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# Portugal and the European Union: The Ups and Downs in 20 Years of Membership

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**ABSTRACT** *In the last 20 years, with the accession to the European Communities, Portugal has undergone a strong process of modernization. At the European level there have also been deep-seated changes, with the continuous deepening and widening of the Union. The connection between those transformations allows for the identification of three different phases that mark the relationship between Portugal and European integration: The Euro-sceptical period, the Euro-enthusiastic phase and the Euro-realistic stage. This paper intends to give an overview of the Portuguese venture in the European Union, starting with a brief reference to the accession to the Communities, and then an outline of the main phases of affiliation with the Union.*

**KEY WORDS:** Portugal, European integration, European Union, European Council presidencies, Euro-scepticism, Euro-enthusiasm, Euro-realism

In 2006 Portugal celebrated the 20th anniversary of accession to the European Communities. European integration signed a new phase in Portuguese foreign policy. Indeed, the country had spent almost five centuries turned towards its old colonial empire. Throughout that time, Europe was not a priority in its external relations. The end of the political dictatorship in 1974, which allowed for decolonization and for the setting-up of a democratic system, paved the way for a new direction in Portuguese diplomacy.

With the accession to the European Communities, Portugal benefited from structural funds, which had a strong impact on the national economy. Indeed, the EC financial transfers under-pinned an economic boom in the 1990s and the renewal of the physical infra-structures throughout the country. However, with the single currency Portugal faced new economic and fiscal difficulties that cooled the enthusiasm concerning the benefits of the accession.

At the level of the Union political process, Portugal has already held the Council Presidency twice, and it is about to exercise its third Presidency in 2007. If the

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previous Portuguese Presidencies were marked by different political approaches in accordance with the political ambition of the respective governments, the 2007 Presidency will be signed by a new inter-governmental conference aimed to draw up a Reform Treaty, according to the mandate received.<sup>1</sup> This new task is the absolute priority of the actual Presidency, and will be a strong challenge for the country to act as a European political mediator.

In the last 20 years there have also been deep-seated changes at the European level, with the continuous deepening and widening of the European Communities. At the national level, Portugal underwent a strong process of modernization. The connection between those transformations allows for the identification of three different phases that mark the relationship between Portugal and European integration: The Euro-sceptical period, the Euro-enthusiastic phase and the Euro-realistic stage. This paper intends to give an overview of the Portuguese venture in the European Union, starting with a brief reference to the accession to the Communities, and then an outline of the main phases of affiliation with the Union.

### **The Accession to the European Communities**

Portugal made its formal application to accede to the European Communities in the aftermath of the transition to democracy, initiated on 25 April 1974 with the removal of the political dictatorship. When the revolutionary process originated by 1974 military coup was over, the country adopted a political system inspired by the western democracies model. Hence, the approval of the 1976 Constitution and the legislative and presidential elections that followed were the first steps on the road to establishing a parliamentary democracy.

It should be recalled that during the revolutionary process that took place in 1974–1975, Portugal made a radical change regarding its old colonial empire. Indeed, despite political pressure from the United Nations during the 1960s, the Portuguese dictatorship retained the colonial system. Political resistance by native people led to the advent of liberation movements in Angola, Mozambique and Guinea and to colonial wars with the Portuguese army (Alexandre, 1998, p. 56). Portugal's colonial policy increased the international isolation of the country. Hence, despite the contingencies that characterized the independence of the former African territories, the priority that the 1974 military movement gave to the colonial issue enabled the resolution of the conflicts that Portugal had with the international community, these conflicts having been caused by denying the implementation of the self-determination principle as required by the United Nations. It was, therefore, the end of the dictatorship that allowed Portugal to overcome its illegal status concerning the international system.

Respecting the international duties imposed by the United Nations and setting up a constitutional system inspired by western democratic values allowed Portugal to end its long period of international isolation. As a result, the country developed an important change in its foreign policy, operating a closer relationship with the European organizations, which led to the accession to the Council of Europe, in 1976, and the political decision to join the European Communities.

It should be noted that the application for EEC membership, presented in 1977, had a strong political motivation, due to the uncertainties related to the survival of

the new democratic regime. In fact, the revolutionary period that followed the 1974 transition to democracy bred an atmosphere of political instability that was not immediately resolved by 1976 Constitution. For this reason, European integration was also seen as a step forward in the process of democratic consolidation, preventing the advent of domestic threats that were authoritarian in nature (Pinto & Teixeira, 2002, p. 29).

