

Portuguese foreign policy towards China during the 17th Constitutional Government. Thirty years of bilateral relations.¹

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Introduction

The year 2009 marked the 30th anniversary of the establishment of diplomatic relations between Portugal and the People's Republic of China (PRC), and 15 years since the transfer of Macau to China and the subsequent establishment of the Macao Special Administrative Region (MSAR). The double anniversary, contrary to that which may be presumed, shows a contrast in the balance of the bilateral relationship.

On the one hand, it has highlighted Portugal's declining interest in the continuity of a close relationship, and exchange and cooperation with China defined on the basis of advantages and mutual gains; on the other hand, the stabilisation and prosperity of the MSAR, created under the principle of 'one country, two systems', has made it a case study of success that has somehow managed the political transition.

Portuguese foreign policy for Asia and China has always been defined by the question of Macao and the situation in East Timor, issues that have a natural historical relevance. Having completed the transfer of Macau's administration to China and validated, by mediation of the United Nations, the self-determination of East Timor, the bilateral relationship with the PRC lost urgency and dynamism and became little more than a rhetorical exercise, at least to Portugal.²

In contrast, China does not overlook any opportunity to emphasise the weight and relevance of the Strategic Partnership signed with Portugal in 2005 because of a clear and meaningful reason: the PRC considers Portugal a relevant actor with a significant role to play in economic and commercial relations globally, with Africa, and with Portuguese Africa, in particular. This role may be most useful as China now has a structured strategic vision for its relationship with the African continent.³ This strategic vision has been, nonetheless, seen by some as a loose form of neo-colonialism.⁴

¹ Previously published in Portuguese in *Janus, Review of Foreign Policy*. Retrieved from www.janusonline.pt

² In this sense, see José Manuel Duarte de Jesus (2004, December 6). For a policy Portugal-China: assessment and strategy, presentation at the Seminar *25 years of political and diplomatic relations between Portugal and the People's Republic of China*, still unpublished. See also Heitor, R. (1999). The strategy of Portugal for Macau, *Janus*. Retrieved from www.janusonline.pt

³ Ministry of Foreign Affairs of the PRC (2006). *China's African policy*. Retrieved from <http://www.fmprc.gov.cn>

⁴ Flores-Macias, G. and Kreps, S.E. (2013). The foreign policy consequences of trade: China's commercial relations with Africa and Latin America, 1992–2006. *The Journal of Politics*, 75 (2), 357–371; Hellstrom, J. (2009). China's emerging role in Africa. A strategic overview. *FOI-Swedish Defense Research Agency*. Retrieved from http://www.foi.se/Global/V%C3%A5r%20kunskap/S%C3%A4kerhetspolitiska%20studier/Asien/Rapporter_och_mon/Chinas_emerging_role_in_Africa.pdf. See also Tull, D.M. China in Africa: European perceptions and responses to the Chinese challenge. *SAS Working Papers in African Studies*, John Hopkins University School of Advanced International Studies, 02-08. Retrieved from <http://base.china-europa-forum.net/rsc/docs/chinainafrika.pdf>; Van de Looy, J. and De Haan, L. (2006). Africa and China: A Strategic Partnership? *ASC Working Paper 67*. African Studies Centre Leiden, The Netherlands. Retrieved from <http://www.ascleiden.nl/Pdf/wp67.pdf>

In 1996, Portugal founded the Community of Portuguese-speaking Countries, with five of its former colonies: Angola, Brazil, São Tomé and Príncipe, Guinea Bissau, and Mozambique. The Community consists of 220 million people and Portugal aims, through the Community, to boost its political dialogue with Africa, driven by guilt arising from ill-calculated and poorly implemented decolonisation.⁵ Macau and Portugal's relationship with China has little to do with the withdrawal of Portugal from the African continent. After the Portuguese ceased to have responsibility for Macau, China created the Forum for Economic and Trade Cooperation between China and the Portuguese-speaking Countries in the MSAR in 2003, a non-political entity for the purpose of economic cooperation and development.⁶ This Forum held its inaugural ministerial conference in Macau in 2003, and approved a Plan of Action for Economic and Trade Cooperation.⁷ The creation of this structure anticipated a remarkable boost in China's trade with these African countries.⁸

The Portuguese Vision

The 1990s heightened the move of several Portuguese governments, across the political spectrum from left to right, towards favouring a European mission for Portugal, a purpose that become accentuated during the first decade of 2000, following the appointment of Mr Durão Barroso (then Prime Minister of Portugal) as President of the European Commission. The potential for the exploitation of the political capital embedded in the 440 year rule of Macau by Portugal was neglected, because of lack of interest in a significant and multidimensional relationship with China. Several reasons have been advanced for this disinterest: the geographical distance between Portugal and China, the absence of Europe from security discussions in the Asia Pacific Region, and the systematic fragility of Portuguese exports to China which represent very little in the context of the European Union's exports to China.⁹ Another reason could be that by closing off its responsibilities to Macau, Portugal felt that its colonial past would be buried and its image in Europe and the world would be renewed.

