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Election Result Clouds Catalan Autonomy Bid

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By MATT MOFFETT And JONATHAN HOUSE



Catalonia's political leaders are considering their next move after voters gave broad backing to pro-independence parties in parliamentary elections, although the pro-secession ruling party lost seats. WSJ's David Roman assesses the momentum for an independence referendum.

BARCELONA—An ambiguous result in Sunday's parliamentary election has left Catalonia's route to self-determination looking more tortuous than ever, just weeks after the wealthy Spanish region's pro-independence movement gained extraordinary momentum.

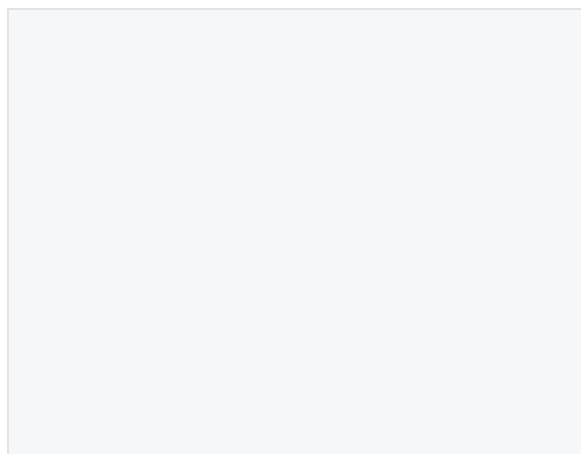


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Oriol Junqueras, leader of the Republican Left of Catalonia party, gave a news conference in Barcelona on Monday.

While pro-independence parties won a majority in the regional Parliament, analysts said the collapse in support for the politician who styled himself the movement's leader, Catalan President Artur Mas, will hobble its progress. Rather than winning the "exceptional majority" he had spoke of obtaining before the vote, Mr. Mas's Convergence and Union party, CiU, lost 12 of its 62 seats in the 135-seat Parliament.

Mr. Mas, hurt by opposition to his economic-austerity policies as well as by corruption allegations he maintained were manufactured by antiseccessionist forces, will now be forced into painstaking negotiations with parties that are more



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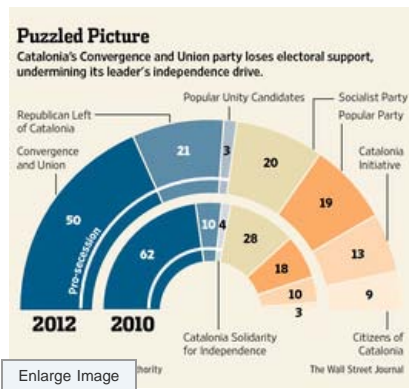
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ideologically leftist than his in order to form a governing coalition.



"The negative issue is that you don't have a Scottish National Party with an absolute majority that could lead the process" of independence, said Eduard Vallory, a political scientist who is director of the Barcelona Graduate School of Economics.

Uncertainty about how the debate over independence for wealthy Catalonia is likely to play out weighed on Spanish financial markets. Spain's 10-year government-bond yield, a key measure

of borrowing costs, ended the day unchanged, though the two-year yield ended up 0.03 percentage point and Spain's IBEX-35 blue-chip stock index closed down 0.4% at 7874.8.

The lack of a mandate will undermine Mr. Mas's standing as the legitimate voice of Catalan aspirations in negotiations with conservative Prime Minister Mariano Rajoy, who has staunchly rebuffed Mr. Mas's demand for a referendum on independence.

Indeed, pro-union politicians could scarcely contain their glee over Mr. Mas's stumble. Alicia Sánchez Camacho, chief of Mr. Rajoy's Popular Party in Catalonia, ridiculed Mr. Mas for "leaving Catalonia in a more impoverished state due to months of paralysis," while proclaiming the "defeat" of the independence movement.

