

By Axel Bugge

LISBON (Reuters) - Portuguese labor unions mounted a general strike on Wednesday, pressing the government to scrap austerity measures intended to ward off a debt crisis that is spreading through the euro zone.

After Ireland's decision to seek assistance from the EU and IMF, investors are turning their attention to other financially weak euro zone nations like Portugal.

Any wavering in the Socialist government's commitment to austerity measures could push up Portugal's borrowing costs in the same vicious spiral that forced Dublin and before it Athens to seek rescues. A Reuters poll showed a majority of economists expect Portugal to seek a bailout.

As the country's two biggest unions stopped trains and buses, grounded planes and halted services from healthcare to banking on Wednesday, the spreads of 10-year Portuguese bonds over German benchmarks hit a euro lifetime high.

"It is a bigger strike than the one in 1988," Joao Proenca, the head of the UGT union that is traditionally close to the ruling Socialists, told a briefing. "We consider it to be the biggest strike ever."

The CGTP union said 75 percent of all workers in the country participated.

Labor Minister Maria Helena Andre said participation varied widely, without providing specific numbers.

"We are facing a very reduced participation in the private sector of the economy," she told a briefing.

The CGTP union said all ports were shut, and check-in counters at Lisbon's main airport were empty. National airline TAP has canceled most flights. No mass protests were expected.

Lisbon was relatively quiet as many workers were prevented from going to work but roads in around the capital were choked with heavy traffic as many commuters opted to use their cars. Cafes and shops were open and vans delivered goods as usual.

"What's coming for the new generation is very sad. I don't see a solution for them aside from emigrating to other countries where they may have new opportunities," said Madalena Costa, 66, a retired school teacher as she passed a train station emptied by the strike.

Others were angered by the protest, saying the country could not afford the stoppage, the first general strike by the country's top two unions since 1988.

"This strike is completely absurd," said Pedro Silva, 36, a biology teacher at a private school, who was forced to take a taxi to work. "The Portuguese have to

understand that there is no money and if there is no money people have to work to get it."

## VW PLANT HALTS PRODUCTION

Prime Minister Jose Socrates, whose government is struggling to quash speculation that Portugal will be next in line for a bailout, has pledged to stay the course on wage cuts and tax hikes to cut the budget deficit. Analysts do not expect the strike to influence the government's decisions.

But the country's largest exporter, Volkswagen's Autoeuropa plant, halted production altogether. The plant produces up to 500 cars on an average day.

Lisbon has been plastered with banners for weeks urging workers to join the strike.

The unions hope to tap growing dissatisfaction with the minority government's measures, which include across the board spending cuts in public services.

Portugal has suffered from years of low growth -- unlike other weak euro economies such as Ireland and Spain that went from boom to bust -- and waning competitiveness which economists say undermines its ability to ride out the debt crisis.

"Maybe the strike will not provoke radical changes in the austerity course the government has chosen, but it does represent an additional element of uncertainty in the already unstable setting in the country," said Elisio Estanque, a sociology researcher at the University of Coimbra.

Although the Portuguese economy is growing this year, economists fear it will slide back into recession in 2011 as higher taxes and civil servant wage cuts of five percent bite into consumption.

Unemployment, already at its highest since the 1980s at 10.9 percent, could rise further.