Portugal

RISK & COMPLIANCE REPORT

DATE: March 2017

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Executive Summary - Portugal	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	US Dept of State Money Laundering Assessment
Medium Risk Areas:	Corruption Index (Transparency International & W.G.I.))

Major Investment Areas:

Agriculture - products:

grain, potatoes, tomatoes, olives, grapes; sheep, cattle, goats, pigs, poultry, dairy products; fish

Industries:

textiles, clothing, footwear, wood and cork, paper, chemicals, auto-parts manufacturing, base metals, porcelain and ceramics, glassware, technology, telecommunications; dairy products, wine and other foods; ship construction and refurbishment; tourism

Exports - commodities:

agricultural products, food products, wine, oil products, chemical products, plastics and rubber, hides, leather, wood and cork, wood pulp and paper, textile materials, clothing, footwear, machinery and tools, base metals

Exports - partners:

Spain 22.7%, Germany 12.4%, France 11.9%, Angola 6.5%, UK 5.3%, Netherlands 4.2% (2012)

Imports - commodities:

agricultural products, chemical products, vehicles and other transport material, optical and precision instruments, computer accessories and parts, semi-conductors and related devices, oil products, base metals, food products, textile materials

Imports - partners:

Spain 32%, Germany 11.5%, France 6.6%, Italy 5.3%, Netherlands 4.9% (2012)

Investment Restrictions:

The Government of Portugal recognizes the value of foreign investment and sees such investment as an important engine of economic growth.

The Portuguese legal system is based on non-discrimination with regard to the national origin of investment, and foreigners are permitted to invest in all economic sectors open to private enterprise. However, there are limitations on both foreign and domestic investments with regard to certain economic activities. Portuguese government approval is required in the following sectors: defense, water management, public telecommunications operators, railway, maritime transportation and air transport. Any economic activity that involves the exercise of public authority also requires government approval. Private sector companies can operate in these areas only through a concession contract.

Contents

Section 1 - Background

Following its heyday as a global maritime power during the 15th and 16th centuries, Portugal lost much of its wealth and status with the destruction of Lisbon in a 1755 earthquake, occupation during the Napoleonic Wars, and the independence of its wealthiest colony of Brazil in 1822. A 1910 revolution deposed the monarchy; for most of the next six decades, repressive governments ran the country. In 1974, a left-wing military coup installed broad democratic reforms. The following year, Portugal granted independence to all of its African colonies. Portugal is a founding member of NATO and entered the EC (now the EU) in 1986.

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Portugal is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

Portugal has been removed from the regular follow-up process and agreed that it should now report on any further improvements to its Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) system on a biennial basis.

Portugal presented its second biennial update report on the legislative and other measures taken since their first biennial update in 2008.

This second update report provides the necessary information related to the comments for the Recommendations where Portugal's compliance was rated with partially compliant (PC) or non compliant (NC).

The report can be downloaded from the FATF website or from the website of the Central Bank of Portugal.

Second Biennial Update to the Mutual Evaluation of Portugal

Please note that the information provided by Portugal in this biennial update was not analysed by the FATF, the report is provided for information only.

US Department of State Money Laundering assessment (INCSR)

Portugal is categorised by the US State Department as a Country/Jurisdiction of Primary Concern in respect of Money Laundering and Financial Crimes.

OVERVIEW

Portugal is a transit point for narcotics entering Europe, and Portuguese officials indicate the majority of money laundered in the country is narcotics-related. Portugal has no major deficiencies in its AML enforcement apparatus.

VULNERABILITIES AND EXPECTED TYPOLOGIES

Portugal's long coastline, vast territorial waters, and privileged relationships with countries in

South America and Lusophone Africa make it a gateway country for South American cocaine and a transshipment point for drugs coming to Europe from West Africa.

Authorities have noted significant criminal proceeds from corruption, traffic in works of art and cultural artifacts, extortion, embezzlement, tax offenses, smuggling, prostitution, organized crime, gambling, and aiding or facilitating illegal immigration. Portuguese authorities also have detected criminal funds being placed into the financial system from smuggled commodities, particularly tobacco products. Suspect funds from Angola are used to purchase Portuguese businesses and real estate.

There are 11 casinos in Portugal managed by eight public cooperatives licensed by the Ministry of Economy. Business interests from China (Macau) have significant involvement in some of the cooperatives. The State Secretary for Tourism supervises and monitors casinos. Portuguese authorities legalized online casinos in 2015.

KEY AML LAWS AND REGULATIONS

Portugal has a comprehensive AML enforcement mechanism that conforms to EU, 1988 UN Drug Convention and UNTOC standards. Money laundering is a criminal offense. Banks and other financial institutions are held to reporting standards by the Bank of Portugal and the Securities Market Commission. Covered entities also adhere to KYC and STR regulations.

The United States and Portugal do not have a MLAT but are able to share information on money laundering investigations through other mechanisms.

Portugal is a member of the FATF.

AML DEFICIENCIES

Portugal has no major deficiencies in its AML enforcement apparatus.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Although the general legal principle in Portugal is that only individuals are subject to criminal liability, there are exceptions. Paragraph 2 of Article 11 of the Criminal Code provides for criminal corporate liability for white-collar crimes, money laundering, crimes against public health, cybercrime, and certain other crimes.

