

Portugal and the European integration process — historical context

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Historical context

On 28 March 1977, the Prime Minister of the first constitutional government, Mário Soares, formally submitted Portugal's application for accession to the European Community. Ten years later, on 1 January 1986, Portugal formally became a member of the Communities.

In terms of contemporary history, however, Portuguese integration into the EU began with the European cooperation procedures initiated after the Second World War, notably by means of the Marshall Plan. Operating through the Organisation for European Economic Cooperation (OEEC), this was the first step in European economic cooperation in which Portugal played a full part. Despite scepticism and resistance, this brought with it an increasing internationalisation of the Portuguese economy and society and marked the beginning of a journey that has continued to this day, one which now influences not only Portugal's economic reality but also its political life.

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Looking back, the speech made in 1947 by US Secretary of State George Marshall at Harvard University broadcast his government's intention to support the economic recovery of all the European countries that had been impoverished by the Second World War.

This extremely important event marked the first step in European economic cooperation and the beginning of Portugal's presence in the European process, bringing with it, despite scepticism and resistance, an increasing internationalisation of the Portuguese economy and marking the beginning of a journey that has continued to this day and which now involves not only Portugal's economic reality but also its political and social life.

Contrary to the impression given by some for many years, Portugal was, in fact, actively and heavily involved right from the outset in the various initiatives leading towards integration: it attended the July 1947 Conference on European Economic Cooperation in Paris, where, in response to General Marshall's suggestions, common economic needs were outlined and an economic recovery programme for European countries was drafted; it accepted the various mechanisms introduced under the European Recovery Program (the Marshall Plan's 'official name'); it was a founder member of the Organisation for European Economic Cooperation (OEEC, later the OECD); and it benefited from US financial aid, despite originally rejecting it.

Through its Minister for Foreign Affairs, Caeiro da Mata, the Portuguese Government initially rejected the possibility of accepting US financial aid. This was the period when political and ideological principles, coming up against the new realities, clearly outweighed the latter. At foreign policy level, the decision to reject the offer was a compromise of sorts between the wish to preserve the major pillars of Oliveira Salazar's diplomacy and attendance at the Paris Conference. The Portuguese Government wished to keep the country economically independent, yet it depended heavily on supplies from abroad to do so. Thus, although distaste for the economic consequences of cooperation was real, Portugal was inexorably forced to develop closer links with its main trading partners. External dependence clearly imposed strict limits on the desired self-sufficiency.

Only a year had passed, however, before a deterioration in the country's economic and financial situation forced the Portuguese Government to change its original decision to forego US financial aid under the Marshall Plan, contrary to the principles underpinning its foreign policy. It had become involved, albeit reluctantly, in the economic cooperation process that would, meanwhile, tend to establish itself in Western Europe, paving the way for the increasing internationalisation of the Portuguese economy. During the early months of 1948, the national financial and foreign exchange situation deteriorated significantly for the first time in some years. Against a backdrop of a certain degree of optimism and considerable willingness, vain attempts were made to remedy the problem, essentially because the tendency to overestimate the national economic fabric's capacity and potential and the results of the industrial programme (developed in accordance with a deep-rooted spirit of economic self-sufficiency) was accompanied by a tendency to

underestimate the dimension and effects that the 1947 international trade and payments crisis was to have in Portugal. Having avoided US funding as far as his negotiating capacity would allow, Oliveira Salazar finally mooted the possibility of accepting Marshall Plan aid on 20 July 1948. The Portuguese authorities' inability to counter the implacable financial and trade crisis affecting the country offered no alternatives. Faced with the dilemma of either US aid or monetary and financial collapse, the Prime Minister demonstrated the flexibility required to bring about one of the most significant changes in Portuguese foreign policy during the *Estado Novo* [Salazar–Caetano regime]. Political and ideological factors prevailed, despite scepticism towards the economic cooperation process emerging at international level, and pragmatic economic and financial factors ultimately carried the day.

The Portuguese Government consequently endeavoured to ensure that Portugal was considered in the distribution of American loans, both directly and through its diplomatic representatives (where the efforts of Ambassador Rui Teixeira Guerra stood out, as they did throughout the events leading to Portugal's involvement in European cooperation from the post-war period until accession to the Communities), and it energetically lobbied the US Administration, the Marshall Plan's US administrative office and the OEEC to secure maximum US financial aid.

