Euro-area finance ministers seeking to step past the largest sovereign debt restructuring in history will attempt to gain a foothold this week as they grapple with implementing the latest Greek bailout.

Ministers from the 17 nations that share the euro will gather in Brussels today to sign off on the 130 billion-euro ($170 billion) second package for Greece after bondholders agreed last week to take a loss on the country’s debt. They’ll also focus on Spain’s budget-cutting efforts and Portugal’s aid program, underscoring their desire to prevent contagion.

The debt swap seeks to wipe more than 100 billion euros off Greece’s books and contain an economic collapse in the country as European overseers work to hold Greek leaders to their commitments. The difficulties the government in Athens will confront in meeting creditors’ demands have prompted speculation of still further assistance.

“Nobody can now exclude that Greece at a single moment may need a third bailout,” German Finance Minister Wolfgang Schaeuble was cited as saying in an interview published today in Belgian newspaper De Morgen. “I have all confidence that the measures that we have taken and that Greece must now implement -- no simple exercise -- will bring the country on the road to recovery.”

**Euro, Stocks**

European stocks and the euro dropped today before the finance minister meeting, which is due to begin at 5 p.m. The Stoxx Europe 600 Index (SXXP) retreated 0.4 percent, while the euro declined 0.2 percent to $1.3100 as of 9:18 a.m. in Berlin.

The single currency slid on March 9 after Greece pushed through the swap and said it would force some investors to participate. That triggered a “restructuring credit event” and will lead to the settlement of about $3 billion in credit-default swap contracts, according to the New York-based International Swaps & Derivatives Association.

The debt swap was a “sad day” for Europe, because the default on Greek sovereign debt presented a scenario that European leaders had tried to avoid since the beginning of the crisis, economists Holger Schmieding and Christian Schulz of Berenberg Bank in London wrote in a note to clients.

“The eurozone is now very much in uncharted territory,” Schmieding wrote, adding the forced participation by way of collective-action clauses and the ISDA’s decision were predicted by investors and will have a “modest impact” on markets.

**Payments Released**

Euro finance ministers agreed on a March 9 conference call that Greece had met the terms for bailout funding and released 35.5 billion euros in payments and interest to bondholders, with the rest of the amount set to be

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Greek Bailout Payment Set to Be Approved by Euro Ministers After Debt Deal

By Patrick Donahue - Mar 12, 2012

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Euro finance ministers agreed on a March 9 conference call that Greece had met the terms for bailout funding and released 35.5 billion euros in payments and interest to bondholders, with the rest of the amount set to be
approved today.

The measures are designed to reduce Greece’s outstanding debt to 120.5 percent of output by 2020. With the country now in its fifth year of recession and youth unemployment climbing above 50 percent, the government must continue to meet targets laid down by international creditors to receive funding at three-monthly intervals. Elections in the country due in April or May might derail efforts to maintain austerity.

“We continue to see huge risks to the implementation of the second Greek bailout program, even if, as we assume, the debt exchange proceeds as planned,” Chris Scicluna, head of economic research at Daiwa Capital Markets Europe in London, wrote in a March 8 note to clients.

Yields on Greece’s new bonds may climb to as high as 20 percent amid “material risks” stemming from implementation of terms for the debt exchange, Morgan Stanley said in a March 8 report.

**Merkel, Monti**

With the debt transaction out of the way and the European Central Bank signaling that the region’s economy is stabilizing, Chancellor Angela Merkel will meet with Italian Prime Minister Mario Monti in Rome tomorrow. Italian 10-year bonds rose for a ninth week last week, the longest run of gains since 1998.

European leaders will tackle the prospect of bolstering the region’s firewall this month, a move that has been blocked by Germany. Pressure may increase after the International Monetary Fund said March 9 it will scale back its aid to Greece. Its intended 18 billion-euro contribution would be 14 percent of the overall package, compared with the 27 percent it offered for Greece’s first bailout in May 2010.

The IMF under Managing Director Christine Lagarde has joined the U.S., Canada and other nations in pressing European leaders to do more to stave off the debt crisis.

Ministers today will also discuss Spain, where Prime Minister Mariano Rajoy defied EU allies by raising the country’s 2012 budget-deficit goal. Rajoy earlier this month placed the target at 5.8 percent of gross domestic product from 4.4 percent.

Spain expects to be able to clarify any misunderstandings with European partners about the decision at the Brussels meeting, a government official said on March 9. Spain is committed to meeting next year’s target of 3 percent of GDP, the official said, adding that Spain is unlikely to be sanctioned.

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