The Government of Portugal should continue to be concerned about many suspicious and large scale Angolan investments in Portuguese luxury real estate, businesses, and financial institutions. There are allegations Portugal serves as a hub for laundering illicit funds for Angola's ruling class. Increased Chinese efforts to establish political and economic influence also warrant monitoring.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Portugal conforms with regard to all government legislation required to combat money laundering

EU White list of Equivalent Jurisdictions

Portugal is on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Portugal is not considered to be an Offshore Financial Centre

Reports

US State Department Narcotics Report 2017

Portugal is a transshipment point for drugs originating from South America and West Africa destined for other European countries, but is neither a center of drug production nor a significant source of drugs destined for the United States. Revenues garnered from the narcotics trade in Portugal are repatriated to traffickers in South America. In addition to direct shipments from South America, traffickers consistently use former Portuguese colonies Guinea-Bissau and Cabo Verde as transshipment, refueling, and storage points for cocaine-laden vessels from South America en route to Europe. In 2016, Portuguese authorities continued to combat the transshipment of cocaine through their borders, and MDMA (ecstasy), hashish, and heroin remained readily accessible within the country.

Portugal's law enforcement cooperation with the United States and other international partners to combat drug trafficking continues to be outstanding. The U.S. Drug Enforcement Administration and the Portuguese Judicial Police (PJ) conducted multiple, successful coordinated investigations throughout 2016.

The Government of Portugal vigorously investigates and prosecutes drug traffickers traversing Portuguese territory. It also continues to enforce and update 2013 legislation criminalizing the possession and sale of certain analogue chemicals used to produce new psychoactive substances, including synthetic cathinones commonly referred to as "bath salts." A customs mutual assistance agreement is in force between Portugal and the United States, as are protocols to the 2003 U.S.-EU extradition and mutual legal assistance agreements. Lisbon is also home to the European Monitoring Center for Drugs and Drug Addiction (EMCDDA). Portugal is also a member country of the Maritime Analysis and Operations Center-Narcotics (MAOC-N), headquartered in Lisbon. The United States is a permanent observer to MAOC-N.

Portugal focuses much of its drug control effort on treatment and prevention. Since 2001, personal use quantities of drugs have been decriminalized. Drug possession is still prohibited, however, and those individuals found by law enforcement to have "personal use" amounts are referred to the Drug Addiction Dissuasion Commission, consisting of multi-disciplinary teams charged with assessing users and deciding the appropriate sanction and referral to educational or treatment programs. The Portuguese Ministry of Health's Institute on Drugs and Drug Addiction operates numerous drug treatment centers. Universal drug use prevention is part of the Portuguese school curriculum. Law enforcement entities patrol the areas surrounding schools to prevent and protect students from drug trafficking, as part of the "Safe Schools" initiative. Law enforcement also participates in community awareness and training activities.

US State Dept Trafficking in Persons Report 2014 (introduction):

Portugal is classified a Tier 2 country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Portugal is a source, transit, and destination country for men, women, and children subjected to forced labor and sex trafficking. Trafficking victims identified in Portugal are primarily from Brazil, Mozambique, Bulgaria, Ghana, Nigeria, Guinea, Mali, Romania, Bosnia, Croatia, Nepal, and Thailand. Victims transiting Portugal are often subjected to sex trafficking within the Schengen zone. Portuguese victims, primarily men, are subjected to forced labor in restaurants, agriculture, and domestic work in Portugal and Spain. Criminal groups exploited vulnerable Portuguese victims, usually male, homeless, and with addiction issues in forced agricultural labor in Spain. Victims are subjected to sex trafficking in private homes, hotels, and bars. Children from eastern Europe, particularly those of Roma descent, are subjected to forced begging in Portugal, often by their families; other children from eastern Europe have reportedly been forced to commit property crimes in Portugal. Portuguese victims are subjected to forced labor and sex trafficking after migrating to other destinations in Europe. International organized crime groups and recruiting agencies lure labor victims from Asia with false promises of employment and subject them to forced labor on Portuguese farms. Traffickers use falsified documents that present victims as family members as they attempt to transit trafficked minors through Portugal.

The Government of Portugal does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. The government funded two shelters for victims of trafficking, opened a new shelter for male victims, and identified more victims in 2013 than in 2012. It amended the penal code to come into compliance with the EU anti-trafficking directive by excluding the consent of the victim as a defense to the charge of trafficking, and law enforcement authorities cooperated in many international trafficking investigations. However, enforcement and prosecution efforts resulting in convictions remained low. Accountability for trafficking offenders was minimal; the majority of convicted trafficking offenders did not serve time in jail.

Latest US State Dept Terrorism Report - 2009

Portugal worked proactively with other nations to combat terrorism and disrupt funding for terrorist groups. Because Portugal does not have any indigenous terrorist groups, the legal system and law enforcement focus is on preventing international groups from establishing operations on its soil.

Portuguese and American officials shared counterterrorism information effectively, including information on threat assessments and terrorist operative activities. In cooperation with other European Union partners, the Portuguese government continued to participate actively in ongoing EU efforts to remove institutional barriers to cooperation on counterterrorism.

In September 2008, the Government of Portugal created a new Secretary General for Internal Security, a move designated to facilitate communication between the Judicial Police, Public Security Police, and the National Republican Guard. As a result, the distinct law enforcement agencies were able to share information about terrorism investigations more effectively.