"The Catalan elections were won by Spain," wrote Enric Juliana, a columnist for the Barcelona newspaper La Vanguardia. He said the result of the elections reduced the pro-independence forces to "a sentimental majority with grave difficulties in political operational capacity."

Some analysts interpreted the rebuke of Mr. Mas as being less about independence than about his austerity policies. He has imposed three austerity programs in the past two years and the cuts have hit social services hard. "The Catalan people are saying two things: the first is their desire to have a referendum, and the second is 'we don't want so many spending cuts,'" said Jaume Ventura, an economist at the Barcelona Graduate School of Economics.

Mr. Mas aggressively jumped on the independence bandwagon, and called early elections, following a massive rally that attracted more than one million people on Sept. 11, Catalonia's national day.

Catalans, who have a distinctive language and culture from the rest of Spain, also have long-standing complaints about a national financing system that drains tax money from Catalonia toward poorer regions in the south.

"Mas thought, and it was a great miscalculation, that all this great sentiment in favor of the referendum would gain him votes. He totally miscalculated the effects of the crisis," Mr. Ventura said.

Now Mr. Mas will have to form a coalition government, with the most probable partner being the Republican Left of Catalonia, or ERC, a party with longer-standing pro-independence credentials than CiU and a more leftist economic agenda. The ERC won 21 parliamentary seats, up from 10.

"We have grown because we are more explicit in our desire for independence and thanks to our social-democrat sensibilities," said Oriol Junqueras, head of the ERC, in explaining his party's surge in an interview.

Mr. Junqueras said he would offer to support Mr. Mas's swearing-in as regional

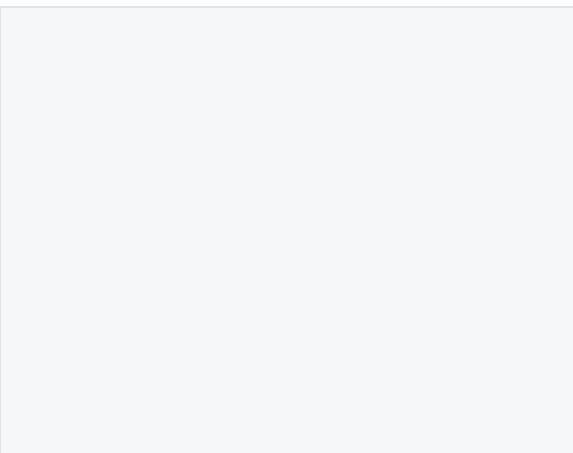
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president, as well as his major legislative initiatives, in exchange for a commitment to hold a referendum on independence and to "change his economic and social policies." Mr. Junqueras said contacts had begun between the two parties and said he wouldn't necessarily demand a cabinet post in Mr. Mas's government.

"We defend a new distribution of the tax burden," said Mr. Junqueras. Some of the measures his party is proposing include the elimination of co-payment for medicines previously provided free of charge by the regional health system and a lowering of income-tax rates.

To compensate for the loss of revenue, he proposes new levies on banks and reinstating a recently eliminated inheritance tax for high earners. In addition, Mr. Junqueras said he would like to increase spending on education and infrastructure.

Some members of the business community in a region long known as "the factory of Spain" are getting impatient with the independence debate. Executives here have fretted over possible boycotts of Catalan products in the rest of the country.

Joaquim Gay de Montella, chairman of Foment del Treball Nacional, Catalonia's largest business lobby, described himself as "very worried about the formation of a new government."

He added: "CiU needs to act with prudence and rapidly form a government that will focus on the progress of Catalonia and not on other things."

Analysts said Mr. Mas's political problems shouldn't cause Madrid to underestimate the depth of support for independence in Catalonia. Mr. Ventura noted that, in the wake of the election, parties accounting for 64% of parliament unconditionally favor a referendum, while another 15% favor a referendum if it were backed by Madrid.

Said Mr. Gay de Montella: "Independence sentiment will remain unchanged. There is a new generation of young people who feel frustrated with the region's relationship with the rest of Spain."

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