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Source: *Portuguese Studies*, Vol. 34, No. 1, Portugal, Forty-Four Years after the Revolution (2018), pp. 5-19

Published by: Modern Humanities Research Association

Stable URL: <https://www.jstor.org/stable/10.5699/portstudies.34.1.0005>

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# Introduction: Portugal, Forty-Four Years after the Revolution

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The year 2018 marks the forty-fourth anniversary of the Portuguese Revolution. After decades of relative isolation under an authoritarian regime, the success of the democratic transition paved the way for full membership of the European Community in 1986. The combined processes of democratization and European integration have shaped the country's development during the last four decades, and to this day they are still crucial in policy-making and policy outcomes. This special volume reflects on the legacies of the revolution, and seeks to examine Portugal's transformation over the last four decades.

The pattern of Portuguese history has been described, crudely, as a graph shaped like an upside-down V. The graph rises, bumpily at times, through 600 years under the Romans, 700 years or so partly under the Moors, and a century of empire-building, to the peak of Portuguese power in the sixteenth century. The discovery of the largest gold deposits in South America at the end of the seventeenth century led to the Brazilian gold rush, with hundreds of thousands of Portuguese moving to the region to seek their fortune. After that, though, the riches of the American and African colonies were squandered in wars and a vast empire was gradually lost, leaving Portugal poor and powerless. The years following the assassination of the king in 1908 and the subsequent overturn of the monarchy were a period of political chaos, which led to forty years of authoritarian rule under Salazar and Caetano. After the 1974 Carnation Revolution, however, the line on the graph turned upward again. The democratic transition was turbulent and included a revolutionary period, but it culminated in the establishment of a parliamentary democracy. These developments were followed by the progressive return of the country to the international arena — having been relatively isolated during the dictatorship — bringing a new era of modernity.

The purpose of this special volume is to reflect on the legacies of the revolutionary transition and examine what has happened in the country during the last four decades. The articles identify the basic changes in the economy and society of Portugal that occurred as a result of the democratization process. They also assess the impact that these changes have had on the 'quality' of Portuguese democracy, as well as the country's economic and social development. In sum,

*Portuguese Studies* vol. 34 no. 1 (2018), 5–19  
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the main goal of the special volume is to reflect on how far Portugal has come since 1974, in order to better understand where it is headed as we near the start of the third decade of the twenty-first century. To this end, it provides a series of original analyses of the development of Portuguese politics, sociology and economics since the transition to democracy. Drawing on research by established scholars, the volume offers an up-to-date assessment of political and economic issues that will help us to understand contemporary Portugal.

This Introduction outlines the main objectives of this special volume and provides a very brief snapshot of where Portugal stands forty-four years after the Revolution. While there are limitations to such a brief and static political and economic overview, this section of the Introduction is important in order to provide a record of where Portugal stands at the time of publication, as well as to present the economic and political context for the rest of the volume. In addition, this brief overview seeks to underscore the enormous social, political and economic progress that Portugal has made since the Revolution, and also to emphasize the challenges that the country still faces. Finally, it will also provide a starting point upon which new research on the topics addressed in this volume can be built.<sup>1</sup>

### Objectives

This special volume examines the impact and legacy of the revolution as regards the subsequent traits and the quality of democracy in Portugal. It addresses the following questions: how did the revolution contribute to reduce political and economic inequalities? what was its role in shaping party politics and in the strengthening of accountability mechanisms? to what extent was Portuguese foreign policy shaped by this event? and are patterns of civic and political participation still conditioned by cleavages, identities and resources generated during the revolution? Moreover, this volume also analyses the impact of the Portuguese transition in other countries, and in particular its global impact in influencing other Third Wave cases of democratization.

The volume also considers the theoretical implications of the Portuguese transition, and raises questions that can be articulated by using Portugal as a case study to debate and rethink theories of revolution and democratization. Indeed, not only are revolutions rare events, but frequently they do not lead to democracy. However, Portugal represents a case of a successful and consolidated post-revolutionary democracy. Hence, the special volume examines the conditions under which revolutions originate democratic regimes and analyses whether democracies that emerge out of this pathway are different, in either quality or depth, from democracies emerging from other pathways.

<sup>1</sup> The data presented in this Introduction comes largely from the International Monetary Fund's *World Economic Outlook* database. Also, Marie-Sophie Schwarzer, et al., 'Monocle Portugal Survey', *Monocle*, 101 (March 2017), 1–62.

