Tsipras moves from predator to prey at euro 'torture' summit

BLOOMBERG

THE latest save-the-euro summit turned into open season on Greek Prime Minister Alexis Tsipras.

Leaders from German Chancellor Angela Merkel on down fretted about the "trust" shattered by Tsipras during more than five months in power, which was the European way of saying that the anti-austerity populist had to bend.

It was a night that split Greece's supporters among euro countries, such as Italy, from hardliners led by Germany that sought yet more austerity. In 17 hours of meetings in Brussels, leaders grabbed naps, separated into subgroups to go over proposals line-by-line and threatened to leave town more than once. Even by 6 am, both sides were sceptical about a deal.

In the end, Tsipras had to swallow the worst. Creditor governments essentially ordered the one-time Communist youth activist to adopt unquestioned capitalism to earn aid of as much as 86 billion euros ($95 billion) and keep Greece in the euro.

"The Greek government has accepted practically everything," Prime Minister Joseph Muscat of Malta said in an interview after the overnight marathon. "It accepted all the crucial and important points."

Tsipras described the summit, which ran until 9 a.m. on Monday, as more of an inquisition than a negotiation.

"We found ourselves in front of difficult decisions and hard dilemmas," he told reporters. "We took the responsibility of the decision to avert the most extreme plans of the most extreme conservative forces in the European Union."

Two officials who observed Tsipras independently described him as a "beaten dog" whose only remaining option was to submit to the creditors' will, while carving out a concession here and there. Tsipras fretted privately about the reception that awaited him in Athens.

Two officials who observed Tsipras at the Brussels showdown independently described him as a "beaten dog"

Under fire at home, Tsipras pulled off minor tactical victories, notably by retaining a measure of Greek control over a privatization fund that would raise up to 50 billion euros by selling state assets -- a target that proved unreachable in prior bailouts. At one point, he told leaders he had "no mandate to sell half his country."

Alexis Tsipras

Tsipras juggled the face-to-face confrontations with phone calls to Syriza party faithful back home, telling the European leaders that he intended to take action against anyone who rebels against his sudden decision to bow to outside economic forces.

The question in Athens will be whether Tsipras brings Greece's mainstream parties into a national unity coalition and stays on to run it, or quits to escape the political blame for enacting the drastic budget cuts he denounced for so long.

Whatever the premier's personal fate, Greece has to pass a range of previously unpalatable measures by Wednesday to maintain the prospect of more financing. Tsipras's other option would be to keep the current government lineup, stonewall the creditors and head for the euro exit.

"Trust has to be rebuilt, the Greek authorities have to take on responsibility for what they agreed to politically here," Merkel said.

Some hardliners went into the meeting concerned Greece was being let off too easily. Dutch Prime Minister Mark Rutte feared the crumbling of his coalition and Finnish Prime Minister Juha Sipila argued that starting talks on the third bailout would be a bridge too far.

Their countries were among those at a sub-meeting of hardliners, according to a person at some of the sessions who asked not to be named because the discussions weren't public. The private discussions frustrated Italian Prime Minister Matteo Renzi, who gave Rutte a talking-to, the person said.

European frustration spilled over at the sense of being double-crossed two summits ago, on June 26, when Tsipras appeared to converge on the creditors' terms, only to change his mind on his return flight and call a referendum to reject them.

The popular vote produced Tsipras's desired outcome, until a European ultimatum combined with Greece's shuttered banks and widening economic distress to persuade him that maybe the German-led bloc of financiers was offering a better deal after all.

The ground was prepared earlier Saturday and Sunday, when finance ministers -- whose job is to make numbers add up, not to ruminate about Greece's geopolitical status in a Europe ringed by crises -- put the possibility of a Greek exit from the euro on paper for the first time.

It didn't matter that the German-inspired reference to a possible "time-out from the euro area" was in brackets, indicating that the passage was still in dispute. The point was that the threat to expel Greece had muscled its way into the official documentation. It wasn't in the final version.

