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PORTUGAL

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Thinking about the effects of EU Membership can turn out be quite a private event, as memories of the past include both one's own experiences, that of your family and your country.

For almost half a century, between 1926 and 1974 – the year of the "Carnation Revolution", the Portuguese Republic was under a right-wing dictatorship (this writer was born in 1966, so I did live through this), with a society that was largely closed, deeply conservative, poor and underdeveloped by Western European standards. Not only that, but between 1961 and 1974 Portuguese daily life was intimately linked to the Portuguese Government's long and costly war to keep the remnants of its colonial empire, until the "Carnation Revolution" led to its swift and traumatic dismantling.

The country then faced a sudden influx of between 500,000 and 1 million – or over 10% of the total population that in the early 1970s was below 9 million - "settlers" from the former African colonies (in many cases, these came from families that had settled in Africa several generations before). It also saw the dismantling of the dictatorship and the myriad of political and economic structures associated with it, plus a short-lived period of Marxist policies which included the full-scale nationalization of all large

Portuguese companies. The resulting inflationary spike, currency devaluation, large internal and external imbalances that reached double digits of GDP led to programmes with the IMF, one in 1977, with a follow up in 1982.

Parallel to all that turmoil, the country had begun its long negotiations for membership to the then European Economic Community (EEC): Portuguese negotiators in those days were busily flying between Washington, D.C., and Brussels (as they were again until quite recently…).

Portugal applied first not for membership, but for a trade agreement with the then EEC as early as 1962, and again in 1967. These applications followed the first attempts of the UK and other European Free Trade Association countries – Portugal was an EFTA member - to join the EC in 1961. The first UK application, and the second one in 1967, were both blocked by France. The failures of both British attempts to join the EEC affected also the negotiations with Portugal, and only after the first EEC enlargement in 1971 (with the UK, Denmark and Ireland) was a trade agreement possible (Portugal, in fact, signed two trade agreements, with the EC and the ECSC – European Community of Steel and Coal).

The revision of these treaties in 1976 extended the agreements to cover non-commercial issues, with Portugal's formal application for EEC membership made in the following year, in March 28, 1977. The official negotiations lasted from October 1978 to March 1985, with Portugal finally becoming a member of the (current) European Union in January 1, 1986 (however, even after Accession, Portugal received sectoral temporary derogations of up to 7 years).

This "trip down memory lane" is here not because of self-indulgence, but because it has important implications for the Enlargements of 2004, 2007 and 2013: the (long) Portuguese road to EU Membership (and the comparable experiences of Spain) provided the EU with a reference point for the Enlargement to the Baltic, Central and South-eastern European countries (even the population displacements caused by the end of the Portuguese Empire held some lessons for countries such as those of the Baltics, with their large remnants of Soviet populations). There was a similarity in the experience of integrating formerly closed economies with an authoritarian past into a group of highly developed, internationally open and closely linked western democracies. The processes for the Baltic, Central and South-eastern European countries were also equally long and preceded by trade and association agreements.

However, on a truly personal level, the Iberian experience did give the opportunity to a young man to provide some support to future Member States, as I found myself, while still a university student, working on providing pre-Accession technical assistance funded by the EU in Central Europe in the early 1990s.

