

Portugal's economic diplomacy: A new paradigm or old rhetoric?

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After ousting Socialist Prime Minister José Sócrates on the 5 June 2011 parliamentary elections, Conservative Prime Minister Pedro Passos Coelho's PSD formed a coalition government with the rightist CDS-PP. Sworn in on 21 June 2011, the new coalition government presented its program to the Parliament on 29 June 2011. Regarding foreign policy, the program was quite clear: Portugal must "adopt a new national strategic priority: a very strong economic diplomacy".¹ Since then, Paulo Portas, the leader of the CDS-PP (Democratic and Social Centre-People's Party) and the new Minister for Foreign Affairs, on several occasions made it clear that the "economic diplomacy is the first institutional priority of the Ministry of Foreign Affairs".² It is a strong "political priority".³

Paulo Portas believes that unlike in the past, economic issues now heavily influence the balance of international power. Indeed, as a consequence of the geopolitical power shift away from the Euro-Atlantic region towards the Asia-Pacific, European countries face a serious threat of decline in strategic importance. Thus, economic

performance seems to dictate the level of international influence. Still, Paulo Portas believes that nowadays sovereignty is strongly dependent from "the assessment of a country's ability to pay its debt".⁴

The priority given to economic diplomacy is also perceived as "a counter-cyclical policy, which gives resistance to the Portuguese economy".⁵ The top four exporting markets of the last ten years – Spain, Germany, France, and the United Kingdom – are the destination for more than 50% of Portuguese exports. Overall, the European Union (EU) accounts for 70% to 75% of Portugal's exports.

The fact that "the euro area economy is (...) expected to go into a mild recession in 2012", while for 2013, GDP growth is estimated to be 0.8%, reinforces the perception that market diversification is required and urgent.⁶ Indeed, the European recession and political uncertainty mean that Portugal strongly needs to diversify the markets for its exports as well as the sources of inward investment. In order to match words with deeds, in the past few months Paulo Portas has carried out what he calls a "quiet revolution". He believes that the Portuguese diplomatic network

1 *Programa do XIX Governo Constitucional* (Presidência do Conselho de Ministros, 2011), p. 100.

2 Francisco Teixeira, "Diplomacia económica é a primeira prioridade do MNE" (*Diário Económico*, 16 November 2011).

3 Nuno Ribeiro, "Portas defende urgência da diplomacia económica" (*Público*, 4 January 2012).

4 "Paulo Portas sublinha importância do acesso das empresas ao poder político" (*Lusa*, 12 January 2012).

5 Pedro Sousa Pereira, "MNE assina acordos bilaterais e encontra-se com empresários em Doha" (*Lusa*, 11 December 2011).

6 "Global Recovery Stalls, Downside Risks Intensify" (*World Economic Outlook: Update*, 24 January 2012).



must track the movements of the economy. Therefore, he explained: "Portugal has to be where the Portuguese are, where are the interests of Portugal and where are the business opportunities".⁷ Portas conveyed this message in Qatar, where Portugal opened its latest embassy, in December 2011. Earlier, in November 2011, he announced that the embassies in Andorra, Bosnia-Herzegovina, Estonia, Kenya, Latvia, Lithuania, and Malta would be shut down.⁸ Moreover, in October 2011, the Portuguese government decided to have joint overseas promotion of trade, foreign investment and tourism. One month later, after a lengthy internal reorganization, AICEP – the government business entity responsible for the promotion of Portugal abroad – fell under the formal guardianship of Paulo Portas. Last but not the least, on 3 January 2012, the Minister for Foreign Affairs announced a "diplomatic spring" involving the biggest diplomatic reshuffle of the last ten years.⁹ Portas explained the choices saying that he was allocating the best diplomats to the most demanding posts.

The task ahead is Herculean. Paulo Portas will have to do more with less in 2012, bearing in mind that in 2012 the Ministry of Foreign Affairs' (MFA) budget is €40 million (10.6%) less than in 2011.¹⁰ With a smaller budget, more or less the same number of diplomats, and without any specific training programmes for diplomats in commercial diplomacy and economics, it will be a miracle if the MFA is able to present immediate and significant results. Budgetary constraints also mean that Portas cannot open new embassies as soon as he would like. Thus, the best he could do was to announce that new embassies would be open in Asia and Latin America until 2015.¹¹

The priority given to economic diplomacy has been warmly welcomed by many Portuguese elites. However, a few critical remarks have been made. Paulo Rangel, a former candidate to the leadership of PSD (Social Democratic Party) in 2010, and currently member of the European Parliament, as well as vice-chair of the Group of the European People's Party, said that it was a "mistake" to "limit the horizon of foreign policy to the economic front".¹² Portas rejected this criticism, emphasizing that "institutional and political diplomacies did not disappear but they are accompanied by economic diplomacy".¹³

Paulo Portas never said that everything in foreign policy is about trade. It is true that the decision to close some of the Portuguese embassies in the EU – Estonia, Latvia, Lithuania, and Malta, in particular – was not the only option on the table. Instead of being represented with an ambassador, an alternative solution could have been to maintain the embassies with only a *chargé d'affaires* in each one of them. Still, other observers also shared the view that Portugal should "balance the excess of diplomatic representation in the EU" with new embassies elsewhere.¹⁴ In any case, the facts do not seem to support the concerns voiced by Paulo Rangel.

