

## **GREECE HAS NOW LIMITED OPTIONS**

The day after the referendum Greece will be faced with limited options none of which is easy. According to Brussels officials reported in the Greek and international press there are three basic scenarios for developments in negotiations between Greece and its European lenders.

### **The scenario of "no"**

In this case, creditors will naturally talk with the Greek government about the possibility of negotiations. "But we will not have much to discuss" one official said, explaining that the discussion with Finance Minister Yanis Varoufakis will be very short. The 'no' clearly means exit from the Eurozone, as Greece is now considered a "special case."

### **The scenario of "yes" with the same government**

In this eventuality, the Europeans say that there will be no opportunity for discussion with the Greek side. "Even if you come and tell us that we sign immediately what you want, you do not convince us," the same official said explaining that this reflects the opinion of all senior officials in the European Union and the European Commission. This is so because rescue programs are successfully implemented only when governments take ownership of them and have the firm belief that it is the right road to recovery. However, Alexis Tsipras government has shown exactly the opposite attitude therefore there is little hope for a meaningful negotiation.

### **The scenario of "yes" with a different government**

In this hypothetical scenario, Europeans feel that they can discuss a third program of assistance with negotiations beginning immediately as there is no time left. Given that on the 20<sup>th</sup> of July ECB bonds of € 3.7 billion become due a solution must be

found before hand. A timeframe of two weeks is very demanding but under certain conditions can be achieved.

The possibility of a "yes" of Greek citizens in the referendum will be taken by the countries of the Eurozone as a very strong signal that the Greek people would like to implement the program.

### [\*\*The possibility of a «Grexit»\*\*](#)

The withdrawal of one of the 19 countries of the Eurozone by the common currency is not provided by the Treaty of Lisbon, **but** under certain conditions Greece may be forced to ask to depart from the euro.

Non-payment of the ECB will result in the discontinuation of the provision of emergency liquidity to Greek banks via the ELA. Following that action ECB will cut the collateral and when the banks loose all access to liquidity they will be forced to remain closed for a long time. The Greek authorities will be forced to introduce IOUs and finally print another currency.

EU authorities are looking now into the possibility of extending humanitarian aid to Greece, if required. The assistance will come from countries that want to help Greece bilaterally and by EU funds. According to an earlier study by Standard & Poor's, a Grexit will result in a 25% drop in the Gross Domestic Product.

Although EU governments may have differing views on how to handle Greece the move by Tsipras government to call a referendum is uniting them and in the case of NO they will have no other option but to discontinue any assistance. Greece will go down in history as the largest default and in the process undermine the credibility of the EURO. However, harsh times await the Greeks and as with the 1897 default it might take another century to fully recover and get rid of the repercussions.