Portugal and the Future of the European Union

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When Thorbjørn Jagland, then Nobel Committee Chairman, announced in October 2012 that the European Union (EU) would be the Nobel Peace Prize laureate that year, he underscored the extraordinary achievements that underpinned the decision: over six decades of contributions to the advancement of peace and reconciliation, democracy, and human rights in Europe. The statement read by Jagland acknowledged the "grave economic difficulties" that the world's largest economic bloc was going through but emphasized that the Committee preferred to underline the "stabilizing part played by the EU" to make much of Europe a "continent of peace."[1]

I was, at the time, president of the Portuguese Republic. I made a statement welcoming the decision, explaining that "the Union continues as a model of peace, cooperation, and solidarity" and stressing that "selfish nationalisms" could not prevail over the community's founding spirit.[2] Cohesion was undoubtedly a part of this spirit and a central theme in European integration, especially after 1981 when Greece became a member, and after 1986 when Portugal and Spain joined the bloc.

It is, in fact, impossible to understand the longest period of peace and cooperation in the history of Europe without taking into account the role that solidarity and cohesion played in the EU project. Likewise, it is impossible to understand the recent history of Portugal without recognizing the structural contribution of European integration to the country's economic and social development. Portugal became a member of the then European Economic Community on 1 January 1986, 55 days after I became prime minister, an office I held until 28 October 1995.

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In the first ten years after the Carnation Revolution in April 1974, Portugal experienced intense political instability and resorted to two bailouts from the International Monetary Fund (IMF). International organizations did not believe in Portugal's ability to overcome structural difficulties and the development gap in relation to European countries. Joining the EU was a historic and decisive step, without which it would have been very difficult for Portugal to move toward convergence with Europe. It marked a clear choice in favor of a market economy instead of the socializing tendency inscribed in the Constitution of the Republic that had prevailed in the post-revolution period, which involved mass nationalizations and land occupations that alienated businessmen and reduced national wealth.

Confidence generated by the political stability of the decade between 1985 and 1995, and by four social partnership agreements negotiated between the government and unions and employers' confederations, allowed Portugal to make a success out of its membership. At a time of drastic changes in Europe—the fall of the Berlin Wall and reunification of Germany, the collapse of the communist regimes of Eastern Europe, and the dissolution of the Soviet Union and war of Yugoslavia—the success of Portuguese integration in the EU is, to a large extent, a result of the convergence between accession and the end of the political instability that marked the previous decade.

Portugal was largely a beneficiary of integration, not only due to the support from structural funds that allowed the country's development, but also because major domestic reforms freed Portugal's economy and society from an excessive state presence and established a climate of confidence favorable to investment and dynamic civil society. Between 1986 and 1995, the Portuguese economy grew at an average rate of 4 percent a year, compared with 2.4 percent for the European Union as a whole, despite the recession that hit Europe in 1992–1993. Over the same period, per capita income, adjusted for purchasing power parity, rose from 56.2 percent to 68.3 percent of the average of the then 15 EU member states, an increase surpassed only by Ireland.[3] Following a firm and permanent negotiation, Portugal took full advantage of opportunities opened by the accession.

When I assumed public office again as president of the Republic in 2006, the EU was quite different, largely as a result of the "great enlargement" of 2004 to include Eastern European countries and the creation of the Eurozone, to which Portugal adhered from the outset.[4] The 2008 international financial crisis plunged the EU economy into a deep recession, which was followed by a sovereign debt crisis that threatened the stability of the EU and the irreversibility of the euro.

In May 2011, Portugal had to sign up for an Economic and Financial Assistance Program with the troika formed by the European Commission, the European Central Bank (ECB), and the IMF. The EU and the IMF lent Portugal 78 billion euros so that the country could overcome financial emergency—joining Ireland and Greece, both of which had already been bailed out.

At the end of my term as president in March 2016, Portugal had already begun to recover from difficult years of austerity, during which the Portuguese people showed incredible resilience and patriotism. The government that implemented the program had the courage not to conceal reality from the people and addressed problems by adopting measures that, although necessary, proved to be socially unpopular and politically difficult. However, the Portuguese did not allow themselves to be seduced by Euroskeptic populisms. On the contrary, a clear majority maintained support for the European project. After three years, Portugal resumed the route of economic growth and the "adjustment program" was successfully closed.

