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## Portugal and Japan: A New Course or Just Historical Momentum?

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Portugal and Japan's bilateral relations began in 1543, when Portuguese traders reached Tanegashima in the south of Japan. The visit of Minister of Foreign Affairs Paulo Portas to Japan from 27 to 29 March 2013 occurs at a time when, for the second time since the 1950s, Portugal has a positive trade balance. In addition, both countries recently agreed to a partnership in the field of green energy. However, for two countries that celebrate 470 years of friendship with more similarities than differences, one must ask what has kept us so far apart from one another? The fact is bilateral relations were not a priority to either side until recently. This article investigates the reasons for this change.

From the 1960s to the mid-1970s Portugal, and in particular its colonies of Angola and Mozambique, were important for the reconstruction and expansion of industrial Japan. During the 1980s and 1990s, the accession of Portugal to the European Economic Community (EEC) motivated Japanese interest in Portugal. With the creation of the Single Market in 1993 Japanese foreign direct investment (FDI) to Portugal began to decrease as investors eyed the geographic advantages of Central and Eastern European Countries (CEEC). As for trade relations, apart for a blip from the 1950s and early 1960s, Portugal has run

a chronic trade deficit with Japan.<sup>1</sup> However, in recent years Portugal's commercial engagement with Japan has been vibrant, extending beyond traditional exporting sectors such as wine, cork, and clothing accessories to electrical machinery, cars, and car parts are the main goods. On the economic front, in 2012 Japan's New Energy and

\* This article would have not been possible without the collaboration of diverse personalities, namely Madalena Fischer (Chief of Cabinet of the Minister for Foreign Affairs), José Ribeiro e Castro (Member of the European Parliament), Ken Kondo (First Secretary for Cultural Affairs at Japanese Embassy in Portugal), Maria João R. de Medeiros Carvalho (Journalist at Euronews, France), and Sachiko Matsuyama (TESCO automotive components) who helped me in establishing the necessary contacts for the interviews and all the interviewed people for being willing to contribute to this article, namely Jiro Maruhashi, (Counselor for Political Affairs at Japanese Embassy in Portugal), António Paiva Mourão (President of the Portuguese-Japanese Chamber of Commerce and Industry), Carla Grijó (Director of Asia and Oceania at the Ministry of Foreign Affairs of Portugal), Nobuyuki Shirakata (First Secretary for Economic Affairs at Japanese Embassy in Portugal), Paulo Chaves (Portuguese Embassy in Japan), Claudio Iara (Uchiyama Vedantes), Mário Ferreira (General Manager of TESCO automotive components in Portugal), and Armando Coelho (Manager at Portugal Wood & Cork Products). Finally, I would like to thank José Júlio Rodrigues, (University of Foreign Studies, Kyoto) for the informal conversation and Tsuyoshi Takamatsu (Minho University and Japanese Embassy in Portugal) and Reiko Kikuchi (Porto University) for the transfer of statistical data for this article.

<sup>1</sup> Pedro Miguel Raposo de Medeiros Carvalho, *Portugal – Past and Present Foreign Direct Investments: Japan's Trade and FDI with Portugal, 1945-1999* (Lisboa: Universidade Lusíada Editora, 2013).



Industrial Technology Development Organization (NEDO)<sup>2</sup> and Portugal's Economy and Employment Ministry have established a partnership in the field of green energy with business-related projects, namely the 'Lisbon Smart City' project. According to NEDO President Hideo Hato<sup>3</sup> this project is unique and puts Portugal on the frontline of energy technology activities. On the political front, the visit of Minister of Foreign Affairs (MFA), Paulo Portas, to Japan comes in the wake of previous visits by Jaime Gama in 1997, Teresa Gouveia in 2004, and Luís Amado in 2007. This shows a renewed Portuguese interest to look beyond the European Union (EU) and the Community of Portuguese-speaking Countries (CPLP) to Japan. On the Japanese side, the state visit of Makiko Tanaka in 2002, the first ever of a Minister for Foreign Affairs, and the Minister of State for the Regulating Reform in 2006 to Portugal suggests a new era in Portugal-Japan bilateral relations. Between these visits, Portugal welcomed Crown Prince Naruhito in 2004. Finally, on the cultural and education fronts, Portugal and Japan are in close league. According to the Japan Foundation, the number of Japanese language students in Portugal increased from 172 in 2003 to 356 in 2011. The University Nova de Lisboa, the Oriental Arts Center in Almada, and the Faculty of Letters at the University of Porto, respectively, host the most Japanese students.<sup>4</sup>

