

Beat: Politics

GERMANY SKEPTICAL TOWARDS GREEK BAILOUT PROPOSAL

GREECE TO PRESENT PROPOSAL BY THURSDAY

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USPA NEWS - Greece says it will present to its creditors by Thursday a proposal aimed to save bailout talks from collapse, as time is running out for a deal that would keep the country solvent and within the euro currency bloc.

Germany, the main European creditor, was quick to say it was deeply skeptical, while the European Commission said it would like to see what the proposal entailed before offering support.

The impasse caused concern in the United States, which urged Athens and European lenders to swiftly resolve their differences. Greek government spokesman Gavriil Sakellaridis said Athens' plan would involve extending the 240 billion euro international loan agreement that has kept the country afloat since 2010 " but, apparently, without the required spending cuts and tax hikes.

"We believe the terms of the bailout cannot continue by any means," Sakellaridis told private Antenna TV. Officials said the proposal would be sent by late Thursday.

Greek shares closed 1 percent up, after days of losses, and the Euro Stoxx 50 index rose 0.5 percent.

Both sides agree Greece needs external support to keep it afloat and buy time for more thorough talks. But Athens rejects the eurozone's request that it continue the budget austerity cuts required under its bailout so far.

Greece's new radical left-led government won general elections last month on the promise to scrap the budget measures that it blames for worsening an economic depression and sending unemployment above 25 percent.

The creditors in the 19-country eurozone say Greece has until the end of the week to agree to extend its loans program and continue the budget measures, which they say help reduce debt.

Amid the high tensions, U.S. Treasury Secretary Jack Lew spoke on the telephone with Greek Finance Minister Yanis Varoufakis. He "noted that failure to reach an agreement would lead to immediate hardship in Greece, that the uncertainty is not good for Europe, and that time is of the essence," according to a Treasury Department statement.

Earlier this week, Varoufakis told his eurozone counterparts that Greece was ready to apply for an extension of the loan agreement and also agree on "a number of sensible conditionalities" during that period.

He did not elaborate, however, on what they might be, according to a transcript of his speech released by the ministry.

Analysts say Greece's proposal improves the odds a little for a deal, but a large snag is that Athens still rejects the budget terms attached to the loans. Holger Schmieding from Berenberg Bank singled out Athens' desire to reverse a series of structural reforms, such as raising the minimum wage back up. That, he said "does not come close to what creditors could accept."

Fitch ratings agency said the onus is on Greece to compromise.

"Our base case remains that the incentives to reach a negotiated agreement are sufficiently strong, but the risks of a policy mistake on either side have risen," it said Wednesday, warning that the current uncertainty could derail Greece's incipient economic recovery. German Finance Minister Wolfgang Schaeuble was openly skeptical, even referring to the possibility of Greece having to leave the euro if it does not accept the eurozone's conditions.

"We're a bit used to this " every day there are different reports, and then when we are in a room together things sound completely different," he said told ARD television Tuesday night.

The European part of Greece's bailout expires on Feb. 28. If no deal is reached by then, the European Central Bank would face increased pressure from eurozone governments to cut off emergency financing for Greek banks.

That could place so huge a strain on the country's financial system that the government might be forced to print its own currency and leave the euro. That's a worst-case scenario for all sides " Greece's economy would suffer terribly, at least in the short term, and European countries could be stuck with losses on their loans to Greece.

"No one in the eurogroup wants to force Greece out of the euro," Schaeuble said. "It's entirely up to officials in Greece."

"We are at a critical juncture in the negotiations," said Tsipras.

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