Greece Passes Sweeping Cuts

Lawmakers Approve Unpopular Plan to Secure Bailout as Rioting Grips Athens

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Protesters clash with riot police Sunday during a demonstration in Athens called by Greece's unions to oppose the new austerity measures.

ATHENS—The Greek Parliament, under heavy guard from riot police, on Sunday approved a deeply unpopular package of spending and wage cuts, defying tens of thousands of people massed in the streets of the capital to protest a further round of austerity demanded by the government's international creditors.

The package passed by a 199-74 vote, despite defections from the government ranks in the days leading up to vote. The two largest Greek parties—the socialist Pasok and conservative New Democracy—backed the measures, which include cuts in the budget, pensions and the minimum wage. Lawmakers, 27 of whom didn't vote, largely heeded the calls of their leaders and Greek Prime Minister Lucas Papademos. Still, the two parties expelled 43 deputies after the vote for not toeing the party line, and one socialist resigned his seat just before the vote.

"Two-thirds of Parliament voted in favor. That's a very significant majority," said Philippos Petsalnikos, speaker of Parliament.

But in a sign of the intense public pressure facing Greek politicians, Antonis Samaras, leader of New Democracy and likely the next prime minister, said the measures should be renegotiated after national elections expected in April.

"I ask you to vote in favor of the new loan agreement today and to have the ability to negotiate and change the current policy, which has been forced on us," he said before the measures passed.
Young people walked amid debris during a demonstration in Syntagma Square in Athens Sunday. Early Monday, lawmakers approved painful austerity measures that the country must take to gain a fresh €130 billion bailout.

Pasok, which controls a narrow majority in Parliament, has fallen to 8% in the latest opinion polls.

Asian stock markets posted modest gains in early trading Monday as news of the approval of the austerity measures was tempered by the rioting in Athens.

Euro-zone finance ministers last week set Parliament’s approval of the package as condition for handing Greece a second bailout of at least €130 billion ($171.5 billion) from euro-zone governments and the International Monetary Fund, which should allow Greece to escape a potentially chaotic debt default next month.

The legislation outlines the terms of a bond-swap plan that will reduce the debt Greece owes to its private-sector creditors by around €100 billion.

Euro-zone finance ministers will meet on Wednesday in Brussels to sign off on the deal. Their expected approval will trigger an offer to private-sector holders of Greek government bonds, who will be asked to exchange their existing bonds for new bonds with half the face value. Although the offer is being depicted as voluntary, euro-zone bond markets could still be unsettled if a large proportion of investors reject the offer and Greece is forced to strong-arm them into the deal.

Greece has signaled it will introduce new legislation in coming days that would make the deal compulsory on any holdouts if a majority of bondholders agree to its terms.

Greece must make its final bond-exchange offer to private-sector bondholders by Friday at the latest, Finance Minister Evangelos Venizelos said on Saturday. The bond offer is expected to run for three weeks.

That will give Greece just enough time to complete the debt write-down—and receive a fresh injection of aid—before a looming March 20 bond redemption, when the government must repay €14.5 billion.

The measures have sparked outrage from a crisis-weary population. The Greek economy is now stumbling through its fifth year of a grinding recession that has led to soaring unemployment and widespread business bankruptcies.

In the city’s main Syntagma Square, tens of thousands of protesters gathered and played music, banged drums and hoisted banners decrying the cutbacks and calling for revolution.

Many chanted “thieves, thieves” at the Parliament building, which was guarded by some 4,000 riot police.

"Life has become unrecognizable," said Maria Laspa, 51 years old, who was attending the demonstration with her husband and adult son. "I blame the corrupt politicians first and foremost."

But as the night wore on, hundreds of hooded, self-styled anarchists clashed with the police in running street battles around the center of the city.
Police dodged petrol bombs and stones as rage over a new austerity deal exploded in Athens over the weekend. (Video: Reuters/Photo: Getty Images)

Violent clashes gripped Athens. The continuing violence, combined with the thick clouds of smoke and tear gas that wafted over the square, dispersed the otherwise peaceful protest.

The rioters burned several businesses and at least 70 injuries were reported, including a police officer and a photojournalist, as well as at least half a dozen demonstrators.

Speaking in a stormy parliamentary session earlier Sunday, Mr. Venizelos defended the government’s decision to push through the package under expedited parliamentary rules that restrict debate on the new measures to a single 10-hour session.

"That has to happen by tonight, in other words by Sunday midnight, so that by the early hours of Monday the financial and banking markets have got the message that Greece wants to and can survive," he said.

Mr. Papademos and the leaders of the country’s two major parties moved to rally lawmakers behind the painful austerity plan. In a televised address to the nation Saturday evening, the prime minister warned starkly of the consequences Greece will face if it were to fail to secure fresh aid and were forced to default on its debts.

"A disorderly default would throw the country into a disastrous adventure. It would create conditions of uncontrollable economic chaos and social eruption," Mr. Papademos said.

But he also offered the hope that Greece would return to growth in the next two years, saying those who believe the plan will fail are wrong.

"With the implementation of the program it is expected—most likely in 2013—that it will lead to a recovery in the economy and growth rates of 2.5% to 3% in 2014 and 2015," Mr. Papademos said.

Leading up to the vote, Greece’s cabinet late Friday unanimously approved the measures, which include implementing steep cuts in private-sector wages, sacking 15,000 public-sector workers and drumming up a further €3 billion in government-spending cuts this year alone.

During Sunday’s parliamentary debate, the head of the small, nationalist Laos party, Giorgios Karatzaferis, called for immediate elections amid the growing opposition to the measures. The call came just three days after Laos, which controls 16 seats in Greece’s 300-member Parliament, effectively withdrew from Greece’s coalition government in opposition to the new austerity program. Two Laos members broke voted in favor of the package and were expelled from the party.

—Matthew Dalton in Brussels contributed to this article.

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