The new Greek minister, Euclid Tsakalotos, played by the technocratic etiquette that was alien to his predecessor, Yanis Varoufakis, who labelled the creditors' budget-slashing zeal "terrorism." Now, a French official said, the bad faith came from the creditors' side.

Once the leaders arrived, the biggest barbs came from the smallest countries. While Merkel was her inscrutable self, Slovak Prime Minister Robert Fico asserted "a moral right to be very hard on Greece.

Greece debt crisis: What's the deal?

BBC NEWS

EUROZONE leaders have reached agreement over a third Greek bailout after marathon talks in Brussels.

Greece has won conditional agreement to receive up to €86 billion (£61 billion; $95 billion) over three years, although this is not yet in the bag.

But it has had to make substantial concessions in return - and the consequences for the Greek economy look set to be far-reaching.

What are the main areas of economic reform stipulated by the deal?

In a nutshell: taxation, pensions, the labour markets, banks and privatisation.

The agreement refers to "the streamlining of the VAT system and the broadening of the tax base to increase revenue". It seems that more items will be subject to the country's top VAT rate of 23 percent, including restaurants, while popular holiday destinations in the Greek islands will no longer benefit from a lower VAT rate. Corporation tax will also go up, to 28 percent.

There will be "upfront measures to improve long-term sustainability of the pension system as part of a comprehensive reform programme". That means the retirement age will rise to 67 by the year 2022, while aid to the poorest pensioners will be phased out by the end of 2019.

Labour markets will be liberalised, as will shop opening hours, with "rigorous reviews and modernisation of collective bargaining, industrial action and, in line with the relevant EU directive and best practice, collective dismissals". The Greek government is sternly warned that the country's past approach is "not compatible with the goals of promoting sustainable and inclusive growth".

Greece must "adopt the necessary steps to strengthen the financial sector". This means taking tougher action on non-performing loans and strengthening banking governance, including "eliminating any possibility for political interference, especially in appointment processes". In fact, the deal calls for a specific programme for "de-politicising the Greek administration".

The electricity transmission network is to be sold off as part of "a significantly scaled-up privatisation programme with improved governance".

Privatisation has been a key sticking point in all this.

How is that "improved governance" going to be achieved?

This is one of the most far-reaching aspects of the deal. The text of the summit statement says: "Valuable Greek assets will be transferred to an independent fund that will monetise the assets through privatisations and other means."

It says the fund will be established in Greece and managed by the Greek authorities, but "under the supervision of the relevant European institutions" - that is, the European Central Bank and the European Commission, which, along with the International Monetary Fund, have been supervising Greek finances throughout the crisis.

In effect, this is being seen as a trust fund outside the control of the Greek government, which can cherry-pick Greek assets and dispose of them in order to repay the country's debts.

The summit document quotes a figure of €50 billion for the value of the fund. Of that, half will go towards recapitalising the country's cash-strapped banks, whose health - or lack of it - has been so much under scrutiny in recent months.

A quarter of the proceeds of the fund will be used for reducing Greece's debt-to-GDP ratio, while the remaining €12.5 billion will be used for investments in Greece.

Does all this mean that Greece is rescued?

As far as eurozone leaders are concerned, these conditions are necessary, but not sufficient, and they will not tolerate any backsliding.

As their statement says: "The above-listed commitments are minimum requirements to start the negotiations with the Greek authorities. However, the euro summit made clear that the start of negotiations does not preclude any final possible agreement on a new ESM programme."

The ESM is the European Stability Mechanism, the eurozone's rescue fund. The document says that the summit "takes note of the possible programme financing needs of between €82 billion and €86 billion".

It also "takes note" of Greece's "urgent financing needs" of €7 billion by 20 July and another €5 billion by the middle of August.

You might wish to take note of the fact that so far, the EU has not yet firmly undertaken to pay out one cent to Greece.

