

ATLANTIC ANCHOR: PORTUGAL IN THE BELT AND ROAD INITIATIVE

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Abstract

This paper explores Portugal's engagement with China's Belt and Road Initiative (BRI) as a case study in geoeconomic strategy, situated at the intersection of U.S.-China rivalry and European integration. While much scholarly attention has focused on Central and Eastern Europe, Portugal's role in the BRI remains underexamined despite its Atlantic location, deep-sea port infrastructure, and historical ties with China. The study situates Portugal's participation in the BRI within the broader framework of geoeconomics, defined as the use of economic tools to pursue geopolitical aims. Chinese investments in Portuguese energy, infrastructure, and telecommunications have intensified since the Eurozone crisis, prompting concerns among Western allies about strategic dependencies. The Port of Sines exemplifies this strategic tension, attracting interest from both Chinese and American stakeholders. At the same time, Portugal has advanced its maritime ambitions through "blue economy" partnerships with China, balancing commercial cooperation with geopolitical caution. The study further examines the evolving regulatory landscape shaped by the European Union's foreign investment screening framework and the United States' efforts to curtail Chinese influence in critical sectors like 5G. Portugal's recent distancing from Huawei and reassessment of its BRI participation illustrate how smaller states can recalibrate their foreign policy amid intensifying global competition. The findings suggest that Portugal's case highlights the strategic dilemmas of middle powers navigating competing geoeconomic agendas, revealing how economic connectivity is increasingly instrumentalized for geopolitical ends in Southern Europe.

Keywords

The Belt and Road Initiative, Portugal, Geoeconomics, Port of Sines, The EU, The U.S.

Resumo

Este artigo explora o envolvimento de Portugal na Iniciativa «Belt and Road» (BRI) da China como um estudo de caso em estratégia geoeconómica, situado na intersecção entre a rivalidade entre os EUA e a China e a integração europeia. Embora grande parte da atenção académica se tenha centrado na Europa Central e Oriental, o papel de Portugal na BRI continua a ser pouco estudado, apesar da sua localização atlântica, das infraestruturas



portuárias de águas profundas e dos laços históricos com a China. O estudo situa a participação de Portugal na BRI no quadro mais amplo da geoeconomia, definida como a utilização de instrumentos económicos para perseguir objetivos geopolíticos. Os investimentos chineses nos setores da energia, infraestruturas e telecomunicações portuguesas intensificaram-se desde a crise da zona euro, suscitando preocupações entre os aliados ocidentais quanto a dependências estratégicas. O Porto de Sines exemplifica esta tensão estratégica, atraindo o interesse tanto de partes interessadas chinesas como americanas. Ao mesmo tempo, Portugal tem promovido as suas ambições marítimas através de parcerias de «economia azul» com a China, equilibrando a cooperação comercial com a cautela geopolítica. O estudo examina ainda o panorama regulatório em evolução, moldado pelo quadro de análise de investimentos estrangeiros da União Europeia e pelos esforços dos Estados Unidos para restringir a influência chinesa em setores críticos como o 5G. O recente distanciamento de Portugal da Huawei e a reavaliação da sua participação na BRI ilustram como os Estados mais pequenos podem recalibrar a sua política externa num contexto de intensificação da concorrência global. As conclusões sugerem que o caso de Portugal destaca os dilemas estratégicos das potências médias que navegam por agendas geoeconómicas concorrentes, revelando como a conectividade económica é cada vez mais instrumentalizada para fins geopolíticos no sul da Europa.

Palavras-chave

Iniciativa Belt and Road, Portugal, Geoeconomia, Porto de Sines, UE, EUA.

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Introduction

The Belt and Road Initiative (BRI) is one of the most ambitious connectivity projects in the 21st century. The expansion of China's BRI across Europe has raised significant concern and debate, leading to a range of responses within the European Union (EU) and among its member states. Academically, there has been growing interest in the initiative's influence in Europe, with particular attention given to its role in Central and Eastern Europe through platforms such as the 17+1 cooperation. However, there is still limited scholarly focus on the relationship between Portugal and China within the context of the BRI, especially in relation to Southern Europe more broadly (Ferreria-Ferreia & Duarte, 2022: 218).

Portugal occupies a distinctive position within this evolving geoeconomic landscape. Although it is a small state in terms of material capabilities, it possesses structural advantages that make it attractive to China. These include its strategic Atlantic coastline, deep seaports such as Sines, a vast exclusive economic zone, and a diplomatic tradition shaped by longstanding engagement with both China and the United States (U.S.). Historical ties rooted in the Macau connection, a reputation for pragmatic diplomacy, and a long record of openness to foreign investment have further facilitated the entry of Chinese firms. As a result, China has acquired significant stakes in Portugal's energy sector, financial institutions, and logistics networks, integrating the country into its expanding presence in Western Europe.