The following sections explain how Portugal made a success out of its accession to the EU and why it failed to fully comply with the requirements of a founding member of the Eurozone. They also analyze the ongoing debate in European institutions on completing the Economic and Monetary Union (EMU) and Portugal's position. The big challenge that the European leaders currently face is to make the Eurozone—the core of the European project—stronger, fairer, and better able to contribute to the stability of the international financial system.

Portugal's EU Membership

Over more than 30 years of EU membership, Portugal has always been an active and constructive participant, open to deepening the integration project. Its desire to defend national interests has always existed within the framework of communal interest rather than on a selfish and nationalistic basis. In 1994, at the end of his term as president of the European Commission, Jacques Delors called Portugal "the good student," meaning that the country had managed to overcome mistrust, win respect from community institutions, and garner

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unanimous treatment as a serious, stable, and supportive partner. Delors went so far as to say that Portugal participated in European integration as if it had been one of its founders.

In Portugal, there has always been a strategic convergence between the main political parties and social partners on the importance of EU membership. The consensus among sovereign authorities on the subject has never been broken. Significant nationalist and Euroskeptic movements did not emerge, contrary to what happened in other countries.

Portugal's position as a responsible, credible, and bridge-building country allowed for the 2004 election of José Manuel Durão Barroso as president of the European Commission. While the financial bailout in May 2011 compromised Portugal's credibility, the country regained its partners' confidence through strict compliance with European rules, paving the way for the 2017 election of its minister of finance, Mário Centeno, as president of the Eurogroup.

Portugal was at the forefront of deepening the European project, revealing the political will and capacity to reform and adapt to change. A founding member of the Eurozone, Portugal was also part of the first group of seven Schengen countries that pushed for the free movement of persons across borders. The country has been a consistent supporter of the principle of equality between member states and of respect for national identities, cultural diversity, and each country's own institutions, provided that these do not undermine the fundamental interests of the community. Portugal has always been in favor of a strong European Commission and against surreptitious attempts to weaken it. As an independent institution representing the general interest of European nations, the Commission must guarantee that the interests of small and medium-sized countries are not ignored.[5]

I had the opportunity to state this very clearly in Florence in October 2011 at a conference hosted by the European University Institute on the lessons of the crisis, at a time when a Franco-German "Directoire" was distorting the functioning of the EU by pressing other member states and the Commission:

> The intergovernmental drift is contaminating the institutional functioning of the European Union. (…) We are seeing the emergence of a "Directoire," not recognized, without a mandate, that overlaps the community institutions and limits its operational margin. This is an unwise and dangerous course. Unwise because it is ineffective. Dangerous because it generates mistrust and uncertainties that undermine the spirit of the union.[6]

The credibility achieved by Portugal was decisive at different times, making it possible to effectively defend national interests and to take initiative with innovative solutions at the community level. These included strengthening economic and social cohesion and the concept of "Outermost Regions," which established support programs for the archipelagos of Madeira and the Azores.[7]

One of the major contributions by Portugal in alliance with Spain, Greece, and Ireland was to make policies of economic and social cohesion fundamental pillars of European integration, putting them in parallel with the creation and development of the single market and the monetary union. Efforts to promote economic and social cohesion aim to reduce disparities between different regions.[8] They have a redistributive dimension, in keeping with the principle of solidarity, which the EU embodies. This benefits the community as a whole, not only in terms of economic growth, but also in terms of social harmony and political strength.

Social cohesion policies rose to the top of the agenda with the Single European Act. The act was adopted in December 1985, in parallel with the completion of the internal market in the first of the 28 European councils of which I was a member during my time as prime minister.[9]

The 1988 Delors I Package and the 1992 Delors II Package operationalized the significant increase of structural funds in the community budget for the promotion of economic and social cohesion. They were undoubtedly decisive for Portugal's development. They were also vital for the EU's taking on of a central role in the future of the continent, as the enlargement to include Central and Eastern European countries would prove. Although the path to convergence between member state economies is far from complete, there is little doubt that investing in cohesion has strengthened citizens' sense of belonging to the same community and made the EU not only an important economic bloc, but also, above all, a reference point for development.