In August 2009, Portugal accepted two Guantanamo detainees for resettlement.

Portugal contributed approximately 145 Portuguese troops that were deployed in Afghanistan in support of ongoing International Security Assistance Force and NATO operations, including a C- 130 transport aircraft with a supporting crew of 42 personnel on a three-month mission to support Afghan elections in August.

International Sanctions

None applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	62
World Governance Indicator – Control of Corruption	80

Corruption and Government Transparency - Report by US State Department

Corruption plays a limited role in Portugal's business culture. Although U.S. firms occasionally encounter limited degrees of 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 and has passed legislation to bring its criminal code in compliance with the Convention. Tax evasion remains a problem for the government, which has implemented several initiatives to improve collection rates. In July 2010, Portugal passed a series of laws to combat corruption that included increased penalties for bribery (both active and passive) and extended statutes of limitations for certain corruption-related crimes, such as bribery and abuse of official function.

Section 3 - Economy

Portugal has become a diversified and increasingly service-based economy since joining the European Community - the EU's predecessor - in 1986. Over the following two decades, successive governments privatized many state-controlled firms and liberalized key areas of the economy, including the financial and telecommunications sectors. The country qualified for the Economic and Monetary Union (EMU) in 1998 and began circulating the euro on 1 January 2002 along with 11 other EU members. The economy grew by more than the EU average for much of the 1990s, but the rate of growth slowed in 2001-08. The economy contracted in 2009, and fell again from 2011 to 2013, as the government implemented spending cuts and tax increases to comply with conditions of an EU-IMF financial rescue package, signed in May 2011. Austerity measures also have contributed to record unemployment and a wave of emigration not seen since the 1960s. Booming exports will contribute to growth and employment in 2014, but the need to continue to reduce private- and public-sector debt could weigh on consumption and investment. The government of Pedro PASSOS COELHO has stated its intention to reduce labor market rigidity, and, this, along with steps to trim the budget deficit, could make Portugal more attractive to foreign investors. The government reduced the budget deficit from 10.1% of GDP in 2009 to 5.1% in 2013, lower than the EU-IMF fiscal target of 5.5%. Despite these efforts, public debt has continued to grow and, in 2013, stands among the highest in the EU. As a result, the government may have difficulty regaining full bond market financing when the EU-IMF financing program expires in May 2014.

Agriculture - products:

grain, potatoes, tomatoes, olives, grapes; sheep, cattle, goats, pigs, poultry, dairy products; fish

Industries:

textiles, clothing, footwear, wood and cork, paper, chemicals, auto-parts manufacturing, base metals, porcelain and ceramics, glassware, technology, telecommunications; dairy products, wine and other foods; ship construction and refurbishment; tourism

Exports - commodities:

agricultural products, food products, wine, oil products, chemical products, plastics and rubber, hides, leather, wood and cork, wood pulp and paper, textile materials, clothing, footwear, machinery and tools, base metals

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Banking

The Portuguese banking system witnessed very important structural changes over the last three decades from a government-controlled system to a market-driven environment fully integrated in the European Union. These profound structural and operational changes such as the abolishment of administrative interest rates in the 80´s, liberalization and harmonization in the 90´s and related implementation legislation has brought Portuguese banking regulations in line with EU legislative practices.

The Portuguese banking system is still quite concentrated, with the six largest banks accounting for around 95% of the sector's total assets.

These banks also have substantial holdings in non-traditional banking business sectors,such as insurance and brokerage firms The largest banking groups in Portugal include Millennium BCP, Banco Espírito Santo (BES), Banco Português de Investimento (BPI), Banco Comercial Português (BCP), Banco Santander Totta, and state-owned Caixa Geral de Depósitos (CGD). The recent crisis in international financial markets and the resultant global economic slowdown has led to particularly unfavorable conditions for banking activities worldwide.

The Portuguese economy is relatively small and highly integrated in the eurozone and, therefore, susceptible to market conditions. The Portuguese banking sector, like other sectors of the Portuguese economy, has been affected by the eurozone debt crisis.

Banks have faced difficulties obtaining financing in the international wholesale markets and have increasingly resorted to the European Central Bank for liquidity. Some banks have also suffered losses on financial assets although they have not been exposed significantly to the subprime market and related transactions. Nevertheless, Portuguese banks continue to maintain Tier 1 capital ratios of over 8 percent and to show strong capacity for adapting to adverse conditions.

At present, only Banco Portugues de Negocios (BPN) has been nationalized (2008), the first bank nationalization in Portugal since 1975. At the time of nationalization BPN had lost approximately 700 million euros from declining investment values due to the global financial crisis. The Ministry of Finance stressed that BPN was taken over as a result of an ongoing investigation into mismanagement and malfeasance.

As a member of the EU, Portugal offers a modern banking system with advanced financial products. The country has one the most advanced inter-banking networks in the world. ATMs and bank branches are easily found all over Portugal. Electronic banking is widespread, and Internet banking is offered by all major banks.

