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Business News | Mon Apr 5, 2010 6:35am EDT

# Greek deputy PM says Portugal may be next victim: report

LISBON

The sort of debt problems seen in Greece are likely to spread further in the euro zone and Portugal could be the next victim, Greek Deputy Prime Minister Theodoros Pangalos was on Monday quoted as saying.

Portuguese newspaper Jomal de Negocios also quoted Pangalos, who earlier this year accused Germany of not properly compensating Greece for World War Two occupation, as saying Germany's hard line in talks with Greece was based on a "moral, racial approach" and the idea that Greeks don't work enough.

In an interview with conducted last Tuesday, Pangalos said Portugal should not remain neutral on the issue of European Union help for troubled members after leaders agreed on a financial safety net for Greece on March 25.

"You are the next victims ... I hope it doesn't happen and the solidarity prevails and we find an exit from this escalation (of borrowing costs). But if this does not happen, the next probable victim will be Portugal," he said. Asked whether he thought the crisis will spread in the euro zone, Pangalos said: "Yes, certainly."

"What happened to us (Greece) now is because we are in a worse situation, but it could also happen in Spain and Portugal," he said.

Poor growth, competitiveness and a budget deficit that surged to 9.4 percent of GDP last year, have made Portugal one of the economies in the spotlight for markets worried about the chances of a debt default in the euro zone.

But the premium it costs Portugal to borrow is still about three times less than that of Greece, and its projected debt-to-GDP ratio for this year, of 86 percent, is much lower than Greece's roughly 120 percent.

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Economists have also reacted positively to the government's austerity program, which aims to cut the budget deficit to 2.8 percent of GDP in 2013, and most point to Portugal's good track record on reducing its deficit.

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Pangalos said the safety net deal for Greece was a "good step forward" and "a big success for the euro zone," but said the deal should have been more straightforward.

Asked whether he thought the European Union and Germany will not let Greece fail, Pangalos said: "They committed themselves to that."

He said Greece was already cutting its public spending while revenues were increasing, and blamed speculators for "unjustified" high spreads on Greek bonds and risk perception.

"Some countries like Germany have taken a moral approach to our problem," he said. "The Greeks have problems. Why do they have problems? Because they don't work enough. And why is that? Because they have a good climate, music and drink and they are not as serious as the Germans."

"(...) This is ridiculous. This is a moral, racial approach that does not correspond to reality. The productivity in the industry has increased 15 percent, in the agriculture sector the increase is among the highest in the euro zone. Where are the lazy Greeks?"

(Reporting by Andrei Khalip; editing by Patrick Graham)

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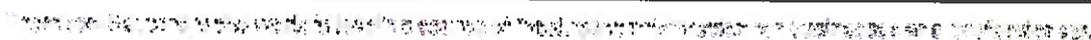
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