It is also interesting to recall the political framework of the European Communities at the time Portugal decided to apply for membership. 1973 saw the first EEC enlargement, with the accession of the United Kingdom, Ireland and Denmark, countries with which Portugal shared the EFTA experience. Those countries brought to the EEC different perspectives on the scope of European integration. While the founding member states initially perceived the 1957 Treaty of Rome as an instrument for an ever-closer union between European States, the countries that acceded in 1973 wanted to share the economic advantages stemming from the construction of the European common market. In addition, EEC decision making underwent an important change following the 1965 empty chair political crisis. Hence, both the goals of European integration and the decision-making process were substantially different at the time of the Community foundation and the first enlargement stage (Moravcsik, 1998, p. 159).

Accordingly, Portugal presented its application to become a member of the so-called European common market, where it would find its traditional political ally, the United Kingdom, along with the countries that shared the free-trade venture of the EFTA. At that time, the political dimension of European integration was not as important as it has become since the end of the Cold War. In political terms, all that Portugal expected from the accession to the European Communities was that it could help the country to strengthen its recent democratic system.

The negotiations between Portugal and the European Communities began in 1978, and lasted for various years. Several reasons could explain why Portugal had to pass through such a long period of negotiations. From a domestic point of view, the country was still plagued by a strong degree of political instability. Besides this, there was a tough financial crisis that prompted the drawing up of two stabilization agreements with the International Monetary Fund (Roy & Kanner, 2001, p. 20), and finally, only with the 1982 Constitutional revision process did the armed forces withdraw from the political arena, with the suppression of the Council of the Revolution.

At the European level, the EEC decided to give priority to the application presented by Greece, due to the existence of a previous Association Agreement. Moreover, the initial impact of the Greek accession seemed to cause some concern over the Community's ability to accommodate other southern European countries. A further reason for the delay of the Portuguese negotiations was due to the fact that the European Communities wanted to have a joint accession of Portugal and Spain, but the Spanish negotiations were of a more complex nature due to the problems caused by the agricultural chapter (Urwin, 1997, p. 209).

The negotiations were finally concluded in 1985, with the Accession Treaty being signed by Prime Minister Mário Soares. The last stage of negotiations, where most of the chapters were closed, was conducted by a coalition government formed by the main political parties, the Socialist Party and the Social-Democratic Party,

the so-called Central Bloc. After ratification by all the member states, Portugal joined the European Communities in 1986 and was able to develop a new external policy strategy. Accession to Europe, brought about by the end of the authoritarian regime, was the beginning of a new phase in its foreign relations.

### **The Euro-sceptical Phase**

At the time Portugal signed the Treaty of Accession an important domestic political change took place. Cavaco Silva was elected leader of the Social-Democratic Party. He broke the Central Bloc coalition, which paved the way for parliamentary elections. Those elections led to the formation of the first Cavaco Silva government, in late 1985 (Cruz, 1998, p. 119). It is interesting to remember that Cavaco Silva, once elected, expressed concern about the content of the accession agreement, admitting that he could call for its eventual revision.

When Portugal became an EEC member state, Prime Minister Cavaco Silva had a cautious approach to European integration. His main concern was to show that the country was able to face the different challenges caused by accession. At the time, there was general apprehension within the European institutions that Portugal could have problems adapting to the complexity of the Community political process. As a result, there was a change in the rules concerning the exercise of Council of Ministers Presidency in order to preclude Portugal from having to face that task in the following year. As such, the amendment introduced by the Single European Act to the Council Presidency rules was received with general relief.

In the first years of EEC membership, the Portuguese government's political tone concerning European integration was marked by discretion. Portugal had a pragmatic approach to integration, focused on overcoming the hurdles raised by the accession.

In terms of political alignment in European affairs, Portugal tended to express positions close to its former EFTA partners, in particular, the United Kingdom. It should be noted that Cavaco Silva also had a natural affinity with the United Kingdom, where he had obtained a doctorate degree in Economics. Consequently, he tended to share the perspectives expounded by Margaret Thatcher during the European Council's sessions. This means that Portugal was not particularly enthusiastic about the re-launching of European integration as advocated by President Delors. Above all, the political link with the United Kingdom was part of the historical strategy of national diplomacy (Teixeira, 2003, p. 86). In cultural terms, that trend was also in line with the personal background of the Prime Minister.

The adoption of the Single European Act, intended to promote the achievement of the Internal Market, led to the conferral of new competences on the European Communities, in particular, in the field of environment and economic and social cohesion. The implementation of the new Community cohesion policy gave rise to the reform of the EEC structural funds and allowed for the approval of a new framework to support the least developed member states through the so-called Delors financial packages. In particular, the Delors-1 package provided for a doubling of structural funds for the period 1988–1993 (Allen, 1996, p. 214).

The reform of the structural funds enabled the southern member states to have a strong increase in financial support from the Community budget, when compared to its previous expectations. Indeed, the cohesion policy had a significant impact on Portugal in the period subsequent to the EEC accession. Portugal clearly benefited from that policy, which allowed the country to receive huge financial transfers (Royo, 2006, p. 109). In political terms, the EEC financial support was widely perceived in Portugal as an enormous opportunity, comparable with the 16th century Indian pepper period or the 18th century Brazilian gold phase.

