

"Syriza did not expect to stand alone in the negotiations" Interview with Athanase Contagyris

Anasthase Contagyris is a French and Greek economist living in Athens. He is Co-Founder of Attac-Greece, CEO of Dialogos Ltd, an Athens Startup coaching and export facilitation consultancy he founded in 19887. He is a member of the Truth Committee on Public Debt of the Greek Parliament, which recently issued a [preliminary report](#). We met in Frankfurt. He is well conneted, though not a member, to Syriza.

Häring: Mr. Contagyris, in Germany many people do not understand the behavior of the Greek government in the negotiations with creditors. It seems to have made quite a few unexpected turns.

Contagyris: This negotiations were a lot like a poker game all along. Players adapted to the hands they had and to what they found out about the cards of their opponents.

What did Syriza hope to achieve in these negotiations?

One of Syriza's missions was to change Europe. They wanted to act in a European context, within the currency union, but they wanted this context changed. They wanted a much less neoliberal and more solidary Europe. This explains why they were met with such fierce opposition right from the beginning.

Not only was there fierce opposition. Greece seemed to stand alone against 18 opponents. Was that expected by the Government?

The Greek government was indeed expecting support from countries having common interests with Greece in terms of debt issues, unemployment and austerity policies. That did not include the Governments of Spain and Portugal, which had an obvious need to justify austerity choices against a growing opposition at home. Only in last days they supported Greece against an imposed Grexit, which would have been very harmful for them. For France and Italy the initial hopes were greater. These hopes were disappointed in all initial contacts. However these two countries have been the most supportive during final talks, even though they backed some of the "punitive" measures imposed to Greece on July 13th. This dual attitude is symptomatic of the European socialist parties attitude on European policies: they are accepting austerity but ask for growth policies to balance its negative effects.

Tsipras rejected a proposal by the Eurogroup in late June and called for a referendum, just to sign a similar agreement on 13 July anyway. Did Tsipras overplay his hand? Why did he call the referendum, instead of signing the first proposal?

The Greek negotiation team realized that the other side did not want an agreement that the Greek government could accept when they added a totally new demand to a proposal that was close to agreement. They demanded a vate-rate hike for hotels to 23%. This would have killed large parts of Greek tourism. The Greek negotiation team realized that even if they agreed to this new condition, the creditors would come up with something more. To get out of this, Tsipras called the referendum.

What exactly was the point?

Brussels wanted confront the Syriza-led government with an impossible choice to bring it down. Either it would

be blamed by the people for signing a very bad agreement and breaking their election promises, or they would be blamed for being responsible for Greece being thrown out of the Eurozone Tsipras countered that tactic by asking the people. Commission president Juncker exposed the Brussels tactic, then he change the proposal again on the day before the referendum and took out that VAT-hike for hotels that they had inserted in the last minutes to poison the deal for the Greek government (see [Reuters-report](#)). Many in Europe still hope and speculate about a downfall of the Syriza-government. But this is wishful thinking. It will not happen. Tsipras is still very popular in Greece. He is ready to call for snap elections, if there should be too many defectors among Syriza members of parliament. And everybody is afraid of this. The opposition parties have very low popularity and Syriza defectors are in big danger of losing their seats.

Why is Tsipras still so popular, despite the deal he signed and the promises he broke or had to break?

The Greeks know full well that he was blackmailed and think he did the best he could. They blame the blackmailers, not him.

The Greek people rejected the proposal with a large margin. But then, Tsipras signed something that seems to be even harsher than the initial proposal. Think about the transfer of government assets into a privatization fund meant to pay down debt to creditors. This is not easy to understand.

There are three important aspects to this. One is the poker aspect. Finance minister Varoufakis had negotiated under the premise that talk about a Grexit was essentially a bluff, that the other side would be frightened of a disintegration of the Eurozone if Greece showed readiness to exit if needed. This is why Varoufakis advocated the introduction of a parallel currency in the form of government IOUs after the referendum to show this determination to the other side.

This did not happen, though.

Varoufakis ended up in a minority in the inner cabinet circle, with deputy Prime Minister Dragasakis his main opponent on this. Dragasakis is the most moderate and pro-European among the important figures in Syriza and the government. It seems that in the fateful 17-hour negotiations in Brussels Tsipras got convinced that the other side was really ready to force Greece out of the Eurozone. An uncooperative exit with little preparation and with the bank already closed and in desolate shape was really a quite frightening prospect.

The second aspect is that the agreement finally signed is not in all aspects worse than the one offered before the referendum. The rise of the value added tax for hotels to 23% is actually not in the final agreement. Only the VAT on food served at hotels went up and on restaurants in general. Also, this agreement is for about 80bn euros in loans. The other one was for 7bn. So if Tsipras had signed the first proposal, he would have only gotten a bridge loan to cover payments to the ECB and the IMF. After the summer, negotiations for a new program would have started again, and it is unclear, if the conditions would have been any less harsh than the ones of the agreement that Tsipras signed.

And the third aspect?

Well, do not understand me wrong. The agreement is terrible and it will not work. It will throw the Greek economy in a recession again. It is not unlikely that in a number of months Greece will have to leave the Eurozone anyway, to be able to end this destructive austerity. Then, Tsipras will have won time to do this in a more prepared way, and it might be able to happen in a cooperative way.

This grace period would come at a high price, though, wouldn't it? Government assets have been transferred to the privatization fund, taxes raised, pensions cut.

Some of this can be reversed. This is even true for the privatization fund. Tsipras prevailed with his demand that it would be set up under Greek law, not under Luxemburg law, as Schäuble wanted. This makes a big difference.

So you don't think the Greek crisis has been resolved by July 13th agreement?

On the contrary. This agreement transformed the Greek crisis into a European political crisis, by revealing the authoritarian behavior and role of non-elected informal decision-making structures like the Eurogroup and Troika in the decision making processes of the Eurozone. This will fuel Euroscepticism in public opinions in countries like France or UK which will be exploited dangerously by nationalist Eurosceptic parties in the next months and years.

You are critical of the procedure, but what about the content?

The July 13th agreement is adding austerity to the hard austerity already imposed on Greece. The economic irrationality this programme which is mostly just aimed at punishing the Greeks and at destabilizing their government will appear soon: The agreement reduces the capacity of Greece to reimburse its debt. This at the end will make the cost higher to European tax payers. Before this agreement the IMF estimated that 30% of Greek debt should be written off. After this agreement the required haircut will be higher and, if no haircut happens, the Grexit will become a necessity and not an option. Then not only the haircut and the cost for European tax payers will be doubled, but also the risk of a progressive end of the Eurozone will be much higher.

Thank you very much, for this interview, Mr. Contagyris.