

THE ART OF POLITICAL PERSUASION

Leadership in tough times is about keeping focused on the big picture and not getting lost in day-to-day difficulties, **Pedro Passos Coelho**, Portugal's Prime Minister tells Brunswick's Rurik Ingram

Ronald Reagan, in answering a reporter's question about his political legacy, once remarked, "I wasn't a great communicator, but I communicated great things." The art of political communication has changed radically in the age of mass media, but its central objective for national leaders is to maintain focus on the "great things" that Reagan referred to, the big ideas, the overriding goals for society, and not to get distracted by the inevitable political squalls that come and go. That, of course, is not easy to achieve and is particularly challenging during times of great crisis – and, really, when are governments not dealing with some kind of crisis?

Leaders of the European Union have a further challenge – not only to address traditional national interests but also the greater "European Project," which in historical terms is still a fresh and, in many ways, untested concept. For Portugal's Prime Minister, Pedro Passos Coelho, the need to support both national and European goals is as acute as for any of his fellow EU leaders. His center-right Social Democratic Party (Partido Social Democrata, PSD) was founded in the 1970s in the wake of Portugal's transition from dictatorship to democracy and, like post-Franco Spain, the country's accession to the EU in the 1980s (part of the "Mediterranean enlargement") played a significant role in cementing the country's democratic development and the modernization of Portugal's economy.

Since the 2008 global financial meltdown triggered a European sovereign debt crisis, putting severe strains on the euro currency system of which Portugal is a founding member, it has become a huge challenge for European Prime Ministers such as Passos Coelho to resist the temptation to play to their domestic political audiences at the expense of broader European cohesion.

Passos Coelho says that his most important communications objective is to keep the electorate focused on long-term goals as it deals

with current economic strains. "One needs to look at the big picture that we have ahead of us," he says. "The biggest challenge is to mobilize people so they can carry out these transformations and not get lost in day-to-day difficulties. Unless we remain focused on the final goals and accept the difficulties along the way, we will not be able to maintain our momentum and see reforms through."

Those "day-to-day difficulties" refer to the consequences of a program of painful reforms tied to a €78bn (\$101bn) debt bailout. Some of the measures – domestic spending cuts, including public sector wage cuts – have led to opposition from many constituents, including some of those usually supportive of the PSD. However, Passos Coelho's government has so far weathered the storm. According to the Economist Intelligence Unit, the analysis arm of *The Economist* newspaper, "Midway through the program, which provides fiscal financing through to mid-2014, the coalition has received broadly positive appraisals from the troika of international creditors (the European Commission, the IMF and the European Central Bank). However, the government's domestic standing has fallen, as the rise in unemployment has far outstripped official forecasts. With both coalition parties backing plans for spending cuts of €4bn during 2014-15, the risk of a political crisis in the near term appears low."

Portugal's favorable reviews include a *Financial Times* assessment that the pain is paying off; reports show that exports for 2012 were up by 5.8 percent, while imports fell by 5.4 percent, thus cutting the trade deficit by €5.6bn to €10.7bn. The *FT* noted, "Portugal's third consecutive year of export growth above 5 percent is likely to be seen by eurozone policymakers as evidence that the austerity measures they advocate for the region's debt-ridden periphery are working by forcing down wage and other production costs to make exports more competitive. A recent report by Standard & Poor's, the credit rating agency, said Portugal was 



Pedro Passos Coelho

Pedro Passos Coelho was born in Coimbra northern Portugal in 1964, lived in Angola until the age of nine, then spent his teens in Vila Real, also in the north. He holds a degree in Economics from the Lusíada University, Lisbon.

Passos Coelho was involved in politics from an early age and was a member of the National Council of Social Democratic Youth. He rose through the ranks of the Social Democratic Party to become Deputy Leader and Spokesman in 1991, Leader in 2010, and Prime Minister in June 2011.

He has held senior management positions in several private sector energy and environment companies.

one of several peripheral European economies that was 'adjusting externally with speed,' with exports leading the way. This could help Portugal, Ireland and Spain to return to economic growth earlier than anticipated, the report added. Portugal's goods and services exports were at an all-time high, S&P said, with sales to non-EU countries, especially China, Brazil, Angola, Mozambique and the US, continuing to grow rapidly."