The examination of the Portuguese case will shed new light on the challenges (and opportunities) that countries face when undergoing such profound transformations. It draws lessons about policy and strategic options from the Portuguese experience.

Indeed, this special volume challenges the claim sometimes made that revolutionary transitions do not produce sustainable democratic regimes. Contrary to this prediction, it shows that in Portugal the 1974 revolution has resulted in democratization and resilient political stability. Indeed, democratization and European integration have promoted rather than undermined alternative domestic responses. While Europeanization, technological changes, capital market integration, and post-industrialization have affected the balance of power between governments and private actors, and have triggered new political realignments in Portugal, they have also influenced the interests and strategies of the actors and have led to new strategies and patterns of change.

While there are already a number of books published in English that examine the Portuguese transformation over the last four decades,<sup>2</sup> this special volume is a significant contribution to the literature. First it examines the Portuguese political, economic and social transformation since the Revolution of 1974, and analyses the challenges that the country still faces in the second decade of the twenty-first century. Furthermore, it integrates the Portuguese modernization experience, which to date has been studied almost solely in the framework of political transitions to democracy, into the literature on European political economy. The volume also examines the consequences of the combined

<sup>2</sup> A sample of these books include: António Costa Pinto, ed., *Modern Portugal* (Palo Alto, CA: SPOSS, 1998); António Costa Pinto, ed., *Contemporary Portugal: Politics, Society and Culture* (New York: SSM, 2003); António Costa Pinto and Nuno Severiano Teixeira, eds, *Southern Europe and the Making of the European Union* (New York: SSM, 2002); Diane Ethier, *Economic Adjustment in New Democracies: Lessons from Southern Europe* (New York: St. Martin's Press, 1997); Laura Ferreira-Pereira, *Portugal in the European Union* (New York: Routledge 2014); André Freire, Marina Costa Lobo and Pedro Magalhães, *Portugal at the Polls* (New York: Lexington Books, 2002); Hugo Gill Ferreira, *Portugal's Revolution: Ten Years On* (New York: Cambridge University Press, 2011); Lawrence Graham, ed., *Contemporary Portugal: The Revolution and its Antecedents* (Austin: Texas University Press, 1979); José M. Magone, *The Changing Architecture of Iberian Politics (1974–1992): An Investigation of the Structuring of Democratic Political Systemic Culture in Semiperipheral States* (London: Edwin Mellen Press, 1995); José M. Magone, *European Portugal: The Difficult Road to Sustainable Democracy* (New York: Palgrave, 1996); José M. Magone, *Politics in Contemporary Portugal* (New York: Lynne Rienner, 2014); José M. Magone, *Iberian Trade Unionism: Democratization under the Impact of the European Union* (London: Transaction Publishers, 2001); Phil Mailer, *Portugal: The Impossible Revolution* (Oakland, CA: PM Press, 2012); Paul C. Manuel, *Uncertain Outcome* (New York: UPA, 1995); Paul C. Manuel, *The Challenges of Democratic Consolidation* (Westport, CT: Praeger, 1996); Kayman Martin, *Revolution and Counter-Revolution in Portugal* (New York: Merlin Press, 1987); Kenneth Maxwell, *The Making of Portuguese Democracy* (New York: Cambridge University Press, 1997); Daniel Nataf, *Democratization and Social Settlements* (Buffalo, NY: State University of New York Press, 1995); Sebastián Royo, *Portugal in the 21<sup>st</sup> Century* (Lanham, MD: Lexington Books, 2011); Sebastián Royo and Paul C. Manuel, eds, *Spain and Portugal in the European Union: The First Fifteen Years* (London: Frank Cass, 2003); José da Silva Lopes, ed., *Portugal and EC Membership Evaluated* (New York: St. Martin's Press, 1994); Douglas Wheeler, *Republican Portugal* (Madison: Wisconsin University Press, 1998).

processes of democratization from a multidisciplinary standpoint that includes political, economic, social, historical and sociological issues.

In addition, the volume analyses the effects of European integration in new democracies. The Portuguese experience with European integration offers one of the few instances in which integration took place in an economic, political, and institutional context markedly different from that of the other European states, and the volume explores the impact of European integration on democratic consolidation.

