

Portugal and China: The rise of a new strategic geography?

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References to the rise of the Asia-Pacific region in the 21st century are omnipresent. “There is no region in the world that we consider more vital than the Asia-Pacific region”, said US President Barack Obama last November during his 10-day tour of Asia.¹ “The Asia-Pacific has become a key driver of global politics”, US Secretary of State Hillary Clinton wrote recently.² True to her diagnosis, in February 2009, Clinton broke with tradition and her first official overseas trip as Secretary of State was to Japan, Indonesia, South Korea, and China. It was the first time in 50 years that a US Secretary of State chose Asia, instead of Europe or the Middle East, as his or her first trip abroad.³ Clinton’s choice was a powerful symbol of the strategic decline of Europe as a consequence of the geopolitical power shift away from the Euro-Atlantic region towards the Asia-Pacific, with China as the new center of political and economic power.

Like everybody else, Portugal did not ignore these ongoing geopolitical changes. Luís Amado, the Portuguese Minister for Foreign Affairs between 2006 and 2011, believed that more attention had to be paid to Asia, bear-

ing in mind that the most powerful economies, and the increasingly relevant countries, were no longer in Europe but instead in Asia. “Two thirds of the world population, as well as the center of gravity of the world economy, are in Asia; however, despite the historical ties that bind us to the region, we have very fragile [political and economic] relationships”, he said in an interview in January 2010.⁴ Amado was fully aware that in the previous decade “Portugal lost some time” and, as a consequence, missed important “economic opportunities” in Asia.⁵ His successor, Paulo Portas, also believes that Portugal must improve its political and economic relations in the Asia-Pacific region. He wishes to do so not only because he wishes to deepen bilateral relations with the countries of the region *per se*, but also because the Portuguese government intends to promote and support the diversification of exporting markets so as to minimize the Portuguese dependence on the European exporting markets. In fact, the Asia-Pacific region will be one of the main priorities of the new Portuguese Foreign Minister in 2012. Portugal needs to “strengthen its ties with the Asian markets,

1 “Obama sees economic power of Asia-Pacific” (*Associated Press*, 12 November 2011).

2 Hillary Clinton, “America’s Pacific Century” (*Foreign Policy*, November 2011).

3 Jing-dong Yuan, “New US tone, Same Old Issues” (*Asia Times*, 27 February 2009).

4 Teresa de Sousa, “Portugal será agora na Europa o que conseguir ser fora dela” (*Público*, 3 January 2010).

5 Sandra Santiago, “Amado admite que Portugal perdeu oportunidades económicas na Ásia, mas acredita numa “rápida recuperação”” (*Lusa*, 21 November 2007).



such as India or China”, he said in an interview in September 2011.⁶ The development of the bilateral relations with China, in particular, is therefore something that Portugal will support and promote if the moment is ripe to do so.

Since 2005, Portugal and China have a “strategic partnership”. Portugal, together with France, Germany, the United Kingdom and Spain, is one of the few European countries to which China has granted “strategic partner” status. However, as I wrote in 2010, “though Portugal is one of the few European countries that has a strategic partnership with China, the truth is that the political agenda between the [two] countries is still rather superficial”.⁷ Nevertheless, it was reasonable to assume at the time that, sooner or later, China would have an increasing political and economic relevance within the Portuguese foreign policy. Although the same is not true regarding China, at least not in the same scale, it was obvious that Portugal would also become a more important European partner to China in the forthcoming years.⁸ Under normal circumstances, with no major political development in sight in the near future, the fuse that would trigger the consolidation of bilateral relations had to be the deepening of economic exchanges, imports and exports, foreign direct investment (FDI), as well as cross-border mergers and acquisitions. Portuguese exports to China, for example, more than doubled in the last two years, and probably will surpass, for the first time, one billion dollars in 2011.⁹ Barring any unforeseen circumstances, it appears likely that, in the forthcoming years, China will enter into the Portuguese top ten of exporting markets. Moreover, in

December 2011, China Three Gorges (CTG) acquired a 21% stake in the Portuguese utility *Energias de Portugal* (EDP), thus becoming the utility’s newest “strategic partner”. The acquisition in 2012 by the State Grid Corporation of China (SGCC) of a strategic stake in the Portuguese utility *Redes Energéticas Nacionais* (REN), if this does indeed happen, will place another Chinese state company as a powerful player in Portugal and, indirectly, in the European market.

