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## EU suspends €8bn in Greek aid

By Peter Spiegel, Hugh Carnegie and Chris Giles in Cannes

European leaders suspended an overdue tranche of €8bn in international aid to Athens and demanded Greece make a clear decision on whether it wanted to leave the eurozone at a dramatic meeting on the sovereign debt crisis on Wednesday night.

Under strong pressure from French president Nicolas Sarkozy and Angela Merkel, the German chancellor, Greek prime minister George Papandreou agreed to bring forward a planned referendum on the issue to as early as December 4.

He said the referendum would be about Greece's continued membership of the eurozone, not just about €130bn rescue plan agreed after painstaking negotiations at a Brussels summit last month.

"This is not a question of only a programme," Mr Papandreou said. "This is a question of whether we want to remain in the eurozone."

But the prime minister's strategy for an in-or-out referendum was undermined on Thursday morning by Evangelos Venizelos, the Greek deputy prime minister and finance minister. In a written statement after he arrived back in Athens from Cannes, Mr Venizelos said: "Greece's position within the euro area is a historic conquest of the country that cannot be put in doubt. This acquis by the Greek people cannot depend on a referendum".

The surprise announcement of a referendum by Mr Papandreou on Monday plunged the eurozone back into turmoil and infuriated his European partners who had hoped the Brussels deal would stabilise the debt crisis.

The timing and wording of the referendum were key demands made by Mr Sarkozy and Ms Merkel, who said after the meeting in Cannes on the eve of the G20 summit of leading global economies that it was essential that Greece fulfilled the commitments it had made in Brussels.

The two leaders, grim-faced at a joint press conference, for the first time openly raised the prospect of Greece leaving the single currency. "The question is whether Greece remains in the eurozone, that is what we want. But it is up to the Greek people to answer that question," Mr Sarkozy said.

Ms Merkel said the aid tranche could only be disbursed once Greece has met all the conditions and there was a positive outcome of the Greek referendum. Greece has to make €8bn in bond repayments in December, the first of which is due on December 19.

The EU portion of the €8bn tranche of European and International Monetary Fund aid has been signed off by eurozone finance ministers but has not yet been paid.

In an effort to reassure markets and limit contagion, they announced they would speed up the overhaul of the eurozone's €440bn rescue fund which is designed to increase its firepower to around €1,000bn to defend Italy and other vulnerable debt-laden countries from market contagion.

Silvio Berlusconi, Italy's prime minister, failed on Wednesday night to overcome his government divisions and push through immediate legislation on structural reforms ahead of Thursday's Cannes summit.

The Greek drama has overshadowed Thursday's summit and unsettled jittery markets. The European financial stability facility, the eurozone rescue fund, was forced to postpone a €3bn, 10-year bond issue for the bail-out of Ireland because of market uncertainty.

*Additional reporting by David Oakley in London, Kerin Hope in Athens and Guy Dinmore in Rome*



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