

Right and left run neck and neck just one month before the general election in Portugal.

from **Corinne Deloy**

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ANALYSIS1 month before
the poll

On 23rd March last Portuguese Prime Minister José Socrates (Socialist Party PS) resigned from office after Parliament rejected the 4th version of the rescue plan that was supposed to ensure the reduction of the country's budgetary deficit which represented 9.3% of the GDP in 2010. "If MPs vote against the austerity plan the government will not be able to attend the European Council on 24th and 25th March to present the measures it has decided upon to achieve fiscal consolidation (...) and we shall have to consult the people to see what its opinion is," declared the head of government during a televised interview. The fourth plan included 15 main measures: reduced tax rebates on housing loans, the postponement of some infrastructure projects, the suppression (or reduction) of tax rebates, the reduction of redundancy compensation, an increase in taxes on retirement pensions, an increase of direct taxes such as on car tax, a reduction in healthcare spending and social aid and an increase in business taxes.

The rescue plan was rejected by the rightwing opposition forces (Social Democratic Party, PSD, and the Popular Party PP) and by those who are against economic liberalism (Communist-Green Party coalition, CDU and the Left Bloc, BE). As a result of the Prime Minister's resignation, on 31st March President of the Republic Anibal Cavaco Silva, who was re-elected to office on 23rd January last convened early general elections (early by two years) which will now take place on 2nd June.

Portugal, the third EU country to turn to international aid

Portugal has not experienced a banking or housing crisis as in Ireland. Nor has the country lied about its public accounts or hidden its deficits as Greece did. However its economic growth is slow and it is now in political crisis after the resignation of its government on 23rd March.

Credit ratings agency Moody's downgraded the Portuguese rating on 11th April bringing it down from A3 to Baa1 because of uncertainty about the country's budget. Standard and Poor's did the same on 29th March (from A- to BBB) as did Fitch which gave it the rating of BBB-; this is the last level before entering the speculative category, in which the country is considered to be unable to reimburse its debt without having to turn to the outside for aid. According to Fitch the upward revision of the Portuguese public deficit and the size of the country's debt bring the goal of reducing the deficit down to 4.6% of the GDP this year into question.

Portuguese President, Anibal Cavaco Silva protested against the downgrading of his country's rating saying that "the Portuguese situation did not justify a reduction like that."

Given this context the interest rates that Portugal now has to pay to borrow on the financial markets have soared reaching record levels (10 year lending rates have risen to 8%); whilst having raised 4.2 billion € for April the country still has to find 4.9 billion before 15th June. Money has become extremely expensive for Portugal and it now being penalised on the markets.

In the face of pressure from the financial markets which believe that Lisbon had no other solution to the crisis but to turn to international aid, Prime Minister José Socrates finally decided to ask for the financial help of the EU and the International Monetary Fund (IMF). On 6th April last he appealed to the European Funding Mechanism for help to emerge from the financial turbulence: "the government has decided to address a request for financial aid to the European Commission." "The country has been pushed

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irresponsibly into a difficult situation on the financial markets," deplores Fernando Teixeira Santos (PS), outgoing Finance Minister, referring to parliament's rejection of the latest austerity programme put forward by the government.

The aid plan to Portugal was finalised on 6th May last. Over 3 years it will total 78 billion € and is conditioned by the adoption of austerity measures. The next Portuguese government will have to balance public finances and implement structural reform in order to restore the country's competitiveness and reduce public debt. Indeed the EU is demanding that Lisbon adopt an 'adjustment plan', i.e. both budgetary savings measures and structural reforms which involve the main political parties. The public deficit will have to be brought down to 5.9% of the GDP this year, 4.5% in 2012 to reach 3% in 2013 i.e. the limit set by the Stability and Growth Pact.