The fall of the Berlin wall and of the other communist regimes that ruled in Eastern European countries had immediate repercussions in the process of European integration. From the beginning, the question of German reunification posed a challenge to the European Communities, as did the transition to democracy in the Eastern countries.

The German issue evolved rapidly, leading to the reunification of the German States. As a result of the deal that allowed German reunification within a European framework, the member states called for two inter-governmental conferences. Margaret Thatcher's irrevocable stance concerning the deepening of European integration favoured the formation of a new British government, with John Major as Prime Minister, just before the opening of the inter-governmental conferences.

The fall of the Thatcher government would have acted as the first signal for a move in Cavaco Silva's approach to European integration. Indeed, five years after the accession to the EEC, the Prime Minister would have been pondering the traditional alignment of Portugal concerning European construction, particularly given the different political context that made Mrs Thatcher one of the victims of the next stage of European integration.

By that time, Portugal was also preparing the first Presidency of the European Communities, in 1992. The Portuguese saw the semester of the Presidency as an opportunity to promote a new image of the country to their EC partners. In order to receive the Summit of Heads of Government at the end of the Presidency, Portugal expressly built an enormous Cultural Centre, in Lisbon. The new building was placed right between the Belém Tower and the Monastery of Jerónimos, the main symbols of the Portuguese puissance during the period of the maritime discoveries.

Cavaco Silva won the legislative elections of 1991, renewing his absolute majority in Parliament. His electoral performance strongly benefited from the fact that his government was able to finish the Lisbon-Oporto motorway, initiated 30 years before, due to the financial transfers received from the structural funds. The conclusion of the motorway, in fact, reflected a new mood across the country concerning the importance of European integration: While before the accession there was general fear of the threat that European integration could present to Portugal, in particular from increased competition for national companies, some years later Portuguese society had realized the material benefits that the country could reap from the European Communities.

It is interesting to note that, according to *Eurobarometer* data, 1991 was the year where the instrumental attitude of Portuguese people concerning European integration, that is to say the percentage of citizens that considered the country had benefited from EEC accession, achieved the highest rates ever, with more than 80% agreeing.<sup>2</sup>

### The Euro-enthusiastic Phase

The 1992 Portuguese Presidency of the Council was quite successful, and the government was able to respond positively to the challenges raised by the task. The highest moment of the first Portuguese Presidency was the achievement of the agreement to reform the Common Agriculture Policy, which proved to be instrumental for the EC trade negotiations in the framework of the Uruguay Round.

At that time, a gradual change in the Prime Minister's speech concerning European integration became evident. From an initial approach marked by restraint and moderation in relation to the scope of European construction, which had brought him closer relations with the United Kingdom, there was an interesting modification in Cavaco Silva's behaviour *vis-à-vis* the ideals of a united Europe.

There are a number of reasons that could explain this political evolution. Above all, Cavaco Silva understood the reach of advantages that Portugal could benefit from European integration, which were reflected in the quick modernization of national infra-structures, and which had played a major role in his re-election. Other reasons that could explain his political move toward a pro-European attitude are his awareness of the real nature of the process of integration, in particular, after German reunification; his growing socialization with the main European leaders and consequent recognition of his personal success in modernizing the country; as well as the image that Portugal, by that time, was able to project of itself as a case study of success. This even led the Commission to mention it as an example of a 'good student' in the implementation of structural funds to the Eastern candidate countries.

The conversion of Cavaco Silva to the European idea is an issue that went beyond the strict limit of its personal convictions. In fact, Cavaco was elected with votes from the right wing and the centre-right political area. He was the only politician to win three consecutive parliamentary elections, having obtained an absolute majority in 1987 and 1991. Due to his personal charisma and political success, Cavaco became the icon of the Portuguese right wing.

It should be said that at the time of accession the political imagery of the Portuguese right wing was still connected to the old myths that had traditionally occupied speech in the field of foreign policy: Links with Portuguese-speaking countries and its transatlantic relations. The right wing believed in the imperial idea of Portugal until almost the end of the dictatorship (Monteiro & Pinto, 2003, p. 59). European unification was never a priority for the right.

The evolution of Cavaco had a strong impact on the whole ideological area of the Portuguese right wing (Freire, 2004, p. 227). Indeed, Cavaco eased the acceptance of the European ideal among his constituency at a moment when the process of European integration was undergoing a political upgrade, with the establishment of the European Union. Hence, as far as the right wing is concerned, there was a remarkable evolution in the field of foreign policy over the course of a decade, with a move from priority being given to the former colonies, on the basis of strong nationalist feelings, to full participation in the process of a unified Europe.<sup>3</sup> In this sense, Cavaco Silva's evolution enabled the Europeanization of the Portuguese right.