It also examines the sociological consequences of democratization, whose effects have been significant from a social and cultural standpoint. As part of its democratic transition, Portuguese society embarked on new processes of self-discovery. It began to come to terms with its own identity, while addressing issues such as culture, nationality, citizenship, ethnicity and politics. The revolutionary democratic transition greatly influenced these developments. At the dawn of the new millennium it would not be an exaggeration to say that the Portuguese have become 'mainstream Europeans', and that many of the cultural differences that separated the country from its European counterparts have faded as a consequence of the integration process.

At the same time, the volume ponders the legacies of the revolution for the Portuguese economy and for social policy. EU membership initially brought its own problems for the Portuguese economy. While the difficulties of the 1980s and early 1990s were successfully overcome, new challenges emerged in the new millennium. Entry to the EU has so far brought many advantages to the country, and Portugal has benefited extensively from the EU's cohesion policies, which have contributed to improving the physical infrastructure and capital stock of the country. Moreover, Portugal's trade with the EU has expanded dramatically over the last four decades, and foreign investment has flooded in. One of the main consequences of these developments has been a reduction in the economic differentials that separated the country from the European average. The culmination of this process was the (largely unexpected) participation of the country as founding participants in European Monetary Union in 1999.

Finally, the Portuguese revolutionary experience will also illustrate the economic, social, institutional and cultural challenges of this undertaking and will provide useful lessons for other countries. While the revolution and subsequent democratization have had very positive effects, they have also brought significant costs in terms of economic and social adjustment. Indeed, Portugal has suffered intense economic challenges since 2004, and has experienced serious budgetary and fiscal problems that have hampered economic growth, and led to the country's bailout in 2011.

### Background: A Snapshot of Portugal in 2017

After decades of relative isolation under an authoritarian regime, the success of the democratic transition in Portugal in the second half of the 1970s paved the way for the establishment of a liberal democracy in the country. And while Portugal experienced a difficult and revolutionary democratic transition process, its overall outcome has been very positive, as we will see throughout this special volume. Indeed, since then, Portugal has experienced one of the most stable and prosperous periods in the country's modern history.

Since the transition to democracy two main parties, the centre-left Socialist Party (PS) and the centre-right Social Democratic Party (PSD), have alternated in power. Absolute majorities in parliament have been the exception, which has fostered a culture of bargaining and coalition-building. In 2009 the Socialist Party was elected for a second term on a stimulus platform, but given the depth of the crisis it was forced to introduce an austerity package immediately after the election. The adjustment programme was negotiated by the outgoing Socialist government but was left to be fully implemented by its successor, a centre-right coalition, which had won an absolute majority in the 2011 election, and, led by its Prime Minister Coelho, implemented a brutal austerity package.

In October of 2015 the country had its last general election to date. Prime Minister Pedro Passos Coelho's *Forward Portugal* coalition secured the most votes in the general election, yet it was unable to form a majority in Parliament. Portugal's President, Aníbal Cavaco Silva, charged Coelho with forming a minority government, but it was short-lived: it lasted only eleven days and collapsed, amid an intense social media campaign galvanized around the hashtag *#Thisisacoup*, when the united opposition voted against its policy programme. The Socialist Party (PS) subsequently formed a minority government with the Communist Party (PCP) and the Left Bloc (BE). As of January of 2018, this coalition is still in power.

	% of Vote	Number of Seats
People. Animals. Nature (PAN)	1.4	1
Communist Coalition (CDU)	8.3	17
Left Bloc (BE)	10.2	19
Forward Portugal Coalition	38.3	104
Socialist Party (PS)	32.4	85

TABLE 1. The Portuguese Parliament (2015–)  
Source: Portuguese National Election Commission (CNE)

So far Portugal has been able to avoid the populist movements that have plagued other European countries since the start of the crisis. The combination

of strong parties, like the Communist Party, which have been successful in attracting a younger generation, and the existence of new parties, like the Left Bloc, that occupy the space that left-wing parties would have held, as well as strong unions that have mobilized and articulated people's discontent, have all contributed to this development.