These developments have taken place in a wider strategic context. The U.S. has expressed growing concern that Chinese influence in critical infrastructure may create vulnerabilities for the security of a NATO ally. Washington's warnings regarding Huawei and the future of 5G telecommunications, along with its interest in the Port of Sines as a potential hub for LNG, show how Portugal has become entangled in overlapping strategic agendas. Simultaneously, the EU has introduced stronger investment screening mechanisms and digital security regulations, encouraging member states such as Portugal to adjust earlier policies of openness toward Chinese capital.

Portugal, thus, has become an area in which great power competition takes place. Rather than acting as a passive recipient of great power competition, Portugal attempts to balance these external constraints with its own economic priorities. The country's



evolving approach to the BRI reflects a pattern of small state strategy that seeks to secure investment, when possible, preserve flexibility through selective connectivity, and rely on the EU and NATO frameworks to manage political and security risks. Existing literature has primarily focused on Southern European BRI engagement through Mediterranean ports such as Piraeus, while Portugal's Atlantic position remains underexplored. This study contributes to the literature by conceptualizing Portugal not merely as a recipient of Chinese investment but as a strategic node that actively leverages geoeconomic competition to enhance its agency.

This article argues that Portugal's engagement with the BRI demonstrates how small states navigate great power geoeconomic competition through a combination of selective openness, regulatory adjustment and calibrated hedging. Portugal neither fully aligns with China nor disengages under Western pressure. Instead, it manages competing expectations by exploiting its strategic maritime position, institutional affiliations with the EU and NATO, and long-standing diplomatic ties with Beijing. In doing so, Portugal challenges traditional assumptions that small states rely primarily on patronage or institutional sheltering. The Portuguese case shows that small-state agency is often exercised through flexible, sector-specific strategies that enable autonomy even under conditions of asymmetric dependence.

Geoeconomics and Small States

Geoeconomics refers to the use of economic instruments such as investment, infrastructure, finance and technology for strategic purposes. It combines the logic of conflict with the methods of commercial interaction (Luttwak, 1990, p. 19). As a foreign policy strategy, geoeconomics involves using economic tools to pursue strategic goals, presenting an alternative to traditional military-based power politics. It represents a form of power projection carried out through economic means. Geoeconomics also carries a geographical aspect, as it often operates through critical economic corridors that establish and enhance connectivity (Scholvin & Wigell, 2018, pp. 4-5). Economic linkages function as instruments of geoeconomic strategy. Major global economic networks often concentrate power in a few central hubs, forming a hub-and-spoke structure. Economic interdependence produces two key forms of power: market power, derived from a state's economic scale, and bilateral dependence, where countries rely on specific goods or partners. Only actors that control these central hubs can effectively exploit interdependence as a strategic tool (Farrell & Newman, 2019, p. 52).

This networked structure has important implications for small states. Small states have been defined in various ways, including their geographic size, population and degree of international influence. Literature often distinguishes between microstates with very small populations, highly developed European small states, and politically or economically constrained states in Africa, Asia and Latin America. The challenge with this tripartite classification is that most conclusions about foreign policy behavior are drawn within each category rather than across them, which limits efforts to develop a general theory of small-state behavior (Hey, 2003, p. 2). Beyond physical indicators, there is also a psychological dimension. Keohane (1969, p. 296) offered this conceptualization: "A small power is a state whose leaders consider that it can never, acting alone or in a small group, make a significant impact on the system." They acquire diplomatic influence



through the multilateral processes of international organizations, especially through the equal-vote decision rules that characterize many of these institution small states gain diplomatic power through international system's multilateral processes (Maass, 2017, p. 152). Their foreign policy behavior relies primarily on diplomatic engagement, legal instruments and economic tools, since they lack the military capacity to project force (Pinto, 2014, p. 393). The strategic orientation of small states reflects a broader structural logic in which they emphasize international law, institutional norms and cooperative principles to compensate for limited material capabilities and preserve room for autonomous action within asymmetrical geoeconomic networks. Although they cannot shape the overall structure of global economic systems, small states can exert influence through control of specific nodes such as ports, data routes or regulatory gateways. Assets embedded in global networks therefore become important sources of leverage, particularly when a state occupies a valuable geographic position or hosts infrastructures that intersect with major corridors of trade and energy.

