Tensions erupt in Europe as Berlin threatens to expel Greece from the euro

Alex Lantier
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On Sunday, as European leaders met to discuss a new series of devastating austerity measures for Greece and the country's possible exit from the euro currency, tensions between the major European powers exploded into the open.

Germany has taken the lead in demanding the most onerous conditions for Greece, including proposals to effectively reduce Greece to semi-colonial status. Berlin is seeking not only to force Greece into line—or push it out of the euro zone—but to discipline the other major euro countries, France and Italy included.

As talks began Sunday, Italian Prime Minister Matteo Renzi declared that Italy opposed further demands on Greece under the threat of a Greek exit from the euro zone (Grexit). He insisted that the euro zone accept Greek Prime Minister Alexis Tsipras' €13 billion austerity proposal, drafted by French and Greek officials. That proposal itself is a repudiation of the landslide "no" vote in the June 5 Greek referendum on European Union austerity.

"Italy does not want Greece to exit the euro, and to Germany I say: enough is enough," Renzi told the newspaper *Il Messaggero*. "Now that Tsipras has made proposals in line with European demands, we must absolutely sign a deal. Humiliating a European partner after Greece has given up on just about everything is unthinkable."

Renzi's comments came after French Prime Minister Manuel Valls declared in a speech to the French National Assembly on Wednesday that France would not accept a Grexit.

In the *Sueddeutsche Zeitung* Sunday, Luxembourg Foreign Minister Jean Asselborn warned that a Grexit risked "fatal" consequences for Germany's international reputation. "If Germany pushes for a Grexit, it will produce a deep-going conflict with France," he said. "This would be a catastrophe for Europe… Germany's responsibility is enormous. What is involved is not conjuring up the ghosts of the past."

Asselborn's thinly-veiled allusion to the world wars of 20th Century Europe points to the extraordinarily sharp economic and military tensions in Europe, deeply rooted in the history of European capitalism. During World War II, the Nazi regime in Germany occupied Greece, France and large parts of Italy in collaboration with local fascist regimes.

Berlin's hard line underscores the vast implications of Germany's emergence since the outbreak of the 2008 economic crisis as Europe's dominant power. Leading German academics and politicians have called for Germany to assert itself not only economically, but also militarily. Germany openly renounced its post-World War II policy of military restraint last year and embarked on a multi-billion-euro rearmament program.

The tone at the discussion Sunday was set by a memo from German Finance Minister Wolfgang Schäuble, who has taken the lead in threatening a Grexit. It called for pension cuts and VAT (sales tax) increases, privatizations, and liberalization measures than go far beyond Tsipras' €13 billion austerity package.

It also threatened a "temporary" expulsion of Greece from the euro zone and demanded that Greece hand over €50 billion in state assets for management and sale by a Luxembourg-based organization, the Institution for Growth.

According to a report in Greece's *Press Project*, the Institution for Growth is a wholly-owned subsidiary of KfW, a Frankfurt-based German development bank whose chairman is Wolfgang Schäuble. German Finance Ministry records show that Schäuble set up the institution together with then-Greek Prime Minister Antonis Samaras in 2013.

Schäuble’s proposals were incorporated into a draft of a four-page negotiating position prepared by the euro zone countries. Tsipras accepted these demands as the basis for negotiations and talks lasted well into the early morning hours of Monday, European time.

The Italian and French interventions apparently had some effect. Late night negotiations between Merkel, Tsipras, Hollande and EU Council President Donald Tusk reportedly ruled out the transfer of Greek assets to the Institution for Growth and a Grexit, at least in the short term.

With the Brussels talks, Greece has emerged as the epicenter of a deep crisis of European and world capitalism. Already in 2010, the initial outbreak of the Greek debt crisis revealed sharp antagonisms in Europe. German Chancellor Angela Merkel agreed to an EU bailout of Greece only after late-night discussions in which then-French President Nicolas Sarkozy threatened to pull France out of the euro and warned that lasting damage to Franco-German relations would result. Jean-Claude Trichet, the head of the European Central Bank at the time, said Europe was facing “the most difficult situation since the Second World War—perhaps even since the First World War.”

Merkel, for her part, vetoed Sarkozy’s plans to set up a Mediterranean Union regrouping France and the Southern European countries. She warned that a polarization between Southern Europe and a Northern-Eastern European bloc, including Germany, could lead to the disintegration of Europe.

Five years later, under conditions of a far deeper social crisis in Europe, the potential division of Europe into blocs has starkly emerged over the question of a Grexit. The main opponents of a Grexit are France, Italy and Spain, while the drive for a Greek exit from the euro is spearheaded by Germany, Finland, the Netherlands and right-wing Eastern European regimes such as Slovakia and Lithuania. As divisions within Europe intensify, the conflict between German and American imperialism over who will be the final arbiter of European politics emerges all the more clearly.

While the Obama administration has consistently exerted pressure on Germany behind the scenes to agree to a deal with Greece, Washington publicly intervened last week to back France. US Treasury Secretary Jack Lew called for a Greek-EU deal on austerity and debt restructuring for Greece. He implicitly targeted Berlin and its allies, criticizing those who “create more of these kind of life-and-death deadlines.”

Berlin rebuffed Washington's concerns, with Schäuble bluntly replying that debt restructuring was contrary to “European rules.”