

# WORLD TRADE ORGANIZATION

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Committee on Subsidies  
and Countervailing Measures

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## SUBSIDIES

Updating Notification Pursuant to Article XVI:1 of the GATT 1994  
and Article 25 of the SCM Agreement

EUROPEAN COMMUNITIES

### Addendum

The following addendum to the notification of the European Community relates to subsidy programmes of **Portugal**.

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# PORTUGAL

## TABLE OF CONTENTS

	<u>Page</u>
<b>SUBSIDIES .....</b>	<b>3</b>
<b>1. Regional Incentives System (SIR).....</b>	<b>3</b>
<b>2. IC - PME.....</b>	<b>3</b>
<b>3. Trade Modernization Support Programme (PROCOM).....</b>	<b>5</b>
<b>4. RETEX Operational Programme.....</b>	<b>5</b>
<b>5. Strategic Programme for the Revitalization and Modernization of Portuguese Industry (PEDIP II) .....</b>	<b>6</b>
<b>6. International Development Support Programme for Trade and Services (PAIEP 2)....</b>	<b>7</b>
<b>7. IMIT - Initiative for the Modernization of the Textile Industry .....</b>	<b>8</b>
<b>8. Energy programme.....</b>	<b>9</b>
<b>9. Shipbuilding and ship conversion.....</b>	<b>10</b>

**1. Regional Incentives System (SIR)**

1. Title

Regional Incentives System (SIR)

2. Objectives

The objective of this regional assistance programme, which covers all the country's less-developed inland and coastal regions, is to contribute to the endogenous development of those regions by improving their competitiveness and helping to create jobs and thereby reduce migration, while promoting diversification of the production of goods and services.

3. Duration

The duration of the subsidy is 1994-1999.

4. Legislative authority

Decree Law No. 193/94, of 19 July 1994

Council of Ministers Resolution No. 67/94, of 11 August 1994

5. Amount of the subsidy

Year: 1998

Government expenditure programmed: Esc 11,007,000 million

Grants and repayable joint financial participation

- Amounts disbursed: Esc 12,685,162 million
- Amounts approved: Esc 19,173,516 million

6. Trade effects

N/A.

**2. IC - PME**

1. Title

“IC - PME/Iniciativa Comunitária PME”

2. Period covered by the notification

The year 1998.

3. Policy objective and purpose of the subsidy

To adapt Portuguese SMEs to the new competitive conditions and environment of the common market.

4. Background and authority for the subsidy

**Legal Basis:**

- Decree-Law No. 172/97 (D.R. No. 162 - I Series A - 16/07/97);
- Decree-Law No. 178/98 (D.R. No. 151 - I Series A - 03/07/98);
- Resolution of the Council of Ministers No. 128/97 (D.R. No. 176/97 - I Series B - 01/08/98);
- Resolution of the Council of Ministers No. 129/97 (D.R. No. 176/97 - I Series B - 01/08/98);
- Resolution of the Council of Ministers No. 76/98 (D.R. No. 151/98 - I Series B - 03/07/98);
- Edict ("Dispatchos Normativos") (MPAT+MTSS) No. 348/98 (D.R. No. 119/98 - II Series - 23/05/98).

5. Form of the subsidy

Cash grants and/or reimbursable loans at zero interest rate.

6. To whom and how the subsidy is provided

**Recipients:**

Regime "A" - All legal SME's (European definition) of the Civil Construction/Building Sectors: Portuguese Classification of Economic Activities/C.A.E.:

- Division 45 of Section F;

Regime "B" - All legal SME's (European definition) of Industrial, Commerce and Services Sectors: Portuguese Classification of Economic Activities/C.A.E.:

- Sections C, D, G, group 634 of Section I, Divisions 72, 73 and 74 of Section K and Divisions 90 and 92.1 of Section O;

**Subsidy allocation:**

Subsidies are granted to enterprises on a case-by-case basis and they are paid by IAPMEI according to the progress of the approved project.

7. The total amount or the annual amount budgeted for the subsidy

Incentives given out during 1998 (approved projects):

- Cash grants: Esc 2,111,100,000
- Reimbursable loans:
- **Total: Esc 2,111,100,000**

8. Duration of the subsidy and/or any other time limits attached to it

The initiative was implemented in 1997 and will remain available until 2000.