Portugal illustrates this dynamic. Despite modest material power, it possesses a maritime domain that significantly enhances its geoeconomic relevance. Portugal has a coastline of 942 square kilometers. Including its islands, the country has an Exclusive Economic Zone (EEZ) of 1.72 million square kilometers, making it the third largest EEZ in the EU. If extended to the limits of the Portuguese continental shelf, this would add 3.88 million square kilometers, 20 times the size of Portugal's land area, making it the 11th largest EEZ globally. Combining the EEZ with the extended continental shelf would increase Portugal's maritime territory from 18 to 40 times its land area, roughly equivalent to the size of India (Silva & Pereira, 2019, p. 401). This vast oceanic space increases Portugal's economic and strategic significance far beyond its territorial size

The Port of Sines adds further weight to Portugal's position. The Port of Sines, located 58 nautical miles south of Lisbon, is Portugal's only deep-sea port, capable of handling large vessels with depths up to 28 meters. Positioned at the convergence of major global shipping routes such as the transatlantic, Mediterranean, and Cape passages, the Port of Sines has historically held strategic maritime significance. This importance has been further reinforced by the 2016 expansion of the Panama Canal, which significantly increased global cargo capacity and highlighted Sines as the nearest deepwater port in Europe to this critical transoceanic corridor (Wejchert, 2021). These geographical and infrastructural attributes make Portugal a notable node within broader geoeconomic networks, illustrating how a small state can derive influence from strategically positioned assets. China's expanding BRI has created a new strategic context that elevates the importance of the Port of Sines and enhances Portugal's overall geoeconomic relevance.

The BRI as a Geoeconomic Design

Although officially framed as a cooperative development initiative, the BRI functions as an instrument of economic statecraft through which China advances strategic objectives. China possesses the required economic capacity to finance large-scale infrastructure projects, positioning itself as the principal investor across Eurasia and Africa (Kostecka-Tomaszewska & Krukowska, 2020, p. 275). The initiative operates through dual logic. Domestically, it seeks to integrate China's western provinces into transnational trade corridors and mitigate internal developmental asymmetries. Externally, it expands



Chinese presence across transport, energy and financial infrastructures, projecting influence through economic embeddedness rather than territorial control. In this sense, the BRI reflects a geoeconomic strategy in which infrastructure functions as both growth mechanism and geopolitical instrument (Poon et al., 2024, p. 2).

The initiative's digital component further extends this logic. Through the export of 5G systems, fiber networks and digital platforms, Chinese firms promote technological ecosystems that complement physical corridors. This digital layer deepens interdependence while embedding Chinese standards within critical data infrastructures, reinforcing the BRI's broader geoeconomic design (Casagrande & Dallago, 2025, p. 4; Tekir, 2020, p. 122).

Europe has become a central arena for China's geoeconomic expansion. Through state-linked enterprises, Beijing has acquired stakes in ports, utilities, financial institutions and logistics networks, embedding itself within critical European infrastructure (Kostecka-Tomaszewska & Krukowska, 2020, p. 271). These investments generate not only commercial partnerships but also structural forms of influence rooted in asymmetric interdependence. While major economies such as Germany, Italy and the United Kingdom have absorbed substantial inflows of Chinese capital, Southern and peripheral member states including Hungary and Greece have experienced more concentrated exposure. This uneven distribution has enabled China to cultivate bilateral leverage within the European Union, complicating the formation of a unified European response (Amighini, 2018, p. 265). The expanding presence of Chinese firms in European ports further reinforces this pattern by linking maritime infrastructure to broader networks of political and economic influence (Martin et al., 2024, p. 6). Container traffic patterns within Europe shifted after the global financial crisis, with Southern ports gaining relative prominence in global shipping networks. Especially, Greece's Piraeus port emerged as the flagship BRI project in the Mediterranean (Kalkschmied & Stricker, 2025, p. 3). This structural rebalancing, reinforced by changing trade routes and Chinese investment in Mediterranean infrastructure, created new openings for Atlantic facing states. Within this evolving maritime landscape, Portugal's deep seaport capacity and extensive maritime domain increased its geoeconomic relevance.

Portugal's engagement with the BRI must therefore be understood within this broader restructuring of European connectivity. As a member of both the EU and NATO, Portugal occupies a strategic intersection between European market integration and transatlantic security commitments. Chinese investments in Portuguese energy, transport and digital sectors extend beyond commercial exchange and reflect a calibrated strategy through which Lisbon seeks to leverage geographic position while managing alliance-based constraints. For Beijing, Portugal offers access to the EU single market and Atlantic routes. For Lisbon, the BRI provides an opportunity to attract capital and reinforce its role as an Atlantic gateway within Europe.

