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Likely consequences of Greek PSI not passing (and Greece leaving the Euro).

Banks and Investment Funds have until Thursday 21h to say whether they agree to erase about one third of Greece's Public Debt by participating to the PSI. For now, the success of this project remains highly uncertain. Greek government has indicated that the project will be canceled if the PSI deal participation is below 75%. It requires that private investors agree on a 53.5% one-off haircut combined with longer maturity and lower interest rates. They will suffer over 70% loss if taken on a net-present value basis. On the other hand, if this operation fails, the country would probably face a disorderly bankruptcy since March 20, when it has to repay a maturity of 14.4 billion euros. The geopolitical analyst Pierre Fournier from the National Bank of Canada has pointed out the likely consequences of Greece bankruptcy and its exclusion from the Eurozone:

- ECB needs to be recapitalized
- Attention will turn to Portugal
- Controls on Capital movements set up by Greece after its bankruptcy and its exit from Eurozone would be seen by the Portuguese as a signal to massively withdraw their money from their banks.
- Europe has to set up a new bailout plan this time for Portugal.
- Yields in Italy and Spain will skyrocket (Spain is especially exposed to Portugal).
- Pressures for an Ireland and Portugal debt restructuring. Although Germany, France and other countries have ensured that Greece was a unique case.
- Even in Bankruptcy, Greece would still need substantial financial assistance from EU and IMF because the new Drachma would not be immediately accepted for external payment for importation of food and energy.
- Since all the time and money spent to save Greece would have been in vain, very few people would support that the entire process is repeated for Portugal and for others.
- Significant increase of anti-EU political movements within Europe, leading to the breaking of coalitions in Finland and the Netherland.

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- Italy, Spain and France would openly question the effectiveness of the austerity policies advocated by Germany. It will become even more difficult for EU countries to find common ground to save other countries.

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