



Reinvention of Europe Project

Portugal: integrate or be marginalised

By Teresa de Sousa and Carlos Gaspar

It is quite impossible to underestimate the importance, for Portugal, of its integration in Europe. Portuguese democracy and European integration are considered the inseparable outcomes of the post-authoritarian transition by the three main parties: the Socialist Party (PS); the Social-Democratic Party (PSD); and the Social Democratic Centre (CDS). This consensus has been shaken by the euro crisis, and the initial Portuguese response of a firm demonstration of European credentials has only recently faltered thanks to a troubled economy and doubts about the effectiveness of the prescribed treatment. However, Portuguese pro-European sentiment remains strong in the political mainstream, despite increasing public protests, and any retreat from keeping pace with Europe and Portugal's EU partners would only be done with the utmost reluctance.

Integrate or be marginalised

The first decade of Portugal's integration in Europe was marked by change. Portugal's economy and society were modernising rapidly against a backdrop of political stability and access to European structural funds. This sustained the credibility of a "strategy of convergence" with other EU members. The stabilisation of Portugal's international status as a member of the EU and NATO allowed a new cycle in bilateral relations to begin with Spain, Brazil and the former African colonies. Spain was no longer regarded as a threat to national independence and became Portugal's chief economic partner; Portugal became one of the main international investors in Brazil, playing a key role in institutionalising relations between it and the EU; and the normalisation of relations with former colonies led to the creation of the Community of Portuguese Speaking Countries.

Portugal's European policies also evolved, with officials acknowledging the need to be at the "core" of European integration and "as Europeanist as Spain". Portugal defended the principles of solidarity and equality between member states, against the perceived threat of domination by larger countries. Portugal has also stood firmly behind enlargement, despite being more negatively affected by recent expansions than any other member state.

Indeed there has been a tension between Portugal's push for inclusion in further integration while becoming more marginalised within the Union. The EU's westernmost state was in danger of becoming a periphery within a periphery, which in turn pushed it towards the strategy of risking joining the single currency, despite stark disadvantages in productivity and competitiveness: the idea of remaining isolated at the margins of the economic and monetary unification was unthinkable. Yet the euro's first decade represented a period of stagnation, which further deepened Portugal's economic crisis.

The Present Crisis

The request for external financial assistance from the EU and the International Monetary Fund had devastating consequences for Portugal. The associated austerity measures have put both the country's democratic institutions and its economy to the test. The "European convergence" strategy, which assured political consensus amongst the largest national parties and, in a sense, defined the social contract of the Portuguese democracy, has been challenged in its very essence. Portugal's standing in the EU has slipped from being a "middle power" to one of the "PIGS", repeatedly downgraded by rating agencies.

The Portuguese political mainstream was initially united in its response to the crisis, avoiding the need for a technocratic government (as seen in Italy and Greece). There was consensus between the PS, PSD, and CDS, who shared strong public support in their implementation of the Memorandum negotiated with the troika. A minority Socialist government was replaced in 2011 with a majority centre right coalition (PSD and CDS), with the three mainstream parties picking up almost 80 percent of the vote while subscribing to the Economic Adjustment Programme. Although the government was then able to meet targets established in the Memorandum and face down a peaceful general strike, over recent months the situation has deteriorated.

Portugal had prided itself on a record of stoicism and relative peace, in contrast to others like Spain and Greece. But although recent protests have been led by only a small minority, they also suggest deepening disquiet within the population. This is partly fired by the economy underperforming in comparison to estimates, causing some to lose faith that the "recipe" of reform and austerity is working. The protests have also been fired by questions over the government's determination to "go further than the troika" (to demonstrate European commitment, credibility, and differentiate itself from Greece), with unpopular cuts in sensitive areas like health, pensions, and education. The immediate cause of country-wide protests in mid-September 2012, also involving the middle classes, was a controversial tax reform.

The government remains convinced that it can pass reforms that in the long run allow it to converge with other eurozone economies. In November 2012 they passed an austere budget, and although the PS is no longer "in partnership" with the coalition, it will abstain rather than vote against austerity measures.

There is, however, increasing room for criticism of the current trajectory. Although far from mainstream, some credible voices have called for leaving the euro to be considered (especially on the left). Non-mainstream parties, such as the communist PCP and the BE (Left Bloc), have voiced concerns about membership of the single currency.

The broader picture is that Portugal is still trying to demonstrate its desire and ability to take part in further European integration projects, for fear of being marginalised if it fails, against a backdrop of discussions about those projects being the probable solution to the crisis. For Portugal, meeting the requirements of the reform programme serves to buy time until the necessary political conditions exist, in the EU, for a joint response to the European crisis that will also ameliorate the situation at home.

The European future

The crisis has changed the course of the strategic debate in Portugal, where, in effect, political actors had avoided public controversy over foreign policy priorities, including European Integration policy. There is a nostalgic element to the debate. The nationalist right wants Portuguese interests to be at the forefront of foreign policy, while the radical left has campaigned for an alliance of the “debtor countries” against the “creditor countries” as a new version of the international class struggle. More moderate voices have openly criticised the current generation of European leaders for their failure to live up to their forebears and deal decisively with the crisis.

The centre-right government’s foreign policy shows a renewed interest in bilateral relations beyond the EU, for instance with Brazil and Angola and China. The importance of the Lusophone world and the Portuguese diaspora has also been emphasised. These tendencies fit in with the general “renationalisation” of foreign policy evident in many EU member states.

However, the European consensus amongst the Portuguese elites continues to prevail, and the positions in favour of Portugal’s withdrawal from the single currency remain isolated and marginal. All recognise that returning to the *status quo ante* may be impractical, with the EU transforming itself in response to its own internal crisis and the wider transition in the international system.

Portuguese interests would be well served by some kind of partial mutualisation of sovereign debt, and Portugal is committed to strengthening the position of the European Commission in the emerging balance between the European institutions. It is also committed to safeguarding the rules of areas of integration such as the Schengen Agreement and the gradual convergence of immigration policies, as well as Permanent Structured Cooperation in the framework of the Common Security and Defence Policy. There is wariness about Germany’s leadership position and its obsession with monetary stability, but also about the tendencies of other leading members (for instance the French passion for the state and the British disinterest in integration). Portugal therefore sees a valuable continuing European role for “middle” powers that are engaging in European affairs and able to contribute to effective compromises on key issues within the European Union.

Portugal, whose geographic centrality in the transatlantic community can compensate for its relative marginality in Europe, has a vital interest not only in the continuity of the alliance between the Atlantic democracies, but also in ensuring the natural complementarity between the North Atlantic Treaty Organization and the EU in regional and international security, and in strengthening Europe’s strategic autonomy in common defence and security.

Despite its current crisis, Portugal therefore sees a constructive and engaged role for itself in the European Union as it readjusts to deal with its own crisis and the wider global picture. Its transatlantic orientation and global links should prove useful to an EU in this changing world. The importance of retaining such a role within a European core that is further integrated is also widely recognised within Portugal. It is, after all, a small country that faces considerable long term challenges if it is to converge economically with the stronger members of the eurozone. Although it has experienced protests over recent months and an increase in debate over Portugal’s position within the European project, the country’s pro-Europeanism is as resilient as it tries to overcome the challenges of the euro crisis as it was when it tried to overcome the legacy of authoritarianism.

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