

THE PORTUGUESE RESPONSE TO THE MARSHALL PLAN (*)

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1 — Introduction

Although Portugal did not participate actively in World War II, it is forced to substantially alter its economic organization adopting a true «war economy» in which the State took over growing powers of intervention. The government mobilised the Central Administration and controlled and regulated the foreign trade trying to «give a new dynamic» to the subsistence agricultural production while rationing the consume of other products (fuel, raw-materials and even food).

It would be useful in order to make a more profound analysis, to concentrate on three phenomena, of different importance, which marked the period of World War II in Portugal.

First, the great vulnerability of the Portuguese productive apparatus which was incapable of satisfying some of the most urging necessities of the internal market, mainly where industrial products were concerned. Consequently there was a strong external dependence, not only in terms of imports (fuel, raw-materials, industrial equipment and basic agricultural products like cereals for instance), but also in terms of export of the few products which were produced in surplus (wine, cork, fish preserves and, specially during the war, wolfram).

Second, in the postwar and in a way due to the recognition of that vulnerability the war allowed (despite all restrictions) the overcoming of the obstacles to industrialisation that had been created by conservative rural circles. It also made possible the technical modernisation in some production areas, and last but not least, the conquest of the internal market by industries which, until then, had been limited by the power of the interests related to the export/import trade.

Third, the recognition of the vulnerability of the manufacturing industry together with the remotion of some of the obstacles to its development and the monetary stability achieved during the first half of the 30's, set the proper conditions for the implementation of an extensive industrial development programme. In fact, during a single year between 1944 and 1945, three

(*) Comunicação apresentada na Conferência «Dimensions of European unity in the post-war world». Este trabalho integra um projecto mais vasto, actualmente em curso, que o autor está a executar, em conjunto com a Dr.ª Fernanda Rollo, para o IED — Instituto de Estudos para o Desenvolvimento.

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significant laws were passed. These laws eventually set the main guide-lines of the Portuguese economic policy until the overthrowing of the regime in 1974:

- The *national electrification law* ⁽¹⁾. Since the country had no oil resources and coal was scarce and of poor quality, this law focused on the exploitation of the hydro-electric potential of the Portuguese rivers in detriment of other alternatives;
- The *law for industrial reorganisation and development* ⁽²⁾. The so called «national industry resurgence plan», its doctrine being the adoption of a policy of industrial diversification, was supported by a group of new basic industries ⁽³⁾ and by the reorganisation of the traditional industrial sectors, aiming at an import substitution model;
- The law that established a *co-ordination system for both road and railway transport* ⁽⁴⁾.

Most government officers and businessmen were optimistic. However they did not hide some concern for they considered the economic prosperity to be more apparent than real. The possibility of a restriction to the export of those products which had been favoured by the war subsisted. They also feared the narrowing of their own internal market as a result of the competition between Portuguese products and foreign imports.

At the end of the war the country was in a general state of expectation. The truth is that the Portuguese authorities had been able to maintain some of the fundamental macro-economic equilibria, they had a surplus of foreign exchange reserves but in spite of everything the production apparatus had grown. The war was therefore a true turning point in Portuguese economic policy. This was the context in which the European reconstruction plan, outlined by George Marshall on the 5th of July 1947, appeared.

2 — The Portuguese authorities and the Marshall Plan

There seem to be no doubt that the Portuguese government did not understand the meaning and implications of Marshall's proposal ⁽⁵⁾. Salazar, who

⁽¹⁾ Law no. 2002, of 26 December 1944.

⁽²⁾ Law no. 2005, of 14 March 1945.

⁽³⁾ The basic industries specifically mentioned in this law are: iron metallurgy, copper metallurgy, fertilisers, cellulose and alcohol fuel.

⁽⁴⁾ Law no. 2008, of 7 September 1945.

