



Grand Committee approves Portugal aid - Conditions set for future aid measures

The Finnish Parliament's Grand Committee today approved the Finnish position on financial support for Portugal and the guidelines for changes in the EFSF and the ESM.

On Portugal the Committee's decision authorises the government to approve the EU-IMF support package subject to conditions. Portugal is required to negotiate with private creditors to maintain their positions in Portugal in exchange for EU support in the same way as will be required under the future permanent European Stability Mechanism. Finland further requires that Portugal ensures repayment of its debt to other EU countries by selling state property.

Approval for aid to Portugal is linked to a strictly conditional approach to European financial stability support. Finland will approve future requests for support from the temporary stability facility (EFSF) only against collateral, ensuring that Finnish net liabilities do not rise above the post-Portugal level. Raising the EFSF's net lending capacity is made conditional on stricter assessment of debtors' ability to sustain new debt. If EFSF funds are used to recapitalise banks, this shall be conditional on owners and investors carrying their share of the burden. The prime goal is to ensure the functioning of the financial system. Banks' balance sheets still need to be strengthened and should be borne primarily by the private sector. Any public funding must be open, transparent and subject to recompense.

Finland can approve the permanent stability mechanism (ESM) on condition that the cooperation clauses facilitating debt restructuring are approved at the same time. ESM loans shall have priority over private sector loans. The ESM shall be so structured that it does not create any joint euro zone responsibility for member states' debts; each member state shall be responsible for its own finances and debts.

The Grand Committee's approval is constitutionally necessary for the government to commit Finland to the stability package, which the euro zone states can approve only unanimously.

"Today's decision proves yet again that national parliaments are the only force that can subject major European policy decisions to effective democratic scrutiny" says Mr Erkki TUOMIOJA, chair of the Grand Committee. Tuomioja adds that "Finland remains committed to all its European obligations. Finland has borne at least its share of the costs of European solidarity. Being good Europeans also means making sure that European proposals are balanced and effective."

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