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Hedging its bets? Portugal's diplomatic strategies for a post-Brexit Europe

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The United Kingdom's withdrawal from the European Union has deeply impacted politics in the continent. While affecting all European countries, the strategic challenges raised by Brexit have been particularly acute for smaller EU members due to their vulnerability and greater dependence on the Union. This article explores the diplomatic strategies smaller EU member states have pursued to meet the challenges stemming from Brexit. Drawing on the theoretical literature on small states it focuses on the case of Portugal, an under-researched country, which, as a core EU member sharing an historical alliance with Britain, is significantly exposed to the effects of Brexit. In an empirically grounded way, the analysis shows that Portugal has been hedging its bets to balance a steady EU commitment with the protection of relevant links with the UK. Like for other smaller EU countries, the new context of uncertainty led to the adoption of more proactive and sophisticated diplomatic strategies. The study provides evidence of the novel political dynamics in Europe triggered by Brexit and highlights the importance of international institutions, such as the EU, for small countries. These results contribute to the literature on contemporary Portuguese foreign policy and small European states' diplomacy.

Keywords: Portugal; European Union; United Kingdom; Brexit; small states; foreign policy

1. Introduction

The United Kingdom's departure from the European Union was an unprecedented disruptive development for the process of European integration, with broader implications at regional and international level. Although at the time of writing Brexit's full impact was far from clear, a growing literature has already started examining its important effects on European politics (e.g. Diamond et al., 2018; Greer & Laible, 2020; Martill & Staiger, 2018). The present article builds on this ongoing discussion to explore the main diplomatic strategies smaller EU member states have implemented in order to cope with the strategic challenges stemming from Brexit. While affecting all European countries, Brexit's challenges have been particularly acute for smaller EU members due to their greater dependence on the Union. Small states in general tend to conduct their foreign policy through international organisations in view of their vulnerability. This has also been the case in the European context, where most small states have looked at the EU as a particularly useful instrument for binding larger Member States and maximising their own leverage (Thorhallsson & Steinsson, 2017).

In contrast with the vast attention devoted to major European players' strategies for coping with Brexit, few relevant studies have considered the perspective of small states so far (Rees & O'Brennan, 2019; Weiss, 2020; Wivel & Thorhallsson, 2018). The contribution by Wivel and Thorhallsson (2018), however, stands out for its scope and the utility of its analytical and empirical insights. Examining how Brexit influences small states in Europe in general, the authors outline the main types of strategies those states are likely to embrace for facing Brexit's implications, dependent on their respective linkages to the UK across different policy-areas. While most small European countries are expected to adopt passive strategies, 'hiding' or seeking 'shelter' from the

EU, those directly affected by Brexit are expected to be more active, ‘hedging’ their bets. Based on these assumptions, the authors offer instructive general comparative results, supported by preliminary evidence.

Drawing on the insights above, the present study aims to provide a more in-depth and empirically grounded investigation by focusing on the case of Portugal, an under-researched country in the literature on small European states (e.g. Archer et al., 2014; Goetschel, 1998; Steinmetz & Wivel, 2010). Although Portugal is sometimes referred to as a medium-sized country in the EU context, the scope of this study is broader as it also deals with bilateral dynamics, beyond the EU’s framework. Moreover, we adopt a ‘relational definition’ of small states, understood as those that are unable to change the basic contours of their context, since it is assumed that Portugal falls into such a situation at the international and even European level (see Thorhallsson & Wivel, 2006, p. 654–655). Due to its ambivalent Euro-Atlantic foreign policy orientation and diversity of interests at stake under Brexit, Portugal is a particularly interesting case for pursuing the objectives of this research. As further detailed below, the country is a core EU member state, being part of Schengen, the eurozone, and supporting advances in the foreign and security area. Simultaneously, Portugal and Britain are old allies, sharing an Atlanticist outlook as well as important socio-economic ties in sectors such as migration, tourism and trade. Along these lines, this study seeks to contribute to the literature on small European states’ diplomacy and Portuguese foreign policy studies.

The main coping strategies adopted by Portuguese authorities are examined by covering the period between the UK referendum of June 2016 and the conclusion of the formal withdrawal process in January 2020. Thus, official policy, as expressed by actors representing the Portuguese government, is the primary focus of this article. This time

period allows coverage of a complete phase of the Brexit process, when the country's main coping strategies became discernible. The analysis centers on the Brexit process in general as well as on specific developments related to Brexit in both the political economy and foreign and security domains. For these different aspects, it is gauged whether Portugal's main reactions configured a strategy of 'hiding', 'shelter-seeking' or 'hedging'. While mainly concerned with intra-European dynamics, the article also considers linkages with broader external dynamics when deemed relevant. The analysis draws chiefly on official documents, statements and press reports, as secondary literature on the topic is minimal. It was also informed by interviews with senior Portuguese analysts and diplomats.

