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# The Eurozone's imbalances and the global political economy: the case of Portugal

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## Résumé

This article challenges the view that unit labour costs (ULCs) were the main driver of Portugal's external imbalances and offers an alternative approach, focusing on the importance of product specialisation and Portugal's role in the global division of labour. There is a widespread consensus in economics that the fundamental cause of the trade and financial imbalances that preceded the Eurozone crisis was the divergence of ULCs between core and peripheral countries. This crisis diagnosis has been a powerful one, since it provided the theoretical justification for the strategy of internal devaluation which was imposed through structural adjustment programmes. Based on the Portuguese case, this paper maintains that the trajectory with regards to ULCs cannot fully explain the current account deficit. Analyses that focus on ULC suffer from a serious shortcoming, namely that they explain uneven competitiveness solely by looking at the relationship between labour productivity and remuneration and without any concrete analysis of production and of individual countries' structure of specialisation. Contrary to this, Portugal's current account deficit must be analysed with reference to a changing productive structure and a changing place in the global division of labour. The 2000s were not only marked the euro project, but also by China's entry into the WTO in 2001 the EU's expansion to Central and Easter Europe in 2004. These events played an essential in transforming Portugal's productive structure.

**Mots-Clés:** Portugal, current account imbalances, euro, de, industrialisation

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