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Between Dilemmas, Difficult Decisions and a Looming Impasse

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The recent referendum was a misguided choice. Despite causing brief euphoria among supporters of the “NO”, in essence it was an attempt on the part of the government to break through the impasse created by the government itself and the country’s lenders. The objective was – beyond gauging the people’s response to the question posed, given that it was no longer even on the table – to send a loud message that the policies of asphyxiating fiscal adjustment and attendant austerity are condemnable/unacceptable, and to give the prime minister a clear and fresh mandate to negotiate on a more favorable basis. Given that the question was moot, and thus open to multiple, if not infinite, interpretations, the referendum was essentially an evasive maneuver aimed at freeing the prime minister from the vice of opposition within his own party, while also legitimizing a transition

to a more realistic stance that facilitates the forging of a solution.

However, the two main problems with this specific choice are these: On the one hand, the government called on us to decide, in the negative, on an agreement that had been withdrawn from the table. It would have been more logical and acceptable (to our lenders, as well) if the referendum had concerned a tangible agreement mutually acceptable to the Greek side and its partners; an agreement actually up for approval by the citizens. And on the other hand, the referendum was held in a highly charged atmosphere, with nerves especially taut, given the Greek programme’s imminent expiration. Brinkmanship carries certain risks, of course, but a responsible leadership anticipates repercussions. This union, which, according to president Tusk, is no community of angels, has little patience with ambushes and unpleasant surprises. Even if we accept that we were driven to this option, we still need to develop alliances to defend against our being left virtually/essentially isolated and seen as a recalcitrant and undisciplined ally. Meanwhile, it must be said that Europe’s problem is more general and has to do with the outlooks of its current leading circles, who approach the Union’s vast challenges with Manichaeistic, shortsighted thinking, Calvinist economic rationales, clear flexibility issues, limited solidarity, and lacking a progressive and creative plan for exiting the current crisis. Consequently, the fact that most Europeans have fallen in behind the German position makes it more difficult to solve the Greek problem in the manner desired by Athens. This, in turn, makes it easier for Europe to deny responsibility and point to Greece as the problematic partner, from whose positions the partners are so anxious to distance themselves. But why is this the case? And could the Greek side have anticipated this.

Greece’s lost opportunity and the contradictions of the referendum

In last Sunday’s referendum, the Greek prime minister took a calculated risk, consolidating his power domestically but making the climate more unfavorable abroad. In fact, this unpredictable move played into the hands of the extremists among the lenders, who feel vindicated in having argued that Athens has been prevaricating and making excuses ever since it realized, too late, how unfavorable the balance of power is, which has made it all the more difficult for the government to move ahead with the post-election commitments it made in its platform papers. In the view of many Europeans, this rendered it impossible for Greek lawmakers to ratify any agreement, and they thus attributed Greece’s obstructionism to the effort to bring round the dissenting voices within Syriza.

And what is it, exactly, that we are taking to the new negotiations? Is our position really any stronger in the wake of the referendum? Will democratic expression suffice to chastise – and, ideally, soften – the other 18 countries of the eurozone, given that they have their own democratic processes? Have we perhaps (unwittingly) strengthened the positions of those partners who have invoked their own parliaments and societies in arguing against decisions that would be favorable to our interests? For example, the Slovaks who point to their lower pensions, or Renzi, who balks at cutting Italian pensions to fund Greece (totally inaccurate, but these leaders, too, are obviously playing to their own domestic audiences)? What added value has the referendum brought to the ongoing negotiations, which, formally at least, were temporarily suspended but are reopening with Athens under even greater pressure due to our being outside any programme, and thus ineligible for funding/liquidity, as of 30 June? Are we returning to the negotiations on a better or worse footing, given the rapid deterioration



of all the indicators of the real economy? Did we satisfy the domestic audience to the detriment of negotiations on which our country's future hinges?

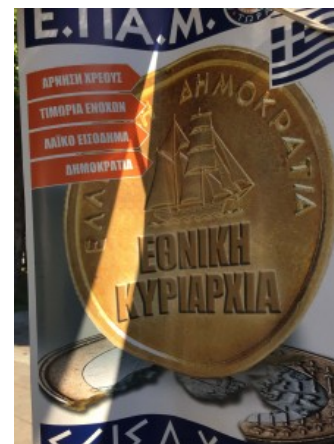
Will the "proud" NO, as some are calling it, perhaps lead in the end to a grand YES to an equally onerous programme, under the weight of the conditions created following the announcement of the referendum (bank holidays, capital controls)? Or, worse still, will it force us into (a) sudden death (scenario)? If the objective was to achieve a measure of national consensus, with the opposition being dragged into accepting of the government's positions following the NO, this was feasible in any case: The political forces currently in the opposition once supported tougher measures, so their assent to the new proposal was essentially guaranteed. Given the powers arranged against us, our failure to secure the necessary alliances, and our difficult position of

dependency, should we perhaps have realized in a more timely manner that it was foolish for us to link changing the European structure as a whole to a change in stance on the Greek issue? Did we perhaps pass up a unique opportunity to successfully promote a just and reasonable demand (with which large social majorities throughout Europe empathize), presenting that demand from what appeared to be an opportunistic perspective and as a lifeline, while we could have first stabilized the country, thus gaining legitimacy in the eyes of our partners as sponsors for the changes Europe so direly needs?

