

# European Leaders Dictate Terms for Greece

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*A Greek exit from the euro zone and a possible breakup of the Syriza-led government has come a step closer with Prime Minister Alexis Tsipras to be presented with what has been described as a take-it-or-leave-it offer on terms for the country's debt repayments at a meeting in Brussels Wednesday.*

The meeting between Tsipras and European Commission President Jean-Claude Juncker follows an agreement by creditors at a meeting convened by German chancellor Angela Merkel late Monday night in Berlin.

Attended by Juncker, French President Francois Hollande, European Central Bank president Mario Draghi and International Monetary Fund managing director Christine Lagarde, the meeting was called to iron out differences between the IMF, the ECB and the European Commission—the so-called “institutions”—on the demands to be imposed on Greece in return for the release of money needed to keep financing the government.

Greece has not received any bailout money since last summer and has repaid debts by taking money from state enterprises, hospitals, schools and embassies abroad.

Greece is due to make a payment of €300 million to the IMF Friday, which the government says it can meet, but after that, further repayments are in doubt unless funds are released. The country must pay a total of €1.6 billion to the IMF by the end of this month and unless the creditors release €7.2 billion of loans remaining in the current bailout program, Greece will default. This could set in motion an exit from the euro zone.

Before the Berlin meeting, Tsipras submitted what he called a comprehensive proposal, accompanied by the empty bluster that characterises his public statements. “After submitting a complete proposal for a deal ... we are waiting for them to submit their own plan back to us,” he said. “Greece is the one that submits the plan ... Greece has put forward proposals, we have made concessions, which is natural in a negotiation, but our plan for exiting the crisis is realistic.”

The Greek proposals, however, were dismissed out of hand, described by officials as insufficient and not even formally on the table.

At the Berlin meeting, agreement was reached that the terms must include a commitment by Athens to implement so-called comprehensive “reforms,” as demanded by the IMF, while there should be no debt-relief offer for money owed to the European Union.

The IMF had wanted to see some kind of debt write-off, but this has been strenuously opposed by Merkel because the EU holds most of the debt, and it appears she got her way.

No details were released after the meeting but the following day Detlef Seif, the chief whip for the conservative German parties on the parliamentary EU affairs committee, made clear there would be no concessions.

“The Greeks must recognise that there is no willingness in the European Union to establish a transfer union,” he said. Greece alone was in a position to decide whether conditions for the provision of further money would be fulfilled or whether the country would take the “stony road” for treatment as a bankrupt state.

The agreement by “the institutions” appears to have firmly shut the door on efforts by Tsipras to try and manoeuvre by exploiting minor differences among them on the terms to be imposed on Greece.

The Syriza government has agreed to a primary budget surplus—before the payment of interest and principal on sovereign loans—of around 0.8 percent of gross domestic product this year, rising to 1.5 percent next year, arguing that anything greater would push the country into deep recession.

However the demand of “the institutions” is for a surplus of around 3.5 percent of GDP over the medium term, with a figure of 4.5 percent mentioned in some reports.

The IMF has also insisted that further cuts be made to pensions and that Greece’s pension fund must not run a deficit.

The chairman of the euro zone finance ministers’ group, Jeroen Dijsselbloem, made clear that “the institutions” still regard Tsipras and the Syriza government as the best option for imposing their dictates. There were growing signs that Greece wanted a deal, he said, but this required the government telling voters it would not be able to deliver on its election promises.

“There are signs that Greece and Tsipras are motivated to achieve a breakthrough,” he said. “We aren’t far enough along and time is pressing. The bottom line is that we are not going to meet them halfway. The package as a whole must make sense in budgetary terms.”

He warned that even if an agreement were reached by Friday any decision to disburse the bailout funds could still be weeks away.

Another factor in the situation is whether Tsipras will be able to hold the government together because of his slim majority in the parliament.

“The bigger question has always been whether Tsipras can sell it domestically and keep his parliamentary majority,” Mujtaba Rahman, head of European analysis at the Eurasia Group risk consultancy told the *Financial Times*. “If Tsipras loses 12 or more MPs, capital controls, default and a Grexit become much more likely.”

Speaking on local television, Syriza’s parliamentary spokesman Nikos Filis said Greece would not accept an ultimatum from its creditors. “If we are talking about an ultimatum ... which isn’t within the framework of the popular mandate, it is obvious that the government cannot co-sign and accept it.”

These words are so much window dressing. “The institutions” have never engaged in

negotiations but from the outset have delivered a series of ultimatums while Syriza shredded its popular mandate on February 20 when it agreed to meet their demands.

Filis said that if 12 or more MPs voted against the latest demands, then Greece should hold new elections. But new elections or even the holding of a referendum are by no means the only options. A political crisis could also see the formation of a coalition government based on the present parliament.

Having collaborated with the Tsipras leadership and taking key positions in the government, members of the “left” faction in Syriza, the so-called Left Platform comprising various pseudo-left tendencies, are clearly becoming concerned that opposition from Greek workers to any further agreements will tear apart any remaining credibility they might have.

Consequently they are seeking to put up a show of opposition. Panos Scourletis, the labour minister and a member of the Left Platform, said the government had done its best to meet creditors’ demands. “The Greek government has made the maximum concessions that it can, and there’s no margin to do more,” he said.

Earlier this week, the Left Platform attempted to boost its credibility with a resort to gesture politics when a group of 40 MPs forced finance minister Yanis Vourfakis to withdraw his chosen candidate for the post of Greek representative to the IMF on the grounds that she had supported austerity measures carried out by a previous government.

The longer-term implications of any withdrawal by Greece from the euro zone were laid out by *Financial Times* economics commentator Martin Wolf in a column published Tuesday morning.

“It is ... hard to exaggerate the significance of an exit—even of a country as small and annoying as Greece—for the euro project (however misguided) and so post second-world-war European integration. Once the euro is seen to be reversible, the economic forces driving integration reverse. Every crisis will become potentially lethal,”

he wrote.

Pointing to “mountainous mistakes” in the lead-up to the Greek crisis and since then, Wolf called on those involved to recognise and learn from past blunders. But far from the voice of “sweet reason” prevailing, as Wolf and others might hope, the events of the past days point to deepening economic crisis and intensifying social and political conflicts.

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