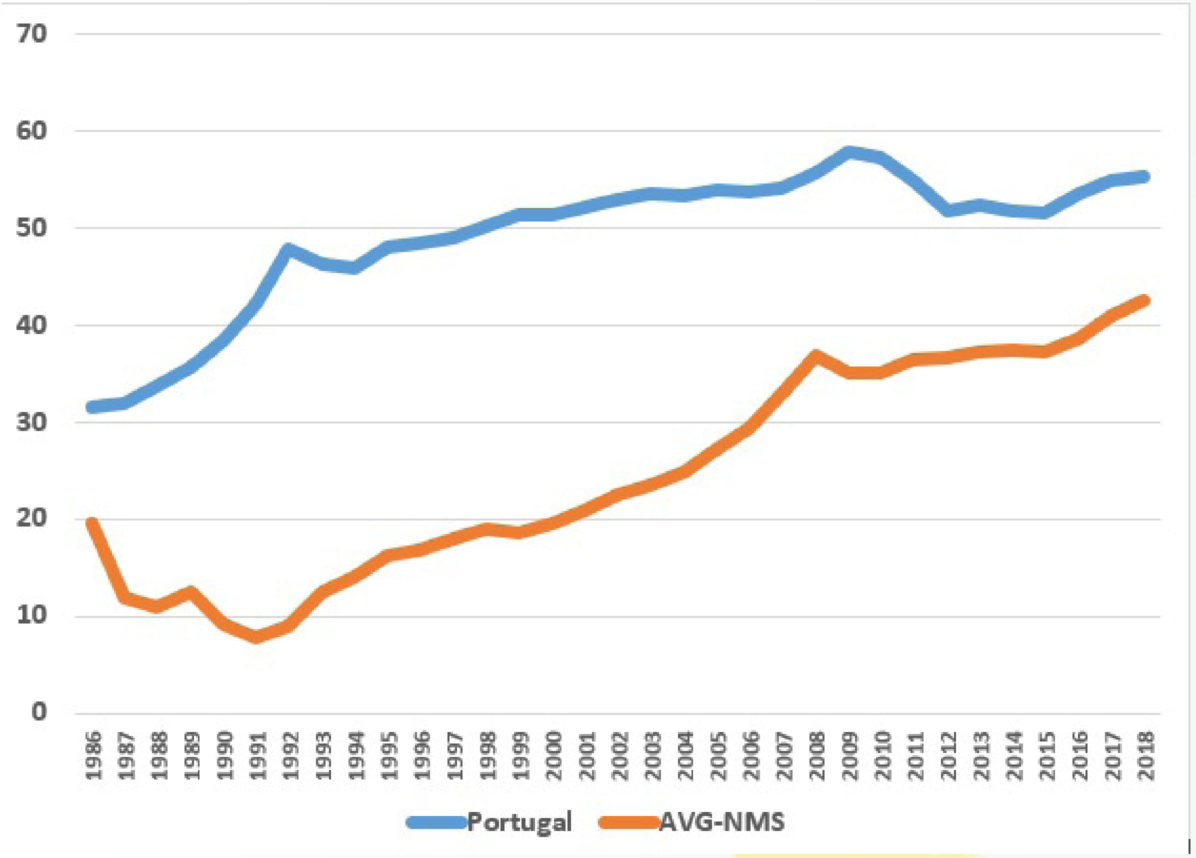
Ok, how about (real) convergence?

Now, how about convergence and EU Membership? Portugal's reasons to join what became the European Union were manifold, from economics to security in a post-colonial world, to much needed institutional modernisation, to an "anchoring" of its young democracy: similarly, countries that joined the EU later also had multiple rationales for their decisions. While EU membership has delivered for Portugal (as it has for later entrants) in virtually all those areas, here I will concentrate only on convergence from an income per capita point of view (I am, after all, an economist).

Importantly, Portugal, the first modern unified European nation and the precursor of the great European overseas expansion of the 15th century, is traditionally an open, sea-faring nation, and was already a member of other international economic organizations. For instance, the country was a founding member of both the European Free Trade Association in 1960 and of the Organisation for Economic Cooperation and Development in 1961. That helped support a process of economic convergence before joining the EU. This process of economic catch-up was particularly powerful during the 1960s and early 1970s, before the disruptions linked to the end of the Salazarist Dictatorship. That is to say, the link to the EU supported and reinforced economic convergence processes that were already under way, which is also true for later EU entrants.

This is apparent in the figure below, which shows that real GDP per capita in Portugal grew constantly between 1986 and 2009, almost doubling relative to that of the EU 15, from around 31% to 58%. As a comparison, the average GDP for the Member States that joined the EU in 2004, 2007 and 2013 increased from around 24% to around 43% of the EU 15 level. The average increase in GDP per capita 15 years after accession is uncannily similar for Portugal and the Member States that joined in 2004, at, respectively, 65% and 70%. However, the pre-EU accession economic convergence of the later EU entrants was also impressive which reflects the "dead-cat bounce" from the initial and deep "transition recession" associated with the collapse of the command economy. Importantly, also the fact that the process of integration into the EU generated benefits years before actual accession, and, yes, that integration into global markets and frameworks ex-EU also yielded significant benefits.

Portugal and the NMS (Gross domestic product at current prices per head of population (HVGDPR), EU15=100)



Source: AMECO, European Commission

So, how much of this improvement can be single-handedly attributed to the EU? This question can be answered only partially, but a fair conclusion (based for instance on studies that compare convergence in the EU with those of "synthetic analogues" of similar countries outside of the EU) is that the role of EU membership was a very significant one. Importantly, not only did the EU support this process of convergence in good times, but as the shock of the sovereign crisis in the 2000s demonstrated, EU membership made the crisis shorter and shallower than what it could have been.

The bonds of EU Membership are lasting ones, in good and bad times. And this holds true for both Iberia and for Eastern Europe.