In what follows we start by providing some context, presenting in greater detail the above-mentioned insights from the literature on small European states and Brexit. We then briefly examine the main challenges and opportunities Brexit poses to Portugal, considering the country's enduring strategic priorities. The following section tackles the core empirical part of the study, assessing Portugal's main coping strategies *vis-à-vis* Brexit. Finally, in the conclusion we summarise and discuss key findings arguing that 'hedging' figured prominently among the country's coping strategies.

2. Brexit and small European states: implications and coping strategies

The UK's decision to leave the EU posed important new challenges to small European countries. By definition, small states lack capabilities and tend to be seen as vulnerable, with more limited action space than great powers. As a result, they have a propensity to be risk averse and status quo-oriented, aiming chiefly at reducing dependence and increasing their autonomy, especially by working through international organisations.

The formalisation of interstate relations produced by international organisations levels the playing field by attenuating the crudest manifestations of power. Therefore, small states generally prefer to adopt multilateral strategies, both to restrain larger states and also exert influence. The case of the EU is paradigmatic to the extent that most small states have perceived the Union as a particularly useful tool for simultaneously binding larger member states and maximising their leverage. In other words, for small member states, the EU has represented a ‘shelter’ against great intra-European power rivalry and external shocks, as well as a ‘platform’ for increased influence at European and international level (Thorhallsson & Steinsson, 2017).

According to Wivel and Thorhallsson (2018), Brexit might have detrimental effects on the ‘shelter’ and ‘platform’ benefits that European integration offers to smaller EU member states. This disruptive development would confront smaller European states with a major challenge associated with four types of risk. These are linked with ‘differentiated disintegration’, the disappearance of Britain’s balancing role against the Franco-German ‘cooperative hegemony’, a possible recalibration of the transatlantic relationship (translated into closer informal ties between the United States and the Franco-German axis), and looser socio-economic and political ties with the UK (Wivel & Thorhallsson, 2018, pp. 268–269). Yet, such challenges would be mitigated by three factors: the decreased value of the UK as an ally for small states in Europe, the fact that continued British membership of the EU could undermine the benefits of EU integration for small states (due to London’s strong focus on maximising its national interest), and Germany’s ‘benign’ leadership working for ‘the institutionalisation and stabilisation of the European political space with non-coercive means’ (Wivel & Thorhallsson, 2018, p. 269).

While all small states are negatively affected by the British decision to leave the EU, some would be considerably more affected than others. For Wivel and Thorhallsson such variation is dependent on their economic and political affiliations with the UK. The authors identify different sets of small state clusters according to issue-areas. In the security domain, Atlanticist small EU members such as Denmark, the Netherlands and the Baltic states would lose their most important ally in the EU as regards transatlantic relations and national security. As further explained:

With the United Kingdom pushing for a stronger role for NATO in Europe post-Brexit and Germany and France eager to develop the EU as a security actor, these states may find themselves caught in the middle with little influence on institutional developments, while facing demands for contributions from both organisations. (Wivel & Thorhallsson, 2018, p. 270)

Differently, smaller member states favourable to strengthening the EU's security and defence policy, such as Finland and Sweden, would likely gain from a stronger EU defence component. In the political economy domain, the authors contrast a northern liberal cluster (including the Baltic countries, Denmark, Finland, the Netherlands and Sweden) with the small states in a southern protectionist group (including Cyprus, Greece and Portugal). While the former cluster is presented as a potential loser, the latter is seen as likely to be strengthened as a consequence of the departure of liberal Britain. The authors also point to strong national variations within each cluster, reflecting the national challenges and opportunities resulting from Brexit (pp. 270–271).

Apart from the above, Wivel and Thorhallsson outline the responses small European countries are expected to implement to better meet the consequences from the UK withdrawal. According to them, those states are likely to pursue three main strategies when seeking to limit the costs and maximise potential benefits: 'hiding',

‘seeking shelter’ and ‘hedging’ (p. 272). Hiding corresponds to a more passive and discrete posture, which may involve signalling a neutral position or avoiding expressing a clear stance. Shelter seeking is more explicit and involves smaller countries aligning with the EU’s institutions or larger member states to benefit from their protection. Finally, hedging is a proactive and sophisticated strategy consisting in pursuing multiple simultaneous options in order to minimise the risks of choosing more straightforward and exclusive alternatives.

