



# REMAIN AND REFORM

The Portuguese experience of being  
'in and against' the European Union

by Hilary Wainwright  
with an introduction by Clive Lewis



CONFLICT AND  
CIVIL SOCIETY  
RESEARCH UNIT





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## ACKNOWLEDGMENTS

With many thanks to Alvaro Vasconcelos, Pedro Bacelar, Joana Ramiro, Catarina Príncipe, Mary Kaldor, Luke Cooper, Tom Walker, John Palmer, Barbara Harris White, Gonçalo Marcelo, Leonardo Costa, Neil Swannick, Michael Chessum, the Rosa Luxemburg Foundation and the Transnational Institute.  
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# INTRODUCTION

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“Portuguese socialists were able to prove that austerity measures had been broadly economically damaging as well as ideologically driven. In doing so the country proved both an inspiration to others and a test bed for a new relationship between individual nations and the institutions of the EU.”



CLIVE LEWIS MP

**“In and against” is such a powerful idea: one can be loyal, even faithful to the project, while trenchantly critical of its shortcomings. It’s how many of us felt about the Labour Party for the first part of this century, and the change in that institution is testament to how creative and transformative this position can be.**

Hilary Wainwright’s report details the success that Portugal’s socialist government has had in challenging the EU – its restrictions but more fundamentally, its assumptions. European history, by 2015, was on prime minister António Costa’s side. The casual pursuit of austerity was losing favour generally, and had hit a hard stop of moral legitimacy in the Troika’s treatment of Greece.

Portuguese socialists, in their determination to bring radical, immediate and practical benefit to citizens’ lives, were able to prove in real time that those austerity measures had been broadly economically damaging as well as ideologically driven. In doing so – increasing the minimum wage, unfreezing pensions, increasing tax on corporations, attacking precariousness in the workplace and reversing privatisation – the country proved both an inspiration to others and a test bed for a new relationship between individual nations and the institutions of the EU, one that was closer to the egalitarian ambitions of its founders.

This is a significant intervention for those on the left who argue for a Brexit, or “Lexit”. Many of the rules that are seen as obstructive to the socialist

vision, whether on public ownership, outsourcing or state aid, are either misunderstood, have been superseded or are flexible. It will be enlightening, too, to any of us who have been conditioned to understand negotiations with the EU as a test of strength, and a tedious one, in which 27 will always be stronger than one. Perhaps that is the experience of nations who don’t know what they want. For those with a clear agenda, that they make a sustained, rational and ethical argument for, conclusions are anything but foregone.

Yet the more fundamental conclusion is this: you do the EU no favours by ignoring its faults, but it is not a fixed entity, and what look to be its long-term strategic goals are subject, always, to the will of its members. It can only realise the ambitions of its founders, of peace, reconciliation, solidarity and broadly distributed prosperity, if its component nations are fighting for those ends.

It can only unleash those values upon the specific challenges we face today if its nations adapt, and remain determined to face collective problems collectively.

Whether it’s an overweening corporate voice and worker insecurity, a resurgence of the far-right and racist policy, or climate change and the loss of biodiversity, none of these threats contain themselves neatly behind borders; no nation, on its own, is a match for any of them.

The experience of Portugal, though, has shown that no nation needs to be.



# KEY FINDINGS

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The government of the Portuguese Socialist Party, supported and, to a large degree, *pressured* by an alliance with Communist Party and the Left Bloc, has shown that it is possible to implement an effective anti-austerity programme as a member of the EU. This entailed successfully standing up to the EU negotiators and facing down their repeated opposition to the government's measures. The result was a reversal of all the austerity measures introduced, under the supervision of the Troika, by the previous conservative government – while remaining within the EU's 3 per cent deficit limit.

The possibility of the success of these negotiations from the Portuguese standpoint depended on a favourable balance of power reinforcing the government's bargaining position. This, in turn, was a product of: (a) strong civic resistance to austerity towards the end of the previous government; (b) parties to the left of the Socialist Party (PS) yet in alliance with it, having the autonomy to campaign openly for a strong stand against EU pressure; and (c) a background of judgements by the Constitutional Court against several of the previous government's austerity policies for infringing fundamental rights.