Portugal's involvement in the Marshall Plan had a significant impact on the structuring of a controlled process of economic development. In practice, the Plan was the reason and the opportunity underlying the formulation of a post-war economic programme that encapsulated the essential aspects of government economic policy and underpinned its activities until the First Development Plan (1953–1958) came into effect. It should also be noted here that Portugal's involvement in the Marshall Plan helped the country to adopt new ways of approaching economic policy through economic planning which informed the successive development plans that were to guide Portuguese economic activity until the end of the *Estado Novo*.

Overall, Portuguese participation in the Marshall Plan secured financial aid amounting to around 90 million US dollars (over two and a half billion escudos) and involved a substantial number of the country's economic operators, including the state itself. The amount is not significant, particularly when compared with other beneficiary countries. It was important at the time, however, in terms of containing and overcoming the multidimensional crisis affecting the Portuguese economy and society. Via the mechanisms it generated, European Recovery Program aid helped to eliminate Portugal's balance of payments deficit and facilitated the supply of the essential goods that were necessary to resolve and minimise the economic and social effects of the crisis. It also enabled equipment to be acquired for certain projects that could not get off the ground or continue without it (thereby contributing to investment in economic activities, some of which were included in the recently approved industrialisation programme), and for the construction of certain items of infrastructure, particularly hydroelectric dams. Important studies were also carried out by foreign experts, particularly Americans, on specific aspects of the Portuguese economy. In addition, Portugal's participation in the various programmes run under the Marshall Plan sowed seeds that were to spread to part of the Portuguese elite, enabling contacts to be intensified and raising awareness of new international realities. In the same way, it opened the country up in unusual fashion to the presence of foreign specialists, helping to make the *Estado Novo* increasingly open, a process that would be difficult to reverse. Portuguese participation in the Marshall Plan likewise helped to intensify the country's involvement in a process of increasing internationalisation and openness to the outside world. In this way, Portugal was taking the first steps in its 'European adventure'.

Portugal's participation in the Marshall Plan was an integral part of a period of transition. It was a bridge out of the Second World War, between cooperation and self-sufficiency and between the heavily agricultural Portugal and the industrial Portugal that came to predominate over the country's rural dimension. The fact that Portugal was included in the new international institutions arising out of the Marshall Plan (the European Payments Union, in addition to the OEEC) brought a variety of greater or lesser advantages, including the formation of a technical elite, greater awareness of the workings of and active participation in international trade, and training in how to use the new international monetary and financial instruments that emerged in this post-war period. Albeit reluctantly, then, Portugal thereby ensured its inclusion in the system of international trade and payments and, in particular, its active presence in the emerging European economic cooperation process that was, initially, to lead to integration into EFTA and, almost 40 years later,

accession to the EEC in 1986.

Until the end of the *Estado Novo*, the largely unwanted 'European rapprochement' required a sustained effort if it was to resolve the contradictions between the real situation and the political convictions and principles being fought for and which some people wished, in vain, to perpetuate. The conduct of the Portuguese authorities, though apparently incoherent and, naturally, encapsulating diverging opinions and positions, was marked by ambiguity: overall acceptance of a conditional, restricted, pragmatic and versatile international economic cooperation process that could be adapted to prevailing circumstances was capable of bringing about pragmatic changes in direction which, in essence, sought to reconcile a European or Atlantic option, from which it never wished to be excluded, and an 'African' option of unity with the colonies, which it did not wish to, and perhaps could not, abandon.

The OEEC, meanwhile, was doing its utmost to improve the system of payments between member countries. After a few frustrated attempts on the basis of the multilateralism generated by the Bretton Woods Agreements, among other things, a more ambitious solution was adopted that culminated in the European Payments Union (EPU) in 1950. Portugal was one of the first countries to join the new system, and it was able to exploit the advantages provided by the new institution. Later, when the EPU was wound up in 1958, the country signed the European Monetary Agreement, an updated extension of the EPU.