Positive reinforcement like that is necessary when navigating a financial crisis like the present one, but it tends to help more with "external audiences" than with the electorate whom you serve, says Passos Coelho. "Major imbalances that have accumulated over the years have created an image of Portugal that is now being rapidly corrected, and this is very impressive to foreign observers. However, internally this is not as obvious. We use the same language and the same terms with both foreign and domestic audiences, but we often receive a more positive response from those looking at the country from the outside."

But the Prime Minister emphasizes the importance of a consistent message to both external and internal audiences, even though there may be a cost in terms of domestic politics. "Certain politicians feel the need to give different speeches depending on whether they are speaking to audiences that are overseas or at home," he says, with many tempted to blame the country's situation on external forces in order to gain sympathy from the electorate. That's a fool's game in the world of modern communications, he says, when "whatever is said today in Parliament, or during a company visit, is immediately heard in all corners of the world, be it through diplomatic channels or global communications. So, maintaining a consistent message on both fronts [internally and externally] is essential. My goal has therefore always been to use the same language, the same explanations and the same communications focus inside and outside the country."

EXTERNAL PERCEPTIONS

Recent studies confirm the importance of consistent communications from politicians across the EU. An analysis in November 2012 by Christian Conrad and Klaus Ulrich Zumbach of Heidelberg University, for example, found that statements by European politicians in relation to the sovereign debt crisis had a significant and immediate effect on European financial markets, with statements about measures being taken by the so-called periphery countries having the strongest effect on markets. It follows that inconsistent or conflicting messages from a country negotiating a debt package and the central agencies with whom they are negotiating will have a negative effect on bond yields; thus a country's cost of borrowing will rise. And that ultimately conflicts with the interests of the domestic audience.

External perceptions of the country can still be problematic. "In Portugal, the strikes that sometimes happen are often seen abroad as a sign that there is strong resistance to reform," says Passos Coelho. "But democratic countries have strikes. The system works. The democratic mechanisms that exist in any country should not create excessive levels of uncertainty or jeopardize reputations. This has been a big challenge for us in terms of communications."

There is another big challenge for Passos Coelho. In April, Portugal's Constitutional Court declared that a number of measures contained in the State Budget for 2013 were unconstitutional. But the Prime Minister might take comfort from some media reaction. *The Economist* wrote, "... since its rescue, Portugal has been most devout in repentance ... without Greece's histrionics, Italy's foot-dragging, France's carping about austerity or Spain's

shrill demands for help ... One may wonder if judges are best placed to make economic policy or to rule dispassionately on public sector salary cuts." Even though Passos Coelho admitted that this development raised some uncertainties as to the ability to deliver successfully what had been agreed with international partners, the Prime Minister made a televised address two days after the Constitutional Court's ruling, reaffirming his strategy and vowing to close the new gap with fresh cuts without raising taxes.

STRATEGIC DIRECTION

Though active in politics from an early age, Passos Coelho also has considerable private sector experience, having held senior management positions in several companies in the energy and environment fields over the past decade, while also lecturing and serving as Chairman of the Vila Real Municipal Assembly. Has that experience helped him in his role as Prime Minister?

"A great deal," he says, "because in a way what is most important in a company also turns out to be decisive on a country level: that is, to maintain a strategic approach. As the leader of a company you will always have

to answer to your shareholders, consider who you are up against in the market and prepare for any threats you might face – even if you are doing well. Likewise, when leading a country, you must have a clear strategic direction. Only then, for example, is it possible to cope with the task of approving very difficult budget cuts that include sharp spending reductions – especially in the social area – while at the same time raising taxes. People will only understand these measures if they understand the strategic

direction you're taking. What we are doing in Portugal, thanks to the new European rules and also the experience that many of the people in government bring from the private sector, is not simply to present a budget for the next year, but to lay out the medium- and long-term prospects for the Portuguese economy."

This cross-fertilization of ideas between business and politics is not new. Since industrialization, there have been businessmen in politics and politicians in business – but the nature of communications for both business and politics has changed radically in recent decades. Just as the senior reaches of private sector management have become more and more "professionalized," so have the senior political ranks. Furthermore, the growth of new digital platforms and devices in the past decade, including mobile and social media, has changed the nature – and speed – of political communications.

