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Port of Sines

The Atlantic End of the New Silk Road?

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Abstract

The port of Sines in southern Portugal has become an economic battleground for Chinese and US influence in Europe. The increased strategic significance of the port and its planned expansion have attracted Chinese investment interests in the context of the Belt and Road Initiative (BRI), to which the US has responded with competing proposals. This study begins by contextualising the superpower rivalry in Sines within Portugal's recent economic and political developments. An analysis of Chinese language sources is then presented, revealing China's ambitions to transform the port into a key Atlantic outpost of the BRI. US plans to develop a European gateway for its shale gas are then compared. This policy brief adds a new dimension to the study of the Sines port by relating it to concepts of European strategic autonomy. It concludes by calling for a European response to Chinese and American ambitions in Sines based on (1) increasing EU-led public investment, (2) incentivising private European investment and (3) aligning industrial policy with foreign policy. The future outcome of the port of Sines will serve as a litmus test of the EU's ambition and ability to pursue **strategic autonomy** amid a new era of superpower competition.

Port of Sines: The Atlantic End of the New Silk Road?

Introduction

The port of Sines, located 150 kilometres south of the Portuguese capital Lisbon, has in recent years become an economic battleground for Chinese and US influence in Europe. This little-known port has attracted the attention of competing investment visions, including that of China’s Belt and Road Initiative (BRI), which aims to dramatically redirect trade flows across the Eurasian continent in a more Sinocentric direction.

Lying at the intersection of major global shipping routes (including the trans-Atlantic, Mediterranean and Cape routes), Sines has long been a strategically significant port (Figure 1). Recent developments have made it even more so. First, the doubling of the Panama Canal’s cargo capacity following a multi-billion dollar expansion project in 2016 has shone a greater spotlight on the Portuguese port, which benefits from being Europe’s closest deepwater port to the major waterway across the Atlantic. The announcement of China’s BRI infrastructure programme in 2013 has also been game-changing, with Sines emerging as a potential junction between the initiative’s maritime silk road and one of its economic belts. Finally, the shale gas ‘revolution’ of the last decade has increased the geostrategic relevance of Sines, which is continental Europe’s closest port to the shale basins of the American east coast.

Figure 1: Sines at the intersection of maritime routes



Source: [Diário Digital Castelo Branco](#)

In light of this new growth outlook for Sines, local port authorities launched an international public tender in October 2019 for the awarding of a concession contract for the construction

and commercial operation of a new container terminal, to be named the Vasco da Gama Terminal (after the Sines-born explorer who discovered the first ocean route between Europe and Asia). It is set to become the port's second container terminal and fifth terminal overall with an estimated total private investment from the future concessionaire—yet to be determined—of around EUR 642 million. Upon completion of both the new terminal and the on-going expansion of an already existing terminal, Sines is predicted to become one of the main ports in the Western Mediterranean, as well as in the world.¹

As a fast-growing port of increasing strategic relevance, Sines has the potential to influence the EU's long-term trade orientations and energy dependencies, at least in southwestern Europe.² European policymakers keen on ensuring the bloc's much-vaunted strategic autonomy would do well to turn their attention to this emerging US-China economic battleground in Sines and play a more active role in determining its fate. Following an analysis of developments in the port from the perspective of Portuguese, Chinese and American actors, this policy brief concludes with a list of concrete actions that the EU can—and should—carry out as a response to both China's BRI ambitions and America's investment interests in this contested corner of Europe.

Portugal's Pivot to China

The port of Sines became operational in 1978 as part of an ambitious, state-led industrial project that aimed to transform the seaside city into Portugal's national growth centre, thereby further integrating the country into the capitalist world economy and simultaneously developing the poor southern region of Alentejo.³ However, owing to a lack of political commitment for the project alongside stiff competition from Spanish ports, Sines did not immediately become a major trading hub as initially envisioned. Recent initiatives by the Portuguese government to reindustrialise and reinvigorate the economy through public investment, however, have returned Sines to the fore of national development plans.⁴

In recent years, Portugal has turned to China for help in achieving these economic development aims. Portugal is a well-documented example of an EU member state turning to China for economic lifelines following the eurozone debt crisis. The depth and breadth of Chinese investment in Portugal today is staggering. China has significant stakes in the energy, banking, insurance, tourism, real estate and health sectors in the country.⁵ Portugal