Portugal-China Relations

Portugal's engagement with China within the BRI framework is rooted not only in contemporary economic calculations but also in a long-standing historical relationship that fostered bilateral trust. Portuguese presence in Macau from the sixteenth century



until its negotiated handover in 1999 created a comparatively low conflict diplomatic legacy, distinguishing Lisbon's relationship with Beijing from more coercive colonial experiences in Europe (Fernandes et al., 2022, p. 49). This historical continuity helped create a diplomatic environment in which engagement with China remained comparatively depoliticized and low conflict, a condition that small states often rely upon to manage asymmetrical relationships.

These historical foundations acquired renewed significance during the global financial and Eurozone crises, which severely constrained Portugal's fiscal autonomy and limited its access to international capital markets. Under these conditions of heightened vulnerability, China's acquisition of Portuguese sovereign bonds provided a critical source of liquidity and signaled the deepening of bilateral economic ties. Since 2000, Portugal has registered one of the most pronounced increases in Chinese capital inflows within Europe (Arena, 2022, p. 4).

China emerged as a crucial source of financing by purchasing Portuguese sovereign bonds at a moment when international markets had largely withdrawn. These interventions not only provided liquidity but also marked the beginning of a broader phase of Chinese economic embeddedness. Portugal subsequently became one of the European countries registering the most significant growth in Chinese capital inflows since 2000 (Arena, 2022, p. 4). Between 2015 and 2019, Chinese investment in Portugal diversified significantly beyond the energy sector, expanding into real estate, banking, health, and well-being. Both state-owned and private Chinese entities became key actors in the Portuguese market. Notably, the private conglomerate FOSUN acquired Luz Saúde, following earlier investments in Fidelidade and Banco Comercial Português. Other relevant developments included Bison Capital's acquisition of BANIF in 2016, although attempts by Anbang to purchase Novo Banco and by China Three Gorges to acquire EDP ultimately failed. Despite these setbacks, Portugal became the first Eurozone country to issue public debt in renminbi, reinforcing its strategy of positioning itself as a gateway for Chinese investment in Europe. Financial integration also progressed through Millennium BCP's issuance of UnionPay credit cards. In the energy sector, China Triumph International Engineering invested €200 million in a major solar power project in Alcoutim, while the launch of a blue partnership in 2017 further deepened bilateral cooperation in maritime affairs. Meanwhile, Chinese investment in real estate included large-scale projects in Oeiras, Monsanto, and Estremoz, reflecting a broader strategy of long-term economic engagement and strategic positioning within the Portuguese economy (Ferreria-Ferreia & Duarte, 2022, pp. 224–225).

This phase of economic penetration coincided with institutional measures that facilitated capital inflows. The center right government led by Passos Coelho introduced the Golden Visa program, which attracted significant Chinese participation, while the subsequent Socialist government adopted a more explicitly supportive stance toward BRI cooperation (Silva et al., 2023, p. 161).

In an effort to boost its position in the globalized economy, Portugal has also sought to involve China in its Atlantic maritime initiatives, particularly in the capital-scarce blue economy sector. In 2016, a Memorandum of Understanding was signed between the Chinese Oceanic State Administration and the Portuguese Ministry of the Sea to promote cooperation in scientific research and commercial projects. That same year, collaboration



with the University of the Azores was proposed for joint studies on mineral exploration. This partnership advanced further in 2017 with the signing of an Action Plan during a Portuguese business mission to China (Silva & Pereira, 2019, pp. 402–403). These common interests have strengthened Portugal–China relations in the context of the BRI.

These cumulative developments laid the groundwork for the formalization of cooperation under the BRI. During President Xi’s 2018 visit to Portugal, the two countries signed a Memorandum of Understanding, which formalized Portugal’s engagement with the BRI. Within the BRI framework, Portugal and China committed to advancing cooperation by utilizing bilateral and multilateral platforms, including major development banks and the EU–China Connectivity Platform, to generate strategic complementarity. The MoU articulates seven principal domains of collaboration. Policy coordination serves as the overarching mechanism for aligning national strategies. Transport, logistics and port infrastructure constitute a second area, with particular emphasis on the Port of Sines, the future Vasco da Gama terminal, and the reinforcement of maritime, rail and air connectivity. A third domain concerns the expansion of two-way trade and investment, including coordinated engagement in third-country markets, especially those in the Lusophone community. Energy cooperation forms the fourth area, centered on renewable integration, smart electricity transmission and advanced grid management. The fifth domain promotes industrial and technological collaboration, notably in electric mobility and intermodal transport solutions linked to the Trans-European Transport Network. Financial cooperation represents the sixth area, encouraging institutional support for joint projects and deeper dialogue between monetary and regulatory authorities. Finally, people-to-people connectivity constitutes the seventh domain, encompassing education, cultural exchange, tourism, public health collaboration and strengthened interaction among local governments, media, think tanks and youth (Figueiredo, 2019, pp. 8–11).