The democratic constitution – drawn up in 1976, in the aftermath of the popular overthrow of the dictatorship in 1974 – contributed to the favourable balance of power. This history of political pluralism means the system allows for a plurality of parties that could ally with the government (eg. on anti-austerity measures), which at the same time have the autonomy to express distinct long-term goals (for example, opposition to the neoliberal principles embedded in EU treaties).

Economically, the anti-austerity measures had a multiplier effect on consumer confidence and expectations. The Portuguese experience illustrates how individual countries can work in a direction contrary to the neoliberal orthodoxy of the Maastricht and Lisbon Treaties. Moreover, it also opens up the possibility of a longer-term strategy aimed at changing the EU treaties themselves, by creating a critical mass of national governments acting as Portugal has done to negotiate a minimal level of protection against austerity within the EU rules.

This creates a space, which, over time, can then be broadened outwards, as Portugal finds allies to fundamentally reform them at the EU level. Given the almost clean sweep of neoliberal and now far-right governments across Europe, this may still be some way off. However, Spain has now moved in the same direction as Portugal and this provides an opportunity for the UK, under a Jeremy Corbyn-led government, to both remain and reform.

# THE PORTUGUESE EXPERIENCE

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Faced with the choice in Britain between a free market, xenophobic Brexit and a neoliberal EU, it is useful to learn from the experience of a government that has succeeded in challenging neoliberal austerity from within. In Portugal, just such a government is coming to the end of its four-year term.

I went to investigate as the parties that lead and ally with this government are assessing the experience themselves, while preparing their electoral programmes for elections in October 2019.

The experience brings useful empirical evidence to bear in favour of an alternative to the simplistic choice between Brexit, or an unquestioning acceptance of the treaties of the EU, as we prepare for the possibility that the British public will have a final say in a further public vote on the issue.

The experience of the Socialist Party minority government in Portugal – reversing the Troika imposed cuts in salaries, services and social security through an alliance with parties to its left – is an interesting experience in itself. It is exceptional in several ways.

For a start, it is a minority socialist government, which, rather than ally with the centre-right as its European sister parties have done to their cost in the recent past, allied with the Communist Party (PCP, an orthodox Communist Party and leading force in the overthrow of the Salazar dictatorship) and the dynamic and growing party of the radical left, Bloco Esquerda (at first a convergence of Maoist and Trotskyist groups, it has attracted social movement activists and radical intellectuals ever since its formation in 1999). This decision by the PS to look leftwards reversed the traditional culture in Portuguese politics, which tended towards collaboration between the centre-right and centre-left.

The PS government broke with convention through a combination of shrewd and risk-taking diplomacy (a widely respected capacity of PS leader António Costa) and standing up to EU institutions whenever they tried to block the government's anti-austerity measures. The EU

was not in a strong position to impose its policies; it did not want another Greece or, after 2016, another destabilising equivalent of Brexit. But most important was the balance of power nationally, in Portugal, due to the strength of Bloco and the PCP, with their adamant insistence and public campaigns for the terms of the agreement to be met. Their strength and their resilient politics made it impossible for the PS government to concede to the EU and stay in office.

A collapse of the PS-led alliance of the left would have driven the PS into the hands of the right – a fate considered to be political death by PS leaders who looked across at the collapse of their sister party Pasok in Greece after it allied with the centre-right. The spectre of Pasokification (a term that recurred frequently in conversation with PS MPs, ministers and activists) haunted the PS, as it did most social democratic parties in Europe after Pasok's vote plummeted from 43.9% in 2009 to 6.3% of the vote in September 2015. Propping up a right-wing coalition as it pursued the policies of the Troika in Portugal would have doomed the PS to joining Pasok in the family grave of European social democracy.

The Portuguese experience was exceptional too in the pragmatic, popular and confidence-raising anti-austerity programme of this '*geringonça*' (the 'contraption', as this surprise left alliance was pejoratively termed). Neither the right nor EU officials believed it could last – and indeed, through the EU, the parties of the right tried, unsuccessfully, to ensure that it would not. Here was the one-time party of Mario Soares, the PS leader who pushed Portugal's integration into the EU and NATO, now in alliance with two parties implacably opposed to the EU because of the neoliberal

austerity rules entrenched in its framing treaties. The commentariat too believed it would collapse within a year and the PS would have to turn to the right-wing, confusingly named Social Democratic Party (PSD – after the '74 revolution no one wanted a name that associated them with the right), and continue the Troika-imposed austerity programme of the previous four years.

