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# Europe's problems far from resolved

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the leftist Syriza party, which finished a close second.

Signals from Brussels and other European capitals Monday were that there might be some leeway to ease the terms of aid to Greece.

"The negotiated conditions must be adhered to, but one should also give the Greek population air to breathe," said Werner Faymann, the Austrian chancellor. He cited access to medical supplies, which have been partially disrupted, as one example of a way to ease suffering. "The consolidation must not exclusively be carried out on the back of the population."

And yet, despite widespread agreement that the existing plan for Greece has put a nearly intolerable burden on its citizens, the only way to give the country more time to fix its economy is to lend it even more money. That would not be popular in Germany and other countries in Northern Europe, which tend to perceive Greece as not worthy of more credit because it has made scant progress in deregulating its labor markets, removing barriers to competition and getting citizens to pay taxes.

"The government has been promising these reforms for two years and hasn't delivered," said Lüder Gerken, head of the Center for European Policy in Freiburg, Germany. "I don't see how anything is going to change, compared to the last two years."

Chancellor Angela Merkel of Germany appeared to douse any expectations Monday that Greece's lenders would cut it some slack. Speaking in Los Cabos, Mexico, before a meeting of leaders of the Group of 20 leading industrialized and developing nations, Ms. Merkel ruled out a new aid package for Greece.

"The Greek government will and must naturally follow through on the commitments that were made," Ms. Merkel told reporters. "There can be no loosening of the reform steps."

President Barack Obama, also in Los Cabos for the meeting, said the outcome of Greece's elections would provide a new opportunity for the crisis-torn country.

And in what seemed a veiled appeal to Germany to ease up on its demands, he said, "I think the election in Greece yesterday indicates a positive prospect for not only them forming a government, but also them working constructively with their international partners in order that they can continue on the path of reform and to do so in a way that also offers the prospects for the Greek people to succeed and prosper."

Ms. Merkel's hard-line stance was a reminder of how far European leaders are from a consensus on ways to restore confidence in the euro zone. But now that the Greek elections are over, it may at least be easier for leaders there and in the rest of the euro zone to negotiate in earnest about holding the currency union together.

Euro zone officials indicated Monday that there would be some relaxation this summer of the debt-reducing targets set in the Greek bailout plan, because the political impasse over the past two months in Athens has meant the machinery of government has not been operating. The worsening economic situation across Europe, moreover, has also weighed on Greece.

Officials from the trio of Greece's lenders — the European Commission, the International Monetary Fund and the European Central Bank — will return to Athens after a new government is formed to prepare their next report. Once the so-called troika reports back to euro zone finance ministers, negotiations will begin.

Last month the Greek government was supposed to have identified €11.7 billion, or $14.7 billion, in additional savings to meet the budget targets for 2013 and 2014. The cuts, to be adopted over the next two years, were to focus mainly on social, health care and military spending, as well as on government payrolls.

The longer the program runs, however, the more money Greece will need. In a report Monday the Eurasia Group, a research and consulting firm, estimated the additional financing gap at €20 billion to €30 billion.

Such an ever-growing bill is sure to set off another storm in countries like Germany, Finland and especially the Netherlands, where parties on the far left and far right that oppose greater powers for Brussels have been gaining support before a general election in September. The political sensitivities could mean that agreement is put off until a new Dutch government is formed, dragging out the uncertainty and fueling volatility.

Another option would be to forgive some of the debt held by the public sector, like the European Central Bank, which has been shielded so far, even as private holders of Greek bonds took huge losses. That also "could prove to be very challenging from a political standpoint," as BNP Paribas economists pointed out in a research note Monday.

Apart from the €1 billion already approved but withheld by the Eurogroup of euro zone finance ministers last month, the next installment under the current bailout program is €31.2 billion, of which €29.6 billion is coming from the existing bailout fund, the European Financial Stability Facility, and €1.6 billion from the International Monetary Fund.

The €1 billion is due to be released by the end of June, while the date of disbursement for the next portion of aid has yet to be determined.

The complexities illustrate why, when European leaders meet in Brussels on June 28 and 29, they are expected to take only preliminary steps toward tackling the structural flaws of the currency union.

**"We are still in a crisis of confidence. Quite a few of the fundamental issues have not been resolved."**

Speaking in Los Cabos on Monday, E.U. officials said there would be no definitive decisions next week but a road map for the way forward would be presented.

"Even if we in June will not take definitive decisions, the path and trajectory are very clear for everybody," Herman Van Rompuy, president of the European Council, said at a news conference.

The road map is expected to include measures to prevent bank runs and reduce what has become a vicious cycle of government debt problems turning into banking crises, as has happened in the past two years. Mario Draghi, the president of the E.C.B. and one of the authors of the plan, said last week that it would be released soon.

Mr. Van Rompuy is working on the plan along with José Manuel Barroso, president of the European Commission; Jean-Claude Juncker, the prime minister of Luxembourg and head of the Eurogroup, and Mr. Draghi.

Some critics of Europe's approach to the crisis worry that the first-place finish of New Democracy in Greece could take pressure off euro zone leaders to deal with the larger flaws in the structure of the euro zone. If the worst case had come to pass, euro zone leaders might have had little choice but to act.

Rainer Guntermann, an analyst at Commerzbank in Frankfurt, wrote in a note to clients Monday, "The risk is that this benign outcome could inhibit a bolder solution at the upcoming E.U. summit."

*Nicholas Kulish reported from Berlin and Paul Geitner from Brussels. Annie Lowrey contributed reporting from Los Cabos, Mexico.*