

## *Speech Renato Soeiro*

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Athens, 18-03-2014

Good afternoon. Thank you very much for your invitation.

I have been here with you so many times, speaking about my country (Portugal) and about my party (the Left Bloc, or Bloco de Esquerda, as we say) and this is the very first time I can do it with a smile.

First, because Portugal has now a real chance to change the direction it has followed for quite a long time, especially during the last 4 years, after the troika memorandum has been imposed upon us, and a right wing government was proud and happy to implement it.

And also because, for the first time, my party, Bloco, is not in the opposition.

Indeed, Bloco is neither in the opposition, nor in the government, which is a government of the Socialist Party alone. But this government could not exist if it had not the support of the Bloco, the political support and the parliamentary support.

The last parliamentary elections' results opened the possibility of an alternative government to the former right wing majority, now turned into a right wing minority.

But, between opening the possibility and creating the reality stood years of tradition, serious and deep political differences, very old mental and political blockades, and a consolidated culture insisting that the regime could only survive if power did not slip outside the so-called "arch of governance", a stable arch built upon 3 pillars: the Socialist Party, the Social Democratic Party and the Popular Party.

This trio has also been called "the European arch".

These 3 pillars are precisely the parties that have signed the memorandum with the troika on the eve of the previous parliamentary elections, in 2011. The troika was sure, and the EU was sure, that only these parties could ever rule the country.

If they would all sign the agreement, if they all make the same commitment to the same concrete programme (as they in fact did), than the elections could take place with no risk at all: people would just choose the names of the ones who would obey and apply the memorandum and that was just a detail that did not really matter that much for them.

What is new now in Portugal is that, as a consequence of the October elections, this stable system of party rotation in the government has been broken for the first time in our democracy. And nobody really knows how to deal with it. The EU leaders don't know. The Portuguese authorities don't know. The Portuguese right wing parties don't know. The socialists don't know. And, somehow, we also don't fully know yet. Everyone is trying to understand and to adapt to the new uncharted territory we are crossing.

We may say, for the moment, that this new way we are travelling along is not an easy riding road. But the view is fantastic. And, so far, the weather is fine.

The first institutional barrier (institutional, but not constitutional) we had to overcome was the former President of the Republic.

He simply refused to admit that a government could have, could need the support of political forces like the Bloco or PCP. He said in a solemn televised speech: "In forty years of democracy, never the government of Portugal depended on the support of anti European, anti euro, anti Fiscal Treaty, anti banking union or anti NATO forces", among other demoniac characteristics of this leftist axis of evil.

So, he has invited the former right wing prime minister to present a new government to the Parliament. Which the majority has refused, as had been announced in advance, loud and clear, by all the other parties. Then, weeks later, he had finally to swallow the frog, but still today he has not been able to digest it, I guess...

With this bad losing mood of the right, the country lost months in useless disputes. And that's why only this week, last Wednesday, we have been able to approve the first state budget of the new era, the budget for 2016.

So, allow me some words about this truly seminal moment for the new Portuguese policy.

According to the written agreements established between the Socialists, the Bloco, the Communists and the Greens, when we built the parliamentary majority supporting the government, this state budget has been negotiated in advance and fully respects all the red lines established before.

But, most of all, this budget makes a U turn in the cut-cut-cut policy of austerity. It corrects some injustices and brings relief to lower income groups. Among many other measures, salaries and pensions are raised. Extraordinary taxes are cancelled or reduced. It fights precarity. Makes electricity cheaper for the poorer. And obliges, for the first time, the real estate investment companies to pay taxes for the buildings they own, something any normal citizen had to do, but not them. And hundreds of other positive measures I won't bother you with.

That's the result. But what about the process to reach this result?

Well, as I told you, the draft budget has been agreed before in many meetings and working groups with the different parties engaged in the new parliamentary majority. Something the right wing parties assured would never happen, because the left could never reach any agreement due to the unsolvable contradictions they live in. But we did. And the draft was there.

Then, it was sent to Brussels. To the Commission and to the Euro group. Now, the right says: ok, they managed to make the draft, but Brussels will never accept it. The word war starts, the media manipulation, the imposition of amendments, the conditionality, the extraordinary measures to be added in a second phase "when needed" says Moscovici. "When needed" or "if needed"? Perhaps you noticed this hot semantic battle. In the end, there are no new measures made public. Brussels accepts, the Euro group accepts. The amended state budget returns to Portugal approved, but worst than the first draft.