Cavaco Silva's consulate as Prime Minister ended in 1995. The Prime Minister who succeeded him, António Guterres, was the leader of the Socialist Party.

In political terms, the Socialist Party is the most pro-European. Indeed, reference to Europe was its main slogan during the first parliamentary elections held by the democratic regime in 1976. Then, in 1977, it was a government directed by Mário Soares that presented the Portuguese application to accede to the European Communities. On his return to power as Prime Minister, Soares gave a new impetus to Community negotiations, which gave rise to the signing of the Treaty of Accession in 1985. Hence, the comeback of the Socialist Party to government after 10 years in the opposition constituted no threat to the political orientation concerning European issues of Cavaco Silva's last stage.

The initial phase of the Guterres government was marked by the conference that prepared the Amsterdam Treaty. With the Amsterdam agreement, the Union clearly stated its political values – freedom, democracy, human rights and the rule of law – and also consolidated other political principles, such as non-discrimination and transparency. It is worth mentioning that, in the aftermath of the Amsterdam Treaty, Portugal also adopted the principles of transparency and non-discrimination on the grounds of sexual orientation in its internal legal order. Until then, the national law had just received the rules that were part of the so-called *acquis communautaire*, which dealt with the internal market and EC common policies. Those were the first political principles inspired by the Union Treaty to be implemented at the domestic level. Hence, the Amsterdam Treaty seemed to introduce a new development in the interaction between the national political system and the EU political process, with a political and legal contamination coming from the later.

However, the main goal of the socialist government in the sphere of European integration was monetary union. According to the Maastricht Treaty, access to the so-called third phase of monetary union was restricted to the countries that fulfilled the criteria related to the convergence of member states' economies. Those criteria, whose aim was to ensure the sustainability of fiscal policy, were also perceived by some as an attempt to prevent southern countries from joining the single currency. Indeed, the leading EU member states feared that the weak fiscal policies of what they called the *Club Med* countries could undermine the credibility of the Euro, from the beginning (Mendonça, 2004, p. 119).

The Portuguese government was determined to rank in the first line of all European developments. Hence, the passage to the last stage of monetary union, with adoption of the Euro, was a national mission. The obstinate purpose of the Guterres government, and some degree of condescendence by Community institutions concerning the data presented on fiscal deficit and public debt, allowed Portugal to be part of the member states group that, in 1998, was considered to fulfil the conditions to be admitted to the single currency.

By that time, the national authorities were also involved in a huge public relations campaign concerning Portugal. The idea was to show a new image of a modern and successful country that could overcome the old European perception of a backward Portugal. To that end, Portugal initiated a cycle devoted to promoting great public events, such as the *Expo 98*, or the *Euro 2004*. Those events stimulated public works and were certainly an opportunity for the construction business, and the different interests associated with it. They also entertained the people. But, at the same time they reflected the low ambition of Portuguese modernization. Such events fostered

the idea of a country concerned mostly with its foreign image, which was able to spend millions on superfluous buildings, such as football stadiums or useless railway stations, instead of investing in crucial areas for economic growth, like education, research and development. To sum up, the image of the new Portugal risked being that of a *nouveau riche* country.

In any case, it was during this period that European integration seemed to achieve the highest levels of support in Portugal. According to *Eurobarometer* data, during what could be called the Euro-enthusiastic phase, the percentage of Portuguese people that considered that the country had benefited from the accession reached 70%, placing Portugal second in rank, just below Ireland, in the list of member states where the citizens most recognized the advantages of European integration.<sup>4</sup>

Such recognition could not be separated from the deep transformations that occurred to the physical infra-structures throughout the country. Hundreds of kilometres of motorways and other roads were built, schools and universities were renewed, the National Health Service received new buildings, there was a huge boom in construction that solved the long housing deficit and public transportation was very much upgraded. The improvement in the quality of life of Portuguese people was also reflected in terms of Gross Domestic Product: In 1986, the Portuguese GDP was just 54% of the average European Community GDP of 12 member states; in 2001, Portuguese GDP was 75% of the average European GDP of 15 member states.<sup>5</sup> This represents significant progress of 20 percentage points, visible in the improved quality of people's lives (Barreto, 2003, p. 175) and it is clearly associated with the material advantages obtained through European integration, in particular, the financial transfers coming from EC structural funds.

