Foreign direct investment in the context of the financial crisis and bailout: Portugal

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1. Introduction

The experience of the Portuguese economy with foreign direct investment (FDI) after the outbreak of the global financial crisis in 2008 and the sovereign crisis that followed represents a new stage in its complex history with this increasingly critical flow. This is true with regard to both inward and outward flows and stocks and it is the main focus of the present chapter, which focuses on the period 2008–2013, especially after Portugal's bailout by international institutions in May 2011,[1] which lasted until June 2014.

At the beginning of the twenty-first century, the Portuguese economy was characterised by fundamental weaknesses, including very slow growth and serious macroeconomic imbalances, demonstrated by high and persistent public and current deficits (Andrade and Duarte 2011). External economic relations must be highlighted in this context (Silva and Simões 2012). Besides excessive current deficits and the loss of market share in major export destinations (Amaral 2006), its difficulties in attracting large net FDI inflows, as well as those encountered by Portuguese companies in the process of internationalisation through direct investment provide substantial evidence of the seriousness of the external challenges (Simões and Cartaxo 2011 and 2012). At the onset of the crisis, the troubles also began to affect the ability of the indebted Portuguese state and firms to borrow in international markets. Indeed,

1. The so-called Troika: the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF). In order to obtain loans (up to 78 billion euros) on more favourable terms than those prevailing in the international financial markets, the government of Portugal, supported by the three main political parties, signed an agreement with these institutions in May 2011. The document – the so-called 'Memorandum of Understanding', hereafter 'the Memorandum' (Portuguese Government 2011) – established the economic policy conditionals to be followed during the next three years (that is, up to June 2014). As will be shown below, in important respects, the Memorandum was relevant to the analysis of FDI issues in the period.

after 2008, although it mainly affected the financial sector, it also had a strong impact on the economy as a whole.

Certainly, many of these problems were not confined to the 2000s and were already visible in the previous decade or even before (Silva 2013). In the early twenty-first century, however, the Portuguese economy and its firms found themselves unprepared to find a place in such increasingly competitive environments as the European Single Market and the euro area, not to mention emerging markets and globalisation. This means that the key problems of Portuguese economy were primarily structural and the conditions required by euro area membership were not being considered for major policy purposes, such as disciplined macroeconomic management or adequate preparation for global competition (Silva 2012).

When the financial crisis of 2008 shook the fragile Portuguese economy and the subsequent sovereign crisis led to the bailout of May 2011,[2] the shock was widespread. For example, GDP gradually fell by around 7 per cent from 2008 to 2013, and after very slow growth (0.9 per cent) in the following year, by the beginning of 2015, in contrast to Ireland or Spain, signs of a recovery were scant (and based on consumption rather than investment).[3] Obviously, there are some industries (in particular, traditional ones such as tourism, footwear and wine) and firms that have managed to overcome the challenges of the crisis and the internationalisation process in the adverse conditions prevailing in the period. However, this is not a systemic feature of the Portuguese economic situation, especially if we consider the minimum requirements for sustained competitiveness. Moreover, if there has been a significant improvement

2. In order to understand the entire context better, it is convenient to recall an important caveat. Prior to the Memorandum, political factors did not have to be completely disregarded. At the beginning of 2010, Portugal's sovereign bond yields were clearly below those of other countries at risk in the European Union. However, after the elections of October 2009, there was a minority government (in fact, a continuation of the previous government) in a weak political position, while the president had a different political orientation. By the middle of 2010, sovereign bond yields began to rapidly increase and Portugal was still far from the new ECB policy of 'whatever it takes' to save the common currency. The conditions were thus highly favourable for political confrontation. After the Memorandum was signed, in June 2011, further elections were held and a coalition politically more in accordance with the president became the new government.

3. Data for Portugal in 2014 from the National Institute of Statistics (February 2015); the European Commission estimates (November 2014) for the year 2015 forecast that Portugal will grow between 1 per cent and 1.5 per cent, while Ireland and Spain will grow faster, at above 2.5 per cent. In these estimates, Greece also received a more favourable forecast, but we need to take into account the possible effects of the change in government after the elections of January 2015 (Silva, 2015).

in the external balance in recent years it was in an environment not only of sharp cuts in wages and 'brutal' tax rises, but also increasing inequality and poverty (OECD 2014), the emigration of qualified people, extension of working time and the elimination of holidays. Clearly, most of these trends, particularly after 2011, were no stimulus for structural productivity gains (for example, in terms of labour productivity per hour, whose low level and slow catch-up was at the root of Portuguese economic stagnation in the early 2000s and later financial and sovereign crises, insofar as it means that it will not be possible to pay debts in the long term). In addition, as shown by Cravinho (2015), the basis of this 'medicine' was essentially cost competitiveness of the worst sort, involving, as we have mentioned, substantial cuts in nominal wages and social benefits, rather than structural competitiveness, which requires the use of better qualified workers and a much broader vision.

It is important to recall that the deterioration of the Portuguese economy during the 2000s affected external relations – ranging from trade to FDI – and other flows, such as revenues. Furthermore, from the economic policy point of view, the two decades or so that preceded the crisis of 2008 were clearly characterised by *a distortion that favoured the non-traded goods and services sector*, which was highly negative for a small economy such as Portugal (Silva 2013), as the case of exports has shown fairly well.[4] Indeed, such an orientation has acted as a disincentive to prepare well to face the European Single Market and tough international competition. It was one of the main reasons for the poor results observed in the decade before the crisis (for example, after having slowed down since the early 1990s, the process of real convergence with European partners was interrupted by the turn of the century). Taking into account all these trends we may put a few questions to be clarified in the present chapter: how did Portuguese FDI react to the crisis and the

4. The Portuguese coalition government (2011–2015) and the media claimed emphatically that the ratio of exports of goods and services to GDP had at last substantially increased in the period (concerning the analytic relevance of this issue, see Silva 2008: 15). However, while accepting the good export performance of many firms, the increase in this indicator was due mainly to the sharp drop in GDP and to other circumstances, most not related to this government; for example, according to the figures released by the National Institute of Statistics, on average, the annual growth rate of exports in 2010–2013 was below that of 2005–2007; in other words, export performance was already improving before the crisis. Also, in the previous bailout programmes in 1978 and 1983 Portuguese exports increased very rapidly – albeit for different reasons (currency devaluation) – and external equilibrium was restored, but only for a short period. In other words, we need more time to see whether the recent export trend is sustainable, particularly in the context of an effective economic recovery. Establishing a strong and competitive export sector requires deep roots.

bailout? Which policies were adopted towards FDI? What was their impact on employment and elsewhere? It is perhaps too early to obtain clear and definitive answers to all these issues, but we shall begin the necessary work of diagnosis and evaluation in this chapter.

Before starting our analysis, we must alert the reader to some fundamental flaws of the available statistical data.[5] Although we also use other sources (UNCTAD and Eurostat, for example), the Bank of Portugal is the primary provider of data on flows and stocks of FDI (inward or outward), which are also used by Eurostat. In our principal source, data are obtained through the usual international rules and practices (for more details, see IMF 2009), but we must be cautious about interpreting these official FDI figures, which are imperfect from several points of view.

A few examples, not necessarily related to statistical methodology, are likely to show the crux of the problems we face at this level. *First*, FDI inflows from 1996 to 2013,[6] on an annual basis have always been positive, but behind this there are very high investments as well as high disinvestment inflows, resulting in relatively meagre net positive results (see Annex 3) and, consequently, a modest increase in investment stock. *Second*, as far as FDI outflows are concerned, we have no credible information about their final destination, to the extent that Portuguese corporations use third countries fairly substantially to invest abroad, most notably the Netherlands. This is well-known among FDI specialists (Dunning and Lundan 2008) and not specific to Portugal, although strongly evident there. *Third*, to take a more recent example, Chinese investments in Portugal have been prominent in the crisis period, especially since 2011 and the privatisation process, estimated at around 6 billion euros by the end of 2014 (Le Monde 2015), but we find no trace of similar amounts in national statistical sources (see, for example, Annex 1). This example illustrates how foreign investors also largely use third countries as intermediaries to enter Portugal. *Fourth*, contrary to what happens in some western and central European countries, Portugal does not have complementary databases from chambers of commerce and similar institutions that, even if created for other purposes, would allow us to obtain a more realistic picture of the movements and state of inward

5. For a more general treatment of the deficiencies of world FDI statistics, see Dunning and Lundan (2008: 12–15). The first chapter of this reference book deals directly or indirectly with this central topic for researchers in the field.
6. Much of this chapter is based on a consistent series on FDI provided by the Bank of Portugal (and AICEP) over the years 1996–2013. However, the series was broken in the middle of 2014.

and outward FDI in Portugal, particularly as far as the role of firms are concerned. *Fifth*, and finally, since the early 2000s, research work on individual internationalised firms and cases has increased (GEPE 2001), particularly on enterprises investing abroad, but we are still far from having a desirable level of data from which to draw solid and representative conclusions on the subject.

