Portuguese government making Chinese investors nervous

The scrapping of plans to privatise public transport and the reinstatement of public sector salaries means investors are exercising caution

Jorge Bleck

While Portugal has become Europe's largest recipient of Chinese investment over the last five years, investors are now, in general, adopting a "wait and see" approach towards Portugal amid uncertainty about political stability due to the new government and its left-wing support in parliament, says Jorge Bleck, partner at Vieira de Almeida.

"Support for the government is unstable and investors want to wait and see if the government survives before defining investments," Bleck adds. In his view, though Portugal recovered well from the crisis in Europe, steps taken by the country's current government have led to a crisis of confidence among investors. Specifically, he cites the undoing of some measures implemented under the Troika, the abandonment of plans to privatise public transport and the TAP airline, as well as the reinstatement of public sector salaries as developments that have made investors nervous.

"As the previous government did a good job, there is money to implement those measures, but the sacrifices made to make Portugal a more competitive country could now be in danger," Bleck says. However, he is confident that investment will return, notably from China. Bleck highlights that "during the term of former government", China Three Gorges paid €2.7bn for a 21 per cent stake in Energias de Portugal (EDP), while State Grid Corporation of China spent €1.4bn on 25 per cent of Redes Energéticas Nacionais (REN).

"The Chinese are still very active in Portugal, but in terms of investment and major M&A, we have yet to see any movement this year," he says. "Investment in real estate continues, but mostly by individual investors, while in terms of M&A involving significant corporations from the mainland and Hong Kong, we have yet to see any movement."

However, Bleck adds that Portugal is a "bridge" for Chinese investment in Lusophone Africa". He continues: "Despite China's direct access to Africa, it is easier for investors to gain knowledge about those markets from us."