¹ *Port of Sines*. (2019, November 6). Ship Technology. <https://www.ship-technology.com/projects/port-of-sines/>

² Piedade, F. (2021, May 7). *Porto de Sines com 2º maior crescimento no mercado europeu* [Port of Sines with 2nd largest growth in the European market]. *diariOnline Região Sul*. <https://regiao-sul.pt/2021/05/07/economia/porto-de-sines-com-2o-maior-crescimento-no-mercado-europeu/538354>

³ Lewis, J. R., & Williams, A. M. (1985). The Sines Project: Portugal's Growth Centre or White Elephant? *Town Planning Review*, 56(3), 339–366. <https://www.jstor.org/stable/40112206>

⁴ «*Queremos que o porto de Sines permita industrializar Portugal*» [“We want the port of Sines to enable the industrialisation of Portugal”]. (2020, September 30). República Portuguesa. <https://www.portugal.gov.pt/pt/gc22/comunicacao/noticia?i=queremos-que-o-porto-de-sines-permita-industrializar-portugal>

⁵ Le Corre, P. (2018, October 15). *China's Rise as a Goeconomic Influencer: Four European Case Studies*. Carnegie Endowment for International Peace. <https://carnegieendowment.org/2018/10/15/china-s-rise-as-geo-economic-influencer-four-european-case-studies-pub-77462>

also ranked as China's fourth largest destination for FDI in Europe from 2004 to 2014 (ahead of larger countries such as Spain and Italy).⁶ These inflows make the small Iberian country one of the highest per capita recipients of Chinese investment on the continent.⁷

Portugal's friendly and stable political relations with China have helped facilitate this extensive level of investment. The smooth transfer of Macau's sovereignty to China in 1999 and Portugal's subsequent reluctance to interfere in Macanese affairs (as opposed to the UK in Hong Kong) have generated much political goodwill between Lisbon and Beijing. The amicable nature of their relationship has in turn opened Portugal to criticisms of being the "special friend of China in Europe".⁸ (These accusations are not new; as early as 1989, Portugal was already considered China's "best friend in the EU" after it sent a delegation of the Portuguese Air Force to Beijing only a year after the Tiananmen Square protests, thereby breaking the EU's decision to suspend military dialogue with China.⁹) In late 2018, Portugal's political relations with China reached a new high point with the signing of a memorandum of understanding (MoU) on cooperation within the framework of the BRI.

Among Portugal's community of Pekingologists, some see the signing of this BRI MoU as an opportunity to further their country's economic intertwinement vis-à-vis China, with the port of Sines acting as a natural fulcrum. The New Silk Road Friends Association, a Lisbon-based think tank established in 2016, places the port of Sines first among a list of development projects in which Portugal and China could cooperate within the BRI.¹⁰ The same report argues that "Portugal will certainly play an important role in the Atlantic maritime silk road". Indeed, a map displayed prominently on the think tank's home page highlights a land-based economic belt stretching from China's eastern seaboard across the Yiwu-Madrid railway line and ending in the Atlantic at the port of Sines (Figure 2).

⁶ Suspiro, A. (2015, February 17). *Portugal foi o quarto maior destino do investimento chinês na Europa* [Portugal was the fourth largest destination for Chinese investment in Europe]. Observador. <https://observador.pt/2015/02/17/portugal-foi-o-quarto-maior-destino-investimento-chines-na-europa/>

⁷ Villalobos, L. (2017, April 3). *Portugal é o país da UE onde o investimento chinês tem mais peso* [Portugal is the EU country where Chinese investment has the most weight]. Público. <https://www.publico.pt/2017/04/03/economia/noticia/portugal-e-o-pais-da-ue-onde-o-investimento-chines-tem-mais-peso-1767250>

⁸ Wise, P. (2020, January 20). *Lisbon rebuffs claims Portugal is China's 'special friend' in EU*. Financial Times. <https://www.ft.com/content/862c633e-393b-11ea-a6d3-9a26f8c3cba4>

⁹ Mendes, C. A. (2013). *Portugal, China and the Macau Negotiations, 1986–1999*. Hong Kong University Press. <https://www.jstor.org/stable/j.ctt3fgv4t>

