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German finance minister demands unconditional surrender from Greece

By Christoph Dreier

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Within the space of a few hours, German Finance Minister Wolfgang Schäuble (CDU) rejected outright written requests by the Greek government on Thursday for an extension of its previous credit agreement with the EU. Schäuble wants to create a precedent for all of Europe by completely humiliating the Syriza government.

“The letter from Athens is not a substantial proposal towards a solution,” declared Schäuble’s spokesman Martin Jäger in Berlin on Thursday, adding that the application took the form of a request for a bridge loan and did not meet the requirements of the program. “The letter does not meet the criteria agreed upon in the Euro group on Monday.”

In fact, Greek Finance Minister Yanis Varoufakis has made far-reaching concessions in his letter to the head of the euro group of euro zone finance ministers, Jeroen Dijsselbloem. The letter describes the European Union’s (EU) brutal austerity program as “remarkable efforts in economic adjustment” that had to be brought to a “successful conclusion.”

Varoufakis recognized the “financial and administrative terms” of the loan agreement with the EU and the International Monetary Fund (IMF) and applied for its six-month extension. The so-called Memorandum is part of this agreement, but is not explicitly mentioned in the letter.

The letter expressly welcomes the monitoring of measures by the institutions of the European Central Bank (ECB), the European Commission and the IMF, i.e. the “troika” which is so deeply hated by the Greek population. Following its election, Syriza had declared it would not work with this body.

Finally, Varoufakis said he was ready to work “closely with our European and international partners” and refrain “from unilateral action that would undermine the fiscal targets, economic recovery and financial stability” of Greece.

The letter’s far-reaching relinquishing of national sovereignty was masked only by a few vague formulations, such as proposing “flexibility in the existing arrangement” and avoiding any direct reference to the “troika” and the “memorandum”.

But for Schäuble, even these concessions by Syriza are not enough. He is demanding unconditional surrender. Already on Tuesday, Schäuble had demanded that Athens explicitly recognize the Memorandum and pledge not to reverse any of the cuts and mass layoffs previously imposed under its terms. Schäuble believes that concessions to Greece will serve to legitimize demands from other European countries—especially Italy and Spain—for a moderation of EU austerity policies.

At this point, as he negotiates the terms of surrender, Varoufakis is not being allowed even the mildest verbal concessions that are desperately needed by Syriza to maintain some small degree of political credibility. The situation confronted by Varoufakis and Prime Minister Alexis Tsipras resembles that once faced by the late Palestinian leader Yasser Arafat. In 1988, after having already repudiated his organization’s core principles, Arafat was pressured by the US to make still more humiliating concessions to Israel. He asked, “Do you want me to striptease?”

There remains some possibility that Germany may decide to pull back slightly from its ultimatum. Schäuble’s demands on Athens had been unanimously supported by the representatives of the Euro group at its Monday meeting. On Thursday, however, some representatives urged more negotiations with the Greek government.

Germany’s social-democratic Economy Minister Sigmar Gabriel criticized his cabinet colleagues, demanding that Varoufakis’ letter “be used as a starting point for negotiations and not publicly rejected out of hand.” At the same time, he agreed with Schäuble “that what was in the letter was insufficient to reach an agreement.”

EU Commission President Jean-Claude Juncker said the letter from Athens could pave the way for a “reasonable compromise in the interest of financial stability in the euro area as a whole.” However, he was not prepared to comment further on the proposals.

Italian Finance Minister Pier Carlo Padoan said Athens’ proposals must be “taken seriously.”

French Prime Minister Manuel Valls called Syriza’s plans “very encouraging” and indicated that a solution could be reached quickly. Schäuble’s own stance was supported by the Finnish and Latvian governments.

Greek government sources said that Tsipras and the German chancellor Angela Merkel spoke on the phone on Thursday for 50 minutes. The telephone conversation took place in a positive atmosphere, German television channel *n-tv* reported.

On Friday, the euro group is due to meet to discuss the Greek application. A Greek government spokesman announced on Thursday that the finance ministers could “accept or reject” Greece’s request, but no other option was on the table. He said the meeting would show “who wants a solution and who does not.”

But these are words without substance. Even if the euro group engages in further negotiations on Friday, the only issue will be how to phrase the terms of Syriza’s capitulation. Less than four weeks after its election victory, Syriza’s strategy of petty maneuvers with the EU lies in tatters.

Syriza hoped to exploit differences between the European powers and policy differences between Germany and the United States to obtain some political leeway.

In another development, Syriza’s subordination to the ruling elite within Greece was confirmed, with the election of the new President.

The government nominated right-winger Prokopis Pavlopoulos, who received the votes of 233 of the 300 seats in the Greek parliament. This vast majority was not necessary to secure Pavlopoulos’ election; just 151 votes would have been enough in the final round of voting.

The 64-year-old Pavlopoulos sits on ND’s central committee. He has repeatedly held high state and government posts, including most recently that of Minister of the Interior from 2004 to 2009.

In this latter position, Pavlopoulos in 2008 sent in police to brutally attack protesters after the police shooting of 15-year-old Alexandros Grigoropoulos. Hundreds of people were arrested in the ensuing police crackdown.

Pavlopoulos’ election has already sparked off conflicts inside Syriza. European MP Manolis Glezos described the election as blatant disregard for the will of the people. One member of parliament refused to vote for Pavlopoulos. The adoption of a deal with the EU on the terms demanded by Schäuble could rapidly provoke a major government crisis.