23/6/2011 IHT 59

Political veteran takes on Greek challenge

EURO, FROM PAGE 1

ernment's most recent economic plan — centered largely around a €50 billion, or $80 billion, privatization effort. That is the requirement imposed by Europe and the I.M.F. to fork over an immediate cash payment and to allow Greece to qualify for a second batch of rescue funds needed to stave off default.

More crucially, he must succeed in doing what no other politician in Greece has done before him: to persuade [illegible] to pay their taxes and to get public [illegible] unions to accept the shrinking of the state.

"He is a political animal and he will cut the privatization Gordian knot because he knows the law and the political tricks of how to get the job done," said Theodore Pelagidis, an economist in Athens and one of Mr. Venizelos's top economic advisers.

Mr. Pelagidis cites Mr. Venizelos's experience in negotiating a deal with the powerful electricity unions and his role as minister in charge of putting on the 2004 Olympics as examples of Mr. Venizelos's ability to get things done.

That said, there is a difference between operating in Athens and Brussels, especially now.

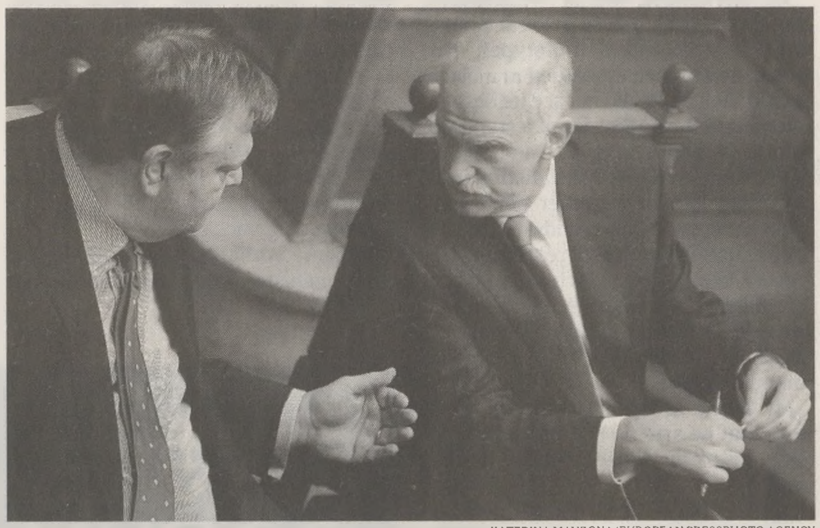
Arriving for his first meeting with fellow European finance ministers in Luxembourg on Sunday, Mr. Venizelos misjudged the mood, according to several E.U. diplomats briefed on the discussions [illegible]ot authorized to speak publicly. Ac[illegible]ing to one person, he seriously underestimated the frustration among his European colleagues at Greece's failure to honor some of its previous pledges.

The new minister began by trying to explain the limitations Greece faced, a stance interpreted by some ministers as an attempt to reopen the austerity package already negotiated.

That prompted several firm responses after which Mr. Venizelos recalibrated his message, according to another diplomat. He was, however, largely sidelined when the ministers' communiqué was drafted.

In Greece, by contrast, he is thoroughly plugged in. He was most recently defense minister and has had other cabinet posts ranging from culture to justice and transport — a political résumé that far exceeds that of the outgoing finance minister, George Papaconstantinou, whose rapid fall in stature within his party forced the prime minister to call on Mr. Venizelos last week.

It was in many ways a last resort. Having been turned down by Lucas Papademos, the former vice president of the European Central Bank, and several other high-profile economic experts, Mr. Papandreou made his offer in a 3:00 a.m. phone call last Friday.



KATERINA MAVRONA/EUROPEAN PRESSPHOTO AGENCY

Evangelos Venizelos, the new Greek finance minister, at left, speaking with Prime Minister George A. Papandreou during a parliamentary debate in Athens early this week.

