

Portugal braced for political crisis

By Peter Wise in Lisbon

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Portugal faces an imminent political crisis that could force the government to resign, trigger a snap election and make an international financial rescue inevitable, according to government ministers and opposition leaders.

The minority Socialist government is almost certain to be defeated on Wednesday in a parliamentary vote on a [new austerity package](#), leaving José Sócrates, the prime minister, with little alternative but to resign.

Opposition parties have refused to back the austerity measures, which Mr Sócrates planned to take to a key European Union summit meeting at the weekend as proof of Portugal's determination to avoid a bail-out.

Pedro Passos Coelho, leader of the centre-right Social Democrats, the main opposition party, rejected a government offer for talks on the measures on Monday night, saying an early general election was "inevitable".

Luís Amado, foreign minister, accused opposition parties and the government of "playing dice" with the Portuguese economy and making a snap election two years ahead of schedule increasingly probable.

The austerity measures are designed to [calm nervous financial markets](#) where Portugal's borrowing costs have soared to what the government acknowledges are unsustainable levels.

According to Fernando Teixeira dos Santos, finance minister, a government crisis would further undermine confidence and represent "a big push" towards seeking a financial rescue from the EU and the International Monetary Fund.

If Mr Sócrates resigned on Wednesday, he would be expected to attend the EU summit as Portugal's outgoing prime minister in a caretaker capacity.

It would fall to Aníbal Cavaco Silva, Portugal's conservative president, to set the date of an early election after consulting political parties.

The clash between the government and PSD follows the unveiling earlier this month of Portugal's fourth austerity package in 12 months and its endorsement by the European Commission and the European Central Bank.

Mr Passos Coelho, who seeks to replace Mr Sócrates as prime minister, accuses the government of making commitments to the EU without having secured the necessary support to see the measures through parliament.

In an open letter explaining its position in English, the PSD said the new austerity package reflected "the continued failure of government to implement a coherent, credible and sustainable program of structural reform aimed at fiscal consolidation, public debt reduction and economic growth".

The government defends the austerity measures as part of its medium-term growth and stability programme, which every eurozone government has to update annually and submit to the Commission in April.

Mr Passos Coelho, who enjoys a lead in opinion polls, said he fully supports Portugal's deficit-reduction targets, but his party has not yet specified alternative measures for meeting the objectives.

He says he would favour a broad coalition government, including the small conservative Popular party. Some senior PSD officials have called for a "grand coalition" with the Socialists.

Mr Sócrates, who has been in office for six years, has made it clear that he would fight for re-election as prime minister in the event of an early poll.

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