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Angola and Brazil Are Buying Portuguese Companies

Portugal is selling state-owned companies to raise cash, and its flush former colonies are stepping up to buy

By Roben Farzad

Four centuries ago, seafaring Portugal was at the height of its economic power, thanks in no small part to its exploitation of Brazil and Angola. The Portuguese were voracious consumers of Angolan slaves, arming Africans with guns and shackles to capture members of rival tribes. The slaves ended up working and dying on the plantations and in the mines of Brazil and the Portuguese-owned islands off Africa.

Today, Portugal is a ward of the International Monetary Fund and the European Union. Brazil is the world's seventh-biggest economy (Portugal, at last count, was No. 38) and Angola, Sub-Saharan Africa's second-biggest oil producer, is one of the fastest-growing nations on earth. Now Portugal, the erstwhile imperialist, may be acquired in bits and pieces by its former colonies.

"You'd never have imagined this from Third World countries," says Walter Molano, an emerging markets analyst with BCP Securities in Connecticut. "Brazil and Angola were always natural resource-rich. But now that they're independent sovereigns with stronger currencies, they're rich enough to invest in their colonizers."

Last year, Angola had $50 billion in exports, most of it crude oil. The country's capital, Luanda, is a boomtown, with hotel rooms scarce and drivers getting up to $1,000 a day to navigate foreign businessmen through all the congestion.

As Brazil and Angola were rising, Portugal was overextending itself financially. In May 2011 the IMF and euro zone leaders approved a €78 billion ($107 billion) bailout, which called for Portugal to raise at least €5 billion by selling off state assets.

So Angola's Banco BIC is buying Portugal's nationalized Banco Português de Negócios for a fraction of its €180 million asking price. An Angolan company has bought Portugal's biggest furniture maker. In July, shortly after he met with Portugal's foreign affairs minister, Angola Minister of State Carlos Feijó told reporters that the government was exploring other possible deals.

Portugal says it intends to sell shares in electricity providers EDP-Energias de Portugal and REN-Redes Energéticas Nacionais.

In early September, former Brazilian President Luiz Inácio Lula da Silva urged companies back in Brazil to invest in Portugal, and cited the possible acquisitions of airline TAP Portugal and a naval shipyard as examples of the deals to be had. Already, a top Brazilian cement maker and steelmaker have clashed over control of Cimentos de Portugal.

“Bottom fishing during and after financial crises is nothing new,” says Jerry Haar, a professor at the business school of Florida International University in Miami who tracks foreign investment. “What is new is the increasing participation of emerging markets in the game. Where language and cross-cultural affinity are involved, all the more so.” So do not be surprised to see Colombia and Peru, equipped with their strong currencies, shopping in Spain.

The bottom line: *Portugal needs to raise €5 billion by privatizing companies. The buyers may well prove to be companies from its old colonies.*

Bloomberg Businessweek Senior Writer Farzad covers Wall Street and international finance.