

The Telegraph

Defiant Greece at daggers drawn with EU creditors

If Greeks are forced to choose between a restoration of their dignity or continued Troika humiliation, they will choose dignity, says the Greek prime minister



Germany's Wolfgang Schauble among others insisted on using the term "Troika" – hated in Greece, and now officially abolished – seemingly wishing to humiliate Syriza. The Slovak minister told Greece to "face the naked truth"



By **Ambrose Evans-Pritchard**

8:32PM GMT 09 Mar 2015

 2186 Comments

Relations between Greece and Europe's creditor powers are dangerously close to breaking point. Both sides have issued ultimatums, each insisting angrily on fixed positions and lashing out at each other with barely concealed animosity. "If they decide to kick us out, the damage will be greater for them," said Manolis Glezos, the war-time resister who ripped the Nazi flag from the Acropolis in 1941. Mr Glezos, a Syriza MEP and the party's venerated elder statesman, told the Daily Telegraph that his movement never wished to take Greece out of monetary union but will not shrink from doing so if EMU authorities insist on suffocating austerity. "You cannot attend the negotiating table without carrying this option along," he said.

Far from subsiding, the defiant language from Athens is growing louder. "If Europe leaves us in crisis, we will flood it with migrants," said Panos Kammenos, the defence minister and leader of the Independent Greeks party.

"Too bad for Berlin if there are some Jihadis from Islamic State in that wave of millions. If they strike us, we will strike them," he told La Repubblica, vowing to give illegal migrants valid documents and open Europe's Schengen frontiers to all comers. "Relations have reached a new low. It's turning into an arms race," said Mats Persson from Open Europe. "These comments are a recipe for matters to get out of hand, and it is becoming increasingly hard for Germany to back down."

Greek premier Alexis Tsipras is barely more diplomatic than his ministers. Over the weekend he threatened a snap vote on the terms of austerity if Eurogroup finance ministers reject Greece's latest list of reform proposals.

"If we were to hold a referendum tomorrow with the question, 'do you want your dignity back or a continuation of these undignified policies,' then everyone would choose dignity regardless of difficulties that would come with it," he told Spiegel Magazine.

To drive home his threat, Mr Tsipras compared the eurozone to a woollen jumper. "Once it begins to unravel, you can't stop it any more," he said.

Yet the Eurogroup did in fact reject Greece's reform proposals in Brussels today, and in caustic terms. "We have to stop wasting time and really start talks seriously," said Jeroen Dijsselbloem, the group's chief.

Germany's Wolfgang Schauble among others insisted on using the term "Troika" – hated in Greece, and now officially abolished – seemingly wishing to humiliate Syriza. The Slovak minister told Greece to "face the naked truth".

Jean-Claude Juncker, the European Commission's chief, warns that the EMU authorities must tread with great care. "What worries me is that not everybody in the European Union seems to have understood the seriousness of the situation in Greece," he told Die Welt.

Mr Juncker issued a categorical guarantee that Greece will not be forced out of EMU. "There will never be a Grexit. The country is and will remain a member of monetary union. A Greek withdrawal would lead to an irreparable loss of global prestige for the whole EU."

Such comments – and similar words by the German and French leaders – are hazardous. If Europe fails to defuse the crisis after all and precipitates an EMU break-up, any pledges to defend Portugal, Italy and Spain against contagion would be greatly devalued.

They may also embolden Mr Tsipras, since they appear to confirm his calculated gamble that the Eurogroup is bluffing and will have to yield in the end as greater geostrategic pressure is brought to bear.

Yet Mr Tsipras must equally tread with care. His popularity has slipped from 84pc to 64pc since early in February. Almost 70pc of Greeks say they want Syriza to reach an “honourable compromise” with the Eurogroup, though it is hard divine what constitutes “honourable”. A full 27pc already want a return to the drachma.

The two sides are talking past each other. Mr Tsipras warned of a fresh showdown – or “thriller” as he called it - if the European Central Bank withholds liquidity support for the Greek banking system, warning Frankfurt of the “great responsibility” it will have to carry if it pushes Greece over the edge.

This moment of decision may already be close. Last week, Greece requested a €2bn increase in emergency liquidity (ELA) ceiling in order to offset deposit flight and keep banks afloat. The ECB granted €500m. This has been exhausted.

Greek officials say that the country will have to take radical action within days unless the ECB relents. It is understood that Frankfurt will hold an emergency session to review the ELA crisis on Wednesday.

Athens is down to its final cash reserves. “We have money to pay salaries and pensions of public employees. For the rest we will see,” said the finance minister Yanis Varoufakis.

“Greece faces an urgent liquidity crisis and is heading for selective default. This could create a very dangerous precedent,” said Lena Komileva from g+economics.

It is clear that the four-month interim deal agreed in February between Syriza and EMU failed to address the true nature of Greece’s crisis and is drifting towards collapse.

One Syriza MP said the government itself has no idea how this high-stakes brinkmanship will end, but emotions are hardening by the day. “The party has learned quickly over the last three weeks that Europe is not a nice place,” he said.