What are the main factors behind expansion of diplomatic relations between Portugal and Japan at the bilateral and multilateral levels? Is this intensification the result of domestic influences or international circumstances? Or, does the momentum in bilateral relations result from domestic decisions, such as the renewal of economic diplomacy of the new Portuguese Minister of Foreign Affairs Paulo Portas previously used by their counterparts António Martins da Cruz and Teresa Gouveia?<sup>5</sup> Either way, foreign policy decisions arise because domestic politics are somewhat affected by external events. Domestically, Portugal and EU difficult economic and financial situation and great interest on the part of Portuguese Agency for Investment and External Trade (AICEP), now under the umbrella of the Portuguese Ministry of Foreign Affairs help explain this sudden interest in Japan.<sup>6</sup> Externally, the tsunami in Japan contributed to the increased imports from Portugal and the 'endaka' the problem of a strong yen, caused the reduction of exports as well.<sup>7</sup> Japan's automakers

felt this acutely, as their cars became more expensive in the European and US markets.

Though economic diplomacy has been fruitful, the turnaround in Portugal-Japan bilateral relations, in particular after the mid-1990s results both from the combination of domestic and external factors, such as the Portuguese Ministers of Foreign Affairs long-term foreign policy agenda since Jaime Gama and Teresa Gouveia on the one hand, and how the Japanese government shifted its perception towards Portugal from a long and close friend to a partner and even an ally in political, security, and development issues. Also, the involvement of all stakeholders throughout time, including Lisbon and Tokyo Embassies, the companies assisted by the Japanese Chamber of Trade and Industry and the AICEP, and the civil society, such as the Portuguese universities cited above and Kyoto, Osaka, and Tokyo Universities efforts to expanding language studies, explain the uprising of bilateral relations in all fields. Thus, both countries have come to recognize mutual benefit across an array of political, business, and cultural realms from the expansion of diplomatic relations.

Yet common efforts are insufficient to explain the recent achievements between Portugal and Japan. The confluence of both countries national interests, understood as the goals each state policy makers pursue as strategic directions of its foreign policy, helps explain the new course. As Jiro Maruhashi,<sup>8</sup> the Counselor for Political Affairs at Japanese Embassy in Lisbon, observes, the natural sphere of foreign policy of each country is opposed: Japan is a major power in Asia and Portugal an established EU member. Hence the confluence of interests is not always symmetrical. For example, although Portugal supports Japan permanent membership to the United Nations Security Council (UNSC), Japan did not support Portugal's bid for non-permanent member in the UN Security Council.<sup>9</sup>

Nevertheless, in a multilateral context Japan's participation in UN Peacekeeping Operations in Angola (1992), Mozambique (1994-1995), and Timor-Leste (1999-2004), gave it an opportunity to play a peacebuilding role in Africa and Asia beyond that of 'checkbook' diplomacy.<sup>10</sup> Also, a stronger political bond with Portugal has led to the projection of common values, such as peace, prosperity, and democratic freedom in regions of important foreign policy focus for Portugal.

From the perspective of Portuguese national interests Japan's financial aid worth €112,4 million for Timor-Leste and participation in the United Nations (UN) peacekeeping force with 700 troops of the Self Defense Forces

2 "Cooperation with the Government of Portugal in the Energy Field" (NEDO, 16 March 2012).

3 "Japan and Portugal Collaborate for a 'Smart' Lisbon" (MOBI.Europe, 23 August 2012).

4 *Present Condition of Overseas Japanese-Language Education: Summary* (Tokyo: Japan Foundation, 2003), p. 26.

5 Maria Sousa Galito, "Diplomacia Económica de Portugal no Atlântico: Lusofonia e EUA" (CI-CIPRI, AI, No. 15, 2011), pp. 37 and 40.

6 António Paiva Mourão, personal interview (Lisbon, 5 March 2013).

7 Nobuyuki Shirakata, personal interview (Lisbon, 5 March 2013). The answers of Japanese diplomats do not express the official position of the Government

of Japan but merely their personal opinions.

