Statements by Member of the Board Carlos Marinheiro to Sanlian LifeWeek (China)

Carlos Marinheiro, member of the CFP Senior Board, was interviewed, in writing, on 14.07.2013, by the journalist Zou Shan from Sanlian LifeWeek, one of the most widely circulated weekly magazines in China with 300,000 readers per week, in more than 30 Chinese large cities. It is published by Sanlian Publishing House of China Publishing Group. Sanlian Publishing House was founded in the 1930s and is one of China's largest publishing houses of long history.

The interview was about the economic and political situation in Portugal at that time. His statements were used in a larger article on this subject published on 15 July 2013.

Zou Shan: Could you describe how has the austerity impacted the overall economic landscape, as well as the daily life of Portuguese?

Carlos Marinheiro: The Portuguese adjustment programme resulted from excessive public (and private) debt accumulation coupled with a large external imbalance. When in 2011 there was a sudden stop of external financing, there was no other option than to ask for external financial assistance to the European Union and the IMF. An adjustment programme followed. The austerity measures have so far been concentrated in increased (indirect and direct) taxation, and in nominal wage decreases for public servants, and some pensioners. This had a negative impact on domestic demand, which resulted in a GDP decrease. The unfavourable external environment, with the ongoing recession in the euro area, has hindered the adjustment of the Portuguese economy, and increased the depth of the recession. Unemployment is at a maximum. On the positive side, there was a very fast correction of the external deficit, through both increased exports and reduced imports. On the daily life there was a very negative impact on the confidence level of Portuguese households (and firms that sell for the domestic market). People who are currently employed are afraid of losing their jobs, increasing their precautionary savings, reducing consumption.

Zou Shan: Now as Prime Minister reshuffles cabinet, as far as you’re concerned, to what extent will this decision help Portugal to recover from the ongoing crisis?

Carlos Marinheiro: The reshuffling of the government is now on hold since last week’s communication of the President of the Republic, which called for a medium term agreement between the three political parties that signed the adjustment programme with the international creditors (that is the two coalition parties – PSD and CDS- and the Socialist Party, which was in the government at the time of the signature of the programme, and is now the major opposition party). Political uncertainty has increased considerably since. An agreement on the principles of fiscal responsibility between such three political parties could help to solve permanently the deficit bias which is one of the roots of the present crisis, but will be very difficult to attain.