For Wivel and Thorhallsson, the logical strategic response to Brexit for most small European states tends to be a combination of hiding and seeking shelter. The authors discuss small EU member states in Central and Eastern Europe, devoid of specific historical, political or economic ties to the UK. Like other member states, such countries face difficulties related to their citizens’ rights in Britain and concerning access to the British market, but would have little incentive to spend any political capital on the issue. In contrast, small states directly affected by the departure have a common interest in a soft Brexit with uninterrupted strong economic and political relations both at bilateral and EU level. Moreover, due to their close ties with Britain they may have particular interests on the specific content of a soft Brexit deal. Therefore, for these countries, a combination of ‘hiding’ and ‘shelter seeking’ would be insufficient. Instead, they would likely pursue a ‘hedging’ strategy ‘seeking to spread their bets by taking shelter from the EU and its big member states, whenever necessary but seeking to form coalitions with like-minded states on specific aspects of a Brexit deal’, even if without risking undermining EU cohesion (Wivel & Thorhallsson, 2018, p. 272). These expectations guide the analysis on the case of Portugal.

3. Portugal and Brexit: challenges and opportunities

Over the past four decades or so, engagement in increased European cooperation has been a top priority for Portuguese foreign policy-makers. In 1986 Portugal joined the then European Community as a way to support its democratisation, socio-economic modernisation, and international reorientation (Pinto & Teixeira, 2004). Since then the country has consolidated its democracy and cemented a Euro-Atlantic external orientation, but fully-fledged EU participation has remained critical for supporting its economic development and international credibility (Ferreira-Pereira, 2014; Teixeira & Pinto, 2012). While being a committed EU member, throughout the years Portugal has also shown a preference for a Union which is institutionally balanced, solidarity-oriented and open to the world. As a small country located on the southern fringe of Europe Portugal has been systematically fearful of marginalisation, but also of the emergence of a 'directoriate' of bigger member states. Moreover, while having a less developed economy than its northern partners and being one of the poorest Western European countries, Portugal has repeatedly considered greater economic and social cohesion within the EU as a priority. Furthermore, despite its significant Europeanisation over recent decades, the Atlantic has continued to occupy a central place in Lisbon's external outlook. For Portugal, the transatlantic link and NATO have remained the main foundation of its defence and security (Ferreira-Pereira, 2007). Regarding foreign policy in general, Portugal's rich historical past and diversity of external interests have led it to draw the EU's attention to Africa, Latin America and Asia, where the country's former colonies are located (Robinson, 2015).

Equally important, Portugal has cultivated substantial links with the UK at different levels. The small Iberian country holds historical ties of friendship with Britain

based on the ‘world’s oldest alliance’ (founded on the 1386 Treaty of Windsor), which for many centuries was Portugal’s main external reference point as well as a security guaranty for its territorial integrity and independence *vis-à-vis* its larger and sole neighbour, Spain (Newitt, 2009). While since the Second World War, with the emergence of new world powers and Britain’s relative decline, the ‘old alliance’ lost much of its past importance in favour of Portugal’s ties with the United States and NATO, it continued to be valued. At European level, even if after the end of the Cold War Portugal moved towards a more pro-integrationist stance than the UK, in the foreign policy domain Portugal and Britain held close positions within the EU, both favouring greater openness towards the Atlantic and NATO’s primacy in security and defence matters (Ferreira-Pereira, 2007; Robinson, 2016). Additionally, the two countries have important social and economic ties in sectors such as migration, tourism and trade. In recent years the UK became the main destination of Portugal’s vast emigration flows, including well-qualified young people, pushed by the economic crisis that fiercely hit Portugal and resulted in an international bailout in 2011.¹ In turn, the UK is the main source of visitors to Portugal and a relatively big community of British nationals currently live in Portugal.² Besides, the UK has represented an important trade partner and market for Portuguese companies.³

Against this backdrop, what are the main implications of Brexit for Portugal, particularly from a diplomatic and strategic perspective? While Britain’s exit might potentially favour greater EU integration and external coherence in line with some of Portugal’s preferences, it may also entail significant costs and risks for the country. On the one hand, due to the UK’s traditional ambivalent and sometimes obstructive stance in Brussels, it could be argued that Brexit will open further cooperation opportunities at