In short, the march of time was eventually to see Portugal resigned to the establishment of a united economic structure for Europe. Once the most complex period of post-war reconstruction had passed, a cycle of growth and modernisation ensued at international level. Portugal shared the moment, benefiting from the momentum injected from abroad and from the changes introduced in the interim at national level based on the alterations brought about in the national production fabric and the 'modernising' changes that the economic policy sought to absorb. This growth cycle, therefore, even included structural changes, despite persistent powerful social and political resistance, which ultimately had a negative impact on the pace and extent of the modernising changes.

In this way, the development of the international situation, the forms and results accepted and prevailing in the context of European economic cooperation, Portugal's very place at international level, with particular regard to the increasingly more open criticism of both its political regime and the status of its overseas territories, together with the need to seek new political strategies and to guarantee its economic stance, especially in relation to foreign trade, all helped to mitigate the Portuguese Government's 'feelings', in particular the Prime Minister's thinking on his antipathy, mistrust and doubts regarding European cooperation. Portugal was to face new challenges in the late 1950s and, especially, in the early 1960s because of its involvement in European economic cooperation, something which entailed important decisions and defined the resulting strategies.

It is unanimously accepted, both by those who were directly involved and by researchers who have studied the issue, that it was by a stroke of luck (in the words of Ambassador Rui Teixeira Guerra) that Portugal managed to join the signatory countries of the Stockholm Convention. The Portuguese authorities' battle to join the European Free Trade Association, meanwhile, was unambiguous, cautioning against the prospect of 'being left on the sidelines'. In addition to the influence of the Ambassador in this area, stress must also be laid on the action of José Correia de Oliveira, who was Deputy Minister of State to the Prime Minister between 1961 and 1965 and Minister for the Economy from 1965 until 1968. (He also held other posts during this period.)

Membership of EFTA was even more attractive, since the form that this free-trade area was to adopt was consistent with the policy and principles underlying Portugal's position on external cooperation. By joining EFTA, Portugal would avoid exclusion from the European integration process. The commitments involved were purely economic and commercial. Issues concerning the regime or the political system did not arise (as they did in relation to the EEC), and problems involving the existence of the African colonies were even less evident, given the complete customs autonomy that applied in relations with third countries. Besides this, the relative underdevelopment of Portuguese industry compared with the other member countries was safeguarded by acceptance of the 'notorious' Annex G, which allowed Portugal to abolish tariffs much more

slowly (in Portugal's case, they could be extended by 20 years — twice the time granted to the other member countries). In particular, this Annex expressly authorised Portugal to raise customs barriers when new industries had to be protected.

In objective terms, Portuguese membership of EFTA was a natural consequence of its presence from the outset in the OEEC. Nor did the fact that Portugal was increasingly dependent on Europe in commercial terms give rise to major reservations, in particular since its overseas policy, even under the new architecture that it was to be given later by the institutionalisation of the Portuguese Economic Area, could go off track at any time and was permanently on the verge of foundering as political and economic problems became unexpectedly more serious.

All in all, then, Portugal's participation in EFTA is seen as highly satisfactory at virtually all levels and is, in fact, deemed to be one of the most powerful reasons for the rapid growth and modernisation of the Portuguese economy during that period.

Everything appeared to fall into place for the Portuguese authorities when the United Kingdom applied for accession to the Common Market on 9 August 1961, followed by the Scandinavian countries. Some hesitation ensued at this point. The carefully calculated risks were considerable: the spectre of isolation within Europe arose once again. Reluctantly, yet demonstrating the necessary flexibility, in a letter delivered on 18 May 1962 by Ambassador Calvet de Magalhães to the President of the EEC, the Prime Minister asked for negotiations to be opened between Portugal and the Community with a view to defining the terms of the cooperation that the Portuguese Government wished to establish with the Common Market countries.

Without laying down any claims or reservations, Oliveira Salazar adopted a vague formula that allowed him to avoid major choices at the time, not least because of the existence of the UK and the Commonwealth, whose problems in joining the EEC were bound to suggest potential solutions that could be applied to the Portuguese overseas territories.

Fortunately for the Portuguese leaders, in his famous declaration of 13 January 1963, President de Gaulle brought matters to a complete halt by unequivocally vetoing the United Kingdom's accession to the Community, preparations for negotiations with EFTA's other member countries naturally being suspended as a result.