Fernando Teixeira dos Santos presented the programme's main measures; reduction of the highest retirement pensions to 1,500€, a 500 million € reduction in healthcare spending, a reduction in over-time payments, the length of time (18th months) covered by unemployment benefits as well as the amount granted, increases in VAT on some products, the postponement of funding of major infrastructure projects, a more flexible labour market, privatisation programmes, a reduction of tax benefits, a rise in payments on private property, the balancing and recapitalisation of the banking sector (a package that may total 12 billion € has been made available to the banks). The outgoing Finance Minister announced that this programme would lead to a contraction in the economy of around 2% in 2011 and 2012 and a rise in unemployment up to 13% by 2013. "It is a good agreement that defends Portugal," declared Prime Minister José Socrates on 3rd May.

The IMF and the EU have demanded guarantees on the implementation of this programme whatever the result of the election on 5th June. "Any slacking in discipline will lead to the immediate end of aid," warned Dutch Finance Minister Jan Kees de Jager. The Social Democratic Party (PSD) and the Popular Party have promised to respect the economic programme goals. PSD Chair Pedro Passos Coelho said that "he would not let the country fall into bankruptcy." Against international intervention the anti-liberal parties – the Communist-Green Party Coalition (CDU) and the Left Bloc (BE) refused to take part in the negotiations.

A Country in Distress

"The next government will face an unprecedented economic and financial crisis," declared President Cavaco Silva. The task of the future government will indeed be of size; the electorate's choice will therefore be limited on 5th June since whoever wins there will be at least a three year obligation to implement the austerity programme that has been put together with the international organisations. At the end of April the Head of State launched an appeal for responsibility on the part of the political parties. "Given the challenges ahead the government that is formed after the general elections on 5th June next will have to have a majority support of the Assembly of the Republic," he declared during the celebrations of the 37th anniversary of the Carnation Revolution that symbolises the fall of the dictatorship established in 1932 by Salazar. "I think that an agreement between the Socialist Party, the Social Democratic Party and others who are interested is possible and desirable. Never has dialogue and negotiation been as necessary as now," stressed Prime Minister José Socrates.

The Portuguese economy depends mainly on agriculture and tourism, the country's industrial infrastructure is weak. Portugal is greatly dependent on neighbouring Spain, which is also in the midst of a serious socio-economic crisis. Portugal faces a major problem of competitiveness. It has lost a great deal of market share because of a decline in exports (16% less) and a rise in the wage burden (the hourly cost of labour/hourly productivity ratio) which rose by 9% between 1999 and 2007. Over the same period the wage burn in Germany fell by 12%. Economic analysts are expecting a GDP contraction of 1.4% this year. The country's public deficit was reviewed upwards (9.1% instead of 8.6%) likewise the debt (93% instead of 92.4%). The financial institutions believe that the Portuguese government must reform the labour market as a priority and also reduce the weight of the public sector.

The Electoral Campaign

The outgoing Head of government, José Socrates was re-elected on 27th March last as head of the Socialist Party with 93.3% of the vote. "I shall fight for the PS's victory," he declared accusing the Social Democratic Party (PSD)

of having “thrown Portugal into the IMF’s arms” by voting against the new version of the rescue plan that he had presented. “The Portuguese know how to assess what happened. This political crisis has been a total disaster, reckless, irresponsible. The Portuguese know that those capable of such irresponsibility to satisfy their own partisan interests are not worthy of governing the country. It will be costly for Portugal and the Portuguese who do not deserve it,” stressed the outgoing Prime Minister during the PS Congress.

Fernando Nobre, founder of the NGO International Medical Assistance (IMA) and independent candidate for the Presidential election on 23rd January 2011 (14.1% of the vote) was the source of uproar when he accepted to lead a PSD list on 5th June. “If the Social Democrats win Fernando Nobre will become the leader of Parliament,” announced the PSD leader Pedro Passos Coelho.

This alliance was highly criticised by the PS but above all by the Left Bloc which the IMA’s founder supported during the European Elections on 7th June 2009. The Socialist candidate in the presidential election Manuel Alegre also said that Fernando Nobre did not have the experience required to lead Parliament. Talking of a “dramatic situation” that Portugal is experiencing at present the latter justified himself saying “that the fact of being independent does not exempt us of the responsibility of contributing to a collective future.”

