

ESTORIL POLITICAL FORUM 2021
On the 80th Anniversary of the Atlantic Charter:
Structuring a New Alliance of Democracies

Adolfo Suárez Memorial Debate
Preparing for a post-Covid world: the view from Iberia and Latin America
19.October.2021

Speaker

José Miguel Sardica

[Faculty of Human Sciences – Catholic University of Portugal]

I would like to start by thanking the Institute for Political Studies the kind invitation to be one of the speakers of the «Adolfo Suárez Memorial Debate», and also to greet, very empathically, the host – Madam Ambassador –, chairs and fellow colleagues gathered at this table, all students and public at large. As agreed in advance with Prof. Charles Powell, I will specifically focus on Portugal as a playing part of a post-Covid world.

1.

In the beginning of 2020, reasons for optimism seemed to abound in Portugal. GDP had registered its 25th quarter of continuous growth (2.6% in the last quarter of 2019); unemployment was at the lowest record since the start of the decade (6.9%); public debt was diminishing (116% of GDP against 121% in the previous year); and, for the first time in more than four decades, the country had attained a positive balance budget. Socialist governmental propaganda paraded these (and other) numbers as a Portuguese miracle – in one of those “leap forward” spasms of patriotism that so regularly have accompanied national history.

All things changed dramatically from March 2020 onwards when Covid-19 hit hard around the globe, forcing countries into lockdowns and economic / social downturns. In the last 19 months, Portugal entered the same merry-go-round of others, with the pandemic numbers. Health wise, the first wave was not very deadly, compared to other countries in Europe or elsewhere. However, in the winter of 20-21, “miraculous Portugal” turned into a medical,

economic, social and educational backlash. Hospital admissions and Covid deaths soured, reaching more than 15,000 infected and more than 300 casualties per day. A second general lockdown came for weeks, and Portugal, alongside Spain, faced the largest economic contraction in the EU, while putting up one of the smallest budget aids to crisis victims (less than 5% of GDP, against 15% in Germany or the US). 2020 saw a sharp downfall of 7.6% in GDP, while public debt/GDP ratio jumped to 138%, the 3rd worse in Europe, after Greece and Italy. Unemployment, wage reductions and poverty also worsened, though real numbers have been masked by the ticking-bomb of corporate layoffs and credit moratoria. Tourism, the n. 1 industry from which Portugal is indeed overdependent, receded to 2008 levels, inflicting a cascade of negative effects on so many businesses and families.

Yes, it is true that the Portuguese were not alone in the global economic contraction and human sufferance. What I want to emphasize is how, because of pre-existing structural reasons and in light of noticeable features of our post-Covid options, Portugal risks missing the upsurge bounce effect that other countries are already surfing, reopening their economies, sponsoring social recovery and having a go in the coming years. Let me try to reason this, by stating how much the near past can indeed be a blocker for the near future.

2.

Portugal changed variously in the last decades, especially since its EEC entrance in 1986, transitioning from a poor, agriculturally based and feeble knowledgeable country to a modern, urban, literate nation, closing some gap towards the EU average standards. However, as many still point out critically, structural blockages persisted – and the current national pandemic crisis was harder than elsewhere precisely because of them. An under skilled and poorly paid workforce; a low productivity economy; the strictness of labour legislation; a bureaucratic and over regulatory state; a very high tax burden; social inequality and profound imbalances divorcing the urban-coastal Portugal from an abandoned and aged interior – all this produced, since the dawn of the century, residual annual growth rates of around 0.5%, while GDP per capita

has been 20 to 30% lower than the EU average since 2000. The overweight of the state on economy, society, families, private businesses and entrepreneurship is a national feature, determining a continuous public indebtedness and a weakening and impoverishment of the civic fabric. Party politics tend to rule governmental policies and, through ill-suited ideological options or lack of resources, the state intervenes too much where it should stand down, and is unable to fulfil adequately those tasks where a smaller and operational state should act.

The reaction to the health crisis showed how public and private actions must combine to foster solutions and relief. The National Health Service was tested to its limits, and was able to match immediate demand (vaccination numbers showing it), despite the array of medical care not provided to diseases other than Covid; more important, there was a gigantic civic mobilization, from all sides of society. If such a collective and social answering pattern should prevail in “normal” times, perhaps Portugal would be better off. This goes to show that the Portuguese are as able to go the extra mile in abnormal times, as they seem to be somewhat sleepy outside critical moments.

Signs of hope then could lift our spirits. However, many other signs aligning seem to force us to be shrewd, realistic, and perhaps even pessimistic, about the Portuguese near future. Approved in February 2021, the PRR (Portuguese acronym for Recovery and Resilience Plan), will pour into the country until 2026 around 16.6 thousand million €, out of the 750 thousand million approved by the EU. Prime Minister and pundits have been calling it a financial ‘bazooka’ to foster a more sustainable, inclusive, digitalized, efficient, and ‘green’ country. The PRR has thus gained, in public debate or electoral propaganda, a sort of ‘god-like status’, a miraculous gift that will solve every problem. Herein may reside, precisely, the biggest question conditioning any Portuguese post-Covid scenario.

According to the Eurostat, even before the PRR, Portugal was already the EU member with the largest dependency rate on European funds (c. 80%). With a general election coming in two years (October 2023), I am afraid that

the government will have the temptation of governmentalizing the Portuguese recovery plan in a Keynesian public spending model, instead of allocating funds to whom and where they are called for to unleash the productive potential of the country. Many analysts are warning against the risk of just pouring money into bad options, without energizing a much-needed private sector and some key public policies with a real positive impact – which would imply boosting productivity, competitiveness and exports and creating wealth, to reduce poverty, foster social and territorial cohesion, help families, businesses, ideas and people to strive after such a dire strait. Simply put, if captured by political spending, the Portuguese ‘bazooka’ risks being yet another misused opportunity, unable to change the overall stagnant path registered in the last 20 years.

3.

In the post-Covid (hopefully) ‘brave’ new world, departing from the saddened ‘grave’ new world of these last 19 months, Portugal must collectively be watchful of its government and its ruling elites. The country needs civic awareness and action to define new political goals, social bonds, working habits, a growing economy, a science meets tech and culture environment, all this attainable through structural reforms (in the state institutional apparatus, in the fiscal policies, in the judicial system, etc.). The PRR, as an instrument, and the government, must be a means to an end and not the end in itself. Furthermore, Portugal should turn outwards for a better place in the world, using its historical Latin Atlantic identity and outreach as a soft power to cooperate with other continents and to work, with Spain, to turn the Iberian Peninsula into an important geographical counterpart to the post-Brexit European Easternization tendency.

Imbedded in a VUCA (the acronym for volatile-uncertain-complex-and-ambiguous) world context, the post-pandemic moment will certainly be very testing for such a small, problem-riddled but historically surviving nation like Portugal. Whether the country will meet the test, and be able to close the gap towards the EU average, only time will tell.