

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Committee on Subsidies and
Countervailing Measures

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RESERVATION BY PORTUGAL

Statement by the Representative of Portugal

During this meeting we will give the members of the Committee a pictures of the schemes in force in Portugal that can be classified as subsidies (not allowed) under the Agreement and we will refer to the planning to be followed to bring the laws, regulations and administrative procedures fully in conformity with the provisions of the Agreement.

My authorities have accepted the Agreement with the conscience of making an application of GATT Working Programme and with the firm intention of complying with all the obligations stemming from the Agreement.

Even though we are well aware of the fact that not all Portuguese laws, regulations and procedures are entirely in conformity with the Agreement.

In these circumstances two options were open: either accepting the Agreement only after the conclusion of the internal procedure of adaptation of laws, regulations and administrative practices or to join immediately the other partners signatories of the Agreement and, simultaneously, asking for a reasonable time period to make the adaptation.

As we have followed the second way, and we consider it is of interest for all of us that the number of signatories in the Agreement be as large as possible, we expect to be able to count on the understanding to the reservation made by my authorities.

What is then the meaning of this reservation?

This reservation was justified by the realistic approach on the time needed to make legislative adaptation, that I will mention in detail below.

This reservation is simultaneously an undertaking that during the period between the date of acceptance and 31 December 1985 no new export incentive programme not consistent with the Agreement will apply, that my authorities will refrain from enlarging or intensifying existing programmes, and that at the end of the interim period referred to above all adaptation will be finished.

I will now refer to the intention of my authorities to comply with the obligations stemming from Article XVI:1 of the GATT, circulating the corresponding notification of subsidies. The material therefore is now being collected.

As an anticipation to that notification, I will say that we now have incentives that can be classified under two broad categories: on one side investment incentives and on the other side export incentives. All these incentives are of a financial and fiscal nature.

A. The general investment incentives are granted on the basis of SIII (Integrated Incentives System) approved by Decree-Law No. 132/83, of March 1978, regulated by Order No. 284/84 of 11 May.

This scheme represents an amendment to that put into effect in 1980. The extension of the incentives was considerably reduced and the amendment represented also a reinforcement of the consideration of the regional aspect in the project evaluation.

This System is a system of production incentives and not an export incentives system, even though in evaluating the project the exports output be taken into account.

The System has the following schemes:

- general scheme of fiscal and financial incentives;
- scheme of regional/sectoral priorities;
- simplified scheme of incentives for small investment projects;
- extraordinary scheme of capital grants;
- contractual scheme for projects of major economic and social importance;
- scheme of fiscal incentives to company amalgamation and co-operation;
- scheme of aid to research and technological development;

For the evaluation of the projects under the general scheme three criteria are taken into account: a criterium of economic productivity (with a weight of 35 per cent), a criterium of sectoral priority (with the same weight) and a criterium of regional priority (with the 30 per cent weight). Only for the economic productivity is the exports effect relevant.

For all the other schemes the export effect is irrelevant.

B. As regards the Foreign Investment Code, approved by Decree-Law No. 348/77, of 24 August, it establishes a general regime putting the foreign and national companies exactly on the same footing. Beyond that general regime there is also a contractual regime approved by Ruling Decree No. 54/77 of the same date and in this case, when negotiating the projects, the exports effect can be taken into account, but this effect is only one among the indicative conditions that are neither of mandatory nor or simultaneous verification.

C. As the last system among the category of investment incentives I may quote the development contracts for export approved by Decree-Law No. 288/76, of 22 April. These, while aiming at the promotion of export capacity, are in practice mainly investment incentives.

The incentives foreseen are the following:

- technical and trading assistance;
- subsidized interest rates;
- tax exemptions or reductions.

The above-mentioned incentives are granted in accordance with the exports achievements.

Referring now to export fiscal incentives I may say first of all that they were approved and are granted in accordance with the following legislation:

- Decree-Law No. 408/80, of 26 September
Order No. 307/82, of 22 March
Decree-Law No. 492/82, of 31 December
Order No. 1079/83, of 31 December

These incentives consist of a deduction from profits liable for Industrial Tax, taking into account the receipts of foreign currencies and the national value added represented by the export goods.

The amendment to the Portuguese legislation was already undertaken. As an example of that work being carried out I may say that the exporter's card, a former incentive providing a special subsidized interest rates for short run export credit, elapsed on 31 December 1983. On the same date the general subsidization of interest rates for short run export credit ceased to be applied.

The subsidization of medium/long run export credit foreseen for the carrying out of firm orders of equipment goods, the only subsidization applied as yet, will be kept into force only until the end of this year. In this context, I must refer to the full application of OECD consensus by Portugal.

The amendments to be made during the transitional period we asked for, consist of a revision of the SIII (Integrated Investment Incentives System) eliminating the reference to exports results and, taking into account the compliance of international undertakings, changing the system into another one in obedience to the following principles: to privilege the regional aspect, to give support to innovation and development on a technological basis and the restructuring of industrial sectors in crisis.

For the evaluation of the foreign investment projects under the contractual regime the conditions related to export results, shall cease to be considered.

As a consequence of the revision of the regime of general incentives the development contracts for export will be absorbed by the general regime, that means that no special incentives will be granted.

The fiscal incentives foreseen in Decree-Law No. 408/80, established on a temporary basis, will be in force until 31 December 1985, and their elimination is a part of the general revision of fiscal incentives.