Portugal paralysed by general strike as second bailout looms

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Portugal was paralysed by a general strike yesterday, as workers demonstrated against austerity measures and labour reforms.

The Lisbon metro, which carries more than half a million passengers every weekday, stayed closed. Train, bus and ferry companies in the capital and the second-largest city, Porto, ran few services. Many schools, hospitals, courts, government offices, post offices, libraries, museums, refuse collection services and ports were also affected.

In the private sector, between 60 and 100 percent of workers took action at Bosch, Portugal Energy, Delphi Automotive, Parmalat, Citroen, Saint-Gobain, Tenneco, RTS Group and several large construction companies.

No official figures were available on the number of workers taking part in the strike. The right-wing Social Democratic Party/Democratic and Social Centre/People's Party coalition decided not to issue any estimates because it would "feed a controversy that the government intends to avoid". However, reports suggest more workers took part than the 25 percent participation in the general strike of November 2011.

This is despite the fact that Portugal's second-largest union, the Socialist Party-aligned General Workers Union (UGT), refused to take part. The UGT was involved in last year's general strike, but in January signed up to a package of labour market reforms demanded by the European Union and IMF in return for the €78 billion ($103 billion) troika (European Union- European Central Bank-International Monetary Fund) bailout last May. These measures allow the slashing of holiday entitlement, redundancy pay, overtime rates and unemployment benefits, increase flexible working, make it easier for employers to sack workers and undermine collective bargaining. They come on top of earlier austerity measures that cut wages and pensions, set about privatising remaining public companies, introduced payment for health care and increased VAT, fares in public transport and tuition fees.

The Portuguese government has been praised by EU leaders for dramatically reducing its budget deficit as a result of the austerity programme. The latest government estimate put the deficit for 2011 at close to 4 percent of GDP, well below the official target of 5.9 percent.

Portugal is already Western Europe's poorest country, with economic growth stalling at one percent in the decade up to 2010. The government's slash and burn policies have led to the worst recession, now in its second year, since 1975. In 2011, the economy contracted by 1.5 percent and forecasts suggest it will shrink by 3.3 percent this year.

Despite this, government debt has risen from 92 percent of GDP in 2010 to 110 percent of GDP in late 2011. Credit rating agencies have downgraded the debt to junk status. Reports suggest Portugal will be unable to return to the money markets for loans in September 2013 as expected and may require another bailout.

The core deficit tripled in the first two months of 2012, showing that the recession is cutting tax revenues and other government income and leading to increased spending on unemployment benefits. Matters will be made worse should neighbouring Spain, which accounts for more than 25 percent of Portuguese exports, be forced into a bailout.

Increasing numbers of small and medium enterprises are facing bankruptcy, while large companies leave the country and move to European tax havens. Supermarket giant Jerónimo Martins, whose profits rose 21 percent in 2011, has recently moved more than half of its

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capital to the Netherlands to avoid paying taxes.

The sale of state assets has been slow, with Chinese companies among the few prepared to bid for them. There was only one bidder at the end—a China State Grid/Oman Oil joint venture—when a quarter of electricity grid operator REN was sold for €387 million last month. Similar problems could occur with the planned privatisation of the airline TAP, airport operator ANA, parts of the postal service CTT, water utilities, state banks, the rail service CP and the oil company Galp.

The interest rate on Portugal's 10-year government bonds still stood at 12.5 percent on Wednesday, more than double the level considered sustainable, after reaching 17 percent at the end of January. Goldman Sachs sees Portugal needing up to €50 billion more in the next two years.

Managing Director of Market Research and Strategy at Roubini Global Economics, Arnab Das, told CNBC, "Our view is that Greece is done, Portugal is coming and also Ireland".

He warned that although the European Central Bank had increased the liquidity of banks, nothing has been done to resolve the central problem of bank solvency or capitalisation. "We've averted the worst financial crisis in history but have not solved the core issues yet", he concluded.

For the working class, the austerity measures have been a disaster. The unemployment rate, which reached 12.7 percent in 2011, is forecast to rise to 14.5 percent. Among young people, in just nine months it soared from 27 percent to 35 percent—leaving nearly 160,000 without a job. The €432 monthly minimum take-home wage is pushing hundreds of thousands into poverty. A quarter of the population are below the poverty line.

In February, an unexpected 1,000 extra deaths occurred, which the government blamed on flu and cold weather. However, the media have published reports that the cause is connected with increases in the cost of heating and health care such as the €20 payment, up from €9, for a visit to an emergency clinic. The president of the National Association of Public Health Physicians, declared, "I know people who stopped going to the hospital, buying medicine and having medical checks because of user fees."

EU leaders have also praised the PSD-CDS government and the PS which it replaced in June for preventing the sort of protests that have occurred in Greece and neighbouring Spain since the sovereign debt crisis began. This is entirely the responsibility of the Portuguese Communist Party (PCP), its General Confederation of Portuguese Workers (CGTP) and the petty-bourgeois Left Bloc (BE), which dish up token opposition in order to divert workers behind appeals to the government to renegotiate the country's debt.

According to UGT General Secretary João Proença, he was "encouraged" to sign the labour reform agreement by "leaders of the CGTP majority" before they walked out of the talks. The BE calls for the creation of a Citizen Debt Audit to examine the debt and to reject only that part which is deemed "illegitimate."

In the 2009 election, the PCP and BE won nearly 18 percent of the vote and held a significant constituency amongst public-sector workers in particular. In last year's election, their vote fell to less than 13 percent—due to the halving of the BE's support. This is pay-back for their unswerving support for the PS and the trade union bureaucracy.

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