Moving as we did, we probably did more to stimulate the reflexes of the most conservative, establishment circles, some of who equated their stance against Greece to preserving their *acquis*. Thus, they exerted corresponding pressure on other member states, using all the tools at their disposal (certainly greatly outstripping Greece's toolkit), while steadily preparing and informing public opinion at home, even with regard to the worst-case scenarios, misattributing exclusive blame to Greece. So, Athens, appealing to sentiment, may have won supporters and the battle of impressions, but, unfortunately, it appears to have lost (in the first round) in essence, having been shunned by most leaderships. In the final analysis, the counterargument is that a country that, beyond its finances, failed to reform its way to greater convergence with European standards has no right to speak, much less set change in motion, proposing an alternative model. Unfortunately, on the level of image (with past governments bearing the greater share of blame), Greece is seen on some issues as an example to be avoided rather than a model for emulation. Consider that the 2004 enlargement brought in new members who, for the most part (in broad terms), lagged behind Greece in terms of European culture and historical points of reference. Although we can't say the situation has now been totally reversed, the "timeless Greek value" argument has clearly suffered significant erosion.

The lenders' responsibilities as 'partners'

As for our partners, they quickly traded in their initial suspicion for a punitive inclination against the "undisciplined" Greeks. For some time now, they have highlighted their role as lenders, de-emphasizing their capacity as allies/partners and, thus, ostensible sources of solidarity. There have been various instances of equivocation on their part, and it is now clear that they fortified their positions behind the constant delays/extensions in the negotiations, knowing that the pressure on the Greek side would increase as time went on. It would be no exaggeration to argue that, from a certain point onwards, they started to see the deliberations not as an opportunity for a viable solution, but as means to point up Greece's weaknesses (as if those weaknesses were not a part of, or did not concern, Europe) and gradually undermine the government, with which, they had concluded, they couldn't (wouldn't?) come to an understanding. At the same time, putting on a stern face for the most part, they seized the opportunity to send a message to anyone entertaining following in Syriza's footsteps (see Podemos). They proved to be dangerously inflexible, even in the face of reasonable proposals, prioritizing technical issues while ignoring the harsh reality of the situation. Moreover, they frequently made inept statements, aggravating the climate of division and perpetuating stereotypes and national misconceptions on both sides. In this way, they exacerbated the populism in Greece, where there is now perceptible polarization along class lines.



It is clear to Germany that it cannot lead in Europe without flexibility or while significant swaths of societies are taking a stand against its fiscal model, a trend evident in the convergence and growing strength of disparate configurations with anti-European agendas. These are not just your garden variety Eurosceptics, some of who want Europe, but simply in a different direction. In any case, the existing model cannot be called attractive on the level of European citizens, which necessarily raises concerns among leaders. If they continue to turn a blind eye, targeting countries they don't like, they will soon be faced with increasing opposition from more systemic actors who are coming under equal pressure.

Scenarios for the day after: The enemy of 'bad' is 'worse'

As we speak, all scenarios remain on the table. Of key importance today is an agreement that provides for the gradual restoration of trust. Although I am not optimistic, neither do I want to be a pessimist. So I will set out to the optimal scenario, all things being equal, and leave out the negatives: An agreement is reached (a comprehensive, long-term agreement is needed, as the funding gap has widened and the Greek economy is in a dire situation), and we are put under very close supervision/monitoring. The Institutions will badger us on compliance with the rules, they will ask for concrete commitments, responsibility, credibility and greater predictability. They will focus on the need for us to show, at every step, that we have taken on full responsibility for implementing a difficult agreement with many conditionalities. The goal is for the restoration of

economic activity, through gradual funding, to proceed in tandem with the reforms (which most Europeans see the current government as being unable to implement), returning control of the government's operations/decisions to the lenders, thus moderating any message to the effect that Europe is backing down under the will of Greece's politicians. At the same time, the possibility of debt relief has re-emerged, based on the recent IMF report, although it is not very likely that it will be agreed too immediately. So, the question we will soon see answered is, did we all do too little, or even too much, too late, or will Europe once again show its ability to compromise, even at the very last moment.

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