
February 12, 2010

Greek PM Says EU Took Too Long to Show Support

By THE ASSOCIATED PRESS

Filed at 11:13 a.m. ET

ATHENS, Greece (AP) -- Greek Prime Minister George Papandreou on Friday criticized the [European Union](#) as "timid" and too slow to express unified support for his country during its [financial crisis](#), a day after Greece won backing -- but no detailed bailout plan -- at an EU summit.

Speaking during a Cabinet meeting on his return from the Thursday summit in Brussels, Papandreou said that while the country had received a statement of support, delays and conflicting statements over the past few months had made things worse.

"Greece is not a political or an economic superpower to fight this battle alone. In the last few months of this crisis, the EU gave its political support," Papandreou said. "But in the battle against the impressions and the psychology of the market, it was at the very least timid."

Over the past few months in the EU, there were "multiple voices, differences and diverging statements. Speculation about our country which created a psychology of imminent collapse. Prophecies which risked becoming self-fulfilling."

Greece's debt crisis has plunged [the euro](#), the currency used by 16 EU nations, into the worst turmoil it has seen since it was launched 11 years ago. Papandreou, whose Socialist party took office in October, blamed the outgoing conservatives "criminal policies" for falsifying statistics that meant his government had to revise the budget deficit figures to 12.7 percent of economic output for 2009, far above the 3.7 percent estimated the previous spring.

Papandreou said the EU had shirked its responsibility in monitoring the previous government's data.

"There was quite a big effort in the European Union to hide their responsibilities behind Greece. The responsibility of the Union, the Commission, even Eurostat to be vigilant and to point out to the previous government the slippery slope it was on," he said.

The markets have hammered Greece in recent weeks, pushing up the spreads, or difference between 10-year Greek bonds and a the German benchmark bonds which measure the market's perception of a risk of default. Greece's problems have also weighed on the euro.

"There was a lack of coordination between the various bodies of the Union, the Commission, the member states, the [European Central Bank](#). Even differing opinions within those bodies," Papandreou said, adding that there were divergent opinions as to what should be done: "multiple doctors with differing prescriptions over the patient that is Greece."

On Thursday in Brussels, the 16 eurozone countries promised to "take determined and coordinated action, if needed, to safeguard financial stability in the euro area as a whole."

But they left out any detail about what they might do to prevent the country from defaulting, and markets reacted coolly. The spreads on Greek 10-year bonds rose to 2.98 percentage points Friday afternoon, up from about 2.70 percentage points on Thursday night, but still down from 3.5 percentage points the week before. The Athens Stock Exchange closed down 2.11 percent.

Gikas Hardouvelis, professor of finance at Piraeus University, said although markets had hoped to see something more concrete from Brussels, the outcome wasn't surprising.

"The equilibrium that was reached among the heads of state is sort of a natural equilibrium, which is not commit to anything because nobody gets hurt yet. Greece is not spitting blood so to speak yet," he said, pointing out that further decisions might come from an EU finance ministers' meeting next week.

Papandreou's government has announced an austerity program that includes freezing civil servants' salaries, cutting bonuses and stipends and hiking taxes and the average retirement age by two years to 63. Unions have responded with strikes, although turnout for protest marches during a civil servants' strike on Wednesday was low.

Papandreou stressed Greece faced a long road to recovery.

"This battle isn't over," he said. "I would say it's just beginning, with an important decision by the European Union to support the efforts of Greece, to support the eurozone."

Michael Massourakis, Group Chief Economist at Alpha Bank in Athens, estimated that Greece's economy would be "under the influence of negative market perception for months to come probably, until we get concrete evidence that the budget for 2010 is implemented in accordance with what is in the stability program targets."

French Finance Minister Christine Lagarde said Greece's "moment of truth" will come in March and that the European Union and IMF will be watching closely to make sure Athens fulfills its promises.

Asked whether European finance ministers would firm up details of possible aid to Greece at a meeting Monday, Lagarde told French radio RMC it would be discussed, but did not elaborate.

Greece will report back to EU nations in March on progress on its debt-fighting measures, and based on that progress, the EU and the European Central Bank could order tougher action that Greece may find difficult to implement. The EU is seeking help from [International Monetary Fund](#) experts to make that March assessment.

"We have a tough time ahead. The prime minister is right," said Hardouvelis. "Undoubtedly Greece is being cornered, and markets are ... overreacting too because of what happened in the financial crisis and we're paying a bigger price than we actually deserve in some sense. But we do deserve to pay a price."

Associated Press writer Angela Charlton in Paris and AP Television producer Theodora Tongas in Athens contributed to this report.