On several issues, for example the increase in the minimum wage and the security of precarious workers, Bloco, and on most occasions the PCP, made it clear that they would withdraw their support for the government if the agreement was not honoured.

## PLURALIST LEGACIES

The legacy of the '74 revolution has been an important factor in the innovative Portuguese experience due to the type of democratic, parliamentary institutions it created. True, many of the more radically socialist features of the '74 revolution – driven by the mainly Communist-led peasant occupations of the private latifundi in the Alentejo and other agricultural areas, and the workers' occupations of the shipyards and other major workplaces – were defeated by the moderate and anti-Communist forces (in which the PS led by Mario Soares played a leading role). However, the radically democratic and egalitarian impetus of this thoroughgoing destruction of authoritarian rule had a lasting institutional impact: the pervasive democratic force of the Portuguese revolution, along with its origins in the military, allowed none of the conservative continuities typical of the aftermath of Franco's Spain.

Two features of Portuguese democracy stand out as conditions for Portugal's ability as a member of the EU to refuse the EU's attempts to continue to impose its neoliberal rules against the will of Portuguese citizens, as it succeeded in doing against the democratic will of the Greeks. The first was the nature of its post-revolutionary constitution, drawn up in 1976, with its core of social and economic rights and its generally vigilant Constitutional Court. On several occasions, in 2013 and 2014, the Constitutional Court intervened against austerity measures agreed by the legislature under pressure from the Troika. Jorge Sampaio, Clerk to the Constitutional Court from 2014, remembers "a measure to make it

easier to fire public servants. The court ruled this measure unconstitutional because it violated the legitimate expectations of the public servants." It also ruled measures to cut the salaries of public servants to be unconstitutional. These interventions by the Constitutional Court had repercussions in society, stimulating a sense of hope against a fatalism based on the pervasive narrative that there was no alternative to austerity and that austerity was a justified punishment for Portuguese people living beyond their means. The growing collective resistance from 2013 – with huge demonstrations peaking at 1 million out of a population of just 10 million – no doubt gained some legitimacy from the Court's cautious vigilance. Sampaio gives anecdotal evidence of the Court's popularity: "It was funny, I even remember a picture of a girl wearing a T-shirt saying 'I Love the Constitutional Court'. Imagine buying a T-shirt putting a love heart before 'Constitutional Court'!"

The other feature of Portugal's parliamentary institutions that enabled its exceptional anti-austerity alliance, is their unusual openness. One aspect of this is a proportional electoral system without the threshold that often limits parliamentary representation for small parties. This has allowed political parties to build up or maintain a presence in parliament and the platform this provides, however small or fluctuating their percentage of the vote. Thus Bloco has been able to grow fairly steadily from 2.4% in 1999 to 10.2% in 2015 (from two seats out of 230 to 19 seats). The PCP, a party with stable support in the main industrial areas and rural areas, has maintained its position of a semi-permanent and warily respected part of the political scene – at around 8–9% since the early 1990s (8.8% in 1991, 17 seats, 7.9% in 2009, 16 seats, and 8.3% in 2015, 17 seats).

## 'IN AND AGAINST THE EU'

The proportional electoral system facilitated the alliance of the left and the possibility of being 'in and against' the EU, because parties could maintain their autonomy from the government and exert their right to campaign for long-term goals of radical structural change (hence, against the fundamental treaties of the EU), while at the same time negotiating measures (engaging in the institutions of the EU) that would reverse the policies of the Troika and the former right-wing





**Students protesting against Troika-imposed austerity under the previous right wing government**

coalition government 'Portugal Ahead'. This meant lifting out of poverty the two and a half million people living below the poverty line under the Troika; reversing the high unemployment levels (youth unemployment reached 41%); and restoring labour rights destroyed under the Troika.