Stock Exchange

Since 1995 the Portuguese Future and Options Exchange has operated under an agreement with the Lisbon Stock Exchange, it introduced the PSI-20 index as an underlying for futures and options contracts. The PSI-20 mirrors the price dynamics of 20 leading Portuguese stocks that together represent more than three quarters of the Portuguese market capitalisation. The Securities Market Commission (CMVM) regulates and supervises the securities markets, including public offers, the activities of all the market operators and securities issuers; financial intermediaries in securities and collective investment institutions.

The Euronext Lisbon was formed in 2002 when the shares of the Lisbon And Porto stock exchanges were acquired by Euronext N.V. and the exchange was merged into the pan-European exchange.

Section 4 - Investment Climate

Openness to, and Restrictions upon, Foreign Investment

The Government of Portugal recognizes the value of foreign investment and sees such investment as an important engine of economic growth. Portugal is in its third consecutive year of economic recession and is currently in the process of implementing many structural reforms associated with its receipt of a €78 billion bailout from the European Union and the International Monetary Fund in 2011. The Portuguese Agency for Foreign Investment and Commerce (AICEP) is the lead agency for economic development policy. AICEP is responsible for the promotion of global Portuguese trademarks, export goods and services, and attraction of foreign direct investment (FDI). It is the point of contact for investors with projects over €25 million or companies with a consolidated turnover of more than €78 million. For foreign investments not meeting these thresholds, AICEP will make a preliminary analysis and direct the investor to assistance agencies such as the Institute of Support to Small- and Medium Sized Enterprises and Innovation (IAMPEI), a public agency within the Ministry of Economy that provides technical support, or to AICEP Capital Global, which offers technology transfer, incubator programs and venture capital support.

The Bank of Portugal (Portugal's central bank) defines FDI as "an act or contract that obtains or increases enduring economic links with an existing Portuguese institution or one to be formed." A non-resident who invests in at least 10% of a resident company's equity and participates in the company's decision-making is considered a foreign direct investor. The Portuguese legal system is based on non-discrimination with regard to the national origin of investment, and foreigners are permitted to invest in all economic sectors open to private enterprise. However, there are limitations on both foreign and domestic investments with regard to certain economic activities. Portuguese government approval is required in the following sectors: defense, water management, public telecommunications operators, railway, maritime transportation and air transport. Any economic activity that involves the exercise of public authority also requires government approval. Private sector companies can operate in these areas only through a concession contract.

Investors wishing to establish new credit institutions or finance companies, acquire a controlling interest in such financial firms, and/or establish a subsidiary must have authorization from the Bank of Portugal (for EU firms) or the Ministry of Finance (for non-EU firms). In both cases, the authorities carefully consider the proposed transaction, but in the case of non-EU firms, the Ministry of Finance especially considers the impact on the efficiency of the financial system and the internationalization of the economy. Non-EU insurance companies seeking to establish an agency in Portugal must post a special deposit and financial guarantee and must have been authorized for such activity by the Ministry of Finance for at least five years.

EU workers are not required to have work permits. Non-EU workers are required to have both legal residency and a work permit. Authorization for permanent residence is granted when an employee has a labor contract, rent contract, or a permanent resident document and is registered with the Social Security Services. Requests are processed by the Serviços de Estrangeiros e Fronteiras (SEF) Branch and regulated by Decree-Law 23/2007 dd4/07 and Decree-Law 84/2007 dd 05/11. For more information, visit www.sef.pt.

The following are Portugal's rankings on five widely accepted measures of the business and investment environment:

Measure	Year	Ranking
TI Corruption Perceptions Index	2012	33 of 176
Heritage Economic Freedom	2012	68 of 179
World Bank Ease of Doing Business	2012	30 of 185
World Economic Forum Global Competitiveness Report	2012-2013	49 of 139
Innovation Union Scoreboard	2011	12 of 27

For more information about these measures visit:

- http://issuu.com/transparencyinternational/docs/cpi_2012_report/5
- http://www.heritage.org/index/Ranking
- http://www.doingbusiness.org/data/exploreeconomies/portugal/
- http://reports.weforum.org/global-competitiveness-report-2012-2013/#=
- http://ec.europa.eu/enterprise/policies/innovation/facts-figures-analysis/innovation-scoreboard/index_en.htm

Conversion and Transfer Policies

Portugal is a member of the European Monetary Union and uses the euro. Portugal does not have exchange controls and there are no restrictions on the import or export of capital. Both residents and non-residents may hold bank accounts in any currency. However, any party that transfers €10,000 or more outside of Portugal in foreign banknotes, gold, travelers' checks, or bearer securities must declare it to the Portuguese customs authorities.

Performance Requirements and Incentives

In November 2012, Portugal received EU-permission to reduce it's the standard corporate tax rate (IRC) to 10% for new investments made in Portugal. On all other investments, the IRC is 25% throughout Portugal, with the exception of the Autonomous Region of the Azores where it is 17.5%. A state surtax is levied at 3% on taxable profits over €1.5 million up to €10 million and at 5% on amounts exceeding €10 million. A municipal surcharge is levied on taxable profits at rates up to 1.5% (depending on the municipality), resulting in a maximum possible aggregate tax rate of 29.5%-31.5%.

