Euro zone summit rejects emergency funds for Greece, issues austerity ultimatum

Barry Grey, Chris Marsden
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Leaders of the 19 euro zone countries on Tuesday rejected appeals from Greek Prime Minister Alexis Tsipras for “bridge” loans to avert a collapse of the Greek banking system. Instead, they gave the Syriza-led government two days to submit a plan for the implementation of austerity measures decisively rejected by Greek workers and youth in Sunday’s referendum.

Taking its lead from Germany, the euro zone summit laid plans for a meeting Sunday of government heads of all 28 European Union states to discuss expelling Greece from the common European currency, should Athens fail to satisfy the demands of Greece’s creditors for further brutal attacks on the pensions and living standards of the Greek working class.

Tsipras and his new finance minister, Euclid Tsakalotos, agreed to submit a plan for what they called “credible reforms,” including austerity measures to be imposed immediately, in advance of a Saturday meeting of Eurogroup finance ministers. A Greek government official told Reuters that Syriza was making “improvements” to the bailout proposal it submitted last week, covering “economic reforms, investment and debt settlement.”

If the finance ministers accept Syriza’s new plan—that is, if the plan adheres in all essentials to the European Union’s demands—the Sunday summit is to be cancelled and talks initiated on a possible new bailout.

At a press conference following the euro zone summit, German Chancellor Angela Merkel reiterated her government’s intransigent opposition to any substantive concessions to Greece. She ruled out any write-down of Greece’s massive debt, something for which the Syriza-led government has been pleading in exchange for its capitulation to EU austerity demands.

Not seeking to conceal her contempt for the Greek people, who voted by 61 percent to reject Germany’s cruel austerity demands, Merkel said, “There is still no basis for negotiations after the very clear ‘no’ in the Greek referendum on Sunday… It’s not a matter of weeks any more, it’s a matter of days.”

Merkel rejected any emergency loans prior to Greece signing onto a program to further slash social services, jobs and wages. “We need long-term proposals,” she said.

At a joint press conference with European Council President Donald Tusk, Jean-Claude Juncker, the president of the European Commission, said the EU had a “Grexit scenario prepared, in detail.”

Tusk said, “Our inability to find agreement may lead to the bankruptcy of Greece and the insolvency of its banking system. And for sure, it will be most painful for the Greek people… The stark reality is that we only have five days to find the ultimate agreement.”

French President François Hollande, one of a number of EU government heads pressing for a somewhat less hard-line stance toward Greece in order to avert a Grexit, nevertheless agreed that Greece had to accept virtually the whole of the EU’s austerity agenda. He called for an agreement whereby Greece would accept the EU’s budget demands, with perhaps some token amendments. In return, Greece would receive immediate financing and the prospect of future debt relief.

Tsipras had already made clear that he took Sunday’s referendum not as a mandate to mobilize the powerful opposition of workers in Greece and across Europe to the EU and the banks, but rather as a signal to intensify his efforts to obtain debt relief in return for accepting the austerity measures he had claimed to oppose. He had called the referendum in the first place in an attempt to cover his capitulation to the EU with a fig leaf of popular support and democratic legitimacy.

Tsipras's first act following the landslide "no" vote was to sack his finance minister, Yanis Varoufakis, and replace him with Tsakalotos, deemed more acceptable by EU leaders. This was followed by a meeting with the leaders of the major pro-EU austerity parties in Greece and a joint statement backing further talks on a new austerity package.

The response of the European bourgeoisie to the referendum, however, has been brutal. It has concluded that the spectre of rising social opposition must be met with an iron fist. It wants to make the Greek working class an example to workers across Europe of what happens when they defy the banks.

Shaken by the mass outpouring of opposition among Greek workers and incapable, because of the pro-EU and pro-capitalist program and privileged social base upon which Syriza rests, of taking any serious measures against the Greek ruling class, Tsipras is turning to American imperialism as a counterweight to Germany. In advance of Tuesday's euro zone summit, he telephoned President Barack Obama, who took the call and spoke at some length with the Greek prime minister.

Obama then telephoned Merkel and urged her to modify her stance toward Greece and work for a deal that would avert a Greek exit from the euro zone. As with France, Washington combines appeals for an agreement with the insistence that Greece carry out further austerity measures and economic "reforms."

Substantial sections of the American media have been critical of Germany's hard line, warning of the economic consequences of a Grexit and, even more prominently, the negative geopolitical implications for the United States of a weakening of ties between Greece and Europe, particularly in relation to Washington's offensive against Russia.

The *Wall Street Journal*, for example, published a column last week by Robert D. Kaplan, an author and academic with close ties to the US military and intelligence establishment. Under the headline "The Greek Crisis Is About More Than Money," Kaplan wrote: "Geo-politics can be more important than economics. Just look at Greece… Europe will be increasingly vulnerable to Russian aggression if its links to Greece are substantially loosened."

In the escalating crisis over Greece, the elements of a developing conflict between the US and Germany are emerging. The basic conflict is over which power will set policy for Europe.

Germany, for its part, has expressed concerns over a US policy that seeks to exclude Russia from Europe. It also has serious concerns about the implications of a Greek debt write-off for its banking system, which is more vulnerable to the crisis of highly indebted European states than Wall Street and stands to suffer a loss of international influence.