This also had the consequence of stimulating hope and confidence in the possibilities of change and generating expectations and sometimes demands for change that went beyond the limits of the agreement. In other words, it is a proportional electoral system that enables parties to work simultaneously and openly at different levels, expressing the complexity and hybridity of major political issues, such as a European nation's relation to the EU, way more accurately than the UK's essentially two-party system.

## NEGOTIATED TRANSFORMATION

At the 2015 elections, the right-wing coalition, 'Portugal Ahead', won the largest number of votes of any party but not enough to get its budget through parliament and to govern. The Socialist Party on the other hand, which had won 30% of the vote on a moderate 'austerity-lite' election campaign, could only put together an alternative government if it made an alliance with the two parties, the PCP and Bloco, that had increased their vote to a total of 20% with strongly anti-austerity election campaigns.

The PS's newly elected leader António Costa had just replaced Jose Socrates, who not only signed the original 2011 deal with the Troika, in true Pasok style, but had recently been arrested for corruption and was awaiting trial. Costa, whose father was a PCP activist, had worked in alliance with the PCP as mayor of Lisbon. Though to the left of Socrates, Costa's own politics were and are moderate, by all accounts, and certainly involve a commitment to working within the rules of the EU.

Interestingly, Catarina Martins, the current leader of Bloco, describes him as "a brave man, willing to take risks" and "a skilled and tough negotiator". The risk he took to avoid the fate of Pasok, to respond to the anti-austerity clamour of the voters, and to become Socialist Party prime minister, was to take up the offer of support from left-wing parties who opposed the EU, initially a public offer from Martins conditional on the PS dropping all austerity measures. Bloco and the PS negotiated an agreement, reversing the Troika-imposed austerity measures of the previous government.

The Communist Party carried out its own negotiations with the PS along similar lines – the two negotiations were separate at the PCP's insistence. The conditions agreed through these processes included the minimum wage to be raised by 20% by January 2019; pensions unfrozen (at the rate of inflation) and lower ones augmented every year by 3 to 4%; collective bargaining for public servants re-established; the extraordinary

# THE AGREEMENT

The following measures of the agreement were applied throughout this period, among others:

- The privatisations or concessions established by the right-wing government in public transportation (national airline and public transportation of the two largest cities) were reversed;
- New privatisations were explicitly forbidden;
- The minimum wage was raised by 20%.
- Four holidays were re-established after being cut during the previous government;
- The pensions were unfrozen (at the rate of inflation) and the smaller ones were augmented every year by 3 to 4%;
- The program for displacement of public servants against their will was ended;
- The collective bargaining process of public servants was re-established;
- The tax on consumption in restaurants decreased from 23 to 13%;
- All children will have a nursery by 2019;
- Books are offered to all students until they are 17 years old, in successive steps;
- The extraordinary tax imposed on wages and pensions during the troika period was abolished;
- The taxes on labour income were reduced and the tax on large firms increased;
- A new tax on luxury real estate was created;
- Foreclosures are suspended for old or disabled people living in the same place for 15 years, and the rent law is being revised to protect tenants.
- New rules were established for self-employed workers who provide services to different firms, assuring them social security protection.

The global effect of these measures in 2016 and 2017, in a favorable context with lower oil prices and better export prospects given the mild recovery in Europe, was a combination of a small growth of GDP (plus 4.3% in real terms, after falling 7.9% during the recession and austerity period), strong creation of employment (the reduction of official figures of unemployment from 17.5% in 2013 to 7.4% now) and a reduction of the public deficit (from -3.1% in 2015 to 0.9% in 2017 and to a prospective virtually zero in 2018), in this case thanks to the effects of the recovery and also to freezing public investment. In any case, aggregate demand expanded as the joint result of more confidence and more pensions and wages. Fighting impoverishment had a real social impact. No other European country pursued these sort of policies.

Although major challenges are still unmet and the PS will not address them, such as reducing external and public debt, the fact that Bloco was able not only to study and to present concrete alternatives on such topics but also to force a dialogue on them shows the way forward: indeed, a report presenting a concrete proposal of mutualisation of 52 billion euros was approved by Bloco and the PS, with the participation of members of the government, stating that the current European Union budgetary rules are “unfair and unsustainable”. This concrete plan strengthens the fight against the debt.