Following the collapse of communist regimes and the adoption of the Maastricht Treaty, an enlargement that would reposition the EU in the face of a new geopolitical framework became inevitable. The Eastern European countries, emerging out of a shadow imposed by the legacy of World War II and the tensions of the Cold War, were anxious to join an organization that exemplified economic and social development, democracy, and respect for human rights.

For Portugal, enlargement meant more competition for important sectors of the economy and for attracting foreign investment, as well as a potential diversion of EU funds. With an attitude marked by solidarity and responsibility, Portugal supported this enlargement, which was supposed to take place alongside NATO enlargement. The diversion of trade and community funds was less relevant than the contribution to the peace, stability, and security of Europe. The EU could not turn its back on countries which, having freed themselves from years of communism and restrictions on their freedoms, opted for democracy and a market economy. Enlargement also created an expanded area for the European economy, to which Portuguese companies would have easy access. Given the magnitude of EU support for the consolidation of democracy and the development that membership provided, Portugal did not anticipate the selfish attitudes and Euroskeptic nationalisms currently emerging in Eastern European member states.

Finally, Portugal's contribution to expanding the EU's horizons as a global power and strengthening the international voice of the European continent is noteworthy. The country strongly supported the creation of the Common Foreign and Security Policy (CFSP) in Maastricht and that of the High Representative of the Union for Foreign Affairs and Security Policy under the Treaty of Lisbon. The EU needs a voice of its own on the international scene, in which it must be an active player. It should be noted, however, that Portugal was and continues to be a supporter of the full compatibility of common defense policy with NATO objectives.[10] The EU's transatlantic relationship with the United States has always been a point that Portugal supports. The existence of a fluid dialogue between the EU and the United States is essential to ensure stability in Europe and the rest of the world, as well as an effective fight against terrorism.

Honoring its past as a nation with a long history of relations with Africa, South America, and Asia, and with the fourth most spoken language in the world, Portugal brought to the EU an Atlantic and Lusophone insight.[11] Portugal added value to the strengthening of the EU's relations with countries and regions with which it maintained privileged ties. The partnership between the EU and Southern Mediterranean countries, the EU-Mercosur dialogue, the EU's dialogue with India, and its rapprochement with Portuguese-speaking countries all carried Portugal's fingerprint. EU membership reinforced Portugal's voice in the dialogue with nations with which it has been historically close. For example, EU membership allowed the country to play a decisive role in peace negotiations in Angola and Mozambique in the 1990s and allowed the East Timor issue to be placed on the international agenda, which was decisive in the Timorese people's successful fight for independence from Indonesia.

Martin Bangemann, then vice president of the European Commission, said at the end of the Portuguese EU presidency of 1992: "A country is not great or small in terms of its population, but in terms of what it has contributed to Europe. Portugal has contributed a lot! Portugal is a great country!"[12] Putting aside enthusiasm for the achievements that justified that assessment, 25 years after this statement, it can be said that Portugal surprised the EU institutions and Brussels bureaucracy, which regarded its accession at the beginning of 1986 with distrust. This is perhaps the best way to illustrate Jacques Delors' complimentary "good student" reference.

Portugal, a Founding Member of the Eurozone

EU support was vital for Portugal's economic and social development. However, this growth would not have been achieved had the government not shown the vision and courage to correct macroeconomic imbalances in the first decade and implement a broad set of structural reforms that radically transformed the country's economy. These reforms were necessary for Portuguese companies to face the competition of the single market and to improve investors' confidence. They included the 1989 constitutional reform, which allowed the re-privatization of companies that had been nationalized, the reform of income taxation, and the adoption of more flexible labor laws.

These and other changes took place while the country prepared to be part of a historical step in deepening European integration: the creation of a monetary union with a single currency—the euro. As early as 1990, Portugal committed to politically prepare its economy for the monetary union. It would be necessary to meet convergence criteria: price stability, exchange rate stability, and government spending discipline. This was a true challenge for a country that had only been in the European Union for four years.

