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Uncertainty surrounds Greek rescue deal

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By FT Reporters



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

The president of the group of eurozone finance ministers said a decision to supply Greece with a new €130bn bail-out would not be made until next week, representing yet another delay in the fractious and prolonged process to help the indebted country avoid a messy default.

Jean-Claude Juncker, the Luxembourg prime minister who chairs the group of finance ministers, said in a statement following a conference call on Wednesday night that he was “confident that the group will be able

to take all the necessary decisions” on Monday, adding that “substantial further progress” had been made this week.

However, Mr Juncker said surveillance mechanisms had to be strengthened to ensure Greece implemented the programme and that the country gave priority to “debt servicing”.

The group has proposed in earlier discussions that bail-out funds be placed in an escrow account and disbursed as Greece achieves fiscal and structural reform benchmarks over the next three years.

The series of postponements and setbacks in the last fortnight has begun to cast a shadow over market sentiment, with investors fretting that time is running out for an agreement to be reached on the second bail-out for Greece.

Geoffrey Yu, analyst at UBS, said the latest news was “a wake-up call to a market that had grown complacent about the risks around the current negotiations”. The euro dipped below \$1.30 on Wednesday morning, while the FTSE All-World equity index was down 0.7 per cent and the FTSE Eurofirst 300 suffered a loss of 0.8 per cent.

A Greek government official told the Financial Times he was “cautiously optimistic” that there would be a deal on Monday. He said Greece had fulfilled all its obligations, including approving the latest terms in parliament, identifying €325m of extra cuts and sending letters from key political leaders pledging they would honour the agreed austerity package.

A number of Greek newspaper columnists reacted angrily on Thursday to a suggestion from Wolfgang Schäuble, the German finance minister, that the country could delay its elections, which are due to be held in April, and instead install a technocratic government.

However, Mr Schäuble's comments received support from Michalis Chrysohoides, Greek development and competitiveness minister.

"We could support the extension of the Papademos government. We believe that Greece now needs stability, needs a coalition government with ... political support and political will, which serves the biggest percentage of the Greek population", said Mr Chrysohoides, who was on a trip to Frankfurt. His comments were made on Wednesday evening and released on Thursday.

The comments highlight division within Pasok, the centre-left party led by Mr Papandreou. Mr Chrysohoides is expected to be a candidate to lead Pasok but is considered an outsider. Evangelos Venizelos, the finance minister, is also expected to stand. People who know Mr Papademos indicate that the premier would be happy to stand down in April.

A poll published on Thursday showed support for Mr Samaras's New Democracy party slipping, although it would still win most votes if an election were held now. The poll by VPRC for Epikaira magazine put New Democracy on 27.5 per cent, with Pasok on 11 per cent, representing a decline of 3-4 per cent in ND's share of the vote from previous polls, while Pasok's share increased by the same amount.

The two parties may form a coalition government to implement reforms after a general election in April, according to analysts.

By Esther Bintliff and Jamie Chisholm in London, Peter Spiegel in Brussels, Kerin Hope in Athens and James Wilson in Frankfurt

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