Views

International Herald Tribune

THE GLOBAL EDITION OF THE NEW YORK TIMES

STEPHEN DUNBAR-JOHNSON Publisher

ALISON SMALE Executive Editor
TOM REDBURN Managing Editor
PHILIP McCLELLAN Deputy Managing Editor
URSULA LIU Deputy Managing Editor
KATHERINE KNORR Assistant Managing Editor
RICHARD BERRY Editor, Continuous News
RICHARD ALLEN News Editor

SERGE SCHMEMANN Editor of the Editorial Page

PHILIPPE MONTJOLIN Senior Vice President, Operations
ACHILLES TSALTAS Senior Vice President, Innovation and Development
CHANTAL BONETTI Vice President, Human Resources
JEAN-CHRISTOPHE DEMARTA Vice President, International Advertising
CHARLOTTE GORDON Vice President, Marketing and Strategy
PATRICE MONTI Vice President, Circulation
RANDY WEDDLE Managing Director, Asia-Pacific
SUZANNE YVERNÈS Chief Financial Officer

Stephen Dunbar-Johnson, Président et Directeur de la Publication

MERKEL'S INFLEXIBILITY

Political leaders across Europe have begun to push back against her campaign for unrelenting fiscal austerity.

Political leaders across Europe have begun to push back against the campaign of Chancellor Angela Merkel of Germany to put the Continent's economies into a straitjacket of fiscal austerity. It is about time. Two years of insisting that weak economies carry out tax increases and spending cuts have brought nothing but recession and deepening indebtedness.

The German-inspired fiscal compact that 25 heads of government agreed to in December will become binding in January provided at least 12 of the 17 countries using the euro ratify it this year. That process has barely begun. Before it goes any further, euro-zone members need to amend its inflexible deficit ceilings. Failure to do so guarantees a longer, deeper European recession and would likely hurt America's nascent recovery.

In its present form, the fiscal compact requires all 17 euro-zone countries to bring their deficits down to between 0.5 percent and 1 percent of gross domestic product within a year of ratification or face fines and other penalties. Interim targets have already been set by E.U. officials. Meeting those targets would require growth-killing new spending cuts and tax increases in some of Europe's weakest economies, like Spain, perversely pushing them even deeper into debt.

That is one big reason so many European leaders have now begun to resist the austerity-above-all approach. In Spain, calls for a more lenient 2012 target came from the new center-right government. In France, Germany, Italy and the Netherlands, they come from center-left opposition parties. This shift is less about ideology than about the message European voters across the political spectrum are now sending their leaders: They are fed up with austerity policies that have not worked. And they do not want their governments to renounce all fiscal tools for fighting recessions.

At Madrid's urging, European finance ministers last week agreed to raise Spain's deficit target for 2012 to 5.3 percent of domestic product from 4.4 percent. Spain is not the only country that needs relief. Ireland still hopes to meet its 2012 interim target of 8.6 percent but wants help reducing interest costs on the money it borrowed to bail out its banks. Even the Netherlands, long allied with Mrs. Merkel's austerity demands, now finds itself hard pressed to meet next year's 3 percent deficit requirement.

Treating each country as a special case would render the fiscal pact meaningless. The answer is a more flexible agreement, allowing all signatories to exceed deficit targets in periods of abnormally slow growth, provided they agree to take steps to bring their long-term deficits under control.

If flexibility is linked to structural reforms like more open labor markets, lower pension costs and a more rational tax code, it can bring back the sustained growth needed for long-term balanced budgets. For center-left parties, it is politically easy to call flexible deficit targets. They could enlist broader support for such flexibility if they also strongly embraced the more difficult labor market, pension and tax reforms.

Deputy appointed to lead Greek Finance Ministry

ATHENS

BY NIKI KITSANTONIS

The Greek government Wednesday appointed the deputy finance minister to run the ministry temporarily after Evangelos Venizelos resigned to lead the country's Socialist party.

Filippos Sachinidis, 48, a Canadian-born economist, worked closely with the Mr. Venizelos, who resigned Monday, in negotiating Greece's second financial bailout, which was approved this month.

Mr. Sachinidis was sworn in Wednesday in Athens. He is to serve as finance minister for the next few weeks leading to general elections, which are expected in late April or early May, the prime minister's office said.

Mr. Sachinidis was expected to get the job. He was deputy finance minister in the previous Socialist government of George A. Papandreou, and worked as an adviser in the office of another Socialist leader, Costas Simitis, from 2000 to 2004.

Local news media had speculated that Prime Minister Lucas D. Papademos might take on the task, in the manner of his Italian counterpart, Mario Monti. The interior minister, Tassos Yiannitsis, a Socialist, was also mentioned.

But with elections looming, Mr. Venizelos' right-hand man was apparently regarded as a safer bet.

Speaking Tuesday night, ahead of a vote in Parliament to approve the new €130 billion, or $173 billion, loan deal with foreign creditors, Mr. Sachinidis said the country had no choice but to enact the painful austerity measures accompanying the aid.

JOHN KOLESIDIS/REUTERS

Mr. Sachinidis may have a short tenure.

"There is no other solution," he told the Parliament, which contains 300 members, before the vote. "If anyone has an alternative, let them come forward."

The loan deal was approved with 213 votes, chiefly from the Socialist and conservative parties in Greece's coalition government, while 79 lawmakers voted against the agreement, with the remainder abstaining.

A protest rally in central Athens on Tuesday, organized by the country's Communist Party, drew about 4,000 people.

GREECE LOOKS TO CASH IN AS CRISIS EASES
Athens will offer to sell stakes it holds in two major publicly listed companies to revive a privatization plan. *PAGE 19*

Greece looks to sell assets as crisis eases

ATHENS

REUTERS

Greece will put stakes it holds in two major publicly listed companies, the betting monopoly OPAP and the refiner Hellenic Petroleum, up for sale by May to revive a much-delayed privatization plan and help cut the country's debt, its chief privatization official said Wednesday.

During an interview, Costas Mitropoulos, the chief executive of Greece's privatization agency, said the offer for 29 percent of OPAP would be issued before national elections, which are set to take place by early May, and would be concluded this year. Greece holds 34 percent of OPAP.

Mr. Mitropoulos said investors should be more willing to "commit cash to the country" if the elections go smoothly and the new government is perceived as giving a "clear direction."

Selling the stakes in OPAP and Hellenic Petroleum, the third- and fourth-largest companies in Greece by market value, would help the country reduce its debt and put it on sounder financial footing after severe economic problems resulted in the missing of financial targets set by international lenders.

The sale of OPAP, which has a market value of €2.3 billion, or $3.04 billion, was initially planned for last year but was pushed back to 2012 as the country's financial crisis battered stock prices.

"Investors are very interested in our assets," Mr. Mitropoulos said. "They have some concerns over the situation in the country, its dynamics. We must show them our country's dynamics are turning from negative to positive."

Mr. Mitropoulos said the agency also planned to invite investors to express interest in the government's remaining 35.5 percent stake in Hellenic Petroleum in May.

Greece gained €1.6 billion from the sale of state assets last year, half of which came from selling new licenses to OPAP.