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## SUZY MENKES WHERE ARE ALL THE TROUSERS?

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# Intern

TUESDAY, FEBRUARY 14, 2012

## Greece gets some relief, but problems still smolder

BRUSSELS

BY STEPHEN CASTLE

As Greece took its latest, tortured step toward a second bailout, European officials breathed a sigh of relief Monday but cautioned that obstacles remained after Sunday night's vote for austerity in the Greek Parliament.

Euro zone finance ministers hope to give a provisional green light to a €130 billion, or \$170 billion, bailout Wednesday night, but a host of technical, legal and political problems confront the architects of a rescue that is unpopular both in Greece and in its creditor nations.

After violent protests in Athens over the weekend left about 45 buildings gutted by fire and dozens of protesters and police officers hurt, Parliament voted early Monday to support the harsh austerity measures demanded by foreign lenders. Despite the tension over the vote, and the resignation of several government ministers, 199 lawmakers were in favor and 74 were opposed, with 27 abstentions or blank ballots.

In Brussels on Monday, Olli Rehn, the E.U. commissioner for economic affairs, described the vote as "a crucial step further toward the adoption of the second program." He said he was confident that the other conditions demanded by euro zone finance ministers last week would be accepted by the time the group met Wednesday, when it hopes to approve the rescue plan.

But other officials cautioned that any agreement would be a conditional one, pointing out that the German Parliament, which must approve the deal, will not vote on it until Feb. 27.

Not all of the conditions demanded of the Greeks have been satisfied, including the identification by the government of €325 million in additional savings. Another is a guarantee of support for the bailout from Greece's political chiefs, including Antonis Samaras, leader of the conservative New Democracy party, which is expected to win elections that are due to be held soon.

Mr. Samaras sowed doubt Sunday in Parliament about his commitment to the agreement, despite calling on deputies to vote for it. Doing so, he said, would keep Greece from falling into the abyss and allow for "the possibility tomorrow to negotiate and change the policy that is being imposed upon us today."

At their meeting Wednesday the euro zone finance ministers will receive an analysis from the European Commission, the European Central Bank and the International Monetary Fund on the sustainability of Greek debt. The analysis is to include identifying the gap in funding, thought to be around €15 billion, over and above the €130 billion loan package. The gap exists because the worse-than-expected economic slump in GREECE, PAGE 16

**TOO MUCH PAIN IN GREECE, HOLLANDE SAYS**  
What is being forced on Greece is too severe, the French Socialist candidate François Hollande said. PAGE 3

**CHINA FUND BRUSHES OFF EUROPE**  
The head of China's sovereign wealth fund deflected calls to aid Europe by buying government debt. PAGE 14

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# World News

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## Hollande assails 'purge' forced on Greece

PARIS

BY STEVEN ERLANGER

The front-runner for the French presidency, the Socialist candidate François Hollande, criticized European policy on Greece on Monday, saying that "everyone knows there is no rebound in growth in Europe and in Greece, that Greece will never reach the results that are expected of her."

As for the Greek government, which just passed new austerity measures Sunday night in Athens in the face of violent protests and burning buildings, "we have a government that everyone knows will have a short life."

It was necessary to fix Greece's financial practices, Mr. Hollande said, but what is being forced on Greece now is too severe. "It's a purge," he said.

President Nicolas Sarkozy is expected to formalize his candidacy for reelection this week, but is still running behind Mr. Hollande in the opinion polls for both the first round of voting April 22 and in a runoff on May 6. Mr. Hollande, in a luncheon interview with a group of foreign journalists here, was pleasant and expansive, but remained vague on the details of his programs.

But he was sharper about what he saw as the failures of Mr. Sarkozy and other European leaders. While there had certainly been a failure of Greek governance, there was also "a failure of European governance," Mr. Hollande said.

Greece should have been tackled sooner, with a larger bailout fund to substitute for a part of public debt and bring it down to 60 percent of gross domestic product, he said, with both public and

private creditors sharing the burden. Or the European Central Bank could have loaned directly to Greece, he said, although that is banned by its charter.

The point is not to allow Greece to escape belt-tightening and reform, Mr. Hollande said. But without growth there was no way out for Greece, he said. He predicted that after private investors take a haircut of some 70 percent, public debt will also have to be restructured.

"Everyone wanted to treat Greece with ordinary measures," he said. "It was necessary to treat Greece with extraordinary measures," and now the situation in Greece is almost intolerable, with the government blocked. "Who is paying taxes today in Greece? It's a real question," he said. "The wealthiest people — there are plenty in Greece — have gotten on their escape boats, they've left. And the poorest people are

in the underground economy."

Mr. Hollande also said that he would work with all of France's allies, and that it was vital that Britain remain actively engaged in the European Union.

He was more ambivalent about NATO and Mr. Sarkozy's decision to reintegrate France fully in the alliance's military command, a decision Mr. Sarkozy said was vital for the successful military mission to defeat the Libyan government of Muammar el-Qaddafi.

On Syria, he, like Mr. Sarkozy, opposed a military intervention to drive out President Bashar al-Assad, saying that Syria was much more complicated than Libya.

Mr. Hollande praised the recommendation of the Arab League to have joint peacekeepers with the United Nations, if it can be approved.

