

**ECONOMIC DIPLOMACY**  
**A CRITICAL ANALYSIS**

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## Acknowledgments

## **Abstract**

Economic Diplomacy is the key for countries' foreign relations nowadays. Every day we see states using less classic diplomacy and defining more strategies to help increasing their exports, internationalize their companies and attract foreign investment.

On a country like Portugal, small in size and population, Economic Diplomacy assumes even a bigger importance and without developing strong ideals and lines of action it will be completely swallowed by bigger countries both inside and outside the European Union.

The aim of this thesis is to study the development of Economic Diplomacy in Portugal and understand how it evolved over time. Also throughout 7 interviews I studied the action of all the agents (Diplomatic, political and entrepreneurial) that compose the Portuguese Economic Diplomacy and how each of them are behaving to adapt to new circumstances.

Taking into account that Spain is our biggest commercial partner, a big part of this thesis is dedicated just to investigate how the numbers of exports to this market are growing. Moreover, I try to figure out what is being made by both sides (Companies and diplomats) to help our economy being more international and having every day more companies with the financial capacity and the knowledge to move to the Spanish market.

After all, the evidence presented in this thesis seems to indicate that Portuguese economy is clearly better on what concerns foreign relations than it was ten years ago, but still there is a margin of improvement...

*Keywords: Economic Diplomacy; Internationalization; Spanish Market; Foreign Policy.*

## Sumário

Hoje em dia, a diplomacia económica é a chave para as relações externas de cada país. Cada dia se vê os estados a usarem menos a diplomacia clássica e a definir mais estratégias para aumentar as suas exportações, internacionalizar as suas empresas e atrair investimento externo.

Em um país como Portugal, pequeno em tamanho e população, a diplomacia económica assume uma importância ainda maior e sem desenvolver ideais fortes e linhas de acção claras, o país será engolido por países ainda maiores tanto de dentro como de fora da união europeia.

O objectivo desta tese é estudar o desenvolvimento da diplomacia económica em Portugal e perceber como é que evoluiu ao longo dos tempos. Também, através de 7 entrevistas, estudei a acção dos diferentes agentes (Diplomaticos, políticos e empresariais) que compoem a diplomacia económica portuguesa e como é que cada um deles se está comportando neste momento de adaptação às novas circunstâncias.

Tendo em conta que Espanha é o nosso maior parceiro comercial, uma grande parte desta tese é dedicada à investigação do crescimento dos números de exportação para este mercado. Para além disso, vou averiguar o que está a ser feito por ambos os lados (Empresas e diplomatas) para ajudar a nossa economia a ser mais internacional e, a cada dia, ter mais empresas com a capacidade financeira e com o conhecimento para entrar no mercado espanhol.

Finalmente, as evidências apresentadas nesta tese parecem apresentar que a economia portuguesa está melhor, no que diz respeito às relações internacionais do que estava há dez anos atrás, mas ainda há margem para melhoras...

*Palavras-chave: Diplomacia Económica; Internacionalização, Mercado Espanhol, Política Externa*

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## Abbreviation List

- **AICEP** – Agência para o Investimento e Comércio Externo Português;
- **API** – Agência Portuguesa para o Investimento;
- **BBVA** – Banco Bilbao Bizcaya Argentaria
- **ECB** – European Central Bank;
- **EEU** – European Economic Community;
- **EIU** – Economic Intelligence Unit
- **EU** – European Union;
- **FDI** – Foreign Direct Investment;
- **FEE** – Fundo de Fomento de Exportação;
- **GDP** – Gross Domestic Product;
- **IAPMEI** – Instituto de Apoio às Pequenas e Médias Empresas;
- **ICEP** – Instituto do Comércio Externo de Portugal;
- **ICEX** – Instituto Español de Comercio Exterior
- **IGO** – International Governmental Organization
- **IIE** – Instituto do Investimento Estrangeiro;
- **IMF** – International Monetary Fund
- **INE** – Instituto Nacional de Estatística
- **IO** – International Organization;
- **IPFE** – Instituto PORTUGES de Fomento à Exportação
- **ITC** – International Trade Center;
- **ITP** – Instituto do Turismo de Portugal;
- **MERCOSUR** – Southern Common Market;
- **NAFTA** – North American Free Trade Agreement;
- **NGO** – Non-governmental organization;
- **OEI** – Organização dos Estados Ibero-Americanos

- **PALOP** – Países Africanos de Lingual oficial portuguesa
- **SIGEB** – Secretaria general Ibero-Americana
- **SME** – Small and Medium Enterprises
- **SU** – Soviet Union
- **UK** – United Kingdom;
- **UN** – United Nations;
- **UNCTAD** – United Nations Conference on Trade and Development;
- **USA** – United States of America;
- **WTO** – World Trade Organization;

## **Introduction**

Economic Diplomacy has always been present in the actions of diplomacy. In Portugal, usually it is considered that the founding moment of Economic Diplomacy in the country was the creation of the “Fundo de Fomento e Exportação” in 1949, the first national organization with the unique focus on the promotion of Exports. Despite that, it has always been consensual among the diplomatic agents that the actions came from way before.

In order to understand how we got to the this point, the first part of this thesis is a theoretical framework that intends to give the readers some notions of how diplomacy is seen and then how it naturally developed to Economic Diplomacy, where we distinguish two clear phases, before the world wars and after.

With the end of the world wars and the high-speed development, we faced on the XXth century gathered with the phenomenon of Globalization, countries needed to create weapons and mechanisms to become more competitive on international markets so they could obtain better results on their domestic economies. Globalizations marks the beginning of a new historical era where all the world is more open to the circulation of goods and people.

In a globalized world, a small country like Portugal needs a consistent strategy of Economic Diplomacy so to face the challenges and the competitiveness of bigger economies and to create weapons that can differentiate it from any other country. That been said, I dedicated a fair part of this thesis to develop the eruption of these actions inside the country and how the different leaders of our diplomacy gave their contribute to achieve the successful international relations I can say we have today. To achieve that success Spain, had a core role as a commercial partner for our country and that is why the bilateral relations between the two countries occupy other big share of this paper.

Knowing that Portugal lived under a dictatorship regime in a big part of the XXth century, the results of our foreign policy until the last quarter of the previous century were almost inexistent. When the period of “Estado Novo” ended, the country changed its mentality and placed foreign relations in the center of priorities, with the clear perception that the Portuguese economy would only grow if the work made on the

promotion of exports and foreign direct investment was much more intense than it had been until that date.

As the years passed, Economic Diplomacy became every time more present on the county's political agenda. Disregarding that, as it always happened with diplomacy, also the literature on Economic Diplomacy was not vast at all, and the existent is simply theoretical, which does not give a practical view of what is made by each country. In order to obtain the most realistic insights, the weapon I used was interviews to the executors of our foreign policy. I tried to go all the way back to the 80's decade, but I could only get contributes from recent actors.

On first place, I interviewed Paulo Portas, former Prime Minister and Minister of Foreign Affairs as well as Minister of Defense or President of CDS party. The main objective of the interview was to understand, under the view of the leader of our diplomacy, how he saw things when he assumed the office and what main changes he incorporated in the ministry while in power. The choice of the interviewee had everything to do with his assumption that the priority while in power would be Economic Diplomacy.

For the following interview, I had similar interests. The person interviewed was Ambassador Pedro Pessoa e Costa, who is currently ambassador of Portugal in Panamá but who I approached to gather information about his role of administrator of AICEP. In 2015, he was considered an expert in Economic Diplomacy and as one of the leaders of our most important organization of promotion of exports and internationalization, I wanted to understand what it was developed in AICEP during his years in office to propel our actions in the foreign markets.

The period of time covered a range of time around the beginning of the present decade. In spite of that looking like a limitation, those years were the ones where Economic Diplomacy was hardly defended and the measures taken explain most of the results we got the following years until today.

After building the story of Portuguese Economic Diplomacy, I needed to go deeper into my analysis and answer several questions:

- 1- How the measures taken by our leaders did influenced the growth of our exports? How it affected directly the commercial balance with Spain?

- 2- What was made by AICEP on the field to promote our exports and help our companies to internationalize to the Spanish market?
- 3- Do our companies present in Spain feel they are being helped? How big was the contribute of our diplomatic agents to that internationalization? What else can be done?

The last chapter of this paper is fully dedicated to the Portugal and Spain relationship. On one hand I talk about the numbers that compose the commercial relations and after it I make an analysis of how Economic Diplomacy is impacting the entrance and presence of Portuguese companies that internationalize to Spain.

On this part of my work, once again, the literature was very short and I had to recur to interviews, in order to answer my investigation questions. However, this time, I could count with an extra weapon, which was, privileged data provided by my co-supervisor. The data came from all different of sources, mainly from Portuguese institutions, Bank of Portugal, “Instituto Nacional de Estatística”, AICEP, among others. Those sources allowed me to dive deep into the numbers of the commercial relations between Portugal and Spain from this decade.

That information was valuable but still short because we can quantify exports and amount of foreign investment but you cannot quantify the struggles and successes of Portuguese companies in foreign markets. For that, the use of the interviews was more than necessary to conclude my work.

On this analysis, the first core person was Eduardo Henriques, former delegate of AICEP in Madrid. Taking into account his position, he possessed all the information about the strategy of Economic Diplomacy for the Spanish market, sectors of action, main priorities, measures of support, etc...

Then, I had to move on to the other side... the side of entrepreneurs. I had the opportunity to interview people from three Portuguese companies present on the Spanish market (GALP, Mundideias and Science4You). The idea of talking with this people was to understand if they were helped on the hour of internationalization or if now that they are in the Spanish market they receive support from our diplomatic entities to increase their revenue and success.

Finally, my last objective was to know how things are today and the plans for the future, so I walked to the ministry of foreign affairs to talk with the advisor of the secretary of state for internationalization. Even though it was not a very fruitful interview to answer my investigation questions it was very complete in order to understand the path of our foreign policy strategy towards the future.

With these weapons I believe I can make a fair analysis of the impact from actions of Economic Diplomacy and how important it is for our internal growth and for the development of our economy.

## 1. Literature Review

“Although embedded in International Relations (IR), diplomacy has its own unique culture, ways of doing things, puzzles and contradictions. Indeed, it is this mix of rich tradition and capacity and or necessity for innovation that makes the analysis of diplomacy so exciting and salient.” (Cooper, 2013:35)

### 1.1 Diplomacy

In accordance to this sentence of Andrew F. Cooper and to make a proper academic approach to what is the aim of this paper and to what is in fact Economic Diplomacy, first it is necessary to introduce the term of diplomacy. Much way before diplomats were seen collectively as a class there were some names of reference that we could point out on this area, such as: Machiavelli (1469-1527), Cardinal Richelieu (1585-1642), Talleyrand (1754-1838), Bismarck (1815-1898), among others. This concept “as we know it throughout the world today is largely an outcome of the Westphalian system of 1648 that codified the role of the state within a defined, sovereign territory as the key actor in international relations” (Cooper, 2013:123), the year of 1648 it is focused since it was the year where the Treaty of Westphalia<sup>1</sup> was signed and “established a new order of relationships” and the “age of modern European diplomacy... be said to have begun” (Roberts, 2017:11) and marked the beginning of modern states system.

Later on, 1815, “one of the most important meetings in European history” (Chapman, 1998:1), took place, the Congress of Vienna<sup>2</sup>. There was “codified more concretely the new world of diplomacy” and “established an agreed basis for diplomatic representation” (Roberts, 2017:12). The congress of Vienna “was the beginning of a system of congress which were held by heads of state and government” (Groom, 2013:264), and would also mark the beginning of the most peaceful 100 years in European history since no major conflict (except for the Crimean war) took place between 1815 and 1914.

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<sup>1</sup> Also called peace of Westphalia, it was an European settlement of 1648, which brought to an end the Eighty Years' War between Spain and the Dutch and the German phase of the Thirty Years' War.

<sup>2</sup> It was an assembly in 1814–15 that reorganized Europe after the Napoleonic Wars. It began in September 1814, five months after Napoleon I's first abdication and completed its “Final Act” in June 1815. The settlement was the most-comprehensive treaty that Europe had ever seen.

Obviously entering the year where it started the First World War, the world, particularly Europe would enter one of the darkest periods of our history, and, between wars, financial crisis, political changes, and social chaos, the concept of diplomacy would change too. As for the year of 1917, Ernest Satow (1917:3) said, “diplomacy is the application of intelligence and tact to the conduct of official relations between the governments of independent states, and between governments and international institutions, or, more briefly the conduct of business between states by peaceful means”. According to this author diplomacy was what prevented countries relationships to be guided solely by force.

Obviously, this was one of the many ways to define diplomacy and we can confront that definition that dates to the beginning of the 20th Century with the concept given by Professor Berridge (2010:2), where he states “Diplomacy consists of communication between officials designed to promote foreign policy either by discrete activities or tacit adjustment”. This same author defends that “diplomacy is the most important institution of our society of states” (2010:2).

On a national insight on a definition provided by the former Portuguese ambassador José Magalhães (2005:92), we can say that diplomacy is “an instrument of foreign policy for the establishing and developing of pacific relations between governments of different states, by the employment of intermediate agents mutually recognised by both parts. To these intermediates we call diplomatic agents”.

As so, there is some consensus on the concept of Diplomacy we also find consensus on the hour to understand that diplomacy is made through two separate ways: Hard power and Soft power. For Ana Leal (2017) the first refers to the national power on the application of military (forced diplomacy) and economic measures (Sanctions, embargos). Meanwhile the second is referred to the capacity of states to act through diplomacy, dialogue and negotiation, respecting each other’s history and culture.

After presenting different concepts of diplomacy we figure out that it is always seen like a weapon that states can use to improve their international relations but the way they needed to be improved on the beginning on the XX century for sure it is not the same we face today.



## 1.2. Economic Diplomacy

### 1.2.1 First Approaches on the era of world wars

Nowadays Economic Diplomacy presents as one of the major instruments of states foreign action. Have been said that I believe it is important to present as it was done for the concept of diplomacy, some different views on what it is in fact Economic Diplomacy. Economic Diplomacy has as its main objective cooperate on the protections and promotion of each country economical interest in foreign countries, through support to the internationalization of each state companies. It is after about contributing alongside other actors to potentiate and consolidate economic recovery and employment, increase exportations, foreign investment and tourism, and facilitate the access to financing<sup>3</sup>.

On a broader definition:

*“We define Economic Diplomacy as the use of states’ political influence capacity in favour of its economic interests on the foreign markets. It has not replaced the conventional political diplomacy, but it has become its inseparable element. Economic Diplomacy negotiates the freedom to export and invest beyond the national borders. It takes action together with the companies that are in foreign markets and in the European case this is the base on the community growth itself.”* (Morillas, 2000:41)

Or as in other point of view:

“Economic Diplomacy consists of the total activities related to the methods and procedures in the international decisions making process concerning the economic cross border activities in the real world” (Pireva, 2014:462).

Given these insights of what is Economic Diplomacy and how it is seen today, it is important to understand that not always it was this way. On this table from (Leal, 2017: 264) we find what I believe being a real path of Economic Diplomacy since it started to be used as a political and economic instrument until today.

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<http://www.exteriores.gob.es/Portal/es/PoliticaExteriorCooperacion/DiplomaciasigloXXI/Paginas/DiplomaciaEconomica.aspx> (accessed on December 4, 2017)

Table 1 – Phases of Economic Diplomacy

Phases	Description
1 <sup>st</sup> Phase – From second half of 19 <sup>th</sup> century to World War I	Economic Diplomacy was essentially identified with aggressive policies and of sharing world’s territory by a small number of powerful countries, so they could get trading advantages by the colonial subjugation of other people and nations.
2 <sup>nd</sup> Phase – From the end of World War I until the 1970’s	Facing the collapse of the former international economic order, the Economic Diplomacy was mainly focus on negotiation and multilateral agreements, namely on what concerns international payments, reestablishment of commercial order, stabilization and fight against depressions; Important aspects from this phase were, for example, the activities of the economic section of the league of nations, the negotiations of Bretton Woods and the implementation of its results.
3 <sup>rd</sup> Phase – From 1980’s to 2008	Growth of diplomats’ concerns in order to “follow and stimulate companies activity” (whether opening doors and pointing opportunities on foreign markets, trading level, investment or other; or attracting foreign companies to invest on national markets), with the goal of giving its contribution to achieving the national economy objective of well- being, competitiveness, etc. The diplomatic strongholds were decisively associated by many states’ governments to the achievement of this kind of objectives.
4 <sup>th</sup> Phase- 2008...	With the financial crisis and today’s world of business, the idea of traditional Economic Diplomacy is becoming obsolete. The Economic Diplomacy must be faced as the first instrument for the promotion of economic interests and for the implementation of foreign policy. Effectively, this instrument is every day more object of growing exigencies, forcing a bigger flexibility and incremental improvements. Economic Diplomacy must be an instrument that places the State as a partner – An organism that understand the economical and corporative needs.

Source: INE - Leal, A. 2017. *O papel da diplomacia económica. In N. Crespo & M. J. Tomás (Eds.), Internacionalização da economia portuguesa.*

Taking in account this table, I will now try to develop deeper on what were the major events that made the course of Economic Diplomacy change. On the previous century, as I said before, there were several that marked the development of the world and of Economic Diplomacy itself. Between 1914 and 1918 it took place the First World War, its ending “opened new channels and modes of diplomacy. New diplomatic procedures consolidated and initiated by the League<sup>4</sup> included multilateral diplomacy, public debates, international parliamentary procedures, and collective decision-making” (Cooper et al., 2013:5).

This League of Nations had as its main goal the prevention and settlement of disputes between nation-states to avoid another conflagration like World War I. On the year of 1918 there was a consensus that a League of Nations should be established. The core articles of this new agreement stated that the major role of the league should be in identifying and addressing threats to peace, the settlement of disputes, and the imposition of sanctions against states violating international agreements.

