

Portugal Shakeup Draws International Policy Lines

Seventeen months ago the one-party Socialist government of Premier Mario Soares was set up in Portugal, in a maneuver coordinated in the main by the British-allied wing of the European Social Democracy under Willy Brandt of the West German Social Democratic Party. The explicit aim of Soares's government was to prevent a development-oriented, Communist-Socialist government from coming into being, and thus make it possible to submit the country to the International Monetary Fund's "Stability Plan" to loot Portugal dry.

PORTUGAL

But on Dec. 7 Soares' government was toppled after Soares lost a vote of confidence that centered on whether or not the IMF's harsh austerity demands would be honored. The crucial block of votes against Soares came from the Communist Party. Now the possibility is thrown open that some form of industrial-labor alliance, with Communist participation, may succeed Soares regime. The implications of this potential capitalist-Communist coalition against the international "British faction" and its monetarist policies, as represented most directly by the IMF program, are immense not only for Portugal, but for the rest of Europe, the continent's other Communist Parties, and most important, the Soviet Union.

Since the formation of his government, Soares' treacherous policies met with strong resistance from the Portuguese Communist Party (PCP) and the country's trade-union confederation Intersindical, as well as from sectors of the military, industry, and Soares's own party. This resistance increased exponentially since July 1977, with Soares's introduction of his "first austerity packet." The series of events which led to the Premier's ousting unfolded rapidly:

July 22: Backed by the votes of the neofascist Social Democratic Party and the Socialists, the Popular Assembly (Parliament) approved the IMF's "first packet," consisting mainly of undercutting the previously initiated Agrarian Reform by returning 80 percent of the expropriated land to its former owner, and the denationalization of state-controlled companies. The bill's constitutionality was challenged by the PCP. A special committee was appointed to make a decision. The government, however, had already been implementing a policy of returning land prior to the

official introduction of the bill, and continued to do so while its constitutionality was being debated.

Aug. 16: The PCP called for dissolution of the Popular Assembly and general elections, in view of the government's implementation of the IMF "first packet."

Aug. 20: Soares announced that a "second packet" would be implemented beginning Sept. 1. The second packet called for an increase on interest rates, reduction of wages in indebted companies, an initial 8 percent devaluation of the *escudo*, to be followed by a 1.5 percent monthly devaluation thereafter, and massive layoffs in the industrial sector. Implementation of the "second packet" was the precondition for a \$750 million loan by the IMF.

Aug. 30: Under the slogan "In Portugal it is not the government that dictates economic policy, but the IMF," the PCP initiated a mass mobilization campaign against the IMF throughout the country, together with a campaign to recruit 10,000 new members before the end of the year.

Sept. 13: A group of Army officers, prominently including Gen. Melo Antunes, denounced the counter-Agrarian Reform bill as unconstitutional. Gen. Antunes is one of President Eanes's closest collaborators.

Sept. 16: The counter-Agrarian Reform bill is declared unconstitutional.

Sept. 18: Manuelle Silva, Secretary for State Planning, resigned. "The first and second packets are not of a Socialist nature," he said.

Finance Minister Medina Orreira resigned.

Under Secretary of Treasury Pedroso asked to be replaced.

Oct. 4: Two hundred labor, business, and industrial representatives denounced the denationalization scheme as a "return to oppression and misery" and demanded that "democratic forces" prevent its implementation.

Oct. 13: Foreign Minister Jose Medeira Ferreiro resigned, ostensibly over disagreements on Portugal's Mideast and African policy.

Oct. 15: The political situation had tremendously deteriorated. Rumors that the government would not survive beyond October were increasingly repeated. President Eanes addressed the Parliament, calling for an alliance between workers, industrialists, and the political parties to elaborate a viable economic program. Foreign loans are of no use if they endanger national sovereignty and are not directed to industrial production, said the President, warning that he would

not hesitate to use his presidential powers (to dissolve parliament and either call new elections or appoint a new Premier) if need be.

Oct. 16: The PCP came out in support of Eanes. PCP Secretary-General Alvaro Cunhal stated, "The President's speech touched on the essential problems and opened up the way to solve them. The basis now exists to contain the offensive against the conquests of the revolution."

