Press release | 17.05.2011

ECOFIN Council

Portugal bail-out: the austerity plan will hit the most vulnerable

Eurozone finance ministers have just agreed to grant a bailout package of €78bn to Portugal, the third euro-area country to receive official loans. The EU's two bailout funds, the European Financial Stability Facility (EFSF) and the European Financial Stabilization Mechanism (ESM) will each provide one-third of the financial package, while the International Monetary Fund (IMF) will cover the rest. Although such assistance is needed to reduce the Portuguese sovereign deficit, the Greens/EFA Group in the European Parliament considers that several conditions attached to the aid package are very counterproductive and likely to compound social unrest.

Philippe Lamberts, Member of the ECON Committee said:

"Despite claims to the contrary, the austerity measures endorsed by Eurozone finance ministers will undoubtedly hit the most vulnerable. It is therefore urgent to rebalance the assistance programme in order to reduce income inequalities and avoid contractive effects on Portuguese demand. This implies in particular to ring-fence health and education expenditures as well as to focus on the revenue side through increased tax rates on wealth and capital income. It will also be crucial to make sure that the interest rate charged for loans to Portugal will be sustainable, as the rates imposed on Greece did not grant the expected relief to their budgets".

The Greens believe that, in addition to the aid package, further measures to ease pressure on Portuguese sovereign bonds should be adopted by the EU.

Sven Giegold, coordinator of the Greens in the ECON Committee, stated:

"Eurobonds are a crucial necessity to solve its debt problem, since they would maintain the incentive for budget consolidation and simultaneously reduce the Portuguese debt burden. Project bonds should supplement this measure, ensuring that budget consolidation will not ruin future-oriented investments, such as for education and renewable energies.

Furthermore, progress has to be made in the field of harmonisation of corporate taxes. A common consolidated base has to be implemented in all EU member states and a minimum rate of 25% has to be introduced in order to rebalance national budgets."

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Responsible MEPs

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