The 'problem' did not arise again until almost a decade later, the parties involved being different when the UK's application for accession to the European Communities was finally accepted in 1970. Portugal understood once again that it could not remain on the sidelines and set in motion the negotiations that actually began in December 1971 and that were to lead to the signature of the EEC–Portugal Free-Trade Agreement and the ECSC–Portugal Agreement on trade in iron and steel products on 22 July 1972.

This decision, essentially associated with an appraisal of the commercial constraints, ran counter to positions advocated by significant sectors of the regime's political elite. They drew attention to the dangers of 'political infection' and the risk of weakening the 'overseas commitment'. In fact, the Portuguese Government, then led by Marcello Caetano, took a more positive stance on the 'European way', undertaking to place greater reliance on a European approach on the basis of an, albeit modest, yet real and institutional link to the EEC.

This applied in particular to the members of the committee responsible for monitoring European economic integration, chaired by Rui Teixeira Guerra, who always argued, with foresight, that the negotiations should be conducted to exclude any possibility of future accession being jeopardised.

The Portuguese political situation was now becoming more complex. The Government, weakened by internal discord, was unable to find, and much less to put into practice, solutions to counter some of the most glaring political and social problems: the insoluble colonial war; a collapsing economy; double-digit inflation; the decision contemplated by the Government to temporarily suspend the foreign exchange market due to difficulties linked to the parity of the escudo; student unrest; and, finally, the 'captains' movement',

which brought an end to a regime that had lasted for over 40 years.

The 25 April 1974 Revolution finally brought down the last government of the *Estado Novo*. Negotiations with the independence movements in Portugal's African colonies began at once. The revolutionary process — the recasting of a country emerging from 40 years of dictatorship — opened the floodgates to months of great instability: provisional governments came and went; the various factions set out their stalls, fighting for power and confronting each other; decolonisation was completed; and efforts were made to democratise the country and to defend basic freedoms. That required the drafting of a new Constitution.

Democracy and party pluralism won the day: the first free elections in 50 years for a Constituent Assembly were held on 25 April 1975, the new Constitution was approved on 2 April 1976 and the first legislative elections to the Portuguese Parliament were held on 25 April 1976, followed by Presidential elections in June, the First Constitutional Government taking office the following July.

With the political situation framed by a Constitution and with relative calm on the social front, the Government's main priorities were to consolidate democracy, strengthen national reconciliation and resolve the serious economic problems left over from the Revolution: the effects of decolonisation, loss of traditional markets, disorganisation of the production and financial systems and the traditional foreign trade deficit, all exacerbated by a global crisis which the Portuguese, concentrating on resolving their own problems, barely noticed.

The new political leaders naturally had to revitalise and modernise the Portuguese economy, providing it with structures and injecting such dynamism as to allow it to develop according to the model adopted by the economies of the Western democracies. Portugal's accession to the European Communities then became a government-set target. Various meetings took place, and the President of the EEC visited Portugal. On 29 November 1976, the Portuguese Parliament authorised the Portuguese Government to apply for Portugal to accede to the European Communities. In early 1977, the Portuguese authorities started a round of significant diplomatic activity with a view to mustering support for Portuguese accession from the Heads of State or Government of the Community Member States. Eventually, Portugal formally applied for accession to the EEC. The process was slow and complex, however, and was affected over a number of years by a variety of events, including some setbacks. Finally, following the Fontainebleau Summit, the Portuguese Government was informed that Portugal would accede to the European Community on 1 January 1986. The country's accession dossiers were gradually closed, and the Portuguese authorities' institutional relations with the Community developed. EEC leaders and officials visited Portugal increasingly often until a *constat d'accord* was signed which formally brought the negotiations to a close and ratified the date of accession, as established at the Fontainebleau Summit. On 12 June 1985, the official signing ceremony of the Treaty of Accession to the EEC took place in the magnificent surroundings of the cloisters of the Jerónimos Monastery.

The long process which began in 1986 is still in progress and continues to have a crucial impact on the way in which we live, the organisation of our productive fabric, the way our economic operators act, how wealth is distributed, and the prospects for our collective future as both Portuguese and European citizens.