Therefore, when we try to go beyond the global flows and stocks of Portuguese FDI in the main period under analysis (for details see Annexes 1 to 3), and we take a closer look at its origins and destination, its distribution by economic activity and form and its impact on employment, the inferences may be nothing more than loose approximations. This is perhaps the result of a long-lasting neglect of the relationship between the Portuguese economy and FDI (not in political rhetoric, but in practical and operational terms), a problem whose effects we cannot easily overcome in the short term. In this study, we shall strive to make the best of the fairly limited information that is available. In addition, in order to reduce the statistical gap, we also use some data found in the news media – Portuguese and international – that we consider helpful.

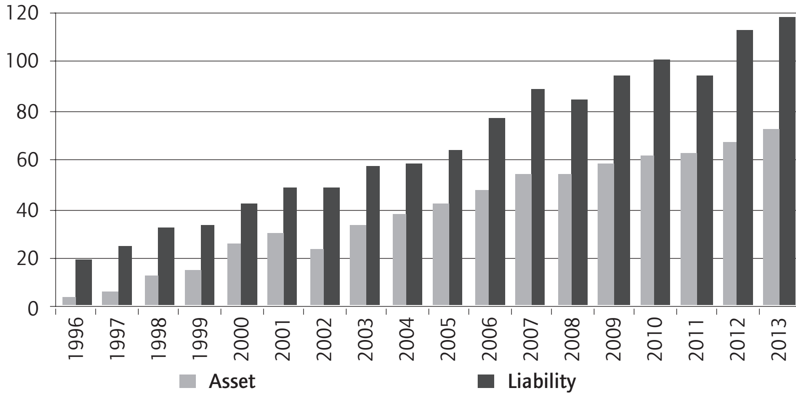
To summarise the present chapter, after this introduction, in Section 2 we put our analysis of FDI in the context of the evolution of the Portuguese economy in recent decades. In Section 3 we look in detail and from various perspectives at inward/outward flows and stocks in the period of crisis and bailout that is at the core of our analysis. For obvious reasons, we begin with the policy measures taken after 2011, such as the speeding up of the privatisation programme and the granting of 'golden visas' to non-EU residents. Then, focusing on 2008–2013, we examine FDI in terms of its distribution by country of origin and destination, breakdown by economic activity and forms of investment and the origin of the leading foreign affiliates. In the course of this we make comparisons, in particular with previous periods. We adapted our research methodology to the fact that we are analysing a short and peculiar period of recent Portuguese history. In the penultimate section we synthesise the main trends of the period, based on our empirical analysis. In the final section, we draw some conclusions and raise a few topics for further research.

2. Historical overview of FDI in the Portuguese economy

Despite the peculiar situation created by the financial and the sovereign debt crises in 2008–2013, in order to better understand FDI in the Portuguese economy we must look briefly at recent decades. In the second half of the twentieth century, only joining the European Free Trade Association (EFTA) in 1960 led to significant investment of foreign capital in Portugal – particularly up to the early 1970s – often within the context of the outsourcing of industry from northern European countries. Later, except for a few years in the 1980s, both before and after EU membership, Portugal has never attracted large FDI inflows (Silva 1990). More recently, in an account of the first twenty years in the European Union (1986–2005), it was demonstrated how, after the initial wave (1986–1991), inflows clearly decreased as part of world FDI inflows (Silva 2006: 501). With the fall of the Berlin Wall, the competition to attract FDI increased and Portugal was unable to maintain its position (see, for example, the stark contrast with Ireland during the 1990s, in Silva 2000; both countries were, however, subjected to a very similar framework in terms of EU policy towards 'cohesion countries' designed in the late 1980s).

Meanwhile, like other southern countries of the European periphery, Portugal basically remained a host FDI country, not a significant foreign investor. Figure 1 shows the international foreign investment position of Portugal from 1996 to 2013. It is clear that liabilities always surpass assets. However, during a short period at the turn of the century – more precisely, 1998–2001 – net outward investment overtook net inward investment (see Annex 3), in large part related to investments in Brazil, attracted by the privatisation process then ongoing in that country in the telecommunications, energy and other infrastructural sectors (Silva 2005; da Fonseca et al. 2011). After this short but intense experience, Portuguese outward FDI clearly slowed down. Nevertheless, we cannot deny that Portuguese enterprises, of different sizes and sectors, like those of many other countries since the 1990s (including developing and emergent economies), also became investors abroad. This increased Portugal's economic links with the outside world in a new and important dimension due to the long-term characteristics of FDI that entail a greater commitment on the part of firms in more competitive contexts.

Figure 1 **Portuguese Foreign Direct Investment Position, 1996–2013 (euro billion)**



Source: Banco de Portugal

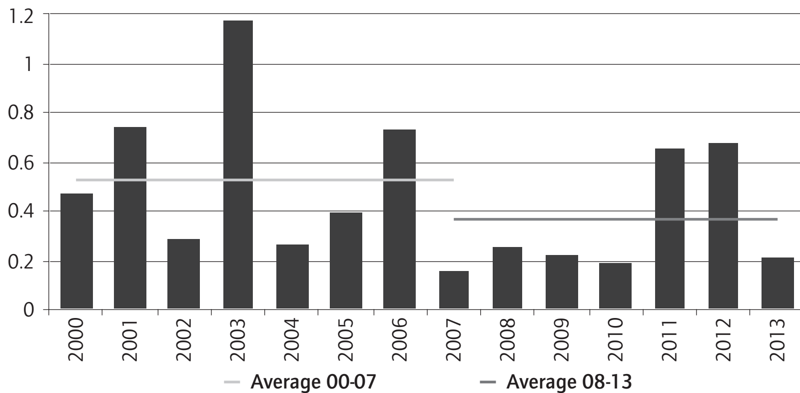
With regard to FDI inflows, Figure 2 gives a more recent picture on a comparative global basis. Indeed, the 2000s show a similar trend to the one we have just described: these flows to Portugal have been at a relatively low level and fairly irregular. It is true that, like most other investments, by their nature FDI flows are not steady; moreover, for example, in the fourteen years covered by Figure 2, no clearly discernible trend is visible but rather substantial annual variability. However, despite the higher figures for 2011 and 2012, FDI inflows in 2008–2013 – whose main features we will analyse in the next section – were, on average, below those of 2000–2007, at 0.36 per cent and 0.52 per cent, respectively, of the world total. This is not surprising given that the later period was characterised by high uncertainty, a factor that heavily influences FDI decisions.

Summarising, in recent decades, apart from short periods – such as the late 1960s/early 1970s or the late 1980s – Portugal has never attracted large amounts of FDI; similarly, only during a few years at the turn of the century was the country a significant investor abroad.[7] Furthermore, inward and outward flows have both proved to be erratic, as if a consistent strategy was lacking with regard to this key aspect of modern open economies, for instance as regards integration into global value

7. Not taking into consideration colonial ties prior to 1974.

chains (UNCTAD 2013). This also shows that Portuguese FDI flows are more likely to be determined by short-term specific contexts, as happened with the privatisation programme in some years or the launching of a major but isolated investment, the main example of which – as far as inflows are concerned – remains Auto Europa, whose production of automobile parts for Volkswagen began in 1996.

Figure 2 **Inward flows to Portugal as a proportion of world FDI, 2000–2013 (% of total)**

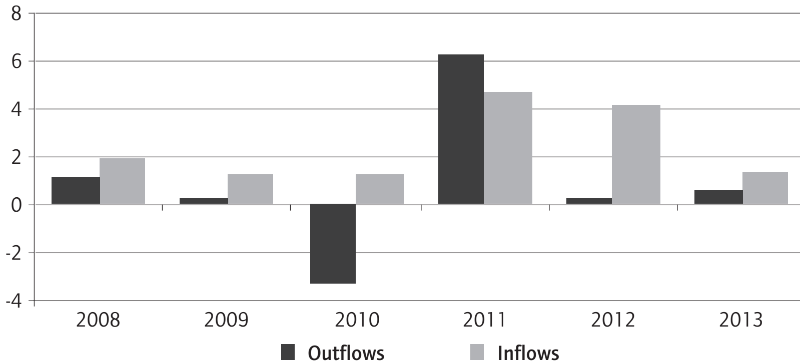


Source: UNCTAD

3. FDI inflows and outflows and related dimensions under the conditions of crisis and bailout

During the crisis and later ‘austerity’ policies, economic growth, rising GDP per capita or expanding markets – among other things – were certainly not motives for attracting FDI inflows, to adopt the usual theoretical paradigms (UNCTAD 1998). On the contrary, in the search for cash resources, privatisation programmes – usually involving the sale of public companies at below market value (in normal conditions) or the sale of indebted firms with potential, market power or technology – are much more relevant FDI determinants. Similar short-term expedients – such as the granting of ‘golden visas’ by the government to non-EU residents – also became more feasible. In the present section we begin our detailed analysis of the period 2008–2013 with these policy measures (for a more global view of this period, see Figure 3).