9. Trade effects of the subsidy

No specific economic studies have been carried out. Data for this item not available.

**3. Trade Modernization Support Programme (PROCOM)**

1. Title

Trade Modernization Support Programme (PROCOM)

2. Objectives

To promote the sustainable development of the competitiveness of trade sector enterprises in the context of a coherent strategy for the modernization of their activities.

3. Duration of the subsidy

The duration of the subsidy is 1994-1999

4. Legislative authority

Decree Law No. 184/94 of 1 July 1994

Council of Ministers Resolution No. 33/96 of 3 April 1996

5. Amount of the subsidy

Year: 1998

Government expenditure programmed: Esc 3,815,617 million

Amounts approved and disbursed:

(millions of Esc)

	Approved	Disbursed
Interest rate subsidy		
Non-repayable subsidy	16,355,803	1,964,713

6. Trade effects of the subsidy

N/A.

**4. RETEX Operational Programme**

1. Title

RETEX Operational Programme

2. Objectives

Community Initiative Programme on regional aid with the aim of facilitating the modernization of the industrial fabric in regions strongly dependent on the textiles and clothing sector.

3. Duration

The duration of the subsidy is 1993-1999.

4. Legislative authority

Decisions ("Despachos normativos") Nos. 264, 265, 266 of 11 September 1993

5. Amount of the subsidy

Year: 1998

Government expenditure programmed:

(millions of Esc)

Risk Capital Fund	2,916,779
Reimbursable co-participation	4,375,169
Non-repayable subsidy	3,173,215

Amounts approved/disbursed

(millions of Esc)

	Approved	Disbursed
Risk Capital Fund	3,099,469	
Reimbursable co-participation*	10,980,288	3,743,962
Non-repayable subsidy	5,556,845	1,855,325

6. Trade effects of the subsidy

N/A.

## 5. **Strategic Programme for the Revitalization and Modernization of Portuguese Industry (PEDIP II)**

1. Title

Strategic Programme for the Revitalization and Modernization of Portuguese Industry (PEDIP II)

2. Objectives

Assistance programme to revitalize the sustained growth of the competitiveness of Portuguese enterprises in order to enhance their capacity to respond to rapid technological and market changes, while at the same time supporting the modernization, diversification and globalization of domestic industry.

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\*Repayable financing at zero interest rate for an amount not exceeding 40 per cent of the total financing necessary, with a ceiling of Esc 150 million. The duration is three to six years.

3. Duration

The duration of the subsidy is 1994-1999.

4. Legislative authority

Decree Law No. 177/94 of 27 June 1994

Council of Ministers Resolution No. 50/94 of 1 July 1994

5. Amount of the subsidy

Year: 1998

Government expenditure programmed: Esc 2,335,684 million

Amounts approved and disbursed:

(millions of Esc)		
	Approved	Disbursed
Grants plus reimbursable financial co-participation	163,571,731	59,232,015

6. Trade effects of the subsidy

N/A.

**6. International Development Support Programme for Trade and Services (PAIEP 2)**

1. Title

International Development Support Programme for Trade and Services (PAIEP 2)

2. Objectives

To promote the sustainable development of the competitiveness of trade and services enterprises in the context of a coherent strategy for the modernization and globalization of their activities.

3. Duration

The duration of the subsidy is 1994-1999

4. Legislative authority

Decree Law No. 290/94 of 14 November 1994

Council of Ministers Resolution No. 121/94 of 15 December 1994

5. Amount of the subsidy

Year: 1998

Government expenditure programmed: Esc 6,577,808 million

Amounts approved and disbursed:

	(millions of Esc)	
	Approved	Disbursed
Subsidy for reimbursable financial co-participation at zero interest rate	6,292,390	1,015,332

6. Trade effects of the subsidy

N/A.

7. **IMIT - Initiative for the Modernization of the Textile Industry**

1. Title of subsidy programme

"IMIT – Initiative for the Modernization of the Textile Industry"

2. Period covered by the notification

The year 1998

3. Policy objective and purpose of the subsidy

To improve the competitiveness and to modernize the Portuguese textile and clothing manufacturing sectors.