The Portuguese Government offers investment incentives which can be tailored to investors' needs and capital based on industry, proposed size of investment, and project sustainability. A 10-20% tax investment credit is granted for large industrial investment projects. A credit of 32.5-50% of qualifying research and development expenses (limited to €1.5 million) is available. For more information on investment incentives offered by the central government, visit AICEP's website: http://www.portugalglobal.pt. The Autonomous Regions of Madeira and the Azores also offer investment incentives. For example, profits derived from offshore operations by licensed industrial, shipping, international services, and financial companies established in the International Business Centre of Madeira (a foreign trade zone) are subject to the reduced corporate tax rate of 5%. For more information on the International Business Centre of Madeira's corporate tax regime, please visit http://www.ibc-madeira.com/.

Since Portugal is an EU Member State, potential investors may be able to access European aid programs, which provide further incentives to investing in Portugal. Portugal received €21.5 billion in EU Structural and Cohesion funds for 2007-2013. These funds have been used by Portugal to co-finance, jointly with EU funds, key investments in the areas of research and development, information and communications technology, transport, water, solid waste, energy efficiency and renewable energy, urban regeneration, health, education, and culture. For more information, visit http://www.qren.pt or http://www.incentivos.qren.pt .

Right to Private Ownership and Establishment

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, 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. Foreign investments affecting public health, public order or security, or relating to the arms industry require approval of the competent authorities.

Law No. 18/2003 (June 6, 2003) governs protection and promotion of competition in Portugal. It specifically prohibits 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 government notification of mergers or acquisitions that would give a company more than a 30 % market share in a sector, or mergers or acquisitions among entities that had total sales in excess of €150 million in the preceding financial year. The Competition Authority has 60 days to determine if the merger or acquisition can proceed. The European Commission may claim authority on cross-border competition issues or those involving entities large enough to have a significant EU market share.

Protection of Property Rights

The government adopted the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) and provisions of the General Agreement on Tariffs and Trade (GATT) in 2003. Portuguese legislation for the protection of intellectual property rights has been consistent with WTO rules and EU directives since 2004. In 2012, the government created a court with one judge dedicated to intellectual property rights. Portugal is a participant in the eMAGE and eMARKS projects, which provide multilingual access to databases of trademarks and industrial designs. These international efforts assist participating customs authorities in combating sales of counterfeit goods. Other participating countries include France, Austria, Hungary and Spain.

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, the Industrial Property Code, was approved by Decree-Law 143/2008 and went into effect on July 25, 2008. The law is consistent with TRIPS.

Copyright Protection: Portugal has implemented directives on the EU information society and protection of databases through national legislation (Decree-Law 50/2004 and 112/2000, respectively). The software piracy rate in Portugal is slightly higher than the average software piracy rate in the EU. According to a 2010 report of the Business Software Alliance, the software piracy rate in Portugal in 2009 was 40%, compared to the EU average of 35% and the Western Europe average of 34%.

Patent Protection: Patent protection in Portugal is governed 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. A new industrial property code, designed to bring Portugal into full conformity with EU and international norms, went into effect in July 2008.

Portugal grants health (FDA-equivalent) approval to market new drug products without cross-checking for existing products with unexpired patent protection already in the market. This forces companies to pursue redress through the court system, an expensive and time-consuming process. U.S. pharmaceutical companies have brought a number of cases in Portuguese courts for violation of patent rights by Portuguese companies. One U.S.-owned pharmaceutical company has won five cases and has additional cases pending.

Transparency of the Regulatory System

In the past, businesses frequently complained about red tape with regard to registering companies, filing taxes, receiving value-added tax refunds and importing materials. Decision-making tended to be centralized, and obtaining government approvals/permits was often time-consuming and costly. In the past few years, Portugal has undertaken efforts to improve government efficiency.

The Ministry of Economy has promoted various initiatives. In 2007, it worked with the Ministry of Justice to launch the "Cutting Red Tape" website, a repository of information for all measures taken since 2005 to reduce bureaucracy in the incorporation, registration, certification, liquidation, dissolution and merging of businesses in Portugal. Other initiatives include the "Empresa na Hora" (Business in an Hour), which allows for the incorporation of companies in less than one hour at Corporate Formalities Centres and Business Registration Offices. Other services provide online company incorporation, labor mediation, bilingual commercial registration, and patents and trademarks. Between January and November 2010, a total of 17,040 companies were incorporated under the "Empresa na Hora" program. Since its inception, more than 100,000 companies have been incorporated under the “Empresa na Hora” program.

In an effort to promote small and medium-sized businesses, on December 30, 2010, the Portuguese Council of Ministers approved new measures to simplify further company formation procedures. It eliminated the €5,000 minimum share capital to establish limited liability companies, individual shareholder limited companies, and limited liability sole proprietorships, giving entrepreneurs the flexibility to determine the share capital of their companies without any restrictions and to deposit the share capital, as little as €1, by the end of the first year of operations rather than prior to initiation of economic activity. The minimum share capital for public limited companies remains €50,000.