*This information came from ‘Lessons and not Myths about the Portuguese Non-Model’ by Adriano Campos, Jorge Costa, Maria Manuel Rola. Published in New Politics, 2019.*



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tax imposed on wages and pensions under the Troika be abolished; the programme for sacking public servants be ended; taxes on labour income be reduced and the tax on large firms be increased; the privatisations carried through by the right-wing government (the airline and public transport in Porto and Lisbon) be reversed and new privatisations be forbidden.

When, on this basis, Costa took office, he did so against the wishes of the EU. In fact, the European Commission was considering imposing sanctions on the new government, at the instigation of Manfred Weber, leader of the centre-right coalition in the European Parliament. Costa's minister of European affairs at the time was Margarida Marques, herself an ex-employee of the European Commission. She was involved in the negotiations with the EU. Looking back, she comments: "It was clear that the position from the European Commission was too ideological. They believed, ideologically, that austerity was the best way to answer the crisis." She went on to conclude: "eventually, as our measures against austerity proved successful – helped by an improvement in the international situation. We showed it was possible not to have an austerity policy and yet to be within the EU 3% deficit rule. At the end of the day, however, it was not the content of our policies that mattered to them, it was the agreements with the Communist Party and the left. They were thinking of Syriza and tried to treat Portugal as the new Greece."

## THE SUCCESS STORY

The blowback from Greece was already beginning to weaken the legitimacy of the EU's ideological mission and, in the judgement of Marques, Portugal pushed the Commission to be more flexible. One of the architects of the government's economic strategy for doing so, economics professor Francisca Guedes de Oliveira, explains: "Our main goal was to come up with a policy plan that reduced poverty and inequality, increased income redistribution and growth and improved the health of the Portuguese economy, within the framework of Europe." The negotiations with the PCP and Bloco had an impact on the plan, she explained: "The left wanted the improvements to be done quicker, and they pressed strongly on restoring spending on health and education. Actually," she

added, "I think it worked: one of the things that politicians forget is the importance of expectations. Under the brutal measures imposed by the Troika, people were so scared that they cut back massively on consumption, which worsened the economic situation, even if the deficit was being cut. Now that these measures are being reversed, there is an optimism about the future and people are consuming and their expectations are growing."

Increased expectations and growing confidence also highlight the unfinished business of the agreement. There are increased levels of popular organisation and militancy. A priority, passionately argued for by Bloco activists, PCP supporters and PS representatives alike, is investment in the health service. Pressure from Bloco and the PCP meant that there was considerable investment in the National Health Service (Serviço Nacional de Saúde, SNS), reversing the cuts of the Troika, but it was not sufficient. Today, the result is that though the salaries of health professionals have been restored, there is – in the words of Bruno Maia, a doctor and Bloco member – "a lot of degradation in the infrastructure and services themselves". "As a result," he reports, "we are losing doctors to the private sector; emergency departments are completely packed, with growing waiting times and waiting lists for surgeries. It's becoming unbearable." Dr Maia assumes that investment in the public health service will be a priority in his party's electoral programme: "That's for sure," he says, going on to ask, "What will happen after the election? We don't know. If the agreement has to be made again – and all the polls indicate that the Socialist Party will need the left parties to govern – we will not have a choice. We will simply have to address the insufficient investment in the health system. We will have to do it."

Domingos Lopes, a long-standing supporter of the PCP and secretary to the PCP's historic leader Alvaro Cunhal when Cunhal was briefly a minister after the '74 revolution, agrees that defence of the health service is the number one issue on which any further agreement must be stronger. "Our biggest achievement after the revolution was the Serviço Nacional. With private health increasing, one of the key tasks is to defend the national health system. Of course we will make it an election issue."