4. Background and authority for the subsidy

Legal basis:

- Resolution of Council of Ministers No. 96-A/95 (DR 231/95-I B Series, 2ºSuppl., 6 October 1995);
- Decisions No. 61-A/B/C/D/E/F/G/H/95 (DR 240/95-I B Series 3ºSuppl., 17 October 1995).

5. Form of the subsidy

Cash grants and/or reimbursable loans at zero interest rate.

6. To whom and how the subsidy is provided

Recipients:

- Industrial companies of the textile and clothing sectors (Ref. 17, 181 and 182 of the Portuguese Economic Activities Classification /C.A.E.);
- Associations of Entrepreneurs, Chambers of Commerce;



- Non-lucrative organizations (official or private) providing services in “fashion and design”).

Subsidy allocation:

Subsidies are granted to industrial enterprises and/or applicant organizations on a case-by-case basis. Subsidies are granted by Portuguese Ministry of Economy on application and they are paid according to the progress of the approved project.

7. The total amount or the annual amount budgeted for the subsidy

Incentives given out during 1997 (approved projects):

- Cash grants: Esc 6,801,500,000
- Reimbursable loans: Esc 17,600,500,000
- **Total: Esc 24,402,000,000**

8. Duration of the subsidy and/or any other time-limits attached to it

The initiative was implemented in 1995 and will remain available until 1999.

9. Trade effects of the subsidy

No specific economic studies have been carried out. Data for this item not available.

**8. Energy Programme**

1. Title of the subsidy programme

Energy Programme

2. Period covered by the notification

1998

3. Policy objective and/or purpose of the subsidy

To reduce oil dependency by promoting natural gas, fostering the use of renewable energy resources and promoting energy efficiency in all sectors of economy activity.

These energy objectives will have major impacts on the improvement of Portuguese economic competitiveness and will reduce energy environment impacts.

4. Form of the subsidy

Grants and zero interest rate loans.

5. The total amount or the annual amount budgeted for the subsidy (indicating if possible, the average subsidy per unit in the previous year)

The total amount of the commitments by Energy Programme in 1998 was:

UNIT: 10 ECU

Measures	Community Grants FEDER	State budget	Total
Measure 1 - Natural Gas	52,745	2,584	55,329
Measure 2 - Renewables	20,370	0	20,370
Measure 3 - Energy Efficiency	5,834	1,944	7,778
<b>Total</b>	<b>78,949</b>	<b>4,528</b>	<b>83,477</b>

6. Duration of the subsidy and/or any other limits attached to it

Measure 1 Grants: no time limits;

Measure 2 Zero interest rate loans: 3 years granted period and 9 years reimbursement period;

Measure 3 Grants: No time limits;  
Zero interest rate loans: 2 years granted period and 5 years reimbursement period.

7. The trade effects of the subsidy

No effects on international trade.

## 9. **Shipbuilding and ship conversion**

1. Title

Aid for shipbuilding and ship conversion

2. Period

The notification concerns 1998.

3. Objective

See information under point 6.

4. Legal basis

Decree Law No. 296/89 of 4 September establishing the aid regime for metal-hulled shipbuilding and ship conversion (notified and approved by the European Commission in accordance with the 7<sup>th</sup> Directive (90/684/EEC)), on aid to shipbuilding.

5. Form of the subsidy

Decree Law No. 296/89 provides for the grant of non-repayable subsidies.

6. To whom the subsidy is provided

Operational assistance for national shipyards leading to joint participation in shipbuilding or ship conversion costs and compensation for losses. This aid is subject to a common maximum ceiling established annually by the European Commission, expressed as a percentage value of the contract before aid which, in 1998, was 9 per cent for building ships of a contract value of more than ECU 10 million and 4.5 per cent for ships with a contract value of less than that amount and for ship conversion.

7. Amount of the subsidy

The total amount of subsidies allocated in 1998 was Esc 1,148 million.

8. Duration of the subsidy

Decree Law No. 296/89 of 4 September entered into force on 5 September 1989 and is of indefinite duration.

9. Trade effects of the subsidy

Statistical data not available.

State aid to the fisheries sector ended on 31 December 1999 because there were no candidates in 1998.

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