On 9th April last 47 personalities launched an appeal in the weekly Expresso in a bid to overcome the crisis and to restore the country’s foreign credibility. Artists such as film maker Manuel de Oliveira, author Antonio Lobo Antunes and architect Siza Vieira, former political leaders such as former Presidents of the Republic Ramalho Eanes (1976-1986), Mario Soares (1986-1996) and Jorge Sampaio (1996-2006), as well as intellectuals, company heads and men of the church such as Manuel Clemente, the Bishop of Porto signed the text.

“The next general elections require calm and an objective level of information on the nation’s real situation which are not guaranteed at the moment,” says the text which calls on the President of the Republic, the government and the main parties to come to an agreement “to guarantee the execution of an immediate action plan that will make it possible to guarantee the economy’s foreign credibility and for it to run normally”; it calls on political leaders to “ensure that the next government will be

supported by an unequivocal majority which is vital to building a minimum consensus (...) on the budgetary consolidation process and the adjustment trajectory planned for in the most recent version of the stability and growth programme.” In the signatories’ opinion of the 47 Appeal, this is vital “so that the Portuguese can find logic in the sacrifices they have to make now and for them to have hope in the future.”

The Portuguese Catholic Church has called for a “wide political consensus” for the general election. “With the same absolute majority – a wide consensus is important, vital even in these circumstances,” declared the Episcopal Conference spokesperson, Manuel Marujão.

The Portuguese Political System

The Portuguese Parliament is monocameral. Its only chamber, the Assembly of the Republic, comprises 230 members elected for 4 years by a proportional list system within 20 constituencies.

5 political parties are represented in the Assembly of the Republic at present:

- the Socialist Party (PS) of Prime Minister José Socrates. Founded in 1973 it has 97 seats;
- the Social Democratic Party (PSD), the main opposition party created in 1974 and led since March 2010 by Pedro Passos Coelho, has 81 MPs;
- the Popular Party (PP), formerly Social Democratic Centre/Popular Party (CDS/PP), the Christian Democratic member of the opposition, led by Paulo Portas has 21 seats;
- the Left Bloc (BE), founded in 1999 and led by Francisco Louca who succeeds in convincing the young and urban dwellers, notably those living in the two biggest cities, Lisbon and Porto –has 16 MPs;
- the Communist Party (PCP), created in 1921 and led by Jeronimo de Sousa, has 15 seats.

The Portuguese also elect the President of the Republic by universal suffrage every five years. Anibal Cavaco Silva (PSD) was re-elected with 52.94% of the vote on 23rd January 2011 in the first round, a “custom” in Portugal. He is the first liberal Head of State since the Carnation Revolution on 25th April 1974.

Whilst the Social Democratic Party (PSD) had been forecast winner in the polls since the resignation of the government two more recent polls credit the Socialist

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Party (PS) led by José Socrates with a majority of the vote. According to the poll undertaken at the end of April by Marktest for the Diario Economico and radio TSF, the PS is due to win 36.1% of the vote whilst the PSD is due to win 35.3%; the Communist-Green Party Coalition 8.1%, the Popular Party 7.5% and the Left Bloc 6%. "This shows that we still haven't won the elections and

that we shall have to work harder," declared PSD leader Pedro Passos Coelho after the poll was published. For the first time since September 2010 the rightwing opposition forces are due to win under 50% of the vote. Another poll by Eurosondagem and published at the same time as the one by Marktest credits the PS with 36.3% of the vote and the PSD with 32.7%.