EU level. This would particularly suit Portugal in socio-economic matters, but also in some political areas, including foreign and security policy, provided some important conditions are met. On the other hand, the possibility of Brexit producing further disintegration, fragmentation or political paralysis at the heart of the EU, is far from a welcome prospect from a Portuguese perspective. Like all other member states, Portugal has much to lose from a diminished EU, both in the continent and globally. Moreover, like other members with no 'opt-outs' the country is likely to be particularly hit by Brexit's implications on EU integration. Apart from the above, Britain's exit brings the risk of loosening both the EU27 and Portugal's socio-economic and political ties with the UK. Although it is expected to be less affected than other countries such as Ireland, the Netherlands, Cyprus or Malta, different studies have identified Portugal as a member state significantly exposed to Brexit in general (e.g. Irwin, 2015; Selfin, 2017).

More to the point, and bringing in the insights from the previous section, Brexit impacts upon the 'shelter' and 'platform' benefits European integration offers to smaller states like Portugal. Beyond the disintegrative risks already mentioned, Portugal might be affected by the emergence of a more centralised EU, due to the disappearance of Britain's counterweight against other major European powers, notably France and Germany. However, as previously discussed, this potential cost of Brexit has been somewhat mitigated by the decreased value of the UK as an ally for smaller member states like Portugal, as a result of Britain's degree of self-marginalisation within the EU over time. Tangible risks stemming from Brexit, however, require consideration. Given its condition as a net recipient of EU budgets, Portugal risks being affected by a less solidarity-driven EU resulting from the withdrawal of a major net contributor. With the

loss of a budget disciplinarian such as the UK, a shift towards support for higher spending could also be a possibility, but that would require acceptance of potentially increased contributions. Furthermore, with the British withdrawal the EU lost a highly influential, liberalising member, something that might trigger a ‘protectionist turn’ and a less ambitious external trade agenda. While further defensive measures might be welcomed by Portugal in some areas, the country could be disadvantaged in terms of deepening the Single Market or brokering new EU trade deals with some regions of the world. Additionally, with the loss of one of the top European maritime powers and the leader of the ‘Atlanticist’ group, there is a risk of a more inward-looking and ‘continental’ EU. This would go against Portugal’s strategic interests, bringing about additional dilemmas to the country’s diplomacy.

4. Portugal’s diplomatic strategies for coping with Brexit

Lisbon’s reaction to the Brexit process in general was cautious and conciliatory, one that sought to balance the country’s committed Europeanism with the protection of its ties with the UK. Such a balanced stance was evident in the context of the 2016 UK referendum. Against the Leave vote victory, Portugal’s official response showed many similarities with other EU countries. National representatives expressed ‘regret’ and ‘respect’ for the result, while reaffirming Portugal’s European commitment and verbalising the desire of seeing the maintenance of close EU–UK relations in the future (Ministério dos Negócios Estrangeiros, 2016). However, differently from some member states, from the very beginning Portuguese authorities advocated constructive and friendly future discussions. Before the first EU27 discussion on the UK referendum outcome, the Portuguese Prime Minister, António Costa, said that exit negotiations

should ‘follow the pace they need to have and, above all, must be conducted in a friendly manner’, rejecting any sort of ‘punishment’ (Governo de Portugal, 2016b). Additionally, Lisbon placed particular emphasis on the continuity of Portugal’s bilateral ties with Britain, based on their historical friendship. Furthermore, the country's reaffirmation of its pro-European engagement was prudent, calling for a ‘better and more useful’ EU, rather than ‘more Europe’, as other member states indicated (Governo de Portugal, 2016a; Raimundo & Mestres, 2018).

A more active and specific stance on the part of Portugal was also visible regarding the format of EU27–UK negotiations. The British formal notification to leave the EU of 29 March 2017 had expressly called for simultaneous talks on exit terms and future relations. This was rejected one month later by the EU27, whose negotiating guidelines backed a phased approach giving priority to an orderly withdrawal. Initial talks on the future relationship could only start after enough progress had been achieved on the withdrawal terms. Moreover, the EU27 guidelines ruled out separate negotiations between individual member states and the UK. However, before the adoption of the EU guidelines, Portugal’s authorities had already expressed a general agreement with a phased approach, albeit mixed with an apparent degree of flexibility. In fact, the Portuguese Junior Minister for European Affairs, Margarida Marques, publicly stated on 29 March that: ‘from a formal perspective, the process of negotiating the exit terms and the future relationship are sequential’, (i.e., one follows the other), yet some pragmatism would be needed, as ‘from a political point of view, the two processes cannot be completely separated’ (Lusa, 2017a).

