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Greve geral em Portugal: General strike in Portugal

On 24 November there will be a general strike in Portugal. "Against exploitation and impoverishment". And in favour of a "developed and sovereign" Portugal. The strike has been called by the unions. It has the support by parties of the left, the CDU (the combination of the Portuguese Communist Party and the Portuguese Greens, which despite its acronym has nothing to do with its German namesake CDU – which is a member of the Christian Democrat European Peoples Party at the Union level) and *Bloco de Esquerda* (another left-wing grouping). It is the expression of anger about steep measures of fiscal restraint and deep disillusionment with the European Union. After the 1974 revolution in which Portugal liberated itself from many decades of dictatorial rule, the country – initially tending to take a leftist turn in its economic structure – acceded to the European Union. It quickly became firmly embedded within the European and wider global economy. With Spain, Portugal was among the 11 initial Member States adopting the euro in 1999. Structural weaknesses in the economy and large differences between the very rich and poor have hampered Portugal's development. Yet, just before the financial crisis broke out, Portugal had successfully brought its budget in line with the European rules, with debt only just above the 60% of GDP mark. In June 2008, the Ecofin Council concluded that the excessive deficit procedure could be closed. When the financial crisis erupted Portugal, like almost all other EU Member States, suffered economically. It saw its budget deficit rise beyond the 'Maastricht' reference value of 3% of GDP. Its financial situation was greatly exacerbated by market speculation. During the first 10 years of EMU, financial markets hardly made a distinction between the creditworthiness of Germany and other euro area States, with 'spreads' between '*Bunds*' and the debt instruments of 'peripheral' economies being small. After the collapse of Lehman Brothers in the autumn of 2008, fear and panic became dominant. In 2009, the new Greek government's concession that its deficit was twice as big as its predecessor had reported set in motion a chain of events in which financial markets withdrew from peripheral bonds. Bond prices went down and interest rates up. National debt grew dramatically. Interest rates spiked from a level at which debt could be serviced to levels that, in the eyes of the markets, became 'unserviceable'. This impelled Ireland and Portugal to borrow from the European Financial Stability Fund (EFSF) and the European Financial Stability Mechanism (EFSM), the bailout funds set up to safeguard the stability of the euro area. The IMF also granted credit. As with Greece, such lending takes place on stiff conditionality. Legally, this is required under IMF rules. Its Articles of Agreement provide that the Fund can only lend on the basis of 'conditionality': policy conditions that permit the borrowing nation to become able to finance its balance of

payments on its own again. Similarly, the EFSF and EFSM are required to impose economic policy conditions. The EU policy coordination mechanisms allow the Ecofin Council, on recommendation from the Commission, to require restoration of budgetary balance for Member States out of control. It is clear that Portugal needs to bring its fiscal position back to balance. It is faced, like all of us, with a greying population and a lopsided population pyramid. We can only support the costs of an elderly population on the basis of sound budgets. This does not detract from the severity of the measures taken in Portugal, the burden of which is heavily bearing on the disadvantaged. Pensions are cut severely. Family allowances are cut back. People who relied on a 13th and 14th month sees such income stripped away with immediate effect. The budget cuts amount to 5% of Portugal's GDP in 2012. On top of previous fiscal restraint measures. Unemployment is expected to exceed 13% of the working population. And all of this against a backdrop of negative sentiment in northern Europe, with its tendency to speak in pejorative terms about 'Mediterranean' work ethic and unsustainable retirement ages. Facts tell us that the Portuguese do not work shorter hours or retire at earlier ages than Germans or Dutch. Nevertheless, politicians in the North sometimes rely on such popular prejudices to garner support. They should rather tell their own voters about the extent of the sacrifices placed upon our southern neighbours. We should also reflect collectively on the wisdom of steep budget cuts within a brief period of time. Rebalancing budgets is necessary. Reinvigorating economies with structural weaknesses is required, as well. This entails harsh measures. But the solidarity with those who can least bear the economising measures should not be forgotten. Also, hope should be instilled. Shrinking economies with no perspective for growth and employment at home are unsustainable. Seeing one's talented young professionals leave for London, or for Luanda or Rio de Janeiro, is not conducive to confidence in Portugal. A longer period to restore budgetary balance may be required. Investments in improvement of the economy, notably in education and in innovative areas with potential to succeed even in a time of increased globalisation, should be effected now. Europe's structural and other funds and the EIB must be the instruments to counter the worst effects of the necessary rebalancing of budgets in our 'peripheral' economies. If such reflection and action would result after today's expression of popular discontent, the general strike may have had an effect. And, instead of going backwards to individual solutions for our common problems, we may then proceed towards building a better European society.

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