Reminder of the General Elections Results on 27th September 2005 in Portugal

Turnout: 59.68%

Political Parties	No. of votes won	% of votes won	No. of seats won
Socialist Party (PS)	2 077 238	36,56	97
Social Democratic Party (PSD)	1 653 665	29,11	81
Popular Party (PP)	592 778	10,43	21
Left Bloc (BE)	557 306	9,81	16
Communist-Green Party (CDU)	446 279	7,86	15
Others	247 499	3,15	0

Source : Portuguese Electoral Commission
(<http://eleicoes.cne.pt/vector/index.cfm?dia=27&mes=09&ano=2009&eleicao=ar>)

Slight lead for the rightwing opposition in the polls just one week before the general elections in Portugal

D-7
7 days before
the poll

The Portuguese are being called to ballot on 5th June to renew the 230 members of the Assembly of the Republic, the only chamber in Parliament. These early elections follow the resignation of outgoing Prime Minister José Socrates (Socialist Party, PS) and his government on 23rd March last after Parliament's rejection (by the rightwing opposition – Social Democratic Party PSD, the People's Party PP and those against economic liberalism – the Communist-Green Party coalition, CDU and the Left Bloc, BE) of the rescue plan it had presented – an austerity programme designed to guarantee the reduction of the country's budgetary deficit (which represented 9.3% of the GDP in 2010) to avoid Lisbon having to resort to international aid.

Portugal's economic growth is slow and the country is experiencing a political crisis. The ratings agencies Moody's, Standard & Poor's and Fitch did not hesitate recently in downgrading the country's rating. Lisbon, which has to find 4.9 billion € before 15th June next, was forced to borrow on the financial markets at very high interest rates (over 8% on ten year rates). In April Prime Minister José Sócrates finally resolved to ask financial aid of the EU and the IMF.

The aid plan to Portugal, the third in the euro area after those granted to Greece and Ireland, was finalised on 6th May. Over three years it totals 78 billion € and is conditioned by the adoption of several austerity measures. The next Portuguese government will have to balance public finances and implement structural reforms to restore competitiveness and reduce the country's public debt. The European Union is demanding that Lisbon adopt an "adjustment programme" that includes on the one hand, budgetary savings measures, and on the other, structural reform. The programme is based on three pillars: budgetary consolidation (the deficit has to be reduced down to 5.9% of the GDP at the end of the first year; 4.5% in 2012 and to 3% the following year i.e. the limit set in the Growth and Stability Pact) reform of the healthcare system and labour market flexibility (minimum wage freeze at 485€, reductions in the remuneration of overtime, a reduction in the time unemployment benefit is paid – 18 months – and also a reduction in the amount received), a privatisation plan (particularly in the energy, transport and postal areas) and the balance of the financial sector (deleveraging and recapitalisation of the banks). The plan also includes a decrease in pensions higher than 1,500€, a 500 million € reduction in healthcare spending, a rise in VAT on certain products and taxes on real estate and finally an increase in taxes on salaries and pensions over 1,500€.

The average interest rates requested of the Portuguese authorities total 5.1%. The IMFs lie at 3.25% over three years and then 4.25%; the EU's rate nears 5.5% i.e. above that granted to Greece. According to the European Commission Portugal will be in recession this year (-2.2%) and also the fol-

lowing year (- 1.8%). The country's debt is due to rise to 101.7 billion € in 2011. Outgoing Finance Minister Fernando Teixeira dos Santos (PS) said that the aid plan would also lead to a rise in unemployment to a total of 13% of the working population. The IMF and the EU have demanded guarantees on the implementation of the rescue package, i.e. the promise that the political parties will respect and implement it. The Socialist Party in office, the Social Democratic Party led by Pedro Passos Coelho and the People's Party led by Paulo Portas have committed themselves. The anti-liberal parties – the Communist-Green Party Coalition and the Left Bloc – which were against any international intervention refused to take part in the negotiations. In the near future Portugal will receive a first payment of the loan estimated at 18 billion €. One third of the aid will be paid in 2011. Two thirds of the sum will come from the EU and one third from the IMF.

On 19th May last a demonstration organised by the country's main union, the General Confederation of Portuguese Workers, rallied tens of thousands of people in the streets of Lisbon in protest against the rescue plan, claiming that this would just worsen the recession, unemployment and the inequality gap. "The aid plan will add problems to existing problems because it demands the implementation of austerity measures which will weaken those who already have little wealth, ie a majority of the population," declared union militant Helder Pires.