Figure 3 **Portugal FDI flows as a percentage of GDP**



Source: Eurostat

3.1 Expediency measures: the privatisation programme and the granting of 'golden visas'

The Memorandum of May 2011 (Portuguese Government 2011) was clear about privatisation. The programme was supposed to be accelerated in 2011–2012 and to involve some of the most important companies that remained in public ownership – in most cases only partially – such as in the energy sector (EDP, REN, Galp), transport (ANA [airports], TAP [air company], and CP Carga [railway freight], communications (CTT, the mail company) and insurance (Caixa Seguros), to mention the main companies referred to in the Memorandum. The initial objective was to obtain 5.5 billion euros in revenue by the end of the programme. However, although that objective was attained, the Memorandum did not impose the complete sale of larger companies. In the financial and banking conditions then prevailing in Portugal, this meant they would be sold mainly to foreign investors. Essentially, it meant the foreign private acquisition of Portuguese public assets.[8] A door was thus opened to foreign investors with relatively abundant financial resources, pre-

8. Later, in the summer of 2014, just after the end of the official bailout period, the collapse of Grupo Espírito Santo (GES), long the most important financial group in Portugal with close links to the real economy, but with risky and opaque operations abroad, created a similar situation. A few months later, by the beginning of 2015, the assets of GES after having been broken up, including the 'clean' part of its bank ('Novo Banco'), were being sold off, mainly to foreign buyers. Despite its intrinsic interest and the issue's affinities with the policy part of the present volume – management of the sale of the remainder of GES was conducted

eminently the Chinese companies that bought EDP, REN and Caixa Seguros, which gave them – as far as the first two companies are concerned – a crucial role in the Portuguese energy sector.

After the end of the bailout programme – and by the end of 2014 – most of the privatisation plan had been implemented and the biggest remaining stake was in TAP, although in 2015 this company, too, was slated for sale. According to the daily *Público* (2014), by November 2014 fourteen companies in which the state had a share had been privatised, totally or partially.[9] Most of these privatisations – and the more profitable ones – occurred in 2011–2012, during the first phase of the bailout programme. In any case, the same source estimated the total revenue of these sales at 9.28 billion euros, 68.7 per cent above the targeted revenue of the Memorandum. However, as mentioned by *Público*, it must be noted that the remaining public assets for sale, including TAP, 'will not bring money to the state'; in other words, state-owned property that represented significant net positive assets – and, not surprisingly, where economic rents were not negligible due to previous public ownership and deficient regulation, as in the energy sector – had already been sold.

Here is not the place to discuss privatisation in detail and its 'economic rationale', even considering the circumstances in which Portugal was immersed. Nevertheless, there is no doubt that in this case the government's objective of obtaining the maximum cash revenue for the state in

directly or indirectly by the government and the Bank of Portugal – the default of GES in 2014 departs from our central theme and thus we shall not develop it in detail. However, in our view, this collapse illustrates a glaring deficiency in the bailout programme, at least as carried out by the Portuguese government, which has focused almost exclusively on public finance policies (spending and taxation – without discussing the quality of the measures taken), neglecting the banking and financial basis of the crisis. The demise of GES just after the end of the bailout programme is unlikely to have been accidental.

9. Nevertheless, according to the data provided by *Público* (2014), and not considering the case of sales in the stock exchange dispersed among different owners, in the four main privatisation deals, Chinese capital participated in three: the acquisition of 21.35 per cent of EDP for 2.7 billion euros (Three Gorges, December 22, 2011); 80 per cent of Caixa Seguros for 1.65 billion euros (Fosun, 9 January 2014); 25 per cent of REN for 593 million euros, which also includes a 15 per cent stake of Oman Oil (State Grid, 2 February 2012). The second most important privatisation by revenue obtained was the sale of 95 per cent of ANA for 1.88 billion euros to Vinci (a French company, 27 December 2012). Camargo Corrêa and AMIL, both from Brazil (not necessarily the country of the direct investor), acquired, respectively, 9.6 per cent of Cimpor (for 354.2 million euros) and 100 per cent of Caixa Saúde (for 85.6 million euros) in 2012; Isabel dos Santos, close to the government of Angola, acquired Zon for 163.8 million euros (12 June 2012). Of 14 privatisations, only one was clearly acquired by a Portuguese company: 95 per cent of EGT was bought by Mota-Engil, a construction firm.

the short term often prevailed over any other purpose, no matter what a given privatisation's impact on the economy or the consequences for the firm itself might be in the long run. From the FDI point of view, an obvious issue is whether an acquisition of existing assets could possibly have the same impact as greenfield investment, most obviously with regard to employment. Indeed, a number of studies have demonstrated that asset acquisitions are likely to have a negative impact on employment (Buckley and Artisien 1987; Margolis 2006). This is even more true with regard to public companies that have not yet been 'restructured', particularly if cost reduction is of particular importance to the new owner, which is frequently the case.

Another policy characteristic of the period was the granting of fast-track 'golden visas' to non-EU citizens who acquire – 'invest in' – properties worth at least 500,000 euros, which makes them, if correctly registered, part of the item 'real estate' with regard to FDI (in)flows. According to the *Financial Times* (2014: 3), the programme has been 'highly successful' and in two years it attracted 1.972 billion euros from outside. Again, '80 per cent of the 1,775 permits have been issued to Chinese citizens' (ibid.). The real estate sector (and construction in general), whose importance strongly increased in the period of policy bias favourable to the non-tradable goods and services sector (Silva 2013), also became characterised by heavy lobbying, which remains active. We may concede that the 'golden visas' policy contributed to the revival of real estate, but despite the importance of tourism in the Portuguese economy, in a country whose population is rapidly ageing, it is illusory to see this sector (as well as construction) as a major driver of sustainable economic growth. In addition, in November 2014 the Portuguese judiciary acted on allegations of serious corruption involving some highly placed members of the border agency that grants these visas to rich non-EU residents.[10]

Clearly, privatisations and the granting of 'golden visas' were a response to short-term concerns, such as the urgent need for financial funds (to

10. After these events, the popular press raised allegations of money laundering, through the channel of golden visas, in the order of 500 million euros. Of course, there is no precise information about all aspects of the policy, but its closer scrutiny began in November 2014 and in 2015 the Portuguese government decided to extend fast-track golden visas to non-EU residents who invest in culture and science. All this means that, under the circumstances, this policy is not necessarily erroneous, but it is very limited and entails risks of illegality that cannot be overlooked.

'reduce the deficit' and the burden of public debt[11] or to reactivate stagnant sectors), rather than the much-needed structural transformation of the Portuguese economy towards sustained competitiveness and higher productivity.

3.2 Main features of FDI inflows and outflows to/from Portugal

For statistical reasons presented in the introduction and examined in more detail below, it is advisable to analyse inflows and outflows at the same time, because there are important connections between them.

As Figure 4 shows, two advanced 'tax havens',[12] the Netherlands and Luxembourg, as countries of origin, are – cumulatively – the most important net investors in Portugal during the crisis, accounting for more than half the total. Spain comes third with 15 per cent and these three countries represent 70 per cent of the net total invested in 2008–2013. If we look at FDI inflows (Table 1) by investing country in each year of the period, we note that the Netherlands, Luxembourg and Spain occupy a leading position in most years. Some new investors, such as Angola, Brazil and China, are not significantly represented in Figure 4 (accumulated net inflows), but according to Table 1, in some years they were among the leading investors (China only in 2013). In any case, it is apparent in Figure 5 as well as in Table 1 that a high concentration of these flows comes from western Europe, particularly EU member states (for example, the United States appears only once as leading investor, taking sixth place in 2011). A similar global feature of FDI inflow distribution was obtained for a previous period (Silva 2006: 503–504).

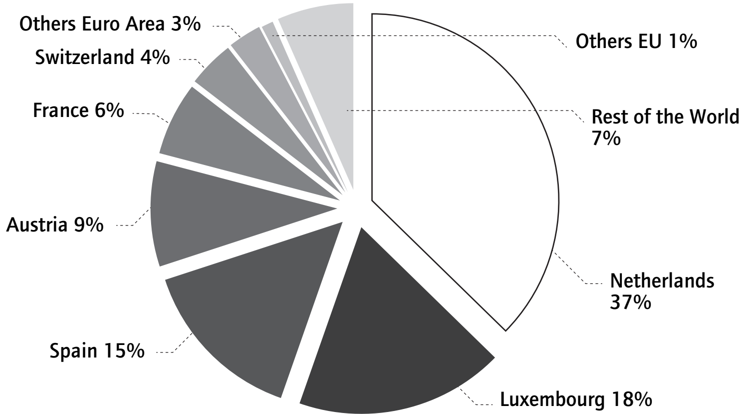
As regards net FDI outflows, Figure 5 and Table 1 show the results for the period in terms of symmetrical indicators. Again, the Netherlands is by far the main partner by net accumulated outflows, and Germany is second, but outside the euro area Poland (third) and the United States (sixth) are important countries. Moreover, in Table 1, despite the fact that

11. It is, however, important to note that every year since 2010 Portuguese public debt has increased in relation to GDP. Representing 93.3 per cent in 2010 (the Troika's evaluation), the ratio reached more than 130 per cent in 2014, according to the figures released in March 2015. Nevertheless, the pace of the increase has been smaller since 2012.

