



Integrated Country Strategy

PORTUGAL

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I. Chief of Mission Priorities

As we adopt this new Integrated Country Strategy, Portugal is reaping the benefits of a hard-won economic recovery while raising its international profile. The economy has returned to growth, while rating agencies' elevation of Portuguese debt to investment grade will cut the cost of capital to finance further economic expansion. Effective Portuguese diplomacy has enabled Lisbon to punch above its weight in EU and global affairs. Portugal's highly professional armed forces are looking forward to gaining new capabilities and to making a greater contribution to European, African, and Asian security through more deployments as Portugal makes the investments necessary to fulfill its Wales pledge to NATO. Coupled with Portugal's avowed Atlantic orientation, all of these factors paint a picture of opportunity for this Mission to achieve key objectives in the service of our Nation's security and prosperity.

The backdrop of this encouraging picture is the enduring legacy of close, friendly, and beneficial relations between the United States and Portugal, which reaches back in history to the Colonial era. Today that legacy includes over two centuries of peace and cooperation, the unbreakable bond of the NATO alliance, and prolific people-to-people relationships – many with their roots in the 1.5 million-strong Portuguese-American community. The closeness and familiarity of our relationship is at the heart of our nations' alliance and perception of the commonality of our interests. For this reason, the objective of **reinforcing the historic U.S.-Portugal relationship** has pride of place at the top of this Mission's list of priorities. One important way that we will do this is to demonstrate our solidarity with Portugal to help address the pressing problem of wildfires, which caused tragic loss of life here in 2017, and which is also a major issue for the United States. We will also utilize all the resources at our disposal to encourage the two-way exchange of students, scientists, businesspeople, civil society, artists, journalists, and others between our two countries.

This Mission will also devote time and resources to the relationship with the Azores, a region whose population is uniquely connected to the United States, and which hosts the oldest continuously operating U.S. consular establishment in the world. We are going to build on positive momentum to address remaining issues at Lajes, where the United States will maintain a permanent military presence. Meanwhile, we will work to expand airline service to the islands and to cooperate with Portuguese initiatives to stimulate growth in the Azores, include working with Portuguese plans to repurpose infrastructure made available by the Lajes rightsizing.

More than anything else, it has been Portugal's recent economic performance that has been responsible for its return to a prominent position internationally. **Promoting mutual prosperity by promoting expanded, balanced trade relations and increased investment**, therefore, is the second Mission Objective in this Integrated Country Strategy. As the President has said, the United States seeks fair and reciprocal trading relationships. We believe a remarkable opportunity exists to bring balance to the bilateral economic relationship while also enhancing the energy security of our European allies through expanded sales of U.S. liquefied natural gas (LNG) to Portugal and through Portugal to Africa and the rest of Europe. These opportunities will be all the greater if the problem of gas transportation across the Pyrenees is solved to end the isolation of Spain and Portugal from

much of the Continent's gas infrastructure. The same is true if the Portuguese government and firms decide to invest in the capacity for bunkering LNG in the Azores and Madeira in order to serve the growing market for LNG to refuel ships that have converted to LNG fuel to reduce emissions. There is a close linkage between the huge potential of LNG and another area of comparative advantage for both the United States and Portugal, the ocean-based or Blue Economy. From participating in tenders for port operations to supplying goods and services to maritime industries, this Mission will be on the lookout for ways to maximize the success of U.S. companies.

Portugal's emergence from its financial crisis presents a significant opportunity for U.S. investors to secure great returns while Portugal gets the benefit of retiring high-interest debt and financing greater growth. Additionally, the recovery of the Portuguese banking sector is an opportunity for U.S. capital, as the acquisition of Novo Banco by a U.S. firm demonstrates. This Mission will work with Portuguese policymakers and regulators to ensure that U.S. firms can maximize their chances for successful deals in this area. Finally, through public diplomacy programs we will promote increased economic participation by women, young people, and disadvantaged groups while deepening partnerships in science, technology, engineering, and mathematics (STEM) fields.

