



# IPRIS Viewpoints

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## Portugal and the AIIB: What Implications for the Relationship with the United States?

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On March 31 the Portuguese government announced its intention to join the new China-led Asian Infrastructure Investment Bank (AIIB) as a founding member. The details over the pros and cons that were weighed in the decision process are not yet known. The brief communiqué by the Ministry of Foreign Affairs solely stated that Portuguese participation—via the AIIB and within the field of economic diplomacy—aimed at creating better conditions for those Portuguese companies willing to partake in infrastructure investment projects in Asia.<sup>1</sup>

Although the communiqué is silent about the geopolitical, or politico-diplomatic, dimension, it is highly likely that the Portuguese government faced, up to the very last moment, the same dilemmas that other European partners had to deal with. From the beginning, the United States has not hidden its hostility towards the AIIB, in the sense that it represents a clear China-led challenge to American hegemony in the framework of global governance and, in particular, to the World Bank and IMF.

In retrospect, the American strategy failed dramatically. Oddly enough, the United Kingdom is largely to blame for that failure. In an unusual public rebuke, the White House criticized

the United Kingdom for “constant accommodation” of China.<sup>2</sup> As expected, from the moment the British government broke the embargo—the first G7 country to do so— other European states followed, as was the case with France, Germany, Italy and Portugal, among others.

There was a clash of two distinct approaches over the best way to deal with China’s growing assertiveness: containment and engagement.<sup>3</sup> The United States regarded the Chinese challenge in a strict geopolitical perspective and devised a containment policy. Facing the challenge represented by the rising power, the American government sought to contain and isolate the AIIB, namely regarding its projection in terms of the number of member-states. The United States is clearly aware of the challenge posed by China to its hegemony and to the rules of international order instituted in the aftermath of the Second World War.<sup>4</sup> Naturally, the present—and previous—American administration seeks to face and eliminate (postpone in the worst case-scenario) the rise

2 Geoff Dyer and George Parker, “US attacks UK over China stance” (*Financial Times*, 13 March 2015), p. 1.

3 See David Pilling, “‘Accommodating’ Beijing may be no bad thing” (*Financial Times*, 19 March 2015), p. 9; and, Philip Stephens, “China’s rise confounds a splintered west” (*Financial Times*, 27 March 2015), p. 9

4 See Lawrence Summers, “It is time the US leadership woke up to a new economic era” (*Financial Times*, 6 April 2015), p. 7.

1 “Portugal aderiu ao Banco Asiático de Investimento em Infraestruturas” (Ministério dos Negócios Estrangeiros: Governo de Portugal, 2 April 2015).



of China. In fact, the United States is resisting to its own detriment. In this context, the AIIB is just one challenge<sup>5</sup> among many others—political, economic and military—posed by China and which the United States has been trying to respond to in recent years.

For their part, European governments have focused less on the geopolitical dimension and responded via a cooperation and engagement policy. Evidently, and to answer Teresa de Sousa's question,<sup>6</sup> Europe favors a world dominated by the United States, rather than by China. Having said this, for a number of reasons the American approach has always had an unsteady foundation. There is a generalized sense in the European Union that the United States is, to a large extent, politically responsible for the AIIB's emergence. Although the IMF's model of governance, and respective quotas, was reviewed and approved by the White House in 2010, its approval by the American Congress is still pending.<sup>7</sup> Given this deadlock, with no end in sight, the Chinese response has therefore not only a certain degree of political legitimacy, but has also been widely accepted and understood by Europe.

At the same time, the European states argued that their presence as founding members would allow, from inside and in a more efficient manner, to shape AIIB's rules and working standards. The United States argued for the opposite stance, i.e. that it would be from the outside that greater influence would be attained in the definition of the organization's workings. Although it is not guaran-

teed that the European states will manage to have a relevant say—with or without a joint negotiating position—the argument is in each case conceptually valid. At the very least, the European strategy appears to be more promising than the American one.<sup>8</sup>

Furthermore, Portuguese diplomacy always seeks to position itself at the front line of any multilateral initiative. Naturally, having weighed the pros and cons—of a process that may not have been consensual<sup>9</sup>—the AIIB should not be an exception to the rule.

However, coupled with the issue of legitimacy, or lack thereof, and the drafting of rules and working standards, there is the short-term interest. Within the framework of a zero-sum rationale, the European states, each accordingly to the scale of their interests, intended to guarantee a slice of the potential gains. For instance, as seen above, the Portuguese government sought to ensure that Portuguese companies are in good conditions—or at the very least not to be adversely affected—whenever they demonstrate a willingness to participate in projects in the Asian region.

None of this means that Portugal regards the transatlantic relationship, and the United States in particular, in a less important manner. An article in a daily newspaper stated that “majority sources” welcomed Portugal's accession to the AIIB (as a founding member) as a normal development, taking into account the “little consideration” the United States has for Portuguese interests, for example regarding the Lajes Field.<sup>10</sup> Such a reading of events

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5 Kenneth Rogoff, “Will China's Infrastructure Bank Work?” (*Project Syndicate*, 6 April 2015).

6 Teresa de Sousa, “Sabemos a pergunta mesmo sem saber qual é a melhor resposta” (*Público*, 22 March 2015), p. 56.

7 See Anna Yukhananov, “U.S. Congress closes out year without passing IMF reforms” (*Reuters*, 10 December 2014).

8 See Fred Bergsten, “America should work from the inside with China's new development bank” (*Financial Times*, 16 March 2015), p. 9.

9 Five days from the final deadline, the Portuguese government's decision was not yet known, possibly highlighting intra and/or inter-ministerial divergences and deadlocks. See Paulo Zacarias Gomes, “Portugal adere ou não a banco de investimento chinês?” (*Diário Económico*, 27 March 2015).

10 Paula Sá, “Portugal também pediu a adesão ao Banco de Investimento Asiático” (*Diário de Notícias*, 2 April 2015).



is short-sighted and highlights the total lack of understanding over what is at stake. With or without the Lajes Field going through a renegotiation process, Portugal should join the AIIB. These are independent case files, hence, there is no reason for retaliation policies. In addition, Portuguese participation in the AIIB should not be seen as a blow directed at the United States nor to its detriment.

Notwithstanding Portugal's recent tendency of deepening ties with China, something which in a way is redrawing its strategic geography,<sup>11</sup> the relationship with the United States—in the political, diplomatic, economic and defense dimensions—is still a key and irreplaceable feature of Portuguese foreign policy.

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<sup>11</sup> See Paulo Gorjão, "Portugal and China: The rise of a new strategic geography?" (*IPRIS Viewpoints*, No. 81, January 2012).

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