This hypothesis of Portugal's phased withdrawal from Asia was shared by the politicians responsible for conducting Portugal's foreign policy towards China up until 1999, and is echoed in the works of scholars who have dedicated attention to Portugal-China relations. Pedro Catarino, the former Portuguese Ambassador to Beijing, spoke at a seminar: "Macao Trends

⁵ Lloyd-Jones, S. and Costa Pinto, A. (Eds). (2003). *The last empire: Thirty years of Portuguese decolonization*. Bristol and Portland: Intellect Books.

⁶ In www.forumchinaplp.org.mo

⁷ See www.forumchinaplp.org.mo/en/gl2003.php

⁸ Commercial exchanges between China and the lusophone countries increased 9, 28%. *Macau Review*. Retrieved from

<http://www.revistamacau.com/2014/07/07/trocas-comerciais-entre-a-china-e-os-paises-lusofonos-aumentaram-928/>. See also Rodrigues, H. China's visibility in Africa and the role of Macau as a platform for China's rapprochement to the Lusophone countries. Centre for Social Studies, Faculty of Economy of the University of Coimbra. Retrieved from

http://www.ces.uc.pt/myces/UserFiles/livros/969_China%20en%20%C1frica%20Macau.pdf

⁹ Meneses, J. P. (2012, December 11). Seven years of Strategic Partnership Portugal-China. *Ponto Final*. Retrieved from

<http://pontofinalmacau.wordpress.com/2012/12/11/sete-anos-de-parceria-estrategica-portugal-china/>

and the Relations of China-Portugal”, organised by the Scientific and Cultural Centre of Macau, and declared:

Portugal still has much work to do to strengthen the relationship with China in the new international framework. China, through Macao, has taken advantage of the Portuguese language and applied it in Africa. Portugal can explore more the relationship with China in this scenario.¹⁰

Duarte de Jesus, another former Portuguese Ambassador to Beijing, stated at the presentation of his book “Faces of China” at the Jorge Alvares Foundation in Lisbon that: Portugal should assess carefully the possibilities of using Macau as a door to Asia, avoiding the misunderstandings that in the past damaged the relations between these two nations and leverage the historical legacy of a special conviviality and the notable example of the recent friendly transition of the administration of that territory.¹¹

Researcher Moisés Fernandes articulated a more optimistic view at the inauguration of the branch of Confucius Institute in Lisbon, stating:

Since the handover of the territory to China in 1999, the bilateral relationship has assumed new contours and greater economic and commercial emphasis. The relations between Portugal and China continue to be very focused in Macau because that is where the largest Portuguese interests at official level and private enterprise levels are. For China, Macao is important because it is a platform for contacts with Portuguese-speaking countries, and especially Brazil, from where China imports soya and iron ore, and Angola, which is China’s main oil supplier.¹²

Reis and Rodrigues argued that the penetration of Chinese exports in the European Union, as shown by the country’s increasing market share, was felt particularly strongly by important segments of Portuguese industry, mostly consisting of small and medium-sized enterprises that had already been weakened by a process of deindustrialisation from the 1990s onwards. The ‘China shock’ was felt most intensely by Portugal and Italy, “with industrial structures that placed them directly in China’s line of fire”, thereby intensifying the industrial difficulties.¹³

At the level of political discourse and stated intentions, there has been some correction to Portugal’s disinvestment in the leverage that exists in Sino-Portuguese relations over the medium and long-term perspective. On 9 February 2009, the Foreign Minister, Luis Amado, paid an official visit to Singapore, where he declared that Portugal:

...would like to see Singapore as a platform for the development of relations with the region of the Association of Nations of Southeast Asia, given the large economic potential [as] an important market for Portuguese exports, as well as for the European Union.¹⁴