For its part, the UK government showed willingness to make good use of Portugal's balanced stance. For example, on 30 March the British Foreign Secretary, Boris Johnson, called its Portuguese counterpart to reportedly say that the UK 'counted on Portugal's participation' in the Brexit negotiations (Lusa, 2017b). Lisbon's response was that Portugal was working for a 'positive atmosphere' and that its close ties with Britain 'could facilitate' negotiations (Lusa, 2017b). The following week, the UK Secretary of State for Exiting the EU, David Davis, visited Lisbon, but the Portuguese Foreign Minister, Augusto Santos Silva, informed the press that Portugal would negotiate as 'one of the 27', even if seeking a balanced agreement, without any punishing logic (Lusa, 2017c). This stance from Portugal was later reiterated.

Lisbon favoured a more patient, flexible and conciliatory stance towards the UK also in relation to the timetable of the Brexit process. For instance, in mid-January 2019, hours before the first rejection of the Withdrawal Agreement in the House of Commons, the Portuguese government expressed support for an extension of the deadline or even the reversal of Brexit (Lusa, 2019a). After the second rejection of the Withdrawal Agreement by the British parliament, in mid-March, the Portuguese Foreign Minister stated that Portugal 'remained available to back all necessary initiatives from the European side so that the UK can leave the EU in the most organised and orderly way possible' (Lusa, 2019b). At the European Council summit of 21–22 March, which agreed the first Brexit extension, Portugal was among the most 'benevolent' member states, pushing back against a 'stricter' stance adopted by countries such as France. At that meeting, the Portuguese Prime Minister, António Costa, said that the UK should be able to stay in the EU for as long as it deemed necessary, as long as it held European elections in May that year (Barker & Khan, 2019). Portuguese representatives continued

to express a constructive and patient stance during the stages that led to a second and third Brexit extension in April and October 2019 respectively.

The evidence above indicates that, rather than adopting a discrete or passive stance, Portuguese authorities were actively involved in the general Brexit process and sought to give great visibility to the country's specific approach and position. While acting consistently in the sense of promoting EU27 unity and coherence, Lisbon also strived for shaping in advance the definition of EU joint negotiating positions, even suggesting a facilitator role for itself in the discussions. This avowed 'bridging' role was grounded on Portugal's close bilateral links with Britain and propitiated by a similar patient position from other member states. Moreover, Portuguese representatives maintained frequent bilateral contacts with the UK and repeatedly stressed the importance of preserving close reciprocal ties beyond Brexit. This balanced approach, combining a general EU alignment with a conciliatory and open stance towards Britain, suggests a hedging strategy.

4.1 Political economy issues

Portuguese official reactions to the Brexit process regarding political economy matters displayed a clear difference according to the specific aspects in question. In relation to issues that concerned all member states in general (e.g. the 'Brexit bill', the Single Market integrity and market access) Lisbon seems to have largely 'outsourced' the defence of its interests to the EU's institutions. Indeed, the country's representatives gave no special visibility to the national position, nor was detectable any significant initiative put forward to promote its specific perspectives, which became largely aligned with the EU mainstream. In other words, for those general matters Lisbon seems to have

mostly 'hidden' itself or sought 'shelter' within the EU. These more passive strategies contrast with the situations whereby Portugal had specific interests at stake, directly threatened by the Brexit process. In those situations Portuguese authorities exhibited a more active and nuanced stance, pursuing different simultaneous options, thus providing evidence of a hedging strategy.

One of the clearest examples of Portugal's mixed stance was on the issue of citizens' rights. As mentioned above, there is an important community of Portuguese nationals residing in the UK (and a significant British community in Portugal) whose rights could be affected by Brexit, with larger socio-economic and political implications. This was a topic with wide domestic resonance to which Lisbon gave great importance and visibility from an early stage (see Raimundo, 2017). Ahead of the 2016 UK referendum the Portuguese Foreign Minister floated the possibility of reaching a bilateral agreement with the UK on migrants, considering that such an agreement was 'perfectly achievable' (Sousa, 2016). Later, after the possibility of a Brexit (including a 'hard' one) became more plausible, Portugal intensified its bilateral contacts with the UK, as a complement to EU channels, in order to better promote its views on the subject.⁴ In January 2019, the Portuguese government went as far as unilaterally adopting contingency plans to protect the rights of British citizens living in Portugal (in case of a no-deal Brexit) and declared that it expected similar treatment for Portuguese living in Britain (Ames, 2019).

