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Opinion Still Divided On Eurozone Future Following Greek Deal

By Carina Steckenleiter

While Eurozone finance ministers announced a new E130 billion bailout program for Greece early Tuesday, preventing an impending default, opinions remain strongly divided regarding its future and the long-term shape of the European Union.

In comments made during a panel discussion at the **Cato Institute** in Washington on European integration, Richard Sulik, leader of Slovakia's Freedom and Solidarity Party, called the new bailout program for Greece "a waste of taxpayers' money."

Sulik was removed as speaker of the Slovak Parliament after his party voted against aid for Greece last year.

From his perspective "helping Greece is crazy," Sulik said, pointing out that Slovakia is the poorest country in the EU.

"Today the Greek wages prices are much higher than its productivity, as such the Greeks have only three options" he said.

Sulik sees option number one to be continuing "the financial transfers, loans and Euro Funds" and "all members of the Euro-Zone will pay for Greece."

The second would be a "reduction of wages and prices by more than 30% to reach the price level of Turkey or Bulgaria, which would make Greece competitive" or, finally, Greece exiting the Euro zone and returning to the drachma, Sulik said.

Since, in his opinion, option number one will not be considered by Eurozone authorities, and the second would be rejected by the Greek population, Sulik said leaving the EU is the only option left for Greece.

Antonio de Lecea, Principal Adviser of the EU Delegation to Washington, was very opposed to Sulik's view, stressing during the same panel discussion that "Greece will work. Other options will be way worse."

"Of course there is frustration", Lecea acknowledged, referring to the wage cuts and hard austerity measures in Greece. However, "in the end they will realize that they have lived above their means for a number of years and now they must have to go back to reality."

And the best way for Greece to get back on track is for the country "to go back to work," restore competitiveness and to remove the loopholes that many benefited from for a number of years, Lecea said.

There are concerns in certain quarters that the implementation of a permanent bailout fund in the euro area raises the issue of moral hazard, with an incentive for countries to accumulate as much debt as they can without a thought for the consequences.

Lecea disagreed, however, stressing that "it's hard to believe that countries will follow the example of Greece or even Portugal, given the strength and the extremely difficult measures that these governments are taking right now."

In a general outlook for the European Union Cato Senior Fellow Doug Bandow said "Europe is going to survive, which is good, because Europe is important."

He added, however, that the likelihood of Europe being on an equal footing with the U.S. and China going forward "appears to be dead at least in the near term."