FINANCIAL TIMES

May 8, 2012 7:45 pm

Greek left attacks 'barbarous' austerity

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By Kerin Hope in Athens and Alexandra Stevenson in London

Alexis Tsipras, head of the leftwing coalition Syriza

Greece is heading for a clash with international lenders as the radical leftwing party that came second in the weekend's election called for the ripping up of a "barbarous" austerity programme underpinning its bailout and questions mounted about the country's future inside the euro.

Alexis Tsipras, the 38-year-old leader of the Syriza party that surged in popularity in Sunday's poll, outlined a five-point plan to be put to conservative and socialist leaders on Wednesday as he attempts to build a coalition, demanding the reversal of fiscal and structural measures that have enabled Greece to slash its budget deficit.

However, in an unusually blunt intervention, Jörg Asmussen, a European Central Bank executive board member, for the first time raised the possibility of a Greek exit from the euro – an option the ECB had previously refused to acknowledge in public.

"Greece needs to be aware that there is no alternative to the agreed reform programme if it wants to remain a member of the eurozone," Mr Asmussen told Handelsblatt, the German business newspaper.

Fears of a Greek exit hit financial markets, with stock markets across Europe falling, the US S&P 500 hitting a two-month low by midday in New York and investors buying safe US Treasuries, German bunds and UK gilts.

Syriza overtook the centre-left Panhellenic Socialist Movement (Pasok) in Sunday's poll, winning 16.78 per cent of the vote to Pasok's 13.18 per cent thanks to large gains in Athens and Piraeus, the country's largest constituencies.

"Voters rejected the barbarous policies in the bailout deal; they abandoned the parties that support it, effectively abolishing plans for sackings [of public sector workers] and additional spending cuts," Mr Tsipras said.

His plan would involve ripping up Greece's second €174bn bailout agreement, putting the banking sector "under state control", reversing labour reforms, calling a moratorium on national debt repayments and moving to proportional representation.

Greek stocks fell to 20-year lows while in Paris the CAC 40 slid 2.8 per cent and Germany's Xetra Dax closed down 1.9 per cent. The euro slipped 0.3 per cent against the dollar to $1.3022.

"Greece in itself isn't a big issue, but what does matter of course is the knock-on effects and contagion fears and what that would mean for the wider market," said Adrian Cattley, European equity strategist at Citi.

Mr Tsipras has three days to attempt to form a coalition government, although analysts expected the two main parties, Pasok and the conservative New Democracy, to reject the plan out of hand, a move that is likely to lead to a fresh election in June.

One conservative official called Syriza's position "irresponsible".

Analysts said Syriza wanted to win first place at the next election by taking a hardline stance against reforms backed by the EU and the International Monetary Fund aimed at rescuing Greece from bankruptcy and an exit from the eurozone.

Young, unemployed Greeks flocked to vote for Syriza at the election, along with self-employed professionals opposed to the liberalisation of their closed shops and older leftwingers facing further pension cuts under an €11.5bn package due to be approved by the incoming parliament.

"Some people interpreted the election result as a vote of anger. They are making a mistake. It was a mature and conscious choice," Mr Tsipras said.

Additional reporting by Ralph Atkins in Frankfurt