Monetary union was a logical consequence of the single market. The free movement of goods, services, and capital had to be accompanied by the elimination of exchange rate uncertainty. The collapse of communist regimes in Eastern Europe and the reunification of Germany added urgency to the process. It was a giant step—the most significant change to the international monetary system since the collapse of the Bretton Woods system in 1971. Portugal's decision to join the monetary union was not obvious and opinions were not unanimous. Macroeconomic management costs mounted as the country handed over control of monetary and exchange rate instruments to the European Central Bank (ECB).

The first major benefit was the elimination of exchange rate uncertainty and of conversion costs between the national currency and different European currencies. Second, Portugal gained easy access to a broader financial market and benefitted from a reduction in long-term interest rates. Third, the monetary union ended the temptation to resort to currency devaluation, budget deficit increases, and high inflation, which had been the norm after the 1974 revolution. This forced entrepreneurs to start betting on innovation, quality, and increased productivity.

More than 25 years after the signing of the Maastricht Treaty—which created the monetary union—and 20 years after the announcement of the countries that had met the convergence criteria to be the founding countries of the single currency, it is important to recognize that Portugal failed to make an economic success out of Eurozone membership, reaching financial emergency in 2011. The country was forced to enter a three-year adjustment program with the European Commission, the ECB, and the IMF.

This failure resulted from three interdependent errors that a Eurozone country must not make. First, Portuguese authorities believed that, since the country belonged to the Eurozone, an excessive external accounts deficit was not a restriction of economic policy and that Portugal could be financed without limits in its own currency, borrowing easily in the highly integrated euro financial market. This was a misconception. An external deficit means increasing the country's foreign indebtedness. Regardless of being part of a broad unified monetary area, deficit persistence over time leads to increased risk premia, rising interest rates, and distrust of markets that ultimately deny new loans. In the first decade of the twenty-first century, the deficit of Portugal's external accounts surpassed, in most years, 8 percent of its GDP.

Second, Portuguese authorities neglected the external competitiveness of the economy and favored, above all, production of non-tradable goods. Having lost the exchange rate instrument to preserve competitiveness, it was necessary to guarantee a wage policy in line with productivity and to implement structural reforms to stimulate the development of human capital, efficiency, and technological innovation.

Finally, Portugal did not duly control the government budget deficit. Public spending increased significantly, European fiscal rules were violated, and public debt rose to unsustainable levels. This was due to not only poor policies, but also to the inefficiency of the European institutions responsible for supervision of member states' public finances and their failure to act by preventing and correcting excessive deficit situations.

The adjustment program signed by Portugal with international institutions was implemented by a center-right government coalition that did its best to fully honor commitments in order to regain access to financing in external markets. In the context of an extremely negative external environment, very difficult measures were taken: cuts in public sector wages and pensions, tax and price increases, and reduced public service budgets. These measures led the economy into a recession and significantly worsened unemployment.

The Portuguese showed a great sense of responsibility, and, even in this period of great difficulties, remained firm in support of the European project. They did not fall to populist and Euroskeptic temptations. Despite these challenging times, a governing coalition completed its term of office for the first time, which required an active intervention on my part as president of the Republic.

At the end of the adjustment program, on 17 May 2014, Portugal left without a precautionary program from the European Stability Mechanism, against expectations of analysts and international institutions. The government's resilience enabled Portugal to recover its credibility with its European partners and to regain the confidence of the markets. Portugal's public deficit went from 11.2 percent of its GDP in 2010 to 3 percent in 2015, and is expected to be 1 percent by 2018. The imbalance in external accounts changed from a deficit of 9 percent of its GDP for 2010 to a surplus from 2013 onwards.

Similar to other European countries, Portugal has been able to count on European solidarity, which cannot exist without a demand for responsibility. For the future of the EU, the successful implementation of the Economic and Financial Assistance Program by Portugal and Ireland will prove critically important.

A New Phase of Eurozone Shared Sovereignty

The new steps in deepening the EMU that are curently under debate in European institutions deserve, in general, the support of Portugal. The sovereign debt crisis that hit the Eurozone between 2010 and 2013 made it clear that the EMU established by the Maastricht Treaty in 1992 was unfinished. The EMU started with the monetary union, an almost complete architecture of monetary federalism endowed with a central bank, a single currency, and a common monetary policy with the central objective of price stability. The economic and fiscal unions remained very incomplete, limited to coordination of national economic policies and supervision of member state budgets by the European Commission and the Council of Ministers of Finance (Ecofin) to avoid excessive public deficits.