Government ministers tend to be defensive over public investment, and Bloco MPs recognise that



**Bloco de Esquerda leader Catarina Martins with Portuguese prime minister António Costa**

they did invest a billion euro in the health service: “There were no cuts; they did invest,” says Ze Soeiro, Bloco’s spokesman on labour issues, “it just wasn’t enough.” PS ministers, like Costa’s Secretary of State, Mariana Vieira Da Silva, are proud of how their strategy for increasing wages and pensions has worked, not only to relieve hardship but “we have grown the economy; and reduced the deficit,” she says, adding: “Our finance minister Mário Centeno is talked about in Europe as ‘the Ronaldo of public finances’, the deficit is so low.” (It is now 0.7%, compared to 3.2% when the Troika was insisting on austerity as the only way to reduce the deficit.)

The problem now for Centeno, however, is that raised expectations and popular self-confidence mean that people know that there is public money available which could be spent on public services. His policy of using this money to reduce the deficit is now openly challenged. The finance minister can no longer hoard public funds to suit his and the EU finance ministers’ narrow definition of ‘sound public finances’. As I visited Portugal, teachers were taking sporadic strike action to win a full restoration of their careers, and therefore salaries which had been cut short by the austerity government. I spoke to one of their organisers in Porto, Henrique

Borges, as he prepared for a massive national demonstration in Lisbon the following weekend. “The government says there is no money but we know there is,” he said. “The deficit is very low and they are giving money to private banks. So there’s money for public services.” Bloco and the PCP both support the teachers, and the union gains a sense of power from the leverage this gives them over the government.

As this report is published, the government has made some concessions to the teachers but not sufficient to satisfy them, or indeed Bloco or the PCP. This has led to a national crisis with Costa threatening to resign when the PSD supported the strikers’ demands. The PSD has since backed down, and Costa has withdrawn his resignation, for now. But the issue is not resolved and will come before parliament in the near future.

It’s clear that the character of the next agreement, the next *‘geringonça’*, if election results make it necessary, will be shaped not simply by electoral arithmetic but by wider social pressures, stimulated both by the expectations raised by the agreement and by the fact that it has created new channels through which social and labour movements can have influence over political power.

“It was clear that the position from the European Commission was too ideological... We showed it was possible not to have an austerity policy and yet to be within the EU 3% deficit rule.”

MARGARIDA MARQUES, MINISTER OF EUROPEAN AFFAIRS  
DURING THE INITIAL NEGOTIATIONS WITH THE EU

## SOCIAL MOVEMENTS

A further illustration of this relationship between change through the political institutions and pressure for more from social movements, addresses the increasing *précarité* of labour, one of the few structural questions over which the agreement has been able to achieve change and open up dynamics of further change. It is a global trend but as a semi-peripheral country with a large informal sector and a weak productive structure, the Portuguese have lived *précarité* in a particularly harsh way.

A movement of precarious workers began to grow from 2002, reinforced by international networks of an increasingly self-conscious and creatively militant ‘*precariat*’. In Portugal, this awareness among precarious workers of themselves as a collective actor grew in the later years of the Troika, as they both created their own spaces of self-organisation and developed close collaboration with trade unions and other social movements as part of the ‘Screw the Troika’ movement of 2013.

Even before the fall of the austerity government, all this activity generated a ‘Citizens’ Initiative’ (another feature of Portugal’s radically democratic constitution) for a new law to require contracts

that would end precarious work. Under the PS minority government, an important measure in the agreement was to end precarious work in the public sector. The implementation of this was no simple matter of legislation and central state administration: successful implementation required the inside knowledge of precarious workers themselves. It was an exemplary process of collaboration between parliamentary and societal action, self-organisation and a sharing of practical and official knowledge – a part of the notably favourable balance of power that enabled the PS government succeed in its anti-austerity negotiations and struggle with the EU.

## EUROPEAN IMPLICATIONS

A favourable balance of power at a national level can only achieve change in limited spheres, however. For change in central structural issues like the financial system, this national shift would need to be combined with a shift in the balance of power in Europe, to achieve changes in the rules of institutions such as the European Central Bank.

Left politicians in Portugal are aware of the limits of their power vis a vis the EU as representatives of a small country, if they lack more powerful allies.





