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**Report on a Talk by  
Professor Luís Brites  
Pereira, Portuguese  
Deputy-Minister for  
Foreign and  
Cooperation Affairs**

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**UCT Graduate School of  
Business**

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## **GR:REEN Lectures & Seminars Series**



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### **Resetting Africa-Portuguese Relations Amid the Eurozone Debt Crisis: Prospects and Challenges**

Mills Soko<sup>1</sup>

Over the past two years, Portugal has been at the centre of a crippling sovereign debt crisis that has plunged the Eurozone into turmoil. Amid rising government debt levels that eventually necessitated a bail-out from the European Union (EU) and the International Monetary Fund, Portugal's debt was downgraded in July 2011. At the root of the problem has been sustained, low growth in the Portuguese economy and a gradual erosion of competitiveness which has made it increasingly difficult for the Portuguese government to finance its spending. Against this backdrop, renewed focus has been placed on the need to reinvigorate the Portuguese economy, not least through expanding the country's global trade and investment footprint, particularly on the African continent.

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Within this context, the University of Cape Town's Graduate School of Business (GSB), in partnership with the Global Re-Ordering: Evolution through European Networks Project (GR:EEN), hosted Professor Luís Brites Pereira, Portuguese Deputy-Minister for Foreign and Cooperation Affairs, for a discussion of the prospects and challenges underpinning efforts to reset Africa-Portuguese relations in the face of the Eurozone debt crisis. This report documents the key points of discussion emanating from this event.

Portuguese-Africa relations date back centuries. Indeed, in describing the country's African heritage, Professor Pereira labelled Portugal as the most African of all European countries. At the multilateral level, Portuguese presence in Africa is formalised through the [Comunidade dos Países de Língua Portuguesa](#) (CPLP), an inter-governmental organisation for friendship among Portuguese-speaking (Lusophone) nations that spans nine countries (including Angola, Cape Verde, Guinea-Bissau, Mozambique and São Tomé and Príncipe in Africa) with a combined population of some 250 million inhabitants.

According to Professor Pereira, the CPLP is reflective of the fact that Portugal's presence in Southern Africa is not deterministic, but organic; uniting Portuguese speakers in the region through bonds that extend beyond a common language and culture. He pointed out that economic interests are not the only consideration in Portugal's drive to diversify its relations within Africa. In this respect, he reiterated Portugal's commitment to support Africa on its path to political and economic development. Moreover, he stated that the respective business communities in Portugal and Africa, especially in Southern Africa, have much to gain from increased collaboration and a multilateral approach that is based on culture and shared values that transcend boundaries and territories.

Focusing on South Africa, Professor Pereira indicated that political relations between Pretoria and Lisbon were very strong, with the countries bound by several agreements related to culture, air transport and visa waivers. Furthermore, he noted that South Africa was home to some 400 000 Portuguese descendants. Even so, he indicated that bilateral trade between the two countries remains relatively insignificant. Although approximately 5 percent of Portuguese global exports are destined for Angola (which represents Portugal's number one non-European export market), South Africa and Mozambique collectively account for less than 1 percent of Portuguese exports.

Against this background, Professor Pereira spoke positively of the great opportunities that exist to further expand trade and investment between Portugal, South Africa and Lusophone countries in Africa through bilateral or even trilateral partnerships. He highlighted investments Portugal has made in South Africa – in machinery, textiles, fibre, cables and the banking sector – as well as the potential to expand Portuguese investment in the renewable energy, e-government and agri-food sectors in the country. At the same time, he emphasised the need to boost intra-African trade; noting the positive commitments made at the recent African Union (AU) Summit in Addis Ababa to establish an African free trade area by 2017.

In conclusion, Professor Pereira stressed that South Africa should look more closely at Portugal as a trade and investment partner, and that Portugal should do the same. Furthermore, he argued that the regional dimension of South Africa's relationship with Portugal should not be ignored.

## **Q & A Session**

At the conclusion of Professor Pereira's speech, members of the audience were provided with an opportunity to direct questions to the Portuguese Deputy-Minister. Here follows a sample of questions and his answers.

**Q:** What specific business mechanisms are required to develop trade between South Africa, Angola, Mozambique and the other Lusophone nations across the world?

**A:** The process of expanding economic relations and implementing mechanisms to capitalise on business opportunities should be undertaken sequentially. It is important to first establish a common vision and relations that can serve to point citizens and countries in the right direction.

**Q:** How has the Euro helped to boost Portugal's international trade? Would members of the AU benefit from a similar arrangement involving a common currency?

**A:** Portugal has benefited significantly from having access to the European market. It is important, however, to stress that the EU is a political project and not simply about trade and investment. In terms of the economic dimension of the Union, both nominal and real convergence was required and, although great strides have been made in terms of nominal convergence, Europe has lagged in terms of real convergence with respect to aligning productivity levels and maintaining growth trends that are compatible across member states. Regarding the prospects of establishing a common currency for the AU, it would be necessary to first establish whether African countries wish to cede their sovereignty and whether the necessary institutions and policy frameworks are in place on the continent to facilitate such a decision. A great deal of political work still needs to be done in this respect.

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**Q:** What are the key obstacles to enhancing relations between Portugal and South Africa?

**A:** There are no problems at the political level between the two countries, but there is still a need for Portugal to galvanise the support of local companies and associations and find common interests and opportunities.

**Q:** What is Portugal's perspective on the long-term implications of the Eurozone crisis? Also, what are the implications of China's growing willingness to assist Europe with its debt problems?

**A:** The excessive debt levels that have fuelled the sovereign debt crisis are part of a problem not unique to Europe. The crisis has stemmed from a failure to focus sufficient attention on the drivers of growth and the lifestyle that has been fuelling this growth. At the same time, inadequate attention has been given to social security commitments. The prevailing growth and development model must be revisited in the wake of the crisis. China has adopted a different developmental model focussed on saving, and has seen an opportunity in the midst of the current crisis to assert itself on the global stage; while, at the same time, benefiting from access to markets and know-how in the European countries that it has looked to assist.

**Q:** What new value proposition is Portugal advancing in engaging its former colonies, especially in light of China's expanding influence in these countries?

**A:** Portugal has come a long way and the colonial legacy no longer affects its political and economic relations with these countries. Relations with the former colonies have matured significantly and these countries choose Portuguese companies and investors as parties with which they want to interact. In turn, Portuguese businesses

look at these markets as an extension of the Portuguese market, and as something that they can relate to.