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**Greece’s Woes, Dominoes, and Fairytales**

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*EuroPoint: Giving in to Syriza’s demands to abandon labor market reforms and public debt repayment by Greece would fuel eurosceptic parties throughout the Eurozone.*

A perceived battle between the Greek and the German government is turning Cervantian. On the Greek side, the fight is spearheaded by Finance Minister Yanis Varousakis. Academic yet non-conformist, the former Marxist is on a power charm offensive (most notably, in *Paris Match*) with all the accessories – leather jacket, motorcycle, exotic plants, modest second class flights, piano playing, mean cooking skills, and a glamorous wife. When he’s not showing the middle finger to Germany, Varoufakis is complaining about insults such as “foolishly naïve” he receives from his German counterpart, “friend and ally,” Wolfgang Schäuble.

In reality, Varoufakis is negotiating Greece’s €320bn public debt with the Eurogroup, the finance ministers of the Eurozone, informally led by Schäuble. Immobilized in a wheel chair, Schäuble has the power of “Nein,” a punchline he does not hesitate to use.

The left wing Syriza party won the Greek elections in January by promising to renegotiate the terms of the bailout agreement with its European creditors and end the “imposed” austerity measures, mostly labor market reforms and extra taxation. Syriza’s promises are the latest in a long line of public funds mismanagement and electoral promises paid for with money Greece did not have. For the eyes of the media and their voters back home, the German government is Greece’s main enemy, scapegoat for all despair and austerity.

The Greek government has adopted a hardline carrot and stick approach in their negotiations with the Germans. One
such business model is the attempt to monetize on compensations for the Nazi WWII occupation of Greece, which they calculated to be worth somewhere between €162bn and €340bn. Should Germany fail to pay, Justice Minister Nikos Paraskevopoulos threatened that Athens was ready to approve a court ruling to seize German properties in Greece – such as the Goethe Institute, the German Archaeological Institute, German schools, and holiday homes owned by German citizens.

Defense Minister Panos Kammenos took the stick a step further and threatened to send Islamic fundamentalists to Berlin: “if you deliver a blow to Greece, then you should know that migrants will be given papers and sent to Berlin. If members of the terror militia Islamic State are among them then Europe only has itself to blame because of its attitude towards Greece with regards to the debt question.”

So far, Varoufakis and the Eurogroup agreed on minor extensions of the bailout agreements with Athens continuing the austerity measures. Greece’s Prime Minister, Alexis Tsipras, promises to change all that at the upcoming EU summit on March 19-20.

**Grexident: Fears and Repercussions**

Syriza is playing its cards convinced that Germany does not want Greece to exit the common currency. Yet there are signs that the issue is being negotiated at a higher level. On one side, Schäuble warned that Greece might slip out of the Eurozone by accident: “as the responsibility, the possibility to decide what happens only lies with Greece, and because we don’t exactly know what those in charge in Greece are doing, we can’t rule (a Greek exit) out.”

Angela Merkel and EU Commission President Jean Claude Juncker want Greece to stay in the Eurozone. “I am totally excluding a failure, I don’t want a failure. I would like Europeans to go together. This is not the time for division, this is the time for coming together” said Juncker, warning that he would not accept a knockout, even by accident.

Greece’s debt problems are nothing new. A few years ago the infamous EU, IMF, ECB “troika” bailed Greece out, fearing the domino theory: should Greece slip out of the Eurozone, others would follow, and the common currency would collapse. Today’s politicians in Bruxelles believe in the chain theory, according to which a chain is stronger without its weakest link.

Giving in to Greece’s demands will trigger not an economic, but a political domino effect. Populist Euro sceptic parties elsewhere in Europe are closely watching the Greek situation, and could rise to power on a similar promise to renegotiate bailout and austerity terms with the EU (meaning Germany). Spain’s left wing Podemos party is a prime example. Other parties in Portugal, Italy, and even the Front National in France would receive an electoral boost, weakening the EU.

In Germany, the Euro sceptic right-wing AfD would harvest votes away from Merkel’s CDU/CSU center-right coalition. More than 52% of the Germans think the Greek government “is not behaving seriously towards its European partners” and want Greece to leave the Eurozone. German taxpayers are not happy to hand out yet another check to Greece, meaning, another haircut to Greek government bonds. Rolling back austerity would delay the much needed reforms and create conditions for renewed budgetary weaknesses with larger deficits in the future.

Tsipras is “living in a cloud cuckoo land” writes Frankfurter Allgemeine Zeitung, while Die Welt points out that the Greek government is refusing to implement “existential reforms,” preferring instead to “befuddle its people with the fiery booze of anti-German rhetoric.”

“It won’t be good for Europe if we are too generous with the Greeks. We are on the right path towards leaving the euro crisis behind us. We can’t allow that to be ruined by a country that doesn’t follow any rules” Schäuble told Spiegel magazine in February.

Wouldn’t this be the perfect moment for Tsipras and Varoufakis to renegotiate the debt in relation to Greece’s surpluses for the next few years while implementing the labor market reforms needed to avoid such a pitfall from ever repeating?