As a founding member of the NATO alliance, Portugal has long stood in the front rank of nations we count on for partnership when confronting challenges to security and peace. In addition to NATO commitments such as NATO Assurance Measures in central and eastern Europe, Portuguese forces also contribute meaningfully to EU, UN, and US-led operations in the Mediterranean, Africa, Iraq, Afghanistan and elsewhere. Like many NATO members, however, Portugal in recent decades has cut back considerably on military investments, leaving the armed forces lacking the resources needed to accomplish all of the missions asked of them. For this reason, the first objective under our third mission goal – ***Advance the security of the United States and its Allies through cooperation on defense, peacekeeping, law enforcement, intelligence, and the safety of official and private Americans in Portugal*** – is to do everything possible to ensure Portugal fulfills its pledge to Allies from the 2014 Wales Summit to increase defense spending to not less than 2% of GDP, with 20% going to major equipment, including related research and development, by 2024. The purpose of the Wales pledge, of course, is not only to create more forces for the Alliance; it is to enable the Alliance to accomplish more. For this Mission, the objective of 2% for Portugal is intimately connected to the objective of gaining greater Portuguese commitments to deploy troops to the missions of the greatest common importance for the United States and NATO. We will serve both of these goals by working closely with our Portuguese allies to identify the areas in which U.S. firms and capabilities can help Portugal reach its benchmarks as efficiently as possible, as well as by advocating for and coordinating personal engagements by the most senior leaders in the U.S. Government and industry at opportune times to lock in major decisions by Portugal.

In foreign policy, Portugal is a committed and disciplined EU member state, hewing closely to the consensus line taken in Brussels on most global issues. Additionally, the Portuguese place a high priority on multilateralism as their foreign policy method of choice beyond the EU. This does not mean that the Portuguese passively receive policy from supranational organizations. To the contrary, Portugal has a refined, effective technique for inserting its

ideas and priorities into the workings of these institutions. One needs to look no further than the election of Antonio Guterres as Secretary General of the UN and Finance Minister Mario Centeno as president of the Eurogroup to gauge the efficacy of this approach. Portugal regards itself as a middleman in the dialogues between Europe, the Americas, and Africa. This Mission will use all the tools of traditional and public diplomacy to ensure that to the maximum extent possible, Portugal's inputs to the deliberations of key international institutions, especially the EU, are compatible with the United States' priorities. In particular, the Mission will lobby intensively to ensure that Portugal is a voice in the EU in favor of maintaining sanctions and other international pressure on states whose behavior directly threatens international order, peace, and security, such as Russia through its aggression against Ukraine, and North Korea through its aggression and illegal, destabilizing nuclear program.

This Mission has no higher responsibility than keeping Americans in Portugal safe, and we are greatly helped in this task by the long legacy of close cooperation we enjoy with the Portuguese authorities, be they the security forces guarding our Mission, the police cooperating with U.S. investigators to interdict drug traffickers, or numerous others. Among many other things, this Mission will build on this legacy of cooperation by pursuing an Asset Sharing Agreement and by intensifying cooperation with Portugal to identify and prevent terrorist travel, especially as the volume of flights between Portugal and the United States increases.

II. Mission Goals and Framework

Mission Goal 1: Reinforce the historic U.S.-Portugal relationship

Mission Objective 1.1: The Portuguese public and government's perception of friendship with the United States is strengthened, providing a strong platform for further development of ties.

Mission Objective 1.2: Cooperation in the Azores cements the relationship with a Portuguese region particularly connected to the United States, and yields opportunities for U.S. investment, scientific, and security interests.

Mission Goal 2: Promote mutual prosperity by promoting expanded, balanced trade relations and increased investment.

Mission Objective 2.1: U.S. exports to Portugal expand, narrowing trade imbalance.

Mission Objective 2.2: U.S. investors and their American clients benefit from Portugal's improving economy, while the United States-Portugal relationship in Science, Technology, Engineering, and Mathematics (STEM) areas contributes to a prosperous and inclusive Portuguese society through encouragement of commercialization and entrepreneurship, and inclusion of women, young people, and minorities.

Mission Objective 2.3: The United States and Portugal strengthen public and private sector cooperation on the sustainable commercial use of the ocean, or "Blue Economy."

Mission Goal 3: Advance the security of the United States and its Allies through cooperation on defense, peacekeeping, law enforcement, intelligence, economic prosperity and the safety of official and private Americans in Portugal.

Mission Objective 3.1: Portugal makes steady progress toward fulfilling the Wales defense spending and investment pledge.

Mission Objective 3.2: Portugal increases its commitment to deploy forces to U.S. and NATO-led overseas missions.

Mission Objective 3.3: Portuguese foreign policy supports European alignment with U.S. policies on counterterrorism and sanctions with regard to North Korea, Russia, Syria, and elsewhere, on economic security and cooperation, and in maintaining safety and security in Portugal and protecting U.S. citizens.

Management Objective 1: Leverage the Mission's human capital to be better prepared to support Mission goals.

Management Objective 2: Leverage technology to improve resource management, efficiency, effectiveness and security.