These developments reflect an interaction that is simultaneously pragmatic and geoeconomic. For Portugal, Chinese capital expanded policy flexibility under fiscal constraint. For China, investment in Portugal secured strategic access to a Western European economy embedded within EU and transatlantic structures. This logic of economic embeddedness becomes particularly visible in the case of the Port of Sines, where infrastructure, geography and great power competition converge.

The Port of Sines

China considers the Port of Sines a major geoeconomic asset within the BRI due to its potential to connect the initiative’s overland and maritime routes. Sines is positioned at the westernmost point of the New Eurasia Land Bridge Economic Corridor, which is the longest and most ambitious of the BRI’s six economic corridors. At the same time, it offers a strategic location on the Atlantic, aligning with the objectives of the 21st-Century Maritime Silk Road. Analysts from China’s National Marine Information Centre highlight that Sines could serve as an Atlantic entry point for BRI trade into Europe and function as a platform for the export of European goods to Latin America and North Africa. This would allow Sines to become a central axis for BRI operations in Europe and support the launch of additional infrastructure projects. They argue that China should invest in both the development and long-term management of the port (Wejchert, 2021).



Although there is no direct Chinese involvement in the Port of Sines, Portugal was the first member state of the EU to establish a “Blue Partnership” with the People’s Republic of China. At the International Conference on Portugal-China Cooperation held in Lisbon in December 2021, Chinese and Portuguese officials emphasized their countries' ongoing collaboration in marine protection, biodiversity, and pollution control, alongside growing academic exchanges aimed at advancing the blue economy. While scientific and technological cooperation is already in place, Portuguese authorities noted that further progress is possible. Two key frameworks offer new opportunities for Chinese investment: the Sea National Strategy 2021–2030 and the Recovery and Resilience Plan, which includes a Sea Component envisioning a Blue Hub with infrastructure and technology clusters across several coastal regions. Future cooperation could expand into emerging fields such as blue biotechnology, ocean renewable energy, aquaculture, and fisheries (Silva et al., 2023, p. 164).

Portugal viewed Chinese engagement as an opportunity to elevate Sines into a major trans-Atlantic logistics hub. The government had already been actively promoting the port before the 2018 BRI memorandum, with Prime Minister Costa emphasizing Portugal’s strategic role in connecting Europe and Asia through the new maritime routes. Former Foreign Minister Santos Silva likewise stressed Portugal’s strong interest in the BRI’s large-scale infrastructure financing and its willingness to place Sines within the emerging Maritime Silk Road. If Chinese interest did not materialize, Lisbon expected that the U.S. might step in, given Sines’ advantageous position for LNG exports to Europe (Arena, 2022, pp. 10–11).

This dual interest has increasingly drawn the U.S. into the competition over Sines. The US shale boom had created a geopolitical opportunity to expand gas exports to allies and lessen their reliance on suppliers such as Russia and North Africa. Sines, as the closest European deepwater port to US shale basins, offers a natural entry point for American LNG, yet only about one third of US LNG bound for Europe currently uses the port, suggesting significant room for growth if its capacity is expanded. Since 2016, the EU has already become one of the largest buyers of US LNG (Wejchert, 2021). Within these interests, the Trump administration urged Portugal to align Sines’ development with US infrastructure preferences US Ambassador to Portugal Geoge Glass called the project a step toward making Portugal the “Singapore of the West.” However, Portuguese officials pushed back, rejecting U.S. interference while affirming both their alliance with Washington and economically driven ties with China (Horta, 2021).

Portugal has sought to leverage the geoeconomic competition among major powers to raise the profile of the Port of Sines. Pedro do Ó Ramos, President of APS, explained that the revised investment strategy for Sines focuses on expanding capacity and improving connectivity. Preparatory work for the Vasco da Gama Terminal and upgraded links to Terminal XXI form the core of this plan. Two studies on new road and rail access are being approved to advance key infrastructure, including a second railway line on the port’s eastern side to provide redundancy and direct connections to both terminals, along with new road links. The intraport network will also be modernized through improved access to the multipurpose terminal and marina. Ramos emphasized the importance of strengthening the port’s reach into the Iberian hinterland, noting that the Évora–Elvas railway section, expected in early 2026, will cut travel time to Madrid by more than three hours and enable Sines to compete more effectively with Valencia (PortsEurope, 2025).



To attract global investment, the government launched an international tender for the €640 million Vasco da Gama Terminal, to be developed through a public-private partnership. Chinese companies, including COSCO, have reportedly expressed interest in the project (Wejchert, 2021).