**Retired trade unionists march against cuts to pensions**

The fall of the right-wing government in Spain is seen as a move in a more favourable direction. Ana Gomes, a senior PS MEP, is enthusiastic about the possibility of a Corbyn-led UK government contributing to left projects of change in Europe: "It would make a dramatic impact, pulling the EU to the left. The dilemma is that there isn't a French Socialist Party; in Italy you have the fascists in power. Germany is always on the fence and the SPD is going down in the polls since they've been badly hurt through participating in the Grosse Koalition." Costa's Secretary of State reiterates these hopes more cautiously: "I must say it would make a big difference if the decision was to stay in Europe to change it from within."

'Lisbon' could be said to symbolise the contradictions of the EU: the rules on the one hand embedded in treaties, and on the other hand, the institutions and daily decision-making through which they are implemented, dependent on power relations between different actors and mentalities through which problems are perceived. The Lisbon Treaty, named after the city in which they were signed, represents the neoliberal rules which, dogmatically interpreted, mean austerity, absolute constraints on social measures and/or the punitive rule of the Troika. It is the level at which the right and centre-right are in office across Europe, so the power of the European Roundtable of Industrialists, the corporate lobby, is dominant.

On the other hand, the experience of the recent

'Lisbon agreement' negotiated by the PS to reach office, points to a possible flexibility – not because of a Damascene change of mind but because the balance of power between EU institutions and the unaccountable pressures of corporations and the normally subservient acquiescence of the nation state is challenged.

It remains to be seen whether the new balance of power after Portugal's October elections, both electorally and in terms of civil society's willingness to mobilise, enables Portugal to go further than its defensive reversal of the Troika's brutal measures, and advance the structural ability of the Portuguese state to meet the needs of its citizens. But in its success in reversing austerity, it is surely an experience from which Labour can learn. Jeremy Corbyn declared at the Durham Miners Gala his belief in an "anti-austerity Europe". Portugal's experience indicates that the way to achieve this is not by breaking from Europe, and allies like António Costa, but working alongside the Portuguese Socialist Party and other allies on the left across Europe to maximise the balance of power to gain the social and economic benefits of being 'in and against' the EU.

# CONCLUSIONS

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The Portuguese experience does not provide a ‘model’ that can be simply applied to the UK. But it does enable us to gain a glimpse of what is possible. EU institutions and policies, like all institutions and policies of political economy, are the product of human relationships and decisions which like history itself can be made and or unmade, reproduced or transformed by our action.

It’s true, as Marx cautioned, that though we make history, we do so under conditions that are not of our own choosing. Potentially, however, we can choose how we respond to the particular historical options produced by these enduring conditions or structures that we inherit.

Thus after the 2015 elections, António Costa, as leader of the minority party with the most votes, could have chosen to support the PSD in continuing to follow the prescriptions of the Troika’s memorandum, promoted by EU officials as the ‘natural’ – hence unchallengeable – consequences of the deficit rules of the Lisbon and Maastricht treaties. (A response that could have been mirrored by the radical left – the PCP and Bloco – insisting that the EU’s neoliberal rules meant that all EU institutions necessarily followed neoliberal policies at all times – implying the impossibility of pursuing anti-austerity policy so long as these treaties remained in place.)

Instead, Costa took the risk – as in a different way, did Bloco and the PCP – that how the deficit rules were implemented could, within limits, be nationally determined, even against the wishes of incumbent EU officials. In other words, he was acting on the basis that even though the rules set down by EU treaties are structural and relatively enduring, the policies and behaviour of the institutions to meet these rules at any one historical moment can be more conjuncturally made and unmade.

He grasped the opportunity of the right wing coalition losing its governing majority to reverse the austerity policies of that government. He made

the most of the weakening of the legitimacy of EU officials following their role in the austerity-driven humanitarian disaster in Greece. They resisted his challenge but he persisted, against the odds, in treating austerity policies as ideologically driven and hence as pragmatically reversible.

The balance of power within Portugal, created by the anti-austerity majority amongst voters but consolidated and strengthened through the alliance with parties more strongly against austerity than the PS, both enabled him and drove him to make an agreement that involved ditching any PS policy that perpetuated austerity.

## STRUCTURES AND LEVELS

In more general terms, we can conclude from the Portuguese experience that the EU, like all social phenomena, must be understood with an eye to different levels of social reality – enduring structural rules are not on the same level, requiring the same processes of change, as specific policies in particular historical circumstances.