Oct. 20: Nineteen members of the Socialist Party's Central Committee went on national television to denounce Soares' "right-wing praxis" as exemplified by his IMF policies. Among the 19 is former Agricultural Minister Lopez Cardoso, head of the Workers Fraternity faction within the PSP. Workers Fraternity is the best organized faction within the Socialist Party, with a large popular base, six parliamentary deputies, and 13 members in the party's Central Committee.

Oct. 21: Soares gave Lopez Cardoso and his faction eight days to retract the denunciation or face expulsion from the party.

Nov. 9: Lopez Cardoso, together with the five other deputies, split from the PSP to form a National

Organization of the Democratic and Socialist Left. Workers Fraternity, he announced, "will continue to exist and will give full support to the new political movement. We will take the banner of a socialist democracy" which Soares has abandoned.

Nov. 10: A shakeup within the military which had started a month before was completed. The Commander of the Northern Region, a notorious anticommunist, was demoted for organizing against a Communist celebration of the October Revolution Nov. 7 in the northern city of Oporto. Similarly, the vice-chief of staff and other reactionary officials were demoted. Eanes was reported to be in full control of the military.

Nov. 11: The neofascist Social Democrats initiated a campaign against President Eanes, demanding that he be replaced. Rumors of coups and countercoups flew; and were strongly denounced by Eanes and the PCP. The PCP announced a series of demonstrations against the IMF and in support of Eanes.

Nov. 12: The IMF delegation negotiating the \$750 million loan goes back to Washington empty-handed, after the Bank of Portugal considers that restrictions on lending, high rates of interest, and further devaluation are not the answer. "These solutions have been described

The Implications For Moscow

General Secretary of the Portuguese Communist Party Alvaro Cunhal issued several calls for strengthening national development and production in Portugal. However, Cunhal's calls for alliances for industrial progress pose a crisis for policy-making bodies in Moscow who must now choose whether or not to support the PCP leader's efforts. Military hardliners who base their foreign policy on economic cooperation and the development of nuclear power like Soviet physicist G. Basov, who recently urged U.S. scientists to join his efforts to develop new technologies, would favor pushing Cunhal's development strategy ahead. On the other hand, a "soft" faction allied with Willy Brandt's Second International, including Soviet Academician Georgii Arbatov, supported the International Monetary Fund-backed government of Socialist Mario Soares.

The Italian (PCI) and French Communist Parties (PCF) face similar choices. Although the Italian Communist Party press now favorably reports on Cunhal's program, party leaders once prevented him from addressing a PCI conference. Support for Alvaro Cunhal would ease the cementing of an alliance for economic growth between the PCF and the Gaullists, while similarly allowing the PCI to consolidate its alliance with Prime Minister Andreotti. European press reactions appear below.

Unita, daily of the PCI, Dec. 9:

Soares was not able to resist the pressures coming from the right wing, neither to overcome his fear

about subscribing to an agreement with the Communists.

Paese Sera, linked to the PCI, Dec. 9:

Soares negotiated loans with imperialism which strangled Portugal's economy and compromised national independence... However, a PSP-PCP agreement is key for a democratic solution in Portugal. (Responding to a question on a new government formula in Italy)... the essential thing is not the government formula but the platform, the political program. If we agree on a platform, the composition of the government will be extremely simple.

Unita, Dec. 13:

The working class must mediate society and must be an instrument of cooperation between workers, technicians and industrial leaders, on an international level of cooperation. (Recent terrorist attacks against PCI leaders) must be understood as an attempt to sabotage the PCI's organizing for that alliance.

Pravda, Dec. 9:

That is what happens when one attempts to re-introduce capitalism and go against workers interests.

Le Monde (Paris daily) Dec. 9: (Interview with Antonio Lopez Cardoso, former socialist Agriculture Minister and Cunhal's ally.) The fight against Soares is a fight against International Monetary Fund austerity. (We must) restore to the PSP the policies which Soares abandoned.

as unsuitable for Portugal by leading Portuguese economists," reported the London *Financial Times*. "We must launch our industry and bring it up to EEC standards," said the economists.