8 Jiro Maruhashi, personal interview (Lisbon, 5 March 2013).

9 Paulo Chaves, email interview (5 March 2013).

10 Lam Peng Er, *Japan's Peace-Building Diplomacy in Asia: Seeking a More Active Political Role* (London and New York: Routledge, 2009), p. 55.

was assured in the meeting between the Foreign Ministers Jaime Gama and Makiko Tanaka, in January 2002 in Lisbon.<sup>11</sup> The negative impact of Portuguese public deficit and budget consolidation to comply with the EU Stability and Growth Pact resulted in the fall of the official development assistance (ODA) with a reduction in Portugal's contribution to Timor-Leste.<sup>12</sup> Therefore, Japanese contribution was deemed highly important. In return, Tanaka asked Gama to send a senior representative to the Conference of donors for Afghanistan to be held in Tokyo in that same month, and to use the Portuguese presidency (2001-02) of the Organization for Security and Cooperation in Europe (OSCE) to strengthen their cooperation in "fighting international terrorism and extremism in Central Asia".<sup>13</sup> Apart from these issues, the two countries agreed both should seek more active cooperation in trade and investment sectors in the EU.

The 2004 visit of the Minister of Foreign Affairs Teresa Gouveia to Japan followed the visits of Gama and Tanaka that aimed at enhancing long-neglected economic and cultural relations between the two countries. As such, Teresa Gouveia signed a protocol with the University of Foreign Studies in Kyoto to strengthen Portuguese language instruction in Japan. The Minister of Foreign Affairs also met with business associations in the country with the goal of increasing trade relations and attracting Japanese foreign investment.<sup>14</sup>

In 2006, Luís Amado replaced Diogo Freitas do Amaral as the new Minister of State and Foreign Affairs. In 2007, Amado held talks with Taro Aso, Minister for Foreign Affairs. The agenda of the meeting consisted of bilateral and regional issues, including Afghanistan, Timor-Leste, North Korea, China, and European affairs, specifically the EU-Japan relations.<sup>15</sup> The multilateral agenda was also extensive, including the development strategy for Africa – in the context of the II EU-Africa Summit during the Portuguese presidency – WTO negotiations, the Doha trade agenda, UN reform, the Middle East and the Asia-Europe Forum. During the visit, Amado also met the Ambassadors of CPLP accredited in Tokyo, and also with the Parliamentary Group for Portugal-Japan Friendship created in 2006 to expand cooperation among Parliaments between both countries. At the end, Aso and Amado signed a memorandum on political consultations.<sup>16</sup>

Several factors explain the positive shift between Portugal and Japan bilateral relations, according to Paiva Mourão,

the President of the Portuguese-Japanese Chamber of Commerce and Industry (JCCI). On the Portuguese side, the Ambassador of Portugal in Tokyo, Freitas Ferraz, has been working hard to solve two pending issues between Portugal and Japan. The first, lifting the ban on pork products over 15 years and the second enforcing the convention for the Avoidance of Double Taxation signed on 19 December 2011. However, one should note that back in 2004 former Minister of Foreign Affairs Teresa Gouveia was one of the main driving forces behind the initiation of negotiations. The fact that the Convention for the Avoidance of Double Taxation is not yet in force, although we know that it is a bureaucratic issue that harms Japanese companies in Portugal such as TESCO<sup>17</sup> and auto components manufacturer Uchiyama Vedantes.<sup>18</sup> The Japanese dissolution of Parliament and early elections delayed the process of ratification by the Japanese Diet, which should be finalized before this summer.

Bilateral trade between Portugal and Japan has remained practically unchanged over the last 30 years; however, this began to change after 2000. With the exception of 2011 and 2012, Portugal has carried a negative trade balance with Japan. Table 1 shows that Portuguese imports to Japan decreased from €1 billion in 2000 to €221 million in 2012, while exports increased from €119 million in 2000 to €313 million in 2012.

**Table 1: Trade Balance of Portugal with Japan (Unit: € million)**

Year	2000	2005	2007	2008	2009	2010	2011	2012
Exports	119	87	299	180	86	128	322	313
Imports	1.061	583	572	589	285	33	293	221
Trade Balance	-942	-496	-273	-409	-199	-235	28	92
Coverage Ratio	11.2	14.9	52.3	30.6	30.2	35.2	109.6	141.8

Sources: INE and AICEP (Portugal).

These results warrant caution given the general downturn of Portuguese imports due to economic recession. But Japan also suffered through a tsunami in 2011 and also the 'endaka' crisis. Nevertheless, there is an obvious a change of pattern in sectoral trade.

Tables 2 and 3 show that whether in 2007 or in 2012, manufactured goods dominate Portuguese imports from Japan. Motor vehicles, machinery, and parts of motor vehicles and electrical machinery parts accounted for more than 80% of the total value of Portuguese imports from Japan in both periods.

