

## Drachma knocking on Greece's door

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The

EU warned Greece on Monday to stick to rules for a debt rescue or risk leaving the eurozone, as deadlock in Athens and dire strains for Spanish banks return to haunt finance ministers.

Eurogroup finance ministers meet in Brussels from 1500 GMT, with feuding political parties in Athens under stern notice that Greece must respect the conditions of austerity and reform under a March deal for a second bailout, AFP reports.

The alternative, increasingly forecast by analysts and now being broached even among European Union political partners, is that Greece abandons the euro.

Spanish Foreign Minister Jose Manuel Garcia-Margallo, attending talks of chief diplomats in Brussels, stressed that membership of the eurozone depended on "complying with the rules of the game."

Jose Manuel Barroso, the head of the European Commission, echoed this almost word for word on Italian television, said his spokeswoman Pia Ahrenkilde Hansen said.

Barroso still "hopes and wishes" that Greece can remain in the eurozone, but Athens must live up to its commitments, she added.

Irish central bank governor Patrick Honohan has already said that a Greek departure from the eurozone "isn't necessarily fatal" and could "technically" be managed, Dow Jones reported.

The German finance ministry warned that the "only and right" way out of the crisis is for Athens to respect the terms and timetable of its reform programme agreed as part of the EU-IMF bailout.

ETX Capital trader Markus Huber said that "a Greek exit might actually be a good thing for the eurozone in the long run," allowing EU partners to focus all their energies on how to support Spain and Italy.

Governments had already issued Athens with a clear warning last week when they withheld some funds already approved for transfer in the immediate post-election period.

The latest moves represent something of a last throw of the dice for the EU and the eurozone as it stands after two years of attempts to shore up the debt-stricken Greek economy. These efforts have been bedevilled by the complexity of the unprecedented problems, divisions on policy and methods, and delays and political conflict in Greece.

"Brutal messages are being sent to Greece: we'll see if that knocks some sense into the leaders of the Greek political parties," a senior diplomat said.

If a unity cabinet cannot be formed by Thursday, when parliament convenes, new elections will have to be called in June -- with the possibility that the anti-EU austerity voices which secured a majority in the May 6 poll could do even better.