Simultaneously, the European Commission (EC) also supports projects to strengthen Iberian energy integration, including compressor stations and cross-border pipelines such as TRA N 285, TRA N 283, and the Guitiriz Zamora Adradas line, which aim to connect Iberia with France. Although the MidCat gas interconnector is an EU priority, its development has stalled due to cost concerns. A future connection from Sines to Barcelona via Huelva, Cordoba, or Badajoz, already linked to Portuguese gas storage, could improve regional energy flow. With its strategic Atlantic location, Sines is well positioned to become a key LNG entry point for Europe and a hub for LNG powered maritime traffic (Silvestre, 2020).

Amid this convergence of geoeconomic interests, the EU's regulatory response has become increasingly relevant. EU Framework for Screening of Foreign Direct Investment, which promulgated in 2019 and entered into force in 2020, provides a cooperation mechanism between the EC and member states regarding critical infrastructure, critical technologies or critical inputs (Regulation (EU) 2019/452). While ultimate decision-making authority remains with national governments, the framework is likely to shape member states' approaches toward Chinese involvement in strategic sectors such as ports.

As a result of this development, Vasco de Gama Terminal, the real focus of the expansion of the Port of Sines, remained underdeveloped. This reflects Portugal's attempt to balance the competing expectations of China, the U.S., and the EU without committing to any single actor. For a small state, connectivity can generate strategic opportunities, yet great-power rivalry simultaneously may narrow the room for maneuvering. Given Sines' importance for Chinese maritime ambitions, US energy strategy, and EU connectivity plans, Portugal's caution appears designed to preserve diplomatic flexibility and protect its strategic autonomy.

Portugal and Digital Silk Road

During Xi's December 2018 visit to Lisbon, Huawei and Altice Portugal signed an MoU to cooperate on the development and rollout of 5G services in the country. In 2019, Huawei announced plans to open its first European 4G and 5G technical support center in Lisbon. Portuguese telecom companies NOS and Altice partnered with Huawei to develop 5G networks, with NOS launching the country's first 5G network in Matosinhos in October 2019. This positioned NOS as a national leader in 5G innovation, supporting smart city and research initiatives (Mendes & Wang, 2023, p. 139).

NIS 2 Directive enacted by the EU tightens cybersecurity requirements for member states and calls for coordinated security risk assessments for 5G networks. Security risk assessments of critical supply chains should consider both technical and non-technical factors, such as those outlined in EU 5G cybersecurity guidelines. Key criteria include the dependency of essential entities on specific ICT services or products, their role in sensitive functions, the availability of alternatives, overall supply chain resilience, and



risks linked to emerging technologies (Directive (EU) 2022/2555). Although Huawei has not been specifically named, EU's stringent laws are directly relevant to Huawei's participation in European countries' 5G networks.

Then-Prime Minister António Costa acknowledged EU security concerns about Huawei but stressed that Europe should not halt its digital modernization. Following the European Parliament's new investment-screening rules, he argued that closing the EU to foreign capital was misguided and that Brussels should prioritize education and research instead. During his April 2019 visit to China, Then-Foreign Minister Santos Silva noted that Portugal would submit its 5G security assessment to the EU to determine whether any companies should be excluded on national-security grounds. President Rebelo de Sousa, implicitly addressing the Altice-Huawei agreement, emphasized that Portugal remained free to choose any operator that met its security standards and saw no issue with Huawei competing for 5G contracts despite external pressure (Arena, 2022, p. 9).

A more direct pressure came from the U.S. which considers Huawei as an agent of the Chinese state. In 2019, President Trump signed an executive order which prohibited Huawei in domestic use. On May 15, 2020, the U.S. Department of Commerce announced plans to limit Huawei's use of U.S. technology and software for designing and producing semiconductors abroad. The U.S. also launched a worldwide campaign to block Huawei's 5G ambitions. The ban on U.S. companies supplying Huawei with hardware and software has significantly undermined the company (Mendes & Wang, 2023, p. 140). Portugal has been subject to sustained diplomatic pressure from the U.S. to exclude Huawei from the development of its 5G networks. In 2020, Ambassador Glass criticized Portugal for permitting Chinese investments in key sectors like telecommunications and energy. He cautioned that allowing Huawei into the country's 5G network could seriously impact U.S.-Portugal security ties (Horta, 2021).

This diplomatic pressure appears to have influenced subsequent policy decisions. In May 2023, Portugal's Cybersecurity Council (CSSC) issued a resolution effectively barring the use of products from Chinese companies in the country's 5G and related 4G networks. Despite additional costs, Altice Portugal has chosen Nokia to supply its 5G core network infrastructure, replacing Huawei (Lipscombe, 2023).