"What's required is not an interven-

tion to chase out Assad," he said, "but at least to allow the blue helmets to arrive so that the massacres stop."

Mr. Hollande said he would, as promised, move to accelerate the withdrawal of French troops from Afghanistan, but would do so "in consultation with our allies" and not in response to particular tragedies there.

If elected in May, one of his first major international obligations will be the next NATO summit meeting in Chicago little more than a week later.

Asked if NATO is still useful, he said: "NATO, we're there, we're in the alliance and we are not going to leave."

But he said Mr. Sarkozy had not achieved a "European defense" that was a condition of re-entering NATO, and France must "keep our independence and our singularity" in certain military matters.

## Judge gives freedom to radical cleric held by U.K.

LONDON

But tight bail restrictions are ordered for preacher held years without charge

BY JOHN F. BURNS

Abu Qatada, the militant Islamic preacher held without charge in Britain for more than six years as a threat to the country's national security, was to be released from prison on Monday, British officials said.

The last impediment to the release of the militant, a Jordanian-born preacher whose real name is Omar Mahmoud



# Hurdles persist after Greek vote

GREECE, FROM PAGE 4

Greece has depressed government revenues more than had been predicted.

That will probably prompt a debate over whether the European Central Bank should help relieve some of Greece's debt burden by renouncing profits on Greek bonds that were bought at a discount. An alternative might be to lower the interest rate at which Greece will borrow from the euro zone bailout fund.

In either case Greece faces further contentious curbs on its sovereign decision-making powers. The Dutch and German governments will probably press for bailout money to be paid into a special account that would be used first to service debt. Only when those obligations were met would cash be available for general government spending.

If the ministers can agree on those elements, they will embark on the next phase of the rescue, which involves large losses for private holders of Greek bonds. The planned swap offer for private investors needs to be introduced very soon so that it can be completed ahead of March 20, when Greece has to redeem €14.5 billion in bonds or go into default.

Although they were asked in October to take a 50 percent loss, or "haircut," private investors now face much steeper losses because of the deterioration of the Greek economy, and some analysts said it will be impossible to persuade enough of them to do so voluntarily.

"It will be difficult to get 90 percent of the creditors to go for voluntary haircuts," said Nicolas Véron, senior fellow at Bruegel, a research institute in Brussels. "There will probably be a credit event," he said of the likelihood that credit default swaps, a type of insurance against creditors reneging on their loans, will be triggered — a signal that Greece is technically in default.

Such an outcome, while it would deal a huge blow to confidence in the euro zone, has in fact been widely anticipated by the markets, Mr. Véron said, so the effect would not necessarily be catastrophic.

"People have had ample time to prepare," he said. "It is a bit like the downgrade of French sovereign debt, a symbolic event but one anticipated for so long that it was not disruptive."

Whatever the prospects of averting contagion in the euro zone, the austerity measures attached to the bailout have provoked acute tensions on the streets of Athens, where more than 80,000 people turned out Sunday to protest.

Protesters threw rocks at police officers firing tear gas. After nightfall,



JOHN KOLESIDIS/REUTERS

Antonis Samaras, a conservative party leader, expressed doubt about the agreement.

demonstrators turned to firebombs, setting alight 45 buildings, including a historic theater in downtown Athens. The protests resulted in the worst damage to the city since May 2010, when three people were killed and protesters burned a bank. There were clashes in Salonika in the north, Patra in the west, Volos in central Greece, and on the islands of Crete and Corfu.

A spokesman for the Athens police force said that 74 people had been arrested and that 92 had been briefly detained in "spot inspections" Sunday night. He said that 104 officers had been wounded in the fighting. The force gave no figures for hurt demonstrators, which the ambulance service said was "in the dozens" and which the media estimated at more than 80.

The Athens Chamber of Commerce and Industry, which represents businesses in the capital, estimated the damage from looting of 150 stores to be in the "tens of millions of euros."

Mr. Rehn called on Greek politicians to come out more strongly to change the perception of a package of measures seen as so tough that it risks plunging the country into a downward economic spiral.

"The Greek authorities and political forces should now take full ownership and make the case for the second program and fully implement it in order to return the country to stable economic growth and job creation," he said.

But in creditor nations there is little

**If Greece defaults, it will be "a symbolic event but one anticipated for so long that it was not disruptive."**

support and no disguising the mounting skepticism about Greece's ability to implement the changes it has promised.

In Berlin, Chancellor Angela Merkel described the Greek Parliament vote as "very important" but stressed the need to stick to tough austerity measures. Asked Monday if she thought the riots indicated that the austerity measures were too harsh and required a change, she insisted there was no intention of doing so.

"I think that the bundle of measures make it clear that it is not just about saving, but about structural reforms," Mrs. Merkel said. The euro zone ministers will consider the measures at their meeting Wednesday, "but changes cannot and will not be made to this program," she said.

And despite the remaining obstacles for Greece, prospects for a second bailout have advanced, Mr. Véron said.

"It is a high-risk situation," he said, but "each of these actors has to make the calculation whether they prefer this to proceed or the alternative — and the alternative is not pretty."

Niki Kitsantonis in Athens, Rachel Donadio in Rome and Melissa Eddy in Berlin contributed reporting.