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Eurozone divisions threaten Greece aid

57

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Grey day: pensioners march in central Athens on Tuesday in protest at proposed austerity measures

Eurozone officials have called off an emergency meeting of finance ministers to approve a vital €130bn bail-out for Athens amid a growing fight among the country's European creditors about the merits of allowing Greece to go bankrupt.

Jean-Claude Juncker, the Luxembourg prime minister who chairs the eurogroup, said the delay in Wednesday's scheduled meeting had been prompted by the continued failure of Greece's political leaders to commit to the bail-out's tough terms after April elections.

But senior European officials said Tuesday's meeting of the "euro working group" – senior officials from eurozone finance ministries – was also coloured by a widening split over whether Athens should be trusted with a second bail-out.

The delay heightens the risk Greece will be forced into a full-scale default next month when a €14.5bn bond is due for repayment. It also highlighted deepening divisions among eurozone governments about the consequences of such an outcome.

Olli Rehn, the European Commission's top economics official, warned there would be "devastating consequences" if Greece defaulted, and pleaded for eurozone governments to approve the bail-out quickly. Officials said Mr Rehn has support from the European Central Bank and the French government.

But a group of eurozone governments, particularly those that retain triple-A credit ratings, has lost faith Greece will ever deliver its end of the bargain. Hardline officials in Germany, the Netherlands and Finland are increasingly urging a Greek default.

"We are getting closer to default," said a senior eurozone official. "Germany, Finland and the Netherlands are losing patience."

Finance ministers will hold a conference call on Wednesday and reconvene at a scheduled meeting on Monday.

One key reason for the increasing boldness in northern Europe is a growing belief the EU can contain the blowback from a disorderly default, having built up the eurozone's financial "firewalls" against contagion. Some officials also believe financial markets have priced in a default, meaning any adverse reaction will be limited.

Wolfgang Schäuble, the German finance minister, said on Monday the eurozone was "better prepared than two years ago" to deal with a default.

A day earlier, Philipp Roesler, the German economy minister, said such an outcome had "lost much of its horror." Senior officials from the Netherlands and Luxembourg have made similar statements publicly in recent days.

Although some senior officials dismissed the comments as negotiating tactics, others involved in the discussions warn they should be taken at face value.

"People are really, really contemplating and wondering whether giving the people in Greece [additional funds] is the right thing to do if they can't implement the programme," said another senior eurozone official.

The change in sentiment has led to a harder line with Greek leaders. Last week, eurozone officials upbraided Evangelos Venizelos, the Greek finance minster, and sent him back to Athens with orders to find an additional €325m in budget cuts. Mr Juncker said such cuts were not complete.

Tuesday night's move was also aimed at Antonis Samaras, head of the centre-right New Democracy party and presumptive future prime minister. Even though Mr Samaras voted for new austerity measures, he vowed to renegotiate the deal if elected in April.

"Until we have it all definitively on paper, with really solid guarantees from Greece as well, and legislation, we can't make any decisions," said Jan Kees de Jager, the Dutch finance minister.