This reluctance was steeped in politics. In 2007, Mr. Venizelos unsuccessfully challenged Mr. Papandreou for the party leadership, and since then he had not been among the prime minister's close circle of advisers.

But Greek analysts say the divide may be deeper than that. Mr. Venizelos's stature in the party dates back to the early 1990s, when he won renown as the lawyer who beat off corruption charges against Andreas Papandreou, George's father, who is still remembered as a hugely popular, if controversial, prime minister during the 1980s and part of the 1990s. The elder Papandreou then persuaded his lawyer to enter politics and he became one of his closest advisers, rivaling even George in his political influence.

He has to convince Greece, Europe and global markets.

Nevertheless, unlike George Papandreou, he is not seen as a tribal Pasok politician, ever eager to pander to the party's powerful union base whenever times get tough.

"He is in the party, but he is not of the party," said Mr. Pelagidis. "He is a bit of an outsider."

Mr. Papandreou's standing has been weakened considerably after his botched offer last week to step down from his job in favor of a unity government. Mr. Venizelos, as both deputy prime minister and chief economic adviser, will not only be the prime minister's domestic point man but also possibly the future leader of Greece — if Mr. Papandreou, as many suspect, is forced to call a new election within the next few months.

People who have spoken to Mr. Venizelos say he plans to distinguish himself from Mr. Papaconstantinou by focusing less on increasing taxes to raise revenue and more on revitalizing the beaten-down construction and tourism sectors that are so crucial to the Greek economy.

But such efforts, crucial as they may be over the longer run, will do little to halt the rapid deterioration of the budget deficit. Through May, it was higher than it was last year, confounding the promise made by Greece that its budget deficit this year would improve over last year's 10 percent of G.D.P. And without at least €50 billion in aid from Europe, Greece is expected to run out of money by April 2012.

For all the hopes invested in Mr. Venizelos, most economists say it is simply too late to stave off bankruptcy by following the prescription laid down by the E.U., the I.M.F. and the European Central Bank. In Athens, though, many people argue that if he can't do it, nobody can.

"Venizelos will sell the troika polices better than anybody else," said Vassilis Karatzas, a fund manager based in Athens. "I think this is the most positive development of the last two years."

Stephen Castle contributed reporting from Luxembourg and Brussels.

Major banks asked to help in next rescue

BRUSSELS

BY STEPHEN CASTLE

Efforts to prevent a Greek default accelerated Wednesday when, on the eve of a meeting of European leaders, at least three euro zone governments called in representatives of major banks and insurers to urge them to contribute to a second large rescue package.

A German government official confirmed that talks had begun with banks over possible participation in a second Greek bailout, but refused to speculate on the amount that the private sector might produce. Germany has said it is opposed to anything but voluntary private-sector involvement in future rescues.

The French insurers' association, F.F.S.A., said insurance companies had been invited to discussions with French government officials. Germany and France are among the euro zone countries most exposed to Greek debt.

The Dutch finance minister, Jan Kees de Jager, said Wednesday that he was hopeful his government could encourage the country's banks to play a role in a second Greek rescue.

"All countries are in talks with banks and the Netherlands is no exception to that," Mr. de Jager told Bloomberg News in Amsterdam. "For the Nertherlands, a voluntary contribution from the private sector is very important."

Though Greece received €110 billion, or $159 billion, in loans last summer from its European Union partners and the International Monetary Fund, it has become clear that the country will need another substantial bailout by the autumn.

E.U. leaders are scheduled to meet Thursday in Brussels for talks expected to center on the Greek crisis. By summoning banks and insurers that have the greatest exposure to Greek debt, policy makers are hoping to determine how much the private sector is willing to contribute to another bailout, said officials in two countries briefed on the discussions but not authorized to speak publicly.

The discussions are being managed by the finance ministries of the countries, though other parties, including the European Central Bank and the I.M.F., are thought to be involved, too.

Matthew Saltmarsh contributed reporting from Paris.