Another important development during that stage was the resolution of the East Timor issue. East Timor was a former Portuguese colony, occupied by Indonesia in 1975. The United Nations Security Council condemned the Indonesian occupation and further annexation, and declared that Portugal should ensure administration of the land until the people were able to exercise the right to self-determination. However, despite several United Nations resolutions on the illegal Indonesian occupation, Portuguese foreign policy continually postponed tackling the East Timor issue. During the 1990s the repression of local people was exposed to the international community after the TV broadcast of a massacre of Timorese conducted by the Indonesian armed forces. The continued pressure of Portuguese diplomacy, the end of the Cold War and growing sensitivity towards the East Timor issue from international public opinion favoured the conditions to find a political solution. But the crucial factor in overcoming the situation created by the military occupation was the added value of the European Union. As a Union member, Portugal was able to increase the international scale of its interests, through the common foreign and security policy. This was decisive in the change of the United States' position – they had initially approved the occupation – and opened the way for an international solution for the East Timor territory, in 1999.

The success attained by Euro membership, as well as the policy of promoting a new image of the country, increased the confidence with which Portugal faced its second Council Presidency, in 2000. While the previous Presidency had been concerned with achieving a regular performance and demonstrating the country's ability to respond to the challenges raised by Community responsibilities, for the

second Presidency, the Guterres government wanted to show a more ambitious country, which was in a process of strong modernization, and fully aware of European issues, but also had the capacity to influence the Union agenda. While the Cavaco Presidency was symbolically associated with the Belém Cultural Centre, the socialist government wanted to show a more proactive approach in leading the Union; it chose to mark its Presidency with an innovative action able to give a new impetus to European integration.

Hence, the Portuguese Presidency decided to prepare the adoption of the so-called Lisbon Agenda, whose aim was to make the Union the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion. According to the declaration approved by the European Council, the shift to a digital, knowledge-based economy, prompted by new goods and services, would be a powerful engine for growth, competitiveness and jobs. In addition, it would be capable of improving citizens' quality of life and the environment. To implement the Lisbon Strategy, its mentors believed that it could be achieved through the potential offered by the new open method of co-ordination.<sup>6</sup>

The least that can be said about the Lisbon Agenda is it was an ambitious programme for the Union. The goals stipulated by this Strategy were to be applied within a decade from its adoption. Seven years after its approval it is hard to predict when they will be implemented and one can ask whether the Union will ever reach those goals. Moreover, the approach chosen to realize the Lisbon Agenda could hardly achieve those aims. Indeed, the so-called open method of co-ordination is the reverse of the Community method. And it should not be forgotten that it was the Community method that allowed European integration to succeed. With the open method of co-ordination, member states decided to rely on soft law instruments for the implementation of the Lisbon Agenda, excluding engagement in any sort of compulsory commitments. It is well known how difficult it is to ensure member states fully respect Community obligations. Hence, it will be even harder to have member states comply with their duties on a strictly good-will basis. This is why the open method of co-ordination is destined to fail. At the end of the day, it is possible to detect, in the political strategy that led to the approval of the Lisbon Agenda, some elements of the famous concern with image that had previously marked the Portuguese government.

During the Presidency, Portugal also had to lead the inter-governmental conference that was preparing the institutional reform of the Union, with a view to the Eastern enlargement. That inter-governmental conference was supposed to deal with a narrow agenda, limited to the so-called Amsterdam leftovers, that is to say, subjects who were left out by consensus by the previous inter-governmental conference. Although the big decisions concerning institutional reform – mainly, the qualified majority voting system and the composition of the Commission – had just been taken during the Nice final Summit, the Portuguese Presidency was able to make a small contribution to the new Treaty by introducing the issue of enhanced co-operation within the inter-governmental conference debate (Costa, 2001, p. 48).

It is also interesting to remember that the Nice Summit was marked by the rift between different kinds of members states, with the big EU countries trying to increase their relative political weight within the Union's decision-making process.

The 2000 inter-governmental conference would probably have been the Union's constitutive stage where Portugal played a more active role, not just because it had exercised the Presidency during the first stage of the inter-governmental conference, but especially because it took the lead of the small and medium members states' interests at the Nice Summit, in an attempt to prevent deeper changes in the Union's institutional balance of powers (Soares, 2006, p. 49). This action could be read as a sign of self-confidence concerning European issues.

### **The Euro-realistic Stage**

After a decade of strong enthusiasm regarding European integration, the new century is showing a new mood in Portugal regarding its relationship with the European Union. At first view, it seems that the country has suffered from a kind of comedown effect from the euphoria that it had experienced before, as a result of the resurgence of some dimensions of the old Portugal. In fact, the beginning of the 21st century brought back a new and long economic recession, a few political crises, general apprehension in relation to the Eastern enlargement and the fear that the financial transfers coming from the structural funds will soon come to an end. In general, there is a strong deterioration in the atmosphere of confidence that marked the 1990s, which, as argued previously, was largely due to the successes attained as a result of European accession. Indeed, the elements mentioned above came to challenge the trust with which Portuguese society faced Europe (Magalhães, 2006). This seemed to pre-announce entry into a new stage of the relationship with the Union, characterized by a loose enthusiasm. In a way, this evolution could mean that the link with the Union is becoming more realistic, as a result of the fact that Portugal has interiorized the accession advantages, and is about to reach a certain degree of maturity as a European Union member state.