¹⁰ Ilhéu, F. (2018). *A nova era da China e as relações com Portugal* [China's new era and relations with Portugal]. Associação Amigos Da Nova Rota Da Seda. <https://www.anrs.pt/documentation/Artigo%20Anu%C3%A1rio%20da%20Economia%20Portuguesa%202018.pdf>

Figure 2: Sines at the end of the New Eurasia Land Bridge Economic Corridor



Source: [Associação Amigos da Nova Rota da Seda](#)

China's Designs on Sines

The potential strategic significance of Sines within the BRI has not been missed by Chinese observers. China's official state-run Xinhua News Agency identifies Sines as one of Europe's most important ports, despite its relatively lesser-known status.¹¹ Various factors make Sines an attractive BRI investment opportunity for China, including the trading possibilities offered by its unique geographic position alongside Portugal's welcoming stance toward Chinese investment.

Sines is a particularly appealing BRI project for China because of its potential to serve as a meeting point between one of the initiative's proposed overland economic belts and the maritime silk road. On the one hand, Sines lies at the westernmost end of the New Eurasia Land Bridge Economic Corridor, the longest and most ambitious of the BRI's six economic corridors. Sines also acts as a potential Atlantic outpost of the 21st-Century Maritime Silk Road.

Analysts at China's National Marine Information Centre argue that Sines' strategic positioning could allow it to serve not only as an "Atlantic entry point for BRI trade flows into Europe, but also as a trading platform [for goods] from Europe to Latin America and North Africa". Sines could thereby become a "European axis" for the BRI and help "jumpstart" further infrastructure plans. In order to ensure the successful implementation of this vision, they argue that any Chinese involvement in developing the port of Sines must adopt an all-out investment approach including the construction and management of the new terminal.¹²

Portugal's welcoming stance toward Chinese investment also makes the port of Sines a promising BRI project. For example, China's Ministry of Commerce includes a webpage on its public service platform for the country's "Going Out" strategy, outlining proposals for integrating Sines within the BRI. The article is almost exclusively dedicated to showcasing

¹¹ *Meiguo biaooshi you xingqu touzi Putaoya Xinishen gang* [US expresses interest in investing in Portuguese port of Sines]. (2020, February 13). Xinhua Net. http://www.xinhuanet.com/world/2020-02/13/c_1125568650.htm

¹² Cai, D., & Yu, A. (2020). *Zhongzi qiye touzi Putaoya Xinishen gang de zhanlüe fenxi* [Strategic analysis of Chinese corporate investment in Portuguese port of Sines]. *Marine Economy*, 10(01). <https://kns.cnki.net/kcms/detail/detail.aspx?dbcode=CJFD&dbname=CJFDLAST2020&filename=EJJ202001005&v=63uLbcHTiIud6tadx5BVcLZmEvolQtxH%25mmd2F9N59TtEHQs9wGof5u%25mmd2BTiSpCMgeFki6e>

welcoming remarks made by the Portuguese Prime Minister, António Costa, at the signing of the BRI memorandum in 2018. For example, Costa is quoted as saying that Portugal hopes that the port of Sines will become an “important component” of the BRI.¹³

Considering the long investment timeframe required for developing overseas ports as part of China’s global infrastructure network, stable political relations are of crucial importance for Chinese investment. One need look no further than the Hinkley Point C nuclear power station in the UK for an example of politics upsetting Chinese investment plans in Europe.¹⁴ The seemingly steady and predictable state of Sino-Portuguese political relations, by contrast, makes such a scenario less likely in Portugal.

America’s Shale Gas Gateway

Alarmed at the increasingly rapid pace of Chinese investment in key sectors of the Portuguese economy, the US belatedly entered the fray on the question of Sines. (It should be recalled that Portugal, a founding member of NATO, is a US military ally that provides crucial air bridges between North America and Europe via its island territories in the Atlantic.¹⁵) In February 2020, US Energy Secretary, Dan Brouillette, accompanied by the US ambassador to Portugal, George Glass, went on a highly publicised visit to the port of Sines to draw attention to the US’ economic vision for the port focused on liquified natural gas (LNG) imports.¹⁶

