

# China and America go head to head over Portugal

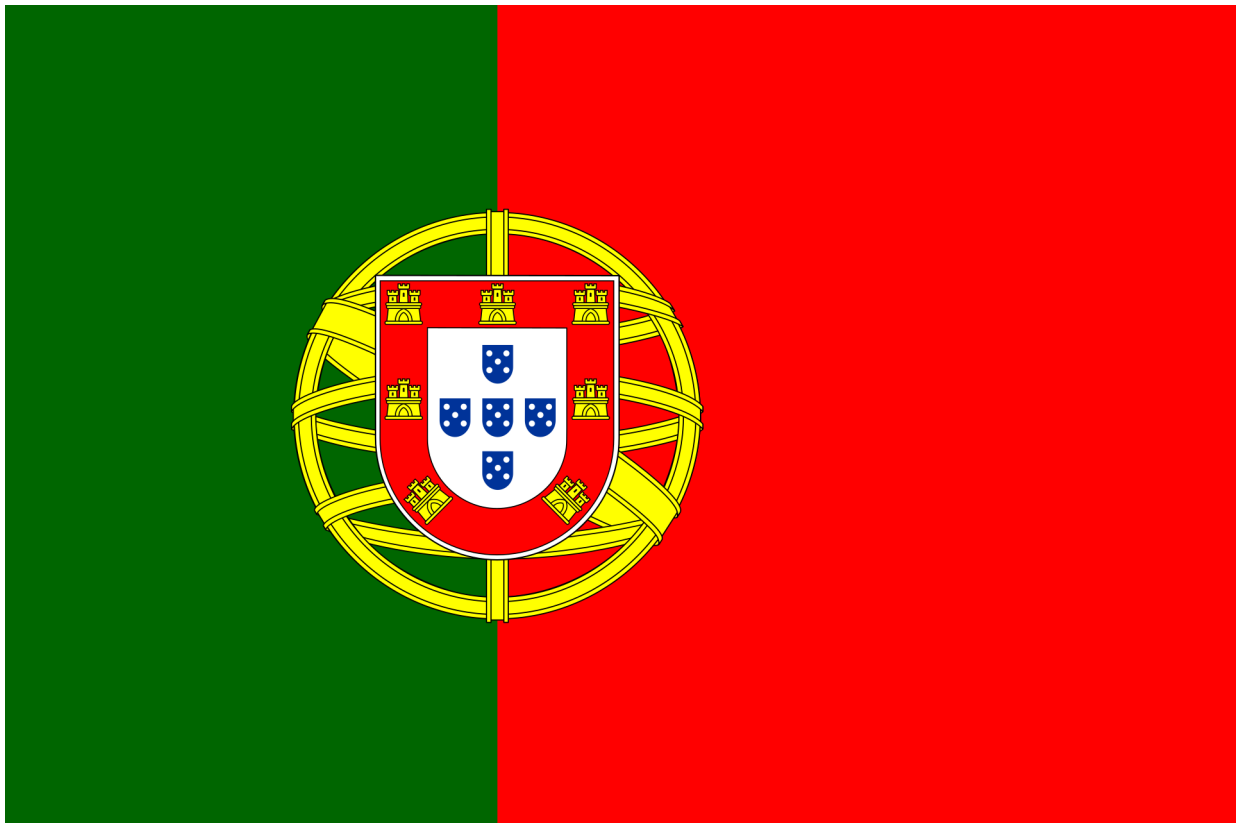


John Dobson

Published : December 5, 2020, 7:15 pm | Updated : December 5, 2020, 7:15 PM

Whatsapp

Print



*An economic flash-point between the two superpowers is developing in the Portuguese port of Sines, which is the closest port in mainland Europe to America's eastern shale basins, and has long been recognised by foreign powers for its geostrategic importance as a deepwater port.*

**London:** Portugal is part of a battlefield between the US and China. This small country on the south-western edge of Europe rarely features in the Indian press, but perhaps these words of George Glass, the US ambassador in Lisbon, suggest why it should. Glass was commenting two months ago on the intensifying rivalry between Washington and Beijing over Portugal. A few years ago, the boss of a major Portuguese bank, Fernando Ulrich, put China's interest another way: "I'm shocked to see Portugal used as China's aircraft carrier for Chinese investments into Europe!"

While the world looks towards China's build-up in the South China Sea as a potential military flash-

point between the US and China, a less visible economic flash-point between the two superpowers is developing in a Portuguese port on a peninsula 65 miles south of the capital, Lisbon. Jutting out into the Atlantic Ocean, Sines is the closest port in mainland Europe to America's eastern shale basins, and has long been recognised by foreign powers for its geostrategic importance as a deepwater port.

Portugal launched an international tender in August this year for a contract to build and operate a new container terminal in Sines and is expected to pick a winner soon. There is very strong US interest in Sines, where US firms want to expand the port's liquid natural gas (LNG) terminal in order to increase gas exports to Europe, which they argue would also help reduce the EU's energy dependence on Russia. On the other hand, China is fighting hard to build a huge \$770 million Chinese-built container port in Sines, a key project in its Belt & Road Initiative of which Portugal became a member in 2018. At the time, President Xi Jinping borrowed an ancient Chinese saying to describe the bilateral relationship: "A partnership forged with the right approach defies geographical distance; it is thicker than glue, and stronger than metal or stone." Portugal's President Marcelo Rebelo de Sousa reciprocated with a state visit to Beijing in late April that also coincided with the 2nd Belt & Road Forum.

