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Fears euro summit could miss final deal

By Peter Spiegel in Brussels, Gerrit Wiesmann in Berlin and Matt Steinglass in Amsterdam

Eurozone leaders were struggling on Tuesday to reach agreement on a much-anticipated deal to reverse their spiralling debt crisis amid mounting signals a definitive agreement would not be reached at a key summit on Wednesday night.

According to officials briefed on deliberations, talks between European government negotiators and representatives of Greek bondholders remained inconclusive, putting at risk one of the three key pillars of a deal: a final resolution on Greece's second bail-out.

A draft of the summit communiqué circulated to national capitals late on Tuesday and described to the FT does not include any wording on a completed deal on Greek bondholder haircuts, and instead refers only to a second bail-out being concluded sometime in the future. No timetable is mentioned.

In addition, a separate "draft terms and conditions" paper on a second key pillar in the deal – beefing up the eurozone's €440bn rescue fund – makes clear that leaders will be unable to attach a figure to how much firepower the leveraged fund will have. "A more precise number on the extent of leverage can only be determined after contacts with potential investors," the draft states.

The draft communiqué suggests final details of the overhauled €440bn fund, formally known as the European financial stability facility, may not be concluded until eurozone finance ministers meet again. Their next scheduled meeting is not until November 7.

European leaders could still complete details in the 24 hours ahead of the summit, which has already delayed a decision twice because of continued disagreements. The draft communiqué, for instance, contains gaps that are frequently filled in the hours before such summits.

But officials described mounting concerns that the summit will fall well short of market expectations. The extent of nervousness over a potential failure of eurozone leaders to reach a deal was made clear on Tuesday after European markets briefly fell sharply after European Union officials announced they had cancelled Wednesday's scheduled meeting of all 27 EU finance ministers, which was to have laid the groundwork for the evening summit.

A person involved in the decision said it was simply a matter of "good housekeeping" since heads of government of all 27 countries will now be meeting Wednesday night, which had not been anticipated. But a letter written to EU leaders by Polish finance minister Jacek Rostowski,

who chairs gatherings of his counterparts, said he understood “the full package may not be ready” by Wednesday, citing it as a reason to postpone the finance ministers’ meeting.

The political costs of falling short were made clear Tuesday in the Netherlands, where the main opposition party threatened to block any agreement to emerge from Wednesday’s summit unless it had sufficient scope to solve the eurozone crisis once and for all.

The shift reflects the Dutch opposition’s frustration at being forced to support endless half-measures that have failed to stem the crisis.

Ronald Plasterk, Labour party spokesperson for financial affairs, said a deal would have to include a haircut on Greek debt of 50 per cent “at the very least” and include “convincing and effective” measures to strengthen the EFSF if it were to gain his party’s support – on which the Dutch government relies to overcome the anti-Europe stance of the far-right PVV.

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