However, there was a wish to stabilize world relations, another major crisis happened on the year of 1929 when it took place the Great Depression that was seen mainly as result of the pre-war wave of trade protectionism. This lack of capacity of diplomats to reunite an economic and political consensus and the rise of dictatorship regimes in Europe led to the beginning of the second world war which began on the year of 1939 when on the first of September the Nazi Germany attacked Poland. This conflict would only be over six years later, on 1945, and it stayed until now as the deathliest and biggest war of our modern history.

Obviously, the Second World War must always be seen as a tragic event that should not ever be repeated. However, as in every conflict we must believe something good can be taken out of it and in the opinion of Harvey B. Feigenbaum (2003:11) "The end of World War II set the stage for dramatic changes in the world – politically, economically, and culturally... On the other hand, in the developing world whether newly emerging states from ex-colonies or long independent countries nationalism in all its forms spread and intensified. In these developing countries, governments resorted to a multitude of controls, regularizations, and promotional policies that supported state

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<sup>4</sup> The League of Nations was an international organization, headquartered in Geneva, Switzerland, created after the First World War to provide a forum for resolving international disputes.

managed industrialization and restricted international trade and investment.” Opinion shared by other authors such as Malone, that says “after 1945, international society swelled by a large number of sovereign countries, enfranchised by decolonization ... expanded the business of diplomacy and, in the process, inevitably somewhat diluted and devaluated the stature if not the status of ambassadors and the missions they led” (2013:123).

Following what has been said by the two previous authors it is safe to state that the ending of World War II led to the creation of numerous international organizations, some of them that still are in action today. Just saying that the number of IO’s climbed from 37 in 1909 to 123 in 1953 then to about 7000 in 2000 are numbers that speak for themselves (Cooper, 2013). Obviously, the wars contributed massively to this as so did “economic development, technological innovation, and the growth of state system in the 20th century provided impetus for creating many IGO’s” (Karns & Mingst, 2013:143).

Among the most important organizations created on the post-second world war we shall emphasize:

- United Nations: The United Nations officially came into existence on 24 October 1945, when the Charter had been ratified by China, France, the Soviet Union, the United Kingdom, the United States and by a majority of other signatories;
- International Monetary Fund: Created in 1945, the International Monetary Fund (IMF) is an organization of 189 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world;
- General Agreement on Trade and Tariffs: It was created in 1947 and it was considered an "innovation on multilateral trade negotiations." It would later become World Trade Organization (1995);
- Bretton woods System: System for monetary and exchange rate management established in 1944.

Despite the creation of all this mechanisms and institutions to promote peace, equality, economic development and that had grown the economic interdependence between states the thoughts of Bayne and Woolcook say that Economic Diplomacy after the II world war “was dominated by permanent officials from the governments of a limited

number of countries ... shaped by the constraint of East-West rivalry” (Bayne & Woolcook, 2017:1). This rivalry led to another war on the XX century that was named the Cold War, a conflict that came out as a consequence of the Second world war and that had as its main participants the USA (that intended to stop the growth of communism among eastern Europe) and the Soviet Union (who was trying to expand communism). This conflict made the economic interdependence mentioned above step back.

It is since the end of Cold War on 1989 with the fall of Berlin wall that Economic Diplomacy suffered its main changes and following the growth of globalisation it was obliged “to go deep into domestic decision-making, to capture its international repercussions” (Bayne & Woolcook, 2017:3).

### **1.2.2. Economic Diplomacy on the era of globalization**

It is clear that, we must make a distinction between what was Economic Diplomacy before the end of cold war and how it has been seen since it was over in 1989 after the fall of the Berlin Wall.

The end of the Cold War brought several new factors and players into the “game” of Economic Diplomacy, which at that date was the main priority for states in most regions of the world, to enhance prosperity. That would start to shape Economic Diplomacy to the way we know it today. Among those factors there was one in particular that paid a decisive role, Globalization, which on the opinion of Friedman "is not a phenomenon. It is not just some passing trend. Today it is an overarching international system shaping the domestic politics and foreign relations to virtually every country, and we need to understand it as such” (Saner & Yiu, 2003:3).

On a more descriptive way Globalization can be seen as: “overarching international system shaping the domestic politics and foreign relations of virtually every country... It involves the inexorable integration of markets, nation-states, and technologies to a degree never witnessed before – in a way that is enabling individuals, corporations and nation-states to reach around the world farther, faster, deeper and cheaper than ever before, and in a way that is also producing a powerful backlash from those brutalized or left behind” (Feigenbaum, 2003:14).

On the fact that globalization shaped Economic Diplomacy Bayne (2017:17) noted the following main changes:

- Its range greatly increased; new subjects became active, often arousing strong popular concern;
- It penetrated deep into domestic policies, with many more actors involved inside and outside government;
- Developing and ex-communist countries were integrated into the world system, so that international institutions had to serve their entire membership;
- The relative power and resources of governments were shrinking; they were often trying to do more with less.

In respects to the first point, it is from common sense that on a more educated world the range of problems to work on is increasingly bigger, global warming, climate change, Microsoft, metrosexual, child soldiers, the list is endless and endlessly changing... (Cooper et al., 2013). All of these issues started to be in discussion at the highest instances and certainly the technological advance largely contributed for it, and with the advance of societies new problems emerge.

On what concerns the influence on domestic policies, the Member states of the EU are realized that without strong measures to enhance Economic Diplomacy, it would be much more difficult to compete in the global market. Regional organizations and countries itself realized that only by developing a domestic policy including core economic, politic and business objectives they would loose power in the world market and that those three forces (economy, politics and business) were much more divergent in the past than they are nowadays. However, these organizations were taking power to the countries itself and Economic Diplomacy started to be dealt at a much bigger range, not only because of the creation of International organizations but they would also start to have in account the Non-governmental organizations such as Oxfam<sup>5</sup> or *Médécins sans Frontières* that brought the problems mentioned on the previous paragraph to the table of Economic Diplomacy. Despite that, “NGO’S made much more impact on decision-making when their public protests were complemented by direct contacts with governments and international institutions” (Green & Charveriat, 2017:100).

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<sup>5</sup> Oxfam is an international confederation of 20 organizations working together with partners and local communities in more than 90 countries. Oxfam is determined to change that world by mobilizing the power of people against poverty.

The third point brings another major issue to the table, but that issue, did not start with the end of Soviet Union since between the late 1950's to mid 1960's it was the heyday of decolonization and many new independent states emerged specially in the poorest regions of the planet. We have the examples of the Portuguese ex colonies, such as Angola, Guiné, Cabo Verde, that on the years after being decolonized went through a chaos at the political, social and economic level. Having that present, at that time "countries believed it was advisable to open embassies in many of the newly independent states as a matter of solidarity rather than because a meaningful relationship existed. Many of these new embassies soon found a location primarily in the aid field" (Malone, 2013:125).

Later, the break-up of the Soviet Union in the years post the end of cold war made more new countries appear and western economies put in practice a new form of Economic Diplomacy that had he intention to put in work these new democracies and market economies. Before the end of Cold War most of the communist states were out of international organizations, a scenario that changed when at that time the World Bank, the IMF and others became really universal. The world's most powerful economies, for example on the G86 summits (that until then were very rare), got together much more often at multilateral, unilateral and regional levels and started to understand and to get responsible for reconciling external with domestic policies. In 1994 the Uruguay Round<sup>7</sup> was a major achievement of international trade and relations that would be in the origin of the foundation of the World Trade Organization (WTO).

The increase of Globalization allied with the intensification of economic activities at the international level made countries having to cooperate with each and around the world at several different levels. The creation of Regional political and trading organizations (NAFTA, MERCOSUR) forever changed Economic Diplomacy but countries still represent their diplomacy alone and no one can stop pursuing this subject that it is becoming much more complex with the increasing level of issues and actors. Recently

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<sup>6</sup>G7 since Russia was suspended on 2014, it serves as a forum for highly industrialized democracies (Japan, USA, Germany, France, Italy, Canada and United Kingdom) to coordinate economic, security, and energy policy, but the new U.S. administration has stirred questions about the group's cohesion and relevance to global governance. Both the Presidents of the European Commission and European Council also have a seat on these forums.

<sup>7</sup>The 8th round of multilateral trade negotiations, conducted within the framework of the General Agreement on Tariffs and Trade. It lasted from 1986 to 1994 and it led to the creation of the WTO.

the European Union faced its latest problem with the UK's decision from leaving the organization and once again it is Economic Diplomacy on the centre of the question to trying to find the best way of get pass through this new obstacle.

In small countries like Portugal we it is even bigger the need for Economic Diplomacy, since the domestic market is so small, without strong diplomats and even stronger foreign policies the chances of our companies and our market being recognised abroad are reduced to none. Following the right path maybe we can internationalize more companies, increase our exportations and the interest of investing within our territory... but is this help really happening?...



## **2. Portuguese Economic Diplomacy**

### **2.1. The emergence of Economic Diplomacy in Portugal**

On December 2012, under the cycle of conferences about foreign policy organized by the Ministry of Foreign Affairs the director of the Portuguese Diplomatic Institute at the date, Dra. Manuela Franco said: “Economic Diplomacy always accompanied diplomatic work since diplomatic work exists”, however it was not until recent years that we were able to see Portuguese governments adopt measures to promote this Economic Diplomacy and therefore use it as a useful weapon to propel our national economy.

According to Ambassador Calvet de Magalhães, the first attempt of Economic Diplomacy in Portugal takes us back to the beginning of the liberal revolution on 1820, when the minister of foreign affairs, defended the need from our diplomatic agents to prioritize, the promotion of trade with other countries. On his point of view the personal who was in diplomatic missions around the world should not be more defined as political agents but as businesspersons. However, this idea was not approved.

Portuguese Economic Diplomacy had its founding moment on 1949 with the creation of “Fundo de Fomento e Exportação” (FFE). This entity, under the responsibility of the Ministry of Economics and the Ministry of Finance, was the first ever to concern about the actions of Portuguese trade on foreign markets. However the share of efforts at this time was minimal and even though there were delegations of FFE abroad they barely had a relationship with the embassy on that same place, losing all the advantages that could outcome for the combination of knowledge between the culture and way to manage the negotiations (brought by the embassy) and the business and trade experience that FEE employees could offer.

After the Portuguese revolution on 25th April 1974, there was a major change on the country’s political ideals and foreign affairs were one of the main sectors to reform. Since that time it was clear that the need to look for new ways to promote the Portuguese economy outside borders, and in 1976 appeared the “Instituto Português de Fomento à Exportação” (IPFE) and the “Instituto de Investimento Externo” (IIE). This last one was the first ever Portuguese entity that focused exclusively on attracting Foreign Direct Investment. Despite the efforts from the new leaders at that date to push forward Portugal’s foreign policy, the year’s right after the revolution were of

tremendous political instability and obviously, it made any reform on Economic Diplomacy impossible to develop.

By the beginning of the 80's with the 6th Constitutional Government, Portugal was still in a transition from a period after its revolution. The country still faced a lot of social, economic problems that were not helped at all by the constant political instability, Portugal had seven different governments between the periods of 1976-198. Adding to all the internal problems our situation concerning the trade of services and goods had several issues too, like, disequilibrium of our commercial balance; exports characterized by a prevalence of traditional products created by our national technological dependence on the exterior and for lack of innovation; short gross added value of our goods exported. The country's economic interests were finally seen as core for our foreign policy, and from then a new phase on our economic action abroad started. The first notable change caused by that action came with the 115/82 decree, with which the Portuguese government created "Instituto do Comércio Externo de Portugal" (ICEP) under the orders of the Ministry of Industry, Energy and Exports, replacing the existing at the time FFE. On that decree it was stated that ICEP was being created in order to "rebalance our trades with the exterior, and won dynamic of competitiveness and development of exportations, there is the need to mobilize all the resources and congregate the best efforts from everyone – government, business men and workers. Our leaders considered that there was an empty space between the needs of support that the companies had to set their strategy of exports and the support provided by our state. So to cover this space it was needed an agency with a defined structure and dynamic to intervene autonomously, and so it appeared ICEP that has among its main goals:

- 1- Establish and implement, strategies, plans, programmes and any action necessary to promote our exportations;
- 2- Promote the elaboration of market studies;
- 3- Maintain a permanent dialogue and cooperate with all the entities connected to exports and, specially, with the corporative sector.

The following years didn't major changes on Portuguese foreign policy strategy, however Foreign Affairs Minister Jaime Gama, was the first to mention Economic Diplomacy as an important weapon. On 1989 took place a process to extend the area of influence of ICEP, who gathered the promotion and management of Foreign Direct Investment and of the Portuguese Direct Investment abroad (that before were under the

charge of IIE) to their former competences. The control of the foreign direct investment started to be dealt by the Bank of Portugal, who nowadays maintains that function. With the general improvements from the Portuguese economy for the early 90's, there were conditions to reinforce the support to our companies and it was approved the "Program of Support to the Internationalization of Portuguese Companies". As a result of that agenda the ICEP assimilated also functions on the tourism sector and got denominated as "Investimentos, Comércio e Turismo de Portugal", agency that was under the domain of Ministry of Trade and Tourism.

As the end of the century approached, around the world the liberalization process accelerated and the opening of markets, proved the affirmation of globalization and the need of new strategies and practices from political and diplomatic agents to adapt to this new globalized world. Understanding this process, internationalization became a core vector of action for the Portuguese government on a world, European and national scale. However the handicaps needed to solve in order to progress our foreign policy were not only responsibility of the state but also from the business sector that still maintained some of the core issues presented before. Problems like the high dependence on traditional markets and the lack of capacity to enter new markets with a bigger gross added value; and new issues that came from the market specifications of the end of the century such as: small Portuguese investment abroad to ensure a multinational present by installing companies abroad or the short strategical reflexion both by companies and state of where the best opportunities were. Thus, on the year of 1997 one of the major steps for our Economic Diplomacy was taken when the government approved the "New policy for internationalization", with the 61/97 decree from the ministries council. The decree defended that "Internationalize it can be both from exporting more in quantity and value as export for more and better markets, having presence on those markets, as finding external enhanced partners, promote structural foreign investment, as optimize the location of factoring processes.", and it has as its main purposes and goals:

- 1- Mandate the Minister of Foreign Affairs and the Minister of Economy, for, in cooperation, stimulate the existing working group between the two ministries and guide their action to strength our foreign policy and to articulate more efficiently the diplomatic services with ICEP delegations and help to defend our national interests on a global scale;

- 2- Monitor the costs and opportunities derived from the growing globalization process and for the European development;
- 3- Divulgate outside borders our products, services and capacities so to gain our space in a bigger and more competitive world economy;~
- 4- Study the potential markets of Portuguese investment and provide companies with reliable information about detect opportunities resulting from the formation of big regional blocks (European Union, MERCOSUL. NAFTA, among others...).

Other differential point arising from this “New Policy for Internationalization”, that was totally innovative compared to what was made before, it was the setup of four major principles which would guide all the actions taken under this decree, being them:

1. Selectivity: Define clearly what companies are prepared for the internationalization process and to promote a message of general quality for Portuguese business fabric;
2. Integration: Articulate the promotion to internationalize with the support to affirm a strong competitive position from the our companies, being aware that the lack of competitiveness can be a blocking factor;
3. Cooperation: Project fearless ways of internationalization requires harmony and partnership between our national companies and foreign ones, our public administration under its specified agencies (ICEP, IAPMEI) and our diplomatic missions,
4. Efficiency: Incentives and stimulus to internationalization must be redefined , while at the same time our agencies need to send clear signs to our economic agents of what is the moment and line of action to pursuit;

Under that new policy was also created a society named “Fundo para a Internacionalização das Empresas Portuguesas” made by the state and private entities, to support the internationalization projects of Portuguese companies.

On the decade of 2000 major changes occurred on Portuguese foreign policy, and the first was designed early on 2002, when António Martins da Cruz, Minister of Foreign Affairs at the date and the men who gave the impetus needed to our Economic Diplomacy, under coordination with the Ministry of Economy. The primary step was the creation of API, “Agência Portuguesa para o Investimento”, under the decree

225/2002, as the first agency with the status of Corporative public entity. It was in charge of managing all the operations related to the investment in Portugal, which at that time was a role of ICEP, whose, after this shorten on their functions started to be called ICEP Portugal. Also IAPMEI transferred all their competence related with big investment to API. Ealier on that year, the Portuguese government had approved the “Programa para a Produtividade e Cresciment Económico”, (Programme for Productivity and Economic Growth). That programme followed a clear path of convergence with the most developed countries of the European Union, under these two points:

1. The investment projects had to focus more on sectors of internationally tradable services and goods, instead of the traditional ones;
2. The levels of productivity had to be much closer from the ones seen on our most important partners, as well as the levels of competitiveness from our economy;

In order to achieve the goals mentioned above, our leaders assumed “the importance, of foreign investment, not only because of the financial resources it brings, but mostly, by the innovation components, organization, marketing and the open of new markets that it usually drags with it. Therefore, under that plan of captivating productive investment to Portugal, API takes the mission of having an “active” contribution for the promotion of policies and practices to reduce costs of context on Public Administration, such as, time, fiscal or administrative costs. Still, as of 2017, Portugal still ranked 109th out of 137 on the indicator that measures the “Effect of taxation on incentives to invest” of the “Global Competitiveness Report” made every year by the World Economic Forum, so which in 2002 was already a problem now it must certainly become a priority...

Another thing seen as core with the creation of API was the importance of the articulation of the activity of this agency with the model of Economic Diplomacy proposed to be set by the government. This model implicates the endowment of all the human capital means adequate in number and profile, on our entities and agents that ensure the support of our external relations lead by the Ministry of Foreign Affairs and Ministry of Economy. This cooperation among ministries and institutions was something strongly mentioned under the “New Policy of Internationalization”, however it kept on being emphasized by following governments.

