European Union presses Finland to support bailout of Portugal

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The European Union (EU) has stepped up pressure on Helsinki to make its position clear on the EU-International Monetary Fund (IMF) bailout of Portugal, in the wake of elections in Finland last month, which registered a large anti-government vote.

Part of the 78 billion euro package requires the approval of all members of the Eurozone, including Finland. But it is by no means clear a majority of MPs in the new parliament are supportive of the deal. With Finland's parliament enjoying the power of voting on EU legislation, this could mean the defeat of the bailout.

It is a measure of the mounting tensions within the EU that leading officials have responded so forcefully to such a prospect. Interviewed in Helsinki last week after a regular meeting of the European Central Bank (ECB), bank chairman Jean Claude Trichet commented pointedly, "We expect all governments to bear their responsibility in the present situation. This is the message of the Council of the ECB."

The head of the Finnish central bank, Erkki Liikanen, feared that Finland would be severely isolated by a refusal to support the Portuguese bailout. With reports emerging about the prospect of Greece leaving the euro, Liikanen asserted restructuring Greek debt would "not provide any solution to the country's problems."

A similar note of concern was expressed by Kimmo Sasi, who chairs the working Group within the Finnish parliament dealing with EU matters. According to Sasi, Finnish representatives in Brussels were being "pressed to say what Finland's stance is."

If Finland was not going to support the deal, he continued, this should be decided quickly so that EU officials "could prepare for measures that are relatively dramatic."

EU Monetary Affairs Commissioner Olli Rehn, who is Finnish himself, was blunt in seeking to place full responsibility onto Helsinki for any delay or refusal to back the Portugal deal. "If Finland resists there will be no decision and there are no other alternatives on the horizon," he stated. The failure to implement a bailout, he added, "would have repercussions for economic growth and employment in the EU."

Finland's position on the bailout remains in doubt due to ongoing talks on the formation of a government. The composition of the coalition is almost certainly to include the conservative National Coalition Party, the Social Democrats (SDP) and the True Finns. It will have the task of launching a massive austerity drive to cut the country's budget deficit, which stood at over 4 percent of GDP last year.

The True Finns, a party that combines anti-immigrant chauvinism with a right-wing nationalist and populist programme, picked up significant gains in last month's vote. It is now the third largest party in parliament, with 39 MPs, and has consistently opposed the EU-backed bailout.

There are indications the party is being pressurised to moderate its stance, and leader Timo Soini has softened his position on the question of supporting the bailout in recent comments. But in an article in the *Wall Street Journal* on Monday, Soini reiterated his strong opposition to a Portuguese bailout and the establishment of a EU Stability Mechanism. Suggesting stronger European states abandon the weaker ones and allow them to default, Soini insisted, "Europe is suffering from the economic gangrene of insolvency… Unless we amputate that which cannot be saved, we risk poisoning the whole body."

When debates were held over supporting Greece, Soini called for the expulsion of the country from the euro zone, followed by an immediate 30 percent

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devaluation of its new currency. When the Irish bailout was debated in Finland's parliament at the end of last year, the True Finns rejected supporting it.

This time around increasing resistance is emerging from the establishment parties. Former National Coalition finance minister and prospective presidential candidate Sauli Niinistö denounced the Portuguese bailout in its current form. Expressing the sentiment of a growing section of the Finnish ruling elite, he called for the burden of the bailout to be spread across the EU as a whole rather than restricting it to the Eurozone, thus cutting Finland's contribution.

Responding to reports in *Der Spiegel* that Portugal's central bank holds gold reserves of 14 billion euros, leading Green politician Tuija Brax called for these reserves to be seized as part of the terms of the bailout.

Current National Coalition leader and incoming Prime Minister Jyrki Katainen is firmly in favour of supporting the bailout, having played a role in negotiating the terms of the EU-IMF packages for Greece and Ireland. However, his party controls only 44 seats out of the 200 in parliament. Katainen can count on the support of the Centre party, its former coalition partner, but the party suffered substantial losses in last month's poll. The result of the vote could therefore depend on the position of the smaller parties, as well as the Social Democrats (SDP), whose position on the matter remains unclear.

In a bid to speed up talks on the formation of a new government, Katainen revealed that the issue of supporting Portugal would be left out of negotiations and would be put to a parliamentary vote separately. This could allow Katainen to rely on the votes from Centre, as well as a sizeable section of the Social Democrats, in the event the party continues to be unwilling to unconditionally back the deal.

Although the SDP made critical noises about the Greek bailout while in opposition last year, this was in no way a rejection of the bailout of the banks. In the immediate aftermath of the financial crisis in 2008, the Social Democrats issued no objections to extending a 50 billion euro bailout to Finnish banks. With regard to Portugal, its only reservation appears to be its desire to include language, which places some responsibility on bondholders and other investors.

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