The key possibility demonstrated in practice at the latter level by the PS government and its anti-austerity alliance is that of being able to build a sufficiently strong balance of power nationally of allies and together refusing to be bound by the EU’s ideologically driven austerity policies and on the contrary insisting on its agreement to reverse such policies imposed by the Troika under a previous government. It showed instead the possibility of improving wage levels, restoring pensions, reversing and refusing privatisation and at the same

The process of challenging the specific policies and institutions of the EU and building the national balance of power to do so can contribute to the more international shift against austerity that is required to change the structural neoliberalism built into the treaties of the EU

time growing the economy, without breaking the EU deficit rule.

Three conditions made this possible, from which the Labour Party can learn. The first was a strong popular mobilisation against austerity under the previous Troika-inspired government. This prepared the way for an anti-austerity majority at the general election. Secondly, when the PS failed to win an overall majority, Costa turned his dependence on two strongly anti-austerity parties into a bargaining lever with EU officials who had little desire to repeat Greece or to provoke another Brexit. They were aware therefore that the EU could not be seen to push their austerity policies to the point of instigating the downfall of the PS alliance, however uncomfortable it was to live with it.

Thirdly, the autonomy of the PCP and Bloco, and their ability to mobilise popular support for the original policies of the agreement, further strengthened Costa's bargaining power when EU officials resisted particular policies such as the raising of the minimum wage. Potentially it also prepares the way for a more radical challenge to the neoliberalism of the EU in that, while supporting

the alliance, they had the freedom to initiate debates on issues not touched by the agreement such as the question, raised very effectively by Bloco, of debt and the rules of the European Central Bank, in an effort to build public pressure for these issues to be future subjects of challenge to the policies of the EU.

Applying this to the UK: the first condition of strong mobilisations against neoliberal austerity should not be a problem, though they would require Labour to give a lead to popular mobilisations – as shadow chancellor John McDonnell has been doing for example by joining the picket lines of McDonald's and Wetherspoons low paid, zero-hours contract workers – rather than imprisoning themselves in a conventional 'don't scare the horses' strategy of electioneering to win the centre ground.

The second and third conditions ideally require a democratic, proportional electoral system as exemplified by Portugal. And in the meantime, a willingness to ally with other anti-austerity parties such as the Greens, the SNP and Plaid Cymru. If the next election gives Labour the largest



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number of MPs but without a working majority, the Portuguese experience should be used to prepare the way for such an alliance anyway – and possibly the initiation of a much-needed process of constitutional reform.

In the shorter run, before proportional representation and wider constitutional reform of a broken system has been introduced, the disagreements with the Labour Party could be acknowledged and made the best of, to negotiate an agreed programme of anti-austerity and reconstruction measures which, as in Portugal, are a condition of working in and against the EU. Labour's 2017 manifesto provides a basis for this, but any agreement should be specifically oriented towards the needs and aspirations of voters in the areas where industry was destroyed under Thatcher and abandoned under Blair, and where the vote to leave the EU was strong. This agreement, as with the alliance in Portugal, would keep open the possibility of campaigning against EU rules and pushing for a more radical change of the EU in the future.

Indeed, the process of challenging the specific policies and institutions of the EU and building the national balance of power to do so can contribute to the more international shift against austerity (Jeremy Corbyn's stated goal of an 'anti-austerity Europe') that is required to change the structural neoliberalism built into the treaties of the EU, such as the restrictions on deficits. This too is within Labour's grasp, but would require the party leadership to break from the 'tyranny of the immediate', which can easily imprison an opposition leader, especially one to which the media and a section of the Parliamentary Labour Party are so relentlessly hostile.

Corbyn himself makes constant personal attempts to reach out both to Labour voters outside London and to socialists across Europe, and John McDonnell often declares his desire to build an anti-austerity alliance across the left in Europe, and has offered London to host the convention of such an alliance. We hope this report encourages such an initiative to take place. With the parameters of debate on the UK's relationship with Europe still set by the legacy of David Cameron's referendum, a Labour-convened pan-European alliance could begin to seize the agenda and re-set the terms of the debate.

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