Relief and much anger in Greece

Pensioners are given priority tickets by a National Bank branch manager, *right*, as they wait to receive part of their pensions in Athens yesterday.

REUTERS

REUTERS, *Athens*

GREEKS greeted news of a deal with creditors on Monday with a measure of relief mixed with much anger, particularly at Germany, after it became clear Greece will have to swallow more austerity that could fracture the government and spark a backlash.

A sleep-deprived Prime Minister Alexis Tsipras will fly back to Athens to sell an agreement that ended up being tougher than proposals Greeks overwhelmingly rejected in a referendum on July 5. He has days to quell dissent within his own ranks -- probably by sacking hardliners -- and ram reform laws through parliament.

Before the final contours of the deal were known, one of his ministers railed against the deal as being "unviable" and predicted there would be a snap election within months. Tsipras will need the support of opposition lawmakers, possibly by forming a national unity government.

"Listen, it is some sort of victory but it is a pyrrhic victory because the measures are very strict," Marianna, 73, told Reuters on an Athens street.

"People have suffered the past five years and there is more to come now. This is what makes things difficult for us. We wanted to stay in Europe, it goes without saying that we did. But what about the terms?"

Their economy pummelled by years of recession, their banks shut and dozens of businesses closing daily, some Greeks vented their anger on German Chancellor Angela Merkel and Finance Minister Wolfgang Schaeuble.

Newspapers laced the morning's headlines with references to World War Two and railed against what they see as Berlin's attempts to humiliate Greece as punishment for its resistance to another round of cuts.

In particular, Greeks bristled at Schaeuble's proposal -- not included in the final deal -- for a temporary Greek exit from the euro zone, which many saw as tantamount to expulsion by stealth.

"Greece in Auschwitz, Schaeuble seeking a holocaust in Europe," Demokratia newspaper said.

The German occupation of Greece during the war has become a recurring theme during months of increasingly fractious bailout talks between Athens and its creditors. The speaker of the Greek parliament at one point demanded war reparations from Berlin and set up a committee calculating the current value of a loan Greece was forced to make to Germany during the occupation.

"Sink the country, Wolfgang Schaeuble orders," the left-leaning daily Efimerida Ton Syntakton said.

"The Germans are returning, not with the might of their armour but with the strength of their economy. They want to impose their policies on the governments of a supposedly united Europe. The vengeful Mr. Schaeuble unfolded his plan for Greece's five-year exit from the euro zone," it said.

Historical comparisons were also made at the summit in Brussels that agreed the deal, with Merkel asked whether the tough conditions were not similar to the 1919 Versailles treaty that forced crushing reparations on Germany after World War One, with disastrous consequences.

Tsipras gave assurances in a statement in Brussels that the bailout would prevent a further slide into recession and had also starved off a collapse of Greek banks.

Although the country might have pulled back from the brink of financial meltdown, Greeks will have to endure more pain. Capital controls that limit daily withdrawals from bank accounts to just 60 euros will likely to remain in place for some time.

"I'm disappointed," said Christina, 43, a private sector employee in Athens. "They (the government) were very dynamic at first. We had a glimmer of hope. We were prepared for something bad to happen and then the worst happened. This is what most people think."

Protesters will gather in central Athens on Monday evening to rally against the agreement. Hardliners in the ruling Syriza party were also spoiling for a fight.

"After 17 hours of negotiations, the leaders of the euro zone concluded with an agreement that is humiliating for Greece and its people," the party's hard-left faction said in a statement on its website. "It is a new harsher bailout that re-establishes the troika and maintains the country under a status of a debt colony under a German-led EU custody.

"The Greek people must not become disappointed, on the contrary it must remain stubborn, as it did in the referendum and the countrywide protests for a 'No' to the very end. A 'No' to clash with the bailout, neoliberalism and austerity which are institutionalized in the euro zone."