The shale gas boom of the last decade has presented the US with a geopolitical opportunity to increase gas exports to its allies and reduce their dependency on other energy sources, such as those from North Africa and Russia. As the closest European port to American shale, Sines acts as a natural gateway for American LNG into the European market. Despite this geographical proximity, only a third of American LNG exports to Europe currently pass through Sines, implying a large growth potential for Sines if capacity is increased.¹⁷ Overall, the EU has already become one of the main importers of American shale since it received its first shipment of LNG imports from the US in April 2016.¹⁸

Under the Trump administration, US officials pressured the Portuguese to implement their infrastructure vision for the port. Several months after the official US visit to Sines, the US ambassador drew further attention to the port by issuing a warning to Portugal in an interview with *Expresso*, one of the country’s main newspapers: “Portugal”, he said, “must now choose between its allies or the Chinese”. On the topic of the “incredibly strategic” port

¹³ *Putaoya gangkou jiang jiaru “yi dai yi lu” changyi* [Portuguese port to enter BRI]. (2018, December 4). Ministry of Commerce - People’s Republic of China.

<http://fec.mofcom.gov.cn/article/fwvdyl/zgzx/201812/20181202813034.shtml>

¹⁴ Butler, N. (2021, April 10). How growing conflict with China could impact UK nuclear power. Prospect Magazine. <https://www.prospectmagazine.co.uk/world/nuclear-investment-power-uk-china-government-energy>

¹⁵ Chipman, J. (1988). *NATO’s Southern Allies: Internal and External Challenges*. Routledge.

¹⁶ Goncalves, S. (2020, February 12). *U.S. firms keen to expand Portugal’s Sines port for LNG trade: energy secretary*. Reuters. <https://www.reuters.com/article/us-portugal-usa-energy-idUSKBN2062LS>

¹⁷ *Meiguo biaoshi you xingqu touzi Putaoya Xinishen gang* [US expresses interest in investing in Portuguese port of Sines]. (2020, February 13). Xinhua Net. http://www.xinhuanet.com/world/2020-02/13/c_1125568650.htm

¹⁸ European Commission. (2020, January 8). *EU-U.S. LNG Trade*. European Commission - Energy. https://ec.europa.eu/energy/sites/ener/files/eu-us_lng_trade_folder.pdf

of Sines, he expressed his hope that it would not “go to the Chinese”. But if it did, LNG distribution to Europe via Sines would inevitably be “compromised”.¹⁹ Needless to say, his heavy-handed and threatening comments were not well received in Portugal.²⁰

Despite the strong political push from US authorities to invest in Sines as an LNG terminal, American companies have struggled to compete in practical terms with China's economic ambitions for the port. The US ambassador himself pointed out in the same interview that the US lacks companies to manage overseas ports, unlike China and its array of shipping conglomerates, such as the China Ocean Shipping Company (COSCO) and the China Merchants Group, with vast experience in this area. This implies that US companies would have to rely on international partnerships to develop Sines into a bigger LNG hub.

European Policymaking Implications

Despite the heightened interest in Sines from the world's two most important powers, port authorities have yet to receive concrete investment pledges for its expansion project. Somewhat unexpectedly, no bidders emerged for the new container terminal after the bidding deadline expired on 6th April 2021. Port authorities at Sines cited the unfavourable economic context caused by the coronavirus pandemic as the reason behind the lack of offers.²¹

It is thus only a matter of time before the dampening effect of the pandemic subsides and the port of Sines returns to the bargaining table. This interval presents European policymakers with a unique opportunity to act pre-emptively and shape an outcome in their favour. The alternative is to passively await a result that may not be best for Europe.

Portuguese and EU officials should be wary about a further increase in China-led development projects in a country already so dependent on Chinese investment. The Greek port of Piraeus is a cautionary tale in this regard. Piraeus became a central part of the BRI after China's largest state-backed shipping conglomerate, COSCO, became its main investor in 2008 with the awarding of a concession to manage two of the port's terminals.²² Five years

¹⁹ Matos, V. (2020, September 25). *EUA pressionam Governo: “Portugal tem de escolher agora entre os aliados e os chineses”* [USA pressures the government: “Portugal must now choose between its allies and the Chinese”.] *Expresso*. <https://expresso.pt/politica/2020-09-25-EUA-pressionam-Governo-Portugal-tem-de-escolher-agora-entre-os-aliados-e-os-chineses>