A couple of years after it, Portugal saw the appearance of ITP, “Instituto de Turismo de Portugal”, which assumed the responsibilities of promoting the national tourism outside borders, until as of today.

Later on 2007, API became AICEP, “Agência para o Investimento e Comércio Externa de Portugal”, and accumulated its functions also with ceasing ICEP, remaining under the domain of the ministry of economy. AICEP was born with the status of public corporative entity, under the decree 245/2007. As stated on that same decree, “On matters of Economic Diplomacy, AICEP, would be subject to the superintendence of the government member responsible for the area of economy, in articulation with the member of the government responsible for the area of foreign affairs”. So, once again the idea of cooperation was reinforced, however AICEP remained under the guardianship of the minister of economy.

Following the line of its previous institutions that brought AICEP to life its main objectives were:

- 1- Supports the projects of internationalizations of Portuguese companies, independently of their dimension and juridical nature;
- 2- Promote the image of Portugal abroad and from Portuguese brands on a global way and with focus on promoting exports, internationalization and investment captivation, in cooperation with corporative entities;
- 3- Create conditions, for example with incentive systems so our companies could become increasingly competitive by exporting more and investing more on foreign markets and so foreign investor would feel more tempted to invest in Portugal;

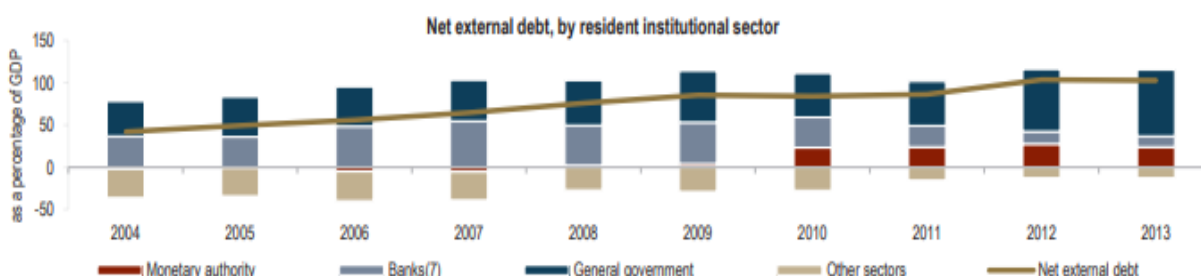
Obviously, these objectives were not very far away from the ones presented with former governments on matters related to foreign affairs. The main changes on 2007 were more human resources related, such that from that moment on, to AICEP managers on every country was given a diplomatic accreditation, so that all AICEP network around the world could be perfectly linked with the Portuguese diplomatic machine. As for this moment, in my personal opinion, the best interests from the area of economy could be feed through the foreign affairs area, and vice versa.

However, this strategy fell short to be put into practice, because on that same year it was start to be drawn the biggest economic crisis since the Wall Street Crash in 1929, and it blew up on 2008 when the Lehman Brothers Bank declared bankruptcy. From that moment on, and given the importance of the American economy to the rest of the world, the countries who had a biggest commercial dependence from this world power were dragged along side with it to a deep crisis. On the groups of countries that were dependent, we could find the powers from European Union, Germany, United Kingdom, Netherlands, France,... and European Union itself as an all.

This explosion from the world economy was eventually the last step that led Portugal to being unable to meet their financial obligators with its creditors and failed on refinancing its debt without the help of foreign institutions. At the time to provide financial aid to the Southern Europe economies and Ireland, the IMF, the European Central Bank and the European Commission formed a community named commonly as “TROIKA”.

At that time the Portuguese government had to reduce its deficit and it started the so-called austerity. With tax increases and cuts on public administration wages, Portugal still could not meet its financial obligations and it declared the bailout on April 2011, with the commitment from Troika to loan 78 000 Million Euros to Portugal. That left Portugal on a situation of dependence of foreign institutions that wanted to guarantee they received their money back. However, in order to pay back Portugal was obligated to make structural changes in all sectors of public administration.

**Graph 1 - Portugal Net External Debt between 2004-2013**



*Source: Bank of Portugal*

On the graph above we can understand how fast the evolution of our national net external debt was, that passed from under the 50% on 2004 to over 100% in 2012. On both 2012 and 2013 the external debt of the country was basically all belonging to our government's external debt.

The social instability and without any signs of improvement in sight for our economical situation José Socrates was forced to abandon the government and on a turbulent transition Pedro Passos Coelho assumed the head of the state. As Prime-Minister, he invited Paulo Portas, a known defender of Economic Diplomacy, to lead the Ministry of Foreign Affairs.

Already in that role Paulo Portas, made public, that his priorities for his time as Minister was “Economic Diplomacy, Economic Diplomacy and Economic Diplomacy”. (Diplomatic Seminar, 2012). Knowing that the “house was on fire”, and that our creditors were inside the only way Portugal he could help Portugal was by reinforcing our actions of Economic Diplomacy so as to make of Portugal a more competitive economy, because on his own words “Dynamic economies on globalization are the ones that export... a lot.” So, the first move was to increase our exports, because exporting is the first step to internationalization and the second move was to create in Portugal a favorable case of Foreign Direct Investment destination.

On an interview to the former Minister of Foreign Affairs he let me know about some of the measures he took, that on his sight were essential to help Portugal overcome the situation it got into. When empowered at the office of foreign affairs, Paulo Portas found a major issue on Portuguese reputational situation. Outside borders, Portugal was seen as a country in debt and unable to meet its financial obligations. Some measures are as follow:

- 1- Rejuvenate our Diplomatic human resources (most of the ambassadors did not retire at the defined age of 65);
- 2- Have a diplomatic corporation with more knowledge of today's world (Globalized and digitalized);
- 3- Having power over the agency responsible for our exports (AICEP);
- 4- With the presence of that agency our diplomatic corporation should start to have a more dept knowledge on management, finance, economics, since it were the



subjects that better served the interests of the diplomatic actions we needed at the time);

- 5- Ask the ambassadors for a business plan of each embassy (need to know with justice what embassies planned on doing on road-shows, visits to Portugal of possible investors, participation in fairs, etc...);
- 6- Organization of corporative visits at the same time as state visits;
- 7- Focus on new emerging markets (mostly Asian countries); Also, with a straighter impact on our GDP and in full coordination with our ministries, there were taken for example these measures:
- 8- Taxation of non-habitual residents;
- 9- Golden Visas:

Alongside these measures, one point that the former minister reinforced several times was the importance of having a qualified and hard-worker diplomatic corporation. In a more practical example, Paulo Portas, mentioned that “Web Summit”, only had the opportunity to land in Portugal because of the quality of its diplomatic employees that were aware of the opportunities on their countries of mission. “The gathering of forces between agencies, ministers, embassies, is one of the critical things to do”.

Obviously most of the measures taken did not have an immediate effect on what were our goals for exports, however we will see later how things developed throughout these years.

On my path of collecting the most reliable and varied information I also had the opportunity to interview an ex-administrator of AICEP and current Ambassador of Portugal in Panama, Pedro Pessoa e Costa. Although his actions on the administration were contemporary with Paulo Portas on the head of the foreign affairs office the difference of their positions allowed me to extract really useful information from both interviews, however in much occasions, naturally convergent.

Our Ambassador in Panama was considered by Portuguese newspaper “Publico” an “expert in Economic Diplomacy”, however when he assumed his position as administrator a change in mentalities was necessary because older diplomats that were not used to trade and economic language needed to understand that diplomacy had changed a lot in the previous years. Despite that he felt that on the years of his years in

office “there was a national consensus on improving and supporting the promotion of Portugal abroad, looking to achieve higher value of exports as a percentage of GDP.”

To achieve this goal, Pedro Pessoa e Costa, mentioned several times during the interview how important it was that all the ministries, agencies and elements were fully articulated so the information could flow the best way possible and everyone that needed could get the best use out of it. There was one point that he also made quite clear too, which was how important it was that companies were included in this cycle of information and that without them all the efforts would be in vain. He even said that “Entrepreneurs and companies started seeing in embassies and diplomats as partners in their efforts”.

On some more specific words, Pedro Pessoa e Costa mentioned the following measures:

- 1- Inclusion of diplomats on the staff of AICEP;
- 2- Gathering of all the services that contributed for Economic Diplomacy on the same space on foreign mission (consulates, AICEP, Turismo de Portugal), this allowed not only to reduce ministerial costs but also to give an image of unification and coordination of activities that are permitted by that physical approximation;
- 3- The creation of the business plan that the embassies had to make every year in coordination with the delegate from AICEP of the country in question;
- 4- Economic Diplomacy themes discussed on yearly diplomatic seminars as well as the creation of regional workshops, with diplomats, members of AICEP and employees from the foreign affairs office;
- 5- Appointment of a diplomat specifically to select relevant information from diplomatic telegrams to then pass the ones relevant to the members of AICEP;
- 6- Launch of the prize “Mais Diplomacia Economica” (explicar o que é)
- 7- Introduction of Economic Diplomacy subjects on the exams to the diplomatic career”;
- 8- Also previously mentioned the opportunity of new diplomats to make an internship on Portuguese companies that have the impetus to export or to internationalize;

- 9- The practice of introducing new ambassador to all the entrepreneurs and companies with action or interest on that specific country.

Without political and diplomatic agents so decided to work on Economic Diplomacy, it would not have been possible for Portugal, as a trading nation to give that jump and adapt to globalization. However some of these measures are not strictly effective on the real numbers of exports, the change of mentality and human resources is a huge change for those ones wanting to change the path they were following and I believe some of these changes can be expressed in numbers... we will see it in the next chapter...

Just to conclude this part of the thesis, mention once again that Economic Diplomacy looks to be a theme completely nonpartisan and when the XXI Constitutional Government of Portugal took power one of the measures implemented was the creation of the Secretary of State for Internationalization. That, on the words of the advisor of the Secretary for Internationalization, Francisco Lacerda, “shows the major importance of Economic Diplomacy for our foreign policy under this government”.

## **2.2 Portuguese Commercial Relations Analysis**

After the purely theoretical approach, on what was the developing of Economic Diplomacy on Portuguese history and its political and economic framework, I will carry on with my thesis supporting with numbers most of what was said before.

In the previous chapter I presented the organic and political amendments that happened, namely on the last years of the 20th century, when economic diplomacy started to took a decisive role on our political agenda. We saw, that despite all of those changes (organic, leadership) or simply the change of denomination of the institution responsible for our Economic Diplomacy, there were several points of convergence in respect to what our foreign policy should be. Given that we are talking about a range of more than 20 years, where multiple governmental changes occurred, finding these common points indicates us that the path they wanted to trace since the last years of the century was the right one, maybe just not with the right tools...

1. The investment projects had to focus more on sectors of internationally tradable services and goods, instead of the traditional ones;

2. The levels of productivity had to be much closer from the ones seen on our most important partners, as well as the levels of competitiveness from our economy.

These two points, which I repeat from the previous chapter, were present on almost every decree of law related to Economic Diplomacy. Along with few others, (like agencies, government and corporative cooperation), those points show us the strategy that was drawn to increase the competitiveness of our economy.

So, as to study the increase of that competitiveness, we must focus on the core indicators of a country's foreign policy, like exports, foreign direct investment and Portuguese direct investment abroad. The study will be initially widespread to our biggest commercial partners and most important sectors and then will be deepened in the particular case of Spain that being our best client and supplier plays a core role on Portugal's foreign policies results.

Although it is hard to go way back in time, as we can see on table 1, from the first year after the end of the Portuguese dictatorship, 1975, the Exports of goods had an exponential growth. In "just" ten years, 1975 to 1985, Portuguese exports of goods passed from 246M€ to 4,800M€, which corresponds to a growth of 1970% at a rate of 136% per year.

It was during these years, that for example GALP entered the Spanish markets, more concretely on 26 February 1979. At this time it was already on operations the "Instituto Português de Fomento à Exportação", and also shortly after the entrance of Galp in the Spanish market it became partner with "Camara Hispano-Portuguesa" that will earn a little bit of attention in a further phase of this paper.

Recovering the statistical analysis, and even though imports are not going to take so much of our time on this dissertation, as we can see on the right side of table 1, imports of goods also grew at an impressive rate on the same ten years period. To be more precise the growth was of 1334%, at a rate of 130%. As historically the value of imports was considerably higher than exports, the more aggressive growth of the second did not compensate the growth of the first. So as of 1975 the Portuguese balance of trade of goods was highly negative, -1,769M€, which represented a -7.7% of our country's Gross Domestic Product at the time.

**Table 2 – Evolution of the Exports and Imports of Good in Portugal between 1974 and 1985**

Year	Exports (Since 1974 - €) of goods	Exports (Since 1974 - €) of Goods
1974	289,374,058.0 €	589,055,065.0 €
1975	246,047,589.0 €	496,174,420.0 €
1976	274,780,339.0 €	652,719,852.0 €
1977	387,492,776.0 €	951,130,257.0 €
1978	530,973,224.0 €	1,147,875,480.0 €
1979	878,137,149.0 €	1,655,642,655.0 €
1980	1,155,331,773.0 €	2,371,717,355.0 €
1981	1,281,475,313.0 €	3,037,751,301.0 €
1982	1,654,725,496.0 €	3,760,840,890.0 €
1983	2,536,728,760.0 €	4,485,890,718.0 €
1984	3,793,757,110.0 €	5,789,214,861.0 €
1985	4,847,053,697.0 €	6,616,696,224.0 €

*Source: Ministério da Economia e INE. Own-adaption*

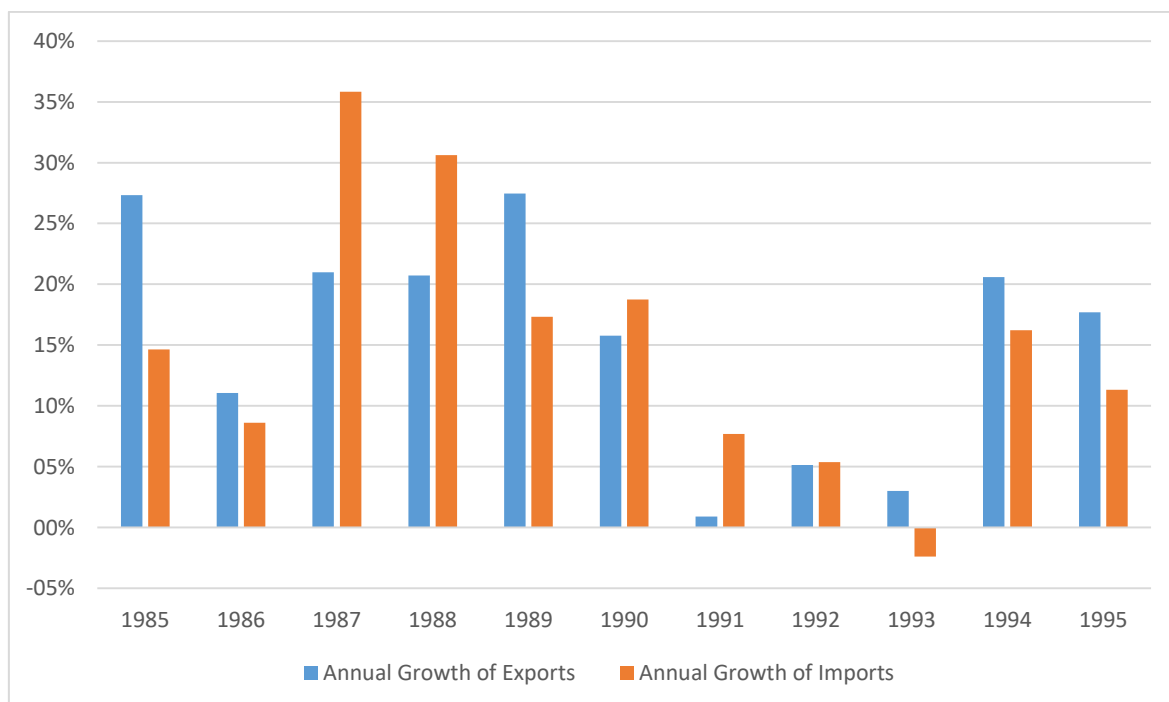
Since imports was an essential good for the country, the best way to go around this negative balance of trade was to make exports grow much more. However, as on the years previous to 1974, there were no political conditions nor an economic strategy defined for international trade and investment, the big part of our companies focused solely on the domestic market. After the dictatorship period come to and end, even though there was the wish to internationalize the economy, the experience on this field was very short, both from political agents as for entrepreneurs, not helped by the exchange rate uncertainties over the Portuguese currency.

With the signing of the Portuguese membership to the European Economic Union, on June 12, 1985 and the consequence official entrance on EEU in 1986 the scenario changed completely.

From that European Integration, it came out two direct benefits to Portugal at the first place, an increase of the opening of our economy and a deviation of European trade in favor of those countries who were among the ones belonging to the European Union.

A specific example was the intense increase on the commercial relations with Spain, that joined the EU on the same moment of Portugal. That meant that the countries had similar objectives, which given the geographical proximity made the two countries' policies converge, and by the end of the XXth century, Spain was already Portugal's best commercial partner.

**Graph 2- Annual Variation of Exports and Imports in Portugal between 1985-1995**



*Source: Bank of Portugal. Own-adaption.*

Like I have said previously the opening of our economy was one of the most immediate consequences and, on the two years post entering the EU, 1987 and 1988, the exports grew more than 20% each year and the imports more than 30%.

The economy, boosted by exports, allowed that on the first 5 years of membership our GDP was growing at a 4.6% rate every year, on a period that Portugal, highly energetically dependent from the external suppliers, took advantage from the diminishing petrol prices. This boost made Portugal gain some terrain against the EU that on the same years only saw its GDP growing at a rate of 3.1%.