According to a poll by the Catholic University for the daily Diario de noticias, the TV channel RTP and radio Antena 1 the Social Democratic Party and the Socialist Party are running neck and neck just one week before the elections on 5th June. Each of these two parties is due to win 36% of the vote. However a poll by Eurosondagem for the weekly Expresso and the TV channel SIC Noticias places the social democrats ahead with 33.1% and 32.6% for the socialists. Finally a third poll by Intercampus for the newspaper Publico and TV channel accredits the PSD with 39.6% and the PS with 33.2%. With just one week to go the suspense hanging over this election in Portugal is complete.

The rightwing opposition (PSD) wins the general elections in Portugal

The Social Democratic Party (PSD) easily won the general elections that took place on 5th June in Portugal. Led by Passos Coelho, the PSD won 38.65% of the vote and 108 seats (+ 27 in comparison with the previous election on 27th September 2009). The Socialist Party (PS), led by outgoing Prime Minister José Socrates came second winning 28.06% of the vote (73 seats, - 23). It came out ahead of the People's Party (PP) led by Paulo Portas which won 11.70% (24 seats). The left, which is against economic liberalism, suffered a severe defeat: the Communist-Green Coalition (CDU) led by Jeronimo de Sousa won 7.94% (16 seats, + 1) and the Left Bloc (BE) of Francisco Louca, won 5.19% (8 seats, - 8).

Turnout which is traditionally low in Portugal totalled 58.07% i.e. slightly below that recorded in the last general election in September 2009 (- 1.36 point). It was the lowest in the country's history.

"The general feeling is that everything is already settled," declared Luis Carvalho, professor of economic policy at the University Institute of Lisbon (ISCTE), before the general election.

The President of the European Commission and former Portuguese Prime Minister (2002-2004), José Manuel Barroso, called on the Portuguese to turn out to vote en masse. "Given the country's economic and financial situation I believe that these general elections are the most important since those that followed 25th April 1975 (which confirmed the country's return to democracy after the dictatorship established in 1932 by Salazar)". On the eve of the election the President of the Republic Anibal Cavaco Silva called on his fellow countrymen to turn out to vote in these general elections which he qualified as being "particularly decisive", since Portugal in his opinion "was in the midst of a deep economic and social crisis." "The government which emerges after this election will have the responsibility of honouring the extremely demanding commitments taken in terms of the rescue plan," added the Head of State. "Apart from the implementation of a drastic austerity regime, the government will have to guarantee social justice and fight to counter unemployment," he concluded.

Given the country's serious socio-economic crisis the Portuguese chose to change government. With its allies in the People's Party, the PSD will enjoy an absolute majority in the Assembly of the Republic, the only chamber in

parliament. "It is the clearest option," stressed Antonio Barroso, a geo-political analyst with the consultancy Eurasia. "Both parties have clearly committed to implementing the conditions of the rescue plan and should easily agree on a joint economic programme." "The desire for change on the part of the Portuguese people is clear and unambiguous," indicated Miguel Relvas, the PSD's Secretary General.

"The Socialist Party lost the general elections," declared José Socrates who announced his resignation as head of the PS. "This electoral defeat is mine and I want to assume it fully. I believe that the time has come to open a new political round at the head of the Socialist Party," he stressed. "The opposition forces brought things to an intolerable pitch. It was not only about preventing the government from working – it was about preventing the country from moving forward," the outgoing Prime Minister added bitterly.

The socialists in office since the general elections on 20th February 2005 have undeniably paid for the austerity policy they implemented in an attempt, albeit in vain, to prevent Portugal turning to the international community for aid. José Socrates has always said that this might have been avoided if the opposition forces had not rejected the austerity plan (the fourth in under one year) which it presented to Parliament on 23rd March last. "They have triggered off this political crisis in order to bring in the IMF and to implement an extremely liberal

programme more easily," he declared accusing the PSD of wanting "to destroy the Social State."

Heavily in debt Portugal is now the third European country after Greece and Ireland, to have called on the IMF and the European Funding Mechanism to help it out of its financial turmoil. The recession is due to reach 4% of the GDP over the next two years – the unemployment rate totals 12.6% , the budgetary deficit represented 9.3% of the GDP in 2010 and the public debt is due to lie at around 101.7 billion € in 2011 and 107.4% in 2012.

