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ΠΛΗΡΟΦΟΡΙΑΚΟ ΣΗΜΕΙΩΜΑ · NOTA D'INFORMAZIONE · TER DOCUMENTATIE**

Brussels, October 1987

**COMMISSION SUPPORTS MODERNIZATION OF  
PORTUGUESE INDUSTRY**

NATURE OF THE CHALLENGE FACING PORTUGUESE INDUSTRY

In March 1985, when the accession negotiations were included, Portugal and the Community agreed that the Portuguese economy should be integrated with that of the Community. It was acknowledged that, given the prospect of integration, Portuguese industry was faced with special problems.

The magnitude of the challenge is illustrated by the fact that eight out of ten jobs in Portugal are to be found in the consumer goods sector, which, in the Community of Ten, was the sector that experienced the most far-reaching changes in the 1970s.

Since the formation of EFTA, the Portuguese economy has become increasingly oriented towards Europe. Nowadays, 70% of Portugal's industrial imports come from its Community partners - 80% of them free of customs duties and 90% not subject to any quota arrangements.

The challenge which Portuguese industry faces is, in fact, twofold: it has to modernize its structure, but this at a time when its partners in the Community are adapting with increasing speed to the new international environment.

ACTING AHEAD OF THE REFORM OF THE STRUCTURAL FUNDS

The programme proposed by the Commission breaks new ground, chiefly because it foreshadows the reform of the structural funds. Four priority development themes are envisaged as part of a Community support framework that has been drawn up in consultation with the Portuguese authorities and will serve as a basis for the operational programmes, some of which are to be implemented without delay.

The operational programmes have been designed on the lines of the integrated approach, i.e. the various categories of Community resources, assistance and loans can be combined right from the start. At a deeper level, they endeavour to accommodate at one and the same time the various facets of development : productive investment and training, recruitment of instructors and construction design of training centres, increase in firms' equity capital, and modernization of the banking network.

#### THE FOUR PRIORITY DEVELOPMENT THEMES

1. **Fasten modernization of the basic infrastructures vital to industry, bearing in mind that Community programmes in the energy and telecommunications field are already under way.**  
  
For instance, completion of the Setubal-Braga motorway is now scheduled for 1992 (instead of 1995, as planned by the Portuguese authorities), and the roads linking the country's main industrial centres to the motorway are being improved.
- 2) **Threefold improvement of vocational training :**
  - strengthening the present infrastructure in order to provide initial skills training for employment in the textile, clothing, footwear, engineering and building industries;
  - more training for technicians and advanced technicians;
  - establishment of centres providing further technological training.
- 3) **Financing of productive investments :**
  - Part-financing of Portuguese regional assistance for the setting-up, extension or modernization of firms helping to create or safeguard permanent jobs. The eligibility thresholds are such that small and medium-sized enterprises (SMEs) will be able to apply.
  - Access for SMEs to the banking and financial facilities enjoyed by their counterparts in other Member States, particular emphasis being placed, with technical assistance from the Commission, on strengthening their equity capital base. Every effort will be made to use equity capital and access to credit to complement each other, tailoring them to the industrial situation in the specific region concerned and to the general lines of Portugal's regional policy.

#### 4. Productivity and modernization

With assistance and organizational back-up from the Commission, these are intended to stimulate innovation, promote discussion of experience and encourage concerted action by the two sides of industry. The tasks concern :

- market research and feasibility studies;
- management consultancy;
- innovation consultancy;
- the organization of work;
- the setting-up of business and innovation centres.

#### TOTAL ALLOCATION OF 2000 MILLION ECU OVER 5 YEARS

The indicative financing plan reflects the effort to make the special programme for the modernization of Portuguese industry consistent with Community measures.

Half the financial allocation will come from the Community's structural Funds (principally the ERDF), while the other half will probably be in the form of EIB and NCI loans. Funding will begin in earnest as early as 1988, the first year of the programme, when a total of 400 million ECU will be available (of which 200 million ECU under the structural Funds) for launching operational programmes.

This is 80 million ECU more than the allocation earmarked for Portugal under the ERDF. The Commission has authorized this overrun for 1988 to emphasize the priority it attaches to the modernization programme.

Finally, once the Commission's proposed structural policy reform has been adopted, the programme will slot quite naturally into the new mechanisms, since these will fully reflect Portugal's concerns in this area.