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Why Portugal is attracting the Chinese

Portugal is becoming the new haven for Chinese wealth thanks to measures like Golden Visas, says Globalaw network representative Ricardo Costa Macedo of Caiado Guerreiro.



Wong Yu liang

Portugal is seeking wealthy investors from outside Europe

In August 2012, the Portuguese Government introduced an ambitious "vistos dourados" (Golden Visas) scheme aiming to attract to Portugal investors from outside Europe that will bring in fresh funds. Today, investor confidence in Portugal is at a four year high according to the national confidence index by the Royal Institution of Chartered Surveyors (RICS). The Golden Visa scheme has provided a promising boost to the economy together with foreign demand. The scheme allows non-European Union citizens, like any other Portuguese residence permit holder, to travel around the Schengen Area as well as being able to work or study in Portugal.

Acquisition of real estate with a value equal to or higher than €500,000 (five hundred thousand euros) is one of the necessary requirements to apply for this golden visa, and has been the most common investment. For purposes of the residence permit, the investor needs to remain in Portugal for seven consecutive or interpolated days in the first year and 14 consecutive or intercalated days in the subsequent periods of two years. Making a capital transfer of €1,000,000.00 (one million euros) or the creation of at least 10 job positions are also eligible investments to be granted a Golden Visa.

Chinese interest

Caiado Gueirro, a Lisbon-based member firm of international network, Globalaw has been monitoring the trend and has found that the visa system has been most popular with the Chinese. It is important to address why this is as golden visas are proving to make a significant impact on Portugal's economy.

During the most difficult period of the recent economic crisis, European and American traditional investors stayed clear of Portugal. On the contrary, Chinese investors took a different stance and assessed Portugal in a more objective way with a long term perspective in mind. The forward looking assessment of the Portuguese market by Chinese investors is what made the difference. China Three Gorges and China State Grid, for example, invested significantly in EDP, a utilities company and REN the electrical state grid, which are two of the largest companies in Portugal. This investment was a benchmark that encouraged other Chinese investors to follow suit.

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Posted by:

Globalaw Network

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seeking assets outside of China and aiming to diversify their investments.

Chinese investment first began in the energy sector (EDP and REN) but then quickly extended into real estate, especially new and luxury properties in the Lisbon area. Today, the most frequent Chinese investment is in the purchase of properties for lease, particularly in new-build developments around Lisbon's 1998 Expo Park. Chinese investors are now going even further and are focusing on construction and urban regeneration.

Purchases of housing have certainly been beneficial for construction companies, which have experienced strong recovery leading to job creation. Further jobs are being boosted in the health, domestic help, food and trade sectors as a result of such foreign investments.

Legal industry trends

Despite the benefits for Portugal's economy, it's important to consider how the advent of Golden Visas has impacted the Portuguese legal industry.

The Golden Visas alone have provided a steady flow of work for firms in Portugal, with all the associated legal work. Also, through the Globalaw network, Golden Visa clients are increasingly looking for further investment opportunities, primarily in the industrial and agricultural sectors. The wine industry has also received some interest in particular. Some investors have also purchased or set up factories that have required lengthy legal considerations. China is fast moving toward becoming the world's biggest economy and its footprint in Portugal is an example of that. It is expected that China will eventually become the largest (or at least one of the largest) investors in Portugal.

In the legal context, Portugal is also perceived as a stable country with impartial judges and a reliable, fair judicial system. The combination of Portugal's economic openness, its membership of the European Union and its strong ties with Portuguese speaking countries which have a combined population of around 400 million people, make it a natural gateway between the European Union and international markets.

It is important to note, competition in the Portuguese legal market is increasing as firms are increasingly focusing on expanding to foreign jurisdictions, particularly in countries where Portugal has historical ties. This is where firms that are part of a global network can truly benefit. HNW investors from South Africa, Brazil, Iran, Lebanon, Egypt, Syria, Dubai, India are also taking advantage of the Golden Visa which is testament to Portugal's growth and upturn from challenging market conditions in Europe.

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