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Greece misses bail-out deadline

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By Kerin Hope in Athens and Peter Spiegel in Brussels



Greece missed another deadline to approve conditions for a second €130bn bail-out on Tuesday night, after a meeting with political leaders was postponed until Wednesday because of last-minute haggling with international lenders over emergency spending cuts.

A government official said Lucas Papademos, the technocrat prime minister, would hold the talks on Wednesday morning and expected a deal to be presented for approval at a meeting of eurozone finance

ministers later in the week.

But the delay over agreeing €3bn of extra spending cuts fuelled anxieties that Athens may be forced into a messy default next month. It also triggered concern over whether Greece remains committed to fiscal and structural reform after two years of failing to implement measures agreed in return for billions of euros in financial support.

Greece has already missed two deadlines this week because of the politicians' brinkmanship, further exasperating its European paymasters and jeopardising its second bail-out along with a voluntary restructuring of €200bn of government debt.

Mr Papademos earlier circulated copies of a 15-page memorandum agreed with international lenders to the three party leaders supporting his coalition.

In Brussels, José Manuel Barroso, president of the European Commission, insisted that eurozone leaders would continue to strive to keep Greece in the euro, an apparent rebuke to Neelie Kroes, the Dutch member of his commission who was quoted in her country's press as saying a Greek exit would not cause significant shockwaves.

"All Europe has its eyes now on Athens," Mr Barroso said. "The costs of a default of Greece, the costs of a possible exit of Greece from the euro would be much higher than the costs of continuing to support Greece."

Greek finance ministry officials have scrambled to come up with last minute spending cuts acceptable to the "troika" – representatives of the European Union, European Central Bank and

International Monetary Fund – after several proposals were rejected on Monday night as unrealistic.

Spending cuts of €1.1bn on healthcare, €400m on defence and €400m on local government have already been agreed, to put this year's budget targets back on track amid a deeper than projected recession.

But gaps of more than €400m remained to be covered on Tuesday night, one official said.

Political leaders reversed their opposition to a 20 per cent cut in the minimum wage, after winning agreement on keeping the 13th and 14th monthly salaries that private sector workers receive as an annual bonus.

They also agreed to 15,000 immediate job cuts in public sector organisations after a failed attempt last year to reduce the public sector payroll by transferring 30,000 workers to a special "labour reserve".

A 24-hour general strike called by unions to protest against wage cuts disrupted public transport, including ferry services, and shut down schools and government offices.

Several thousand members of the ADEDY and GSEE labour federations, the country's largest, staged an anti-austerity demonstration outside parliament in driving rain. A group of leftwing unionists clashed with riot police after burning a German flag outside the building.

"We fought for two decades to get European standard labour rights and now they're being taken away by the troika, the Europeans themselves," said Alexis, a 53-year-old port worker.

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