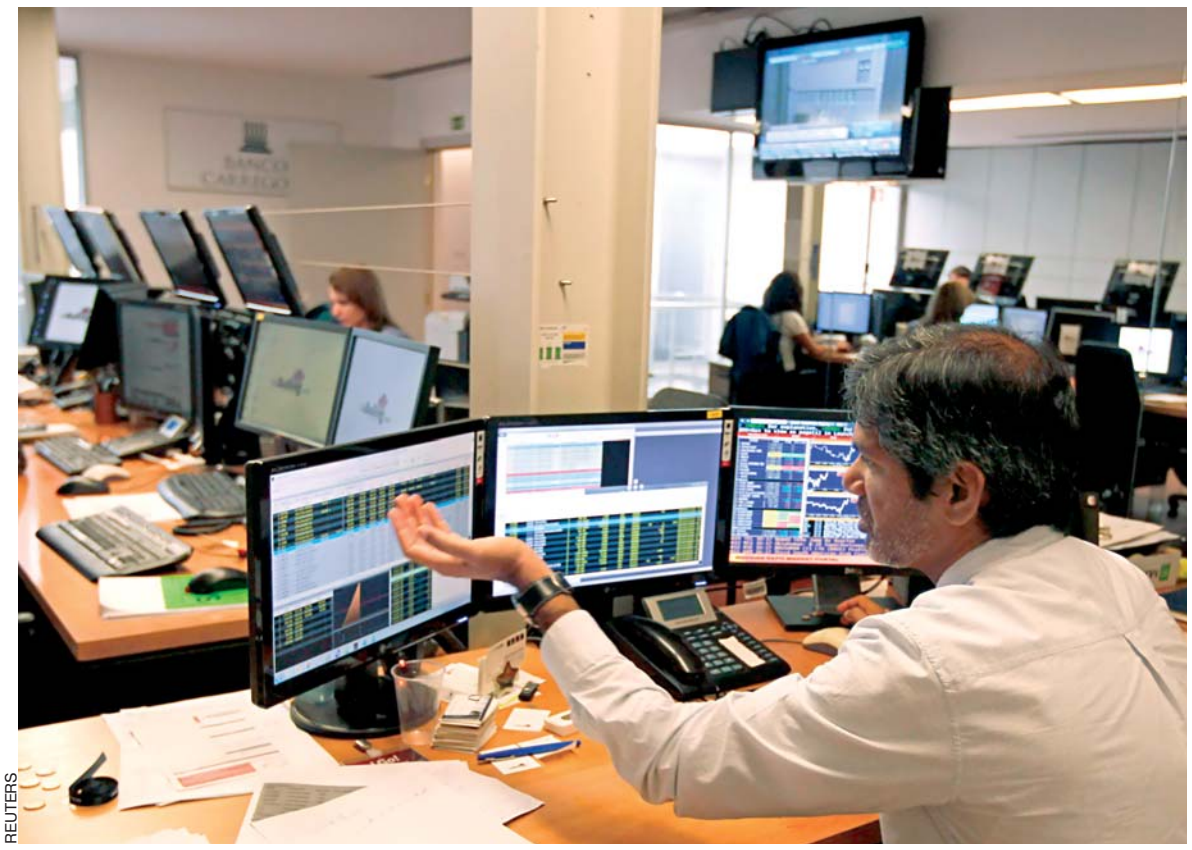
# Portugal announced a raft of new cuts designed to reduce the country's debt pile

## Portugal has bought itself a bit of breathing space by carrying out a swap of some of its government bonds Portugal has announced several new austerity measures, which were met with a call for a huge strike next month



REUTERS

A trader gestures while watching screens in a trading room in Lisbon

They were due to be paid back next year, which would have been difficult for Lisbon to do. Instead, it exchanged the bonds for ones which will mature in 2015. That gives more time for Lisbon to make the cuts necessary to reduce its debt and hopefully get the economy growing again. Trader Pedro Oliveira with Carregosa Bank believes it was a first step towards the country returning to financing normality, "The fact that more than a third of the investors holding these bonds took part in the swap shows they are content to assume the risk of holding Portuguese debt for two more years. That is seen as a positive for Portugal's return to the market."

Portugal has been not been able to borrow on the bond markets to service its government debt since it had to ask the European Union and the International Monetary Fund for a 78bn Euro bailout in April last year. Portuguese banks, insurers and pension funds are the main holders of the country's debt, with international investors still shying away. These include reducing Portugal's income tax brackets from eight to five. This replaces a social security tax rise that was shelved due to its deep unpopularity.

