

Last updated: February 13, 2012 11:15 pm

EU tries to finalise €130bn Greek bail-out

52

By Peter Spiegel in Brussels and Ralph Atkins in Frankfurt



Greece passed an unpopular austerity bill which led to violent protests in Athens and widespread looting of shops

European officials rushed to finalise details of a €130bn Greek bail-out on Monday amid signs Germany and its eurozone allies may not be prepared to approve the deal at a finance ministers' meeting on Wednesday, despite Athens backing new austerity measures.

Senior European Union officials said they believed Greece had met the demands of the troika of international creditors – the European Commission, International Monetary Fund, and European Central Bank – after a parliamentary vote on Sunday, including an extra €325m in budget cuts.

“The Greeks will have done the necessary prior actions by Wednesday, including the €325m, so all the elements should be on the table,” a senior official said. But other officials said scepticism remained intense in Germany and the Netherlands and a Tuesday meeting of the “euro working group” – finance ministry officials from all 17 eurozone members – would be key to decide whether lenders would approve the deal.

One eurozone official said the group had come up with a list of at least a half-dozen items that Greece must accept before the deal will be moved to finance ministers for final approval on Wednesday.

The items on the list include, according to several officials, proof of the €325m in cuts, clarification on how Greece intends to reduce labour costs 15 per cent, and reassurance that all Greek leaders will back the deal – especially after Antonis Samaras, head of the centre-right New Democracy party and Greece’s presumptive next prime minister, indicated that he may try to renegotiate the pact after April elections.

“The parliamentary vote is important, but it’s not the be all and end all,” said another eurozone official. “Samaras’s explanations are shifty.”

If the German-led group of creditor countries emerges unconvinced, officials said lenders may turn to a plan B, where the bail-out is given “conditional approval” and is reassessed at the next scheduled meeting of eurozone finance ministers next week.

In that case, ministers would only give the go-ahead for a critical part of the new bail-out, a €200bn restructuring of privately held debt which must begin in a matter of days in order to be completed before Greece’s next bond comes due – a €14.5bn redemption on March 20.

To complete the voluntary restructuring, where private debt holders have agreed to cut their bonds in half, eurozone lenders must approve €30bn in new cash to serve as a “sweetener” for bondholders to participate.

Luc Frieden, Luxembourg’s finance minister, said yesterday that Europeans cannot do much more for Greece beyond the current agreements, and that the country needs measures that help meet the debt target. Mr Frieden, speaking at the Atlantic Council in Washington and quoted by Bloomberg, said the EU still needs to get all the details about what the new measures will produce.

Another measure that remains undecided is how to get Greece’s debt levels down to 120 per cent of economic output by 2020. The IMF has determined that the private debt restructuring will not be enough, and the ECB, the largest public owner of Greek bonds, has signalled willingness to forgo profits on its €40bn in holdings, which would close the gap.

But officials said an ECB deal has still not been concluded because the bank wants assurances that its holding will not be subject to the same “haircut” as private investors – something that could happen if Greece decides to impose the deal on all creditors if enough private investors do not sign up to the restructuring.

The fallout from Sunday’s violence-plagued anti-austerity protests continued in Athens, where Christos Papoutsis, the minister in charge of citizens’ protection, faced criticism over the failure of police to prevent arson attacks by hooded extremists against almost 50 buildings and the widespread looting of shops in central Athens during Sunday’s street violence.

Additional reporting by Kerin Hope in Athens, Matthew Steinglass in Amsterdam and Quentin Peel in Berlin