

# Austerity triggers Portugal standoff

MADRID

The opposition batters government over plans for additional measures

BY RAPHAEL MINDER

Portugal's government was fighting for its survival Tuesday amid a political standoff over its plans to introduce new austerity measures as it tries to avoid a bailout by the European Union.

Prime Minister José Sócrates called an emergency meeting of officials from his Socialist party on Tuesday night ahead of an expected parliamentary vote Wednesday that could force the resignation of his government.

But opposition parties led by the Social Democrats have said that they will not endorse further austerity measures because such measures would hurt elderly people and other vulnerable members of society, and could risk further delaying Portugal's return to economic growth.

Instead the Social Democrats are demanding an early general election, possibly opening the door for the formation of a coalition government between Portugal's main parties.

The Socialist government of Mr. Sócrates has been in power for six years but rules without a parliamentary majority. His main opponent and the leader of the Social Democrats, Pedro Passos Coelho, said earlier this week that an early election was inevitable.

Vasco d'Orey, an independent Portuguese economist, said that the timing of the political dispute was particularly hurtful, just as European Union leaders were preparing to discuss measures that are designed to ensure the viability of the euro zone but that would also have a direct bearing on Portugal's own ability to avoid a bailout. "We have made sure that there are huge thunderstorm clouds over Portugal right now, and we need to return to a clear horizon as soon as possible," he said.

Portugal's political battle comes ahead of a two-day meeting this week of E.U. leaders that is expected to result in a strengthening of the European Financial Stability Facility — the emergency funding mechanism designed to come to the rescue of ailing euro economies.

Shortly after presenting his latest austerity plan — a mix of tax changes and spending cuts — Mr. Sócrates warned that he would quit if lawmakers did not endorse the measures ahead of the E.U. meeting. But Mr. Sócrates had also threatened to resign last year dur-

ing a lengthy standoff with the Social Democrats over his 2011 budget plan. The budget was finally endorsed, with Social Democratic lawmakers abstaining in the parliamentary vote.

In a policy paper released Monday, the Social Democratic Party suggested that the government no longer had a handle on the economy.

The government, according to the paper, "has largely been reactive to external pressure rather than proactively seeking to address Portugal's main economic challenges through its own volition." The party's policy paper concluded that "a broad coalition for change would improve the political legitimacy of such a program as well as current market perceptions of Portugal's risk."

Under Portugal's political system, should Mr. Sócrates tender his resignation, it would then be for Portugal's recently re-elected President, Anibal Cavaco Silva, to decide when to call a general election.

In the meantime, investors are expected to increase the pressure on Portugal to seek emergency funding by raising its borrowing costs further because of the additional concerns that an extended period of political instability might generate. In recent weeks, the yield on Portugal's benchmark 10-year bonds has stayed above 7 percent — a level that Finance Minister Fernando Teixeira dos Santos, in an appearance before Parliament earlier this month, described as unsustainable for Portugal in the medium and long term. On Tuesday, the yield stood at 7.4 percent.

This week, Mr. Teixeira dos Santos also warned that any failure to enact the austerity package would push the country closer to following Greece and Ireland in needing a bailout.

"In such moments, a political crisis amounts to a big push to ensure that we fall into the arms of outside aid," he said.

But the government has insisted that the additional measures will be sufficient to avoid emergency funding and instead meet the government's goal of cutting its budget deficit from an estimated 7.3 percent of gross domestic product last year to 4.6 percent this year. Portugal has been among a handful of euro nations in investors' line of fire for the past year after posting a record deficit of 9.3 percent in 2009.

The latest austerity package is the fourth proposed by the government in the past year, and the credibility of the government has been further undermined because of Portugal's worsening economic outlook. In January, the Bank of Portugal forecast that the economy would contract 1.3 percent this year.



**Saying no in Kiev** The Ukrainian government's plans to cut education spending prompted teachers to protest on Tuesday. GLEB GARANICH/REUTERS

## Ex-leader of Ukraine is murder suspect

MOSCOW

BY MICHAEL SCHWIRTZ

A former president of Ukraine has been named a suspect in the murder of a prominent investigative journalist in 2000, the Ukrainian Prosecutor General's Office said Tuesday.