Efficient Capital Markets and Portfolio Investment

One result of Portugal's participation in the European Monetary Union is the country's increasing integration into a European-wide financial market. As a member of the eurozone, Portugal offers low exchange rate risk for foreign investors; however, with Portuguese banks resorting to the European Central Bank (ECB) for liquidity, the Bank of Portugal anticipates increased bank spreads and more limited access to credit for individuals and companies. In January 2013, the average interest rate on new corporate loans was approximately 6.8%, well above the eurozone average of 3.9%. The Bank of Portugal regulates the effective annual interest rate (TAEG) on loans in accordance with Decree-Law No. 133/2009 (June 2009), which established the maximum TAEG. 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 Portuguese capital markets code (the CVM) went into effect on March 1, 2000, and has rationalized and streamlined Portuguese capital markets legislation. The Lisbon stock market is part of Euronext, which also includes the Paris, Brussels and Amsterdam markets. Yields on long-term government bonds remained among the highest in the eurozone. The sovereign debt crisis led to a loss of access to wholesale debt markets in 2010. Portugal returned to the bonds market in October 2012 and successfully conducted a short-term bond exchange. Government authorities hope to regain full access to the medium- and long-term debt markets in 2013.

Portugal has 44 banking institutions, with the four largest bank groups accounting for over 70% of the sector’s total assets. Debt redemptions in 2012 total €17 billion. The country's largest bank, Caixa Geral de Depositos (CGD), is state-owned. Despite economic challenges due to the global and eurozone financial crises, Portuguese banks have maintained a Tier 1 capital ratio over 8%, as required by the Bank of Portugal. However, they have had to resort to the ECB for liquidity. In June 2012, ECB borrowing reached an all time high of €60 billion which has decreased when banks returned to bond markets.

In addition to banks and stock markets, Portugal has taken specific steps to ensure that the financial needs of SMEs are met. IAPMEI has a program of mutual guarantees so that SMEs 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% of the guarantee. IAPMEI has also supported the creation of venture capital funds and venture capital firms to channel capital to SMEs. In 2008, the European Investment Fund, together with private financial institutions, public bodies, and select foundations, launched the Portugal Venture Capital Initiative (PVCi), a €111 million private equity/venture capital fund of funds, to invest in Portuguese and international funds focused primarily on Portugal and to accelerate growth of Portugal’s SME sector. PVCi investors include the Portuguese government, state-owned Caixa Geral de Depositos, the Gulbenkian Foundation, and major private banks.

Competition from State-Owned Enterprises (SOEs)

The Portuguese system is based on non-discrimination regarding national origin of investment. Foreign and domestic private companies are limited in certain economic activities, such as water utilities, postal services, rail transport, and maritime ports. Private sector companies, regardless of national origin, can operate in these restricted fields only through a concession contract. As part of its financial bailout agreement, Portugal will privatize several SOEs. Privatization has begun in Portugal's energy and aviation industries. Further sales of Portuguese assets in the sanitation and telecommunications sectors are planned. There is no sovereign wealth fund in Portugal.

Political Violence

Portugal has a long history of peaceful social protest. Portugal experienced its largest political rally since its revolution in response to budgetary measures in 2012. Subsequent demonstrations against government austerity measures and economic policies have resulted in isolated and low levels of vandalism, generally directed at parliamentary facilities. Public workers, including nurses, doctors, teachers, aviation professionals and public transportation workers have organized strikes periodically in protest of privatization, salary cuts and other government measures throughout 2012. A prolonged port worker strike is estimated to have impacted Portugal's import/export trade by €1.2 billion.

Bilateral Investment Agreements

Portugal has signed investment agreements with the following countries: Albania, Germany, Angola, Algeria, Argentina, Bosnia Herzegovina, Brazil, Bulgaria, Cape Verde, Chile, China, South Korea, Croatia, Cuba, Egypt, Slovakia, Slovenia, Philippines, Gabon, Guinea-Bissau, Hungary, India, Kuwait, Latvia, Libya, Lithuania, Macao, Morocco, Mauritius, Mexico, Mozambique, Pakistan, Paraguay, Peru, Poland, Qatar, Czech Republic, Romania, Russia, Sao Tome and Principe, Timor, Tunisia, Turkey, Ukraine, Uruguay, Uzbekistan, Venezuela and Zimbabwe.

Foreign Trade Zones/Free Ports

Portugal has one foreign trade zone (FTZ)/free port in the Autonomous Region of Madeira, established in 1987. Continued operation of this foreign trade zone/free port was authorized in accordance with EU rules on incentives granted to member states. Industrial and commercial activities, international service activities, trust and trust management companies, and offshore financial branches are all eligible. Companies established in the foreign trade zones enjoy import/export-related benefits, financial incentives, tax incentives for investors, and tax incentives for companies.

As of December 31, 2009 (the latest available figure), the Madeira FTZ had 3,221 active registered companies, including 240 ships registered in the International Shipping Register. Under the terms of Portugal's agreements with the EU, companies in the Madeira FTZ can take advantage of revised tax incentives until 2020. For additional information on Madeira's tax regime, please visit the International Business Centre of Madeira at: http://www.ibc-madeira.com/Tax_Benefits.aspx?ID=29

Foreign Direct Investment Statistics

According to the Central Bank of Portugal, foreign direct investment (FDI) in Portugal was €84.6 billion in 2012, a slight decrease from 2011 figures. Portuguese investment abroad reached €50.3 billion, a €4 billion decrease from 2011. In 2012, the EU-member states accounted for 92.1 % of FDI to Portugal. According to AICEP, the top countries of origin for FDI to Portugal were Luxemburg, Spain, the United Kingdom, France, the Netherlands, Germany, Austria, Switzerland, Belgium, Ireland, and the United States during the first semester of 2012. The leading industries for receipt of FDI were wholesale and retail services, financial and insurance activities, manufacturing, utilities, and information and communication activities, representing approximately 92% of FDI. According to the U.S. Census Bureau, the United States exported $1 billion in goods to Portugal and imported $2.4 billion in Portuguese goods. For more information on Portugal's international investment position, please visit: http://www.bportugal.pt/en-US/Estatisticas/PublicacoesEstatisticas/BolEstatistico/Publications/C30.pdf

Prominent U.S. businesses represented in Portugal include Cisco, Johnson & Johnson, Mattel, Oracle, General Electric, and Citibank. For information on other U.S. companies operating in Portugal, please visit the American Chamber of Commerce in Portugal at: http://www.amcham.org.pt.