²⁰ Demony, C. (2020, September 29). *We make the rules, Portugal tells U.S. after China threats*. *Reuters*. <https://www.reuters.com/article/us-portugal-china-idUSKBN26K35U>

²¹ *No Bidders for New USD 600 million Container Terminal at Sines Port, Portugal*. (2021, April 12). *China-Lusophone Brief*. <https://www.clbrief.com/no-bidders-for-new-usd-600-million-container-terminal-at-sines-port-portugal/>

²² *COSCO signs deal with Greek port*. (2018, November 27). *China Daily*. http://www.chinadaily.com.cn/china/2008-11/27/content_7244698.htm

later, COSCO won a contract to build a third terminal.²³ It eventually purchased a majority stake in the port.²⁴

Around the same time, Greece's voting record on China-related issues began to change tack. In 2016, Greece helped weaken an EU statement regarding the International Arbitration Court's ruling on the South China Sea (the statement ended up being watered down such that direct references to Beijing were all but removed).²⁵ The following year, Athens blocked an EU statement on China at the UN Human Rights Council in Geneva.²⁶ Greece also later opposed an EU investment screening plan targeted toward China.²⁷ The example of Piraeus may be exceptional because of the unique set of crises besetting Greece at the time. Nevertheless, this Greek case study still raises valid concerns about overexposure to Chinese investment in individual member states and the undermining of EU-wide decisions on China-related matters.

Aside from the political consequences of Piraeus' integration into the BRI, there are also criticisms regarding the actual economic benefits of Chinese investment in the port. Most of the construction materials for the port's expansion, for example, came from China—not Greece or the rest of Europe. And although many jobs have been created in Piraeus because of Chinese investment, COSCO primarily hired local workers using short-term contracts with wages far lower than the regular rate for unionised Greek dock workers. In other words, Chinese investment in port infrastructure may not be as rosy as it seems.²⁸

Nor is the American vision for Sines wholly desirable for the EU. At a time when the EU is seeking to become climate neutral by 2050 via the European Green Deal, investing in a large-scale LNG import terminal may expose the Portuguese economy to the risk of stranded assets. Even if the plan to increase US shale imports and diversify Europe's energy dependence is a welcome initiative, there are concerns that LNG is not a suitable bridge fuel to transition away from coal.²⁹ American LNG facilities in particular are extremely polluting

²³ COSCO to invest additional \$309m at Greek port | Latest News | chinadaily.com.cn. (2013, November 13). China Daily. http://www.chinadaily.com.cn/bizchina/overseascnep/2013-11/13/content_17102076.htm

²⁴ Glass, D. (2016, April 8). *China Cosco Shipping finally gets Piraeus port majority stake*. Seatrade Maritime News. <https://www.seatrade-maritime.com/asia/china-cosco-shipping-finally-gets-piraeus-port-majority-stake>

²⁵ Emmott, R. (2016, July 15). *EU's statement on South China Sea reflects divisions*. Reuters. <https://www.reuters.com/article/southchinasea-ruling-eu-idUSL8N1A130Y>

²⁶ Emmott, R., & Koutantou, A. (2017, June 18). *Greece blocks EU statement on China human rights at U.N.* Reuters. <https://www.reuters.com/article/us-eu-un-rights-idUSKBN1990FP>

²⁷ Reuters. (2018, December 5). *EU countries back investment screening plan with China in mind*. <https://www.reuters.com/article/us-eu-china-investments-idUSKBN1O42F3>

²⁸ Horowitz, J., & Alderman, L. (2017, August 27). *Chastised by E.U., a Resentful Greece Embraces China's Cash and Interests*. The New York Times. <https://www.nytimes.com/2017/08/26/world/europe/greece-china-piraeus-alexis-tsipras.html>

²⁹ Traywick, C., Cunningham, S., Malik, N. S., & Merrill, D. (2020, January 23). *Gas Exports Have a Dirty Secret: A Carbon Footprint Rivaling Coal's*. Bloomberg. <https://www.bloomberg.com/news/articles/2020-01-23/gas-exports-have-dirty-secret-a-carbon-footprint-rivaling-coal-s>

when compared internationally.³⁰ In the EU, the French government has already set a precedent for blocking a US natural gas import contract over environmental concerns.³¹

Instead, a joint European approach should be pursued, at both the EU and member state level, in line with the following three proposals:

First, EU policymakers should recall that one reason for the BRI's rapid spread relates to the politically directed nature of many Chinese economic investments, which are often carried out through state-owned enterprises. As such, they can carry out investments that fully privatised companies would not normally undertake. To compete successfully with BRI schemes on European territory, EU policymakers should likewise adopt a public investment approach. As Josep Borrell, High Representative of the Union for Foreign Affairs and Security Policy, argues, "to be able to continue taking political decisions autonomously as Europeans, we need to invest in strategic sovereignty".³² The EU has already carried out such strategic investments, for example, with the EUR 1.8 billion expansion of the Polish port of Gdynia.³³

Furthermore, private investment from European firms in critical ports, such as Sines, should also be encouraged so as not to rely entirely on public investment. If the EU wants critical infrastructure projects not to fall under Chinese management, then it should incentivise private European firms to compete with China's subsidised state-backed companies. One solution is to increase the underlying economic attractiveness of such investment projects.

In the case of Sines, this solution implies the strengthening of transport links between the Portuguese Atlantic coast and the rest of Europe via Spain. It is dismaying that, 35 years since the accession of both Portugal and Spain to the EU, there still lacks large-scale rail links between the two countries' capital regions, as well as with the rest of Europe via France.³⁴ The lack of hinterland connectivity surrounding Sines holds the port back from attracting further investment. Indeed, it may offer a further explanation for the recent lack of bids for the port (in addition to the covid-related factors cited by local authorities). The EU should therefore step up its efforts within the Trans-European Transport Network (TEN-T) policy initiative to strengthen the Atlantic Corridor linking Portugal to the EU's industrial centre. Given the cross-border nature of developing trans-European networks, the EU has a clear opportunity to act in line with its shared competences.

³⁰ Krukowska, E. (2020, November 5). *Cleaning Up LNG Becomes EU Target in Blow to U.S. Shippers*. Bloomberg. <https://www.bloomberg.com/news/articles/2020-11-05/cleaning-up-lng-becomes-a-target-of-eu-in-blow-to-u-s-shippers>

³¹ White, S., & DiSavino, S. (2020, October 23). *France halts Engie's U.S. LNG deal amid trade, environment disputes*. Reuters. <https://www.reuters.com/article/engie-lng-france-unitedstates-idUSKBN278o8G>

³² Fontelles, J. B. (2020, September 8). *The Sinatra Doctrine: Building a United European Front*. Institut Montaigne. <https://www.institutmontaigne.org/en/blog/sinatra-doctrine-building-united-european-front>

³³ *Deepening the Port of Gdynia in Poland brings economic, environmental benefits*. (2019, September 12). Regional Policy - European Commission. https://ec.europa.eu/regional_policy/en/projects/poland/deepening-the-port-of-gdynia-in-poland-brings-economic-environmental-benefits

³⁴ Secchi, C. (2021, June 21). *Atlantic*. Mobility and Transport - European Commission. https://ec.europa.eu/transport/themes/infrastructure/atlantic_en

Finally, a greater alignment should be pursued between European industrial policy and foreign policy. Investing in critical infrastructure, such as the port of Sines, should not only be seen through the lens of domestic economic development, but also viewed as a means to achieve foreign policy objectives, especially vis-à-vis China and its BRI strategies. Much is made these days about the so-called Sinatra Doctrine of finding a middle path for the EU amid an emerging US-China superpower rivalry. Too often, however, attention is paid to big-picture concepts of ‘equidistance’ and ‘triangularity’ at the expense of practical on-the-ground developments. The battle for influence in Europe between the US and China will not be won in academic theories, but rather in “the patient, discreet accumulation of advantages on the ground”, as observed by Josep Borrell in reference to the “Chinese *realpolitik* based on creating *faits accomplis*”.³⁵

If the EU and its member states truly want to gain European strategic independence, turning their attention to critical infrastructure, such as the port of Sines, and articulating their own industrial development vision would be a good start. After all, being forced to choose between Chinese and American economic schemes is far from the EU’s conception of **strategic autonomy**.

³⁵ Fontelles, J. B. (2020, September 8). *The Sinatra Doctrine: Building a United European Front*. Institut Montaigne. <https://www.institutmontaigne.org/en/blog/sinatra-doctrine-building-united-european-front>