Portugal has a presidential system but since the transition to democracy real power has resided in the hands of the Prime Minister (PM). António Costa, leader of the Socialist Party, was elected Prime Minister after the general election of 2015. Although his party finished second in the election, he was able to put together a coalition with other leftist parties and to be voted Prime Minister. His election as PM came as a considerable surprise. Costa's Socialist Party had a long and very contentious relationship with the Communist Party since the Carnation Revolution, largely driven by ideological and personal differences, with a long history of conflict and confrontation. However, Costa was able to capitalize on the profound discontent amongst the radical left with the austerity policies of the outgoing conservative coalition government, and he was very skilful in building an unexpected leftist coalition with the Greens, the radical Left Bloc and the hard-line Communist Party, a coalition that has not only been effective in government but also has lasted far longer than most observers anticipated.

Some of the success of the coalition is rooted in Costa himself. He is a skilful political operator known for his ability to engage his opponents and unite their disparate interests. Charismatic and a good orator, he has benefitted from the backlash in Portugal against the policies of austerity that were implemented following the crisis of 2008. In this way he has been able to prove his bona fides to the markets, while gaining support at home where his popularity has increased exponentially. Polls in 2017 suggested that he was the favourite to win the next election — according to those polls the Socialists enjoyed a 5.6-point lead over the centre-right opposition.

Indeed, despite generalized scepticism and criticism, both inside and outside of Portugal, for his recklessness in entering into a 'diabolical pact' with the far left, Costa has been able to sustain his anti-austerity coalition and bring a level of stability to the country that few had believed was possible. Investors from many sectors have been impressed, and companies like Bosch, Continental, Volkswagen (which recently upgraded its Setúbal factory), Peugeot, Citroën, Embraer, Amy's Kitchen, Fujitsu, Huawei, Kagome and Microsoft have been increasing investment in the country (private investment grew by 7% in the first quarter of 2017).

Costa has also benefitted from the election of Marcelo Rebelo de Sousa as President of the Republic, in March 2016. Although the President's powers are quite limited under the Portuguese constitution, he/she has the power to dissolve parliament and call a snap election. Despite the fact that Rebelo de Sousa comes from the leading opposition party (the conservative Social Democratic

Party–PSD), he has a strong independent streak and few political attachments when it comes to making decisions. He has very extensive experience as leader of the PSD, as a member of parliament and a minister, and in the years prior to the election he gained enormous popularity and support as a journalist, with an influential Sunday TV show. While running for President he stood as an independent appealing for moderation and cross-party consensus, promising to repair political divisions and the hardship of Portugal's 2011–14 economic bailout. Although he had never previously held a top state position, he is well versed in playing to the crowd and has taken unprecedented and symbolic steps (like his tendency to eschew some of the demands of security, and his regular breaks with protocol) that have endeared him to the Portuguese people. Rebelo de Sousa's pragmatism and willingness to work with PM António Costa have contributed to the political stability of the country.

The country has emerged from the great recession in a much stronger position, and the atmosphere is upbeat. It has capitalized on increasing competitiveness by keeping its traditional trades (shoe-making, fashion, and cork production) growing, while pushing into new areas such as technology, energy and mobility.<sup>3</sup> Costa's soft approach to austerity has paid off politically and it has contributed to moderate growth. Yet Portugal is still vulnerable and the country still faces major risks, particularly regarding its banking sector. It is also important to note that the country has benefitted from favourable external factors, including low oil prices, looser monetary policies from the European Central bank, and a tourist boom. It also profited from the reforms implemented by the Passos Coelho's government during the bailout years.

In October 2017 the ruling Socialist Party reaped the rewards of a growing economy and won a decisive victory in local elections. They won 160 mayors (out of a total of 308 municipalities), 10 more than in 2013, and more than 38% of the votes. This was the PS's strongest electoral result in a local election in four decades of democracy, and it validated the party's strategy to turn the page on austerity. In December 2017, Mário Centeno, Portugal's Minister of Finance, was elected President of the Eurogroup of Finance Ministers, the first from a southern member state, and the first to represent a former bailout economy. It has also been interpreted as a recognition of the success of the Portuguese government's economic policies.