For those interested in establishing a business in Portugal, information on doing business in Portugal is maintained by the U.S. Foreign Commercial Section at: http://export.gov/portugal/doingbusinessinportugal/index.asp .

Portuguese trade with the U.S.
http://www.census.gov/foreign-trade/balance/c4710.html

Major foreign investors in Portugal
http://www.portugalglobal.pt/EN/Biblioteca/Pages/homepage.aspx

Web Resources

Bank of Portugal
http://www.bportugal.pt

Portuguese Agency for Foreign Investment and Commerce
http://www.portugalglobal.pt

Empresa na Hora
http://www.empresanahora.pt

QREN (National Strategic Reference Framework 2007-2013)
http://www.qren/pt

EUROSTAT (Statistical Office of the European Union)
http://ec.europa.eu/eurostat

U.S. Census Bureau
http://www.census.gov

Technological Plan
http://www.planotecnologico.pt

"Cutting Red Tape" Investment Incentive Program
www.cuttingredtape.mj.pt

Portuguese Government
http://www.portugal.gov.pt

American Chamber of Commerce in Portugal
http://www.amcham.org.pt

IAPMEI (Institute for SME Support and Innovation)
http://www.iapmei.pt

INPI (Portuguese Patent and Trademark Office)
http://www.inpi.pt

Portuguese Directorate General for Economic Activities
http://www.dgae.min-economia.pt

U.S. Commercial Service in Portugal
http://www.buyusa.gov/portugal/en

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

Legal system:

Civil law system; Constitutional Tribunal review of legislative acts

International organization participation:

ADB (nonregional member), AfDB (nonregional member), Australia Group, BIS, CD, CE, CERN, CPLP, EAPC, EBRD, ECB, EIB, EMU, ESA, EU, FAO, FATF, IADB, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IEA, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), LAIA (observer), MIGA, NATO, NEA, NSG, OAS (observer), OECD, OPCW, OSCE, Paris Club (associate), PCA, Schengen Convention, SELEC (observer), UN, UNCTAD, UNESCO, UNHCR, UNIDO, Union Latina, UNMIT, UNSC (temporary), UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO, ZC

Exchange control

Capital movements are freely transferable.

Treaty and non-treaty withholding tax rates

Portugal has signed **83 agreements** (**67 DTC** and **16 TIEA** agreements) providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Algeria	DTC	12 Feb 2003	5 Jan 2006	Unreviewed	No
Andorra	TIEA	30 Nov 2009	31 Mar 2011	Yes	Yes
Anguilla	TIEA	28 Feb 2011	not yet in force	Yes	Yes
Antigua and Barbuda	TIEA	13 Sep 2010	not yet in force	Yes	Yes
Austria	DTC	29 Dec 1970	27 Feb 1972	Yes	No
Barbados	DTC	22 Oct 2010	not yet in force	Yes	Yes
Belgium	DTC	16 Jul 1969	19 Feb 1971	Yes	No
Belize	TIEA	15 Sep 2010	not yet in force	Yes	Yes
Bermuda	TIEA	10 May 2010	5 Apr 2011	Yes	Yes
Brazil	DTC	16 May 2000	5 Oct 2001	Yes	No
Bulgaria	DTC	15 Jun 1995	18 Jul 1996	Unreviewed	No
Canada	DTC	14 Jun 1999	24 Oct 2001	Yes	No
Cape Verde	DTC	22 Mar 1999	15 Dec 2000	Unreviewed	No
Cayman Islands	TIEA	13 May 2010	18 May 2011	Yes	Yes
Chile	DTC	7 Jul 2005	25 Aug 2008	Yes	No
China	DTC	21 Apr 1998	7 Jun 2000	Yes	No
Colombia	DTC	30 Aug 2010	not yet in force	Unreviewed	Yes
Cuba	DTC	30 Oct 2000	28 Dec 2005	Unreviewed	No
Cyprus	DTC	19 Nov 2012	16 Aug 2013	Yes	Yes
Czech Republic	DTC	24 May 1994	1 Oct 1997	Yes	No
Denmark	DTC	14 Dec 2000	24 May 2002	Yes	No
Dominica	TIEA	5 Oct 2010	not yet in force	No	Yes
Estonia	DTC	13 May 2003	23 Jul 2004	Yes	No
Finland	DTC	27 Apr 1970	14 Jul 1971	Yes	No
France	DTC	14 Jan 1971	18 Nov 1972	Yes	No