In response to the international economic and financial crisis that began in the United States in 2008 and the ensuing sovereign debt crisis, steps were taken to stabilize the financial situation of the Eurozone. Budgetary discipline mechanisms were strengthened, notably the adoption of the Treaty on Stability, Coordination, and Governance in the Economic and Monetary Union (TSCG).

The European Stability Mechanism was created. This bailout fund supports Eurozone member states by granting loans with economic policy conditionality.[13] The European Commission recently proposed transforming this mechanism into a genuine European Monetary Fund. It will be difficult to reach a consensus on the proposal for the transfer of such a fund to the control of the European Commission. Eurozone member states would lose their power to determine the conditionality imposed on countries to which the fund loans are granted, and they may fear that political decisions of commissioners would prevail over technical independence. In order to complete the EMU's financial pillar, it was decided that the Banking Union would be created, aiming to reduce bank crises, break the vicious circle of banking risk and sovereign risk, and ensure the unique character of ECB monetary policy in all Eurozone countries.

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During the sovereign debt crisis, many analysts predicted the disintegration of the Eurozone. Their prediction was wrong. The Eurozone survived and is quite solid today. The euro enjoys strong support from the citizens of the 19 Eurozone countries and has proved to be a leading world currency—used as a reserve, payment, investment, and anchor currency. In 2017, 73 percent of Eurozone citizens supported the single currency, the highest percentage since 2004.[14]

The Greek government's experience with the far-left party Syriza, chaired by Alexis Tsipras, proved that while membership of the euro is an option for a member state, an exit from the euro is not. The government of any Eurozone country—with the exception of Germany—would be terrified of what would happen if it decided to leave the Eurozone: intense depreciation of the national currency; rising prices on imported products; worsening of state, bank, and company debts to non-residents; consumer impoverishment; and a rush to banks for deposit withdrawal. This would be a chaotic, economically destructive, financially ruinous, and socially devastating situation, as French economist Jean Pisani-Ferry has written.[15] Unless something very extraordinary and impossible to predict happens, the euro is stable and here to stay as an international reference currency alongside the dollar and, in the future, potentially also the Chinese yuan.

The Eurozone has established itself as the EU's inner core: an area of 19 countries with 340 million inhabitants linked by very close ties. These countries share large and important sovereignty elements, including a common currency—the euro—the purchasing power of which all of its citizens have an interest in preserving, thus reinforcing the sense of belonging to the same community.

Once the sovereign debt crisis' most urgent issues had been solved, the European Commission launched a debate on the EMU's further development in order to complete the financial pillar and combine it with a more consistent and substantive fiscal and economic dimension. The idea of extending the shared sovereignty system and completing the EMU project was even reinforced by populist and nationalist attitudes that emerged in Eastern European countries, as well as by the United Kingdom's decision to leave the Union and the evidence of difficulties and costs of the process for the British, as publicly recognized by former British prime ministers.

Further steps to complete the EMU are essential to reducing the possibility of a banking and sovereign debt crisis, to fighting economic recession, to reinforcing external competiveness, and to making the EU a stronger global player in the international arena. The proposal to complete the EMU received two important stimuli in September 2017. One was the plan that the president of the European Commission, Jean-Claude Juncker, presented.[16] The other was French President Emmanuel Macron's ambitious speech at the University of the Sorbonne on the refounding of Europe.[17] Both focused on deepening the EMU and opening the door to correcting one of the biggest shortcomings of its initial design: the absence of a macroeconomic stabilization function.[18]

Portugal unsuccessfully defended steps in this direction at the time of the adoption of the Maastricht Treaty with regard to negative asymmetric shocks (i.e., adverse shocks to production and employment that specifically affect a member state of the Eurozone). This was the case in Finland in the early 1990s, when the Soviet Union, one of its main trading partners, collapsed. Portugal was one of the countries that believed that the creation of the monetary union should have been accompanied by the creation, within the EU budget, of an ability to make transfers of resources to countries hit by adverse economic shocks. However, this position was met with strong political resistance from net-contributing states and was not accepted.