However some of that growth was considered unbalanced, given that, the good indicators of our economy gave confidence to families and internal demand grew

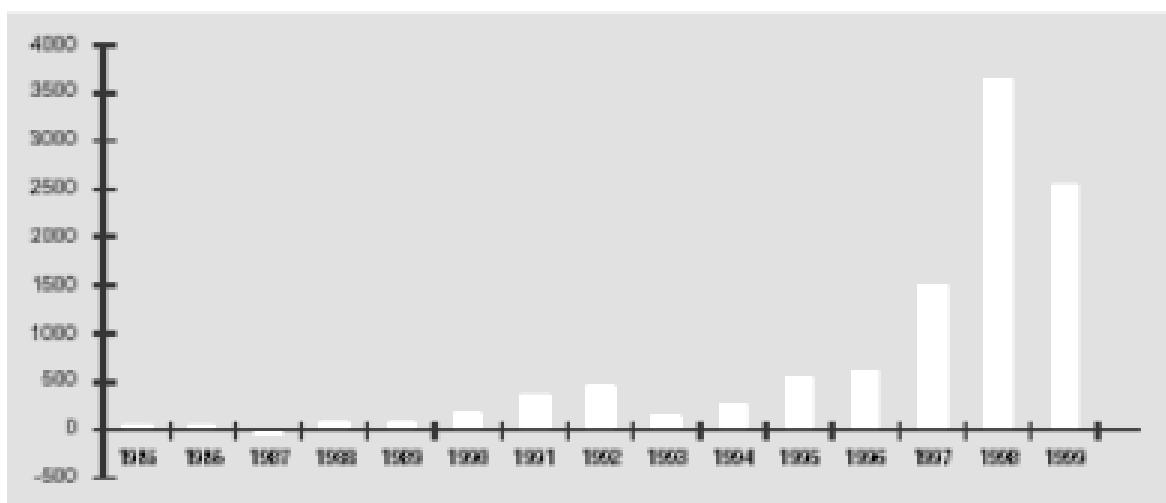
exponentially, which generated the disproportional growth of Imports that we can watch on Graph 1. Between 1987 and 1992, only on one occasion the growth of exports was bigger to the growth of exports.

On the Graph above we also can identify a clear difference between what exports and imports were growing previously to 1991 and after it. That happened, because after the end of Soviet Union, the Portuguese economy faced a new challenge on what growing its exports could mean. The formation of several new nations on the east side of Europe made the dream of European integration grow bigger, something that was considered on the treaty of Maastricht, as the creation of the Euro zone.

The creation of more independent nations that offered similar conditions to Portugal but that were better located on the European geography made us have a Structural lost of competitiveness of our Exports. Despite that our GDP kept growing, for the reasons of internal demand pointed previously and for the growing investment on the non-tradable goods sector.

On 1997 with the decree of the “New Policy of Internationalization” Portugal saw its numbers of foreign direct investment grow as never.

**Graph 3- The foreign direct investment in Portugal between 1985-1999 (Millions of Euros)**

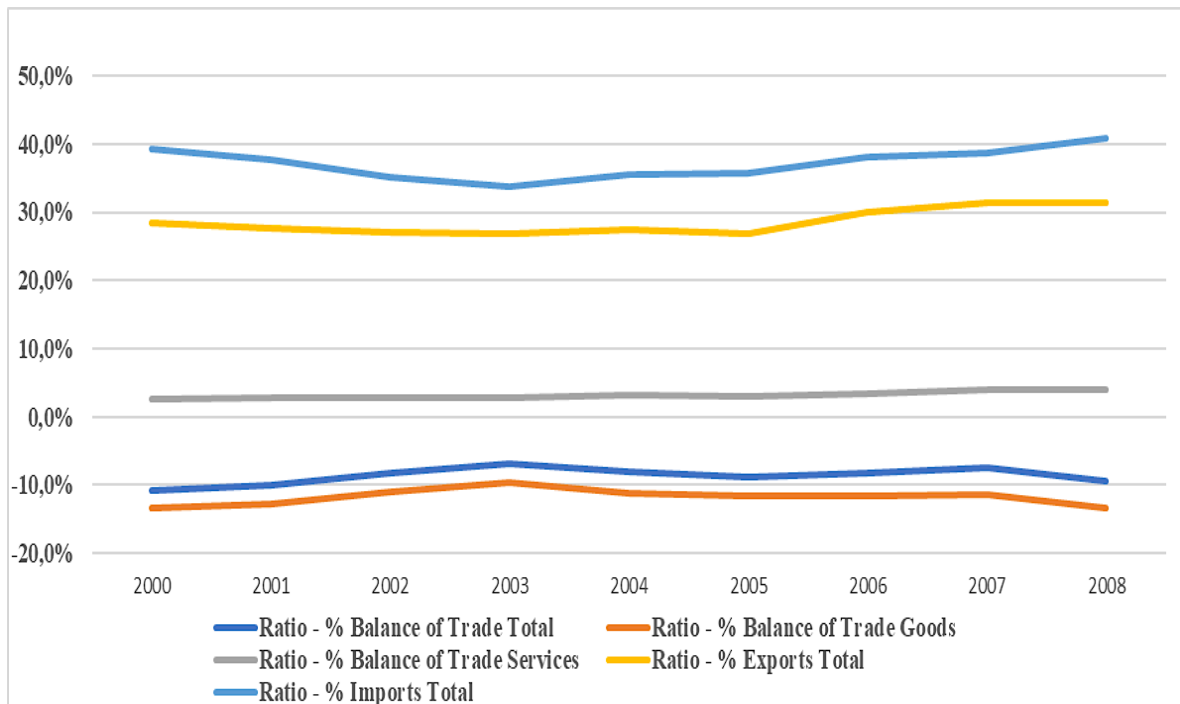


Source: MENDONÇA, A., 2001. “O Investimento Directo das Empresas Portuguesas no Brasil: Sectores Determinantes, Tipo de Operação e Principais Determinantes, 1996-1999”, DT 32, GEPE/Ministério da Economia. Lisboa: GEPE, p. 9.

Just between 1996 and 1998 the total amount of foreign direct investment in our country raised from a 500 million euros to a record value of 3,500 million euros.

Entering the new century Portugal was able to maintain its economic opening, even raising it a little bit however it could not escape from that deficit on the balance of trade that between 2000 and 2008 was always around the -10% as a percentage of GDP.

**Graph 4 – Balance of Trade, Exports and Imports as a % of GDP between 2000-2008**



*Source: Bank of Portugal – Balance of Payments Statistics; INE; PORDATA. Own-adaption.*

The levels of Exports and Imports on those years had very short variations and Portugal foreign policy was not given the fruits needed to help our economy growing.



**Table 3- Evolution of the Exports of Goods and Services in Portugal 2009-2013**

Years	2009	2010	2011	2012	2013
<b>Exports (Millions of €)</b>	47 588	54 139	61 595	64 260	68 516
<b>Commercial Balance (Millions of €)</b>	-11 839	-12 804	-6 487	-185	2 953
<b>Percentage of GDP</b>	-6,7%	-7,1%	-4,3%	0,7%	1%
<b>Countries of EU</b>	1- Spain; 2- France; 3- Germany e 4- United Kingdom.	1- Spain; 2- France; 3- Germany; e 4- United Kingdom.	1- Spain; 2- France; 3- Germany; e 4- United Kingdom.	1- Spain; 2- France; 3- Germany; e 4- United Kingdom.	1- Spain; 2- France; 3- Germany; e 4- United Kingdom..
<b>Countries Outside EU</b>	1- Angola; 2- USA; 3- Brazil; e 4- Morocco.	1- Angola; 2- USA; 3- Brazil; e 4- Morocco.	1- Angola; 2- USA; 3- Brazil; e 4- China.	1- Angola; 2- USA; 3- Brazil; e 4- China.	1- Angola; 2- USA; 3- Brazil; e 4- China.

*Source: Almeida, T. "Diplomacia Económica: Uma vantagem para a Internacionalização da Economia Portuguesa?", p 59.*

The most relevant data to take out of this table, is that precisely on the years were the measures seen on the previous chapter were implemented, Portugal, even though under external financial aid, aimed to recover its commercial trade balance to the positive side.

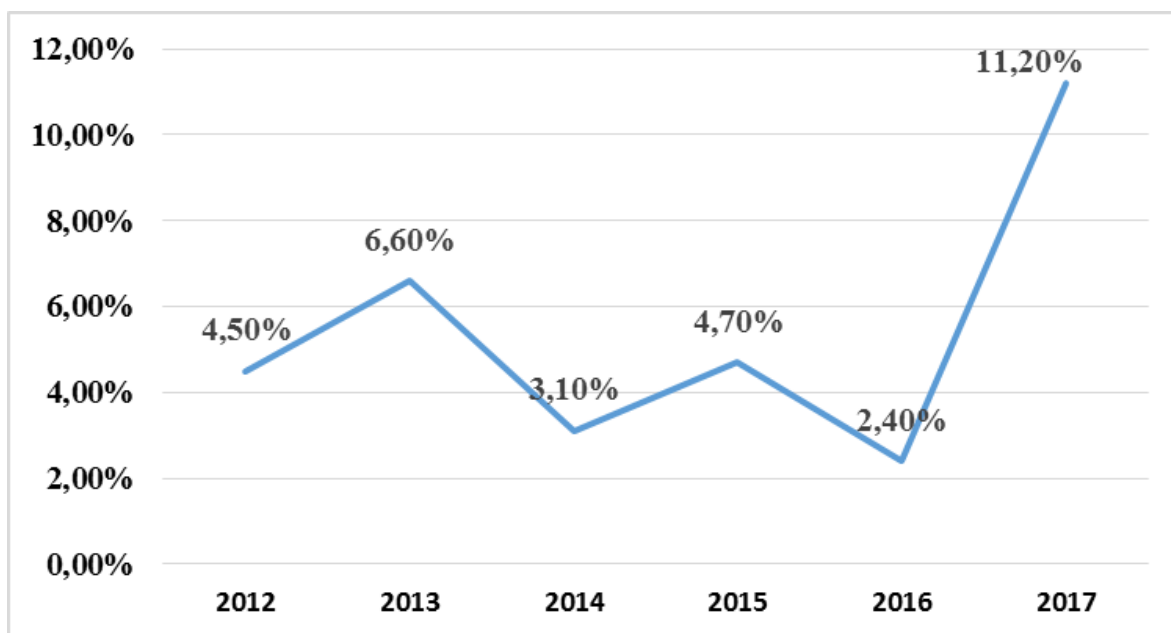
On 2010 the commercial balance was under the -12,000 M€ which represented a -7.1% of our country's GDP. On the years where Economic Diplomacy were presented as a main priority Portugal recovered just in a three year timeline more than 8 percentage points and got our commercial trade with a 2,953M€ surplus.

To achieve that we can state mainly the increase on exports of roughly 27% between those three years. On such dark years, exports were the only good new... and I think we can attribute that good news' merits to the actions of Economic Diplomacy...

In the graph bellow we can see that the scenario did not get any worst on what concerns exports and on 2017, the value of the exports of goods and services in Portugal got to a significative number, and for the first time in the history it passed the barrier of 80 billion euros, more precisely around 84 billion euros.

On that same year, our exports grew by 11.2%, which corresponds to the biggest homologous growth of the previous 6 years. By November of 2017 our exports of goods and services had already overcome the total numbers for the year of 2016, something that did not happen since the year of 2011.

**Graph 5 – Annual Exports of goods and services’ growth between 2012 and 2017**



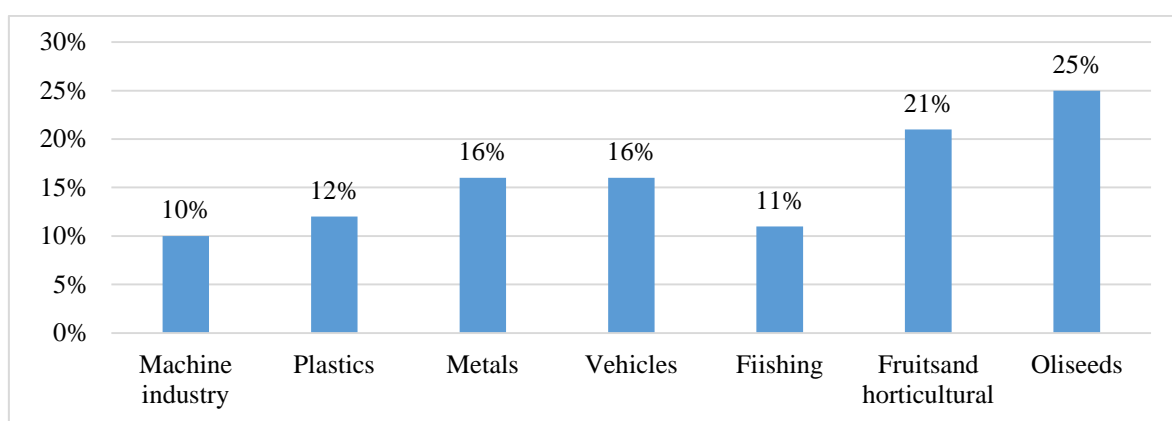
*Source: AICEP, INE*

In the analysis of the exports as a percentage of the GDP, Portugal, also reached a long time record as our exportations weight on the GDP was the biggest on the last 23 years. Portugal converged with the average of the EU, lowering the existing gap, and approaching countries, as France or Italy that by the beginning of the century had a similar proportion.

On the year of 2005, our exports represented 26.6% of the GDP, and in 2017, 42.5%, growing in 12 years 15.9pp. In the same period the average weight of exports as a percentage of GDP for the EU countries raised 10.9pp, reaching the 45.6% on the first 9 months of 2017.

The exports of goods on 2017, were responsible for 64% of the total exports value and they appeared on the most various escorts with a growth rate above 10% compared to the previous year.

**Graph 6 – Sectors of exports growth from 2016 to 2017**



*Source: AICEP, INE*

It is relevant to point that the industry of electromechanics, machines, automotive and chemistry, were responsible for one third of the exports growth on 2017, followed by the tourism that contributed with 29.1% and the remaining industries such as agribusiness, beverage, and the traditional sector of textiles and clothing with 16.7%. On absolute values, the exports, on 2017 are mainly distributed for the industry of intensive capital with 32%, processing industries with 28% and tourism with 18%.

### 2.3 Imports Analysis

**Table 4 - Imports and Exports of goods and services**

	Imports		Exports	
	Goods	Services	Goods	Services
2010	56,183,2	10,760,2	36,916,1	17,222,9
2011	56,760,4	11,287,4	42,296,1	19,299,3
2012	53,582,6	10,568,5	44,317,4	20,062,8
2013	54,485,6	10,928,3	46,499,0	22,111,1
2014	56,782,9	12,043,7	47,296,0	23,421,5
2015	58,467,0	12,616,7	48,922,5	25,151,1
2016	58,748,7	13,263,1	49,103,8	26,724,5
2017	66,153,7	14,650,8	54,045,9	30,269,8

*Source: AICEP, INE*

As seen on the table above, the imports of both goods and services rose from 2010 to 2011. Although on the following year it was registered a small decline, on the imports of goods from 56,760 billion euros to 53,582 billion euros and of services from 11,287

billion euros to 10,568 billion euros, from 2012 to 2017 the growth on the imports value was clear and on these 5 years it increased by 25%.

Table 5– Portugal’s main clients

	<b>Germany</b>	<b>Angola</b>	<b>Brazil</b>	<b>China</b>	<b>Spain</b>	<b>USA</b>
2010	8,129	563,5	1,046	1,578	18,794	841,7
2011	7,306	1,177	1,462	1,526	19,155	1,141
2012	6,391	1,78	1,368	1,391	17,949	961,7
2013	6,487	2,631	831,9	1,97	18,393	842,7
2014	7,27	1,605	864,8	1,599	19,214	930,3
2015	7,704	1,142	860	1,777	19,932	966,2
2016	8,254	809,8	1,054	1,819	20,345	878
2017	9,504	278,9	1,219	2,051	22,452	994,2

Source: AICEP, INE

Notice that is obvious that Spain is our biggest supplier by a clear difference from the other economies presented on the table. However, we will develop more about that later.

Table 6 - Main products of Exports and Imports

	<b>Exports</b>			<b>Imports</b>		
	<b>2017</b>	<b>2016</b>	<b>Variation (%)</b>	<b>2017</b>	<b>2016</b>	<b>Variation (%)</b>
Food goods and beverages	529	432	22,2	854	714	19,7
Industrial Supplies	1,677	1,436	13,3	1,862	1,54	20,9
Fossil Fuels and lubricants	325	235	38,5	689	440	56,6
Machinery	672	588	14,2	947	775	22,2
Material of transport and its accessories	826	709	16,4	1095	927	18,1
Consume goods on other areas	892	820	8,9	864	761	13,5

Source: AICEP, INE

### **3. Spain and Portugal – A historical relationship**

#### **3.1. Spain – Characteristics, Macroeconomic Indicators and Trade numbers**

The relationship between Spain and Portugal starts way back in history and among all battles travelled, all the attempts of Spain to conquer Portugal and political tension, nowadays the two nations walk side by side and are very dependent from each other on what concerns commercial relations. Not only commercial dependence but the two countries have similar goals, friendship, share its culture with the other and we can even find a lot of simultaneous historical steps as it is the integration of the European Union (at the time CEE) at the same time way back in 1986. They also integrate several other organizations together.

Presenting a little bit our neighbor country... The kingdom of Spain is a monarchy with its land divided on 17 different autonomous communities in more than 500km<sup>2</sup>. Its population passes the 46 million people making it the 35th most populous country in the world. On terms of wealth Spain is, according to the World Bank, the country with the 14th highest GDP in the world and the 5th in the European Union. Still Spain has, inside its own territory, big disparities. For example, the GDP per capita on the community of Madrid is 32,723€ while in the community of Extremadura its 16,400€. The Spanish GDP is composed 74.1% by the sector of services, 23.3% industry and the remain 2.6% to agriculture.

