

The Eurogroup New Bailout Deal for Greece

By [Stavros Mavroudeas](#)

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[Stavros Mavroudeas Blog](#)

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The new late night deal in the Eurogroup on the new bailout for Greece is another blatant hypocrisy by the dominant European Union powers, their partner-cum-competitor IMF (aka the US) and the Greek establishment (now represented by the SYRIZA government).

The new deal is an uneasy compromise subject to a continuing tug-of-war between the US (through its proxy, the IMF) and the EU.

Together, the EU and the US obliged the now crumbling (because of people's anger) SYRIZA government to capitulate to the troika austerity policies as encapsulated in the now three Economic Adjustment Programmes for Greece.

These programmes aggravated the depression of the Greek economy, caused a rampant poverty of the Greek people and expanded the control of Western corporate capital on the Greek economy.

In this game the US played a second role – not so much behind the curtain – by directing the incompetent and opportunistic SYRIZA government in its clumsy negotiations with the EU. In fact, the US on the one hand used Greece to weaken the EU (for its own purposes and geopolitical interests) and on the other hand backed the EU in order to impose austerity and foreign control on the Greek economy.

Once EU's and US' common aim of imposing austerity and anti-popular economic restructuring on Greece has been concluded, then the two partners-cum-competitors jostled the one against the other for the terms and the consequences of the necessary debt relief for Greece.

Debt relief is necessary because the troika's Economic Adjustment Programme for Greece is unfeasible and Greek debt is unviable. A few days ago, IMF in its recent preliminary debt sustainability assessment had accepted this.

On the issue of debt relief US and EU hold opposite positions and have conflicting interests. US wants a deep debt haircut because this (a) helps its economy (by deleveraging the world economy on the back of the EU as a new debt haircut would affect mainly the official and inter-state loans of the EU to Greece) and (b) generally weakens EU's challenge to US global hegemony. On the other side, the EU (and particularly its main hegemon, Germany) abhors a debt haircut and is only willing to concede a debt reprofiling (that is an extension of the maturity of Greek loans and, possibly, a lowering of the interest) that would make debt servicing (but not debt) viable.

In this tug-of-war between the US (through its proxy, the IMF) and the EU the first threatened with leaving the Greek Economic Adjustment Programme and thus obliging Germany to tackle the Greek problem alone. To avoid this Germany and the euro-core offered a typically myopic compromise: a roadmap for a roadmap to a possible debt reprofiling. In plain language, they offered some vague ideas about a methodology (comprised of short-term, mid-term and long-term measures) for postponing the problem ('kicking the can') if the Greek Economic Adjustment Programme continues to fail. In the end, the US and the EU agreed on this uneasy and shaky compromise because neither side wanted to push things to the extreme; at least at this point of time with open broader geopolitical problems, the mutual abhorred possibility of Brexit in sight etc.

The opportunistic and incompetent SYRIZA government is a passive spectator in this tug-of-war. It betrayed its anti-austerity declarations and capitulated unconditionally to the troika. A few days ago it legislated a new wave of barbaric austerity measures and of unashamed sell-off of Greek state assets to foreign interests. Its popularity is crumbling rapidly and SYRIZA's only aim is to cling to government.

The results of this new Greek bailout deal would be equally dismal with those of its predecessors. The new austerity measures would deepen further recession. New measures will be required and the incompetent and subservient SYRIZA government has already agreed and legislated an automatic mechanism (called the 'cutter') that, if the programme fails in its milestones, will instigate cuts in public expenditure (and mainly in wages and pensions). If this 'cutter' mechanism fails then the debt reprofiling mechanism might come into force.

Notwithstanding, it should be pointed out that this reprofiling mechanism is at the moment only some vague ideas that would be discussed in 2017. The accentuation of the Greek depression will increase popular anger and frustration. The EU, the SYRIZA government and the Greek politico-economic establishment (as the opposition, despite its opportunistic whining in parliament, is a standard-bearer of the Economic Adjustment Programme) will face this burgeoning anger and pay the consequences.

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