¹⁰ (2009, April 10). Portugal-China: 500 years of relations but still a lot of work to be done. *Lusa Portuguese Agency*. Retrieved from <http://www.correiodominho.pt/noticias.php?id=5288>

¹¹ Faces of China of the Ambassador Duarte de Jesus. *Jorge Alvares Foundation, Newsletter No. 3*. Retrieved from http://www.jorgealvares.com/conteudo.aspx?lang=pt&id_object=758&name=N.%C2%BA-3-%E2%80%93-%E2%80%9CFaces-da-China%E2%80%9D,-do-Embaixador-Jose-Manuel-Duarte-de-Jesus

¹² Diary On-line (2009, February 7). Retrieved from <http://www.portugalzone.com/?p=43315>

¹³ Rodrigues, J. and Reis, J. (2012). The asymmetries of European integration and the crisis of capitalism in Portugal. *Competition and Change*, 16 (3), 188–205.

¹⁴ TSF Radio (2009, February 9). Quoted by blog *Portugal-Singapura*. Retrieved from

The political visit took place in the context of the European Union's new policy for Asia, a policy that encompassed both an economic and a security dimension. The overall argument was that the European Union as a region and as a strategic pole of a multipolar world, has been absent from Asia, and that absence furthers the inevitability of an American presence as the decisive factor in the automatic and systemic balance of powers in the region.

On the occasion of the 30th anniversary of the establishment of diplomatic relations between Portugal and China, Portugal's Prime Minister, José Sócrates, sent a letter to his Chinese counterpart expressing the desire:

...to continue the joint effort to further strengthen the ties of friendship that unite us, at the same time as we create opportunities that allow our economic relations to give a quantum and qualitative leap that better reflect the political relationship we enjoy.¹⁵

Mr Sócrates displayed contentment with the "consolidation of a political relationship of mutual trust, establishing a strategic global partnership that covers most of our common interests". Mr Sócrates outlined an aspiration that both governments "may get together in December at the celebration of the 10th anniversary of the Macao Special Administrative Region".¹⁶

On 5 May 2000, the President of the Portuguese Parliament, Jaime Gama, paid a four day visit to China, accompanied by MPs of the Socialist, Social-Democrat, Popular and Communist Parties. This was the first visit to China by a President of the Portuguese Parliament in a decade. The official Chinese agency reported that, in the meetings held with his counterpart Mr Wu Bangguo, Chairman of the National People's Assembly, Mr Wu described the excellence of relations under the umbrella of the Strategic Partnership set out between the two countries, conveying the wish that the relationship be raised to a Comprehensive Partnership. In reply, Mr Gama declared Portugal's deep appreciation of the responsible actions of China in responding to the economic crisis and the interest of his country in deepening the bilateral cooperation at the political, economic, cultural, scientific and technological levels.¹⁷

On 7 January 2011, the Minister of Finance for Portugal confirmed to the press that a 'private placement' of the sovereign debt of Portugal was being set but refused to comment about who had expressed interest in that operation.¹⁸ Commentators associated this statement with declarations of President Hu Jintao, during his official visit to Portugal, saying that China was available to assist Portugal in dealing with the international financial crisis but avoided any comment on China's interest in the Portuguese sovereign debt. On 23 March 2011, Prime Minister José Sócrates resigned and new elections for the legislature were convened. The Socialist Party was defeated in the polls and a new centre-right government took shape.

<http://portugalsingapura.blogspot.com/2009/02/luis-amado-em-singapura-para.html>

¹⁵ Portugal-China 30 years: Sócrates argues a 'quality and quantity' increase in bilateral relations. *Lusa Portuguese Agency*. Retrieved from www.portugalzone.com

¹⁶ This suggestion received no reaction from the Chinese government. A rumour was circulating that, by this time, China did not want the anniversary of the MSAR to be associated in any way with the Portuguese rule of Macau.

¹⁷ Report included on the website of the PRC Embassy in India, previously available at <http://in.china-embassy.org/eng/zgbd/t533848.htm>

¹⁸ (2011, January 1). Ministry of Finance confirmed the selling of the sovereign debt. *Jornal de Negócios*.

