Greece crisis: Debt-ridden country days from default and Grexit, but Eurogroup still holds out faint hope of a deal

A day of summits passed without the breakthrough deal unlocking €7.2bn in bailout cash for Athens that had been predicted by some European officials

BEN CHU, LEO CENDROWICZ | BRUSSELS | Thursday 25 June 2015

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Greece remains deadlocked with its creditors, leaving Athens facing a potentially disastrous sovereign default in only four days.

A day of fraught Brussels summits passed without the breakthrough deal unlocking €7.2bn (£5.12bn) in bailout cash for Athens that had been predicted by some European officials earlier in the week.

The Eurogroup of 19 single currency finance ministers proved unable to bridge its divide with Alexis Tsipras' government after

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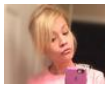
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creditors on 24 June objected to a number of concessions Athens had presented at the start of the week.

Despite the crumbling of Greece's resistance to increasing VAT on Greek holiday islands and a commitment to find total budget savings worth 1.4 per cent of savings in 2015 the two sides were still far apart on the issues of overhauling pensions and imposing new business taxes.

Greek Prime Minister Alexis Tsipras, Italian Prime Minister Matteo Renzi and German Chancellor Angela Merkel during one of the summit meetings in Brussels on Thursday (EPA)

The Eurogroup will meet again on 27 June for the fifth time in 10 days. But the clock is ticking down. Greece is due to repay €1.6bn to the International Monetary Fund on 30 June and without the €7.2bn from its creditors it will be unable to do so.

Unless the money is handed over Greece will default and could see its banks cut off from emergency funding from the European Central Bank. That could prompt domestic capital controls and push Greece out of the single currency.

Even if a deal is sealed at the weekend there are fears that it could be too late for national parliaments in the eurozone to approve the disbursement, meaning Greece could end up defaulting by accident.

Mr Tsipras said he still expected a deal in time. "European history is full of disagreements, negotiations and then compromises. So after the comprehensive Greek proposals I'm confident that we will reach a compromise that will help the eurozone and Greece overcome the crisis," he said. That was echoed by the European Council President, Donald Tusk, who chairs the European Union summits.

"I have a good hunch that unlike in Sophocles' tragedies, this Greek story will have a happy end," he said.

But there were also warnings. The Maltese foreign minister Edward Scicluna said the two sides were "worlds apart" and that creditors would have to consider a "Plan B" if a deal is not concluded on 27 June, likely to mean capital controls on Greek

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banks.

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The president of Germany's Bundesbank, Jens Weidmann, also expressed doubts over the European Central Bank's provision of emergency support, suggesting it may breach the rules on financing eurozone governments. "When banks without access to the markets buy debt of a sovereign which is likewise locked out of the market, taking recourse to ELA [the ECB's loans] raises serious monetary financing concerns" he said in Frankfurt.

His words could prompt further withdrawals of Greek savings from the domestic financial system from 26 June. It is estimated that some €4bn was withdrawn from the banking system last week by Greeks worried over the imposition of capital controls.

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The IMF – one of the creditor authorities – is concerned that Mr Tsipras is relying heavily on potential revenue generated from tax rises, a risky strategy for a country with a patchy track record in tax collection. There are also fears that Mr Tsipras' one-off 12 per cent tax on corporate profits will cut back growth.

Behind the scenes, however, officials suggested there had been progress in some negotiating areas. Athens has agreed to push back the retirement age to 67, while the creditors have accepted that Greece can keep its six per cent VAT rate for medicines,

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Greece's Finance Minister Yanis Varoufakis will meet again with the Eurogroup on 27 June. The two sides are still far apart on the issues of overhauling pensions and imposing new business taxes (AP)

books, and the theatre.

Despite the dashing of hopes financial markets remained composed. The interest rate on Greek 10-year debt crept up, signalling a very modest increase in default risk. Shares across the Continent were down slightly, with the Eurofirst 300 index shedding around 0.3 per cent. But the Athens stock market managed to increase by 0.1 per cent.

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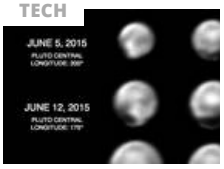

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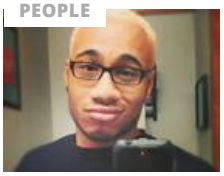

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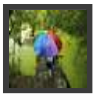

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Of course it will have a happy ending — i.e., Greece will be let off the hook — it's in the script.

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MORIETY 2 hours ago

Meanwhile nobody is allowed to comment on the fascist ISIS gains, wherin it appears the only sane parson is General Dempsey from the USA, struggling with politicians who seem to think they are jack-of-all-trades (but are master of none of course).

We in the UK have had the Gulf and Afghanistan wars, most of us opposed both, but fighting this religious fascist group (ISIS) is a must now. They are across the water facing Greece and Italy: fascists must never be tolerated by any nation who values freedom.

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Greece and hope, now there is an oxymoron.

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The Greeks are where the Greeks chose to be. There is absolutely nothing unreasonable about the creditors' terms for further advances. Unless the Greeks make *major* structural reforms (and they are not) they'll just be back with the begging bowl again, and again, and again.

I'm sick of subsidising their over-entitled lifestyle when there are things I would like to buy for my own kids, but cannot afford. This is the reality.

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CHRISD 3 hours ago

How many time are you going to (have to) repeat this bloody stupid headline.

Greek politicians dug their country into a hole and were aided and abetted by the EUSSR Bureaucracy.

The sooner we are rid of both, the better

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