Another domain where Portugal has specific interests at stake relates to the deepening of the Single Market, particularly in sectors such as services, energy and digital technologies. As mentioned, by losing one of its most economically liberal member states, the EU could become more protectionist. That would go against

Portugal's preferences in those specific sectors. In view of such a risk, Lisbon stepped up its bilateral contacts with northern EU countries, namely Denmark, Ireland and Sweden, with which it coalesced to exert pressure in Brussels in this domain. For instance, in February 2019 Portugal was among the 17 EU countries that wrote a letter to the European Council's President urging him to protect and deepen the Single Market, especially regarding the digital and service economy (EUobserver, 2019; Kingdom of the Netherlands, 2019). Initiatives like this were read as targeting France and Germany, which have blocked progress on opening up service sectors to foreign competition (Khan, 2018). Of course, this move from Lisbon was not without limits, since northern European countries (part of the so-called 'New Hanseatic League') have often held opposing views on other EU issues, such as eurozone reform, in relation to which Portugal has been closer to its southern European partners.⁵ However, in an additional manifestation of the country's balanced position in European affairs in general, Lisbon has endeavoured to bridge this 'North-South divide'.⁶

In recent years, Portugal's great economic openness towards extra-European actors (namely the United States and China) can also be seen as an attempt to counter some protectionist impulses within the EU. Indeed, Lisbon has been an active and vocal supporter of the Transatlantic Trade and Investment Partnership. Moreover, in the aftermath of the 2008 financial crisis, the country became one of the main recipients of Chinese investment in the EU (per capita), having also endorsed China's Belt and Road Initiative in 2018. Yet again, this pragmatic economic engagement with different external players was presented by Portuguese representatives as consistent with Portugal's European commitment and EU objectives (Wise & Hall, 2019). Such triangulation attempts give further credence to the notion of a hedging strategy.

4.2 Foreign and security policy issues

As regards the foreign and security domain, Portuguese official reactions to the Brexit process also exhibited balanced traits. Such a quest for an equilibrium reflected the need to deal with the complex set of challenges in this area mentioned above, that is, the risk of Brexit leading to a weakened and less Atlantic EU foreign and security policy, but also affecting both the EU27 and Portugal's political ties with the UK. While in relation to the general risk of a debilitated common foreign and security policy Portugal could find shelter within the EU's collective position, the other sort of challenges called for a more active and specific stance from Lisbon's diplomacy.

Following the June 2016 British referendum the Portuguese Ministry of Foreign Affairs issued a nuanced statement conveying that in the forthcoming EU27–UK negotiations Portugal would be guided by the twofold objective of 'ensuring the continuity and vitality of the European project' and 'preserving a strategic partnership with the UK, both by the new EU and bilaterally' (Ministério dos Negócios Estrangeiros, 2016). Besides these broadly shared ideas on preserving the EU project and a close future EU–UK relationship in general, Portugal also placed special emphasis on the need to ensure an enduring foreign and security anchorage of Britain to Europe, and thus a strong post-Brexit cooperation in this particular realm. As explained by the Portuguese Foreign Minister, Augusto Santos Silva, during a press interview, 'the UK is absolutely central to Europe's security and defence pillar' as well as 'from the perspective of Europe's Atlantic insertion', thus 'we need to find a solution that puts the UK in a position of close partner of the European Union' (Ferreira & Tavares, 2016).

Such a balanced approach was reflected in Portugal's involvement at EU level. Considering Europe's changing security environment, including Brexit and the new

uncertainty in transatlantic relations, Lisbon supported the deepening of the EU's CFSP, but in a cautious way. This was evident in relation to the EU Global Strategy (EUGS), launched a few days after the 2016 British referendum. While having actively participated in its elaboration, Portugal advocated a 'balanced, realistic and sustainable' implementation of the EUGS in the security and defence area, 'pursued in complementarity with the role of NATO', 'avoiding duplications' and bearing in mind its 'financial implications'.⁷ Such prudence informed Portugal's participation in the EU's Permanent Structured Cooperation (PESCO). The country was not among the first group of 23 member states that on 13 November 2017 signed the joint notification on PESCO. Lisbon only notified its decision to join the following month, on 7 December. As explained officially, before becoming a founding member of this defence initiative Portugal sought to ensure that it 'would not jeopardise the consolidation of the EU acquis' and that its projects 'also promote economic and social convergence among member states' (Ministério dos Negócios Estrangeiros, 2018, p. 5).