12. We borrow the expression from Dunning and Lundan (2008: 12).

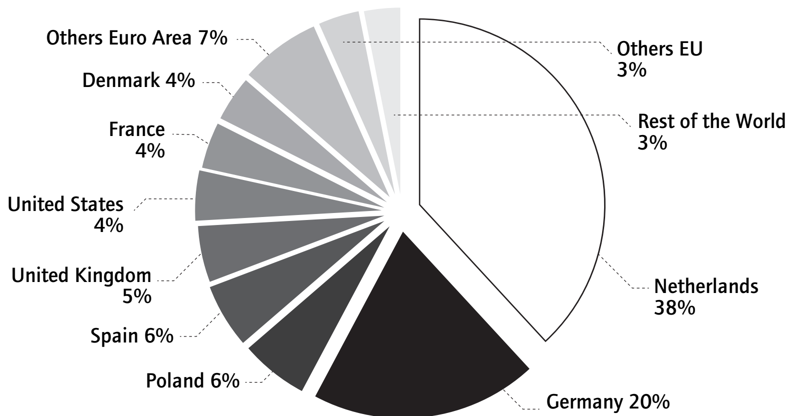
the Netherlands occupies pole position four times, the scenario is somewhat more diversified than for net inflows. For example, in the six years displayed in the table, Angola, Brazil and Mozambique appear several times in the leading group of countries of destination, although, according to Figure 5, their place in the accumulated net flows seems to be negligible in 2008–2013.

Figure 4 **Net inward FDI by country, 2008–2013 (accumulated flows)**



Source: Banco de Portugal

Figure 5 **Net outward FDI by country, 2008–2013 (accumulated flows)**



Source: Banco de Portugal

Table 1 **FDI net inflows and outflows, by country**

FDI net inflows – Ranking by country						
	2008	2009	2010	2011	2012	2013
1st	United Kingdom	Netherlands	Luxembourg	Netherlands	Luxembourg	Belgium
2nd	Canada	France	Netherlands	Spain	Austria	Spain
3rd	Luxembourg	Spain	Brazil	Switzerland	Spain	France
4th	Spain	Luxembourg	Italy	France	Netherlands	United Kingdom
5th	Sweden	Brazil	Austria	Germany	Angola	Switzerland
6th	Malta	Ireland	Malta	USA	Cyprus	Brazil
7th	Belgium	Angola	Cyprus	Italy	Germany	China
8th	Netherlands	Cyprus	Angola	Cyprus	Switzerland	Angola
9th	France	Switzerland	Hungary	Australia	Malta	Austria
10th	Italy	Austria	Germany	Venezuela	France	Japan

FDI net outflows – Ranking by country						
	2008	2009	2010	2011	2012	2013
1st	Netherlands	Netherlands	Luxembourg	Netherlands	Netherlands	Germany
2nd	France	Denmark	Poland	Angola	Angola	Spain
3rd	Brazil	Brazil	United Kingdom	Luxembourg	France	Poland
4th	Germany	Germany	Angola	United Kingdom	Italy	Luxembourg
5th	United Kingdom	USA	USA	Spain	Poland	United Kingdom
6th	Poland	Ireland	Spain	Belgium	Denmark	USA
7th	Hungary	Spain	Hungary	Ireland	USA	Denmark
8th	Luxembourg	Romania	Italy	Poland	Hungary	Ireland
9th	Italy	Mozambique	Mozambique	USA	United Kingdom	Italy
10th	South Africa	Mexico	Germany	Italy	Germany	France

Source: Banco de Portugal

In light of previous data, one of the most striking features is the leading position of the Netherlands in both net inflows and net outflows. Appropriately, UNCTAD Report of 2013 (pp. 70–71) noted with precision how Portuguese outward FDI has been characterised by ‘large jumps’, with a focus on the Netherlands:

> Portuguese firms' relocation of capital to the Netherlands is likely to have created this peculiar pattern of outward FDI from Portugal ... Most, if not all companies in the PSI-20, the main stock exchange index in Portugal, are thought to have a holding company in the Netherlands. As such, the Netherlands has become the largest inward investor in Portugal and the largest destination for Portuguese outward FDI in recent years.

In light of previous periods, the crisis and the bailout seem to have accelerated this process of relocation.

At this point, and in order to better understand the relevance of this bilateral relationship during this period, we must distinguish between *final investors* and *direct investors*. A final investor[13] is the firm through which the investment is channelled to the host country, but not necessarily the primary investor; for example, an internationalised firm may use a subsidiary in another country to invest abroad (among other reasons, because there are better conditions for financing the operation or less 'red tape' in the country where the subsidiary is established). A direct investor is the mother firm in its home country, where the effective decision about FDI is, in principle, taken (and managed). In light of this, in the Portuguese case, companies may use the Netherlands (to mention the most obvious case) to invest in a third and ultimate destination, or vice versa. Indeed, much of 'Dutch' investment in Portugal is in reality Portuguese investment returning home through a Dutch base. For example, in 2010–2011 the sale to Telefonica of the holding in Vivo of Portugal Telecom (PT), and later the acquisition of a holding in Oi by PT – both operations of a Portuguese company in Brazil that amounted to several billion euros each – were essentially made not directly but through the final investor (Simões and Cartaxo 2012).[14] It should be recalled that one of the most passionate public debates in recent years concerned the relocation of the holding of Jerónimo Martins (Pingo Doce), a major distribution group that has important investments abroad, from Portugal to the Netherlands. Under current conditions, internationalised firms have no other choice, if local conditions to outward investment are not favourable and they want to remain competitive: they have to migrate. Globalisation and the free circulation of capital facilitate this, particularly within the EU, with its different national frameworks.

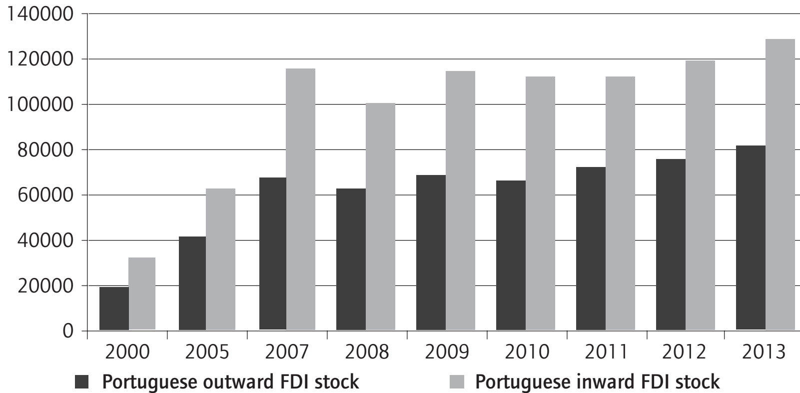
13. The term 'indirect' is also used for 'final' (see Kalotay 2012).
14. Although, indirectly and imprecisely, the large size of these outflows movements are clearly visible in Figure 3 for 2010 and 2011.

Concluding this point, we must now turn our attention to Annex 3. This shows our calculations of the *permanency rate*, a measure that relates both annual flows, inward and outward, by their weight in GDP through their movements in terms of the balance of payments – that is, credit, debit and net value – particularly in the period 1996–2013. In the case of Portuguese inward FDI, we have the inflow investment (credit) and disinvestment (debit), and the net value that results from credit *less* debit. For Portuguese outward FDI, we have the debit (investment abroad), the credit (disinvestment, that is, Portuguese outward FDI that returns home), and the net value, in this case, is represented by debit *less* credit. Credit and debit thus have different signs (+ and –) because we are dealing with inflows and outflows (this does not apply to the balance of payments, but we are more concerned with the economic sense of these moves). This measure aims to know whether these flows show a trend in terms of country of destination (Portugal for inward flows and the countries where Portugal invests for outflows). As can be observed in Annex 3 (at the bottom), in the 1980s the permanency rate was very high, meaning that most of the flows remained in the country of destination. However, the permanency rate clearly decreased over the different periods that we have considered and the period 2008–2013 shows the lowest permanency rate of all. Of course, faced with these data it is not easy to draw conclusions because we don't know whether 'bad' investment is being substituted by 'good' investment, or inversely, but underlying them there is a great and increasing instability of FDI flows towards and from Portugal. This is an issue that deserves more in-depth study and is linked – among other dimensions – to the dynamic specialisation of the country through its economic structure and its possible changes.

