Troika demands Greece make billions more in spending cuts

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Just days after the unelected government of Greek Prime Minister Lucas Papademos passed a drastic austerity budget for 2012, the International Monetary Fund (IMF), the European Union (EU) and the European Central Bank (ECB) are demanding billions more in cuts.

Papademos's budget included 5 billion euros in spending cuts and another 3.6 billion in new taxes. But on Sunday, the Greek daily *Kathimerini* reported that the IMF, EU and ECB, known as the "troika," had demanded during their visit to Athens last week an additional 2 billion euros of spending cuts, to be in place by next month.

The Papademos regime is currently in talks with the troika regarding the terms of a new loan of 130 billion euros. On January 15, officials from the troika will return to Greece for further discussions. They insist on "extra measures to be implemented in the first three months of 2012 and to be included in any agreement between Greece and its lenders for a second bailout," said *Kathimerini*.

The newspaper continued: "Sources said that the troika has not stipulated where the extra 2 billion euros should come from, but wants greater emphasis to be placed on speedier structural reforms."

The troika is also demanding that the new austerity measures be imposed by the current government, rather than being delayed until new elections are held.

According to *Kathimerini*, Finance Minister Evangelos Venizelos had previously said that if the current government, comprised of the social democratic PASOK, the conservative New Democracy and the neo-fascist LOAS, were not able to reach agreement on the new measures, the next government would decide them. The troika rejected this, insisting that agreement on the terms of a new loan would have to be in place by March in order for Greece to receive the first instalment.

The new austerity measures are aimed at reducing the living standards of the working class even further. These attacks, to be implemented against the poorest sections of the population, stand in stark contrast to the government's kid gloves treatment of tax evasion by the super-rich.

According to media previews of an as yet unreleased Finance Ministry report, the richest Greeks owe 60 billion euros in unpaid taxes—equivalent to more than a quarter of total GDP. It is estimated that around 13 billion euros is lost annually in tax evasion. Five percent of the people on the Finance Ministry list (just 6,500 individuals) are reported to owe 85 percent of the 60 billion euros in unpaid taxes. A single person is said to owe 86 million euros.

As a result of public anger at the unpunished tax evasion of the rich, the new government has feigned concern by authorising a series of arrests. Yet despite 50 arrests being made, not a single person has been prosecuted for evasion.

In contrast, the poorest working people in Greece now face paying taxes on their earnings for the first time. Under austerity measures already enacted, those earning as little as 5,000 euros a year must now pay income tax. In addition, the so-called one-off "solidarity tax" is being made permanent. The population has also been burdened with a highly regressive property tax, which is being attached to electricity bills. This means that those who cannot pay face having their power turned off.

As well as the extra billions in new austerity measures, the troika is also demanding that a programme of mass privatisations already agreed to be stepped up. The previous PASOK government had committed to raising 5 billion euros in privatisations in 2011, but raised only 1.6 billion. Papademos has promised the troika his government will implement eleven privatisations by March 2012 to reduce the state deficit by 3.6 billion euros.

Among the state assets to be privatized or sold off are Athens International Airport; holdings in Alpha, National, and Piraeus banks; four Airbuses, state lotteries and the gaming firm OPAP.

The troika has also demanded that the government present proposals by next month regarding the entire 40 billion euros in privatizations to be raised by 2015.

The Greek ruling elite is seeking to ensure the next 2 billion euros in cuts will target private-sector workers in particular.

Taking its lead from the chief of the IMF mission to Greece, who recently called for more wage cuts for workers at private firms, *Kathimerini* editorialised Sunday: “Technically, this is known as shrinking the economy. In layman’s terms it means cutting wages.”

Greece is also locked in Private Sector Involvement (PSI) talks with its creditor international banks over the precise terms of a write-down of a portion of the 206 billion euros of privately-held debt. The nation’s total debt stands at around about 350 billion euros.

The negotiations over the write-down began in November and must be completed by the end of January. Negotiating for the creditors is the Institute of International Finance (IIF), which represents 450 financial firms.

The PSI talks are the result of the October summit of the euro zone nations. An agreement on the bond swap is a precondition for Greece receiving the new 130 billion euro loan, without which the nation will go bankrupt. The summit agreed that the creditors would write down, on the basis of a 50 percent “haircut,” 100 billion euros in Greek government bonds that they hold. These old bonds are to be swapped for newly issued government bonds, with new terms attached.

According to Reuters, the banks have been able to ensure that a “new bond would be regulated not under Greek law, but under English law, which provides for so-called collective action clauses allowing the payment terms of the bond to be changed after issuance.” This has been a critical demand of the banks, as they would be allowed to seize state property in the event of a Greek default, thereby retaining an even tighter grip on the Greek economy.

The bond swap proposal will not fundamentally lessen Greece’s massive debt burden. A successful write-down envisages that Greece’s debt level will fall from 160 percent of gross domestic product to 120 percent by 2020. These projections are based on the highly optimistic assumption that the euro zone sovereign debt crisis will dissipate.

The banks and financial institutions have a vested interest in the Greek government coming to an agreement with the troika over a new 130 billion euro loan. On March 20, 2012, Greece must redeem 14.5 billion euros in bonds it has previously sold. Without a new loan from the troika, it will not be able to meet this payment.

Greece’s worsening debt position was evident Tuesday, as it was forced to borrow an additional 1.3 billion euros for three months in a bond auction. The interest rate on the bond was 4.68 percent, a higher rate than a similar auction on November 15.