The sovereign debt crisis affected Spain, the same way it affected Portugal and, also them required external financial aid to surpass the situation, as well as strong austerity measures.

**Table 7 – Spain main Macroeconomic Indicators**

	Unit	2014	2015	2016	2017 <sup>a</sup>	2018 <sup>a</sup>
<b>Population</b>	Millions	46,3	46,1	46,1 <sup>b</sup>	46,1	46,1
<b>GDP at market prices</b>	10 <sup>9</sup> USD	1 378,0	1 193,6	1 232,6	1 230,9	1 282,3
<b>GDP per capita (in PPP)</b>	USD	33 817	34 938	36 461 <sup>b</sup>	38 263	39 980
<b>GDP growth rate</b>	Var. %	1.4	3.2	3.2	2.6	2.2
<b>Private consumption</b>	Var. %	1.6	2.9	3.2	2.7	2.2
<b>Public consumption</b>	Var. %	-0.3	2.0	0.8	0.8	0.9
<b>Inflation rate (average)</b>	%	-0.2	-0.6	-0.3	2.3	1.7
<b>Unemployment rate (average)</b>	%	24.5	22.1	19.6	17.6	15.8
<b>Public Sector balance</b>	% of GDP	-6.0	-5.1	-4.5 <sup>b</sup>	-3.3	-2.4
<b>Public Debt</b>	% of GDP	100.4	99.8	99.4	97.8	96.1

*Source: The Economist Intelligence Unit (EIU), May 2017 Notes: (a) Previsões; (b) Estimativa*

Despite it was affected by the crisis, as we can see on the table above on 2014 Spain was already growing 1.4%, carrying on with that positive path the following two years, growing 3.2% per year. This growth was strongly ASSENTE on the internal consumption, indicator on which, we can say; Spain is a very strong country... as we can guess for the 74% of the composition of its GDP.

However, this internal demand only works massively if people are employed, and unemployment in Spain is a huge problem, especially outside the big metropolitan areas. Still, it is worth to say that between 2014 and 2017 Spain was able to lower its unemployment rate from a crazy 24.5% to 17.6% , which is almost 7 points. Maybe only because of this improvement Spain was able to grow on the years post crisis. As a strong economy that it is, Spain is also a strong commercial partner for many countries.

**Table 8 – Evolution of the Commercial Balance**

(10 <sup>6</sup> EUR)	2012	2013	2014	2015	2016
<b>Exports</b>	226 115	235 814	240 582	249 794	254 530
<b>Imports</b>	257 946	252 347	265 557	274 772	273 284
<b>Balance</b>	-31 831	-16 533	-24 975	-24 978	-18 754
<b>Coverage ratio (%)</b>	87.7	93.4	90.6	90.9	93.1
<b>Position on world ranking</b>					
<b>As a supplier</b>	21 <sup>a</sup>	19 <sup>a</sup>	18 <sup>a</sup>	18 <sup>a</sup>	16 <sup>a</sup>
<b>As a client</b>	16 <sup>a</sup>	17 <sup>a</sup>	16 <sup>a</sup>	15 <sup>a</sup>	15 <sup>a</sup>

*Sources: ICEX; WTO (World Trade Organization)*

Among all countries, as of 2016, Spain was the 16th country in the world with more exports and the 15th with more imports. As we can see from 2012 to 2016 the value of exports grew every year, and even though it was small growth it helped Spain get through the crisis faster. In 2016 the value of exports for Spain was as big as 254.530.000.000€, which worldwide represents a quota of 1.8% of world exports.

Notice that the number of Spanish exporters was 148794 in 2016, which corresponds to a 47% increase compared to 2008 but only 1% compared to 2015. However the number of regular exporters (that export during 4 consecutive years) increase to 49792 corresponding to a 4.2% growth compared to the previous year.

On geographical terms the exports to European Union countries (66.3% of the total) increased 4.1% in 2016 and decrease to other markets (-2.6% compared to 2015), derived from unfavorable conjuncture on some of the emerging markets. For example to Latina America (part of the world were Spanish is the most spoken language) the decrease was of 9.1% and to the middle east 4.8%, according to the Secretary of State for Trade of Spain.

**Table 9 - Spain's Main Clients**

Market	2014		2015		2016	
	Quota (%)	Ranking	Quota (%)	Ranking	Quota (%)	Ranking
France	15.7	1 <sup>a</sup>	15.5	1 <sup>a</sup>	15.1	1 <sup>a</sup>
Germany	10.4	2 <sup>a</sup>	10.8	2 <sup>a</sup>	11.3	2 <sup>a</sup>
Italy	7.2	4 <sup>a</sup>	7.5	3 <sup>a</sup>	8.0	3 <sup>a</sup>
United Kingdom	6.9	5 <sup>a</sup>	7.3	4 <sup>a</sup>	7.5	4 <sup>a</sup>
<b>Portugal</b>	<b>7.5</b>	<b>3<sup>a</sup></b>	<b>7.2</b>	<b>5<sup>a</sup></b>	<b>7.1</b>	<b>5<sup>a</sup></b>

*Source: AICEP*

The main clients of Spain, France, Germany, Italy, United Kingdom and Portugal, absorbed 49% of the countries' total exports. In 2016, Portugal was the fifth client market with a quota of 7.1% which represent a loss of 0.4 points compared to 2014 which made Portugal fall down from the third position it ranked on that year.

The exports of goods for these five main markets, in 2016, grew 9% to Italy, 6% to Germany, 5% to United Kingdom, 1% to Portugal and decreased 1% to France, according to the data of the International Trade Centre (ITC).

As for other markets, we highlight that Spanish exports grew to Morocco and China (+13%) and decreased to Algeria (8%) and Mexico (4%).

**Table 10 – Spain's Main Suppliers**

Market	2014		2015		2016	
	Quota (%)	Ranking	Quota (%)	Ranking	Quota (%)	Ranking
Germany	12.1	1 <sup>a</sup>	13.1	1 <sup>a</sup>	13.5	1 <sup>a</sup>
France	11.0	2 <sup>a</sup>	10.8	2 <sup>a</sup>	11.1	2 <sup>a</sup>
China	7.5	3 <sup>a</sup>	8.7	3 <sup>a</sup>	8.7	3 <sup>a</sup>
Italy	5.9	4 <sup>a</sup>	6.3	4 <sup>a</sup>	6.6	4 <sup>a</sup>
USA	3.9	5 <sup>a</sup>	4.7	5 <sup>a</sup>	4.8	5 <sup>a</sup>
<b>Portugal</b>	<b>3.8</b>	<b>8<sup>a</sup></b>	<b>3.8</b>	<b>8<sup>a</sup></b>	<b>3.9</b>	<b>8<sup>a</sup></b>

*Source: AICEP*



On the imports side we have as the best supplier of Spain, Germany, France, China, Italy and USA, who were responsible for around 45% of all imports in 2016 (5 points more than in 2014). According to ITC, in 2016 Portugal ranked eight on Spain's main suppliers and it represents 3.9% of Spain's total foreign purchases, 1% less in total value than the previous year.

In terms of structure of the Spanish exports, the intermediate goods represent a 53%, the consumption goods a 38% and capital goods 9%.

Also on the Investment area, Spain is a very strong country worldwide.

**Table 11 – Spain Investment Situation**

	2011	2012	2013	2014	2015
<b>Foreign Investment in Spain</b>	28.4	25.7	32.9	22.9	9.2
<b>Investment of Spain Abroad</b>	41.2	-4.0	13.8	35.3	34.6
<b>World “ranking”</b>					
<b>As a receiver</b>	16 <sup>a</sup>	14 <sup>a</sup>	15 <sup>a</sup>	17 <sup>a</sup>	34 <sup>a</sup>
<b>As a issuer</b>	14 <sup>a</sup>	n.d.	23 <sup>a</sup>	13 <sup>a</sup>	15 <sup>a</sup>

*Source: World Investment Report 2016 (UNCTAD)*

According to the United Nations conference on Trade and Development (UNCTAD) the flows of Foreign Direct Investment in Spain did not surpass the 9,2 Billion USD in 2015, with a quota of 0.5% worldwide (corresponding to 2.1% of the foreign investment received by the EU), ranking 34th, even though the previous year it was inside the top 20. However, in terms of total Foreign Direct Investment Stock, this was as high as 533,3 Billion USD in 2015 (about 44.5% of the GDP), ranking 12th worldwide (5th on EU, after United Kingdom, Germany, France and Netherlands), with a quota of 2%.

These rankings show how powerful are Spanish commercial relations, now let's see how much they affect Portugal trade numbers and our economy.

### 3.2. Spain and Portugal – Commercial behavior between neighbors

Spain keeps being Portugal's most important commercial partner, ranking 1<sup>st</sup> both as a client (20.89%) and as a supplier (31.2%).

**Table 12 – Quota of Spain on the Portuguese International trade of goods and services**

		2013	2014	2015	2016	2017	2018 jan/oct
<b>Spain as a client of Portugal</b>	<b>% Export.</b>	19.91	19.76	20.52	21.38	20.89	20.78
<b>Spain as a supplier of Portugal</b>	<b>% Import.</b>	30.53	31.02	31.14	31.44	30.53	30.31

*Source: Bank of Portugal*

On 2017, the Portuguese exports of goods and services to Spain reached the 17,614M€ and the imports 24,667M€. The commercial balance is therefore, unfavorable to Portugal (-7,052M€).

On the first 10 months of 2018, the exports of goods and services grew 6.5% on counterparts terms, reaching 15,623M€, while the imports grew 11% to 21,339M€. Since 2015 Portugal has been able to maintain the covering ratio higher than 70%, and by October 2018, what we had exported to Spain covered 71.2% of what we imported from that same market.

For this positive evolution on the relationship between Spain and Portugal, it contribute several factors, such as: the cultural and geographical proximity between the two nations; the accessibility (ground and air); a degree of integration of several chains of services and supplies that enables business and partnership opportunities between companies of both sides of the Iberian Peninsula.

If we focus now simply on the side of goods, the relevance of Spain is also quite obvious. In 2017, 25% of the goods we exported went to our neighbor country and almost a third of all our imports came from them too.

**Table 13 - Ranking and Quota of Spain on the Portuguese international trade of goods**

		2013	2014	2015	2016	2017	2018 jan/out
<b>Spain as a client of Portugal</b>	<b>Posição</b>	1	1	1	1	1	1
	<b>% Export.</b>	23.63	23.48	24.80	25.84	25.19	25.32
<b>Spain as a supplier of Portugal</b>	<b>Posição</b>	1	1	1	1	1	1
	<b>% Import.</b>	32.26	32.55	33.03	33.12	32.31	31.34

*Source: INE - Instituto Nacional de Estatística*

Notice that between 2013 and until October 2018, Spain's quota on our total exports of goods was always around of 25%, that means that every year a quarter of all goods that leave our country go to Spain... A quarter!!

Despite that stable tendency of the quota, the absolute numbers show a year-to-year increase.

**Table 14 - Portugal's Commercial balance of goods with Spain**

	2013	2014	2015	2016	2017	Var % 17/13 <sup>a</sup>	2017 jan/out	2018 jan/out	Var % 18/17 <sup>b</sup>
<b>Exports</b>	11,176,7	11,284,0	12,309,5	12,929,6	13,860,7	5.6	11,561,8	12,342,3	6.8
<b>Imports</b>	18,393,6	19,214,0	19,932,3	20,345,0	22,452,6	5.2	18,496,8	19,486,1	5.3
<b>Balance</b>	-7,216,9	-7,930,0	-7,622,8	-7,415,4	-8,591,9	--	-6,935,1	-7,143,8	--
<b>Cove. Ratio. %</b>	60.8	58.7	61.8	63.6	61.7	--	62.5	63.3	--

*Source: INE - Instituto Nacional de Estatística*

On 2017 Portugal exported to Spain 13,860M€ worth of goods, and imported 22,452M€. On the last 5 years, the Portuguese exports have been showing a tendency of

sustained growth, with an average increase of 5.6% every year from 2013 to 2017. Also the imports grew on that period, however at a slower rhythm (5.2%) which allowed us to decrease the negative commercial balance between 2014 and 2016 and to raise the coverage ratio on 4.9 points. Despite that in 2017, the commercial balance decreased again as well as the coverage ratio that lost 1.9 points compared to 2016.

On the first ten months of 2018, the exports of goods had a value of 12,342M€ which corresponds to a growth of 6.8% compared with the period of January to October of 2017. Imports also grew 5.3% and made our commercial balance our negative. Nonetheless, our coverage ratio on this period was higher than 63%.

In addition, if we analyze the exports by groups of products we can see an absolute growth in value on the main groups, which are a reflex of the top 10 Portuguese export firms to Spain, on 2016:

- 1- BA Glass Portugal, SA;
- 2- Faurecia – Assentos de Automóvel, Lda;
- 3- Faurecia – Sistemas de Escape Portugal, Lda;
- 4- Navigator Fine Paper, SA;
- 5- Petróleos de Portugal – Petroga, SA;
- 6- Peugeot Citroen Automóveis Portugal, SA;
- 7- Renault Cacia, SA;
- 8- Repsol Polímeros, SA;
- 9- RGVS Ibérica – Sociedade Ibérica de Produção de Artigos de Desporto, Unipessoal, Lda;
- 10- Santos Barrosa – Vidros, SA

*Source: INE – Instituto Nacional de Estatística*

**Table 15 - Portugal's exports to Spain by type of good**

	2013	% Tot 13	2016	% Tot 16	2017	% Tot 17	Var % 17/16
<b>Vehicles and other transportation material</b>	940,7	8,4	1,427,2	11,0	1,595,0	11,5	11,8
<b>Agricultural</b>	1,137,0	10,2	1,314,1	10,2	1,509,1	10,9	14,8
<b>Common Metals</b>	1,057,8	9,5	1,216,1	9,4	1,485,9	10,7	22,2
<b>Clothing</b>	965,9	8,6	1,362,1	10,5	1,345,0	9,7	-1,3
<b>Plastics and Rubbers</b>	904,0	8,1	1,148,3	8,9	1,257,9	9,1	9,5
<b>Machines and devices</b>	865,8	7,7	1,057,7	8,2	1,148,1	8,3	8,5
<b>Mineral fuels</b>	1,110,0	9,9	778,9	6,0	866,6	6,3	11,3
<b>Minerals</b>	492,4	4,4	580,2	4,5	677,7	4,9	16,8
<b>Alimentary</b>	623,3	5,6	637,4	4,9	618,2	4,5	-3,0
<b>Chemicals</b>	686,1	6,1	614,7	4,8	609,7	4,4	-0,8
<b>Cellulose Pulp and paper</b>	556,0	5,0	577,4	4,5	599,6	4,3	3,8
<b>Textiles</b>	350,2	3,1	420,1	3,2	417,6	3,0	-0,6
<b>Wood and cork</b>	363,9	3,3	323,9	2,5	352,4	2,5	8,8
<b>Footwear</b>	175,5	1,6	195,8	1,5	180,4	1,3	-7,8
<b>Optic instruments</b>	119,4	1,1	150,5	1,2	166,3	1,2	10,4
<b>Leather and skins</b>	63,5	0,6	76,1	0,6	80,7	0,6	6,1
<b>Other products</b>	765,4	6,8	1,048,8	8,1	950,3	6,9	-9,4
<b>Total</b>	11,176,7	100,0	12,929,6	100,0	13,860,7	100,0	7,2

*Source: INE - Instituto Nacional de Estatística*

On 2017, on the exports by groups of products we can point out the follow: Vehicles and other transportation materials (11.5%), agricultural (10.9%), common metals (10.7%) and clothing (9.7%). Notice that the first three groups of products had substantial growths from 2016 to 2017 (all more than 10%), which means that from the goods we export a lot... we are exporting even more. On the imports side we have: agricultural (15.1%) and machines and devices (11.9%).

Moving now to the services side, we see that the absolute numbers are way smaller, so it does not assume the relevance of the trade of goods (which is unfortunate because on the services side our numbers are highly positive). Despite that, the numbers are cheering and between 2013 and 2017 our exports of services are growing at a rate of 11% per year, while the imports of services are growing at a slower rate of 9.5% per

year. The higher growth from the exports side allowed us to have a coverage ratio of 140% in 2017.

**Table 16 - Portugal's Commercial balance of services with Spain**

	2013	2014	2015	2016	2017	Var % 17/13 <sup>a</sup>	2017 jan/out	2018 jan/out	Var % 18/17 <sup>b</sup>
<b>Exports</b>	2,603,3	2,878,4	3,107,2	3,507,0	3,943,6	11.0	3,263,6	3,430,9	5.1
<b>Imports</b>	1,969,0	2,301,4	2,358,8	2,632,4	2,817,7	9.5	2,373,8	2,603,8	9.7
<b>Balance</b>	634,3	577,1	748,4	874,7	1,125,9	--	889,7	827,1	--
<b>Cove. Ratio. %</b>	132.2	125.1	131.7	133.2	140.0	--	137.5	131.8	--

*Source: INE - Instituto Nacional de Estatística*

On 2017, Portugal exported services to Spain on the value of 3,944M€, when in 2013 that value was no higher than 2,603M€. That means that in the period of 2013 and 2017 the exports of services to Spain grew 51%. On that same period, the imports grew 43%.

2018 showed a slight decrease on the growth rate of our exports of services (5.1% compared with first ten months of 2017), however the commercial balance still remains considerable favorable to Portugal.

When making the analysis of the exports by type of service, the job gets quite simpler than in the exports of goods.

