Crisis talks in Brussels collapse as EU threatens to bankrupt Greece

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15 June 2015

With Greece teetering on the edge of bankruptcy, crisis talks in Brussels collapsed Sunday after European Union (EU) and Greek officials failed to agree on what austerity measures Greece should adopt to obtain continued funding from the EU's Greek bailout fund.

EU sources called the negotiations "difficult," and indicated that "further discussion will now have to take place in the euro group" of euro zone finance ministers. Some €2 billion in cuts are yet to be agreed upon between the EU and Greek Prime Minister Alexis Tsipras of the Syriza ("Coalition of the Radical Left") party. Athens is reportedly objecting to plans to further slash pensions and wages while also increasing regressive value-added taxes (VAT, or sales taxes).

Though Greek officials attacked the current EU proposal as "irrational" and "intransigent," Syriza officials said they would continue seeking an agreement on an austerity package. "The Greek government's delegation stands ready for the completion of the negotiations to reach a mutually acceptable agreement," said Greek Deputy Prime Minister Yiannis Dragasakis from Brussels.

Prospects of reaching an agreement are dwindling rapidly, however, as the EU threatens ever more drastic measures to bludgeon the Greek government into line before the Greek bailout legally expires on June 30. Also on that day, the Greek state faces a €1.6 billion loan repayment to the International Monetary Fund (IMF) that it is widely believed to be unable to pay without access to bailout funds.

At its June 11 meeting in Slovakia, for the first time the euro group formally discussed preparing a "Plan B" option in which European authorities would cut off credit to Greece. This would force the Greek state to default on its payments, driving it into bankruptcy and likely cutting off the flow of credit to Greek banks, leading to a collapse of Greece's financial system.

"There is growing consciousness in the institutions [the European Central Bank, the IMF, and the EU] that we must prepare ourselves for a Greek default," a top EU official told *Le Monde*.

In a further sign of deepening tensions, Sigmar Gabriel, Germany's vice-chancellor and head of the Social-Democratic Party (SPD), published an article in *Bild* denouncing Syriza. "The game theorists of the Greek government are in the process of gambling away the future of their country," he wrote. "Europe and Germany will not let themselves be blackmailed. And we will not let the exaggerated electoral pledges of a partly-communist government be paid for by German workers and their families."

An EU decision to tip Greece into default would not only savage the country's economy, but could undermine the political architecture of European capitalism, including the euro currency and the EU itself. German officials have reportedly begun drawing up plans for a situation where Greece responds to the collapse of its financial system by reintroducing its own national currency, a so-called "Grexit" in which Greece exits the common euro currency.

Ruling elites across Europe are well aware that such a crisis poses the risk of even greater social explosions in the working class. Berlin fears the mobilization of "huge crowds," and "violent demonstrations" erupting in Greece in the event of a default, the *Financial Times* wrote, and the possibility that Greece could turn to Moscow for financial aid. Chancellor Angela Merkel, the FT added, "does not want the EU and NATO member states to plunge into disorder at a time when the Balkans are fragile, and Russia stands ready to increase its influence."

Nevertheless, Berlin and the EU are escalating threats of drastic action against Greece, with vast and unpredictable implications. Holger Schmiedling of Berenberg Bank commented, “Lenders are signaling in ever more ways … that they do not intend to blink. Whether or not these are partly negotiating tactics, such preparations can take on a life of their own.”

The reckless onslaught of European finance capital points to the bankruptcy of Syriza’s perspective of saving Greek capitalism through negotiations within the framework of the EU. Only weeks after taking power, Syriza repudiated its campaign promises to end austerity. It continued the EU bailout programs, making no appeal to mass hostility to austerity among workers across Europe. It sought instead to negotiate marginally modified austerity measures with the EU.

EU threats helped Syriza justify its capitulation to austerity, and Syriza was careful to present itself as fighting the EU to defend Greek interests even as it negotiated attacks on the working class with EU bureaucrats.

This political shadowboxing was designed to confuse and stymie working class opposition to austerity. It now threatens to unleash an even broader crisis, however, as threats of extreme measures against Greece risk becoming a self-fulfilling prophecy.

Last week, the *Financial Times* published a detailed insider account of the collapse of a deal negotiated in emergency talks on June 3 between Tsipras and EU Commission President Jean-Claude Juncker.

“After the four-hour session, Mr Juncker thought he had a deal: Mr Tsipras had accepted new budget surplus targets that were tougher than Athens had hoped, but lower than the existing bailout program. Mr Tsipras disagreed with raising taxes on energy and many of the pension cuts, but agreed to return with a counter-proposal that would identify cuts elsewhere,” the FT wrote. (See also: In Brussels talks, Greece moves closer to austerity deal with EU)

The deal with Juncker unraveled, however, after Tsipras returned to a “political firestorm” in Greece, the FT adds. Facing opposition inside his own government, Tsipras gave a speech in parliament denouncing the deal as “absurd” and its contents as “irrational, blackmailing demands.”

Since then, the EU position on Greece has hardened. Speaking at the June 6-7 G7 summit, Obama reportedly criticized the Greek government, telling EU leaders he was “sympathetic” to their difficulties with Syriza, according to the FT.

Some press sources are claiming that a Greek default is now all but inevitable, as it would be impossible to get agreement by June 30 in the German parliament and other euro zone governments to renegotiate the terms of the Greek bailout. Juncker’s “proposal from the beginning of June was the only one that had a chance to get agreement from all 19 members of the euro group,” one EU official told *Le Monde*.

The only way forward is the independent mobilization of the working class across Europe against austerity, in a revolutionary struggle against both the EU and Syriza.

No confidence can be given to the factions inside the Greek government who are seeking to limit Tsipras to the concessions he has already made to the EU. The far-right Independent Greeks (Anel)—Syriza’s governing partner—and Syriza’s “Left Platform” grouping are both indicating that they are willing to risk a break with the EU bailout and a Grexit reintroducing Greece’s national currency, the drachma.

This strategy itself is utterly reactionary, aiming above all at blocking the emergence of opposition in the working class. It would further impoverish workers by paying their wages not in euros but in drachmas, which are expected to collapse against the euro on financial markets. Plans for the reintroduction of the drachma involve mobilizing the army inside Greece itself to suppress civil unrest.

At an earlier stage of the crisis, discussions of such a scenario were reported in the Greek daily *Kathimerini*, which said that if Athens decided to default or exit the euro, it would seek to do so over a weekend, when stock markets were closed. Then, as the civilian leadership sought to head off “civil unrest,” Greece would “deploy its military as soon as early morning Saturday and close its borders, preparing to stamp euros as drachma as an interim solution once a public announcement has been made.”