III. Mission Goals and Objectives

Mission Goal 1: Reinforce the historic U.S.-Portugal relationship

Description and Linkages: As the National Security Strategy states, strong and committed allies “increase the strategic reach of the United States.” The U.S.- Portuguese alliance is grounded in a more than 200-year unbroken record of positive relations, and the fruits of that relationship are manifest in our deep cooperation in NATO and the vibrancy of the Luso-American community. Actions in support of this goal cultivate the commitment of the Portuguese leadership and society to the alliance with our country, and increase Portugal’s potential to contribute to the accomplishment of national objectives in all areas.

1.1. The Portuguese public and government’s perception of friendship with the United States is strengthened, providing a strong platform for further development of ties.

Justification: The greatest asset the United States has in the relationship with Portugal is the consensus that the two countries have an enduring and permanent friendship, built on mutual trust, shared values, and common interests. That friendship is the continuation of over 200 years of peaceful, fruitful relations. The result of this enduring relationship is that relations with Washington are one of the indispensable vectors of Portuguese foreign relations, along with European institutions and the Lusophone world. This level of trust and friendship has been earned over time, and is not to be taken for granted on either side of the relationship. Portugal has shown great interest in deepening our cooperation on mutual interests and working with our Administration, so there are opportunities to be seized in numerous areas. We can also leverage public-private and institutional partnerships with key organizations like the Luso-American Development Foundation and the U.S.-Portugal Fulbright Commission to increase the impact of our outreach. Realistically, we also understand that there are issues that present challenges which, if unaddressed, can impede us from realizing the full potential of this relationship. For all of the issues that face us, however, both opportunities and challenges, we will attain the best results when our dialogue with our Portuguese partners takes place in an atmosphere of trust and friendship. As a result, we will make frequent deposits in the account of trust between our countries.

1.2. Cooperation in the Azores cements the relationship with a Portuguese region particularly connected to the United States, and yields opportunities for U.S. investment, scientific, and security interests.

Justification: The Portuguese Autonomous Region of the Azores occupies a unique place in Portuguese history and its external relations, particularly with the United States. The Consulate in the Azores at Ponta Delgada is the oldest continuously functioning U.S. consulate in the world, dating to 1795. A significant portion of the Portuguese-American community can claim roots in the Azores, and the islands are home to thousands of U.S. citizens, mostly dual citizens. The islands’ geography offers major opportunities for the region to play a central role in cutting-edge marine, environmental, and space science,

as well as possibilities for business development in areas such as liquefied natural gas (LNG) bunkering. Furthermore, the islands' strategic location and established facilities validate the military value of the U.S. presence at Lajes and present new and evolving possibilities to locate Atlantic and Africa-facing security institutes in the Azores. Additionally, should Portugal's submission to the Commission on the Limits of the Continental Shelf meet with affirmation, the Azores will be at the center of a greatly expanded zone of Portuguese economic activity. With all of these unique factors in mind, we will energetically pursue opportunities to deepen the relationship between the United States and this unique and strategic autonomous region of Portugal.

Mission Goal 2: Promote mutual prosperity by promoting expanded, balanced trade relations and increased investment.

Description and Linkages: This goal essentially imports Pillar II of the National Security Strategy and Goal 2 of the Joint Strategic Plan into the Portugal ICS. With its emphasis on expanding U.S. energy exports to Portugal, this goal also captures the connection between economics and security that is a critical point of emphasis in both of these higher-level strategies.

Mission Objective 2.1: U.S. Exports to Portugal Expand, Narrowing Trade Imbalance.

Justification: While the turnover of goods has increased on both sides in the last year, there remains an imbalance that translates into a trade deficit for the United States of over \$2 billion with Portugal. An expanding Portuguese economy presents opportunities to increase job-creating U.S. exports to Portugal and Portuguese investments in the United States.

LNG is revolutionizing the global energy picture, and the United States is poised to lead the way to a more secure and more economical energy future for all nations, especially our friends and allies who are now forced to rely on unstable, cartelized, and potentially hostile suppliers. The United States is already the leading natural gas producer in the world, and U.S. liquefaction capacity is expected to increase to 90 billion cubic meters per annum in 2020, from only 14bcm in 2015. Meanwhile Portugal, with its large-capacity LNG facility at Sines (the closest LNG deep-water harbor to the United States in continental Europe) and serious potential to be a major LNG fuel bunkering site for the Atlantic as maritime traffic increasingly turns to LNG as marine fuel, is well-positioned to embark on a mutually beneficial long-term partnership with the U.S. LNG industry.

