

# Greek Crisis: For Whom the Bell Tolls

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MIRANDA XAFA



Members of left wing parties burn a European Union flag during a protest in the northern Greek port city of Thessaloniki. (AP Photo/Giannis Papanikos)

In a recent article in *Le Monde* (“Europe at crossroads”, May 31), Greek Prime Minister Tsipras recommended Hemingway’s masterpiece “For Whom the Bell Tolls” to those who believed that the crisis concerns only Greece. His Coalition of the Radical Left party (SYRIZA) was voted into office in January, demanding a debt write-down and an end to austerity. He firmly believed that Greece constitutes a systemic threat and that official creditors (mainly European governments) would blink if threatened with Grexit. Sadly for Mr. Tsipras, the global market turbulence he anticipated under a Grexit scenario did not materialize. So the chicken game he was playing since his election on January 25 ended with suicide, with the closure of Greek banks when the ECB froze liquidity provision after the program expired on June 30.

Instead of acknowledging defeat, Mr. Tsipras hung on to his defiant posture. Without warning, he declared a referendum on Friday 26 June, four days before the EU/IMF-funded program was due to expire, while negotiations with creditors were ongoing in Brussels. His chief negotiator, Deputy Minister Tsakalotos, admitted with disarming honesty on CNN today that the referendum was called to prevent a loss of SYRIZA’s parliamentary majority because the program agreed with creditors was likely to be rejected. So Mr. Tsipras preferred dividing the Greek people through a referendum than dividing his own party.

European leaders were taken aback by the sudden announcement of a referendum while negotiations were ongoing in Brussels, but accepted it as a

democratic right of the Greek people. Nevertheless, as was clear under the February 20 Eurogroup agreement signed by the Greek government, the ECB stopped providing additional liquidity to Greek banks after the program lapsed on June 30. To prevent a run on the banks, Mr. Tsipras was forced to decree a bank holiday until Tuesday, July 7. SYRIZA's incompetent and catastrophic handling of the negotiations over the past five months thus led to the current chaos, with banks closed and pensioners queuing for hours to get a pittance. SYRIZA had both the mandate and the opportunity to get a better deal for Greece back in February, but they completely blew it. Now it is clear that the banks will not reopen on Tuesday, irrespective of the outcome of Sunday's referendum, until a deal with creditors is in place.

Mr. Tsipras behavior suggests he has lost control. On the morning of Wednesday, July 1 —the day the program lapsed — he found himself in a very difficult position because he had to accept the terms he called “absurd” only days ago. He sent a letter to creditors saying he accepts all their terms with only a few exceptions. But in the afternoon of the same day, in a nationally televised address, he blasted creditors for blackmailing the Greek people and he urged voters to vote NO in Sunday's referendum, in a clear effort to shift to voters the blame for the botched negotiations. Mr. Tsipras' rhetoric turned divisive — he claims that “anyone who is not with us is with the creditors.” European leaders do not trust him to negotiate —much less implement — any agreement, so he should step down irrespective of the outcome of Sunday's vote. But will he?

Today, ahead of big rallies in Athens ahead of the referendum, Mr. Tsipras used yesterday's IMF report on Greek debt sustainability to promote his cause. He managed to portray the IMF report as vindicating his catastrophic handling of the negotiations, when in fact it blasts his government for generating huge deficits, stopping privatizations, and plunging the economy into recession, thus making the debt unsustainable.

Sunday's referendum is a farce. Voters are asked to vote YES or NO on an outdated bailout agreement proposed by creditors which is no longer on the table. The government claims the question has nothing to do with Greece's euro area membership, even though European leaders unanimously call it a referendum about the euro. If the NO vote prevails on Sunday, it is hard to see how creditors will grant Greece a third bailout to a government that actively campaigned for a NO vote. The maturity of about 3 billion euros of Greek government bonds held by the ECB looms on July 20. A Greek default means that the ECB is unlikely to accept Greek government paper and guarantees as collateral if the guarantor is insolvent.

The SYRIZA government had both the mandate and the opportunity to get a better deal for Greece back in February but they blew it because they are incompetent, unprepared and dogmatic. Today the bell does not toll for the DAX,

Germany's main stock index, which hardly moved after the Greek default to the IMF and is up more than 10% over the past year. Perhaps it tells for Mr. Tsipras himself, as Sunday's referendum might make clear.