Portuguese official reactions to Brexit became further perceptible outside the EU arena. From an early stage of the Brexit process, Portugal's authorities sought to activate the country's bilateral relationship with Britain, building on deep-rooted diplomatic ties and friendship. The numerous visits to the UK by Portuguese representatives from 2016 onward, with Brexit on the agenda, attest to it.⁸ In fact, Brexit was described by Portuguese authorities as 'an opportunity to reinvigorate' Portugal's bilateral links with its old ally and friend (Reis & Franco, 2019). Apart from that, Portugal was among the European states that, a few months after the establishment of PESCO, joined the European Intervention Initiative (EI2). Proposed initially by France to operate outside the EU and NATO frameworks, but including the UK, the EI2 was in line with Lisbon's

advocacy of a solid ‘Franco-British axis’ in post-Brexit European security, which should continue counting on Britain’s significant military role, both inside and outside the Atlantic alliance (Lusa, 2019c).⁹ During this period, Portugal also intensified bilateral contacts with maritime northern European countries, such as Denmark, Ireland, Sweden and Norway.¹⁰ This move aimed at mobilising support for increased cooperation among all European Atlantic states to ‘direct Europe outwards’ and ‘secure the balance between the continental and maritime dimensions’ of post-Brexit Europe (Santos Silva, 2019). Similar strategic concerns, together with the perception of a broader ‘Anglo-Saxon retreat’, also contributed to a stepping-up of Portugal's transatlantic ties throughout this phase (Santos Silva, 2018, pp. 7–9).

In sum, in view of the challenges posed by the end of the UK’s participation in CFSP, Portugal’s main reactions rested on a combination of diverse initiatives that, taken together, suggest the adoption of a hedging strategy. Indeed, there was no passivity or neutrality, characteristic of a pure hiding strategy, but rather the adoption of an active and versatile approach, which encompassed cautious support of the EU shelter’s reinforcement, mixed with the pursuit of other simultaneous options. These included Portugal’s enduring unconditional support to the US-led Atlantic alliance (its other main shelter in this domain), the activation of the old political-diplomatic alliance with Britain, participation in the France-sponsored EI2, and the promotion of a coalition of small European Atlantic states deemed to counterbalance the mounting weight of ‘continentalism’ within CFSP.

5. Conclusion

Brexit profoundly impacted European politics, with acute implications for smaller EU

countries. The purpose of this article was to identify and assess the main diplomatic strategies adopted by Portuguese authorities to meet the challenges stemming from the British withdrawal from the EU. The empirical evidence gathered shows that Portugal's official reactions to Brexit corresponded largely to a hedging strategy as the country sought to balance a firm EU commitment with the safeguarding of important socio-economic and political ties with the UK. This delicate balancing act was visible in Lisbon's stance in the Brexit process in general, as well as regarding specific issues in the political economy and foreign and security domains, where Portugal had important national interests at stake. In those circumstances, rather than adopting a passive or straightforward strategy, Lisbon followed a nuanced approach combining three aspects: a clear, yet prudent, support for the EU's unity, active involvement in the definition of the Union's positions, and exploration of complementary extra-EU channels, such as bilateral contacts with the UK.

There was also evidence of hiding and shelter-seeking strategies regarding particular aspects of the Brexit process that concerned EU member states in general. Here the country's authorities avoided expressing a distinct stance and converged with the mainstream position forged by key member states such as Germany. Such a finding is, however, less surprising considering Portugal's traditional pattern of EU engagement and enduring commitment to European integration. In contrast, the level of pro-activism and urgency that Lisbon revealed in reaching out to new European partners and stepping up its bilateral relationship with London represented a shift in Portugal's European diplomatic strategy that would not have taken place without the new uncertainties brought about by Brexit. While other factors, such as the 'Rise of China' and the 'Trump Factor' became intertwined, the 'retreat' of liberal and Atlanticist Britain forced

Portuguese decision-makers to be more active and creative, in a similar pattern to some other smaller EU countries. Still Lisbon's new European initiatives were promoted as being consistent with the country's support for the EU.