For the first time, a Chinese state company invested in a strategic sector of the Portuguese economy. The outcome could have been different if mutual trust between the two governments was not assured. It is reasonable to assume that, if the opportunity arises, the Portuguese government will allow additional Chinese investments in other strategic sectors of its economy. If it occurs, the deepening of the bilateral relationship and the growing Chinese investments in Portugal might lead to a shift in the Portuguese strategic geography.

Obviously, it did not go unnoticed in Beijing that Lisbon chose a Chinese state company despite the intervention and pressure of the German government aiming to advance the chances of utility E.ON.¹⁰ Moreover, the CTG acquisition marks a departure in the type of Chinese investment made in Portugal. For the first time, a Chinese state company invested in a strategic sector of the Portuguese economy. The outcome could have been different if mutual trust between the two governments was not assured. Thus, it is reasonable to assume that, if the opportunity arises, the Portuguese government will allow additional Chinese investments in other strategic sectors of its economy, such as, for example, banking, telecommunications, or transports. If it occurs, the deepening of the bilateral relationship and

the growing Chinese investments in Portugal might lead to a shift in the Portuguese strategic geography.

Since the transition to democracy, Portuguese foreign policy has been structured along three main pillars: transatlantic relations, the Portuguese-speaking countries, and the European Union.¹¹ Since 1986, when it became an EU member, Portugal positioned itself as bridge builder between Africa, Brazil, and Europe in order to advance its political influence and promote its economic growth.¹² Like others, Chinese companies are attracted

6 Filipe Santos Costa, “A sra. Merkel tem o trabalho de casa feito” (*Expresso*, 24 September 2011), p. 5.

7 Paulo Gorjão, “Portugal and China: Prospects of an asymmetrical partnership” (*IPRIS Lusophone Countries Bulletin*, No. 6, April 2010), p. 4.

8 Idem.

9 “Exportações portuguesas para a China mais do que duplicaram desde 2009” (*Lusa*, 2 December 2011).

10 See Gerrit Wiesmann, “Berlin backs Eon’s bid for Portugal stake” (*Financial Times*, 11 December 2011).

11 Paulo Gorjão, “The end of a cycle: Rebalancing and redefining Portugal’s foreign policy” (*IPRIS Lusophone Countries Bulletin*, No. 3, January 2010): 6.

12 See, for example, Pedro Reis, AICEP’s chairman: “AICEP: venda a chineses tem visão histórica e económica” (*Agência Financeira*, 22 December 2011).



to Portugal in large part due to the Portuguese links with Brazil and Africa.¹³ By doing so, they seem to confirm that the Portuguese strategy has been the right one. Indeed, "Portugal will be in Europe what it can bring to Europe and become beyond Europe", emphasized Paulo Portas in an interview in October 2011.¹⁴

The consolidation of bilateral relations between China and Portugal would open a range of new possibilities. China could be Portugal's privileged gateway to Asia, and vice versa for China in Europe, if Beijing chooses to do so. If so, this would bring major changes regarding how Portugal perceives its strategic geography. Instead of the 'classic' strategic triangle between Portugal, Brazil and the Portuguese-speaking African countries, there would be a new strategic rhombus with China in the additional vertex. By doing so, rather than leading the way, Portuguese diplomacy would be assimilating what is already the strategy of some leading Portuguese companies. Portuguese bank Millennium BCP, for

instance, changed its strategy in 2011 in order to focus on Portugal, Africa, Brazil and China. Carlos Santos Ferreira, Millennium BCP's CEO, has been emphasizing the opportunities for Portugal if it performs the role of "strategic link between four geographies".¹⁵ The facts seem to prove him right. Physical geography may not change, but the shifts in Portugal's strategic interests may redraw its diplomatic map.

15 Maria Teixeira Alves, "BCP defende linha de recapitalização do Estado" (*Diário Económico*, 24 October 2011).

13 "Three Gorges wins bid for EDP stake" (*Shanghai Daily*, 24 December 2011).

14 Pedro Sousa Pereira, "Marrocos é uma fonte de confiança económica" (*Lusa*, 15 October 2011).

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