

# Portugal: New Socialist Party government intensifies social attacks

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Portugal's new Prime Minister Jose Socrates has chosen an executive for his Socialist Party (PS) government that will intensify the social attacks required by big business and international financial institutions.

The PS took office following elections on February 20 that saw the right-wing Social Democratic and Popular Party (SDP-PP) coalition government of Pedro Santana Lopes thrown out due to opposition to its austerity measures and support for the US-led occupation of Iraq. The 128 members of the Republican National Guard committed to the occupation by the SDP-PP government were withdrawn just 10 days before the election. But this did not save the government. The coalition vote slumped from 49 percent in 2002 to 36 percent. The extreme-right PP leader Paulo Portas subsequently resigned.

The PS was elected with 45 percent of the vote, up from 38 percent in 2002. With 121 seats in Portugal's 226-seat parliament, it is the first time since the end of the Salazar-Caetano dictatorship in 1974 that the PS has received an outright majority.

The Left Bloc, campaigning under the slogan "another Portugal is possible," polled 365,000 votes, increasing its vote from 2.8 percent in 2002 to 6.4 percent.

Among the eight Left Bloc deputies elected were Francisco Louca in Lisbon and Alda Macedo in Oporto. The two are members of the Revolutionary Socialist Party, which is affiliated to the Pabloite United Secretariat—a group claiming adherence to Trotskyism with a long record of providing a political cover for the reformist and former Stalinists parties. The United Secretariat's members have now taken their place or lent support to a number of pseudo-left capitalist governments internationally that have mounted major

attacks on the working class.

The United Democratic Coalition, comprising the Portuguese Communist Party and the Ecology Party, received 432,000 votes (7.6 percent, up from 7.0 percent in 2002) and now has 14 deputies.

The new PS administration promises to be a government of crisis. It benefited from a surge of popular anger against the SDP-PP that will create severe problems as it seeks to do the bidding of big business under conditions where the majority of Portuguese people are demanding a shift in economic, social and foreign policy to the left.

The elections were called after the resignation of SDP Prime Minister Jose Manuel Durao Barroso last year to become president of the European Commission.

At the time, President Jorge Sampaio, who is also a PS leader, had agreed to the SDP-PP coalition continuing under its new leader Santana Lopes. However, he was forced to accept new elections after the Lopes government collapsed following a series of crises, including a month-long delay in the start of the school year and a reduction in Portugal's credit-worthiness by the credit rating company Standard and Poor's.

Portugal is one of Europe's poorest countries and a source of cheap labour in sectors such as textiles and footwear (the average monthly wage is 750 euros). It has the widest wealth gap between rich and poor in the European Union. But in recent years it has faced increased competition for investments and subsidies due to the eastward expansion of the European Union and the challenge from China.

Even before the new member states joined the EU in May 2004, companies were leaving Portugal to take advantage of lower labour costs and taxes in the former Eastern bloc countries. In addition, EU subsidies for

Portuguese agriculture have been diverted to the new member states.

In 2004, the country was the only one in the euro zone where the economy declined. During that year, unemployment rose to a seven-year high of 7.1 percent and bankruptcies increased by 31 percent. During the SDP-PP's three-year rule, 150,000 jobs were lost, mainly in industry and agriculture.

Last year the International Monetary Fund (IMF) called for action to reverse Portugal's "considerable losses in competitiveness" and "large fall in real investment." It criticised past governments for relying on "one-off measures" such as sales of publicly owned assets instead of carrying out "durable expenditure reductions" and called for further structural reforms, including the privatisation of public services and "pension reform ... to reduce the scope and scale of pension benefits."

Although the IMF praised the wage moderation that resulted from the "close cooperation with the social partners [business and trade unions]" it insisted that it was necessary to recognise the "central role of wage restraint" and to increase labour market flexibility by lifting the restrictions on hiring and firing.

Socrates has pledged himself to such policies. Modelling himself on British Prime Minister Tony Blair and Spanish Prime Minister Jose Luis Zapatero, he is seeking to position the PS as part of the "modern left," i.e., one that has abandoned any connection with its social reformist past.

His commitment to IMF-demanded reforms was welcomed by Ludgero Marques, president of the Portuguese Entrepreneurial Association, who stated that the SP's majority meant it would be able to "implement measures needed to resolve problems that involve us all and that we must resolve quickly."

At the same time Socrates is aware that he came to power on the back of a significant leftward movement of working people, and has made demagogic pledges to cut poverty and boost employment by 150,000 workers. In reality one of his first acts will be to increase unemployment due to his promise to cut 75,000 jobs in the civil service.

He has also pledged to amend Portugal's abortion laws, which currently allow terminations only in extreme cases, such as when rape is proven or when the foetus has certain genetic defects. However, a

referendum on the issue has already been shelved until 2006. PS spokesman Guilherme d'Oliveira Martins said this was because "It is too soon to set dates; we have a very tight calendar in the first half of the legislature."

Socrates has now appointed a 16-member cabinet, which he said would prove the government comprised, "competent and capable people, which will be able to restore confidence in our democratic institutions, in the economy and our country."

The finance ministry has been handed over to a former Bank of Portugal deputy governor and current dean of the school of economics at Lisbon's New University, Luis Campos e Cunha, who will have powers to veto spending by other ministries. Manuel Pinho, who sits on the board of Portuguese bank Banco Espirito Santo and was the party's spokesman on economic affairs during the election campaign, is the economy and innovation minister.

The foreign minister is Diogo Freitas do Amaral, who participated in marches against the Iraq war and compared US President George W. Bush to Hitler.

Amaral's own background is on the right. In 1975 he was cofounder of the Social Democratic Centre (CDS), a right-wing Christian democratic party that drew in many of the fascists associated with the dictatorship. He left the CDS after it renamed itself the PP, complaining about its increasing opposition to European integration.

The present PP leadership has described their ex-leader as a "dangerous presence" in the new government, saying his "anti-US doctrine" could undermine Portugal's traditionally close relations with Washington. Socrates has been quick to disabuse such notions, reportedly assuring Bush that his new government is committed to strengthening Portugal's role in NATO and maintaining strong ties with the US.



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