Nov. 19: The PCP and Intersindical held a demonstration in Oporto — a reactionary stronghold, drawing 100,000 people — the biggest demonstration ever held in that city.

Nov. 20: The PCP and Intersindical held a demonstration in Lisbon attended by 500,000 people chanting "No to the IMF," the biggest demonstration ever held in Lisbon.

The Social Democratic Party held a demonstration in Oporto in support of the demoted Northern Commander. Oporto being their bastion, the reactionaries only drew 30,000 people to their rally. The commander was prohibited from attending by the Council of the Revolution.

Nov. 21: In a last ditch attempt, Soares submitted a negotiating platform to the opposition, and vowed to resign if it was not approved by Dec. 1. The IMF demands must be accepted, Soares stressed.

Nov. 22: Intersindical announced a series of daily anti-IMF demonstrations throughout the country for the rest of the week. In each case, workers' attendance set records for the biggest demonstration ever in each particular region.

Nov. 23: Rumors of an impending coup organized by the Social Democracy reached a peak. Talking at a military school, Eanes addressed the issue, calling it a "time of alert for the armed forces," and said that the "armed forces will defend intransigently the institutions of democracy."

Dec. 2: His program rejected, Soares asked the Parliament for a vote of confidence. Simultaneously, Soares began making overtures to the PCP, stating that if the Communist vote was in his favor he would

negotiate with them — but that the IMF demands had to be respected.

Dec. 5: The head of the Bank of Portugal resigns because, he said, "I do not agree with the IMF demands." A group of economists who believe that the only way to solve the crisis is by expanding Portugal's industry and economy was coalescing around him, reported the Cuban wire service *Prensa Latina*.

Dec. 7: The confidence vote is taken. Soares is defeated by the votes of the Communists and independents (Lopez Cardoso's faction) on the IMF issue. Had the Communists cast their votes with Soares, he would have had a clear majority.

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What Is The PCP?

"The moral principles of the proletariat do not 'dissolve the individual in the masses' as some pretend, but they elevate the individual consciousness and personality, transmitting to them the moral force of the class. . . . The humanist character of the proletarian derives fundamentally from the fact that the interest and objectives of the proletariat coincide with those of the future of humanity as a whole."

— *The Superiority of Communists* by Alvaro Cunhal in *Problems of Peace and Socialism*, January 1974

Below are statements issued in official PCP publications which indicate the party's principles and perspective:

On nuclear power:

The problem we are facing today is the shortage of conventional energy resources, which therefore will

Europe's Chances

Support by Western Europe for a Cunhal-supported government in Portugal would put a monkey wrench in the plans of Britain to allow Portugal, Spain, and Greece into the European Economic Community only on the condition that it act as a slave labor pool for labor intensive agricultural projects.

West Germany has already moved toward an appropriate policy regarding Portugal:

•President Ramalho Eanes arrived in West Germany for conversations with Chancellor Helmut Schmidt and industrial leaders Dec. 12. Portugal will be negotiating a \$200,000 million loan from West Germany and the possibility of West Germany organizing an international consortium loan outside of IMF channels.

•Dec. 8 the conservative West German daily *Frankfurter Allgemeine Zeitung* editorially called for a PSP-PCP agreement as a solution to the economic and poli-

tical crisis. The same day the *Münchener Merkur* characterized Soares as the same kind of socialist as Willy Brandt.

•On Dec. 10 Italy's conservative daily *Il Giornale* reported that "West Germany considers it very important to keep up trade relations with Portugal in spite of the country's economic situation."

Western Europe can assist a Cunhal-supported government develop a Hamiltonian form of national bank where a sound policy of agricultural reform and state industry sector is developed, along with viable guidelines for the nationalization of privately owned foreign firms, so as to avoid the problems facing Cuba in 1960-61, and guidelines for expanded foreign investments into Portugal as part of technology transfers. Under such conditions, Portugal will be able to join the EEC as a full fledged member acting as a bridge between Europe and Africa, in particular Angola and Mozambique, for the development of that continent.

have to be replaced. . . A long term nuclear strategy, that is, which opens up the horizon for a nuclear era, must satisfy several requirements, namely:

- 1) adopt a realistic, more evolutionary vision of technological development;
- 2) guarantee the efficient exploitation of the nuclear raw materials available;
- 3) plan ahead of time to meet all the general technical and economic preconditions. . .