It is important to focus on some of the aspects that led to the worsening of confidence. First of all, there was a decline regarding the domestic political situation. Since 1987, Portugal has reached a high degree of political stability, with the governments being able to last for a whole legislative season. In this aspect, there was a clear contrast with the political stage that preceded the accession, which was characterized by a strong political instability and a continuous succession of governments. In fact, in the aftermath of the 2001 local elections, Prime Minister Guterres resigned from his functions, claiming that the country was entering a marshy situation. Even if Guterres may have had personal reasons for his decision to leave, it is well known how the requirements stemming from the exercise of the Union Presidency made him neglect domestic politics. After the Presidency, Guterres did not find enough motivation to continue leading the government through a situation marked by growing adversity, which led him to resign. Hence, the fact that he left the job after the European Union Presidency, and in part because of the erosion caused by the Presidency, created a new parallel between him and Cavaco: They both entered a phase of political decline after the Council Presidency.

Guterres' resignation led the President to call for new parliamentary elections. As a result of the Social-Democratic Party victory in the 2002 elections, José Barroso formed a surprising coalition government with the Popular Party. For the first time since the accession, the government included a Party whose leaders had acquired

political relevance by criticizing the deepening of European integration, in particular, the Treaty of Maastricht. In fact, the leaders of the Popular Party were originally from a successful journalistic venture held during the Cavaco consulate, the weekly *Independente*. Later, they inspired the move of the old Social Democratic Centre, affiliated in the European Christian Democrats Group, into the Popular Party, with a more radical right-wing orientation, and a nationalist flavour. Nevertheless the coalition agreement terms did not jeopardize the political commitments in the field of European integration (Freire, 2005, p. 11).

However, there was a change in the government's foreign policy orientation. The best opportunity to identify that change was the events that led to the war on Iraq. In all the stages that preceded the occupation – from the debate on the extent of the Iraqi threat to the international community, which focused on the existence of weapons of mass destruction, passing by the initiative of the Azores Summit with Bush, Blair and Aznar, to the military invasion – Portugal fully aligned itself with the United Kingdom's positions, offering unconditional support to the American military attack. The contrast with other European countries, like France or Germany, who had supported the rule of international law and a final say by the United Nations could not have been greater.

It is important to note that the invasion of Iraq did not create such widespread public protest in Portugal as in other European Union countries. In fact, no serious Portuguese newspaper editorially opposed the military invasion. Moreover, there were no huge popular demonstrations like those that repeatedly took place in countries like Spain, Italy, France, United Kingdom or even the United States. In this sense, there was a clear difference regarding the reaction of the public opinion, the media and civil society between what happened in Portugal and in the vast majority of the European Union member states.

Although Portugal's international alignment did not cause huge opposition in the country, the fact is that the Barroso government faced growing difficulties due to the economic and fiscal situation. The defeat of the Social-Democratic Party in the 2004 European elections, which in turn were the first step for the beginning of a new political cycle in the Union political process, gave Barroso the pretext for a reasoned exit from the national political arena. Even if the dismissal of Barroso from Prime Minister functions were not the result of the erosion caused by the exercise of European responsibilities, as with Guterres, the fact is that the European Union worked again as an excuse for leaving the job in the middle of the mandate.

Barroso's abandonment of the government left the country with a deep political emergency. Indeed, Barroso convinced the President not to call for parliamentary elections despite pressure from the opposition parties, the public opinion and the civil society, but instead to ask Social Democratic deputy leader Santana Lopes to form a new government. The President's decision could not have been worse, and the country slid into a sad situation, reminiscent of Latin American. After just four months of government by Santana, the President understood the reasons that provoked a nervous crisis throughout the country when he had decided not to call for elections, and he finally dissolved the Parliament. The 2005 legislative elections paved the way for the return of the Socialist Party to power, with the José Sócrates government.

The political episode created by the departure of Barroso deserves a short comparative speculation. In how many European Union member states would a Prime Minister accept leaving the job in the middle of a mandate conferred by the citizens, in exchange for office in the Commission that would allow him to enjoy increased international visibility? Should there be other Prime Ministers that would behave in a similar fashion, would the Head of State of those countries accept the desertion in such conditions? And if so, would he be constrained to nominate a new Prime Minister chosen by the predecessor, particularly if it was someone that clearly lacked the profile for the job? It is unlikely that these questions would all be answered affirmatively in most member states, or at least in those countries where democracy has already achieved a better quality. In fact, the 2004 governmental crisis caused by the Barroso abandonment exposes the difference between countries where democracy is consolidated and those nations where democracy is not just consolidated but where there has also been a process of democratic institutionalization, which determines full compliance of the rules of the game by all political actors.

