

Greece to miss IMF debt payment and bailout to expire

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Athens, Greece: Greece is set to become the first developed nation to not pay its debts to the International Monetary Fund on time, as the country sinks deeper into a financial emergency that has forced it put a nationwide lockdown on money withdrawals.

Greece owes the IMF about 1.6 billion euros (\$1.9 billion) by the end of Tuesday but has run out of money and after five months of talks with creditors, has no prospect of getting new rescue loans.

Finance Minister Yanis Varoufakis, asked whether Greece would meet Tuesday's repayment, replied: "no."

The European part of Greece's international bailout expires at the end of Tuesday, and with it any possible access to the remaining rescue loans the country needs to pay its debts.

"The program runs out tonight, at exactly midnight central European time," German Chancellor Angela Merkel said in Berlin. "I know of no solid indications to the contrary."

The heightened crisis, which peaked over the weekend after Prime Minister Alexis Tsipras called a referendum on creditor proposals for reforms in return for bailout loans, has increased fears the country could very soon fall out of the euro currency bloc.

If Greece doesn't repay the IMF by the deadline, it will be officially in arrears and will no longer have access to funding from the body until it clears its arrears. This, IMF chief Christine Lagarde told the BBC last week, has "never happened in the case of an advanced economy."

Straight after the referendum call, in which the government is advocating a "no" vote, Greeks began rushing to ATM machines. The referendum is set for Sunday and the government declared all banks will remain shut for at least a week. Greeks have been limited to cash withdrawals of 60 euros (\$67) per day.

Capital controls began Monday and will last at least a week, an attempt to keep the banks from collapsing in the face of a nationwide bank run.

There was speculation Tuesday that an 11th-hour deal might be possible, with reports that Tsipras was to undertake an initiative based on an offer by European Commission President Jean-Claude Juncker. Markets in Europe rose on the hopes for a resolution of some kind.

"Of course, we are not going to cut off our channels of communication after midnight tonight," Merkel said. "That means that the door is open for talks, but that is all I can say at this hour."

Asked whether there was a chance of a deal, Varoufakis told reporters outside the finance ministry: "We hope."

Tsipras spoke by phone Tuesday with Juncker, European Central Bank chief Mario Draghi and European Parliament president Martin Schulz, a Greek official said, but without revealing the content of the discussions. The official spoke on condition of anonymity in line with government regulations.

In Brussels, European officials said the Commission chief was willing to help give Tsipras a belated way out of his

financial crisis if he accepts creditors' conditions and campaigns for staying in the euro.

An EU official, who asked not to be identified because of the sensitivity of the talks, called it "a sort of last-minute offer" before Tuesday's dual deadlines.

Tsipras would need to write to Juncker and other leaders saying he accepts the latest offer, which was on the table last weekend. He would also have to change his position on Sunday's referendum.

Beyond accepting the creditors' proposal, Commission spokesman Margaritis Schinas said the offer would also involve unspecified discussions on Athens's massive debt load of over 300 billion euros and around 180 percent of GDP. The Greek side has long called for debt relief, saying its mountainous debt is unsustainable.

Juncker had expected an answer before midnight Monday, but was still waiting by early afternoon Tuesday.

In Athens, Euclid Tsakalotos, alternate foreign minister and the coordinator of the Greece's bailout negotiating team, suggested there was no particular offer to discuss.

Asked by reporters outside the prime minister's office what the answer to the proposal would be, Tsakalotos replied "What proposal? Did they send us something?"

Tsipras argues the demands from creditors for further, tougher austerity measures cannot be accepted after six years of recession.

European officials and Greek opposition parties have warned a "no" vote in the referendum will lead Greece out of the eurozone and potentially out of the broader 28-country European Union. The government has responded by saying this is scaremongering, and that a rejection of creditor demands will mean the country is in a better negotiating position.

The crisis has roiled global markets as investors fret over the repercussions of a Greek debt default and its exit from the euro "€" developments that could derail a fragile global economic recovery, as well as raise questions over the long-term viability of the euro currency.

The last-minute attempts to negotiate a deal for Greece helped stocks Tuesday. The Stoxx 50 index of top European shares was up 0.2 percent, having been down 0.8 percent earlier.

Tsipras was defiant in a television interview late Monday, urging voters to reject creditors' demands. More than 13,000 people gathered in Athens to support him and denounce Greece's creditors, as they chanted: "Take the bailout and go!"

A protest by supporters of a "yes" vote is planned for Tuesday night.

The government insists a "no" vote will not mean an exit from the euro, with Tsipras saying in his Monday night interview that Europe would not dare kick Greece out of the joint currency.

Varoufakis went further, threatening court action if attempts were made to remove the country from the joint currency.

"The Greek government will make use of all our legal rights," Varoufakis told Britain's Telegraph newspaper.

"We are taking advice and will certainly consider an injunction at the European Court of Justice. The EU treaties make no provision for euro exit and we refuse to accept it. Our membership is not negotiable," he told the paper, in comments released by the ministry.

On the streets of Athens, Greeks began adjusting to the new reality of restricted cash. Pensioners have been hit particularly hard, as many do not have bank cards and are completely cut off from cash.

The finance ministry said it would open about 1,000 bank branches across the country for three days from Wednesday to allow pensioners without bank cards to make withdrawals. But the limit for them would be set at 120 euros for the whole week, rather than the 60 euros per day allowed for those with bank cards.

- AP