. Government Points of Contact

Listed below are useful points of contact for U.S. firms interested in the Portuguese market.

U.S. Embassy

U.S. Foreign & Commercial Service

American Embassy

Avenida das Forcas Armadas-sete Rios

1600 Lisboa, Portugal

Tel: (351-1) 727-3300, ext. 2528

Fax: (351-1) 726-8914

For International Mail:

PSC 83 Box FCS

APO AE 09726

Daniel Thompson, Commercial Attache

Carmen Neves, Commercial Specialist

Office of Defense Cooperation

(same address as US&FCS)

Tel: 351-1-727-3300

Fax: 351-1-726-8913

For International Mail:

PSE 83

APO AE 09729

Contact: Chief, ODC: Col Jesse Perez (USA), ext. 2277

Chief, Army Section: LTC Joe Luz (USA), ext. 2251

Chief, Air Force Section: Maj Glenn Driggs (USAF), ext. 2256

Chief, Navy Section: Cmdr Toby Switzer (USN), ext. 2261

U.S. Industry Association

Dr. Henrique Brito do Rio

Secretary General

Camara de Comercio Americana em Portugal

Rua D. Estefania 155, 5th-E

1000 Lisboa, Portugal

Tel: (351-1) 3572561