**Table 17 - Portugal's exports to Spain by type of service**

	2013	% Tot 13	2016	% Tot 16	2017	% Tot 17	Var % 17/16
<b>Travelling and Tourism</b>	1,134,6	43,6	1,640,8	46,8	1,995,7	50,6	21,6
<b>Transports</b>	636,3	24,4	871,9	24,9	871,1	22,1	-0,1
<b>Other serv. Supplied by companies</b>	327,0	12,6	562,0	16,0	583,4	14,8	3,8
<b>Telecom., informatics e information</b>	109,1	4,2	138,2	3,9	148,5	3,8	7,5
<b>Transfer of resources from third parties</b>	152,6	5,9	118,7	3,4	138,3	3,5	16,5
<b>Construction</b>	68,0	2,6	62,7	1,8	75,3	1,9	20,1
<b>Maintenance and repair</b>	41,3	1,6	26,7	0,8	49,0	1,2	83,8
<b>Financial</b>	65,2	2,5	24,8	0,7	28,2	0,7	14,0
<b>Insurance and pensions</b>	28,6	1,1	25,4	0,7	24,5	0,6	-3,6
<b>Personal, cultural and leisure</b>	34,5	1,3	27,8	0,8	22,7	0,6	-18,4
<b>Intellectual property use rights</b>	4,0	0,2	5,5	0,2	3,8	0,1	-30,2
<b>Goods and services public administration</b>	2,1	0,1	2,8	0,1	3,2	0,1	15,8
<b>Total</b>	2,603,3	100,0	3,507,0	100,0	3,943,6	100,0	12,4

*Source: INE - Instituto Nacional de Estatística*

Travelling and Tourism assumes a core importance on this analysis. On 2013 it was responsible for 43.6% of our total exports and services and in 2017 it grew by 7 points, which made that the value of tourism and travelling exports surpass the 50% among all the exports of services with a value of 1,995M€. Transportation (22.1%) and Other services and companies supplies (14.8%) are the other two types of services with a substantial impact on our total exports of services.

On the investment side, Spain is traditionally one of the biggest foreign investors in Portugal. Accordingly, to the bank of Bank of Portugal, in 2016, the investment of Spain in Portugal, according to the directional principle was valued in 1,298M€. In

terms of stock it was of 25,650M€ by the end of 2016, which ranked Spain as the second country investing more in Portugal (22.9%) and growing 5.4% per year between the period of 2012 and 2016.

The other way around the investment of Portugal in Spain is also growing at a very fast pace, 46% per year between 2012 and 2016, according to the directional principle and 22% per year between the same period in terms of stock. Equally to the foreign direct investment Spain is also the second country receiving more Portuguese foreign investment with a 22.4% share.

### 3.3. The case of Internationalization

Like, I have said on previous chapters, exporting is the first step to internationalization. On the empirical analysis made before, the numbers of exports of goods and services from Portugal to Spain show a continuous growth the last years, which is something that also reflects the increasing number of Portuguese companies exporting to the neighbor market.

**Table 18 – Exporters to Spain**

		2013	2014	2015	2016	2017
<b>Exporters to Spain</b>	<b>N° Companies</b>	5,262	5,278	5,469	5,609	5,874

*Source: INE - Instituto Nacional de Estatística*

*Note: Includes only legal persons. It excludes companies of individual name.*

On 2012, there were 5262 companies exporting to Spain. On 2017 there were already 5874 (+612 companies) which corresponds to a 11.6% growth at a rhythm of 150 companies more per year.

In addition, there exist a huge complementarity between the Portuguese and the Spanish productive tissues, and a high degree of Iberian integration of innumerable supply chains and services that opens the possibility of businesses and partnerships. Portuguese companies very often integrate those supply chains of goods and services that afterwards are exported by Spanish companies.



Despite these cheering numbers and scenarios, the commercial relations between Spain and Portugal do not develop by themselves and the intervention of Political and Diplomatic agents does not slow down. The presence of institutions that promote exports and/or the capture of investment is made in Spain since the early 70's and still nowadays, there is a strategy well delineated of action of Economic Diplomacy framed with what are the objectives of Portugal for this market.

In the center of the Portuguese actions to help internationalization is "Portugal 2020". This program is an agreement established between Portugal and the European Commission that goes alongside the objectives of "Europe 2020". These agreements have fixed a strategy for a smart, sustainable and inclusive growth that promotes the development and creation of jobs.

One of the axes of "Portugal 2020" is "COMPETE 2020", which is the axis of the program specifically dedicated to reinforce the competitiveness of our economy and help internationalization. This part of the Program counts with almost 40% of the total funds, which makes of it the most important axis of action. Let's try now to understand what other actions of Economic Diplomacy are taken to help our companies moving forward.

On interview to Dr. Eduardo Henriques, delegate of AICEP in Madrid from 2012 to 2017 he said: "Spain is an indispensable market for Portuguese companies, being today, particularly important for SME's that pretend to give the first step on their strategy of approach to foreign markets". He stated that the "Primary objectives of the intervention plan for the Spanish market on his mandate were as follow: Ensure the enlargement of the basis of exporters of goods and services; reinforce the presence of national companies and better perception of the Spanish economic decision-makers on relation to Portugal. To achieve these objectives it was necessary an effort of expansion of the promotion activities so to take advantage of the Spanish economic recovery."

The expansion of these promotion activities passed also for prioritize the sectors of intervention that for the mandate of 2012 to 2017 of AICEP were the following:

- 1- Capture of Foreign Direct Investment: Spain occupies the first place as investor in Portugal, and the proximity, competitive costs and the existence of a big presence of

big Spanish companies in Portugal, naturally opens space for other companies (especially SME's) to come install in our country.

- 2- Technologies of information and digital industries: The Portuguese sector of technologies of information is currently one of the most dynamical on the Spanish market and Portugal counts with a lot of small companies with great creativity and future. Therefore, and given the potential of the Spanish market in terms of dimension and partnerships, there was made a big effort to promote areas like “apps”, “vertical applications” or “cloud”.
- 3- Automotive industry: All of the big constructors installed in Spain, have been announcing projects of investment and contracts for new models. This way, the Portuguese suppliers of components/services for the automotive industry, with big experience on the sector, can expand or win market quota as Iberian suppliers with the new opportunities.
- 4- Aeronautical: The Spanish aeronautical sector, one of the biggest in the world, is important mainly for the implementation of AIRBUS and for the cluster that has been developed these previous years. The future projects, and an everyday bigger representation of the sector in Portugal, advise to encourage the relationship between Portuguese and Spanish companies suppliers of products and services related to the sector.
- 5- Agribusiness: Being a key pillar for the recovery of our economy, the Portuguese agribusiness sector is every day more competitive, and it has been betting on the innovation and quality of its products and improving the processes of exportation and internationalization. Even though it is also a direct competitor, the Spanish market is particularly important for Portuguese companies with the complementary products.
- 6- Fashion: The recovery of the demand for textile products keeps following a growth path, combined with an increase of the participation of Portuguese companies on the supply chains of big Spanish brands of clothing with huge international expansion,

on a B2B relations that extends to services, will allow the creation of important opportunities.

Taking into account these priority sectors, Dr. Eduardo Henriques has talked me about some events of promotion from the different sectors developed by AICEP:

- Organization of visits of importers and journalists to Portugal (“Fair Modtissimo”);
- “Portugal Decanta” (Event of promotion of wines and gourmet products);
- Visits of journalist from the aeronautical sector to Portugal;
- Participation of Portugal on “Casa Decor” (sectors of decoration, textiles, materials of construction);

Besides this focus by the priority sectors AICEP had a plan of actions of Economic Diplomacy so to get to the maximum numbers of companies and possible investors in Portugal. The ex-delegate of AICEP talked me about some:

- 1- Road shows of Portugal on the autonomous communities: Knowing that our exports and the presence of Portuguese companies are mainly in 3 Autonomous community was made an effort of promotion of Portugal on other regions that offer conditions of expansion for our national exports. That being said there were developed initiatives of promotion, in partnership with, banks, lawyers offices, African specialized consulting companies and Portuguese companies with relevant experiences on the PALOP, always in strict cooperation with chambers of commerce or entrepreneurial confederations of different autonomous communities. Since the start of that program in 2012, they were organized 20 events in 15 Spanish cities, that included around 1200 companies, having identified more than 50 leads on different sectors;
- 2- Exploitation of Spain as platform country for third-party markets: Knowing that Spain is a sore country for many businesses in Latin American, it was maintained a very close cooperation with all the Iberian-American international organizations headquartered in Madrid (Casa América, Segib – Secretaria Geral Iberoamericana, OEI, etc..), as well with banking entities with a strong presence ( Santander and BBVA) and with other companies linked to the region, so we could built an observatory to detect opportunities of business and tendencies. In this regard, AICEP

participated in more than 50 initiatives of corporative effect dedicated to markets in Latin America.

- 3- Website and promotion material in Spanish: To remediate an important handicap from the Portuguese strategy of communication in Spain and in countries with Spanish as official language, AICEP translated and adapted the website, so the institutional, sectorial and information on Portugal as a country receiver of foreign investment was available in Spanish. At the same time, it was made a job of creation of information online tools destined to professionals about Portuguese supply. It was given priority to the diffusion, through electronical means and personalized emails of the opportunities to potential buyers, importers, distributors and entrepreneurial Spanish decision-makers.
- 4- Training events: AICEP promoted, constantly (at least 4-5 times per year), events of training and disclosure about the Spanish market, in Portugal. These events were specially directed to SME's on the early moments of their internationalization process. On these events, they were guided about the approach to make, the market trends, practical advices, information on areas with existing opportunities, etc...
- 5- Institutional relations: AICEP fostered the participation in all events promoted by all the organizations representing, companies, entrepreneurs and Portuguese businessman in Spain. Among the organizations the most important are Cegep (Circulo de Empresários e Gestores Espanhóis e Portugueses, Fórum dos Portugueses de Madrid and CHP (Câmara Hispano-Portuguesa de Comércio e Indústria). The objective of participating in these events was looking to boost them and stimulate the gathering of interests and efforts so as to improve the capacity of affirmation next to Spanish entities and companies. Mention that the relationship with CHP got so close that AICEP started to integrate its executive board.

To understand how far it went the implementation of these actions I have interviewed three Portuguese entrepreneurial agents. Among the around 350 Portuguese companies in Spain (EDP, SONAE, Luis Simoes, Covira, Lactogal, Bial, CDG, etc...), I got in touch with three. One big sized company (Galp) and 2 Small and medium-sized enterprises (Mundiedias and Sciency4You). Just to give a comparison is worth saying

that according to the “Câmara Hispano-Portuguesa de Comércio e Indústria”, there are in Portugal approximately, 1200 Spanish companies.

However, numbers apart, as in any debate, there are two very different sides and not always the feedbacks we got corresponded with what our diplomatic agents had delineated.

In interview to the CEO of Mundideias, Celeste Mourão, she appointed some limitations to the support of the internationalization process. Being a company from the publicity sector, the decision to internationalize came from the long during crisis on the sector in Portugal. When asked about the support given by diplomatic entities, Celeste Mourão stated that “Mundideias never obtained any kind of help from those entities” and reinforced saying that “After gathering all the information to ask for support the processes are as demanding as discouraging for those in need of such support”.

Despite criticizing, the help provided to her own company, the CEO of Mundideias admitted that “as far as she knew the help was given essentially to big companies or to the ones in strategic sectors”. However she stated that in the future, so as to provide higher quality support to companies in the internationalization process “the entities making that analysis, should concern about contacting small dimension companies, opening windows of opportunity so as to potentiate better results or facilitate any benefit whether it is financial or fiscal”.

As for the second small company, Science4You (company dedicated to selling toys), the retail manager in Spain, João Jesus, said that: “the decision to internationalize came from the need of a bigger market, and on 2011 Spain was the most obvious market”. The help provided was given by a bigger company, FNAC, that given the success on the sails in Portugal, opened the way so Science4You could give the next step.

When asked about events of promotion realized by the embassy or any other agents, Joao Jesus, focused on a point previously spoken earlier. On his own words: “On my understanding there are promotion events with other companies, but always on the so-called “star sectors”, like wine, glass, or with the big names like Vista Alegre, ETC... The toy sectors is very small, and totally untraditional in Portugal, and on my point of view the embassy was not going to be able to help much”.

Nonetheless the retail manager was able to focus a positive point, from an action developed it just for AICEP Spain but from AICEP as an institution, which was the INOV Contacto program. INOV is a program of professional internships, that sends young Portuguese people to any part around the world to work on a foreign company, and it allows training Portuguese talent on an international environment, to support the internationalization of our entities and to promote the image of Portugal in the world.

“If we consider the INOV internships as an activity of support to internationalization from the diplomatic entities, then yes I must say it was a fantastic help. Since 2011 Science4You has had 9 interns, in the areas of Marketing, Finance, Management and Translation, that made an outstanding work and some of them were later hired for the Spanish hub and for the headquarters in Lisbon. The costs of having them would have never been possible to sustain on those times, and so the company would not have been able to develop as fast as it really did during these years.”

Despite the positive point of view on the INOV project at the end of the interview Joao Jesus focused that our diplomatic agents could promote events with big retailers and entrepreneurs, and inclusively with public entities so they get to know better our companies, especially the one from non-traditional sectors that have more difficulties to show off to investors.

Last, but not least I had the opportunity to talk with the secretary to the Board of Directors of Galp Spain, Joaquin Motos, and his sight was somehow different to the ones I previously presented. Galp is one of the biggest Portuguese companies existing and it operates in Spain since 26 February of 1979 on all businesses related to petrol.

Since its entrance on the Spanish market, Galp is partner of “Camara Hispano-Portuguesa de Comercio e Industria”.The relationship between CHP and AICEP is so strictly close that some years ago AICEP started to integrate its executive board. This privileged position allowed Galp to participate in events between Portuguese enterprises and entrepreneurs.

These benefic events “happen in a way of chats or meals always with illustrious people, Portuguese or Spanish, which have bonds with Portuguese entities or companies. On those events, contacts are made between different enterprises to create synergies and take advantage of the services that those entities provide. Also there is always time

dedicated to listen the struggles that the entrepreneurs feel on the Spanish market, and as far as possible AICEP tries to access on their needs”.

Despite being happy with the support provided from our diplomatic agents, Joaquin, said that more could be done and that the good political relationship between Portugal and Spain should be much more fruitful at the hour to make business and to spread useful information so everyone was more informed on the hour to internationalize.

So, we saw that the help is given but still does not get to everyone who needs it and there are still visible barriers on the work made by all the agents and things to improve to make the process of internationalization better and easier for everyone. The importance of Spain is not forgotten and AICEP says that “Spain will keep being a priority market for the Portuguese SME’s that intend to start a strategy of internationalization, constituting almost always the first step on their strategy of approach to the exterior.”

Knowing that Spain is such an important market the higher rankings of our government keep working on reinforcing the relations and it is worth to say that only between 2014 and 2018 there were 16 official and entrepreneurial contacts under the ministry of economy.

From those contacts we can highlight the most recent one which was the “XXX Cimeira Luso-Espanhola”, that happened on the 21st of November of 2018, in the Spanish city of Valladolid and was celebrated by the prime-ministers of both Portugal and Spain. This summit focused on all areas of actions of the governments: “Cross-border cooperation and demographical challenge”, “Ecological transaction”, “Science and Technology”, among many others.

At the entrepreneurial level, some points were defined, between them:

- “Spain and Portugal consider that, on an every time more global and digital world, betting on innovation and entrepreneurship is crucial to develop a prosperous and sustainable economy.”
- “Both countries will take advantage from synergies of the Strategy of the Entrepreneurial Nation from Spain and from the Portuguese StartUP program and create an axe of entrepreneurship Luso- Spanish that favors the flourishing ecosystem of innovation in both countries and that establishes synergies and

roads of cooperation between companies, entrepreneurs and Luso-Spanish administrations”;

- “Spain and Portugal recognize the relevance of small and medium enterprises for the growth of both economies and the importance of its adaptation to the new panorama featured by innovation, digitalization and sustainability. Both parts show their will of working together to achieve a bigger cooperation in the context of innovation and entrepreneurship on the scope of the SME’s where the exchange of good practices can be a crucial tool.”

Both governments seem to agree on the importance of the SME’s still as we saw earlier there are still failures at the time to support them. The entrepreneurs I interviewed seem to point the favoring of big companies at the hour to fully aid the companies in the process of internationalization or to the ones that are already on the Spanish market.

On the other hand the political and diplomatic agents seemed to point other gaps. Dr. Eduardo Henriques said that to facilitate the entrance on Spanish markets Portuguese companies should: “Have a more constant presence and monitoring of their clients, should hire staff that dominates the Spanish language, define and pursue a commercial and marketing strategy at the medium run, study deeply the Spanish market considering the important differences between the autonomous communities, habits of consumption and specific needs of the clients.”

On the point of view of the ex-delegate of AICEP in Madrid by making some of these things, Portuguese SME’s would be much better prepared at the time to entrance the Spanish market.

Still, these ideas do not change the lack of aid that some companies get. To that, the political and diplomatic agents agreed that human resources are too short to execute all the ideas planned. Both Dr. Paulo Portas and Ambassador Pedro Pessoa e Costa, referred that the investment on this area is still too short for the benefits that can bring to Portugal’s economy and companies.



## Conclusion

Studying the direct impact of Economic Diplomacy in the growth of exports and in the capacitation of our companies to internationalize proved to be a bigger challenge than I could ever expect. Despite that, I believed that the data I gathered allows me to take relevant conclusions on what concerns the reality of Economic Diplomacy in Portugal.

As we said in the beginning of this thesis:

*“We define Economic Diplomacy as the use of states’ political influence capacity in favour of its economic interests on the foreign markets. It has not replaced the conventional political diplomacy, but it has become its inseparable element. Economic Diplomacy negotiates the freedom to export and invest beyond the national borders. It takes action together with the companies that are in foreign markets and in the European case this is the base on the community growth itself.” (Morillas, 2000:41)*

Economic Diplomacy is no more than actions made by states to increase their potential of making business on foreign markets. Being a set of actions, it is impossible to quantify exactly how much of those actions made by Portuguese political and diplomatic entities impacted on the increase of our numbers of foreign trade, attraction of investment and help given to Portuguese companies on their attempt to internationalize.