⁽⁵⁾ On a note delivered by the Portuguese ambassador in Washington during the last week of July 1947, the Portuguese government announced its «support of the Marshall Plan within its possibilities, through the opening of credit lines or by either free or paid delivery of merchandise», in José Calvet de Magalhães, *Os movimentos de integração europeia no pós-guerra e a participação portuguesa nesses movimentos*, Instituto Nacional de Administração, Departamento de Integração Europeia, Lisbon, May 1981.

effectively made Portuguese foreign policy ⁽⁶⁾, expressed his reservations in one of his long speeches to the country. In 1947 after pointing out the decisive importance of the USA intervention in the war, and stating his admiration for their «broad spirit» and for «America's generosity and readiness in helping Europe», Salazar referred to the hegemonic intentions behind the USA's attitude which could, in both fields, economic and political, reduce the role «that Europe should historically play in the world» ⁽⁷⁾.

Taking his criticism even further, Salazar defended his «Euro-African» thesis:

- i) Should Europe want to prevent «the selling of its soul and the degeneration of the fundamental virtues of its character» it must finally understand that its destiny was indissolubly and solidarily tied to the African continent;
- ii) A harmonised policy of defence and economic progress could represent for the West a prodigious way of enrichment, Africa being a solid enough basis for this policy;
- iii) Europe should abandon the «attitude of reaching out for support and alms» and share greater responsibilities with the American continent, which was a *child of the West* ⁽⁸⁾.

The truth is that the old leader was not alone: the majority of the Portuguese «intelligentsia», regardless of their political beliefs, never showed a great enthusiasm for the reconstruction and unification of Europe as wanted by the European co-operation movement. Mistrusting the Europeans and, even more the Americans, the general tone of Salazar's political discourse revealed a position centred upon the idea of autarky and the concern to preserve the particularity of the Portuguese situation.

The proposals for the reconstruction of Europe, according to the methods suggested by Winston Churchill in his speech of 19 September 1946, and, above all, the programme outlined by George Marshall in his speech on 5 July 1947, caught the Portuguese authorities completely off-guard. Hesitating upon what position to take, the Portuguese eventually agreed, with some reservations, to participate in the Paris Conference on July 1947. The Portuguese delegation was headed by the Foreign Minister, Caeiro da Matta, who from the beginning adopted a clear attitude of critical support.

The Portuguese position at the end of the Paris Conference represents a mixture of both altruism and arrogance. Reaffirming his support of the objectives of the Marshall Plan, Caeiro da Matta said: «Portugal's fortunate internal

⁽⁶⁾ Salazar was both Prime-Minister and Foreign Minister between November 1936 and February 1947.

⁽⁷⁾ In Oliveira Salazar, «Miséria e medo, características do momento actual», *Discursos e Notas Políticas (1943/1950)*, Coimbra Editora, Coimbra, pp. 287-311.

⁽⁸⁾ Ditto, pp. 294 and 295.

situation allows me to declare that my country has no need of foreign financial help»⁽⁹⁾. Nevertheless, he pointed out two reservations that conditioned Lisbon's support: Portugal could not permit the reconstruction of Europe to endanger its foreign exchange balance and it could not accept that the concession of credit, within the Plan, be used exclusively for the financing of imports but should also be used for the support of exports.

The Portuguese attitude lost gradually the reticence shown at the beginning of the process. In October 1947, at a reception organised in honour of a group of American Congressmen⁽¹⁰⁾, the Foreign Minister was more explicit than he had been in Paris and accepted that the Marshall Plan's help should be interpreted as a contribution for each nation to «recover its soul, its mind, its own way of life [...] and also an incentive to seek its own salvation. May this be understood by all»⁽¹¹⁾.

In fact the Portuguese government increasingly mistrusted, despite some protocolar statements, «Washington's imperial designs». A few months later, on 28 of January 1948, the Portuguese distrust led to rupture when Salazar, against the opinion of some of those Cabinet members who were more linked with the economy, passed a resolution in which Portugal decided to refuse any kind of help given via Marshall Plan⁽¹²⁾.