Beyond the political instability of this third stage, which to some extent is connected with the European political process, there has also been an important change in economic conditions. Since 2001, Portugal has gone into economic recession, marked by a fall in GDP when compared to 15 Union member states that has worsened since 2003. In fact, the GDP per capita fell from about 75% of the EU average in 2000 to 70% in 2005.<sup>7</sup> In addition to the economic recession, there was a tough fiscal crisis, with the budget deficit running out of control and an increase in the public debt. This has taken place amid a framework of great concern due to the political commitments stemming from monetary union, and the spectrum of receiving sanctions for breaching the Eurozone rules. As a result of Commission threats regarding the violation of the stability pact, the annual budgets have been submitted to continuous spending cuts since 2003, as well as giving rise to some tax rises, with VAT passing from 17 to 21% within a couple of years. Despite the vast number of unpopular measures taken by different governments since 2003, which has provoked strong political and social protest throughout the country, the measures did not prevent the budget deficit from reaching 6.8%, in 2005.

Private undertakings also face strong problems, as a result of a fall in internal consumption, as well as the lack of competitiveness of Portuguese exports (Fontoura, 2004, p. 79). Concerning the export sectors, the effects of joining the monetary union were rapidly perceived. Monetary union prevented the country from following protectionist policies, in particular, currency devaluations, which had worked as a common tool to support traditional industries for decades. On the other hand, the strong Euro policy of the European Central Bank creates added difficulties for Portuguese exports. Moreover, the end of the transitional period of the Multi-fibres Agreement, in the framework of the Uruguay Round commitments, eased access to European markets for textiles coming from emerging economies, thus eroding the competitiveness of a core sector of Portuguese industry.

Hence, the combined effect of the growing problems affecting economic, fiscal and entrepreneurial areas helped to change the mood regarding the advantages stemming from European integration. Moreover, throughout the country the idea emerged that Portugal had dealt very well with European accession, but it could not deal with

monetary union in the same way. This could be due to the fact the country did not adequately prepare itself for the set of challenges that derives from joining the Euro, or at least did not seriously estimate the global impact on the national economy that the single currency could have (Amaral, 2006, p. 125). Regarding this point, it is interesting to note that Portugal during the mid-1990s was referred to by the Community institutions as a successful case of integration for the Eastern candidates, a good example for them to follow. By contrast, in 2006 a European Commission paper described the status of the Portuguese economy as a missed opportunity, and mentioned that it should be taken as a warning example by other countries joining the Euro (Abreu, 2006, p. 5). From good boys to bad boys – that seems to be the road regarding the economic performance that Portugal has taken over recent years.

At the same time that Portugal went into a cooling-off phase in relation to European integration, the Eastern countries were about to close the accession negotiations. The Union enlargement to the new Eastern European member states caused two main consequences for Portugal: On one hand, geo-political; on the other, economic. In fact, the 2004 enlargement moved the axis of the Union further to the east, insofar as European integration it is no longer confined to the western countries, as it was when Portugal joined. Because Portugal is situated in the far west of Europe, the Eastern enlargement increases the peripheral status of the country even more. However, the strongest effects of the enlargement tend to be of an economic nature. Indeed, the economic impact of the widening to the Eastern countries started to be felt even before formal accession took place, with outsourcing of multi-national companies to the new member states. Indeed, most of the foreign companies that had come to Portugal to benefit from cheap salaries and European financial aid to their investments gradually moved East looking for the same comparative advantages they had first enjoyed when they arrived in Portugal, but where they can also find skilled workers and, at the same time, be closer to the main European markets. For those reasons, the Eastern enlargement is seen with apprehension all over the country, with the fear that the new member states will soon be able to overcome Portugal in the Union rankings. There is general concern that the country could face a downshift situation within Europe, in the medium term (Porto, 2004, p. 147).

In political terms, the deepening of European integration went through new developments during this phase, with the European Convention that prepared the draft Constitution, in 2003, followed by the inter-governmental conference that adopted the Constitutional Treaty, in 2004. The Convention debates were not particularly followed in Portugal (Camisão & Lobo-Fernandes, 2005, p. 21), with the sole exception of its decision to elaborate a draft European Constitution. National representatives to the Convention, both from government and parliament, were all members of the Socialist and Social-Democratic parties, which ensured large political support for the draft proposal submitted to the European Council. The institutional balance in the changes introduced to the Union political process, as well as the scope of the amendments introduced by the inter-governmental conference, allowed European policy to be maintained within the pact of the regime agreed upon by those political parties. The single curiosity concerning the Constitutional Treaty was perhaps the fact that it was signed by Santana Lopes, during the short period of his consulate as Prime Minister.