11 "Japão vai enviar 700 soldados para Timor-Leste" (*Lusa*, 2 January 2002). See also Paulo Gorjão, "Japan's Foreign Policy and East Timor, 1975-2002" (*Asian Survey*, Vol. 45, No. 2, 2002), pp. 754-771.

12 DAC Peer Review, *Portugal* (Paris: Development Assistance Committee, Organization for Economic Cooperation and Development), p. 29.

13 "Tóquio concede 112 milhões de euros a Timor Leste" (*Lusa*, 2 January 2002).

14 "Teresa Gouveia inicia hoje visita ao Japão" (*Lusa*, 5 April 2004).

15 "Talks between Mr. Taro Aso, Minister for Foreign Affairs, and Mr. Luís Amado, Minister of State and Foreign Affairs of Portugal" (MOFA, 13 February 2007).

16 "Luís Amado inicia quarta-feira visita oficial ao Japão" (*Lusa*, 6 June 2007).

17 Mário Ferreira, email interview (4 March, 2013).

18 Claudio Iara, personal interview (Viana do Castelo 3 March 2013).



**Table 2: Portugal's Trade with Japan by Principal Commodity in 2007**

Exports	Total Share (%)	Imports	Total Share (%)
Clothing & Accessories	28.5	Motor Vehicles	37.7
Foodstuff	16.9	Machinery	22.9
Chemicals	15.9	Parts of Motor Vehicles	10.9
Manufactured Goods	10.4	Electrical Machinery	10.4
Electrical Machinery	8.0	Manufactured Goods	7.5
Raw Materials	7.6	Others	4.0
Parts of Motor Vehicles	1.7	Chemicals	3.8
Motor Vehicles	1.5	Motorcycles and Auto Cycles	2.2
Total	90.5	Total	99.4

Source: Ministry of Finance (Japan).

**Table 3: Portugal's Trade with Japan by Principal Commodity in 2012**

Exports	Total Share (%)	Imports	Total Share (%)
Electrical Machinery	19.0	Machinery	24.7
Motor Vehicles	18.4	Parts of Motor Vehicles	14.7
Clothing & Accessories	13.6	Manufactured Goods	13.9
Foodstuff	13.1	Others	11.3
Chemicals	12.4	Electrical Machinery	10.6
Manufactured Goods	6.4	Motor Vehicles	10.0
Raw Materials	3.5	Raw Materials	6.7
Parts of Motor Vehicles	2.8	Chemicals	6.3
Machinery	2.2	Foodstuff	1.0
Furniture	1.6	Mineral Fuels	0.0
Total	93.0	Total	99.2

Source: Ministry of Finance (Japan).

By contrast, although Portuguese exports in 2007 remained in traditional sectors such as clothing and accessories, foodstuffs and chemicals accounted for more than 60% of exports by value. This indicates that Portuguese exports are evolving from low to higher value-added products slowly. As a result, electrical machinery, parts of motor vehicles and motor vehicles have risen from 11.2% in 2007 to 42.4% in 2012. The pattern of Portugal's trade with Japan is likely to continue to evolve in this direction, particularly now that NEDO and Portuguese Government signed a letter of intent in new fields, namely green energy and renewable energy aiming at attracting innovative companies and high-qualified human capital. The final goal is not only to cooperate in solving energy issues common to both Portugal and Japan, but also to promote employment

and economic growth in Portugal within the economic diplomacy agenda.<sup>19</sup>

Despite the engagement of Portugal with Japan and other Asian powers such as China, India, and South Korea reflected in the changes in higher trade volume and prices, the share of Japanese FDI in Portugal declined between 1994 and 1999. Today, although Japanese investment to Portugal is diversified, it is limited to 50 firms and is insignificant both in quantity and in value. Direct investment from Japan in Portugal is directed primarily toward the manufacturing sector, especially in the automotive industries, but also in the chemical, trade, wholesale and retail trades. Nevertheless, Nobutaka Shinomiya,<sup>20</sup> Ambassador of Japan in Portugal notes that in recent years Japanese investments to Portugal have progressed in the aspects of quality. However, Uchiyama Vedantes, which is currently expanding facilities after a green-field investment in Portugal in 1996, points out that one of the greatest difficulties in staffing when hiring 'new' workers still lies in the ability of those workers be able to receive specialized training.