So will it be America's huge LNG terminal, or China's huge container port? Whoever is the winner, the geopolitical consequences will be massively significant.

By coincidence, Sines is the birthplace of the great Portuguese explorer, Vasco da Gama, whose initial voyage to India, landing at Kappadu in 1498, was the first to link Europe and Asia by an ocean route. He had entered a world of well-established, multicultural trading networks that had existed for eons. His and his successors' bold naval explorations converted Portugal into a global empire with a geopolitical reach far beyond its modest size. Portuguese traders reached China in 1515, when they established a diplomatic and trade mission. Twenty years later they were allowed to settle in Macau, starting a durable and friendly relationship between the two countries which lasts to the present day, even surviving the voluntary return of the colony to China on 20 December 1999.

The Macau connection has played a crucial role in the continuation of the Sino-Portuguese relationship, assisted by a group of influential politicians once posted in the former colony. Some of these were instrumental in bringing in the first wave of Chinese investors in the 1990s, mainly in real estate.

Several thousands of Chinese businessmen were then granted Portuguese nationality through a "golden visa" scheme that allows anyone with a \$600,000 investment, such as in real estate, to apply for permanent residency and ultimately an EU passport. China was the only country willing to step in and help Portugal at the height of the financial crisis in 2010, when its economy suffered so badly and the Lisbon government was under pressure from the European Commission to sell state assets.

Following the crisis, Chinese firms have invested vast sums in a wide range of Portuguese sectors: electricity, oil, transport, financial services, insurance, health, real estate, hospitality, and the media, to name a few, making Portugal the largest recipient of Chinese investment per capita in Europe. Chinese groups have become the biggest single shareholders in Portugal's leading power and national grid utilities, and in 2018, the two-way trade exceeded \$10 billion, an increase of more than 7% from the previous year. Last year, Portugal became the first Eurozone country to issue bonds in Chinese Yuan, so-called "Panda Bonds".

China's growing economic footprint in Portugal has drawn the attention of both Washington and Brussels. Ambassador Glass warned last month that sanctions could be imposed on Portuguese companies with Chinese investment if Portugal persists with Huawei's 5G network, adding that this would have consequences in terms of security and defence if they do so. In response, Portugal's Prime Minister, Antonio Costa (the son of a communist intellectual from the former Portuguese colony of Goa), claimed that "Chinese shareholders in Portuguese companies play an essential role in providing stability and development", warning Brussels that "misusing newly introduced security procedures for the screening of Chinese investments could result in Europe becoming more protectionist".

China's Belt & Road incursion into Europe, particularly in the Southern countries of Portugal, Italy and Greece, has created a schizophrenic response among member states. By and large, they view China pragmatically as a partner, but almost everywhere simultaneously as a rival. With few exceptions, they agree that the EU needs to restrict Chinese investments in strategic areas, underlining their growing wariness of overdependence and exposure to the political and economic risks emanating from Beijing.

The emerging consensus between EU members on China reflects a shared sense of economic imbalance, disappointment and unease. Member states are increasingly dissatisfied with China's unwillingness to reciprocate the openness of the EU market. They also recognise that China is increasingly adept at dominating bilateral relationships with them, and it's this aspect of Portugal's relationship with China which has created considerable concern in Brussels.

In reacting to what many considered to be heavy handed threats by Ambassador Glass that Portugal must choose between American "friends and allies" and the "economic partner" China, the message from the top was that it was "regrettable". Below the surface, however, many senior Portuguese officials bristled with anger. "Unacceptable interference", commented one minister. Another said "Glass reveals contempt for the history of Portugal's relationship with China, which has lasted for more than five centuries", adding "Portugal is the only western and European country with such a long, continuous and peaceful relationship with China". One senior retired top Portuguese diplomat went further, denouncing Glass' "bullying diplomacy" as "seeking to line up Portugal behind the new 'iron Curtain' made in the USA!"

The delayed outcome of the international tender for the development of the port of Sines, expected last month, will shed some light on Portugal's future relations with the US and China. Infrastructure Minister, Pedro Nunes, attempted to put a good face on affairs last month, saying that "Portugal wants people from the US, China and the rest of the world to invest in Sines, and if the US wants to invest, our arms are open to it". However, speaking to the Portuguese media, Ambassador Glass, an Oregon businessman and friend of Donald Trump, cautioned that a Chinese container port would affect the US "vision" for the port's development. With a stark warning, he reminded Lisbon that "this is not the same China that Portugal had dealt with for the past 500 years. This is a new China, with long-term plans for malign influence through economics, politics or other means."

So, no pressure then on the Portuguese government as it wrestles with the potentially defining decision on the tender for the port of Sines! There are rumours that with President Trump's imminent departure from the White House, the government will wait until the end of January until deciding who should develop the port. In the meantime, there was obvious relief in Lisbon when they heard that there would not be four more years of Donald Trump, which would have seen Washington follow through on its threats. The Biden policy is yet to be announced. But as Portuguese Professor Paul Duarte, an expert on China and its relations with the EU and the US, told Euronews last week, "There has been an action-reaction game between the US and China, a game of cat and mouse. Portugal is another piece of that chess game and we all have suffered." Although he excruciatingly mixed his metaphors, everyone knew what he meant as the US and China go head to head over Portugal.