### Economy

Portugal's economic performance in the 1990s was remarkable. Between 1994 and 2000 real GDP growth, export-led but also boosted by private consumption and fixed investment, averaged more than 3% annually and economic expansion continued for seven years. In 1996, the fifth year of expansion, GDP growth

<sup>3</sup> Portugal is playing an important role in shaping how societies might move around in urban centres in the future, and in 2018 is hosting the *Mobi Summit*, which will bring the world's leading experts to Lisbon to discuss transport trends and debate the future of mobility.



reached almost 4%, and in 2000 it was still 3.25%. The unemployment rate also fell, reaching a record low of around 4% in 2000 (one of the lowest in Europe), and inflation was brought down to just over 2% in 1999. Following the consolidation efforts prior to 1997, Portugal was also able to meet the Maastricht fiscal deficit criteria for European Monetary Union membership, by bringing the deficit down to 2.5% of GDP. One of the most important factors that contributed to this performance was the transformation of the financial sector, largely spurred by EU directives on interest rate deregulation, liberalization of the regulatory framework, privatization, and freeing of international capital movements. The privatization programme, one of the most ambitious in Europe at the time (more than 100 firms were sold), was also a contributing factor because it increased competition and enhanced productivity gains, and generated revenues that averaged more than 2% of GDP per year.

However, this performance deteriorated after 1998. The absence of stability and consensus among the leading political parties on macroeconomic policy, poor performance in educational attainment, a lack of fiscal consolidation, and the erosion of comparative advantage brought about by the accession countries from Eastern Europe, all contributed to the deterioration of Portugal's economic performance following the country's accession to the EMU.

When the global financial crisis hit Portugal, starting in the winter of 2008, the country was just coming out of a recent recession and it was still struggling with its fiscal problems. The intensity of the global crisis has been such that it has had devastating consequences for the country and it has brought to the fore the imbalances and shortcomings of its economy. Indeed, by the time the global crisis hit hardest, in 2009, the country was already encumbered with high debt (83.01% of GDP) and deficit (9.05%), weak competitiveness, high unemployment (10.63%), stagnant growth in the economy (it contracted by 2.5%), and low savings rates (7.5% of GDP). While Portugal had avoided the collapse in the property market that Ireland or Spain faced, the country was still suffering from the poor management of public finances. For instance, public sector employees were virtually guaranteed a job for life regardless of performance, which made it hard for young people to find jobs in the public sector or gain promotion.

The crisis led to a 78 billion euro bailout programme from the EU and the IMF that lasted from 2011 to 2014. The bailout's Memorandum of Understanding (MoU) imposed harsh conditions that forced the Social Democratic government coalition to adopt both fiscal consolidation and deep and painful structural reforms. It launched the country into a profound recession with higher unemployment (youth unemployment reached 37.7% in 2012), more poverty and substantial cuts to old age pensions, public salaries and the national health service. As in many other European countries, the PSD government that implemented austerity was ousted from government following the 2015 election, despite winning the election with a relative majority.

Since coming to power in 2015, Costa's PS government has implemented policies that seek to secure growth, fiscal consolidation and social cohesion. It has capitalized on the parliamentary support from the Left Bloc, the Greens and the Communist Party, moving swiftly to roll back austerity measures introduced during the bailout. At the same time, however, it has sustained its commitment to meeting fiscal targets.

Costa's government has outperformed initial forecasts, passing two budgets that were approved by Brussels and avoiding the threat of sanctions for running excessive fiscal deficits. It has become the poster child for a leftist alternative to austerity, showing that it is possible and that it can deliver both in economic growth and fiscal consolidation. GDP growth reached 1.4% by 2016 and accelerated in the final quarter, reaching 2%. The 2016 deficit fell below the threshold of 3% of GDP set by the European Monetary Union's Growth and Stability Pact (it was very close to 2%), down from 4.4% in 2015, and the lowest since the transition to democracy. Unemployment has also fallen from 12.6% to around 10%. Portugal is expected to reach a budget surplus (excluding interest payments) of about 2.5% of GDP, the highest in the EU after Greece.

Costa has successfully balanced meeting the fiscal targets imposed by the EU, by freezing consumption in areas such as health and public investment, with measures to mitigate the harsh effects of austerity from the previous government, such as restoring public sector wages, working hours, holidays and state pensions to pre-bailout levels. His 2016 budget included provisions to raise pensions, lift public sector pay, increase child benefits and social payments to low-income families, as well reduce income tax and increase support for the poor. Remarkably, the Portuguese economy has been expanding for thirteen consecutive quarters.

