“Largest-ever” demonstrations in Portugal

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Hundreds of thousands of people took part in demonstrations in 40 cities across Portugal on Saturday, organised via social media, under the slogan “To hell with the troika, we want our lives back.” The troika—comprised of the European Commission, International Monetary Fund and European Central Bank—agreed to bail out Portugal with a €78 billion ($102 billion) loan last year in return for the government carrying out brutal austerity measures.

The mass media reported that the protests were the “largest ever” in Portuguese history—surpassing those that took place in 1974 during the overthrow of fascism and the March 2011 Facebook-organised “Scraping-By Generation” protest.

Official delegations from the trade unions and the main political parties, including the Communist Party (PCP) and Left Bloc (BE) were noticeable by their absence.

According to the Spanish daily *El Pais* over half a million people protested in the capital city of Lisbon. The newspaper described the protest as “a real tide of pensioners, unemployed, mothers, civil servants, families, off duty police officers, postal workers, doctors, small shopkeepers, long haired youth, neo-hippies, businessmen, veterans of the struggle against the Salazar dictatorship and youth who left their homes on Saturday afternoon and started to shout that they cannot take it anymore…”

At the same time, strikes over wages and labour reforms have brought most of the country’s ports to a halt and reduced production at oil refineries.

Homemade banners called for the resignation of the right-wing coalition led by Social Democrat (PSD) Prime Minister Pedro Passos Coelho. Others declared, “Enough of economic terrorism”, “No to the troika, No to the government, No to the political parties, Yes to revolution”, “We are not the children of democracy, we are the parents of the next revolution.”

The immediate cause of the protests was the government’s announcement of its draft 2013 budget. The social security contributions of workers will increase from 11 percent of wages to 18 percent, public sector salaries and pensions will be cut again and income taxes increased. This will mean most workers having the equivalent of a month’s wage cut next year.

Portuguese workers have already suffered large increases in income and goods and services (VAT) taxes and the cost of medical treatment and transport at the same time as spending on public services and welfare benefits have been slashed. The government has made it easier for companies to fire workers and reduced the scope of collective bargaining.

The nonstop series of austerity measures have added to the economic catastrophe. Portugal’s economy has shrunk for seven consecutive quarters and is expected to shrink 3 percent this year and by 1 percent next year. Official unemployment has soared to 15 percent and is much higher amongst young people. According to the Francisco Manuel dos Santos Foundation, Portugal has the third highest level of household income inequality in the European Union.

Rising unemployment and a slump in domestic consumption has meant tax revenues have fallen much more than predicted. As a result, the budget deficit is likely to be 6 percent, way above the 4.5 percent agreed with the troika as part of the bailout package. Portuguese bank savings have dropped €22 billion, or 8 percent, in the year to July and the country’s cost of borrowing has remained astronomically high with interest on 10-year bonds at an unsustainable 8.65 percent. The interest rates on short-term bonds have only fallen because of the European Central Bank’s recent declaration that it will buy them if all else fails.

Faced with Portugal’s unremitting recession, the troika agreed last week to revise budget reduction targets to 5 percent for 2012 and 4.5 percent in 2013 instead of 3 percent. "The changes adjust the programme to an external and internal reality that were different than we expected originally", Finance Minister Vitor Gaspar told reporters.

However, the troika made it clear that the next tranche of the bailout is dependent on the government implementing the cuts. Credit rating agency Moody's was confident that, "Since consensus between the government and the Socialists has been an important element of stability since last year's government collapse and early election, we expect that intense negotiations, to take place over the next few weeks, will reach a broad budget agreement and avert another political crisis."

This week, representatives of Portugal's ruling elite duly fell into line, disagreeing only on the size of the social security contribution increases.

On Monday, the "social partners" met with President Cavaco Silva. Leader of the Socialist Party (PS)-aligned General Workers Union (UGT), João Proença, who signed labour market reforms earlier this year, warned, "In addition to increasing social strife in the country, the measure will bring us closer to the situation in Greece, and on top of that there is a serious risk ... that we return to a grave political crisis."

On Wednesday, Gaspar flew to Berlin to reassure the German government of his government's commitment to austerity and that the demonstrations "were contained and showed great dignity". German Foreign Minister Guido Westerwelle praised their "presence here, because we know that the discussion in your country is very difficult, there are many protests" before insisting the cuts must continue.

The Portuguese media is full of comments on the threat of a split within the ruling coalition. "Portugal returned to an unthinkable swamp just over a week ago. The worst nightmares returned and it is difficult to understand how to get out", declared *Diario Economico* director Antonio Costa. "The government lost the country, the risk now is that the country loses the troika", he concluded.

European Commission president and former Portuguese Prime Minister José Manuel Barroso, warned that a political "rupture or polarisation" could "bring into question the climate of confidence that Portugal has been gradually building."

Coelho's predecessor as party leader, Manuela Ferreira Leite, declared she was opposed to the social security changes, raising the possibility that government deputies could vote against the draft budget when it comes before parliament in October. Members of Coelho's Democratic and Social Center (CDS) coalition partners have urged him to make more spending cuts rather than further tax rises.

The main opposition PS, which negotiated the bailout with the troika before it lost the elections in 2011 and has supported the austerity measures, has also threatened to vote against the draft budget and table a censure motion against Coelho. PS leaders have made it clear that they would welcome a technocratic government similar to that imposed in Italy.

The latest poll for state broadcaster RTP shows that the support for the PSD has slumped from 36 percent in June to 24 percent whilst the PS fell two percentage points to 31 percent. The undeserved recipients of the opposition have been the PCP which has increased its share of the vote from 9 to 13 percent and the BE from 9 to 11 percent.

However, neither the PCP nor BE offer any alternative. The leaders of the PCP-aligned CGTP union have planned a national march in Lisbon for September 29, but have refused to organise a general strike to bring down the government. The BE is organically tied to the PS and proclaims that "the only constructive alternative is cutting the debt and a fair tax system to recoup the investment to create jobs"—words completely in line with the aims of the ruling elite.