The Chinese Vision

If one looks at the balance in the Chinese view of China-Portugal bilateral relations during the government of the Socialist Party, the outcome is strongly positive. In a visit to Portugal (January, 2009), the Minister of Foreign Affairs of China, Mr Yang Jiechi, declared, after a meeting with President Cavaco Silva, that the two sides had assessed the bilateral relations from a strategic and long-term point of view.¹⁹ The diplomat added, “the bilateral relations solved problems left by history in an appropriate manner”, and both parties expressed “understanding and support on relevant issues on the basis of the principle of non-interference in internal affairs”. Mr Yang mentioned the high-level visits and cooperation in sectors such as trade and the economy, science and technology, and culture as mirroring the proximity of points of view. He expressed the willingness of China to cooperate with Portugal, keeping visits at a high-level and strengthening the political basis of their bilateral relations. Mr Yang articulated an aspiration that both sides may expand bilateral relations to include culture, improving coordination in international and regional issues.

In February of the same year, the Chinese Ambassador in Lisbon, Mr Gao Kexiang, supported the statement of China’s Foreign Minister, stressing the steady growth in bilateral relations, the enlargement of the areas of cooperation, and the fact that the bidirectional fluxes of trade had doubled over three years, one year ahead of the target defined by Premier Wen Jiabao and Prime Minister José Sócrates in 2005, during Mr Wen’s visit to Portugal. Mr Gao alluded to the improvement in cultural relations, highlighting the exhibitions of Chinese culture in several Portuguese cities, the opening of two Confucius Institutes in Portugal, and the start of new courses in Portuguese language in Chinese universities.

In a message sent on 8 February of that year, President Hu Jintao expressed a “high appreciation of the role of Portugal in the promotion of relations between China and the European Union”, further saying that China “is willing to make joint efforts to fortify exchange and mutual cooperation, strengthen confidence and friendship, enrich bilateral relations and raise the Chinese-Portuguese Strategic Partnership to a new level”. Mr Hu mentioned the absence of conflicts of interest, “in spite of the differences in national realities. The two countries have similar opinions and share extensive common interests in safeguarding world peace and promoting common development.”²⁰

In spite of the careful and guarded diplomatic wording used by both sides, the interest of the Portuguese side in continuing to use Macau as a wedge for Portuguese interests in China and in the region was noticeable. The Chinese side made it clear that it looked to boost bilateral relations, considering the position of Portugal as a Member State of the European Union.²¹ This would be reflected in the bilateral economic relationships during this decade.

¹⁹ China offers to help Portugal but silent on debt. *Reuters*. Retrieved from <http://www.reuters.com/article/2010/11/07/us-china-portugal-hu-idUSTRE6A616R20101107>

²⁰ China and Portugal’s strategic partnership will be more fruitful. *People’s Daily Online*. Retrieved from <http://english.people.com.cn>

²¹ Portugal-China 30 years: Hu Jintao praise the role of Portugal in the relations between China-European Union.

Economic Relations: China-Portugal

In reality, the economic relations between China and Portugal reflect the growing disaffection of Portugal with investing in China. Several explanations may be advanced for this: the refocusing of Portugal's foreign policy towards the process of European integration; participation in the Atlantic Alliance; the traditional relationships with the African nations,²² and the traditional dependence of Portuguese entrepreneurs and exporters on state intervention (and financing) of exports and economic promotion.

In the 1990s, bilateral trade (imports and exports) for Portugal-China grew from 76 million Euros in 1990, to 173.8 million Euros in 1995, to 453.2 million Euros in 2000. However, the most significant part of the growth related to imports from China, imports that increased in the 1990s from 50.2 million Euros to 382.4 million Euros in 2000, in absolute numbers, 7.5 times the value of imports in 1990.

The first decade of 2000 exhibited the opposite (Table 1); the years 2001 to 2004 showed a significant decline in imports from China, but then growth resumed from 2004, with an average annual growth of 30%. In terms of the whole period, it is significant that China grew the value of its exports to Portugal by roughly fivefold between 2000 and 2008. The Portuguese exports to China grew threefold, with strong growth until 2003, followed by a significant drop in 2004 (-32.5%), resumed growth in 2005 and 2006, and progressive decline until 2008. Therein, the trade balance for Portugal-China was negative (in the order of a trillion Euros) and with a very low rate of coverage of the imports from the exports (13.6%).