However, these measures alone, would not mean much without a credible economy behind. We commented during this thesis the reputational problem that Portugal had in the beginning of this decade. Our government and institutions fought against that to make foreign economies believe more in our products, companies and nation. The constant improve of our image abroad is one of the best tools that our country can have to boost our exports or attract foreign investment.

The work on that reputational issue can be seen by the rankings attributed to Portugal on the “Global Competitiveness Report”<sup>8</sup>.

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<sup>8</sup> Yearly report published by the World Economic Forum. Countries are ranked according to 12 pillars of competitiveness such as: Infrastructure, transports, macroeconomic environment, etc...

On that Report, in the year of 2012-13 Portugal ranked 49<sup>th</sup>. On the pillar of financial market development, we were on the 99<sup>th</sup> position and on macroeconomic environment our country was placed on the 116<sup>th</sup> position... out of 140 countries ranked.

Last year's reports result shows a different scenario and can make us believe that things are better nowadays, and Portugal is a more competitive economy than it was 6 years ago. This report showed our nation 15 positions above in the overall final classification, ranked 34<sup>th</sup> out of 140 countries. On the equivalent pillars mentioned before Portugal got much better, macroeconomic stability came to the 58<sup>th</sup> position and financial system to the 38<sup>th</sup>.

Not only on the global competitiveness index Portugal has gained some terrain over the years. Also, the rating from the main agencies (Standard & Poor's or Moody's) has been climbing over the years and that also transmits an important message of confidence to the countries' economy that is directly linked with the way investors look to our companies and to the possibility of coming to invest in Portugal.

So, with a stronger reputation and a clear identification of the priorities our country seems to be going the right way to keep growing outside our borders. As I said earlier the exact quantification is impossible, but what is not impossible is to know that the importance given to Economic Diplomacy nowadays is much bigger than what it was ten years ago, or certainly much bigger than it was in the previous century, and it is not happening only in Portugal but in many countries around the world.

Therefore, I think this paper allows me to state that Portugal is intensifying its measures of Economic Diplomacy. Political and diplomatic agents are perfectly aware of the globalization process that speeds up every day. On what concerns our foreign policy I think we are working on every direction to collect more from the international trade share, to get to more markets and to be more efficient on those markets.

Also, there is also a strategy defined to work on the sectors that can bring more value to Portugal and that are more sustainable in the medium run.

AICEP is making an extraordinary work with the resources they have at their disposal and the news of new ideas and actions come out every day.

Finally, I would like to emphasize that the relevance given to the Spanish market throughout the thesis was not random. More than history that brings the two countries together and all the cultural and territorial proximities, Portugal and Spain are two nations that share a friendship and sympathy for each other.

I think that from that sympathy, it is possible to develop all the state and entrepreneurial relations of success that happen between the countries and that seem to be worked on every day.

Spain is a very big economy and using this friendship I think Portugal has everything to win on keep collecting the maximum benefit from the synergies existent between the two countries to make our companies grow inside the Spanish market, or to use the Spanish market as a trampoline for other relevant markets, as for example, south America. Also, from my years living in the neighbour country, I can say that unlike Portugal, Spain has a tremendously aggressive market of internal consumption, and that is a very big advantage to our companies that try to settle here from the most various sectors. It is very important to mention something that one of the interviewees said “off the record”, that Spain is not a country as Portugal but an agglomeration of communities. Among those communities the culture, the food, the habits, the ways of making business change a lot... There are several communities in Spain with big economic power that have not been explored by our companies or even by our agencies. If we focus there we can win more markets, because a business that does not work in Madrid, does not mean it will not work in the Basque Country.

However, I do not want to conclude this thesis without appointing something I realized during all my interviews. When asked if more could be done on the area of Economic Diplomacy both the entrepreneurs as the political-diplomatic agents said yes. The first ones referred that maybe the help was not getting to everyone that needed them and the second ones referred that the investment and the human resources on this area of the government were quite short.

If we bring the pieces together we can assume that , from the financing the ministry of foreign affairs and AICEP receive go to help the bigger companies from the sectors with the best results and success in the short-run because are the ones that bring bigger value to Portugal in a shorter period of time. Maybe it was about time of dimensioning the problem in a longer run and stop thinking about immediate effects of improvement but of measures that could help our companies for the longest.

Portugal is in a moment of recovering and despite it is already being made a lot on this area, perhaps it is still not given the right resources whether they are financial or human to collect the profit that our foreign policy can bring. The quality of our products and workers is already recognized worldwide, so now we just have to be sure we get to the

maximum markets and sectors possible and are aware from the best opportunities that can come from absolutely everywhere.

The globalization process does not tend to slow down, otherwise everything makes it look that it will be faster every day, so Portugal as a country, needs to be sure that it collects its fair share and that we will work to be more competitive, more aggressive and specially more helpful to our own Small medium enterprises of today that with the right guidance and counselling can be the big company of tomorrow... In the words of our ambassador of Portugal in Panamá, “There are no barriers. The success of our external action in Economic Diplomacy will be as much as possible with the financial and human resources provided”...

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- **IDI** – Instituto Diplomático Ministério dos Negócios Estrangeiros.  
<https://idi.mne.pt/pt/>;
- **IMF** – International Monetary Fund.  
<http://www.imf.org/external/index.htm>;
- **INE** – Instituto Nacional de Estatística.  
[http://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine\\_main](http://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_main);
- **ITP** - Instituto do Turismo de Portugal.  
<http://www.turismodeportugal.pt/Portugu%C3%AAs/Pages/Homepage.aspx>;



- **MAEC** – Ministerio de los Asuntos Exteriores y cooperación  
<http://www.exteriores.gob.es/Portal/en/Paginas/inicio.aspx>;
- **ME** – Ministério da Economia.  
<http://www.portugal.gov.pt/pt/os-ministerios/ministerio-da-economia-e-do-emprego.aspx>
- **OXFAM** – Oxfam International  
<https://www.oxfam.org/en/about>;
- **UN** – United Nations  
<http://www.un.org/en/index.html>;
- **WTO** – World Trade Organization  
<https://www.wto.org/>;
- **World Bank.**  
<http://www.worldbank.org/>;

## **Anexes**

### **Annex 1 – Interviews to Political-Diplomatic Agents**

The responses of the two interviews were given in Portuguese. These translations try to be as faithful as possible regarding original interviewer's words.

#### **Annex 1.1 – Interview to Dr. Eduardo Henriques – Ex-delegate of AICEP in Madrid**

##### **1. Since what year is the delegation of AICEP present in Spain**

Being AICEP a heiress institution of many different institutions of promotion of Exports and/or captivation of investment that succeed each other over time, we can consider that the commercial representation of Portugal in Spain exists in a structured way, since the early 70's.

##### **2. What were the biggest challenges of our foreign policy, when AICEP was created?**

AICEP, as economic/commercial arm of our the Portuguese foreign policy, has maintained the same priorities of action and consequently the same challenges, this being, support national companies on their processes of internationalization, enlarging in parallel our national export basis and captivating structured foreign investment to the country.

##### **3. Can we consider that Portugal, given its political situation, started with delay the development of its international relations?**

Portugal has maintained, independently from its political cycles, a extremely coherent strategy of foreign policy over the time, with clear strategic priorities,

namely on what concerns the European integration, the development of its transatlantic relationship and with the “PALOP”<sup>9</sup>

**4. What was, if it possible to define a specific moment, the events that opened the doors to Economic Diplomacy in Portugal?**

Economic Diplomacy, as practice, is almost as old as diplomacy itself. Since diplomacy started to be a structural component of the countries’ actions, economic diplomacy integrated it too. Portugal is not exception on this chapter.

Nonetheless, on a pronouncedly assumed way as a priority of the state, Economic Diplomacy is part of our foreign policy agenda since the mid-2000.

The increase on the degree of internationalization of national companies, the diversification of markets (specially emergent) where those companies started to operate, the proliferation of public contracts won by Portuguese companies in different companies were factors, among others, that determinate this change of direction.

**5. On what way did AICEP change the vision/objectives of our foreign policy?**

AICEP, or ICEP or API as it was called before, always looked to alienate with the big strategic priorities of the Portuguese foreign policy. Despite that, the creation of AICEP corresponded to a plan of gathering, under the same place, the promotion of exports and the captivation of investment, on a logic of obtaining synergies and complementarities that are obvious between these two activities.

**6. On what way was the Portuguese external network defined on the 80’s/90’s? Who gave support to national companies abroad?**

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<sup>9</sup> PALOP is the acronym to African countries that have Portuguese as its official language.

ICEP – Instituto de Comércio de Portugal – disposed since its inception from an external network, formed by specific human resources specialized in foreign trade, that gave support to Portuguese companies abroad at the time.

**7. We now that globalization is a motor of Economic Diplomacy, but on what empirical way did this concept impacted our Economic Diplomacy and on the internationalization of Portuguese companies to the Spanish market?**

Globalization, and in particular the process of European integration, brought an additional impetus to the internationalization of Portuguese companies in the Spanish market. The development of an industrial sector in Spain with a strong nature of exports and the creation of integrated supply chains in the Iberian Peninsula on diverse sectors (textiles, automotive, plastics, packing, food and others) contributed in a big way for that increase.

**8. During your years in office, as delegate of AICEP in Madrid, what kind of actions/events, were promoted to support our companies? What contacts were established on those events? What benefits were taken of these contacts? How different were those events in comparison with the ones made by your antecessors?**

The strategy delineated for the Spanish market on my period in office (2012-2017) was rooted under the following lines of actuation:

Spain is an unavoidable market for Portuguese companies. As of today it is particularly important for the SME that intend to give the first step on their strategy of approach to the exterior markets. Given the complementarity of the two productive tissues and the degree of Iberian integration of innumerable chains of supply and services, the Spanish market is decisive for national companies from the most various areas of activity.

On the other hand, the growing commitment of Spanish companies in processes of internationalization for all over the world (with special incidence on Latin America) opens interesting opportunities to Portuguese companies that have the capacity to integrate the supply chains of goods and services in specific niches (facilitated for the relative deindustrialization that happened in Spain on previous years).

The primordial objectives of the intervention plan for the Spanish market were as follow: Ensure the enlargement of the exporting basis of goods and services; reinforce the presence of national companies; improve the perception of the Spanish economic decision-makers in relation to our country. To achieve these goals it was needed an effort of expansion of the promotional activity so to take advantage of the Spanish economy recovery.

#### 1- Priority sectors of actuation – Trade and investment

After the analysis of the demand from Portuguese and Spanish companies and the expertise of the market, we assumed as priority the following sectors:

##### a) Capture of FDI (Specially in SME)

Spain keeps occupying a highlighted position as investor in Portugal, given the proximity, competitive costs and the existence of a strong presence of big Spanish companies in our country. This naturally opens space for other companies (especially SME) to install. Taking into account the advantaged of Portugal and the Spanish business fabric, sectors like logistics and transports, agroindustry, automotive, aeronautical and Outsourcing deserve a privileged focus.

##### b) Technologies of information and digital industries

The Portuguese sector of technologies of information is nowadays one of the most dynamical on the Spanish market. Linked to the innovation and covering above all the application software for the most diverse market sections, Portugal counts with many small enterprises with great creativity and future.

Given that, and the potential of the Spanish market in terms of dimension and of potential partnerships for third markets (mainly, but not

exclusively, of Spanish language), we staked for areas like “apps”, “vertical applications” or “cloud”.

c) Contract Row

The Contract subsector – connected to the supply of equipment, both for big spaces of private character (for example, hotel business) and for public spaces – has achieved lately a huge relevance on the Spanish market. The difficult economic conjuncture that nowadays exist the traditional channels of distribution, makes that many of the manufacturers of furniture, illumination and other decoration elements pay attention to the Contract business.

On the other hand, on the actual scope of international distribution, where we distinguish a clear tendency on the direction of integral equipment, the Contract channel, figured as a new market niche with big possibilities for the Portuguese companies.

d) Cars and components for the automotive industry

The automotive is one of the sectors where the economic recovery is being more palpable on the Spanish market. All big manufacturers installed in Spain have announced projects of investment and contracts for new models. This way, the Portuguese suppliers of components/services for the automotive industry, with big experience on the sector, can expand or win market quota as Iberian suppliers with the new opportunities.

e) Aeronautical

The Spanish aeronautical sectors, one of the biggest in the world, is important above all because of the implementation of AIRBUS and for the cluster that has developed the previous years. The future projects and the increasing representation of the sector in Portugal, advice to foment the relationship between Portuguese and Spanish companies, suppliers of products and services bounded specially to engineering and subcontracts.

f) Agribusiness

Being a pillar of national economic recovery, the Portuguese agribusiness is every day more competitive, having bet on the innovation

and quality of its products and refining the process of export and internationalization. Even though, it is also a competitor the Spanish market is particularly relevant for Portuguese companies with complementary products, gourmet or that can be industrial suppliers.

g) Fashion

For its geographical proximity and complementarity of their sectors of fashion and textiles, the Spanish market is our first client and, without a doubt, an important partner for the developing of fashion brands.

The recovery of the demand of textiles/footwear keeps increasing, allied with the increasing participation of Portuguese companies of supply chains of big Spanish brands with huge international expansion, on a B2B relation that extends to services, will allow the creation of important opportunities.

Examples of actions of sectorial promotion developed:

- Organization of visits from importers and journalists to Portugal (“Feira Modtissimo”);
- “Portugal Decanta” (Promotion event of wine and gourmet products);
- Visits from journalists of the aeronautical sector to Portugal;
- Organization of commercial missions in different sectors of activity;
- Organization and Participation of Portugal in “Casa Decor” (decoration sectors, textiles, construction materials, etc...);
- Support to the national presence in fairs of many sectors; food, gourmet, fashion, industrial subcontracts, technologies of information, startups, etc...

2- Other areas of priority action:

- a) Road-show of Portugal in the autonomous communities

Knowing that the exports and the presence of national companies focus massively in 3 autonomous communities (Madrid, Galizia and Catalunha), it was made an effort of promotion of Portugal on other regions that offer conditions of expansion to the national exports, with companies potentially investors or that enable partnerships with Portuguese companies in Spain or in third markets.

This being, we developed initiatives of promotion of Portugal, in partnership with banking entities. Lawyers offices, consulting companies specialized in African markets and Portuguese companies with relevant experience on the PALOP<sup>10</sup>, always in strict cooperation with chambers of commerce and entrepreneurial confederations of several autonomous communities. Since we started this programmed in 2012, we made 20 events on 15 Spanish cities that mobilized about 1200 companies, having been identified more than 50 leads on diverse sectors.

b) Exploitation of Spain as a platform country to third markets

Taking into account that Spain is a core point for many businesses in Latin America, we maintained a very close cooperation with all the Iberian-American organizations headquartered in Madrid (Casa América, SEGIB, OEI, etc...) as well with Spanish banking entities with strong presence (Santander, BBVA) and with other companies/organizations with bonds to the region, so to build a systematic observatory for the detection of business opportunities and trends. That being said, we participated on over 50 initiatives of entrepreneurial effect dedicated to the Latin-American markets.

c) Website and promotion material in Spanish

Remediating an important handicap of our strategy of communication in Spain and with countries where Spanish is the official language, we concluded the translation and adaption work on the website of AICEP, initiated in early 2012, so to be possible to have institutional and sectorial information, as well as Portugal as a supplier and destiny of investment, in Spanish.

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<sup>10</sup> PALOP is the reference to the group of African countries that have Portuguese as their official language;



d) Actions of capacitation

We have promoted, constantly (4/5 times per year), actions of training and divulgation about the Spanish market in Portugal, specially addressed to the SME starting their internationalization process. On this training sessions, we gave indications about ways of approaching, market trends, practical advices, information on areas of existing opportunities, etc...

e) Institutional relationships

We fomented the participation on every forums and events promoted by the several organizations representing companies, entrepreneurs and Portuguese business man in Spain , always looking, if possible, to stimulate those events and the union of efforts so to improve our capacity of affirmation next to the Spanish entities and companies.

On what concerns the relationship with the CHP, it is worth to underline the strict cooperation developed over the years, with the organization of several events united and the constant and active participation of AICEP on the projects of this entity (AICEP started to integrate its executive board).

**9. What, in your point of view, can be improved to facilitate the entrance of Portuguese companies in the Spanish market and to increase the number of exports?**

A more constant presence and guidance of the clients, contract human resources that dominate the Spanish language, define and prosecute commercial and marketing strategies in the medium run, study in detail the market considering the important difference between the autonomous communities, habits of consumption and specific needs of the clients.

**10. How many personal are allocated to AICEP Spain?**

Nowadays 13 people – 9 in our office in Madrid and 4 in Barcelona.

**11. How does it work the bond between the different ministries and the action of AICEP?**

AICEP operates in a strict partnership with the ministry of foreign affairs on the external markets. Exists a coordination on the actions of promotion to develop, permanent communication with the designated ambassador on the respective market and interaction of the external representatives of the Portuguese State, specially Turismos de Portugal and Instituto Camões.

**12. On what way did the entrance of AICEP delegations on the diplomatic missions influences our national objectives and the practice of our foreign policy?**

The delegations of AICEP always maintained a very close relationship with the diplomatic missions. The integration made us gain some efficiency in terms of coordination of our policies and actions in the terrain and facilitated the contact with other institutions of the Portuguese state. On the other hand, it represented a significant decrease of costs.

## **Annex 1.2 – Interview to Ambassador Pedro Pessoa e Costa – Ex-Administrator of AICEP**

- 1. When you were nominated ambassador of Portugal in Panama, you were referred as an expert in Economic Diplomacy. Taking into account that perspective, what were for you, the past events that market Portuguese Economic Diplomacy?**

There are who says that diplomats are “generic experts”! But, humor aside, I believe this label, that got attached to me, and that makes me very proud, has to do with the fact that I was in office for 3 years under 2 different administrations of AICEP in a particularly important moment for me as a professional of diplomacy, for AICEP and MNE, for the internationalization of Portuguese companies and brands, and for Portugal. It was a unique moment where we saw a turn and reinvention of national companies, from innovation on the approach to new markets, and where there was a national consensus to improve and support the promotion of Portugal abroad, seeking to achieve higher numbers of exports as a percentage of our GDP.