3.3 Stocks of FDI

It is also necessary to look briefly at the evolution of inward and outward FDI stocks. Figure 6, based on UNCTAD data, enables us to make a few observations on the subject. In light of what we have seen so far, it is not surprising that inward Portuguese FDI stock is substantially greater than outward stock, and their evolution relatively synchronised over the years 2000–2007 and 2008–2013. However, looking at Figure 6 the pace of evolution during both periods is perhaps the most important aspect. Indeed, in the early 2000s the two stocks considerably increased while, by contrast, in 2008–2013 their stagnation and slow movement are clear.

Figure 6 **Portuguese outward and inward FDI stock (USD million)**



Source: UNCTAD

3.4 Breakdown of FDI flows by sector of economic activity and form

We shall present our main findings by comparison of the periods 2000–2007 and 2008–2013; although the two periods do not have the same length, they allow us to take into account trends before and after the crisis. Annexes 4 to 7 will help us in this endeavour (where there were significant negative changes in some items, we used tables instead of figures). First, we refer to the main empirical trends of the sectoral and formal dimensions of FDI and then address some qualitative issues.

As regards the distribution of net FDI inflows by sector of activity (Annex 4), in both periods financial and insurance activities are the most important item; their share increased during the crisis (from 39.1 per cent to 65 per cent). By contrast, the second item of 2000–2007, consulting, scientific and technical activities lost ground, plummeting from 30.9 per cent to only 3.9 per cent. The residual 'others' remained important, at 17.9 per cent (previously 20.2 per cent). Not surprisingly, during the crisis and bailout, in view of the above, manufacturing, real estate and utilities increased their shares in total net accumulated inflows, although in a modest way by value (for details, see Annex 4). Furthermore, foreign disinvestment in the item 'retail and wholesale trade' was boosted considerably between both periods, which is not surprising after two decades of strongly increasing consumption.

Turning our attention to the net FDI outflows from Portugal by sector of activity, first, it is important to note that their accumulated value was greatly reduced between the two periods (see Annex 5). As far as distribution is concerned, it is clear that, like net inflows, the item 'financial and insurance activities' always occupies first place, but its weight increased substantially in 2008–2013 (84.4 per cent as against 48.9 per cent in 2000–2007). In general, this pattern, for both outflows and inflows, was also confirmed by authors that analysed other periods (Simões and Cartaxo 2011, 2012; Silva 2006). According to Annex 5, the item 'consulting, scientific and technical activities', second by net value within Portuguese FDI outflows in 2000–2007 (22.4 per cent of the total), lost almost completely ground in 2008-2013 (with only 0.6 per cent of the total), and 'manufacturing' occupies second place in the latter period (22.6 per cent), although its absolute accumulated value is not much different from that of 2000–2007. Most of the other items have secondary importance in this context, but it must be stressed that outflows in construction were dominated by disinvestment in 2008–2013.

Analysis of the form of FDI also provides relevant information about the changes that occurred in the period of the crisis and bailout. Examining the data on net inward flows by form (Annex 6), equity is by far the most important item in both 2000–2007 and 2008–2013 (63.3 per cent and 54 per cent, respectively), but the increase in the share of reinvested profits is remarkable (from 14.4 per cent to 36.2 per cent). By contrast, the item 'credits and lending' changed its sign, from positive to negative. Finally, 'real estate' remained approximately at the same level (15.1 per cent and 13.7 per cent, respectively). Continuing our analysis of FDI forms, now from the perspective of Portuguese net outflows (Annex 7), it is quite clear that reinvested profits dethroned equity as the main item, going from 5 per cent in 2000–2007 to 72 per cent in 2008–2013 (and inversely for equity, from 75 per cent to 0 per cent). The share of credits and loans increased slightly (16 per cent and 19 per cent), and the other items are residual or marginal as forms of FDI in the 2000s.[15]

15. As mentioned earlier, regarding outward FDI, Portugal is still in an initial phase, and according to a publication by AICEP (2012) its most dominant type of firm is commercial subsidiaries: 'It is estimated that more than 60% of foreign affiliates with Portuguese capital correspond to affiliates exclusively with commercial purposes, which involve less risks and are less costly in terms of investment, allowing however the acquisition of the much desired international experience' (p. 6).

3.5 Brief overview of the leading foreign affiliates in 2013

Also, we should complement our analysis with other data, for example, on the main foreign subsidiaries in Portugal by sales in 2013; Annex 8 shows the twenty companies in this group. Curiously, no Dutch company is found in this set of foreign-owned firms. Spain leads with four subsidiaries (two related to REPSOL, a retailer and a steel mill). Three countries each have three companies in the group. Let us start with Germany, which is well represented in manufacturing (Volkswagen – Auto Europa, Continental Mabor and Bosch). According to the same Annex, France and Brazil each have three subsidiaries. However, in January 2015, two Brazilian subsidiaries (PT Comunicações and MEO) were sold to a French company (Altice); the process of this sale was complex and was only completed by the end of May 2015 (according to the media, Portugal Telecom SGPS has changed its name to Pharol). Thus, if the selection of main foreign affiliates remains the same in the middle of 2015, France would become the most represented country in the group with five companies (one more than Spain). Moreover, five other countries also had subsidiaries in the group: the United Kingdom (2), Italy (2), Emirates (1) and Switzerland (1 – Nestlé); the United States was represented only by OCP in pharmaceuticals, with modest sales, below 500 million euros.

3.6 Synthesis of the main trends of Portuguese FDI flows and stocks after 2008

Disregarding the statistical problems mentioned earlier, in this section we synthesise the main trends of Portuguese FDI flows and stocks (inward or outward) observed in the course of our research. Although we focus on 2008–2013, as in other parts of this chapter, in order to better understand the issues under analysis, we also make comparisons with previous periods and add some relevant facts that occurred after 2013.

— Following the historical pattern of recent decades, both flows from and to Portugal remained highly irregular and unstable in 2008–2013, which is quite evident, for example, from the permanency rate indicator.

— In the same period, as compared with the previous one at the beginning of the twenty-first century, FDI inflows to Portugal shrank significantly as a proportion of similar world flows.

- The empirical findings also show that Portugal has a peculiar pattern in its internationalisation through FDI, in which third countries, particularly the Netherlands, play a major role as a vehicle of both inward and outward flows; the available data suggest that this role has increased in the period of the crisis and bailout.

- Relative to 2000–2007, when the FDI stocks, inward and outward, increased substantially, in 2008–2013 there is a fairly clear trend towards stagnation or slow growth.

- Although it is not apparent in the official statistics, new investors such as Angola, China and even Thailand (which acquired the BES hotel network at the beginning of 2015) appeared or, like Brazil, consolidated their position (Silva 2014).

- Over the period, Portuguese-speaking countries have been an important destination of Portuguese FDI outflows, but their weight seems negligible in term of global net value. Insofar as the internationalisation of Portuguese firms is relatively recent they seem to have moved faster in this linguistic area, also disinvesting when necessary for their strategy.

- As far as sectoral patterns are concerned, financial and insurance activities absorbed the most important part of net inflows to Portugal, in both 2008–2013 and 2000-2007. This is largely due to methodological reasons that have not been addressed in this chapter (FDI is reported mainly through financial holding companies), but it must be pointed out that its share increased substantially during the crisis. On the other hand, consulting, scientific and technical activities largely ceased to attract FDI to Portugal. Manufacturing, utilities and real estate, among other minor items, increased their share in the total but their net absolute value remains low (Annex 4). During the crisis, retail and wholesale trade increased their negative contribution to the net inflows to Portugal (foreign capital strongly disinvested in the sector), showing the inversion of a trend of high consumption growth that characterised the first two decades of EU membership. Most of these trends reflect the environment of the crisis and the bailout, and the policy measures that were implemented. The same could be said of the sectoral patterns of net Portuguese FDI outflows. They decreased strongly between both periods and, as in

the previous case, financial and insurance activities are dominant in Portuguese investment abroad, and indeed have increased their share. By contrast, consulting, scientific and technical activities lost considerable ground and almost disappeared as a positive contributor to Portuguese net outflows. Also, manufacturing became a more important sector of destination during the crisis, and other items are relatively insignificant (see Annex 5).