On the other hand, Basílio Horta, the former president of AICEP and nowadays a parliamentarian elected in June 2011 in the lists of the Socialist Party, has emphasized the continuity between the current and previous governments.¹⁵ Between 1998 and 2008, the weight of non-EU markets regarding Portuguese exports rose from 16% to 26%, a trend consolidated in particular since 2005, under the previous Socialist government.¹⁶ Rhetoric aside, in his view, the current priority given to economic diplomacy is old wine in new bottles. The "quiet revolution" of Paulo Portas probably is less 'revolutionary' than he would like to admit.

A more relevant criticism focuses upon how the strategy of the economic diplomacy is being implemented. Like others, Paulo Portas wishes to build stronger bilateral relationships with the emerging economies in Africa, Asia, Latin America, or in the Persian Gulf. It is clear from previous statements that the Minister for Foreign Affairs perceives economic diplomacy mainly as a state-to-state matter. There is no strategy for multilateral economic diplomacy. For example, Paulo Portas did not once mention the proper place reserved for the EU within his strategy. Yet, the EU is a relevant instrument to secure trade and market access in the emerging economies, and Portugal should actively support negotiations on EU free trade agreements, since they would certainly provide more opportunities in order to promote exports as well as to attract inward investment. Colombia and Peru demonstrate how important free trade agreements could be in order to boost economic bilateral relations.¹⁷ The EU is currently negotiating free trade agreements with Canada, India, Malaysia, Singapore, Ukraine, as well as with the ASEAN and the Gulf Co-operation Council (GCC).¹⁸ The Portuguese economic diplomacy would certainly benefit from a growing list.

7 Pedro Sousa Pereira, "MNE assina acordos bilaterais e encontra-se com empresários em Doha" (*Lusa*, 11 December 2011).

8 Eva Gaspar, "Portas fecha sete embaixadas portuguesas" (*Jornal de Negócios*, 16 November 2011).

9 Nuno Sá Lourenço, "Governo nomeia uma nova geração de embaixadores" (*Público*, 4 January 2012).

10 *Orçamento do Estado para 2012: Relatório* (Ministério das Finanças, October 2011), p. 160.

11 Eva Gaspar, "Portas fecha sete embaixadas portuguesas" (*Jornal de Negócios*, 16 November 2011).

12 Paulo Rangel, "Uma moda e uma ilusão: a chamada "diplomacia económica"" (*Público*, 29 November 2011).

13 "Diplomacia económica: Seminário diplomático apresenta novo modelo com economia mundial em tempos de incerteza" (*Lusa*, 3 January 2012).

14 See Paulo Gorjão, "The reform of the Portuguese diplomatic network" (*IPRIS Viewpoints*, No. 30, December 2010), p. 1.

15 Basílio Horta, "Diplomacia económica" (*Diário Económico*, 16 January 2012).

16 *Orçamento do Estado para 2011: Relatório* (Ministério das Finanças e da Administração Pública, October 2010), p. 32.

17 See Pedro Seabra, "Peru and the search for gateways into the EU" (*IPRIS Viewpoints*, No. 83, January 2012).

18 See "International Affairs: Free Trade Agreements" (European Commission, Enterprise and Industry, July 2011).



Last but not the least, on different occasions Paulo Portas said that ambassadors will be scrutinized, measured and will have to produce results. It is unclear exactly when and how diplomatic accountability will be enhanced. In order to minimize subjective scrutiny, the Minister for Foreign Affairs should devise a clear evaluation grid, which must have into account the specificities of each diplomatic post.

For decades, we believed that in the 1970s when it was asked to Zhou Enlai his view of the significance of the French Revolution of 1789, he answered that it was “too early to say”. We now know that Enlai was speaking about the 1968 students’ riots in Paris. However, the “misunderstanding ... was too delicious to invite correction”.¹⁹ As Timothy Garton Ash has noted: “the reason people keep quoting such remarks is that, even if the person they are ascribed to never spoke those words, we feel that someone should have, since they express a significant truth”.²⁰ So, like the misunderstood remarks, we could say that it is a fact that something is changing regarding the Portuguese economic diplomacy, but it is “too early to say” what will be in the end the substantive impact.

19 See Richard McGregor, “Zhou’s cryptic caution lost in translation” (*Financial Times*, 11 June 2011).

20 Timothy Garton Ash, “How will the ventriloquist’s dummy of History judge Blair’s foreign policy?” (*The Guardian*, 30 March 2006).

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