The next government will have the difficult task of implementing the drastic austerity plan finalised on 6th May last, with the IMF and the EU in exchange for a loan of 78 billion €. Over three years this plan will however not sanction the country's financial collapse as much as it does the failure of successive policies over the last two decades. "The structural funds in Brussels and then the euro and easy borrowing have blinded and excused governments from trying to converge with the other countries. Portugal has lived beyond its means," said the political expert Manuel Cabral who denounces the clientelist excesses of the social State.

The rescue plan has been conditioned by austerity measures. The next Portuguese government should balance Portugal's public finances and implement structural reform to restore the country's competitiveness and reduce public debt. The EU is demanding that Lisbon adopt an "adjustment programme" i.e. both budgetary savings measures and structural reforms. The public deficit is due to fall to 5.9% this year, 4.5% in 2012 and to 3% the following year, i.e. the limit set by the Stability and Growth Pact. Portugal will soon receive the first payment of the loan totalling 18 billion €.

The IMF and the EU have demanded guarantees with regard to the implementation of the rescue plan. Except for the anti-liberal parties – the Communist-Green Coalition and the Left Bloc – the country's three main political parties have promised to respect and implement the programme. "In Portugal there is a political consensus on the IMF-EU agreement and social protest is extremely pacific," stresses the professor of economy, Luis Campos e Cunha. Pedro Passos Coelho repeated during the electoral campaign that he would "go beyond" the demands set by the troika (IMF, EU, ECB) in terms of privatisations and labour market, public services and social policies

reform. "I shall do everything possible to reassure those watching us abroad that Portugal will not be a burden weighing on other countries who have lent us what we need to assume our responsibilities and our commitments. We shall do everything we can to honour the agreement established between the Portuguese State, the EU and the IMF to win back market confidence," he declared after the announcement of his victory.

The PSD has promised to lighten the burden of the State in the economy and society and to extend the privatisations planned for in the aid programme to the media and hospitals managed by the state bank Caixa Geral de Depositos. Pedro Passos Coelho also said that he would establish a "strong government that was able to put Portugal back on its feet again." He has suggested reducing employers' contributions in support of employment and the creation of "community work" which would mean that those receiving unemployment benefit or social minima would have to work for the community in order to "facilitate their re-insertion back into the labour market."

"We know that we are going to go through a difficult period. The next two or three years are going to be hard," declared Pedro Passos Coelho after voting in Amadora, a town in the suburbs of Lisbon. "I am sure that we shall make the necessary changes and that Portugal will recover its prosperity again," he concluded.

Pedro Passos Coelho, who will soon be 47, comes from Coimbra (north) and has a degree in economics from the University of Lusitania of Lisbon. After a career in the private sector he returned in 2005 to the politics which marked his adolescence since he joined the Social Democratic Youth Movement (JSD), the PSD's youth movement, when he was 14. Elected chair of the JSD he then became an MP in the general elections in 1991. In 2005 Pedro Passos Coelho became Deputy Chair of the PSD. On 26th May 2010 he won 61% of the vote as head of the party in which he replaced Manuela Ferreira Leite after the Social Democratic defeat in the general elections on 27th September 2009.

The social democratic leader was criticised for his inexperience during the electoral campaign. He responded to this by promoting his close contacts in the business sector, which in his opinion, makes him a better candidate in terms of managing the present socio-economic crisis.

Results of the General Elections on 5th June 2011 in Portugal

Turnout : 58,07%

Political Party	No. of votes won	% of votes won	No. of seats won
Social Democratic Party (PSD)	2 159 742	38.65	108
Socialist Party (PS)	1 568 168	28.06	74
People's Party (PP)	653 987	11.70	24
Communist-Green Party Coalition (CDU)	441 852	7.91	16
Left Bloc (BE)	288 973	5.17	8
Others	247 499	4.43	0

Source : <http://www.legislativas2011.mj.pt/index.html>

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