Eurogroup issues ultimatum to Greek government

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Deliberations of the Eurogroup ended yesterday evening without reaching an agreement between Greece and its European lenders. A growing number of voices in the European Union (EU) want to refuse the country the final portion of its aid credits of more than 7.2 billion euros, thereby pushing Greece out of the euro zone.

By the end of the month, Greece must pay 1.6 billion euros of outstanding debt to the International Monetary Fund (IMF) which, as part of the "troika" together with the EU and the European Central Bank (ECB), is also involved in the negotiations. Athens has already stated that it cannot raise such a sum by itself. Should the troika fail to reach an agreement with Greece, Greece will be threatened with state bankruptcy.

At a joint press conference, Eurogroup president Jeroen Dijsselbloem opposed a compromise. He stressed that over the last week, no progress had been reached, and there was no agreement in sight. "The ball is in Greece's court," he said.

European Council President Donald Tusk announced a special meeting of European leaders to be held on Monday, at which the Greek crisis will again be discussed.

The Eurogroup's approach is effectively an ultimatum. Should the Greek government refuse to fully adopt the proposed cuts, it will be forced into bankruptcy and made to abandon the EU's common currency.

Greece's banking system already is on the brink of collapse. On Wednesday, the Greek central bank reported that private citizens and businesses had withdrawn 29.4 billion euros from their bank accounts in the first five months of this year. In the last five years, a total of 100 billion euros has been removed, while capital investments in Greece amount to only 128 billion euros. Reuters reports that in recent days, bank withdrawals have soared in Athens: in the first three days of this week alone, 2 billion euros were pulled out of bank accounts.

In the run-up to the summit, threats against Greece intensified, and its expulsion from the euro zone was openly discussed. German Chancellor Angela Merkel attacked the Greek government Thursday morning for having "delayed vital structural reforms." She said that further aid credits would be granted based on the complete implementation of austerity measures demanded by the EU.

Thomas Oppermann, the head of the Social Democratic Party's parliamentary fraction, was even harsher. He accused the Greek government of "national egotism" because they want to dictate to the EU "the conditions under which it would please them to remain in the euro zone. … No government in Europe has the right to demand solidarity if it is not also ready to do everything possible and reasonable."

With this diatribe, Oppermann followed the chauvinist line advanced by SPD chairman Sigmar Gabriel in Germany's *Bild* newspaper a few days earlier.

In Luxembourg on Thursday, IMF director Christine Lagarde said Greece would not be allowed any further deferment of payment. "The payment from Greece is due on June 30. There is no grace period of one or two months," she said. "If it is not paid on July 1, then it is not paid."

Jens Weidmann, the president of Germany's central bank (*Bundesbank*) said in a comment published in several European newspapers, that other European countries could cope with a Greek exit from the euro zone ("Grexit"). He said Greece's departure could "change the character of the monetary union." He called on the Greek government to immediately fulfill all its creditors' demands.

These demands are obscene. Despite the rhetoric of Tsipras and his ministers, the Greek government has already gone very far to meeting the EU's demands. Since their election in January, the government has repeatedly violated its election pledges to end austerity, accepting austerity measures demanded by the EU. Syriza has even agreed to cut pensions. It has also already repaid 13 billion euros to its creditors since taking office, which it obtained by plundering pension funds and state enterprises.

According to *Spiegel Online,* Greek finance minister Yanis Varoufakis presented the Eurogroup meeting with a five-page document proposing more cuts and structural reforms that the Greek government is ready to enforce in order to receive the last portion of its aid credits.

If lenders are presenting even more demands and insisting on further dismantling pensions, it is to set an example. Social cuts are to be enforced throughout Europe, whatever the cost. A possible Greek exit from the monetary union is increasingly seen as a potential tool of such a policy.

As the calls for a Grexit grow, political and geo-strategic dangers are also being raised. Wolfgang Ischinger, the leader of the Munich Security Conference, expressed concerns about a possible Grexit to *Deutschlandfunk*. "Greece's departure from the EU project would be a tragedy for our efforts to once and for all stabilize southeastern Europe. In that respect, it would be disastrous if the Grexit happened, from the point of view of foreign policy," he said.

Ischinger referred to the danger that the Greek government could turn toward Russia, further destabilizing Europe. Tsipras is currently traveling to Moscow to meet with President Vladimir Putin, to negotiate a pipeline project among other matters. The Kremlin has indicated that immediate financial support will not be discussed.

German Green party legislator Gerhard Schick warned of the economic consequences of a Grexit: "Uncertainty is growing appreciably in the financial markets because the cohesion of the euro zone is in doubt," he told *n-tv*. "The risk premiums for borrowing in Spain, Portugal, Italy and even France have risen. Grexit places a question mark over the euro zone, and the risk of contagion is unpredictable."

Schick estimated the immediate costs for Germany are at least 70 billion euros.

In addition, sections of the ruling elite fear social protests in Greece and across Europe if the austerity course is continued with full force, or if Greece is driven out of the euro. Protests and strikes are already rising within Greece.

On Tuesday, ambulance drivers went on strike in Athens because they have not been paid for months. Workers all over the country joined the strike on Thursday. Local government personnel have also gone on strike in reaction to the plundering of local government treasuries by Syriza to repay Greece's creditors.

Voices are being raised in European ruling circles, warning of the danger that by forcing Greece out of the euro zone, the EU will discredit Syriza and potentially bring other, less pliable parties to power. The French newspaper *Le Monde* worried earlier this week that the "traditional parties, [conservative] New Democracy and [social-democratic] Pasok, have already lost much of their credibility with the Greek people and, all in all, it may be better to negotiate with Syriza than, one day, to find oneself negotiating with the far-right Golden Dawn party."

EU representatives who aim to make an example of Greece, and if necessary to force it out of the euro zone, are familiar with such risks and scenarios. They accept them in pursuit of the interests of the European financial aristocracy.