Despite recent economic successes, the situation (as of January 2018) is still fragile. Economic recovery has been driven largely by consumption. Many in Portugal still believe that there will be another debt crisis; and international creditors, rating agencies and financial markets are still sceptical. The combination of modest economic growth (expected to reach 1.7% in 2017), with the huge level of debt (a little under 130% of GDP) and the fragility of the banking sector, which is plagued by low profitability, have left the country vulnerable, and has been pushing up borrowing costs for the government (yields in 10-year government debt reached almost 4% at the end of 2016). Fitch Ratings, Moody's, and Standard & Poor's still rate Portugal at junk status, and the government has been complaining vigorously about it, demanding that they recognize that Portugal today is different from 2012. Today more of the Portuguese budget is spent on the payment of interest than in any other EU country and the country is still stuck in a vicious circle of low growth and structural problems. The IMF declared in 2017 that the country's recovery was losing momentum and 'running out of steam'. Any external shock could potentially have a grave negative impact on Portugal. Clearly the country is not out of the woods yet.

## Banking

Portugal's eight biggest banks raised more than 26 billion euros in capital between 2008 and 2014, including state aid. The most visible problem was the bailout and the rescue of the Banco Espírito Santo, now Novo Banco. Portugal is in a group of six European countries with a non-performing loan ratio above 10%. A number of banks have had difficulties since 2016: Portugal was forced to set aside 1.8 billion euros for Banif, while the Banco Comercial Português still has to repay 750 million euros in contingent convertible bonds to the government and the Caixa Geral de Depósitos has to repay 900 million euros. Concerns over capitalization are still an issue. There is a risk that Portuguese banks will need more capital and they may have difficulties raising it in the markets, given the uncertainty regarding the restructuring of Novo Banco and the general sentiment about banks in Europe.

The banking situation in Portugal is akin to what is happening in Italy. Both are countries with economic problems and low growth that did not have a serious banking crisis during the financial crisis. However, they did not sufficiently address the problems with bad loans, which are now coming to the surface. In Portugal the crisis was detonated by the implosion of the Espírito Santo group. What is remarkable is that it happened at the time when the Troika was actively overseeing the economy of the country. And they missed it. It shows the limitations of an externally based enforcement model. They are now trying to clean up the mess.

In Portugal, unlike Spain, the bad loans are not in the construction sector (they did not have a bubble as Spain did), but instead largely in the business sector. The Banco Espírito Santo was loaded with bad loans from its own group, and the largest financial institution, the publicly owned Caixa Geral, is also loaded with bad loans from the business sector, a sector that had been doing poorly because of the economic crisis.

Another factor that is complicating matters further is the role of Spanish banks, seen by many in Portugal as taking an unduly dominant position. In December 2015 Santander purchased Banif, and over the following year there was strong speculation that the European Central Bank wanted it to buy Novo Banco as well. The latter was finally sold recently, after two years, to Lone Star, but the prospect of a Santander purchase was very controversial in Portugal. The Spanish CaixaBank has 44% of BPI (it bought Barclays' share). And other banks have left the country (Barclays and BBVA in 2015). Overall, it is a very complex and murky picture that is all aggravated by the global banking crisis, and concerns about the economic policies of the leftist government.

## The Environment

Portugal suffers from acute environmental problems which have grown steadily worse since the Revolution. Some people might say that they are more important than many of the other problems facing the country. One of the most tragic manifestations of these environmental problems has been the fires that have ravaged the country for the last couple of decades. Just in October of 2017, 43 people died in more than 500 fires throughout the country, and four months previously 64 people died in fires in Pedrógão Grande. Portugal usually has the tragic distinction of leading the European Union (EU) in both the number of fires, and also in land burnt and destroyed. There have been years in which more than half of the land surface burnt and destroyed in the EU is in Portugal, despite the fact that the country only occupies 92,000 square kilometres of the 4.4 million of the EU. The reasons are varied: from the lack of stability in policies and leaderships to address the problem, to the promiscuity of trees and houses in rural areas, to the insufficient resources to fight these fires (for instance, the country has only 2000 professional firemen and relies largely on volunteers, who are often inadequately trained) and funding (the country spends 100 million euros p.a. on preventing and putting out fires, while Spain spends 2 billion euros), and the focus on fighting fires, rather than preventing them. Finally, Portugal is notable in that 85% of the country's woods are in private hands, according to the National Forest Inventory (for comparison, the figure is 75% in France, 70% in Spain and 66% in Italy), and the country lacks a reliable registry of houses, owners, or occupants. Following the disaster of Pedrógão Grande the government is working to develop a national forest registry.<sup>4</sup>