I will start to say that Economic Diplomacy was always present on the foreign action, on the activity of the Portuguese diplomats. The truth is, that what happened, in a big part due to the action and involvement of our ex-Minister of Foreign affairs and ex- Vice Prime Minister, Paulo Portas, was that the guardianship of AICEP passed to the Ministry of Foreign Affairs (as well as the integration of diplomats, not only on the administration, but also on the structures of the agency) and without a doubt a bigger coordination and articulation on the actions in the area of Economic Diplomacy.

I believe I will not be exaggerating if I say the term “Economic Diplomacy” started to be a part of the DNA of the diplomats, from the Youngers to the most experienced. The relevant themes of this subject start to integrate the program of the contests of access to the diplomatic career, as well as a substantial part of the program of the annual diplomatic seminaries. It was the ministry’s intention that everyone understood that diplomacy in this century changed a lot, which does not mean that traditional diplomacy has disappeared or became secondary. Nowadays it is unavoidable the integration of this business component, the pro-

motion of the Portuguese excellences and expertise on the functions of a diplomat.

It was significant the effort done for this coordination and articulation. The image of Portugal abroad looked to be fragmented and managed by different ministries with few articulations of their activities.

Indeed important it was the effort made on the co-localization of all the external representation in the same place. From 2013 to 2015, Turismo de Portugal, AICEP, Consulate services and chancelleries started to integrate the same physical space, resulting in budgetary savings requested at the time, but allowing a unified image and simultaneously a bigger knowledge and coordination of activities that such proximity facilitates.

The recent success of Economic Diplomacy had on its basis, curiously, the crisis that affected Portugal and Europe. From that, it appeared a new dynamic of the Portuguese corporative tissue that had to reinvent itself to internationalize and conquer new markets. Considering this aspect, I always tell investors, that more than the homework they should do, all the information they can obtain from the Portuguese external representation it is from great importance to understand the basis and the future of business. Here enters the so called traditional diplomacy that must have the correct information of the political, economic and social situation of the country that allows the entrepreneur to understand the past, present and future of the market, as well as know the market trends.

The truth is, that the entrepreneurs themselves started to look at embassies and diplomats as partners in their efforts. This is very important, because it generated a true change on the perception of diplomats on the entrepreneurial community, that started to contact frequently the external representation.

On the previous government, it was given an instruction so that the space of the embassies could be available for actions of external promotion, something that allowed to create a bigger proximity between the two realities.

- 2. When, in your opinion, did Economic Diplomacy started to make part of the Portuguese political agenda? On what circumstances occurred the first actions of promotion of our Economic Diplomacy?**

It has always made part, maybe in a less visible way, more *ad hoc* depending on the interests of each diplomat, but more recently, it was understood as a priority for the government and the Portuguese foreign policy. It started to be a part of the daily lexicon of diplomatic work, and with few resistance from those ones that hid behind the short knowledge on commercial subjects.

The cases where there were made actions of Economic Diplomacy where the heads of the mission did not know about it, substantially reduced, and in reality, they started to make part of them. The presidential visits, almost in their totality started to integrate economic and entrepreneurial forums and segments of B2B that, for implicating a bigger involvement from the embassies created a new routine and attention on the respective functions.

**3. Knowing that we live in an era of globalization, how important it was to assume Economic Diplomacy as a priority for our foreign policy?**

An unavoidable reality, actually followed by many other countries. In fact, some of those countries do not hide that the opening of embassies in some capital cities it is essentially under the perspective of making business.

It is an obligation for all diplomats to be aware of the national interests, and to defend those interests on the country they are allocated and identify potential businesses for Portugal.

Who did not understand that diplomacy is not made in the same patterns of the last 20 years, would even say the last five, very little or nothing have understood. Diplomats have to be every day more complete, versatile, aware and dynamic on the area of promotion of the excellences of Portugal, as well as in the captivation of foreign investment to our country.

The global world is this. Everything interacts. Everything can have effects and consequences on the countries, markets, economies.

**4. On the moment you assumed functions as administrator of AICEP, what were the main challenges of our Economic Diplomacy?**

The change of mentalities. The traditional and incomprehensible rivalry between two ministries, the comprehension that it is job of the Ministry of Foreign affairs

the external representation of Portugal. The integration of the board of the MNE in AICEP and vice versa was a successful choice, because it was careful on the choice of employees. There was the intention of showing the competences and ways/styles of working of two different realities, and once passed the initial doubts, it was notorious the integration of these employees. The truth is, they started to share practices, articulate approaches to countries and markets, and, in the case of diplomats, once placed abroad, disposed of knowledge, ways of working in themes of promotion, investment and trade that were unique and with concrete results.

Initially it proved to be a challenged, but later became a good practice, that annually the heads of mission started to have the obligation of sending a Business Plan for the following year. Plan that should always be done in coordination with the delegate of AICEP of that place (when it existed). It meant immediately, team work, share information, so much that some of the activities that were talked on those plans were financed by its integration on the plan of activities of AICEP.

Equally important, the fact that annually there is the evaluation of the diplomatic position in the area of Economic Diplomacy. This way, in two different moments of the year, the embassies focused on the programming, strategy and evaluation of their activities of Economic Diplomacy and it stopped having so many surprises over the year, for lacks of information or lack of coordination.

**5. What do you feel that it was made different on your years of administration in AICEP, compared with what was made in previous administrations? Did AICEP only take measures or did the intensity of the practice of them was also reviewed?**

During my almost 3 years in two administrations, I believe that we achieved a reinforced relationship with the ministry of foreign affairs and with the diplomatic career.

That was my most constant priority. That the past did not affect the effort of relationship and confidence between the MNE, the most economic sectors, the ministry of economy and AICEP. The themes of Economic Diplomacy started to

integrate the annual diplomatic seminars, having even created regional workshops, where the heads of mission in some regions and the delegates of AICEP and other employees also participated. There was the creation of a moment to share information on the activity developed on Economic Diplomacy, and simultaneously the anticipation of future actions.

I also concerned with adequate circulation of information coming from the embassies, the traditional telegrams, that the MNE received and that the AICEP did not. For that, we highlighted one diplomat that had the function to choose relevant information for the members of AICEP.

Also I launched the prize “MAIS DE” – prize that annually distinguished the activity of Economic Diplomacy.

Still in my time in office, themes of Economic Diplomacy started to integrate the list of subjects to the contest for the diplomatic career, as well as the experience, of putting young diplomats making internships in companies for one month.

Also introduced the practice of ambassadors, before going to their respective positions, being presented to the companies and entrepreneurs presents or with interest on that country. Practice that was very important and with excellent results for both sides.

**6. During your years in office, you looked to have given a special emphasis to the articulation of ministries and agencies. As a member of AICEP did you feel that articulation giving its fruits? What benefits came from that articulation?**

That articulation was a concern since the beginning. Firstly the articulation between the AICEP and the MNE itself that traditionally it was not the most correct one or at least it had a long range of improvements to be made. For that, the employees from both agencies had to know themselves, had to understand different working cultures and above all had to understand that they could work together. They should!!

But, in reality other ministries believe they have an axis of external representation, even knowing that the external representation of Portugal is a competence of the MNE. For that it was a challenge to work, with the ministry of economy,

of the sea, of agriculture, of health, among others... so to create bonds of trust and of sharing information.

The fact that exists a strategy council of internationalization of the economy that met regularly ended up helping this effort, as well as the strong present, vision and action of the minister of foreign affairs that defended and imposed this same coordination and articulation as enabler of concrete results.

AICEP also started to participate on the weekly meetings of coordination of the ministry of foreign affairs.

**7. What are, in your opinion, the biggest present and future barriers to the practice of our Economic Diplomacy?**

There are no barriers. The success of our external action in Economic Diplomacy will be as much as possible with the financial and human resources provided, as well as clear orientation of competences and articulation on this subject. This last aspect is very important. Diplomats are prepared to follow instructions and for that it is necessary clearness on the political orientations, and above all avoid constant changes of policies in this area. Like for the foreign investors.... Confidence and stability are fundamental. The MNE of today has even more prepared people for these functions of Economic Diplomacy and for that, not only companies, as other actors like corporative associations, universities, ministries, must see in diplomats true partners for their businesses and internationalizations. The training of young diplomats is imports. At my time at AICEP I got that the new diplomats made an internship in national exporting companies. Those diplomats (and companies) know more today of how business works.

Diplomacy is only complete if it includes it economic axis. Something that has to be understand from the begging, even though over their career they will register more or less competence for a certain type of activities.



## **Annex 2 – Interviews to entrepreneurs**

The responses of the first two interviews were given in Portuguese and the last in Spanish. These translations try to be as faithful as possible regarding original interviewer's words.

### **Annex 2.1. - Interview to Tiago Alves, Vice President and Head of International Business in Science4You**

- 1. Since when does Science4You operates in Spain? On what ways is the company present on this market?**

Since 2010, with the first sails to retailers (FNAC), and with its own subsidiary since 2011, selling to retails, distributors and directly to the final consumer on our own stores, making birthday parties or scientific summer camps.

- 2. When was taken the decision of internationalize the company to Spain? On that moment was there any support from Portuguese diplomatic agents or entities to facilitate that internationalization?**

Right after the creation of the company and the first well succeed sails in Portugal we tried to internationalize to the most obvious market (Spain), namely trough contacts made in Portugal. FNAC, our first satisfied costumer from Portugal, gave us a big help and facilitated the presentation of our line in Spain. We did not have, and neither looked, for help from diplomatic entities.

- 3. Over the years, was it made any action on the part of AICEP or the Portuguese embassy to promote Science4You as well as other Portuguese companies present on the Spanish market?**

On my understanding, there are activities of promotion with other companies, but always on the so-called “star industries”, like textiles, wines, glass, etc... and with big names like a Vista Alegre, BES (at the time) or Insurance Companies. The toys sector, is a small one, and totally not traditional in Portugal, so the embassy on our understanding would not be able to help much.

- 4. In case there were actions of promotion, what kind of events were they? On what context they happened? What contacts were established and what benefits came from those contacts?**

N/A

- 5. On your opinion, the support of political-diplomatic agents and entities was relevant on the growth of the operations of Science4You in Spain, both on the side of exports to this market as well as the success of internationalization?**

No, but on my opinion it would be difficult to make better. It does not make sense that we integrate a mission, the costs for the return expected is very low, given the specifications of the market. If we consider the internships INOV from AICEP like an activity of support to internationalization by the diplomatic entities, there I must say it was a fantastic help. I believe since 2011 Science4You has had 9 interns, on areas of Marketing, Finance, Management and Translation, that made a great job, having some of them, been hired for the Spanish subsidiary as well as to our headquarters in Lisbon. The cost of having them would never have been possible at the time and for that we would not have counted with the work made on the development of the product, business and marketing that we had during those years.

- 6. Do you believe, that in the future, more can be done from our entities to give a bigger dimension and support to the operations of Science4You in**

**Spain as well as to other Portuguese companies with wishes of internationalization?**

Yes, of course, is always possible to do more. Everything works on the basis of contacts and the ability to get to the right person inside an organization and then, the events where an embassy promotes it, inviting several leaders or directors of retailers, big companies, even public entities, for them to get to know some of our companies, inclusive the more disruptive and out of the traditional sectors, would be an incredible asset.

## **Annex 1.2. – Interview to Dra. Celeste Mourão, CEO of Mundideias**

### **1. Since when does Mundideias operates in Spain? On what ways is the company present on this market?**

Mundideias operates in Spain since 2015.

The company has fiscal entity in Spain, therefore it can make any transaction, namely, buy and sell through tax registration and Spanish NIF<sup>11</sup>. It has a legal representative for the taxation issues (Account Technician), responsible for all the transactions inside Spanish territory.

Notice that, as it is an entity also documented in Portugal, when the activity is developed in Spain, it will have to appear on issued documents of purchase and sell the NIF from both countries.

### **2. When was taken the decision of internationalize the company to Spain? On that moment was there any support from Portuguese diplomatic agents or entities to facilitate that internationalization?**

Expanding the company to Spain came with the crisis on the advertising sector and the need to reach a bigger market given the small dimension of Portugal as well as the delocalization from a big part of multinational companies that centered their activity with basis in Spain.

These two factors were from the biggest relevance, given that the company would have not been able to maintain the usual levels of revenue if this change did not happen.

We never obtained any help from diplomatic entities and every time there was an approach in this respect, the bureaucratic process is so complex and discouraging that the option was to make our own way with the inherent difficulties.

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<sup>11</sup> NIF is Número de Identificación fiscal in Spanish or Número de Identificação fiscal in Portuguese, which means Tax identification number. Is attributed to individual or legal persons to perform any relation of nature or of a tax relevance.

**3. Over the years, was it made any action on the part of AICEP or the Portuguese embassy to promote Mundideias as well as other Portuguese companies present on the Spanish market?**

We never concretized any process of asking for support. After collecting all the information to proceed, the processes are so demanding as discouraging for the ones who need that help.

**4. In case there were actions of promotion, what kind of events were they? On what context they happened? What contacts were established and what benefits came from those contacts?**

N/A

**5. On your opinion, the support of political-diplomatic agents and entities was relevant on the growth of the operations of Mundideias in Spain, both on the side of exports to this market as well as the success of internationalization?**

On my understanding and for the approaches we tried to do, I believe that the support and help is given essentially to the big companies or to the ones that possess privileged relations with the decision-makers of these questions.

**6. Do you believe, that in the future, more can be done from our entities to give a bigger dimension and support to the operations of Mundideias in Spain as well as to other Portuguese companies with wishes of internationalization?**

The future depends on what is programmed in the present and I do not feel that, despite more than 50% of our revenue is comes from outside Portugal, we were able to call the attention from the entities that make this analysis. Ot would be fair that these entities concern about contacting small dimension companies, opening windows of opportunity and approach those same companies on the way to potentiate better results and/or facilitate any financial and tax benefit.

### **Annex 1.3. – Interview to Dr. Joaquin Motos, Secretary to the Board of Directors in Galp**

#### **1. Since when does Mundideias operates in Spain? On what ways is the company present on this market?**

Galp operates in Spain since 26 February of 1979. Nowadays it is present in Spain on all the business related to petrol:

Gasolines and diesels: In stations of service like direct sails; Kerosene: Aviation; Chemical products; Asphalts; Lubricants; Fuel; Marine oil; Gas of petrol: both butane and propane;

Also commercializes natural gas and electricity.

#### **2. When was taken the decision of internationalize the company to Spain? On that moment was there any support from Portuguese diplomatic agents or entities to facilitate that internationalization?**

The decision of entering Spain had to do with the legislation existing at the time on the energy sector in Spain. It happened before the entrance of Portugal and Spain at the EU, and it existed CAMPSA<sup>12</sup>, which was the only company authorized to sell its products made from petrol. It was a monopolist sector not liberalized.

The liberalization of the sector only happened on 1992, therefore the decision of Galp entering Spain in 1979 was because the legislation allowed at the time, the importation of products derived from petrol for “contingents” – maximum quantities authorized – and only for chemical products. Afterwards there was also contingent for lubricants.

For that, the beginning of the commercialization of Galp in Spain were precisely these products, Chemicals and lubricants, because the legislation only allowed that.

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<sup>12</sup> Company responsible for the purchase and sell of petrol at the time.

It is with the liberalization of the petrol sector when Galp really starts to grow in the Spanish market.

Galp, since its inception it is a partner of the “Camara Hispano-Portuguesa”, that has its headquarters in Madrid.

Nonetheless, on that moment, the legislation was a monopoly and the import was under contingents, and it is only after the entrance of Spain of the European Union as a requisite to the adherence, that were established commitments of Liberalization of the petrol monopolies.

**3. Over the years, was it made any action on the part of AICEP or the Portuguese embassy to promote Mundideias as well as other Portuguese companies present on the Spanish market?**

As I commented before since its first days in Spain Galp is a member of the “Camara Hispano-Portuguesa”, that organizes events between Portuguese companies or entrepreneurs to listen their difficulties, and on the way it is possible, to give support and some advice according to each companies’/entrepreneurs’ needs.

**4. In case there were actions of promotion, what kind of events were they? On what context they happened? What contacts were established and what benefits came from those contacts?**

They happened in several occasions. They are events in the format of presentations/meals, always counting with the presence of some illustrious guest, Portuguese or Spanish that has on any way connections with Portuguese entities or directly to the companies.

On those events, there are contacts with different companies where it can happen synergies and take advantage of the goods or services given by others as well as learn with previous difficulties that companies went by on this particular market.

**5. On your opinion, the support of political-diplomatic agents and entities was relevant on the growth of the operations of Mundideias in Spain, both on the side of exports to this market as well as the success of internationalization?**

I do not believe it was very relevant. The monopolistic legislation implanted in Spain was the real issue we had to face.

However, it is true that the biggest step for liberalization was the entrance to the European Union, that was signed for the kingdom of Spain and the Republic of Portugal in the 1<sup>st</sup> January 1986. The signing at the same time as requirement from the partners there were part of the EU at the time, so it is clear that was political commitment from both side and that the countries diplomatic services worked in cooperation to enter the EU.

**6. Do you believe, that in the future, more can be done from our entities to give a bigger dimension and support to the operations of Mundideias in Spain as well as to other Portuguese companies with wishes of internationalization?**

It is always possible to do more. On the way that there are privileged Political relations between Spain and Portugal, more agreements and cooperation projects can be made to benefit Portuguese companies that operate in Spain.

Note: I did not have authorization from the other interviews to publish their interviews;