Portugal and Spain collectively possess over one-third of Europe's LNG import capacity. However, the Iberian Peninsula is currently an energy island, with no significant gas pipelines or electricity connections to the rest of Europe. Increased LNG exports to Portugal and through Portugal to Africa and elsewhere in Europe could address our imbalance in a way that benefits both countries while advancing the long-standing U.S. goal of increasing Europe's energy security and facilitating Africa's economic development, all while further enhancing U.S. export opportunities.

Mission Objective 2.2: U.S. investors and their American clients benefit from Portugal's improving economy, while the United States-Portugal relationship in Science, Technology, Engineering, and Mathematics (STEM) areas contributes to a prosperous and inclusive Portuguese society through encouragement of commercialization and entrepreneurship, and inclusion of women, young people, and minorities.

Justification: Portugal's recovery from its economic crisis has been remarkable, and the markets have validated it with displays of increased confidence. Most notably, Standard & Poor's in September 2017 and Fitch in December 2017 revised their ratings of Portuguese sovereign debt to investment grade. Another major vote of confidence came in October 2017 as Lone Star Funds, an American firm, acquired Novo Banco, the entity created from the good assets of the failed Banco Espirito Santo. As a result, investors worldwide are looking at Portugal as a major opportunity. The Novo Banco acquisition, which was also a success for U.S. economic diplomacy, established the strength of American interest in the resurrection of Portugal's financial sector; the Mission will ensure U.S. firms and investors have full access to investment opportunities Portugal.

One of the keys for Portugal to sustain its economic recovery is for it to address an historic unemployment problem through entrepreneurship and job creation. Small enterprises are the backbone of the Portuguese economy and a primary engine of growth. Ninety-five percent of Portuguese firms employ ten or fewer workers. Most business owners have not received formal business education. We will concentrate public diplomacy efforts to share U.S. values and experiences related to entrepreneurship and developing business and social skills that raise people's prospects for success in society, especially among women, youth, and disadvantaged communities. Portugal is graduating more female MBAs and Ph.Ds than ever. Women play an important role in the startup community, and research shows that women entrepreneurs are more likely than men to reinvest profits into their communities. These initiatives are not limited to specifically business-oriented programs; when we offer cooperation to organizations that offer opportunities to girls and disadvantaged youth to play team sports and build life skills, we are helping them to equip themselves for future leadership roles in which their communities are now under-represented.

Additionally, Portugal is on the cutting edge of scientific innovation. Reinforcing our bilateral cooperation across the board on science and technology would simultaneously create greater returns for American businesses and buttress the political and people-to-people relationship. Building this aspect of the relationship has been a consistent theme of the Portuguese side at recent SBCs. Maritime science, renewable energy, and autonomous vehicles are but a few of the fields ripe for cooperation given the expertise in Portugal and the existence of common interests.

Mission Objective 2.3: The United States and Portugal strengthen public and private sector cooperation on the sustainable commercial use of the ocean, or “Blue Economy.”

Justification: While the oceans have always been an indispensable part of the global economy, several contemporary factors compel us to think of the oceans as practically a sector of the economy in themselves. Governments and the private sector are both grappling with issues of the environment and sustainability of key industries while also discovering new resources and technologies. Economists have been developing means to measure the share of the economy that depends on the oceans. With its storied maritime tradition, Portugal is naturally inclined to look to the sea for new opportunities – and will do so even more if it succeeds in its claim to extend its continental shelf jurisdiction in the Atlantic. Portuguese representatives often stress that they regard the Atlantic as connecting rather than separating the United States and Portugal, so the “blue economy” should be a natural forum for mutually beneficial cooperation. While this is certainly the case, we also have to remember that we are not the only game in town – other global players, including China, will soon be making their own plays to extend their economic power to the Atlantic – so we cannot afford complacency.

Mission Goal 3: Advance the security of the United States and its Allies through cooperation on defense, peacekeeping, law enforcement, intelligence, economic prosperity and the safety of official and private Americans in Portugal.

Description and Linkages: This goal is clearly directed at the substance of Pillar III of the National Security Strategy, “Preserve Peace Through Strength,” and also serves Goals 1 and 3 of the Joint Strategic Plan. While delineating our cooperation with Portugal to address perennial issues of mutual security concern, this goal also places its highest emphasis on meeting the burden-sharing objectives of these higher-level strategies.

Mission Objective 3.1: Portugal makes steady progress toward fulfilling the Wales defense spending and investment pledge.

