Goodbye Greek Democracy -- Leaders backdown from Referendum

by Peter Wilson via stele - The Australian *Thursday, Nov 3 2011, 9:01am*
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Banking/Financial Elites know best, after all, they are responsible for the Global Recession!

> *Under enormous pressure from Financial and Bankster elites, Greek leaders have 'caved' on plans for a referendum on austerity measures. In exchange for more political corruption money and an 8 billion euro loan, Greek Democracy and the Greek people were sold into indefinite bondage and servitude to the criminal banking elites that plunged the world into economic chaos in the first instance.*

Merkel chastises Papandreou while Sarkozy watches approvingly

THE GREEK government has backed down from a controversial referendum proposal after an unprecedented threat by European leaders to dump Greece from the eurozone and the entire EU.

Prime Minister George Papandreou was forced to abandon his plan for a referendum on the latest euro bailout deal after the leaders of France, Germany and other major European nations meeting in Cannes warned they were prepared to bankrupt Greece unless it stuck to the bailout agreed last week.

Mr Papandreou had infuriated his European colleagues and plunged the financial markets into turmoil by announcing he would not implement the bailout deal unless it was first endorsed by a referendum of Greek voters.

French President Nicolas Sarkozy warned Mr Papandreou that Athens would receive “not a cent more” in aid until the country agreed to stick by the hard-fought bailout plan, under which Greece’s sovereign debts would be halved in return for austerity measures by the Greek government.

The danger of becoming the first country to split from the EU’s 12-year-old currency bloc prompted Greek Finance Minister Evangelos Venizelos to rebel against the referendum plan, forcing Mr Papandreou to call an emergency cabinet meeting last night.

After failing to win over his cabinet, Mr Papandreou was struggling to stay in office, amid predictions by senior MPs that he would have to stand aside for a grand coalition government led by another prime minister.

Veteran banker Lucas Papademos was the man tipped by many insiders to take over as Prime Minister.

The European Central Bank responded to the growing fears of recession fuelled by the latest Greek crisis by cutting its benchmark euro interest rate last night by 25 basis points to 1.25 per cent.

European leaders at the Cannes G20 summit of leading economies had earlier raised the previously taboo topic of expelling a country from the 17-nation eurozone.

They piled on more pressure by declaring that if Greece left the 17-nation eurozone it would also be expected to leave the 27-nation EU, depriving Greece of access to the world’s largest shared market and massive subsidies from wealthier northern countries.

"The treaty doesn't foresee an exit from the eurozone without exiting the EU," a spokeswoman for the European Commission said.

Financial markets rallied on signs that the December 4 referendum would be cancelled but there was still uncertainty about whether a new Greek government would support the EU bail out-plans.

The opposition New Democracy Party has fiercely opposed the austerity involved in the bailout deal, claiming that it would renegotiate with other European nations on the hard-fought bailout.

The political crisis in Athens stole the focus of the Cannes summit, as the euro credit crunch has undermined the financial stability of the world’s largest trading bloc and risked spreading to the global finance system.

Mr Sarkozy and German Chancellor Angela Merkel summoned Mr Papandreou to Cannes to tell him that unless Greece stuck to the bailout it would have to leave the eurozone.

"The question is whether Greece remains in the eurozone," the French President said. "That is what we want, but it is up to the Greek people to answer that question."

Ms Merkel - effectively the co-leader of the 17-nation bloc using the currency since January 1999 - signalled that an 8 billion euro ($10.7bn) tranche of loans due to be paid to Athens this month would be granted only if Greek voters accepted the bailout deal.

"Does Greece want to remain part of the eurozone or not?" the German Chancellor asked. "That is the question the Greek people must now answer."

Mr Venizelos, a long-time aspirant for Mr Papandreou's job, reportedly pleaded with Mr Papandreou on their flight back to Athens to drop the referendum.

He refused and when they landed in Athens Mr Venizelos released a statement saying that membership of the eurozone was too important to be risked by a referendum.

Three other ministers quickly joined Mr Venizelos in his rebellion and the defection of several other government MPs left Mr Papandreou in danger of losing a confidence motion due on Saturday morning Australian time, which would have triggered new elections.

The US, China and other major economies had expressed displeasure at Mr Papandreou's retrospective push for a referendum.

President Barack Obama said “the most important aspect of our task over the next two days is to resolve the financial crisis here in Europe,” with Julia Gillard joining the chorus of leaders in Cannes backing the bailout deal.

The Greek government needs the 8bn euros by the middle of next month to pay pensions, public-service wages and debts, so a no vote in the referendum would have tipped the country into a quick default on its $350bn debt and severely damaged the international finance system.

Investors yesterday dumped shares across the region, with the benchmark S&P/ASX 200 index down 12.8 points, or 0.3 per cent, to 4171.8 points.

The Australian dollar was trading at $US1.0249 late yesterday, down from $US1.0350.

Mr Papandreou appears to have proposed the referendum to shore up his own government, which was struggling to implement the austerity program that is a condition of the bailout.

Opinion polls suggested that 60 per cent of Greek voters oppose the bailout deal, under which their government would have to commit to a decade of spending cuts and tax rises in return for more than E100bn ($133bn) of direct aid and much larger loan guarantees.

But polls also showed that 70 per cent of Greeks want to stick with the euro, and Mr Sarkozy warned that the Greeks cannot have it both ways.

The Greek confusion dashed Mr Sarkozy's hopes of convincing Chinese President Hu Jintao to agree at the two-day summit to invest in a special fund being set up to help protect Italy and other vulnerable economies from any "contagion" of Greece's credit problems.

Deputy Chinese Finance Minister Zhu Guangyao declared Beijing would not invest in the bailout fund until the uncertainty caused by the Greek referendum ended.

"Like our European friends, we did not expect the Greek referendum," Mr Zhu said in Cannes.

Communist China's official Xinhua news agency bluntly called on Mr Sarkozy and other European leaders to persuade Greece to "drop the referendum idea".

http://tinyurl.com/3kafas9