Salazar was profoundly convinced that, on one hand, a small country like Portugal would be «an easy prey for a powerful creditor» whose only interest was to have access to the Portuguese colonies in Africa⁽¹³⁾, and, on the other hand, that the American idea of supporting the construction of a mythical European federation was condemned to failure.

In a letter to all Portuguese diplomatic missions, Salazar said textually: «The United States with their simplicity of spirit and lightness of opinion cannot think of any other political solution for Europe than unity through a federation [...]» Consequently he gave instructions for the Portuguese to defend in all international organisations and meetings an alternative and more adequate solution, always bearing in mind the specific interests of Portugal.

In fact Salazar was proposing a replica of the British Commonwealth with the participation of Portugal, Brazil (possibly Spain as well) and the big African

⁽⁹⁾ Caeiro da Matta, «Speech of 22 September 1947 at the signature of the report which came out of the Paris Conference», in *Ao Serviço de Portugal*, Imprensa Portugal-Brasil, Lisboa, 1951, pp. 163 and 164.

⁽¹⁰⁾ This was a delegation of senators and members of the House of Representatives who, on official visits, travelled in Europe during summer and autumn 1947.

⁽¹¹⁾ Caeiro da Matta, «Speech delivered at the National Palace of Sintra on the 9th October of 1947, in honour of the American Senators and Members of the House of Representatives», in *Portugal and the United States of America*, Imprensa Portugal-Brasil, Lisboa, 1947, pp. 11 and 13.

⁽¹²⁾ Cf. Franco Nogueira, *Salazar — O Ataque (1945-1958)*, vol. IV, Atlântida Editora, Coimbra, 1980, pp. 89 and 90.

⁽¹³⁾ Ditto.

colonies: Angola and Mozambique⁽¹⁴⁾. Nevertheless it should be pointed out that the decision taken by the Cabinet raised some doubts, even within the regime. The Marshall Plan had been praised and defended in Parliament while the so-called «anti-communist crusade» was being debated.

In the following months, as the foreign exchange situation rapidly deteriorated, it became obvious that the Portuguese authorities had made a mistake. From the end of 1947 onwards, and during the following years, the country struggled with a severely unbalanced foreign exchange situation, mainly due to a great increase of imports that were suddenly required, on one hand to face the needs of the population, which increased during the war, and, on the other hand, to support the growth of a new industrial system. Meanwhile there was no increase of exports. On top of all this, and since the escudo was a hard currency, all countries tried to sell in Portugal in order to get hold of its currency⁽¹⁵⁾.

The values registered by the current account balance are eloquent: the positive situation of + 509 million escudos in 1946 was followed by consecutive deficits: —2,962 millions in 1947, —2,966 millions in 1948 and —1,961 millions in 1949⁽¹⁶⁾. The Portuguese government could no longer afford to refuse stubbornly the Marshall aid. Portugal was therefore forced to make an economic plan in order to be able to benefit from aid still in the year of 1949-1950.

3 — The Portuguese programme and the aid

The «Portuguese economic programme» was submitted to the OEEC and discussed during its session of November 24th, 1948. The programme had been prepared at very short notice and showed severe deficiencies where statistical elements were concerned. It announced four main strategic objectives:

- The balance of the Portuguese foreign account;
- The improvement of the population's standard of living;
- Full employment of labour;
- The intensification of the transfer process of the excess of population from Portugal to the colonies;

⁽¹⁴⁾ In circular letter of the Prime-Minister on European Integration to the diplomatic missions, on March 1953.

⁽¹⁵⁾ In M. S. Henderson, *Portugal (economic and commercial conditions in Portugal)*, London, January 1951, p. 1.

⁽¹⁶⁾ Ditto.

in order to achieve this, the programme describes as its goals: the increase of the hydro-electric energy production, the increase of the production of both food and raw-materials and the intensification of the industrialisation's pace ⁽¹⁷⁾.

After some discussion the Portuguese proposal was accepted with a few cut-backs. The amounts applied for were, anyway, unimportant and had practically no weight in the whole of the aid.