Justification: The pledge taken by Allies at the 2014 NATO Summit in Wales marked an historic turning point for the post-Cold War Alliance. By agreeing to raise defense spending to 2 percent of GDP, with at least 20 percent going to major equipment, including related research and development, Allies took a collective decision to reverse the steady decline in NATO’s capabilities and address the imbalance in military contributions between the United States and its partners. It is one of the President’s clear priorities to ensure that all NATO nations succeed in meeting this commitment. With its high-quality, trained and motivated forces, Portugal can add considerably to NATO’s aggregate capability and contribute more in areas where it has specific expertise. We will ensure that the President’s message is communicated effectively to all Portuguese stakeholders, and work with our Portuguese partners to promote defense spending choices that maximize the contribution Portugal can make to global security.

Mission Objective 3.2: Portugal increases its commitment to deploy forces to U.S. and NATO-led overseas missions.

Justification: Portugal in recent decades has been a contributor to operations in Iraq, Afghanistan, Africa, the Balkans, and the Mediterranean. The effectiveness of these long-term missions depends on the willingness of all Allied and partner nations to contribute troops with the right specialties, equipment, and operational concepts to accomplish the mission. Portugal has long demonstrated its capability and will to contribute to global security. As a Mission, we will encourage Portugal to devote additional resources to operations that serve the security interests of both of our countries, as well as to increase its national capacity to deploy its own troops.

Mission Objective 3.3: Portuguese foreign policy supports European alignment with U.S. policies on counterterrorism and sanctions with regard to North Korea, Russia, Syria, and elsewhere, on economic security and cooperation, and in maintaining safety and security in Portugal and protecting U.S. citizens.

Justification: Portugal is a close and reliable ally, with a long history of stalwart support for Atlanticism. Effective advocacy by this Mission on key issues for the United States will unlock ways to cooperate with this globally respected and capable ally, which in turn will offer an encouraging example of a beneficial bilateral relationship to other nations. Finally, protecting the American community in Portugal – be they dual citizens or legal residents who live in Portugal permanently, Portuguese-Americans visiting loved ones, or tourists taking in the sights of Lisbon for a few days – is a fundamental responsibility of this Mission. If we are not accomplishing this mission, we are not succeeding. Closely related to this is ensuring that the means and routes – tangible and virtual – connecting the United States and Portugal are closed off permanently to transnational criminals, narcotics, and human trafficking

IV. Management Objectives

Management Objective 1: Leverage the Mission's human capital to be better prepared to support Mission goals.

Justification: The Mission will increase productivity and efficiency by empowering Embassy staff to make full use of their skills, experience, and proven judgement. Each office will look for opportunities to leverage our existing workforce talent beyond the traditional staffing patterns. We will expand our robust local intern program to provide offices with technically capable Portuguese students who bring a fresh vision to our work, both internal and external. Temporary contracts will be used to fill short term needs for seasonal work. This transition will create a more flexible workforce and will make the hiring process agile and cost-effective.

Organizationally, we will seek to adopt practices that allow for greater flexibility so that sections can better support one another. This will entail the revision of position descriptions to make them more general in nature, enabling the application of skillsets beyond traditional roles held by staff members.

Management Objective 2: Leverage technology to improve resource management, efficiency, effectiveness and security.

Justification: The rapid rate of technological advancement calls for significant modernization that is fast, secure, and impactful in the service of U.S. diplomacy and development. The Mission must adopt these changes to support its strategic goals.

New technologies promise to make us a more agile, resilient organization. With the advent of cloud-based computing and the Department's embrace of it, we will have the potential to work from any place, at any time. The workplace and the ways in which we collaborate will be transformed, offering new opportunities to make us more effective and efficient.

The Department's Integrated Logistics Management System, the platform on which many of the most critical management operations are performed, together with MyServices, the customer interface, provide a range of capabilities that are not being fully exploited. Used properly, these tools will allow service providers to direct their efforts where they are most needed and optimize the acquisition, provision, and deployment of resources.

An emergency notification system is part of every post's emergency response toolkit and assists missions in managing risk and responding to crises. Current technologies such as radio networks, warden systems and phone trees have proven laborious and time-consuming in the absence of a multi-layered communications framework. Recent emergency situations overseas demonstrate an urgent need to provide a standardized business solution, appropriately resourced, for Chief of Mission emergency notification and accountability requirements. To address that need, the Bureau of Information Resource Management (IRM) has procured an enterprise-wide emergency notification

and accountability solution, called SAFE. SAFE will facilitate the process of tracking individual accountability and the sending of notifications in multiple modalities - email, SMS text, and phone - during an emergency situation. It will also adhere to the Department's information security protection standards and IT governance processes.