Portugal's experience with Huawei and 5G reflects the interaction between small-state diplomacy and the pressures of geoeconomic competition. In the early phase, Lisbon adopted a hedging strategy that sought to maximize economic opportunities created by China's technological expansion. Cooperation agreements with Huawei, the prospect of a technical support center in Lisbon, and early 5G trials allowed Portugal to attract investment, upgrade infrastructure, and position itself within emerging digital value chains. This behavior is consistent with the logic of small states that try to enhance national autonomy by leveraging external economic flows. Yet as the EU strengthened its cybersecurity regime through the NIS2 Directive and the U.S. framed 5G infrastructure as a strategic arena linked to national security, Portugal's room for maneuver contracted. The geoeconomic environment shifted from opportunity to constraint. Regulatory obligations and alliance expectations became more important than the commercial gains offered by Huawei. The 2023 Cybersecurity Council decision and Altice Portugal's later selection of Nokia reveal how a small state, when confronted with hardening geopolitical rivalries, adjusts its position to remain aligned with its core



institutional and security partners. Portugal's trajectory shows that small states can exploit geoeconomic openings during calm periods in the international system, but when major-power competition intensifies they often prioritize political and security alignment over purely economic calculations, even when this choice involves significant financial costs.

Portugal's Evolving China Policy

Since 2023, Portugal has not only canceled its contracts with Huawei but has also begun reassessing its involvement in the BRI, citing China's support for Russia in the Ukraine war as a main factor (Sheridan, 2023). These decisions signaled a broader shift in Portugal's strategic posture, reflecting growing alignment with EU and transatlantic security concerns and increasing caution toward Chinese technological and infrastructural engagement.

At the same time, friction has emerged in other domains of bilateral relationships. China initially excluded Portuguese passport holders from its visa-waiver program for short-term travel, despite including nationals from 11 other European countries. The parallel exclusion of the United Kingdom prompted speculation that Portugal's omission may have been a retaliatory response to its effective ban on Huawei equipment in national 5G networks (The Macao News, 2024). Yet this diplomatic signal was relatively short-lived. On 30 September 2024, Chinese authorities announced that Portugal would be added to the visa-exemption scheme, allowing stays of up to 15 days for tourism, business, family visits, and transit (Consular General of Portugal in Guangzhou, 2024). This shift indicates a more conciliatory stance by Beijing, suggesting a strategic recalibration aimed at preserving bilateral relations despite ongoing tensions over technology and security.

Portugal remains the only Western European state still formally participating in China's BRI. Confronted with declining U.S.-bound exports due to Trump-era tariffs, Lisbon has sought to strengthen commercial ties with China even as the EU criticizes Beijing for market distortions and its support for Russia's war economy. This engagement with Beijing illustrates a hedging strategy in which Portugal seeks to balance geopolitical commitments with the material benefits of Chinese investment. This behavior underscores how small states navigate asymmetric environments by adjusting relations rather than choosing definitive sides.

Conclusion

Portugal's experience with the BRI illustrates how a small Western state can navigate an environment shaped by intensifying geoeconomic rivalry among China, the EU and the U.S. while attempting to preserve strategic autonomy. As this study demonstrates, Portugal's choices cannot be reduced to a simple narrative of alignment or disengagement from China. Instead, the Portuguese trajectory reflects a pattern of selective engagement, careful hedging and regulatory adaptation. These strategies are shaped by the interaction between structural pressures and the opportunities created by Portugal's maritime geography, institutional position and longstanding diplomatic ties with China. The case therefore reinforces the broader argument that small states are



neither passive recipients of great power competition nor entirely autonomous actors. Rather, they operate within fluctuating opportunity structures that enable limited but meaningful forms of agency.

The historical dimension of Portugal's relationship with China is central to understanding its early confidence in pursuing deeper economic ties. Centuries of interaction, culminating in the peaceful handover of Macau in 1999, generated a degree of bilateral trust that is unusual within Europe. This historical foundation helped make Portugal relatively receptive to Chinese investment at a time when it faced severe fiscal pressure during the Eurozone crisis. Chinese purchases of Portuguese sovereign bonds, followed by significant investments in energy, real estate, telecommunications and financial services, provided Lisbon with an important alternative source of liquidity during a moment when access to global markets was constrained. These developments highlight a central feature of small state strategy. Smaller states commonly use diversified economic partnerships to expand their policy autonomy when confronted with structural vulnerabilities and limited domestic resources.

