

The Bundestag has approved a further tranche of Greek aid

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On 27 February the Bundestag approved to extend the aid programme to Greece by four months; the motion was passed by a majority of votes (541 of 586 votes cast). This means that to date the EU countries which are part of the currency union have reached an agreement with the new government in Athens that had pledged in its election manifesto to be tenacious in negotiating the terms and conditions of Greece's loans. Greece has to date received 240 billion euros in loans over five years. This agreement makes it possible for Greece to receive a further tranche of a loan worth 17 billion euros. However, the government in Athens had to commit to maintaining an austerity drive on its budget.

Commentary

- The agreement between the eurozone and Greece is a tactical victory for Germany. The government in Berlin took a tough stance in the month-long negotiations and allowed Greece only symbolic concessions such as replacing the name of the Troika (a body composed of representatives of the European Commission, the European Central Bank and the International Monetary Fund) with the term "institutions", without making important changes in the competences of this body which is so loathed by Greek society. Berlin fears that these concessions may encourage societies in other countries with high debts to vote for parties opposed to the austerity which the German government is calling for – parliamentary elections are to be held in Portugal in September and in Spain in December. In Germany the agreement was seen as being advantageous, which is attested by the large support for it in the Bundestag, by the fact that there were only a few critical commentaries in the German media and by the lack of clear responses from the Alternative for Germany party which wants Germany to leave the eurozone.
- The agreement between the eurozone and the government in Athens will postpone the debate over Greece's future by four months. Should the country's economic situation not improve significantly, it may be forced to seek further financial aid when the four months have passed. This will make it necessary for Greece to seek further loans over the coming years and to subsidise them with favourable terms of paying them off. This solution will not bother Germany as long as its economy remains in good shape, and such favourable factors as the weakening of the euro or declining oil prices are contributing to this.
- The position of the Greek government remains the greatest risk for the eurozone. So far it has decided to continue the course of the previous government, despite its election

manifesto containing promises of a radical change in the terms and conditions of loans granted to Greece and a shift away from austerity policy. Should the support for the new Greek government falter over the coming months and Berlin put too much pressure on Greece, it may choose a risky scenario of leaving the eurozone, which would result in huge financial losses for Germany. Furthermore, a strong bargaining chip for the government in Athens is the possibility to veto the strengthening of the EU's sanctions imposed on Russia.