On Agrarian Reform:

An agricultural policy must be based on a high influx of technology into the fields, coupled with a policy of low interest loans to farmers and peasant agricultural collectives. Farmers and peasants must be educated to enable them to produce more and better.

On Foreign Investments:

The PCP is not against foreign loans or foreign investments in Portugal, but opposes that political and economic conditions which hinder the sovereign rights of the Portuguese people be attached to that aid. Under conditions of mutual cooperation and respect we could accept foreign aid for productive investment.

What others have to say:

O Globo, Brazil, Oct. 15: The PCP is the best organized political force in the country. In spite of the electoral defeat it continues to have a high profile all over Portugal. It has almost 120,000 members. It has three publications: *O Diario*, a daily; *Avante*, a weekly; *O Militante*, a theoretical magazine. Besides, it controls *Diario de Lisboa* and owns a chain of bookstores in all the main cities. Their offices sometimes occupy five blocks.

O Globo, Brazil, Dec. 12: As it is known, to rule without the Communists — under the present conditions — is impossible. The PCP controls the only trade union confederation — Intersindical — and can paralyze the country. On top of that, its members are the best organized and

most loyal. Hence, the need to make “concessions” to the Communists even if they are out of the direct power sphere.

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The Wishful Thinkers

New York Times, Dec. 12, “Testing Democracy in Portugal”

The fall of Portugal’s Socialist government this week is not the failure of its experiment in democracy . . . nor is it a failure for the nation’s impressive leader, Prime Minister Mario Soares. His choice of a parliamentary defeat over the available alternatives revealed his deep commitment to moderation and to the ideal of a broadly based government . . . The foreign debt is still expanding and help is needed from the International Monetary Fund. To qualify for help, harsh austerity measures will be required. Mr. Soares was prepared to consider them . . . Whatever government emerges will have to face up to austerity. We can only hope that it will be equally bold in nurturing a still vulnerable democracy.”

The Washington Post, Dec. 12, “Lisbon’s Revolutionary Ardor Fades”

. . . The country is taking the fall of Socialist Premier Mario Soares very much in stride, convinced that this is an episode and not a tragedy. During the feverish political events two years ago, sound trucks roared up and down the magnificent Avenida da Libertado crying “Defend the revolutionary conquests of April 25” or “Death to fascism and imperialism” . . . Compromise, coming to terms with a difficult existence, is much more the style here than conflict or violence. So the leader of the conservative Christian Democrats suggests that Soares include a Communist minister in his next government. This, it is thought, is the best way to discourage the workers’ chief political representative from rocking the boat.

EEC Postpones Decision On Davignon Plan

Europe’s steel and shipbuilding industries are facing serious crises and having a hard time warding off the plans of European Economic Community’s Commissioner for Industry, Etienne Davignon, for “rationalization” regardless of conflicting national sector industry plans.

EEC

Davignon has made little secret of the fact that his industrial outlook will complement the Jenkins Commission’s proposals for European economic and monetary integration under what many critics consider British hegemony. So far, panic within Europe’s depressed steel and shipbuilding industries has forced some compliance on the generalities of the Davignon

proposals, but no major steps have yet been taken to implement them in full. On Nov. 21 the meeting of the Nine’s Economic and Finance Ministers postponed a decision on steel until Dec. 19. In shipbuilding, Davignon, through the EEC Commission, is threatening to withhold the Community’s Regional and Social Funds from those national governments that refuse to comply with his long-term plans for restructuring the industry.

With a plethora of antidumping suits brought by U.S. producers hitting them European steel makers are in trouble. Consumption by EEC steel users is down by 5-6 percent in 1977 as compared to 1974, and the position of EEC producers has continued to erode with imports to the EEC rising by 67 percent and exports from the EEC dropping by a full 27 percent since 1974. Cheap imports have been flooding the European market with South African imports rising eight-fold, Spain up by 95 percent, and the East bloc by 78 percent.