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Georgia	DTC	21 Dec 2012	not yet in force	Unreviewed	Yes
Germany	DTC	15 Jul 1980	8 Oct 1982	Yes	No
Gibraltar	TIEA	14 Oct 2009	24 Apr 2011	Yes	Yes
Greece	DTC	2 Dec 1999	13 Aug 2002	Yes	No
Guernsey	TIEA	9 Jul 2010	not yet in force	Yes	Yes
Guinea-Bissau	DTC	17 Oct 2008	5 Jul 2012	Unreviewed	Yes
Hong Kong, China	DTC	22 Mar 2011	3 Jun 2012	Yes	Yes
Hungary	DTC	16 May 1995	5 Aug 2000	Yes	No
Iceland	DTC	8 Feb 1999	4 Nov 2002	Yes	No
Iceland	DTC Protocol	16 May 2012	not yet in force	Yes	Yes
India	DTC	11 Sep 1998	30 Apr 2000	Yes	No
Indonesia	DTC	9 Jul 2003	11 May 2007	Yes	No
Ireland	DTC	1 Jun 1993	14 Jul 1994	Yes	No
Isle of Man	TIEA	9 Jul 2010	18 Jan 2012	Yes	Yes
Israel	DTC	26 Sep 2006	18 Feb 2008	Yes	No
Italy	DTC	14 May 1980	15 Jan 1983	Yes	No
Japan	DTC	19 Dec 2011	28 Jul 2013	Yes	Yes
Jersey	TIEA	9 Jul 2010	9 Nov 2011	Yes	Yes
Korea, Republic of	DTC	26 Jan 1996	21 Dec 1997	Yes	No
Kuwait	DTC	23 Feb 2010	not yet in force	Unreviewed	Yes
Latvia	DTC	19 Jun 2001	3 Jul 2003	Unreviewed	No
Liberia	TIEA	14 Jan 2011	not yet in force	Yes	Yes
Lithuania	DTC	14 Feb 2002	26 Feb 2003	Yes	No
Luxembourg	DTC	25 May 1999	30 Dec 2000	Yes	Yes
Macao, China	DTC	28 Sep 1999	28 Sep 1999	Yes	No
Malta	DTC	26 Jan 2001	5 Apr 2002	Yes	No
Mexico	DTC	11 Nov 1999	1 Sep 2001	Yes	No
Moldova, Republic of	DTC	11 Feb 2009	18 Oct 2010	Unreviewed	Yes
Morocco	DTC	29 Sep 1997	27 Jun 2000	Unreviewed	No
Mozambique	DTC	21 Mar 1991	1 Jan 1994	Unreviewed	No
Netherlands	DTC	20 Sep 1999	11 Aug 2000	Yes	No
Norway	DTC	10 Mar 2011	15 Jun 2012	Yes	Yes
Pakistan	DTC	23 Jun 2000	6 Apr 2007	Unreviewed	No
Panama	DTC	27 Aug 2010	10 Jun 2012	Yes	Yes
Peru	DTC	19 Nov 2012	not yet in force	Unreviewed	Yes
Poland	DTC	9 May 1995	1 Jan 1999	Yes	No
Qatar	DTC	12 Dec 2011	not yet in force	Yes	Yes
Romania	DTC	16 Sep 1997	14 Jul 1999	Unreviewed	No
Russian Federation	DTC	29 May 2000	1 Jan 2003	Yes	No
Saint Kitts and Nevis	TIEA	29 Jul 2010	not yet in force	Yes	Yes

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Saint Lucia	TIEA	14 Jul 2010	28 Oct 2011	Yes	Yes
San Marino	DTC	18 Nov 2010	not yet in force	Yes	Yes
Singapore	DTC	7 Sep 1999	16 Mar 2001	No	No
Singapore	DTC Protocol	28 May 2012	not yet in force	Yes	Yes
Slovakia	DTC	6 Jun 2001	2 Nov 2004	Yes	No
Slovenia	DTC	5 Mar 2003	13 Aug 2004	Yes	No
South Africa	DTC	13 Nov 2006	22 Oct 2008	Yes	No
Spain	DTC	26 Oct 1993	28 Jun 1995	Yes	No
Sweden	DTC	29 Aug 2002	19 Dec 2003	Yes	No
Switzerland	DTC	26 Sep 1974	17 Dec 1975	No	No
Switzerland	DTC Protocol	25 Jun 2012	not yet in force	Unreviewed	Yes
Tunisia	DTC	24 Feb 1999	21 Aug 2000	Unreviewed	No
Turkey	DTC	11 May 2005	18 Dec 2006	Yes	No
Turks and Caicos Islands	TIEA	20 Dec 2010	25 Jul 2011	Yes	Yes
Ukraine	DTC	2 Sep 2000	3 Nov 2002	Unreviewed	No
United Arab Emirates	DTC	17 Jan 2011	16 Jul 2011	Yes	Yes
United Kingdom	DTC	27 Mar 1968	20 Jan 1969	Yes	No
United States	DTC	6 Sep 1994	1 Jan 1996	Yes	No
Uruguay	DTC	30 Nov 2009	13 Sep 2012	Yes	Yes
Venezuela	DTC	23 Apr 1996	1 Aug 1998	Unreviewed	No
Virgin Islands, British	TIEA	5 Oct 2010	not yet in force	Yes	Yes

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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