## Energy

Portugal is harnessing its natural resources to produce clean energy. In 2016, Portugal's electricity generation came almost entirely from renewable sources (95.5%, up from 16% in 2005) and the goal is to become 100% renewable by reducing energy consumption and further developing renewables. In 2016 Portugal broke the record for the most number of hours running continuously on 100 percent renewable electricity energy sources. Fossil fuels are still the source of 38.3% of the energy produced, but the trend is downwards. Portugal has very limited indigenous oil production and is almost entirely dependent on imports. It has a well diversified supply of crude oil sources: by country, Angola was the largest oil supplier (23% of total crude oil imports), followed by Brazil, Kazakhstan, Algeria and Saudi Arabia. Demand for the cheaper natural gas, which was only introduced in the past decade, has steadily increased.

Portugal is ranked number four in worldwide wind power, with 10 GW of

<sup>4</sup> See '¿Por qué los incendios en Portugal son tan letales?' [Why are fires so lethal in Portugal?], *El País*, 20 October 2017.

installed capacity, and EDP (Energias de Portugal, formerly Electricidade de Portugal) is playing a central role in the country's energy transition. They are investing in projects such as WindFloat, an offshore wind farm that is the first floating wind-turbine platform in the world to be placed in deep ocean water. EDP has also invested in a new energy distribution grid that uses private solar panels and small wind turbines to replace the traditional distribution system, the InovCity concept that allows consumers to use smart meters, to make the country more sustainable and efficient.

### Investment/External Relations

From an external standpoint Portugal views itself (in the words of its President) 'as a platform between cultures, civilizations and seas'. Small (10.6 million people) but cosmopolitan. Portuguese people are good at learning languages, and adapting to and living in different societies. Support for the European Union in Portugal runs deep, yet they also have a very strong relationship with the UK — their oldest ally. There is a historical wariness towards Spain, the big neighbour, marked by the popular saying: 'from Spain neither good winds, nor good marriages'. The country has a long history of colonialism, as well as strong relations with many of its former colonies (with which it has a strong Lusophone relationship), and still seeks to build bridges with Africa, Latin America and Asia. Portugal capitalizes effectively on its relations with its former colonies — Macau, for example, has been instrumental in fostering Chinese investments in the country, including in the banking sector.

Portugal is leaving behind its traditional inferiority complex. Sporting achievements (like the 2016 victory in the Euro championship against France), and cultural ones (like the recent win in the popular Eurovision Song Contest), or the election of former PM António Guterres as the new Secretary General of the United Nations, have elevated people's morale following the devastating crisis, and given the country a sense of collective triumph after many bitter disappointments. But more importantly, a new generation of young people are taking pride in all things Portuguese, as noted by the powerful emergence of new brands that emphasize 'Made in Portugal'. A journey through Portugal shows a country with a thriving business environment led by innovation and small business, and by its renewed enthusiasm for trade-exports, which soared from 31.5% of GDP in 2010 to 44% in 2016. Agriculture (cork, tomatoes, wood pulp, wine and olive oil) has been one of the booming sectors, with exports growing at a rate of 3–5% a year. At the same time, it is important to highlight the emergence of technology and innovation. The country is trying to make good its dream to become 'The West Coast of Europe', and the recent Web Summit (Europe's biggest technology marketplace) which took place in Lisbon in November 2016 showcases a new generation of technology companies. The country's investment in education is finally paying off.

Indeed, Portugal can be an attractive investment partner. Investors can benefit from the country's geographical location, by being the closest European country to the Americas, and near to Africa; its established infrastructure; its skilled and multilingual labour force (80% of the country's university students speak two or more languages); and the competitive incentives that are offered to attract investors, which include tax credits and a 10 billion euro fund to support innovation, research and development, and job creation.

In sum, while it is undeniable that the challenges facing the country are still daunting, Portugal is once again moving in the right direction. Prior to the 2007 crisis, EU and EMU membership was all about the benefits. Now the terms are unquestionably different, as Portugal has to face the pain of life in Euroland and adjust to this new reality. The Socialist government has been building an alternative path forward for a third way, one that moves away from the policies of austerity and seeks to balance them with policies that seek growth, equity and macroeconomic stability. While challenges remain, there has been significant progress and hence there are strong reasons for optimism.