For the Japanese, the problem is the lack of a business strategy of Portuguese companies when exporting to Japan.<sup>21</sup> As a result, Japanese diplomat Nobuyuki Shirakata states that Portuguese firms should have a more aggressive marketing policy in Japan. It would be a good way not only to acquaint Japanese with Portuguese products, but also to differentiate Portugal's image against competitors like Turkey or Spain.<sup>22</sup> This observation goes in line with the President of the JCCI that points to a lack of national strategy that could represent a 'window of opportunity' for Portuguese businessmen in Japan. Carla Grijó,<sup>23</sup> director of Asia and Oceania at Portuguese Ministry of Foreign Affairs, observes that despite their aggressiveness Portuguese companies are unable to penetrate the highly protected Japanese market, whereas Portugal is a very open market. According to Armando Coelho,<sup>24</sup> one way to break into the Japanese market is to get Lisbon to organize more industrial and commercial missions that aim at establishing contacts with local Japanese partners, and sharing know-how with other companies.

Perhaps it is no coincidence that the arrival of the Minister Paulo Portas in Japan follows the EU-Japan Summit to be held in Tokyo on 25 March for a new contractual framework with Japan (Free Trade Agreement and

19 "Cooperation with the Government of Portugal in the Energy Field" (NEDO, 16 March 2012).

20 Nobutaka Shinomiya, "Speech by Nobutaka Shinomiya, Ambassador of Japan to Portugal, on the occasion of the Seminar 'IT Future'" (Embassy of Japan in Portugal, 29 September 2011).

21 Nobuyuki Shirakata, personal interview (Lisbon, 5 March 2013).

22 *Ibid.*

23 Carla Grijó, personal interview (Lisbon, 13 March 2013).

24 Armando Coelho, email interview (13 March 2013).



Framework Agreement), whose formal negotiations begin next April.<sup>25</sup> These free trade negotiations are seen as an opportunity for Portuguese companies to break into the Japanese market.<sup>26</sup> Other points on the agenda will focus on deepening high-level dialogues between Portugal and Japan, namely: Timor-Leste, China, North Korea, North Africa (Maghreb), and African development cooperation in the multilateral and bilateral context.<sup>27</sup> Here, the strengthening of trilateral cooperation between Japan, Portugal and the CPLP is undoubtedly on the agenda.<sup>28</sup> In fact, the subject of CPLP becomes even more important since Japan, for the first time, invited the CPLP for the next Conference of the Tokyo International Conference on African Development (TICAD) in June 2013.<sup>29</sup> A final point on the agenda between the two countries might be the imbalance of tourism flows between Portugal and Japan as for Shirakata Portuguese should visit more Japan.<sup>30</sup> In fact, tourism between Portugal and Japan is clearly irrelevant to Portugal. In 2009, approximately 57.000 Japanese visited Portugal and only 6.000 Portuguese visited Japan. According with Shirakata the lower flows of Portuguese tourists does not help to promote the business image of Portugal in Japan. In sum, Portugal and Japan share 470 years of friendship based on a mutual firm commitment to basic values, such as human rights, peace, and democracy. In addition, Portugal and Japan have also built strong ties through a

variety of other forums, such as the UN, the OSCE, EU, and the World Trade Organization, and the CPLP. During most of the period analyzed here Portugal and Japan's commercial relationship has been overshadowed by other regional political and economic priorities as each country sought an alliance outside of their traditional spheres: Japan in Asia and Portugal in the European Union. This state of affairs began to change with the state visit of Jaime Gama to Japan in 1997. Hence, there is reason to deepen the agenda between the Ministers of Foreign Affairs of both countries both at the multilateral and bilateral levels. And, although Portugal and Japan bilateral relations are healthy and problem free from a political and cultural perspective, the two are still far from fully exploiting the potential that each offers the other, particularly when it comes to trade, investment, and tourism. To overcome these problems the Portuguese Chamber of Commerce, together with AICEP and diplomats from both countries, have been working to enhance the long friendly relations between both countries through economic and commercial activities. Still, in recent years it is evident that bilateral relations between Portugal and Japan have grown in substance, as have common interests over a range of areas, which demands not only political commitment but also cooperation. Ultimately, these advances will facilitate the promotion of trade and investment between the two countries.

25 Paulo Chaves, email interview (5 March 2013).

26 Carla Grijó, personal interview (Lisbon, 13 March 2013).

27 "Luís Amado em visita oficial ao Japão" (*Lusa*, 6 February 2007).

28 Jiro Maruhashi, personal interview (Lisbon, 5 March 2013).

29 *Ibid.*

30 Nobuyuki Shirakata, personal interview (Lisbon, 5 March 2013).

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