

Germany and France use loans to Greece to push for major arms deals

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15 July 2010

For some time, France and Germany have adopted differing positions regarding the Greek debt crisis. French President Nicolas Sarkozy quickly raised the need for a loan to bail out Greece, while German Chancellor Angela Merkel refused for a long time to agree emergency financial aid. Merkel's aim was to raise the pressure on the Greek government, forcing it to adopt a radical austerity programme.

Under this pressure, the social democratic PASOK government of George Papandreou passed a brutal austerity package totalling €30 billion in the face of massive resistance in the Greek population. In return, the Merkel government also agreed to finance the Greek rescue package of €110 billion. For Merkel, Greek state bankruptcy was never an option because such a bankruptcy would have endangered the estimated €45 billion allegedly invested by German banks in Greek government bonds.

In the past few days, press reports have revealed that with the aid money to Greece, Germany and France were not only seeking to save their own banks. They used these loans as a means to pressure Greece into agreeing to huge arms deals. While in the foreground Merkel and Sarkozy argued about the "correct" policy prescription for Greece, demanding the Greek population accept massive social cutbacks, behind the scenes they sought to satisfy the interests of their respective defence industries. According to press reports, the arms deals were one of the informal conditions in order for the EU and the IMF to grant loans to Greece.

Reuters news agency cites "Greek and French officials" saying that Sarkozy had been personally involved in negotiations on arms transactions. According to the Greek newspaper *Kathimerini*, in

February Papandreou travelled to Paris to ask the French president for financial support. At the same time and despite Greece's massive budget deficit, the government took the decision to order six French frigates to the value of €2.5 billion. In addition, talks were held about the purchase of 15 French Super Puma helicopters worth €400 million and 40 multipurpose combat aircraft.

Another large part of the military equipment procured by Greece in the midst of the crisis comes from Germany, despite a campaign by the Merkel government loudly accusing the Greek population of living beyond their means, and demanding that they had to finally "do their sums". Now, a detailed article in the *Wall Street Journal* has revealed that in March, Berlin completed a deal with the Greek government about the purchase of two submarines valued at €1.3 billion. While German government circles deny that this was connected to the rescue package, the accusation of EU officials is clear: both France and Germany have made weapons exports a condition of participation in the Greek rescue package.

The reports have sparked a storm of protest in Greece. The funds that are being extracted from the Greek population through massive cost-cutting measures are being used to finance military rearmament. Greece, with a population of only 11 million, is already the largest importer of conventional weapons in Europe. In relation to gross domestic product, Greece has the highest military expenditure in the EU. In the last decade, Greece has signed arms deals amounting to €16 billion. According to the *Wall Street Journal* this sum is of one of the reasons for the country's astronomical state debt.

In order to damp down the anger of the Greek population and allay the concerns of Athens'

immediate neighbours concerning the recent military purchases, Deputy Prime Minister Theodore Pangalos said recently during a trip to Turkey, “We felt ourselves placed under pressure to conclude deals we did not want to make. Greece does not need new weapons”.

The context for the Greek military build-up and whether the arms deals are linked with Pan-European military strategies remains unclear, but at the same time as news broke about the Greek arms deals, the *Süddeutsche Zeitung* published an article entitled “Military Policy and the Financial Crisis—Time for a European Army”. The article warns against determining “security policy according to the current cash flow”, and faced with “unstable times” calls for the building of a professional European Army as “the guarantor of security”.

The fact that the governments in Berlin and Paris have contributed to a massive military build-up in Greece, thereby strengthening the influence of the military apparatus in Athens, should be taken as a warning. Memories are still fresh in Greece of the military junta that brutally crushed popular resistance and established a brutal military dictatorship.

Against the background of an increasingly tense political situation, a fierce debate has broken out in PASOK as to how to deal with the ongoing opposition in the population to the cuts. Leading PASOK parliamentarians recently attacked Justice Minister Haris Kastanidis because he had proposed the holding of early elections with the aim of winning the government a “new mandate”.

In response, former Labour Minister Militades Papaioannou came forward saying that the holding of elections would be a “crime against the country”. PASOK deputy and central committee member Ektoros Nasiokas was even more explicit: “The country does not need elections, we need a government that can deal with emergency situations”.



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