

Last updated: February 9, 2012 10:40 am

New Greek demands threaten debt deal

32

By Peter Spiegel in Brussels and Kerin Hope in Athens

Representatives of eurozone bail-out lenders were scrambling on Thursday to finalise an agreement with the Greek government after last-minute demands by Athens threatened to upend the deal.

According to people briefed on the talks between lenders and Greek leaders, which ended early on Thursday morning, Lucas Papademos, the Greek prime minister, has insisted on revising budget targets for 2014 and only informed European negotiators at 6am.

The demand, which would have Athens reaching a primary budget surplus of 4.5 per cent by 2014, has forced officials in the so-called troika – the International Monetary Fund, European Commission, and European Central Bank – to revise their debt sustainability analysis. The key document may now not be completed in time for Thursday evening's meeting of eurozone finance ministers.

The troika debt analysis is the central document needed to determine how big Greece's new bail-out must be. A second aid programme cannot be agreed by finance ministers without it.

There has been mounting frustration in other European capitals, including Brussels, where officials had hoped to get a deal agreed last weekend so that they could quickly execute the central pillar of the deal – a €200bn bond swap that will see private Greek debt holders lose half their holdings, wiping €100bn off Athens' €350bn debt pile.

Missed budget targets for last year and this year mean Greece faces a €300m shortfall in its savings commitments. The troika has proposed that the money be found by cutting pensions but the all-night talks failed to reach an agreement.

The all-night negotiations focused on one paragraph in the bail-out agreement on pensions and one paragraph on non-wage labour costs, officials said.

Officials briefed on the discussions said Antonis Samaras, head of the centre-right New Democracy party and Greece's presumptive next prime minister, is continuing to hold out against signing a "letter of assurance" demanded by eurozone lenders committing all major party leaders to stick to the programme.

European leaders have demanded the signatures in exchange for the new €130bn bail-out, but officials are concerned they will not have Mr Samaras' commitment in time for the eurozone finance ministers' meeting, which starts at 6pm.

European Union officials view Mr Samaras' signature as essential with Greek elections only two months away.

Mr Samaras refused to accept further cuts in pensions and argued instead for additional cuts in defence expenditure and other ministries' budgets. It remains unclear whether the new deal will be approved by Mr Samaras, officials said.

Georgios Karatzaferis, head of the small right-wing Laos party and a member of the national unity government, is unlikely to sign a letter, officials said.

The Greek parliament is expected to vote on the broad agreement over the weekend, leaving a 15-day period for the troika and the government to finalise the precise details.

Trade unions called a two-day general strike starting Friday to protest against the new cutbacks.

Printed from: <http://www.ft.com/cms/s/0/aa43ac50-52fd-11e1-8aa1-00144feabdc0.html>

Print a single copy of this article for personal use. Contact us if you wish to print more to distribute to others.

© THE FINANCIAL TIMES LTD 2012 FT and 'Financial Times' are trademarks of The Financial Times Ltd.