Now, it was time for the Portuguese parliament.

After weeks of hard and long debate and hundreds of amendments, the Parliament makes some significant improvements for the final version to be voted.

The impossible - according to the right parties forecast - the impossible has just happened last Wednesday.

This was the most debated and most participated stage budget in many, many years. And it is the first one to fully respect the Constitution in five years.

It is not the best budget you could imagine, it has a limited scope and ambition, it does not go far enough, as the parties of the left wanted it to go.

But, nevertheless, it has an historical meaning: the alternative to austerity is possible. It is this deep meaning that irritates the Brussels' establishment. Not the few millions more or less in any heading of the budget – that's peanuts for EU – nor even the decimal or centesimal part of a percentage point for the deficit or the debt. The problem is merely political.

If it succeeds, Portugal will be a very bad example for Europe.

A government supported by dangerous leftists, with a state budget shifting away from austerity dogmas, reversing important and symbolic measures imposed by the Commission and the troika to the previous government, and even so, ruling the country without any major problem? That is something they will try to prevent, absolutely. By all means.

But, perhaps not now. I think that they can't do it just now. For many reasons that would be too long to explore here.

Let me just mention two of these reasons.

First reason: the Portuguese government, although being supported by left forces, is a single party government of the Socialist Party. And the Socialist Party is a member of the European Socialists, which is a core party of EU establishment.

So, smashing this government - as they tried to do and did to the Greek government - could create certain turmoil in the other European Socialists, something that EU leaders are perhaps not in condition to face and not willing to risk in such a delicate and precarious moment of EU existence as this one we are living in.

A second reason is the present situation of instability in Spain after the elections, and the fear of the consequences that a full attack on the Portuguese government could have on the response of the Spanish electorate in possible next general elections.

But, in spite of this moment of delay, the main dangers we can foresee in the horizon of the new Portuguese government come not from within the country, but from the European Union superstructure decisions and from EU rules dogmatic application.

Some of these rules are quite strange, as you all know. Let me give you a striking example.

The European Central Bank is buying Portuguese government bonds, some say more than €1bn a month. You know how important this may be for an economy of our size, with such a level of public and private debt.

It happens that the rating agencies Moody's, Standard & Poor's and Fitch have all rated Portugal as junk.

However, there is a fourth agency - the Canadian DBRS - that keeps, for the moment, Portugal's rating at BBB (low), which is just a step above junk. Had this relatively small agency followed its colleagues and Portugal would have been excluded from the European Central Bank's bond buying programme and Portuguese bonds could not be accepted as collaterals for our banking system.

So the question is: is it acceptable that the relation of the European Central Bank – a EU institution – with Portugal – a EU Member-state –, a relation in such a key aspect for our economy, may depend totally and exclusively on the opinion issued by a Toronto-based small private company (by the way: owned by the Carlyle Group)? An opinion, we must say, that has a lot of subjectivity, as we may conclude by comparing the different ratings attributed by different agencies to our same reality. Is this acceptable? Knowing that ECB has in its payroll probably much more experts and perhaps better prepared than DBRS, equally capable of evaluating the risk of our economy?

But this is a rule, a European rule, no matter how stupid it may seem. Now, we may ask: who makes these rules? Who made this rule? And the answer is: European elected politicians.

They may not write the rules, we know that lobbyists in Brussels working for big corporations draft many of them, but politicians chosen by the citizens always have, or may have, a final saying in the Council and in the Parliament.

Officially, they are responsible for the rules, even if they apparently criticize them when they feel lack of popularity and acceptance at home.

Many of the problems EU is facing today are a direct result of its homemade rules.

This means two things: first, that there are direct responsible people to blame; and second, that all these rules may be changed, it depends only on the balance of power inside the institutions.

So, when I am asked: what is needed to change Europe? I always answer: POWER. We have the ideas, I think we have good solutions, what we don't have is the power needed to implement them.

And power, for the left, always have to come from massive popular support. Sometimes this may not be a sufficient condition, as we know, but it will always be a necessary condition.

This shift of power is the key political question in Europe today. It won't happen from one day to the other, it's a long process, but not necessarily slow and gradual, it may experience some major steps forward.

And I hope that, in Portugal, we may contribute to this process.

Thank you very much.