

## Greece seeks activation of €45 billion aid package

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Debt-stricken Greece appealed to its European partners and the IMF for emergency loans today, yielding to overwhelming market pressure to start the first financial rescue of a member of the euro zone.

Prime Minister George Papandreou asked to tap the €45 billion euro package after investors feared a default and pushed borrowing costs to record levels, undermining Athens' efforts to cut its €300 billion debt pile.



"It is a national and imperative need to officially ask our partners in the EU for the activation of the support mechanism we jointly created," Mr Papandreou said in a statement broadcast live from the remote, tiny Aegean island of Kastellorizo.

Mr Papandreou said he had asked finance minister George Papaconstantinou to make a formal request for the plan's activation.

"This is the moment. The time that was not granted to us by the markets will be given to us by the support of the euro zone," Mr Papandreou said.

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The prime minister said the markets had not responded positively to Greece's austerity measures, and that it is now a "national and pressing necessity" to call for the aid.

Mr Papaconstantinou sent a letter formally requesting the activation of a European Union aid package, the Greek government has confirmed.

The letter was sent to European Central Bank president Jean-Claude Trichet, EU economic and monetary affairs Commissioner Olli Rehn and Luxembourg prime minister Jean-Claude Juncker, who also heads the group of euro-area finance ministers, the Greek finance ministry said in a statement.

"In accordance with the statement of the heads of state and government of March 25th, 2010 to provide financial support to Greece, when needed, and the follow up statement of the Eurogroup, Greece is hereby requesting the activation of the support mechanism," the text of the letter reads.

The rescue package will provide Greece with loans from other euro zone countries to the tune of €30 billion and about €10 billion from the IMF.

It could take a week for the Commission and ECB to decide if Greece's request is valid and for euro zone finance ministers to then take a formal decision, the Commission said.

"Everything is going to be done in such a way that the mechanism can be triggered as soon as (necessary) and as is necessary for Greece," spokesman said Amadeu Altafaj said.

He said interest on the loans - expected to be around 5 per cent from euro zone states - would be in line with a formula worked out by euro zone finance ministers earlier this month. Because the date of the disbursement was not known yet, it was impossible to say now what the exact level would be.

Greece has said the Commission could potentially offer a bridge loan to fill a gap if the aid were not approved in time to cover its funding needs.

Some countries must win parliament approval to release funds, and Athens faces public opposition in Germany, where a majority are against helping the long-time budget sinner against the backdrop of a key state election on May 9th.

European shares held on to gains and spreads between Greek and German bonds narrowed further after Greece said it was turning to the European Union and International Monetary Fund for help with its debt.

The euro slipped to \$1.3313.

European Central Bank council member Axel Weber said the euro is not in trouble.

"The euro doesn't have a problem" as a result of Greece's fiscal crisis and continues to be an attractive currency in financial markets, Mr Weber told reporters today in Washington.

"Any discussion about a country exiting the monetary union is a fantasy," Weber said.

German finance ministry spokesman Michael Offer told reporters in Berlin that Germany is "ready to act" to trigger the legislative process necessary to provide the aid.

Finance minister Wolfgang Schaeuble has previously said that the legislation needed could go through parliament within about 10 days.

"It is something that might help market sentiment in the short term because it could alleviate the fears that have arisen regarding a possible debt restructuring for Greece that was discussed in the markets lately. But at the end of the day it is nothing that will solve the fundamental problems of the Greek government", said Gerhard Schwarz, head of Global Equity Strategy at Unicredit.

Credit Agricole CIB strategist Peter Chatwell said: "We aren't really much further into solving the problem - we need to know how much Greece will get and when, so uncertainty will continue to be a problem, hence no major reaction since the formal announcement."

#### **Agencies**