

62

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Greek leaders fail to appoint PM

By Kerin Hope in Athens



Greek Prime Minister George Papandreou (L) attends a convention of the Federation of German Industry (BDI), where he spoke in an appeal for more German investment in Greece, on September 27, 2011 in Berlin, Germany. Papandreou later met with German Chancellor Angela Merkel over the current Greek debt crisis that is threatening the stability of the Euro.

Greek leaders failed to meet a self-imposed deadline for appointing a new prime minister on Monday after talks stalled with Lucas Papademos, a former vice-president of the European Central Bank, according to officials.

The talks were due to resume on Tuesday with the aim of reaching a deal within a few hours.

Mr Papademos was meeting with leaders of the governing PanHellenic Socialist Movement (Pasok) and conservative opposition New Democracy party.

George Papandreou, the outgoing socialist premier, and Antonis Samaras, conservative leader, were both under pressure to meet a Monday night deadline set by the Greek president for announcing the new prime minister and cabinet.

Greece's eurozone partners have held threats to an €8bn loan tranche that should already have been disbursed over Athens, demanding the country come up with a strong coalition committed to making a bigger push for reform.

Olli Rehn, the commissioner for economic and monetary affairs, said after a meeting of eurozone finance ministers that Greece could receive the badly needed payment this month only if the government and the country's two main political parties reaffirmed in writing their support for the rescue programme.

In a statement issued following the meeting, Evangelos Venizelos, Greece's finance minister, said the Eurogroup welcomed the political developments in Athens, "especially the decision of the two biggest political parties to support a government whose mission will be to implement the decision of October 26."

There was no clear indication, however, that the 64-year-old Mr Papademos, an academic and central banker throughout his career, would agree to take the premier's job.

"He's arrived with a set of conditions that would allow him lots of authority on policy decisions – more than had been expected," said a senior socialist.

Mr Papademos's mandate would be to implement Greece's latest bail-out package – including a 50 per cent writedown on its sovereign debt – and take the country to elections within three months.

He is seen as the person most likely to give credibility to Greece's efforts to avoid a disorderly default and a possible exit from the euro, following Mr Papandreou's decision at the weekend to stand down.

“We don't want a prime minister who's just a frontman. It needs to be someone of stature who can mediate, if necessary, with the Europeans and the Fund,” said a senior socialist lawmaker.

Socialist and conservative negotiators have agreed in principle that elections would be held on February 19 – after parliament has approved the €130bn bail-out, the 2012 budget and further fiscal and structural reforms agreed with the European Union and International Monetary Fund.

Mr Venizelos was expected to stay on as deputy prime minister and finance minister, despite his failed behind-the-scenes attempt last week to bypass New Democracy and broker a co-operation deal on behalf of the socialists with two small right-of-centre parties.

“Mr Venizelos's machinations have cost him but continuity is important at this point for Greece to deliver on promises to the Commission, so he and his team will survive,” said a senior conservative.

New Democracy would also appoint a deputy premier with an economic background, probably Stavros Dimas, a former European commissioner who worked at the World Bank early in his career, according to conservative officials.

But the conservatives were having difficulty last night finding strong candidates to fill their allocation of cabinet positions in the coalition government.

With elections less than three months away, prominent conservative lawmakers “fear their chances of getting back into parliament could be affected if they join an interim government that will have to execute unpopular policies”, one analyst said.

The new government is also likely to face problems as Greek political leaders move into election mode.

“Implementation of the required reforms and measures is also expected to remain patchy and problematic as, when election time rolls around, inertia prevails in the state bureaucracy,” Wolfango Piccoli, analyst at Eurasia Group, said in a note.

Tensions are already rising within Pasok, with Mr Papandreou likely to face a challenge to his leadership from Mr Venizelos, his longtime rival.

“A potential leadership contest ... would also translate into a source of distraction for the national unity government,” Mr Piccoli said.

Additional reporting by Josh Chaffin in Brussels

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