Papandreou in Paris

Sarkozy echos Germany’s hard line on Greek debt crisis

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French President Nicolas Sarkozy met with Greek Prime Minister George Papandreou at the Elysée Palace on Sunday and echoed German Chancellor Angela Merkel in insisting that Greece deal with its debt crisis by imposing a brutal austerity program on the working class.

Sarkozy met with Papandreou for an hour, after speaking with Merkel for nearly as long on the telephone. Last Friday, Papandreou visited Merkel in Berlin as part of a tour of major capitals to solicit political support for his government, which faces growing resistance from Greek workers and youth. On Tuesday he will meet with President Obama in Washington.

Following the lead of Merkel, Sarkozy made no offer of financial assistance to Greece.

Last week, Papandreou, who heads the social democratic PASOK party, announced a program of wage and benefit reductions for public service workers, a rise in the retirement age, and new taxes on consumers that will save an estimated €4.8 billion. The package was even more severe than one he had announced earlier.

Under pressure from international banks and European governments, Papandreou has pledged to reduce the Greek budget deficit, currently running at 12.3 percent of gross domestic product, by 4 percent of GDP this year.

The social democratic government faces a rising wave of popular anger and working class protest. One-day general strikes have been called for March 11 and March 16 by the main trade uinon federations.

The union leaders have signaled their readiness to negotiate on the terms of the austerity program and continue to give political support to the PASOK government, but they are under immense pressure from below to oppose the measures. They are seeking to use partial and one-day actions to let off steam and prevent working class opposition from growing to the point of a direct clash with the regime.

The Greek government’s aim is to meet, by 2012, the European Union requirement that member states hold their budget deficits to no more than 3 percent of GDP. Among the cuts proposed are a two-year increase in the retirement age to 63, a public sector wage freeze, an increase in the value added tax and taxes on fuel, and mass sackings of private contractors working for the government.

Sarkozy, standing beside Papandreou, declared, “Greece has acted courageously and with determination and consequently can count on France’s full support.”

The French president is working with the trade unions in France to impose similar austerity measures. The government submitted its stability programme for 2010-2013 to the European Commission in early February. It foresees a reduction in the French public deficit from 8.2 percent to 3 percent of GDP by 2013, entailing a cut in government spending of €100 billion.

Papandreou pointed out that he had acted above and beyond the requirements of the bankers and the European Union. “Our country has engaged in measures which are more extensive and supplementary to what the specialists have advocated,” he said. He then pleaded for help to reduce the punitive 6.34 percent interest rate Greece is obliged to pay for loans—twice the rate that Germany pays. “So we want to be able to borrow like all other Eurozone countries at a similar rate; perhaps not identical, but comparable,” he said.

Last week, on the basis of its austerity programme, Greece was able to borrow €5 billion on the financial markets. But as the business daily *Les Echos* pointed out, “Athens is going to have to borrow some €20 billion more by the end of May and nobody can say that the government will be able to do so with the desired conditions."

Many commentators have pointed out that even greater sacrifices will have to be made by Greek workers.

While adamant on his refusal to spend money on alleviating social hardship in France, Sarkozy felt obliged to show that France and Germany would act against a massive wave of speculation by American and European banks and hedge funds against Greek sovereign debt, which threatens the survival of the euro currency itself. He declared that it was not just Greece's future which was at stake, but Europe's. "The euro is our currency, it is our responsibility," he said.

In remarks directed against US banks, he said he had spoken on the phone with both Merkel and Jean-Claude Juncker, president of the Eurogroup, adding, "We are ready and very determined. The speculation which is working against Greece can happen to many countries if we do not have the means to fight it. We must not add a financial crisis to an economic crisis, itself created by financial excesses on the other side of the Atlantic."

Sarkozy insisted that the US-dominated International Monetary Fund (IMF) should not intervene in the European debt crisis, declaring, "It is the Eurozone which must come to the aid of its members who are under attack. … This does not mean defiance directed against anyone. … It's a matter of being logical, coherent."

He aligned himself with German Finance Minister Wolfgang Schäuble, who told the German *Welt am Sonntag* that the euro region should consider creating an organization with powers similar to the IMF. The IMF is known for the ruthlessness of the austerity and privatisation programmes it imposes on countries forced to have recourse to its loans.

While refusing specific financial support to ease Greece's debt crisis, Merkel and Sarkozy have pledged political support—implying that any repression by the Greek state to suppress working class opposition to the austerity programme will have German and French backing.

"If Greece needs us, we will be there," Sarkozy said. Such promises must be understood in the light of the close surveillance of the Greek government's fiscal actions by specially-appointed European Union commissioners, akin to colonial overseers. These measures conform to calls for the creation of a permanent "federal" Eurozone body with powers to discipline member countries. Such a body would be dominated by Germany and by France, the largest economies of the Eurozone.

An article posted on the site of Terra Nova, a French Socialist Party think tank that counts IMF head Dominique Strauss-Kahn as a leading member, said of the Greek austerity programme, "These emergency measures will, all the same, not suffice." It called for "structural reforms indispensable for Greece to return to more sustainable public accounts," and for the EU to "establish an economic government which would coodiniate European action."

Between 1967 and 1974, Greece was under military rule. The Greek and European bourgeoisie may well feel that if PASOK, aided by the unions and the pseudo-left parties grouped in the SYRIZA alliance, cannot hold back the working class, such repressive forms of rule will be necessary.

This is a high-risk strategy. The French press and some government ministers have expressed anxiety at the categorical refusal of Merkel to bail out the Greek government, fearing that a Greek revolt will spread to France and beyond.

The conservative daily *Les Echos* reported March 5, "Christine Lagarde, the French minister of finance, would like the European Union, all the same, to offer Greece more 'explicit' aid." Its editorial added that an austerity plan in France similar to that in Greece "would immediately bring a million demonstrators onto the streets of Paris. … Angela Merkel will have to learn not to say 'nein' anymore, but 'nai'—'yes' in Greek."

The business daily *La Tribune*' s editorial of March 4, while approving of the austerity measures, stated, "Now, let's try to imagine what that would mean at the French level. … That's a nightmare we would quickly like to chase away."

The *Libération* editorial of March 5 similarly warned of "the indignation of the peoples."

Sarkozy and Merkel have made clear that, regardless of such concerns, they are determined to press ahead.