

Tsipras Calls Referendum on Greek Debt Deal for July 5

by Ben Holland



Alexis Tsipras, Greece's prime minister, departs a EU summit meeting in Brussels, Belgium, on Friday, June 26, 2015

Photographer: Jasper Juinen/Bloomberg

Greek Prime Minister Alexis Tsipras called a referendum on the terms offered by creditors for the latest aid package, saying they're seeking to humiliate the Greek people who must provide a democratic response.

The vote will take place on July 5, Tsipras said in a televised address in the early hours of Saturday. A Greek government official said the country's banks will open as normal on Monday and no capital controls are planned, asking not to be identified in line with policy.

Tsipras said that German Chancellor Angela Merkel and European Central Bank chief Mario Draghi have been informed of the plan, and he'll request an extension of Greece's existing bailout, due to end June 30, by a few days to permit the vote. Further details weren't immediately clear.

Later on Saturday, European finance ministers were due to discuss details of their latest proposal, which would unlock 15.5 billion euros (\$17.3 billion) and extend Greece's program through November, in return for a commitment to pension cuts and higher taxes that Tsipras opposes.

While German Chancellor Angela Merkel touted the five-month bailout extension as "very generous," Tsipras compared its terms to an "ultimatum" and "blackmail." It doesn't include the debt relief that his government seeks.

Euro Mandate

Tsipras came to power with a mandate to end the austerity imposed by Greece's creditors while keeping the country in the euro.

By calling a referendum on the latest EU offer, his government "will argue that it does not have the mandate to sign it without consulting the Greek people," said Jacob Funk Kirkegaard, a senior fellow at the Peterson Institute for International Economics in Washington.

"I am convinced that such a referendum would be comfortably won," he said. "However, it will be risky as the uncertainty is likely to see deposits flee and deposit controls imposed until the result."

Failure to reach a Greek deal also puts at risk a payment due June 30 to the International Monetary Fund.

An ECB official declined to comment on the referendum plan. Greek officials will meet with Draghi on Saturday, the government in Athens said by e-mail.