The suspect, Leonid D. Kuchma, Ukraine's president from 1994 to 2005, has repeatedly denied involvement in the murder of the journalist, Georgy Gongadze, and has withstood many attempts to bring him to trial for the crime.

But in a case that has become a test of Ukraine's ability to break fully with an era of raucous and sometimes violent politics after the collapse of the Soviet Union, prosecutors now say they have gathered enough evidence to link that era's most prominent Ukrainian official to the killing.

"Leonid Danilovich Kuchma is suspected of overstepping his authority,

giving illegal orders to officials from the Interior Ministry that led to the murder of the journalist," Renat Kuzmin, Ukraine's first deputy prosecutor general, said at a news conference in Kiev.

Mr. Kuzmin did not provide specifics on the allegations, saying only that the investigation was continuing. Mr. Kuchma has not been arrested and it is not certain that he will be. He has been barred from leaving Ukraine.

It is unclear why prosecutors have only now opened a criminal case against Mr. Kuchma, nearly 11 years after Mr. Gongadze's headless corpse was discovered in a forest outside Kiev. The decision comes a year after Mr. Kuchma's onetime protégé Viktor F. Yanukovich was elected president.

The murder became a rallying point for leaders of the so-called Orange Revolution in 2004, which thwarted Mr. Yanukovich's first presidential bid after it became clear that he had stolen the election with Mr. Kuchma's aid.

Mr. Gongadze was a young, tech-savvy journalist who founded a muck-raking Internet newspaper, *Ukrainska Pravda*, shortly before he was killed in September 2000. He had rankled the authorities with reports on corruption and nefarious political dealings.

Almost immediately after the murder, Mr. Kuchma's opponents began accusing him of complicity in the crime. That year, a former bodyguard released tapes in which a voice similar to Mr. Kuchma's is heard discussing Mr. Gongadze with Ukraine's interior minister, telling the official to "drive him out; throw him out."

The authorities have jailed two former police officers for carrying out the murder, and a third is awaiting trial.

But the identity of the mastermind has long been elusive. Last year, prosecutors said Mr. Kuchma's interior minister, Yuri Kravchenko, had ordered the killing. By that point Mr. Kravchenko was already dead, shot in 2005 in what the authorities called a suicide.

BRIEFLY

### Europe



BRDO PRI KRANJU, SLOVENIA

#### Medvedev distances himself from Putin's stance on Libya

Remarks by Prime Minister Vladimir V. Putin of Russia on the United Nations resolution authorizing armed intervention in Libya were his own personal opinion while President Dmitri A. Medvedev expressed Russia's official position, Mr. Putin's spokesman said Tuesday.

Mr. Medvedev appeared to rebuke Putin on Monday for comparing Western calls for action on Libya to the crusades, in a sharp public difference between Russia's two top leaders. (REUTERS)

LONDON

#### In illegal entry crackdown, U.K. tightens student visas

Home Secretary Theresa May announced Tuesday restrictions on student visas after the government expressed concern that they provide an easy route into Britain for those seeking to sidestep stringent immigration controls.

Immigration by students has more than tripled in 10 years against a backdrop of an "increase in abuse in the higher-education sector," Ms. May said in Parliament.

The home secretary blamed "bogus" institutions for allowing in underqualified students. (BLOOMBERG)

DUBLIN

#### With more Catholic police, Ulster hiring policy will end

The British government said Northern Ireland's police force will stop being required to hire a certain number of Catholics over Protestants after a decade of swift social change.

Northern Ireland Secretary Owen Paterson said Tuesday that the affirmative action policy in force since 2001 could no longer be justified because the Police Service of Northern Ireland was now nearly 30 percent Catholic.

Reform of the overwhelmingly Protestant police force was a central goal of the 1998 Good Friday peace accord, which ended decades of sectarian violence. Only 8 percent of police officers at that time were Catholic. (AP)

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