The Marshall Plan was devised for a four year period (1948-1952), and thus Portugal only benefited from the aid in two years: in the first year Portugal refused the aid and in the last year no aid was granted ⁽¹⁸⁾.

According to the available information Portugal was granted in 1949-1950 an *indirect aid* of 27.2 million dollars. This aid consisted mainly of drawing rights over other OEEC countries that were meant to cover deficits of the Portuguese trade balance with those countries (mainly Belgium, France and Denmark which together represented 17.7 million dollars, i. e., 65 % of the total amount) ⁽¹⁹⁾.

Where the direct aid is concerned Portugal received a total of 46.2 million dollars which, considering the total amount granted in 1949-1950 and 1950-1951 (49.8 million dollars), represents an absorption capacity of 92,8 %. The direct aid was distributed as follows ⁽²⁰⁾:

- Conditional aid (1949-1950) — 8.2 million dollars;
- Loans (1949-1950) — 27.5 million dollars;
- Grants (1950-1951) — 3.0 million dollars;
- Loans (1950-1951) — 7.5 million dollars.

A last reference to the way in which the Marshall aid was used in the fulfilment of the objectives of the «economic programme» submitted by Portugal to the OEEC in November 1948. It is hard to reconstruct both the circuits and the amounts since the available documentation is incomplete, dispersed and even contradictory. It is nevertheless unquestionable that the priorities were put on the following sectors: energy production and distribution, transportation (railways and merchant navy) and agricultural production (fertilisers, soil improvement and agricultural hydraulics).

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In conclusion: the Portuguese response to the Marshall Plan must be seen in the light of its foreign policy, namely where the reconstruction of Europe

⁽¹⁷⁾ In Araújo Correia, *Estudos de Economia Aplicada*, Imprensa Nacional, Lisbon, 1950, pp. 19-20 and 209 and following.

⁽¹⁸⁾ The compiled documentation provided no justification for Portugal not having been granted any aid in the year of 1951-1952.

⁽¹⁹⁾ In *Pareceres da Câmara Corporativa* (VI Legislatura, 1954), Assembleia Nacional, Lisbon, 1954, pp. 196-197, and also Antonino de Sousa, «O Plano Marshall e a economia mundial (III)», in *Revista de Economia*, vol. II, fascicle III, September 1949, p. 191.

⁽²⁰⁾ Ditto, p. 197.

was concerned. In this particular matter the Portuguese positions were radically different from those stated by Marshall and from those accepted by the Paris agreements. Portugal's mistrust towards the proposals of the «European movement» and its strategy of economic unification was evident. The Portuguese thesis, which was always very close to the positions defended by Britain, was based upon the lack of interest for the European cause and upon the conviction that the interests of Europe were complementary and indissolubly linked with colonised Africa. Accepting the Marshall Plan had therefore been a mere accident, exclusively determined by the deterioration of the economic and financial conditions.

The Marshall Plan also provided a pretext for the *Estado Novo* to adopt Salazar's old and profound conviction, which rested on three pillars. These were, chronologically:

- First, the Portuguese authorities feared America's power and suspected that behind the Marshall Plan's generosity there lurked the USA hegemonic intentions. They were seeking to rule over Europe and, specifically where Portugal was concerned, the Americans were after the Portuguese colonial empire;
- Second, the Portuguese authorities considered that the European reconstruction could not be based upon the idea of an economic unification as a stage for a future federation of states. Salazar considered this not only globally absurd but also totally inadequate for Portugal;
- Third, the alternative for Portugal rested upon the postulate of the solidarity between Europe and Africa which would provide the support for the construction of a Portuguese-speaking community formed by Portugal and its two big African colonies (Angola and Mozambique) and, desirably, by Brazil as well.

The subsequent developments seem to corroborate our opinion. The essential of the Portuguese position towards Europe is demonstrated by the way Portugal joined EFTA using again an almost exclusively economic argumentation, whilst trying to create (already in the 60's) the so called «national economic space», a conception that rested upon the transformation of the colonial empire into the «Portuguese single market».

