Talks on Greek bailout terms break down

Robert Stevens
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Talks between the Greek Finance Minister Yanis Varoufakis and the 18 other finance ministers of the euro zone held in Brussels yesterday broke down without any agreement on proposals by the Syriza-led government for dealing with the country's debt.

There were mixed messages from the discussions which lasted well into the night with some initial reports suggesting an agreement in principle had been reached. But after six hours the meeting broke up without even a statement on how to take discussions forward at the regular meeting of the Eurogroup, comprising the region's finance ministers, to be held next Monday.

According to a report in the *Financial Times*, a joint statement had been agreed but after Varoufakis consulted Athens new objections were raised to the wording and the statement was scrapped.

Jeroen Dijsselbloem, the Dutch finance minister, who chaired the meeting in his capacity as head of the Eurogroup, said there was no agreement on how negotiations should proceed. It was his "ambition" to have an agreement before Monday's meeting on the steps to be taken but "unfortunately we haven't been able to do that."

After receiving a slap in the face over his proposals for restructuring the Greek debt and his call for a bridging loan to finance the government from the end of the month when the present agreement runs out, Varoufakis, engaged in the fawning rhetoric which has characterised so many of his public statements.

He said the talks were "constructive" and "fascinating" and that he was pleased to have "had the opportunity to table our views."

While it was never expected that an agreement would emerge from yesterday's talks there was a belief that at least a procedure for negotiations would be set up. But even this foundered in the face of opposition to any restructuring led by Germany.

German Finance Minister Wolfgang Schaüble insisted on Tuesday that discussion on debt restructuring could only take place if Greece accepted an extension of the previous troika program, which is to expire on February 28. "We are not negotiating a new program. We already have a program," he said. If Greece would not accept being in the existing program, "then that's it."

Schaüble's hardline was supported by Dijsselbloem in the lead-up to the talks. Rejecting Syriza government assertions that it would no longer hold discussions with the troika—the European Union, the European Central Bank and the International Monetary Fund—he said: "An agreement is an agreement. That means that only within the program, measures could be exchanged for other measures."

Any changes would first need approval from the troika. "Then you can change the program, you can fill the program in differently. But support without a program, support without further progress on reforms is unthinkable. The alternative measures will always have to be vetted, tested by the troika, whether you call it the troika or not," Dijsselbloem said.

The Obama administration, while endorsing reforms of the Greek economy to enable the further exploitation of its strategically vital assets and infrastructure, made urgent appeals for an agreement to be reached with Greece to prevent it being forced out of the euro zone.

On Tuesday, US Treasury Secretary Jack Lew called for a "practical and pragmatic" solution saying, "I don't think that there should be casual talk about the kind of resolution that would end up leaving Greece in a place that is unstable or the EU in a place that is unstable."

A critical factor in US calculations is to keep Greece within the orbit of NATO, under conditions where it is ramping up preparations for war against Russia and making hostile moves against China. Russia and China are seeking to cement closer ties with Greece.

Yesterday Greek Foreign Minister Nikos Kotzias was in talks with his counterpart, Sergei Lavrov, in Moscow. Russia, as Lavrov again confirmed, has offered to assist the Greek government with funds.

This followed a warning to EU leaders from Panos Kammenos, the leader of Syriza's right-wing coalition partner the Independent Greeks. "What we want is a deal," he said on Tuesday. "But if there is no deal—hopefully (there will be)—and if we see that Germany remains rigid and wants to blow apart Europe, then we have the obligation to go to Plan B. Plan B is to get funding from another source. It could be the United States at best, it could be Russia, it could be China or other countries."

Thousands protested in Athens and Thessaloniki to urge an end to austerity. But those hoping that Syriza will follow through on its pledge to abandon austerity measures and who voted for the party on this basis will be disabused.

Syriza's leading representatives, including Prime Minister Alexis Tsipras and Varoufakis, spent the hours leading up to the meeting seeking to assure the representatives of the EU and international financial elite that they would impose a host of structural reforms to pay off the debt and remain in the euro zone.

Varoufakis met with the IMF's chief Christine Lagarde just prior to Wednesday's meeting. Immediately following Syriza's election victory, she warned that Greece would have to assent to previous agreements. "There are internal euro zone rules to be respected," she said. "We cannot make special categories for such or such country. It's not a question of austerity measures, these are in-depth reforms that remain to be done."

Syriza's differences with the troika's austerity agenda are of a tactical nature, with Varoufakis already on record that the government will impose 70 percent of the measures. They are requesting an interim "bridging" agreement at least until the end of June, after which Greece would formally be able to legally participate in the European Central Bank's quantitative easing program.

Proposals on an agreement until the end of August have also been prepared. If Greece has no access to funds it could default on its debt because Greek bonds currently held by the ECB (worth about €7 billion) must be repaid by that date.

To persuade EU leaders of its commitments to imposing "structural" changes, the Tsipras government has been working closely with the Organisation for Economic Co-operation and Development (OECD). Varoufakis has presented to the Eurogroup a list of 10 "reforms" already prepared jointly between the government and the OECD.

Tsipras cloaked this manoeuvre in anti-austerity garb saying any program would be based "not on what was previously decided but on a popular mandate." This rhetoric is belied by the record of the OECD, which was instrumental in drawing up hundreds of measures in order to "liberalise" and open up the Greek economy to competition.

By January 2014, the previous New Democracy (ND) government had agreed to around 80 percent of the OECD recommendations. Two months later the OECD authored a "Competition Assessment Review" on Greece, noting that its study "identifies hundreds of competition-distorting rules and provisions."

The report flagged up "555 problematic regulations" and called for "more than 320 recommendations on legal provisions that should be amended or repealed."

The OECD demanded the overhaul of the Greek economy, sharply in favour of big business and international capital, even prior to the 2008 global financial crash. In 2006, the OECD called on the then ND government to accelerate the opening up of the Greek economy. Speaking as students protested outside a conference, OECD Secretary General Angel Gurria said reform of the education system in Greece was critical. Another priority was an overhaul of the pensions system, he added.

Tsipras met with Gurria on Wednesday, with Syriza's leader saying he told him, "We have common targets and that we can cooperate."