Table 1: Trade Balance Portugal-China 2000-2008

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Imports	382,497	359,985	344,639	371,507	458,611	568,942	773,203	1.063,431	1.342,034
Variation (%)	36,4	-8,2	-1,8	7,8	23,4	24,1	35,9	37,5	26,2
Exports	52,724	60,126	80,603	149,661	101,082	170,589	213,839	181,136	182,992
Variation (%)	72,9	14,0	34,1	85,7	-32,5	68,8	25,4	-15,3	1,0
Balance	-329,773	-290,859	-264,03	-221,84	-357,52	-398,35	-559,36	-882,29	-1,159,042
Variation (%)	31,9	-11,8	-9,2	-16,0	61,2	11,4	40,4	57,7	31,4
Coverage Imp/Exp (%)	13,8	17,1	23,4	40,3	22,0	30,0	27,7	17,0	13,6

Source: Office of Strategy and Studies of the Ministry of Economy and Innovation. Based on data of the National Institute of Statistics in <http://www.gee.min-economia.pt/wwwbase/wwwinclude/ficheiro.aspx?tipo=1&id=10190>

Lusa Portuguese Agency. Retrieved from <http://noticias.sapo.pt>

²² In this sense, Neves, M. S. (1995). Towards a common policy for the EU: a Portuguese perspective. In R. Grant (Ed.), *The European Union and China. A European strategy for the twenty-first century*. London: Royal Institute of Foreign Affairs, Chatham House.

Table 2 gives a fair indication of the small proportion of imports and exports from and to China in the context of Portugal's trade relations with the world.

Table 2: Trade Portugal-China in the Global External Trade of Portugal

	2002	2003	2004	2005	2006	2007	2008
Imports (Cost Insurance and Freight)	0,81	0,89	0,98	1,16	1,46	1,86	2,19
Exports (Free on Board)	0,29	0,53	0,34	0,56	0,62	0,48	0,48

Source: Office of Strategy and Studies of the Ministry of Economy and Innovation. Based on data of the National Institute of Statistics in <http://www.gee.min-economia.pt/wwwbase/wwwinclude/ficheiro.aspx?tipo=1&id=10190>

The table shows that, for most of Prime Minister José Sócrates' term, bilateral trade between Portugal-China lost importance and relative weight, stagnating in the years 2007 and 2008. The flux of trade dropped even lower in the year 2005, a year in which both countries committed themselves to raise their bilateral relationship to the level of a Strategic Partnership. China is the 10th most important market for imports to Portugal and the 27th most important market for Portuguese exports. There has been a comparative growth of Chinese exports to Portugal but this was comparatively less than the growth which happened in the main markets for Chinese products in Europe: Germany, France and Italy.

A country report by AICEP (Portugal's economic promotion agency) documents that, in spite of the positive developments in recent years, trade between the two countries still fell short of its potential, and the balance was traditionally unfavourable for Portugal. Chinese statistics attributed a minor role to Portugal in the context of China's external trade, having the 64th position as supplier (a share of 0.05%). The composition of Portuguese exports to China revealed a high concentration in machinery (accounting for 49% of the total in 2007 and 35% in 2008). Of the remaining groups of products, minerals and ores, wood, cork and paper, textiles and products of leather and clothing and footwear are recognised as important.

The five main groups of products accounted for 84%, on average, of total Portuguese exports to this market (2008). Portuguese imports from China revealed a large proportion of machinery, minerals and ores, and textiles, and clothing and footwear, which accounted for more than 67% of the total in 2008. Of the remaining groups of products, chemical, wood, cork and paper, transport equipment, and agricultural and food products, among others, were still important. In relative terms compared to the year 2007 there was a significant increase in imports of machinery (41.7%), transport equipment (22.5%) and minerals and ores (20.2%). It seems that in a range of products traditionally exported by Portugal, the PRC assumed the role of exporter to Portugal, a fact that demonstrates the relocation of industrialisation and manufacturing from Europe to China. It exhibited also the lack of competitiveness of the Portuguese economy.

Conclusion

The three decades of diplomatic relations between Portugal and the PRC until the end of José Sócrates' government in Portugal give four strong indications: the importance of Portugal and China solving the question of Macao; the eagerness of China to stabilise the situation of the MSAR, making it an example for China's strategic national reunification; the decreasing

dynamism of Portuguese investment in Southeast Asia, and the Chinese market in particular, and the decline of Portuguese exports to the Chinese market.

The economic statistics show that, during the mandate of José Sócrates, sustained disinvestment by Portugal in the Asian markets occurred, contradicted by the public pledge to deepen the Strategic Partnership and have it raised to the next level, a promise that was far away from the truth as the subsequent 15 years have confirmed.

The Portuguese government at the time seemed to rely on the politics of symbolism rather than on an effective approach to the Chinese market and its opportunities.