

GREECE PLAYING WITH FIRE

Earlier today the Alternate Minister on European Affairs Mr. Tsakalotos has said on TV: "If you do not have in your mind a rupture, not even as a possibility, obviously lenders will go through the same steps as with the previous government. We could say that we are like Mr. Samaras. We create ambiguity to our partners about our intentions deliberately because they have to know that we are ready for a rupture, otherwise you are not negotiating. "

Later in the day the government has circulated a non-paper saying among other things that: "The government has made it very clear at all levels of the Eurozone and the IMF, that it will **not** continue to service the debt from its own resources, if lenders do not immediately disburse the tranche which is delayed since 2014. The country has to collect a tranche from the European Commission or by the IMF since August 2014, nevertheless it full fills its obligations".

In the afternoon a new non-paper tried to play down the impressions created by the first non-paper clarifying that this was only a repetition of what Mr. Tsipras has said in his letter to Ms. Merkel a week ago.

According to government sources tomorrow the Brussels Group starts its work in Brussels, discussing the list that the Greek Government will submit. The actions contained in the list of reforms for the 2015 will have a positive impact on revenue of \$ 3 billion. Euro. These revenues do not come in any case from wage cuts or pensions. The new program is compatible with a 2015 primary surplus of 1.5% of GDP, while allowing positive growth, which is estimated to reach 1.4%.

The sudden rhetoric of rupture with creditors although not new, has raised new concerns in Athens. Is the government playing with the domestic audience and its parliamentary group or they try to blackmail the creditors saying to then that these reforms are on a take it or leave it basis? We will see over the weekend what exactly these antics mean.

Austria's Finance Minister Hans-Joerg Schelling admitted today that **"no one knows how to solve the situation in Greece"**. "We have a crisis of trust with Greece. Every day something is agreed upon and the next day it's invalid," Mr Schelling said speaking to the Klub der Wirtschaftspublizisten, a group of financial journalists in Vienna. Meanwhile, the head of Germany's **Bundesbank** has warned **debt in the euro zone** had entered the **"danger zone"** and called for banks' exposure to the debt of individual countries to be capped.

Many investors fear that Greece will go bankrupt out of an accident. They are wrong. Greece will collapse because this government is worse than the previous one in terms of determination, honesty and management capabilities. They are excelling in public relations at the moment, at least in the domestic front. But at the end of the day there will be no Oscar ceremony for the main actors, as communication without substance is likely to lead to a terminal situation. We are not far away from this point.

The real economy is at the point of collapse as banking finance has been restricted to refinancing operations and inter firm payments have all but stopped. Claims are soaring while VAT reimbursement from the state to the corporate sector has reached record numbers. The state treasury is empty and there are reports that government vehicles are running out of fuel as affiliated gas stations have stopped supplies due to non-payment of arrears.

Even if the government manages to avoid default at this stage the economy is unlikely to recover, as few investors will risk their funds in new projects under this climate of uncertainty. According to earlier estimates by the previous government and its international creditors, Greece's economy was expected to grow by 2.9% in 2015. This estimate was later lowered to 2.5% both by the European Commission and the Bank of Greece. Now the government has lowered the growth forecast to 1.4%. With the current inaction and policy confusion even this lower number will be hard to achieve.

The political environment is rapidly deteriorating. In an interview Mr. Lafazanis a senior minister and leader of the leftist faction within SYRIZA advocates that there is one way for the country "hard confrontation, if not conflict, with the German Europe "and the" ruling circles of the EU, blaming them for a "behavior reminiscent of unscrupulous imperialists to a distant colony".

The Minister while rejecting any compromise scenario with creditors that will include freezing election announcements of SYRIZA, noting that: "No" list "can be and will not be set above the popular will and popular sovereignty." According to him, after all: "In this hour the country requires, urgently and without delay, big and bold decisions, alternatives to the German Europe".

The plot has definitely taken a very surrealistic twist!

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