The 2009 economic recession, the deepest since World War II, and the Eurozone sovereign debt crisis made clearer the need to provide the EMU with a budgetary stabilization function over the business cycle and in the event of asymmetric shocks. This is a logical consequence of deepening market integration and increasing country interdependence, which resulted from overlapping the single currency and the internal market without barriers.

Despite the progress that strengthening the scrutiny of economic and budgetary plans achieved, the coordination of member states' fiscal policies mentioned in EU treaties was clearly insufficient to ensure coherent, consistent national policies and an aggregate budgetary stance of the Eurozone that could be placed in parallel with the single monetary policy defined by the ECB. A macroeconomic stabilization component in the EU budget would alleviate the EMU's problem of having, on the one hand, a single monetary policy centralized in the ECB, and, on the other hand, a system of 19 fiscal policies, reflecting, above all, the priorities of each individual member state.

The combination of the ECB's monetary policy and an aggregate fiscal policy that is the result of a European stabilization policy tied to a more effective coordination of national policies would determine the appropriate policy mix to achieve sustainable, non-inflationary economic growth and allow for a better balance between the interests of member states and the Eurozone as a whole. A stabilizing capacity for the EMU requires a common Eurozone budget, as proposed by President Macron, or a specific budget line within the EU budget, as advocated by President Juncker.

A genuine macroeconomic stabilization EU budget would require the financial means to face a recession in the Eurozone, supporting public investment and offsetting the costs of unemployment benefits. It would also require the ability to stabilize economies of countries hit by asymmetric shocks and support reforms aimed at improving the competitiveness of member states. It would be necessary to find additional sources of funding for the Eurozone's own budget. In order to have an anti-cyclical stabilizing impact, it should have resources comparable to no less than 1.5 percent of GDP of all participating countries. A common budget has recently been linked to the proposal of a so-called minister of finance and economy of the Eurozone, which had already been suggested in June 2011 by then-ECB President Jean-Claude Trichet.[19]

It does seem reasonable that there should be an EU body responsible not only for the Eurozone's own budget, macroeconomic stabilization policy, financial assistance programs for member states in emergency situations, and representation of the euro area at an international level, but also for supervisory powers and the possibility to intervene in national economic and fiscal policy decisions. Such a EU body is critical to an avoidance of deviations from EU economic and financial stability rules and the persistent postponement of structural reforms. It is necessary to eliminate member states' suspicions that they are paying for the wrong political decisions of others.

Portugal and the Future of the EMU

The current debate within European institutions on deepening Europe's EMU is marked by the insights of both Juncker and Macron—to which it would be desirable to join Chancellor Merkel's. The document *Completing Europe's Economic and Monetary Union*, presented by the Commission in December 2017, is cautious and vague on situations in which funds from a stabilization budget for the Eurozone could be used. It is, however, more precise in relation to the role of a Eurozone minister of finance and economy, aiming at strengthening the coherence, efficiency, and transparency of EU's economic governance. The position would be filled by a vice president of the European Commission who would also be president of the Eurogroup.[20] The proposed configuration for this position does not excite several governments, and even President Macron defended the creation of the office of minister only in an undefined future.

Although there is a widespread assessment among Eurozone member states that this is an opportunity to deepen the EMU, it is unrealistic to think that significant steps to create a macroeconomic stabilization pillar will be taken before the 2019 elections to the European Parliament. Consensus will not be easy to achieve, even though the spirit of dialogue and compromise between the 19 member states of the euro is stronger than that between the 27 of the EU.

In the face of Euroskeptic and populist developments in some member states of the Union, the Eurozone—the inner core of the European project—must be unequivocally assumed to be the driving force behind the integration process. This means that it is only by strengthening the Eurozone that we can move toward more European integration at the global level. In the same vein, President Macron said in his speech at the Sorbonne: "Only the Eurozone with a strong and international currency can provide Europe with the framework of a major economic power."[21]

Providing the EMU with a macroeconomic stabilization function benefits Portugal. Firstly, it makes the EU less vulnerable to the next recession, and secondly, it fulfills Portugal's prior call for a European response to negative asymmetric shocks. As a country in the western periphery of Europe with a single neighbor, Spain, which is heavily dependent on oil, gas, and food imports, Portugal fears being hit by events beyond its control more severely than its other European partners. Spain's economic recession in 2012–2013 was a true asymmetric shock for Portugal, coinciding with the implementation of a harsh adjustment program that had been imposed by international institutions to correct economic and financial imbalances. Portuguese exports to the Spanish market represent 26 percent of its total exports.[22] There is no similar case in any other EU country.

