

## **Collapse of Greece bailout talks casts new doubts on EU's future**

By Josephine McKenna

ROME, Nov. 21 (Xinhua) -- Failure to reach an agreement on a crucial bailout package for Greece has raised fresh doubts about the future of the European Union as well as the country's dire economic situation.

After nearly 12 hours of talks in Brussels overnight, EU finance ministers said more time was needed to analyze the technical details of the package before releasing Greece's next batch of bailout funds.

German Chancellor Angela Merkel said Wednesday a deal on the Greek bailout package could still be reached at a meeting of finance ministers next Monday, but she warned Europe's financial woes would not be resolved immediately.

"There is a chance that there will be a solution on Monday," Merkel told the German parliament.

However, as European leaders prepared to meet in Brussels to discuss the EU's seven year budget plan on Thursday, Merkel stressed that there would not be "one action, one solution" to resolve the eurozone's crisis.

Earlier Greek Prime Minister Antonis Samaras urged the troika -- the eurozone, the European Central Bank and the International Monetary Fund (IMF) -- to overcome their differences and release the next batch of already overdue loans.

"Our partners now have a duty to meet the responsibilities they have assumed," Samaras said in a bitter statement. "It is not just Greece but the whole of the eurozone that depends on our partners' decisions. No procrastination can be permitted."

European finance ministers have been considering ways of reducing Greece's public debt, which is projected to peak at 190 percent of gross domestic product by 2014.

Athens is seeking a payment of 44 billion euros, including 31.5 billion euros in overdue loans to avoid insolvency.

Chairman of the Eurogroup Jean-Claude Juncker said progress had been made on "credible initiatives" and ministers would resume talks next week in the light of Athens' efforts to reduce spending.

"Greece has delivered. Now it's up to us to deliver," Juncker said.

At the end of the talks French Finance Minister Pierre Moscovici said the eurozone "would be threatened if we did not reach a deal", while the head of the IMF Christine Lagarde said the parties would work constructively to find a solution.

Nicola Borri, economics professor at Luiss University in Rome, said the breakdown in negotiations on Greece was significant amid concerns that Athens would be facing a long-term recession.

"An agreement next week is possible and probably likely, but it will not entail any debt reduction -- just lengthening of maturity and interest rate reduction," Borri told Xinhua.

"Debt reduction is critical for Greece that is now suffering a typical debt overhang situation. The country's public debt holders including the ECB and the European governments will not accept cuts to their claims as private investors did earlier."

Germany's Commerzbank also expressed concern about the sustainability of Greek debt and its implications for taxpayers elsewhere in Europe.

"Greece will hardly be able to bear its debt load in the long-term," said Christoph Weil, economist at Commerzbank in Frankfurt.

"Unless the eurozone countries waive part of their claims in whatever form, debt sustainability will be difficult to restore. But if they do, this will destroy the illusion that saving Greece will not cost the taxpayers in the donor countries any money."

Ettore Livini, columnist for the Italian daily La Repubblica, warned that the collapse of the talks would merely drive Greece's disaffected into the arms of extreme parties and their leaders.

"Who really benefits from it? Those who have relied on social discontent for some time," Livini said. "The razor heads in Athens always have pride in their Greek flag. And the steady trickle of humiliation that arrives every week from Brussels fuels the flames of popular rage."

Meanwhile, Italy is expected to oppose a broader push to reduce European Union spending at this week's summit in Brussels.

Leaders of the 27-members of the EU are to meet on Thursday to discuss the European Commission's 1 trillion euro seven-year budget plan. Countries, including Britain, Germany and Sweden, are demanding budget cuts of up to 200 billion euros. Britain wants EU spending frozen and Prime Minister David Cameron has warned he may veto any increase in overall spending.

However, Rome is opposed to spending reductions and Italy's European Affairs Minister Enzo Moavero Milanesi told the foreign press on Wednesday he believed an accord could be reached based on "significant savings and increased efficiency."

"There needs to be a balance between those who give and those who take or there is a risk of creating a new imbalance," Milanesi said.

Merkel said the EU would need to hold a new summit on the budget in early 2013 if the bloc's leaders failed to agree this week on a 2014-2020 spending plan.

"I don't know if we will have a definitive deal tomorrow or the next day -- we want that," Merkel said.