— If we look from the perspective of the *form* of FDI (Annex 6), we observe that, as far as net inflows are concerned, equity remained most important in both periods, although more recently its share has diminished. By contrast, the share of reinvested profits rose substantially during the crisis. Real estate operations are an important form with a similar percentage in both periods, and other items are negligible or negative (such as credit and lending). Regarding the forms of Portuguese FDI net outflows (Annex 7), the most salient fact is the strong increase in the share of reinvested profits to the detriment of equity. Credits and loans and real estate operations also increased their share, but only slightly. To conclude our consideration of the form of FDI, the new role of *reinvested profits* during the period, either for inflows or outflows, must be highlighted. It came to the fore because the crisis discouraged new investments and firms preferred, when possible, to expand existing businesses through resources generated by their own activity.

— From the policy point of view, FDI flows fundamentally revealed short-term concerns, in particular the increase in public revenues (through a large programme of privatisation, in large part characterised by foreign acquisitions, that produced two-thirds more than the targeted revenue required by the Memorandum), but also the granting of 'golden visas' to non-EU residents who invested in real estate. Clearly, this kind of measure prevailed over a structural approach, that is, a response to fundamental problems seriously affecting the Portuguese economy, such as the lack of competitiveness and the need to substantially improve productivity. For example, there was nothing comparable to the investment of Embraer (a Brazilian aircraft producer) during the second half of the 2000s, when, after acquiring OGMA in 2005 (presently with about 1,600 employees), it expanded to Évora, creating around 500 direct jobs in this high-technology industry in its new plants (Cechella et al. 2014).

— If we consider the availability of financial resources and its new role as a driver in the world economy, it is natural that China's weight has increased in Portuguese FDI inflows. Moreover, in recent years Portugal became the fourth destination of Chinese FDI outflows in the European Union (just after the United Kingdom, Germany and France), and the member state with the largest amount of Chinese FDI per capita (Le Monde 2015). However, the entry of Chinese state-owned firms on a large scale is now an issue of worldwide concern (Globerman 2015; Sauvant 2013), and countries such as Canada have imposed restrictions (Van Harten 2014).[16] Specifically, in the case of Portugal it is not clear whether we are facing a traditional problem from the past – that is, an emerging power in search of areas of influence through vulnerable countries[17] – or economic involvement in the Portuguese economy that will improve its efficiency and performance. For example, the Memorandum recommended elimination of the substantial economic rents that exist in the virtually monopolised energy sector; the Chinese investor that has taken a dominant position in the privatised EDP, however, has have done everything it can to retain such privileges. It may not be a good idea to discriminate against Chinese or other capital with similar characteristics, but monitoring of the process will be important and, at the very least, it would be wise for Portugal to balance such influences.[18]

— Not only because of privatisation but also later, after the collapse of Grupo Espírito Santo in summer 2014 and the sale of its parts (a process still largely ongoing in the first half of 2015) and the entry of new investors, the position of foreign subsidiaries in Portugal has

16. On this subject, see also several chapters of Sauvant and Reimer (2012).
17. This policy may lead to relatively more generous offers in the case of privatisations (for details, see Silva and Galito 2014). On China's loan policy towards other countries, see *The Economist* (2015).
18. According to the *Financial Times* (2 June 2015), the coming sale of Novo Banco, the most profitable remnant of GES (see Note 8), will probably come under Chinese ownership. The *Financial Times* commented on the fight between two Chinese groups for the acquisition of financial services in Europe, as followings: 'The main battleground is in Portugal, where China has become the biggest source of foreign direct investment. By the end of June, Fosun International and Anbang Insurance are expected to submit the highest final bids for Novo Banco, the country's third-biggest bank by assets. A €4bn-plus acquisition of Novo Banco would represent more than 2 per cent of country's gross domestic product' (ibid.: 19). The consideration that the two Chinese groups were in a better position to win this battle was, however, denied by part of the Portuguese media (see Diário Económico, June 2).

undergone fairly significant changes in the period through a number of major deals, such as the sale of major Brazilian subsidiaries in the telecommunications sector to a French company in 2015.

These are the main conclusions stemming from our empirical study of Portuguese FDI, particularly of the changes that occurred during the period of the crisis and bailout.

4. Conclusion

The worsening of Portugal's economic fundamentals in the first decade of the twenty-first century, aggravated by the outbreak of the international crisis in 2008 and by the deep sovereign crisis that followed, which also affected other euro-zone countries, particularly on the EU periphery, led to a bailout by the Troika in May 2011. The underlying agreement was framed by a Memorandum, which lasted three years up to June 2014, although some conditionals and monitoring of the process remained. Without neglecting the historical background and the environment from which this situation emerged, this chapter focused on the Portuguese economy's relationship with FDI during 2008–2013. We analysed the main dimensions of FDI, flows and stocks, inward or outward, and we referred to other relevant aspects, such as the role of particular countries, sectors, firms and cases. However, due mainly to statistical reasons, our analysis has important limitations and requires further in-depth research work.

Portugal has never had strong links with FDI, but the period 2008–2013, in particular after 2011, stands out. For example, the attraction of FDI was driven mainly by short-term concerns such as the *privatisation program* (to mitigate the problems generated by the public deficit and debt) and other *expediency measures*, such as the fast-track granting of 'golden visas' to non-EU residents who invest in the real estate sector. Whatever the measures, and probably due to austerity and uncertainty about the final outcome of the bailout, FDI inflows have not been significant by international standards and *indeed have diminished*. As far as FDI outflows are concerned, Portuguese firms intensified their relocation to other countries, particularly to the Netherlands, where conditions for conducting operations abroad are much more favourable, making Portugal even more passive and marginalised from this point of view.

Therefore, during this period the evidence shows that a strategic approach continues to be lacking in all the processes involving Portuguese FDI, no matter what the dimension studied. In fact, there were major short-term problems and the link with FDI could contribute to their solution, but what is effectively missing for a small country such as Portugal is an approach to FDI linked to the necessary structural transformation of its economy towards increased international competitiveness and improved productivity, both based on advanced factors (such as technology and the use of higher qualified workers). Clearly, it was not this path that was followed, and short-term objectives, relatively easy to implement given the circumstances, largely prevailed over any other policy consideration.

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All links were checked on 06 August 2015.

Annex 1 Geographical distribution of inward FDI flows (credit) to Portugal, 2000-2013 ('000 euros)

	2000	2001	2002	2003	2004	2005
World	26,594,587	27,866,318	21,707,163	32,224,368	27,111,220	27,676,638
Developed economies						
Europe						
Switzerland	314,868	361,038	524,851	169,617	291,890	497,010
European Union	22,119,378	22,703,447	19,555,018	23,398,877	22,648,862	25,483,838
Netherlands	4,238,444	3,755,079	3,210,839	4,500,254	3,648,950	3,653,255
France	2,845,489	3,006,460	4,100,143	3,715,277	3,097,021	3,911,338
Germany	5,442,419	4,760,001	2,769,182	2,858,073	3,416,703	4,637,718
Spain	4,691,908	1,981,686	1,824,523	3,569,770	4,456,393	4,027,728
United Kingdom	2,679,198	5,887,739	3,148,734	432,5257	4,126,375	3,490,411
North America						
Canada	67,884	60,854	13,275	6,340,283	360,466	150,890
United States	306,474	898,947	833,106	1,182,472	1,044,201	657,626
Other developed economies						
Australia	885	3	1,472	541	2,531	125
Japan	9,828	6,126	20,725	27,830	8,882	1,6753
Developing economies						
Africa						
Angola	1219	2,208	1,630	8,017	4,163	6,255
Mozambique	303	525	345	91	21	16
Asia and Oceania						
China		980	1,463	148	313	217
Latin America and the Caribbean						
Brazil	144,452	265,803	397,193	25,4345	2,4251	6,9120

Source: Banco de Portugal

Annex 1 **Geographical distribution of inward FDI flows (credit) to Portugal, 2000-2013 ('000 euros) (Continued)**

2006	2007	2008	2009	2010	2011	2012	2013
32,820,132	32,633,798	35,287,296	32,017,747	39,622,139	43,086,515	47,655,795	30,109,086
786,029	890,486	1,930,344	1,359,805	1,907,359	2,891,360	2,017,689	896,323
28,340,862	29,673,119	31,688,900	29,431,677	35,116,015	38,908,316	44,416,264	28,061,172
4,776,306	4,661,349	5,735,588	5,673,153	4939,744	10,520,899	5,510,482	2,396,847
4,298,888	3,386,862	4,488,639	5,619,569	6,656,995	6,559,670	7,122,438	5,441,027
5,177,659	6,444,626	5,331,580	4,185,226	6,395,247	3,878,876	2,940,227	3,448,794
4,196,491	5,400,448	5,507,296	4,153,064	5,704,977	8,474,910	8,843,375	6,713,787
4,606,239	5,258,820	5,577,662	6,575,282	4,305,304	5,072,066	4,366,869	4,736,958
1,742,887	741,719	601,616	1,103	17,257	149,540	14,319	12,538
869,070	794,410	481,818	27,1731	499,797	522,405	400,860	95,071
28,414	17,0771	58,642	63,644	651	19,709	2,567	4,396
32,900	19,490	30,125	21,727	12,091	-12,698	684	49,299
17,672	15,184	49,820	116,030	32,842	-102,782	226,531	83,117
1,895	175	23	1,564	1,527	786	410	1,114
1	2,226	1,650	-1,049	625	538	442	157,762
92,256	11,4340	81,075	328,415	1,834,042	29,988	175,590	169,939