Portugal's largest trade union, the CGTP, called the strike for mid-November to oppose the latest moves. Portugal must get its deficit below the European Union's target of 3 percent of GDP. On Wednesday, Finance Minister Vitor Gaspar also unveiled a 4 percent 'extraordinary' tax. With the tax bracket changes, the average tax rise should increase from 9.8 percent in 2012 to 13.2 percent in 2013.

It was given one more year to reduce its deficit, after the latest quarterly review by international lenders of the EU, IMF and European Central Bank overseeing its 78bn-Euro (£65bn) Eurozone bailout. No extra finance is to be provided beyond the 78bn Euros in loan guarantees already agreed for the three-year bailout period.

REUTERS

People wait to enter a government-run employment office

# Spain's job situation continues worsening

**Spain's jobless rate rose yet again in September as the services sector laid off more workers at the end of the summer tourist season**

The latest figures suggest one in four of the Spanish workforce is now unemployed — that is 4.7 million people. Amid a worsening recession, it is looking more likely Madrid will need an international bailout.

One jobseeker in Madrid said, "A bailout would be a loan that has to be repaid. It would be better if we didn't have to ask for it, but if there's no alternative, we have to." A woman at the job centre added, "It's not good because the situation is critical, the crisis is huge. Spaniards, and others, need financial help. This is very, very bad."

The ratings agency Moody's and economists at JP Morgan have calculated the independent audit greatly under-estimated how much the country's top lenders would need to cope with a economic downturn and the true amount may be twice as much.

# Deposits separated from risky banking

**Again, it is being recommended that high-risk investments and trading be separated from retail banking**

This time, the proposal comes from a new EU report looking at financial reforms and regulation. An advisory group led by Bank of Finland Governor Erkki Liikanen presented its findings to the EU Commission Brussels.

"Deposits and the explicit and implicit guarantee they carry would no longer directly support risky trading activities," Liikanen said. He added, "The longstanding universal banking model in Europe would and could, however, remain untouched since the separated activities can be carried out in the same banking group." The aim is to protect European savers and prevent further bailouts for the banks.

Specific charges for property loans are also being proposed, after crashes in Ireland and Spain caused financial troubles for lenders. It is not the first time the idea of separating retail and speculative banking has been put forward.

Both the UK and the United States came to similar conclusions after each carried out their own investigations. Following the findings of the Vickers Report in September 2011, Britain's biggest banks have until 2019 to ringfence their high street banking businesses from their investment banking arms. Dodd–Frank Wall Street Reform and Consumer Protection Act was passed in the US in July 2010. Amongst other reforms, it prevents banks from owning hedge funds for making their own profit because in the past this was done using depositors' money.

# Taj Mahal replica to be built in Dubai

**A $1bn (£621m) project to build a replica of the Taj Mahal has been unveiled in the Gulf emirate of Dubai**

The Taj Arabia complex would be much bigger than the original monument to love and include a 300-room hotel, shops and commercial buildings, developer Arun Mehra said. It would be ready by 2014 and be known as the 'New City of Love', he said. The complex will also house other structures such as the Eiffel Tower, Pyramids and the Great Wall of China.

The Taj Mahal, which is situated in the northern Indian town of Agra, is a UNESCO World Heritage site. It was completed more than 350 years ago by the Mughal Emperor Shah Jahan as a shrine for his wife Mumtaz and took more than 20 years to build.

The white marble mausoleum, situated on the banks of the River Yamuna, is sometimes known as a teardrop on the cheek of time.

The Taj Arabia complex will be built around the Taj Mahal which is a 'symbol of love and will include various facilities to encapsulate the beauty of life, love and romance mixed with the long established Mughal architecture', Mr. Mehra, who is the Chairman of Link Global Group, said.

# Today's crisis overshadows Paris Motor Show

**Driving ahead in the face of falling sales, carmakers are unveiling over 100 new models at the Paris auto show**

The European market is the world's most competitive and its worst-performing and even German manufacturers — previously apparently crisis-proof — are no longer immune with Volkswagen warning of 'significantly more difficult' business conditions.

Paul Ingrassia, who has written several books on the car industry, said this is serious, "The industry is very sick. Usually at a car show, the cars are the story. This year the economy is the story. There is a lot of over capacity in the middle part of the market. So companies such as Renault, Opel, and especially Peugeot-Citroen and Fiat, they are all have too many cars, too few buyers, especially because of the economic recession that seems to be setting in Europe."

Sales in Europe were down 7.1 percent in the first eight months of this year from the same period last year. Fiat suffered a 17.1 percent drop, Renault 16.3 percent and Peugeot-Citroen 13.5 percent. Overcapacity is a huge problem and Fiat's boss Sergio Marchionne, who also heads the European industry lobby group ACEA, wants a regional agreement on plant closures.

**Materials prepared with aid of information agencies**