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# Greek fury at plan for EU budget control

By Peter Spiegel in Brussels and Kerin Hope in Athens

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Greece's finance minister angrily rejected a German plan for the eurozone to impose a budget overseer onto Athens in return for a new €130bn bail-out, saying it would improperly force his country to choose between "financial assistance" and "national dignity".

Evangelos Venizelos said the proposal to create a European Union "budget commissioner" with the power to veto Greek tax and spending decisions, revealed by the FT, "ignores some key historical lessons". He added

EU lenders already had sufficient monitoring safeguards in place in its bail-out programme.

Mr Venizelos's comments came as talks in Athens shifted from the weeks-long negotiations over restructuring its privately held debt to the question of which public institutions will have to pay to fill a widening gap in Greece's budget figures.

According to officials involved in the discussions, negotiators representing Greek bondholders largely completed a deal with Athens at the weekend which would cut the long-term value of privately held bonds by just over 70 per cent.

But the formal signing of the agreement has been delayed amid disagreement over whether a remaining budget shortfall will be filled by further Greek austerity measures, additional loans from EU governments, or by the European Central Bank, which is facing pressure to give up profits on the €40bn in Greek bonds it holds.

A deal is essential to finalising the new Greek bail-out, which must be completed before a €14.4bn bond comes due on March 20 or Greece would become the first developed economy to default in nearly 60 years.

"If the process is not completed successfully, we will be faced with the spectre of bankruptcy that would have grave consequences for society, and especially for the poor," Lucas Papademos, the Greek prime minister, said after meeting Greek political leaders on Sunday.

EU and International Monetary Fund officials have already presented the Greek government with a 10-page list of "prior actions" Athens must take before being granted the new bail-out.

The list, obtained by the Financial Times, includes cutting 150,000 public sector jobs within three years and cutting this year's budget deficit by a further 1 per cent of economic output.

To get Greece's debt down to 120 per cent of economic output by 2020, the IMF has insisted more must be done. A senior EU official said that talks which focused on whether European lenders or the ECB would shoulder that burden were now expected to stretch into mid-February.

Eurozone leaders, led by Germany's Angela Merkel, want Monday's summit in Brussels to focus on agreeing a new treaty to enshrine fiscal discipline across the bloc. Finance ministry officials will resume talks on Greece later this week.

The German plan, which was circulated on Friday and would also force Greece to pay its debt obligations before spending any money on normal government expenditures, caught Mr Papademos and other eurozone governments by surprise. Officials said it was unlikely to be adopted.

"The Germans have a lot of influence but that goes a little beyond the limits the outer member states could support," said a senior official involved in the discussions. "If you went with that model you'd do away with the normal democratic decision-making in a member state."

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