Greek Exit From Euro Zone Just a 'Matter of Time'

Last week, it looked as though the euro had been saved. Now, in the wake of Greek Prime Minister Papandreou's announcement of a national referendum on the bailout package for his country, the common currency is even closer to the abyss. Still, say German commentators, it may have been the right move.

Despite its location on France's glamorous Cote d'Azur, Wednesday evening's meeting likely won't be a pleasant one for Giorgios Papandreou. The Greek prime minister is set to meet with German Chancellor Angela Merkel and French President Nicolas Sarkozy. None of them, one presumes, will be in the mood to enjoy their enchanting surroundings.

Leaders of the world's most powerful economies begin arriving on France's south coast on Wednesday night for the Thursday kick-off of this year's G-20 summit. Host Sarkozy had been hoping the gathering would focus on raising funds to boost the effectiveness of the euro backstop fund, the European Financial Stability Facility (EFSF), but the success of the meeting is now in doubt. Papandreou's announcement on Monday evening that he was planning to hold a referendum on the EU bailout package for his country has shocked and infuriated his would-be benefactors -- and sent global markets into yet another tailspin.

The news came less than a week after an all-night bargaining session in Brussels that resulted in an agreement to slash Greek debt by 50 percent, make a further €130 billion in loans available to the country and leverage the EFSF to €1 trillion. Markets immediately calmed and the euro began climbing against the dollar.

A Danger to the Euro

The Greek prime minister's announcement, however, quickly transformed the budding optimism into deep pessimism about the future of the common currency. Should Greek voters, frustrated by round after round of deep austerity measures, reject the bailout deal, it could result in an uncontrolled national bankruptcy. Markets will likely remain nervous until the results of the ballot are in -- meanwhile the euro will move even closer to the abyss.

As if to highlight the dangers, German banks on Wednesday announced they were postponing their acceptance of the Greek debt haircut until after the referendum. Without voluntary bank approval, Greece faces a disorderly bankruptcy which could accelerate contagion throughout the euro zone.

Papandreou's decision, said European Commissioner for Energy Günther Oettinger, "puts the euro in even greater danger."

Still, not everyone was completely repulsed by Papandreou's decision. After all, the Greeks are being asked to put up with severe belt-tightening measures and providing those austerity packages with even more democratic legitimacy could take the wind out of the sails of those who would protest them. The cabinet in Athens on Wednesday unanimously approved the referendum plan. It remains unclear exactly when the referendum might take place, but some officials hinted on Thursday that it could happen before the end of the year.

German commentators on Wednesday take a look at the impending referendum.

The Financial Times Deutschland writes:

"There are many who have, since Monday, been posing the impolite question: Has the Greek prime minister gone crazy? The answer is 'no.' Papandreou merely recognized that his back is to the wall as never before -- and that he will have just as much trouble selling last week's bailout package to the Greek public as he has the radical austerity path his government has followed."