Even if the main political parties ensured political support to the Constitutional Treaty, the repercussions of the approval of a European Constitution went well beyond the strict limits of the parliamentary activity, and had some repercussions in civil society. First of all, the promise to make a referendum about the Constitution increased the interest in European issues. Amongst the different views on the Constitution that emerged, it is worth mentioning the so-called Manifest of Law Professors. A wide number of Law Professors signed a document against the European Constitution, warning of the threats it could pose to national sovereignty (Cunha, 2005, p. 105). The interest of that manifest lies in its authors. It should be noted that the Portuguese political elite in the last century came mainly from Law Schools, both during the dictatorship and democracy. For these reasons, Law Schools constitute a particular case in the making of the national elite. Moreover, Law Professors, as such, do not usually take a position about any public issue. Hence, their Manifest against the European Constitution signalled a sort of qualified opposition to the Constitutional Treaty, within civil society.

However, the results of the referenda held in France and The Netherlands had some impact in Portugal. They caused the national referendum to be suspended, with the pretext of a pause for reflection agreed by the European Council, in 2005. Portugal must be one of the few member states where the European issue was never submitted to popular vote. There was no referendum concerning the accession, and there was no referendum regarding the Treaties of Maastricht or Amsterdam. This anomaly should have been repaired with the ratification of the Constitutional Treaty, but the political leaders used the first moment of uncertainty concerning the Constitution to cool off the referendum. More recently, with discussion on the political scenarios to rescue the Constitutional Treaty, it was interesting to see President Cavaco Silva arguing that the next European Treaty should not be ratified by referendum. Prime Minister Sócrates also showed the same restraint on the ratification of the future Reform Treaty. Thus, the political establishment demonstrates an unused fear concerning the making of a European referendum.

## **Conclusion**

Any evaluation of the two Portuguese decades of European integration should be positive. Indeed, due to the accession and the stimulus provoked by the structural funds, Portugal had an impressive renewal of its physical infra-structures, a large economic boom and substantial increases in its education, health and housing systems. During its whole history of 800 years, Portugal has never reached a level of development closer to the main European countries as that achieved through EU accession, despite the remaining gap between Portugal and the average EU member states, and the fact that Portugal seems to be on a downshift trend within the Union.

In political terms, European integration favoured the consolidation of the democratic system, with the people finally enjoying the benefits of freedom and democracy. The European Union also increased the international image of Portugal, which was of crucial importance for the resolution of the East Timor issue. The success achieved with the accession allowed for the so-called Europeanization of the right and centre-right wing political areas, which used to be more influenced by the nationalist values of the former dictatorship.

After an initial stage of prudence, the country enthusiastically embraced the modernization prompted by European integration, both at the levels of the political elite and public opinion, and at those of the common people's feelings. However, the advent of a new recession since the beginning of this century and the fiscal constraints imposed by monetary union membership have toned down the European euphoria that characterized the 1990s, which in turn could be seen as a sign that Portugal has perhaps reached a more mature relationship with the European Union.

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### Notes

- <sup>1</sup> *Brussels European Council, Presidency Conclusions*, 21–22 June 2007, p. 16. Available at [http://www.consilium.europa.eu/ueDocs/cms\\_Data/docs/pressData/en/ec/94932.pdf](http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ec/94932.pdf) (accessed 2 July 2007).
- <sup>2</sup> 'Relatório Nacional. Portugal', *Eurobarómetro 64*, Outono 2005, p. 16.
- <sup>3</sup> As a result of that evolution, the Social-Democratic Party changed its affiliation within the European Parliament, from the Liberal Group to the European Popular Party, in 1996.
- <sup>4</sup> 'Relatório Nacional. Portugal', *Eurobarómetro 64*, Outono 2005, p. 17.
- <sup>5</sup> See *Économie Européenne* (2001) Commission européenne, 73, p. 309.
- <sup>6</sup> *Lisbon European Council, Presidency Conclusions*, 23–34 March 2000. Available at [http://ue.eu.int/ueDocs/cms\\_Data/docs/pressData/en/ec/00100-r1.en0.htm](http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ec/00100-r1.en0.htm) (accessed 26 April 2007).
- <sup>7</sup> [http://epp.eurostat.ec.europa.eu/portal/page?\\_pageid=1996,39140985&\\_dad=portal&\\_schema=PORTAL&screen=detailref&language=en&product=EU\\_MAIN\\_TREE&root=EU\\_MAIN\\_TREE/basic/strind/ecobac/eb011](http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1996,39140985&_dad=portal&_schema=PORTAL&screen=detailref&language=en&product=EU_MAIN_TREE&root=EU_MAIN_TREE/basic/strind/ecobac/eb011) (accessed 9 May 2007).

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