Annex 2 **Geographical distribution of outward FDI flows (debit) from Portugal, 2000-2013 ('000 euros)**

	2000	2001	2002	2003	2004	2005
World	14,002,093	13,384,156	11,611,646	10,093,213	11,951,799	9,780,692
Developed economies						
Europe						
Switzerland	11,127	18,734	24,965	20,053	28,865	22,906
European Union	7,641,682	10,310,581	9,362,111	5,273,517	9,552,551	6,613,129
Netherlands	3,651,150	3,206,275	5,937,644	1,128,562	2,589,893	2,524,273
France	55,108	108,396	34,574	55,795	496,633	142,294
Germany	125,866	15,254	11,109	16,920	124,377	52,290
Spain	2,548,331	4,210,923	2,766,640	950,543	2,691,155	1,733,161
United Kingdom	469,835	379,206	96,701	78,919	275,318	141,616
North America						
Canada	1,546	4,297	8,230	1,563	1,357	279,331
United States	202,405	84,128	204,771	66,496	308,946	195,599
Other developed economies						
Australia	655	536	807	535	1,256	618
Japan	100			12		2,537
Developing economies						
Africa						
Angola	121,897	56,757	50,341	40,075	103,090	263,647
Mozambique	98,486	69,404	37,561	26,035	22,718	33,053
Asia and Oceania						
China	2,006	440	292	56	1,695	2,228
Latin America and the Caribbean						
Brazil	3,842,643	2,279,264	1,091,302	194,119	509,768	350,985

Source: Banco de Portugal

Annex 2 **Geographical distribution of outward FDI flows (debit) from Portugal, 2000-2013 ('000 euros) (Continued)**

2006	2007	2008	2009	2010	2011	2012	2013
9,828,043	14,835,430	11,376,143	7,770,221	9,789,794	19,559,679	15,965,770	14,047,534
25,254	51,848	55,564	32,861	39,508	29,697	16,243	16,640
6,312,121	10,202,943	8,380,422	5,500,098	5,739,503	16,769,254	13,170,476	13,070,484
3,685,728	5,739,502	3,662,763	2,419,187	2,055,939	13,286,134	11,025,286	8,867,785
74,413	101,672	347,831	70,997	89,197	105,537	270,265	92,037
113,194	111,526	219,730	368,732	87,262	35,280	85,008	2,254,692
1,083,552	1,940,456	2,231,925	1,257,462	773,176	1,729,475	710,057	1,183,644
252,820	586,488	504,888	63,755	259,035	247,456	173,295	149,677
21,096	1,088	2,089	40,141	6,416	14,276	10,368	4,069
229,033	372,185	138,916	296,559	153,194	110,291	147,901	73,434
4,362	8,410	2,796	4,524	5,964	3,658	5,272	4,920
578	733	289	49	146	-1,116	-365	77
273,720	451,124	775,127	693,765	669,472	909,505	892,131	129,634
40,591	113,243	83,445	161,805	79,928	135,123	153,061	93,308
3,078	3,629	1,377	-2,945	-3,923	3,562	-5,046	2,347
426,596	665,733	539,194	518,356	1,681,061	554,422	552,975	361,854

Annex 3 **FDI flows as a percentage of Portuguese GDP**

	Portuguese Inward FDI				Portuguese Outward FDI				
	Credit (1)	Debit (2)	Net (A) (1)-(2)	Permanency Rate %	Credit (1)	Debit (2)	Net (B) (2)-(1)	Permanency Rate %	(A) – (B)
1996	4.9	3.8	1.1	22.3	0.4	1.0	0.6	58.6	0.5
1997	7.8	5.8	2.0	25.9	0.4	2.2	1.8	81.4	0.2
1998	9.9	7.5	2.4	24.4	5.2	8.5	3.2	38.3	-0.8
1999	11.4	10.5	0.9	8.0	6.0	8.5	2.5	29.4	-1.6
2000	20.7	15.1	5.6	27.1	4.0	10.9	6.9	63.0	-1.3
2001	20.5	15.4	5.1	25.0	4.7	9.9	5.2	52.3	0.0
2002	15.2	13.9	1.3	8.8	8.3	8.1	-0.1	-1.4	1.5
2003	22.0	17.7	4.3	19.7	2.9	6.9	4.0	57.8	0.3
2004	17.8	16.8	1.0	5.7	3.9	7.8	3.9	50.2	-2.9
2005	17.4	15.5	2.0	11.4	5.1	6.2	1.1	17.4	0.9
2006	19.7	14.5	5.2	26.5	2.5	5.9	3.4	57.9	1.8
2007	18.6	17.3	1.3	6.9	6.2	8.5	2.3	27.1	-1.0
2008	19.7	17.9	1.8	9.0	5.3	6.4	1.0	16.5	0.7
2009	18,2	17.1	1.1	6.1	4.1	4.4	0.3	7.6	0.8
2010	22.0	20.9	1.1	5.0	8.6	5.4	-3.1	-57.8	4.3
2011	24.5	19.9	4.6	18.6	5.0	11.1	6.1	54.8	-1.5
2012	28.1	24.0	4.1	14.7	9.1	9.4	0.3	2.8	3.9
2013	17.6	16.2	1.4	7.8	7.6	8.2	0.6	7.6	0.7
1980–1989	1.3	0.1	1.2	91.3	0.1	0.1	0.0	72.1	1.2
1990–1995	3.9	1.6	2.2	57.1	0.1	0.6	–0.5	80.9	2.7
1996–1999	8.5	6.9	1.6	20.2	3.0	5.1	2.0	51.9	–0.4
2000–2007	19.0	15.8	3.2	16.4	4.7	8.0	3.3	40.5	–0.1
2008–2013	21.7	19.3	2.3	10.2	6.6	7.5	0.9	5.3	1.5

Source: Banco de Portugal

Annex 4 **Portugal: Net FDI inflows, by sector of economic activity, 2000–2007 and 2008–2013 ('000 euros)**

Net FDI inflows by sector of activity	2000	2001	2002	2003	2004	2005	2006	2007	Total
Total	**7,201,971**	**6,962,762**	**1,911,756**	**6,333,851**	**1,558,085**	**3,159,842**	**8,695,404**	**2,237,608**	**38,061,279**
Financial and insurance activities	5,421,674	2,235,615	961,110	-2,224,803	188,665	2,048,582	4,931,322	1,623,207	15,185,372
Manufacturing	134,256	-356,604	-117,875	290,999	838,287	-226,742	278,169	10,417	850,907
Consulting, scientific and technical activities	238,018	282,011	-35,510	6,398,346	2,391,275	156,339	1,965,030	327,563	11,723,072
Real estate	85,039	135,629	-270,337	174,703	34,948	384,131	54,040	194,927	793,080
Construction	-15,097	81,435	59,269	61,168	34,412	38,501	-154,230	111,121	216,579
Information and communication	419,049	200,639	92,866	569,368	-159,966	95,648	-400,642	-75,988	740,974
Utilities	-51,617	82,271	67,828	10,930	136,650	11,445	354,925	387,497	999,929
Retail and wholesale trade	545,688	3,679,414	191,220	596,969	-2,970,466	-419,560	-52,881	-1,691,222	-120,838
Others	424,961	622,352	963,185	456,171	1,064,280	1,071,498	1,719,671	1,350,086	7,672,204

Net inflows FDI by activity	2008	2009	2010	2011	2012	2013	Total
Total	**3,184,585**	**1,948,169**	**1,997,708**	**8,020,544**	**7,000,742**	**2,345,354**	**24,497,102**
Financial and insurance activities	1,513,050	2,314,523	1,626,555	4,588,520	4,699,066	1,343,487	16,085,201
Manufacturing	402,775	-1,076,616	696,226	760,653	-64,431	773,776	1,492,383
Consulting, scientific and technical activities	933,567	-48,897	259,051	270,615	-862,190	411,719	963,865
Real estate	372,883	261,273	263,517	-34,760	72,015	216,940	1,151,868
Construction	-10,671	71,809	34,146	104,220	109,626	126,000	435,130
Information and communication	296,476	-35,405	139,574	227,399	168,536	24,805	821,385
Utilities	119,976	179,549	-954,738	-14,030	2,526,668	-461,861	1,395,564
Retail and wholesale trade	-1,265,252	-395,176	-721,063	2,398,066	-193,453	-2,063,672	-2,240,550
Others	821,781	677,109	654,440	-280,139	544,905	1,974,160	4,392,256