### The Special Volume

The extensive academic work on 25 April 1974 has yet to generate full agreement about the most appropriate way to understand either the events surrounding the demise of the *Estado Novo* over forty years ago or their lasting impact. This volume seeks to contribute to this debate with six articles by leading Portuguese and American social scientists. The legacies of the 1974 Carnation Revolution are the connecting link that brings all the contributions together.

The first contribution, from **Robert M. Fishman**, seeks to address two interrelated questions: first, how to conceptualize the abrupt demise of the *Estado Novo* in 1974; and second to assess the extent to which the events of that April shaped subsequent historical developments in Portugal and in the world at large. He argues that the very broad impact of the 1974 Carnation Revolution was linked to its multiple meanings and its multifaceted character, which were substantially broader than was the case for most of the regime transitions that followed during the Third Wave. According to Fishman, Portugal's transformation involved much more than the fundamental political change from authoritarian dictatorship to democracy.

**António Costa Pinto** analyses the role that the democratic transition in the 1970s played in the development of the Portuguese Constitution, which includes provisions that positioned it to the left of the Third Wave of democratization. This outcome is particularly perplexing because it took place under an elected Constitutional Assembly that was dominated by the moderate right and left, with a Communist minority. According to Costa Pinto this outcome had enduring consequences because the most committed defenders of the constitution were those who lost the political struggle during the most radical phase of Portuguese democratization, especially the Communists.

**Camila Rodrigues and Tiago Fernandes** analyse the development of the housing cooperative movement in democratic Portugal. The revolutionary period of 1974–75 led to a period of growth of neighbourhood movements in a context where the state was fragile and the hierarchical structure of society was in a process of redefinition. This led to a period of intense neighbourhood mobilization that originated either spontaneously or with the impulse of the Movement of the Armed Forces (MFA), with the objective of increasing the level of citizens' participation in the management of their own neighbourhoods. However, this development was short-lived. Indeed, Rodrigues and Fernandes show that in contemporary Portugal, and contrary to their aims during the revolution, housing cooperatives have been hindered in their capacity to act and develop a stronger policy role. They claim that successive economic policies of Portuguese governments after 1976 and the demands of European integration have gradually eroded the legacy of the 1974 revolution.

**Nuno Severiano Teixeira and Reinaldo Saraiva Hermenegildo** focus on the external dimension of Portugal and study the Portuguese presidencies of the European Union. Portugal has held the Presidency of the Council on three separate occasions, in 1992, 2000 and 2007. These terms correspond to different phases in Portugal's European integration process and different Portuguese positions with respect to European integration. Teixeira and Hermenegildo analyse these presidencies on three different levels, looking at the definition of their political programmes and priorities, at the organization of the diplomatic machinery and the management of various dossiers, and by making an assessment of the results obtained, from the perspective of Portuguese foreign policy and in terms of its impact on the European process. They argue that in the case of a small- or medium-sized power such as Portugal, the presidential term has even greater relevance than usual because the presidency represents a unique opportunity to influence, if not to lead, the European agenda; and also, because at certain moments in negotiations a small power might more easily achieve agreement and consensus among the great powers.

**Sebastián Royo's** contribution builds on his previous work on this subject and analyses how Portugal's revolutionary legacies have affected the country's economic performance in the years prior to the global financial crisis, from 1999 to 2007. His main argument is that the distinctiveness of the country's pathway from dictatorship to democracy, coupled with other crucial features of its recent political past, helped to set the stage for the subsequent economic challenges that the country experienced following accession to European Monetary Union in 1999. Royo claims that Portugal's historic path-dependency, marked by the country's distinctive democratization and its semi-peripheral economy, are still shaping the country's democracy and economic performance. The decades that followed the democratic transition have not yet fully addressed the historical challenges of a weak economy, and a weak state and civil society. Distorted governance still persists, with detrimental effects on economic performance.

The impact of both came to the fore during the recent global financial crisis and led to the country's bailout.

Finally, **Miguel Glatzer's** article looks at the effects of the crisis, and policy responses to it, on unemployment, poverty, inequality and emigration, and analyses the Troika's effects on labour market policy in Portugal. A central theme of Glatzer's contribution is the changing nature of labour market governance in Portugal, namely from large levels of national autonomy prior to the crisis, to external imposition under bailout conditionality, to a limited rollback of some measures under the António Costa government. His article also covers related elements of pension policy, the minimum wage and anti-poverty programmes; and examines the recent rollback of some of the austerity measures imposed by the Troika.