Another main finding was that Portugal's diplomatic reactions to Brexit displayed different characteristics according to the policy-area examined. For political economy aspects Portugal's responses were centred on the EU framework, even if the country simultaneously prepared for the case such channel might reveal itself inadequate. This was noticeable in the promotion of national positions mainly through EU institutions, following European principles and by forming coalitions with other member states. By contrast, as regards foreign and security policy matters Lisbon's reactions were less squarely based on EU mechanisms, although the country cautiously supported CFSP developments spurred by the Brexit process. This manifested in the central importance Portugal gave to diverse dimensions and initiatives outside the EU framework, notably its bilateral relationship with Britain, transatlantic bond, engagement in the E12, and coalition-building with European Atlantic states. These contrasting features in Portugal's reactions relate to the different attributes of each policy-area, with the more integrated or supranational political economy domain offering more 'shelter' and 'platform' benefits for dealing with the challenges of Brexit than the rather intergovernmental realm of foreign and security policy. Simultaneously, as noted by similar studies on other smaller member states, greater integration also restricts the possibility of using other available options, beyond the EU framework (see Weiss, 2020).

These findings confirm the main expectations of the literature on small European states demonstrating, in a more empirically grounded way, how Brexit

challenges such countries in specific and novel manners, forcing the most directly affected of them to follow more active and sophisticated coping strategies to reconcile varying interests and preferences. Yet, by focusing on an overlooked small European country with diverse interests at stake under Brexit, it was possible to add nuance and depth to those theoretical expectations, showing in particular how such coping strategies can vary across policy area as well as reveal distinct European coalitions to which Portugal became involved, well beyond the 'southern protectionist' group where it has often been located. Thus, this study contributes to contemporary Portuguese foreign policy studies and adds to the literature on small European states' diplomacy.

These original empirical results also underline the significance of international organisations for small states' foreign policy. The formalisation of interstate relations produced by multilateral institutions such as the EU provide small European countries with benefits in terms of protection and influence. However, they can also bear costs in terms of political autonomy. This 'integration dilemma' between influence and autonomy is experienced by all member states, but is more severe for smaller members, since they have less chances of setting the pace and direction of EU cooperation (Petersen, 1998). Against the backdrop of changes and uncertainties triggered by Brexit, hedging was a core strategy for Portuguese decision-makers to balance the 'entrapment' and 'abandonment' risks associated with the country's participation in the EU. More broadly, the study proves useful in illuminating wider Brexit effects on European politics, offering evidence of the proliferation of new coalitions and partnerships that can potentially work as building blocks for continuing cooperation and integration or, instead, increased political fragmentation in post-Brexit Europe.

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Notes

1. Official numbers say that around 235,000 Portuguese were living in Britain in 2016, but estimates raise that number to 500,000, making it one of the biggest foreign communities in the country.
2. British visitors represented more than 20% of Portugal’s total visitors in 2015, with tourism accounting for around 10% of the Portugal’s GDP. In that same year, more than 17,000 British nationals were officially reported to be living in Portugal, with other accounts putting that figure at around 40,000.
3. Portugal has had a significant trade surplus with the UK, whose market accounted for about 10% of Portugal’s total exports (fourth destination, after Spain, France and Germany) and close to 5% of its imports (fifth supplier) of goods and services in 2015. That same year more than 2,600 Portuguese companies operated in the British market.
4. The topic was on the agenda of official visits made to the UK by two Portuguese junior ministers in July 2016, and by the Portuguese Minister of Foreign Affairs, in February 2017.
5. Portugal is part of the informal group of seven southern EU countries, the so-called ‘Med 7’, which since September 2016 has been holding regular summits to exchange views and coordinate their positions on different issues of the EU agenda.
6. The election of Mário Centeno, Portugal’s finance minister, as President of the Eurogroup in December 2017 can be interpreted as a recognition of Lisbon’s bridging role in eurozone discussions, striving for a balance of ‘discipline’ and ‘solidarity’.
7. In sharp contrast, Lisbon favoured a swift implementation of the joint declaration to increase EU–NATO cooperation, signed in Warsaw in July 2016 (see Ministério dos Negócios Estrangeiros, 2017, pp. 250–253).
8. Beyond visits and other contacts by Portugal’s Minister of Foreign Affairs, the Portuguese President was received in Downing Street and Buckingham Palace in November 2016.
9. This point was further clarified during an interview with a Portuguese senior diplomat (Lisbon, September 2019).
10. Those contacts included official visits made by the Minister of Foreign Affairs from 2017 onwards.

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