Source: Banco de Portugal

Annex 5 **Portugal: Net FDI outflows, by sector of economic activity, 2000–2007 and 2008–2013 ('000 euros)**

Net outflows FDI by sector of activity	2000	2001	2002	2003	2004	2005	2006	2007	Total
Total	**8,826,556**	**6,997,303**	**-158,372**	**5,833,053**	**6,002,339**	**1,697,490**	**5,691,176**	**4,013,338**	**38,902,883**
Financial and insurance activities	5,894,916	2,733,060	2,521,851	-640,995	1,459,321	189,336	3,249,780	3,635,270	19,042,539
Consulting, scientific and technical activities	2,175,126	813,844	348,605	-102,656	4,201,091	30,252	1,446,966	-180,302	8,732,926
Others	203,217	-60,471	-4,320	6,353,840	199,201	91,364	269,884	150,522	7,203,237
Manufacturing	389,166	117,234	25,812	228,009	-59,655	600,351	104,584	180,709	1,586,210
Wholesale and retail trade	77,113	3,208,861	-3,086,708	42,185	130,707	696,202	219,350	117,637	1,405,347
Utilities	1,240	3,340	11,660	2,206	-53,281	134,980	224,508	267,417	592,070
Construction	58,310	147,612	-7,024	-63,951	107,672	-7,253	183,482	-237,969	180,879
Real Estate	13,786	12,184	17,886	10,042	21,694	15,527	-31,220	61,567	121,466
Information and communication	13,682	21,639	13,866	4,373	-4,411	-53,269	23,842	18,487	38,209

Net outflows FDI by sector of activity	2008	2009	2010	2011	2012	2013	Total
Total	**1,871,549**	**587,723**	**-5,657,691**	**10,722,102**	**450,530**	**1,074,581**	**9,048,794**
Financial and insurance activities	888,113	743,541	-6,184,207	10,470,788	149,942	1,566,606	7,634,783
Manufacturing	265,419	437,292	624,367	332,028	521,678	-133,932	2,046,852
Wholesale and retail trade	261,997	325,319	-194,510	599,502	-339,400	25,246	678,154
Utilities	47,334	-53,423	-20,221	177,856	-36,440	97,175	212,281
Others	153,919	6,536	205,672	-757,810	502,697	81,756	192,770
Real estate	89,753	-8,871	23,634	21,822	2,168	-17,296	111,210
Consulting, scientific and technical activities	472,183	-754,992	139,224	-2,201	101,577	96,158	51,949
Information and communication	24,042	14,668	35,982	-8,606	-747	-33,921	31,418
Construction	-331,211	-122,347	-287,632	-111,277	-450,945	-607,211	-1,910,623

Source: Banco de Portugal

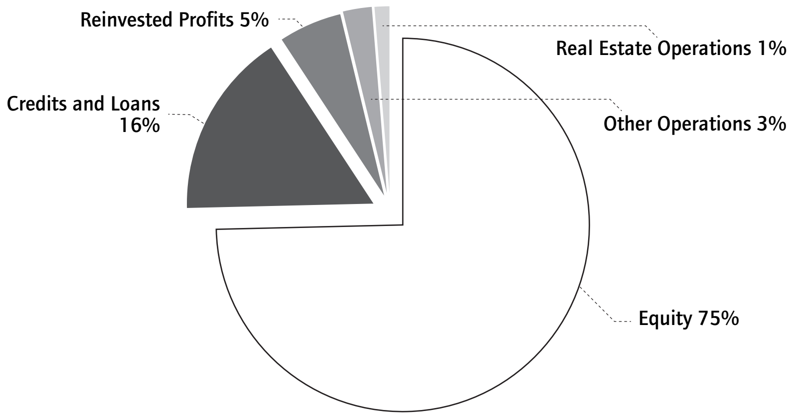
Annex 6 **Portugal: Net inward flows, by form: 2000-2007 and 2008-2013 ('000 euros)**

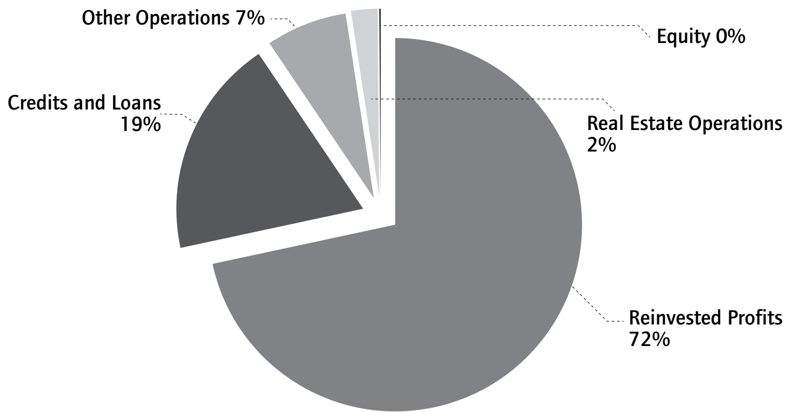
	2000	2001	2002	2003	2004	2005	2006	2007	Total
Total Net FDI	**7,201,971**	**6,962,762**	**1,911,756**	**6,333,851**	**1,558,085**	**3,159,842**	**8,695,404**	**2,237,608**	**38,061,279**
Equity	5,807,862	1,295,173	1,526,609	5,912,724	3,674,960	1,207,129	4,412,974	245,345	24,082,776
Real estate operations	250,297	323,990	481,337	600,244	707,499	917,321	1,130,693	1,353,402	5,764,783
Reinvested profits	692,816	726,463	-556,571	400,340	504,056	666,916	2,221,529	840,088	5,495,637
Credits and lending	437,918	4,584,096	454,871	-599,705	-3,336,218	361,352	922,799	-204,683	2,620,430
Other operations	13,078	33,040	5,511	20,248	7,788	7,122	7,410	3,457	97,654

	2008	2009	2010	2011	2012	2013	Total
Total Net FDI	**3,184,585**	**1,948,169**	**1,997,708**	**8,020,544**	**7,000,742**	**2,345,354**	**24,497,102**
Equity	1,171,276	86,413	333,860	4,617,904	6,524,562	505,740	13,239,755
Reinvested profits	906,781	1,121,167	2,715,500	1,439,898	1,024,042	1,648,837	8,856,225
Real estate operations	874,466	543,691	409,560	438,165	421,024	667,802	3,354,708
Other operations	35,188	27,882	2,889	15,130	-4,916	-1,167	75,006
Credits and lending	196,872	169,017	-1,464,102	1,509,446	-963,972	-475,858	-1,028,597

Source: Banco de Portugal

Annex 7 **Portugal: Net FDI outflows, by form, 2000–2007 and 2008–2013**





Source: Banco de Portugal

Annex 8 Portugal: main foreign affiliates in the country, ranked by sales, 2013 ('000 euros)

Rank	Company	Industry	Country of origin	Sales
1	REPSOL PORTUGUESA	Oil and gas	Spain	2,085,604,769
2	PT COMUNICAÇÕES	Telecommunications	Brazil*	1,708,228,286
3	SAIPEM (PORTUGAL)	Services	Italy	1,609,158,385
4	VOLKSWAGEN AUTOEUROPA	Automotive industry	Germany	1,606,039,683
5	BP PORTUGAL	Oil and gas	United Kingdom	1,489,925,070
6	AUCHAN PORTUGAL	Retail	France	1,404,983,164
7	CEPSA	Oil and gas	Emirates	1,304,487,294
8	WELLAX FOOD LOGISTICS	Wholesale	Brazil	1,273,702,634
9	MEO	Telecommunications	Brazil*	1,054,564,457
10	VODAFONE PORTUGAL	Telecommunications	United Kingdom	1,051,859,779
11	ENDESA ENERGIA	Utilities	Italy	800,577,832
12	CONTINENTAL MABOR	Chemicals	Germany	794,328,034
13	DIA PORTUGAL	Retail	Spain	776,612,589
14	ITMP ALIMENTAR	Retail	France	741,325,339
15	REPSOL POLÍMEROS	Chemicals	Spain	637,885,959
16	PEUGEOT CITRÖEN AUTOMÓVEIS	Automotive industry	France	503,922,579
17	OCP-PORTUGAL	Pharmaceutical	United States	488,425,869
18	SN SEIXAL - SIDERURGIA NACIONAL	Metal transformation	Spain	468,894,489
19	BOSCH CAR MULTIMÉDIA PORTUGAL	Electrical machinery	Germany	446,454,694
20	NESTLÉ - PORTUGAL	Agro industry	Switzerland	442,323,324

Note: * Participation sold by Brazilian Oi to Altice (a French company) in January 2015.
Source: Based on "500 maiores e melhores empresas", Exame, November 2014