However, we should not forget that any progress in deepening the EMU depends on the Franco-German engine. Germany has always expressed strong resistance to a fiscal stabilization function, interpreting it as a mechanism for permanent financial transfers from richer to less developed countries.

The European Commission's proposal to complete the Banking Union also deserves the support of Portuguese authorities. It is essential to reduce the risks of a banking crisis, both for monetary policy to remain unique throughout the Eurozone and for companies not to be hampered in their borrowing costs. In this regard, Portugal expects that the Council of Ministers will reach a final agreement on a common backstop to the Single Resolution Fund and that Germany will withdraw its objections to the establishment of the European Deposit Insurance Scheme. With supervision of credit institutions centralized in the ECB, it is logical that depositors should be given the protection of a common European fund. Portuguese authorities should also not obstruct the European Commission's proposal to further deepen the integration of European bond and equity markets. The objective is to diversify sources of finance available to companies, improving conditions to access capital markets in addition to bank credit.

As a result of the reaction of European leaders to the sovereign debt crisis and the crises that have hit many banks in different EU countries, it is realistic to think that the EMU will be practically complete in its financial union component within a relatively short period of time—two years in the assessment of the European Commission. It would include a monetary union, a banking union, and a capital markets union.[23] With regard to the fiscal and economic union pillar, it is unlikely that, until the May 2019 elections to the European Parliament, political consensus will go beyond strengthening EU support for structural reforms to increase competitiveness and an intention to respond to asymmetric shocks.

For Portugal, advances in the construction of a genuine EMU certainly imply additional losses of freedom in the definition and execution of autonomous economic policies, especially in the fiscal area. The Portuguese experience of the last decades, like that of other EU countries, shows that the restrictions imposed by membership in the Eurozone are a virtuous brake on the lack of transparency of public accounts and on the bias of politicians in favor of budget deficits and postponement of reforms that must be made. They are also an important contribution to the intertemporal consistency of decision-makers' behavior and to the reduction of uncertainty in economic calculation.

Blaming European institutions is one of the preferred weapons of some European politicians. Nonetheless, the "Brussels scapegoat" has proved useful to avoid addressing the persistence of errors on the part of different governments. The EU deserves to be more than a rhetorical excuse for governments' inabilities or a partner for the bad times. Deepening integration must be seen as an opportunity to secure a better future for all European citizens. Politicians who prove themselves to be up to the task can secure their places in history as European leaders.

Notes

1. "The Nobel Peace Prize 2012," The Official Web Site of the Nobel Prize, https://www.nobelprize.org/nobel_prizes/peace/laureates/2012/.

2. Cavaco Silva, "President Cavaco Silva congratulated the European Institutions for the award of the Nobel Peace Prize to the European Union," Archive of the official page of the Presidency of the Portuguese Republic, March 9, 2006, http://anibalcavacosilva.arquivo.presidencia.pt/?idc=9&idi=69548&action=7&idl=2.

3. *Statistical Annex of European Economy Autumn 2017* (Brussels and Luxembourg: European Commission, 2017).

4. The six founding Member States of the European Economic Community were Belgium, France, Italy, Luxembourg, the Netherlands, and West Germany. The first enlargement happened in 1973 to include Denmark, Ireland, and the United Kingdom. The second enlargement happened in 1981, to include Greece, followed by a third, in 1986, to include Portugal and Spain. These twelve countries of the soon-to-be-called European Union (after the Treaty of Maastricht) were joined in 1995 by Austria, Finland, and Sweden. The fifth and biggest enlargement happened in 2004, when Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia joined the EU. They were followed by Bulgaria and Romania in 2007 and, lastly, by Croatia in 2013.