The Passos Coelho administration has followed this trend. But for all that politics has adopted of the private sector's approach to communicating, the nature of politics remains fundamentally different, Passos Coelho recognizes. "There is a great difference: companies can be more agile than public structures, especially in Portugal where, in a way, we still have a very rigid state. When an economy is dependent on public regulation and this regulation is slower than the markets and economic agents, it becomes a burden and our state is still heavy and slow. This is one of the big tasks we have ahead of us: to reform the state into a more agile and flexible instrument so it can do what it has to do. A CEO is able, after drawing up an action plan, to have tasks implemented and see the results relatively quickly. With a country, the results take longer to surface." Amid the reality of rapid political life cycles and the sclerotic pace of bureaucratic change, Passos Coelho remains positive. "This is the transformation I hope to see materialize in Portugal, to make the results of our actions more visible."



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Just as the Obama administration found the transition from running a vibrant and successful election campaign to the business of running a government exceptionally challenging, so Passos Coelho's government has found this transition tough. "There are clear differences between the intense scrutiny of a Prime Minister and that which a candidate from the opposition would receive. When we are part of the opposition, we want to present the people with an idea of change. When we are in the government, we must not lose sight of the dream of change, but also remember that we have to deliver these changes. People don't want to see a big difference between what was promised and what is executed. In my case, I have tried to close this gap and meet expectations."

REPUTATION

Though Portugal has gained respect from international financial markets, the country's sovereign debt rating, along with its reputation, was dented together with several other European countries when rating agencies downgraded their debt because of the ongoing eurozone crisis. How has Passos Coelho responded?

"A good reputation can be destroyed in a very short time," he says. "And a good reputation takes a long time to build. The imbalances are being corrected at a faster pace than we had expected. Commitment to our partners is sacred in implementing our obligations. This is something that the country acknowledges and recognizes, and those who we deal with, such as the troika, know we respect our agreements. I believe our reputation – of transparency in addressing problems and carrying out our agreements – is now being entrenched."

Portugal has always, in boxing terms, punched above its weight in certain areas of the world, particularly in what are now described as

developing countries. Is that still the case? "Portugal has a very privileged relationship of openness to the world – much of its history is about relationships, rather than isolation. This gave us a great ability to relate to the outside world and to trade cultural values with countries on the other side of the Atlantic, Pacific and Indian oceans. This rich heritage of globalization is so relevant today. We have an effective and direct relationship with many nations that are in the community of Portuguese language countries [see map below]. We have access to markets that goes beyond these individual countries, so when we look at Brazil we are looking at all of Latin America; when we look at Angola and Mozambique, we are looking at not only Southern Africa but also an important part of sub-Saharan Africa; when we look at Timor-Leste, we are looking at Singapore and Indonesia."

Portugal also has an interesting relationship with China, rooted in its historical links with Macao, the Chinese region which formerly served as a Portuguese trading post. "Today we have the opportunity to develop, possibly more than other European countries, a relationship with China that will be crucial for global trade in the next few years. As such, I see Portugal as an actor in the globalization process in the sense that we can be in several markets with confidence and act as an anchor for future relationships."

When Passos Coelho considers Portugal's place in the world, he returns to one of his biggest challenges at home. "Most of all, we need to continue reforming public policy in order to allow the Portuguese economy to grow and to liberate the creative forces of the Portuguese people." 🇵🇹

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Lusophone map of the world

One of Portugal's most successful exports is its language. Prime Minister Pedro Passos Coelho explains, "We have an effective and direct relationship with many countries that are in the community of Portuguese language countries ... and we have access to markets that goes beyond these individual countries. So when we look at Brazil, we are looking at all of Latin America, when we look at Angola and Mozambique, we are looking at not only Southern Africa but also an important part of Sub-Saharan Africa, and when we look at East Timor, we are looking at Singapore and Indonesia."

	Brazil	201m
	Mozambique	24.1m
	Angola	18.5m
	Portugal	10.8m
	Guinea-Bissau	1.6m
	Timor-Leste	1.1m
	Cape Verde	531,046
	São Tomé and Príncipe	186,817

Source: CIA World Factbook

