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Greece's leaders oppose new austerity measures

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By Kerin Hope in Athens and Peter Spiegel in Brussels

All three party leaders in Greece's teetering national unity government have opposed new austerity measures demanded by international lenders, forcing eurozone finance ministers to postpone approval of a new €130bn bail-out and moving the country closer to a full-blown default.

Representatives of the so-called "troika" – the European Commission, European Central Bank and International Monetary Fund – have demanded further cuts in government jobs and severe reductions in Greek salaries, including an immediate 25 per cent cut in the €750 minimum monthly wage, before agreeing the new rescue.

But representatives of all three coalition partners, including centre-left Pasok of former prime minister George Papandreou and the centre-right New Democracy of likely successor Antonis Samaras, said they were unwilling to back the government layoffs.

In addition, a Greek government official said the EU and IMF negotiators rejected a counter-proposal that would have frozen Greek wages for three years and cut social security contributions by 10 per cent.

Without approval of the new bail-out within a matter of days, Athens is at risk of defaulting on a €14.5bn bond that comes due on March 20. Many eurozone officials fear such a default could reignite panic in European bond markets, pushing Italy and Spain back into danger.

The standoff in Athens has angered officials in eurozone creditor countries, particularly in those that have retained their triple A credit ratings and will be leant on most heavily to provide new Greek aid.

Finance ministers from the four remaining triple As – Germany, the Netherlands, Finland and Luxembourg – met in Berlin on Friday where they agreed that Athens must move quickly or they would withhold assistance.

"We want no further delays," Jan Kees de Jager, the Dutch finance minister, said after the meeting.

Eurozone finance ministers had hoped to meet on Monday in Brussels to sign off on the new bail-out, but officials cancelled the gathering on Friday. Jean-Claude Juncker, the Luxembourg prime minister who serves as chairman of the group, issued a statement saying only that the meeting "may be scheduled later in the week".

The delays in Athens could give new momentum to officials in Germany, the Netherlands and Finland who have been agitating to abandon the cornerstone of the new bail-out – a €200bn bond swap in which private debt holders would accept losses of 50 per cent in the face value of their holdings. A full-scale default would allow Greece to write off all privately held debt.

But diplomats said Angela Merkel, the German chancellor, remains opposed to any debt restructuring that does not include a voluntary agreement with private bondholders. Eurozone officials opposed to a full-scale default fear it could panic investors in Italy and Spain, reversing recent reductions in both countries' borrowing costs.

"We cannot let Greece down," said a senior eurozone diplomat. "If we do this, then we risk contagion."

The brinkmanship in Athens became so intense on Friday that a government spokesman was forced to deny reports that the acting technocratic prime minister, Lucas Papademos, was considering resigning if governing parties did not agree to the new measures.

In a sign of the nervousness, Evangelos Venizelos, the Greek finance minister, warned of a "catastrophe" if the country was pushed out of the euro by a disorderly default.

"It is true living standards have fallen and pensions have shrunk dramatically, but this does not come anywhere near what we would suffer if the country defaulted," Mr Venizelos told the Athens parliament.