5. The power of larger countries to influence the decision-making process is stronger when this competence is allocated to the EU Council (the so-called intergovernmental method) than when it lies with the EU Commission (the community method). Article 16 of the Treaty of the European Union provides that "a qualified majority shall be defined as at least 55 percent of the members of the Council, comprising at least fifteen of them and representing Member States comprising at least 65 percent of the population of the Union." See: "Consolidated Version of the Treaty on European Union," *Official Journal of the European Union*, C 202, June 7, 2016, 13–46.

6. Aníbal Cavaco Silva, "Speech delivered by the President of the Republic at the Debating Europe conferences, in the European University Institute—The European Union: lessons from a crisis," Archive of the official page of the Presidency of the Portuguese Republic, October 12, 2011, http://anibalcavacosilva.arquivo.presidencia.pt/.

7. Article 349 of the Treaty on the Functioning of the European Union defines Outermost Regions by their "remoteness, insularity, small size, difficult topography and climate, economic dependence on a few products, the permanence and combination of which severely restrain their development." See: "Consolidated Version of the Treaty."

8. Title XVIII of the Treaty on the Functioning of the European Union refers to "Economic, Social and Territorial Cohesion," a policy aimed at promoting the EU's "overall harmonious development" and "at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions" (Article 174). See: "Consolidated Version of the Treaty."

9. "The internal market shall comprise an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured." Article 26(2), "Consolidated Version of the Treaty."

10. Under article 42 of the Treaty of the European Union, the common security and defence policy "shall not prejudice the specific character of the security and defence policy of certain Member States and shall respect the obligations of certain Member States, which see their common defence realised in the North Atlantic Treaty Organisation (NATO)." See: "Consolidated Version of the Treaty."

11. In accordance with the latest data, there are currently 263 million Portuguese-speakers. See: Luís Antero Reto, Fernando Luís Machado, and José Paulo Esperança, *New Atlas of the Portuguese Language* (Lisbon: ISCTE–IUL, 2016).

12. "Debates of the European Parliament 1992-93 Session," *Official Journal of the European Communities*, Report of Proceedings from July 6 to 10, 1992.

13. When Portugal requested a three-year assistance program from the EU in May 2011, the Portuguese minister for finance and the governor of the Bank of Portugal had to sign a "Memorandum of Understanding on specific economic policy conditionality," which specifies the measures that were to be implemented by the government. The same happened with other countries that requested aid.

14. TNS Political & Social, *Flash Eurobarometer 458. Report: The Euro Area* (Brussels and Luxembourg: European Commission, 2017).

15. Jean Pisany-Ferry, "La sortie de l'euro est une impasse," *Le Monde*, September 13, 2011, http://www.lemonde.fr/idees/article/2011/09/12/la-sortie-de-l-euro-est-une-impasse_1570877_3232.html.

16. Jean-Claude Juncker, "State of the Union Address 2017," European Commission, September 13, 2027, http://europa.eu/rapid/press-release_SPEECH-17-3165_en.htm.

17. Emmanuel Macron, "Initiative pour l'Europe—pour une Europe souveraine, unie, démocratique," Élysée.fr, September 26, 2017, http://www.elysee.fr/declarations/article/initiative-pour-l-europe-discours-d-emmanuel-macron-pour-une-europe-souveraine-unie-democratique/.

18. "All mature monetary unions have put in place a common macroeconomic stabilisation function to better deal with shocks that cannot be managed at the national level alone. This would be a natural development for the euro area in the longer term." See: Jean-Claude Juncker et al., *Completing Europe's Economic and Monetary Union* (European Commission, 2015).

19. *A European Minister of Economy and Finance* (European Commission, 2017); Jean-Claude Trichet, "Construire l'Europe, bâtir ses institutions," European Central Bank, June 2, 2011, https://www.ecb.europa.eu/press/key/date/2011/html/sp110602.fr.html.

20. *A European Minister.*

21. Macron, "Initiative pour l'Europe."

22. "Exports of goods: total and by main trading partner countries," PORDATA–Database of Contemporary Portugal, https://www.pordata.pt/en/Portugal/Exports+of+services+total+and+by+main+trading+partner+countries-2349-196966.

23. *Further steps towards completing Europe's Economic and Monetary Union* (European Commission: 2017).