Portugal opened its economy to Chinese capital, and it participated in China-led BRI. However, as both the EU and the U.S. reoriented their approaches to China, Portugal's geoeconomic space began to narrow. The evolving debate around Huawei illustrates this shift clearly. Portugal's initial enthusiasm for cooperation with Huawei in the development of fifth generation telecommunications reflected a period in which Lisbon sought to capture the economic benefits associated with emerging digital value chains. Over time, however, European cybersecurity regulation became more stringent and the U.S. pressure grew more explicit. This produced an environment in which the commercial appeal of Huawei conflicted with Portugal's obligations to its principal allies. The eventual decision in 2023 by the Cybersecurity Council to effectively exclude Huawei from national networks shows how small states adjust their posture when economic incentives collide with alliance expectations and when broader geopolitical tensions raise the perceived risks of technological dependence.

The contestation over the Port of Sines further illustrates this complex interplay. Through the maritime dimension of the BRI China viewed the port of Sines as a strategically located Atlantic gateway that could integrate European markets into wider logistics and energy networks. The U.S., by contrast, saw the port of Sines as an important potential hub for liquefied natural gas exports that could reduce European dependence on Russian energy. The EU approached the port primarily through regulatory mechanisms that emphasize critical infrastructure protection and energy security. Portugal attempted to position itself within this triangle of interests and sought to use the competing preferences of the major powers to attract investment and promote the development of the port of Sines. Yet the divergent expectations governing Chinese, European and American interests constrained Portugal's decision space. The slow progress of the Vasco da Gama terminal demonstrates how small states often face delays or policy paralysis when they attempt to avoid appearing overly aligned with any particular great power. This case reinforces the central insight of this study. Connectivity can provide important opportunities for small states, but heightened geopolitical rivalry simultaneously reduces their room for maneuver.



Developments since 2023 in Portugal's broader China policy continue to reveal the adaptive nature of small state strategy. Lisbon's cancellation of Huawei contracts and reassessment of its participation in the BRI reflect the changing international environment, particularly growing concerns about China's alignment with Russia following the invasion of Ukraine. Yet this shift has not resulted in Portugal's disengagement from China. Instead, Lisbon has demonstrated a continued willingness to maintain diplomatic channels, develop commercial partnerships and express support for multilateral governance formats that include China. Prime Minister Luis Montenegro's visit to Beijing in 2024, during which he reaffirmed the one China principle and expressed interest in deepening bilateral cooperation, underscores this dual strategy. Portugal remains responsive to European and American security concerns, but it also seeks to preserve the economic benefits and diplomatic flexibility associated with continued engagement with China. This behavior exemplifies hedging which is a strategy commonly employed by small states to balance geopolitical commitments with economic opportunities.

Portugal's approach therefore reflects a distinctive pattern of small state agency. Lisbon seeks to remain aligned with the EU and the NATO, as these institutions form the foundation of its security and political identity. At the same time, it avoids foreclosing avenues of cooperation with China, whose investments played a stabilizing role in earlier periods of economic difficulty and still represent valuable opportunities for diversification. This careful balancing act underscores the broader complexity of small state strategy in an era in which economic and security considerations are increasingly intertwined. As connectivity projects become instruments of geopolitical influence, small states face the challenge of securing developmental benefits while avoiding the political risks associated with deepening reliance on any single external actor.

The Portuguese example also contributes to theoretical debates concerning geoeconomics and the behavior of small states under conditions of systemic rivalry. The case shows that small states embedded in institutional environments such as the EU do not exert agency by directly challenging great powers but by adjusting their economic openness, regulatory posture and diplomatic messaging in response to changing circumstances. Portugal's strategy of controlled openness, regulatory precise adjustment and diplomatic ambiguity exemplifies the tools through which small states navigate and partially shape geoeconomic competition. Furthermore, Portugal's extensive maritime domain and strategically located port infrastructure illustrate how small states can leverage geographic assets to gain relevance within global networks. These assets enable them to attract the attention of major powers and expand their bargaining space, even if they cannot reshape the broader system.

Ultimately, Portugal's evolving relationship with China reveals both the possibilities and the limits of small state agency in a contested geoeconomic order. Portugal cannot completely sever economic ties with China without sacrificing important opportunities, nor can it disregard the security expectations of its Western partners. Its behavior is therefore characterized by cautious flexibility, selective alignment and continual recalibration. These strategies allow Portugal to extract benefits from multiple geoeconomic spheres while mitigating the risks associated with deepening geopolitical polarization. As competition between China, the EU and the U.S. intensifies, the Portuguese case shows that the future of the BRI in Western Europe will depend not only



on the strategic vision of major powers but also on the decisions of small states that occupy critical nodes in global connectivity.

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