German chancellor demands tougher austerity in Greece

Christoph Dreier
25 August 2012

In his first official visit abroad, Greek Prime Minister Antonis Samaras travelled to Berlin for talks with German Chancellor Angela Merkel.

While Merkel pressed Greece for radical austerity measures, Samaras promised to settle all outstanding claims. He would not only continue austerity measures, but also organize privatizations on an unprecedented scale, he said.

Merkel said that she realized how much there was to do in Greece only after talking to Samaras. Greece could count on German help only if it fulfills its obligations, she added. Whether Greece is complying will be decided by a report due to be issued by the troika—the International Monetary Fund (IMF), the European Central Bank (ECB) and the European Commission—in September.

"We need to regain confidence," Merkel said. "To do that, we have to meet expectations. I expect Greece to implement the agreements made and follow words with action." She demanded further budget cuts, intensified privatizations, and more structural reforms. Greece should directly involve German experts to reform its local government and health care system, she declared.

Like the day before, when she held a press conference with French President François Hollande, Merkel made clear that she rejected an extension of the time frame for Greece's loan agreements. She repeatedly stressed that Athens was responsible for fulfilling the agreements in the so-called Memorandum in full, and on time.

On Wednesday, euro group President Jean-Claude Juncker met with Samaras in Athens. He also stressed that a possible postponement of the targets for budget cuts could be discussed only based on the Troika report and not before October. He urged Samaras to press ahead with reforms to increase labor market flexibility and with the privatization of state enterprises, beyond the already agreed-upon cuts.

There were increasing demands in Germany for a Greek withdrawal from the euro in the run-up to Friday's meeting. On Friday, the head of the ruling Christian Democratic Union's (CDU) parliamentary group, Volker Kauder, ruled out any renegotiation of Greece's loan terms. It would be no problem for the euro zone if Greece abandoned the euro, he said: "With all the rescue packages that we have set in place, we have considerable means to prevent any contagion taking place."

These threats, like Merkel's uncompromising remarks, aim to pressure the Greek government to continue and intensify its attacks on workers' social rights. The measures imposed by the troika serve neither to reduce the deficit, nor keep Greece in the euro zone. Their sole purpose is to fleece Greek workers and Greek society on behalf of the banks, until there is nothing left.

Far from reducing the country's burden, the cuts and structural reforms already introduced have led to mass poverty and a deep recession. Over the past two years of budget cuts, totaling 20 percent of the economic output of the country, Greece's debt burden has grown steadily.

Speaking on behalf of the financial elite in Greece, which has also profited mightily from the bailouts, Samaras appeared contrite during the press conference in light of the aggressive stance adopted by the German chancellor. He had made mistakes, he said, but promised to resolve the outstanding problems. "Greece will remain faithful to its commitments and fulfill them," he declared.

Samaras also distanced himself from any postponement of the Memorandum or other help for

Greece. “We do not want more assistance, we are not asking for more resources, but what we need is air to breathe,” he said. The troika report will show that the new government is doing everything necessary, he insisted.

In an interview with the *Süddeutsche Zeitung* on Wednesday, Samaras promised that his government would do everything possible to repay the banks. He also made clear that he would pay no heed to popular resistance to his plans. “It is not so important whether I am re-elected. I want to change the country,” he said.

Samaras’ only criticism of the Merkel government’s stance was directed at statements like those of Kauder. He said he would have problems privatizing state enterprises if “high-ranking politicians declare the drachma is returning.” No one will invest euros in Greece, he explained, if they think they will get drachmas in return.

At the same time, Samaras stressed that his government will present its next austerity package to parliament within the next two weeks. According to the Greek newspaper *Kathimerini*, the package includes cuts of 13.5 billion euros, mainly at the expense of workers and retirees as well as the education and health sectors. Tens of thousands of jobs will be lost in the public sector.

In a *Le Monde* interview, Samaras said that besides privatizing dozens of state-owned enterprises, Athens plans to sell uninhabited Greek islands if it does not jeopardize national security. This was first proposed by the right-wing German *Bild* newspaper and unleashed a controversy. Less than two years later, under pressure from Berlin and the global financial aristocracy, it is to become state policy.

A whole country is being dismantled and destroyed. The recent cuts will deepen the recession, making a Greek default more likely. Until then, the maximum amount of profit is to be wrenched out of the Greek workers.

The most recent cuts have already led to widespread and unprecedented forms of social misery. Wages and pensions have been cut up to 60 percent, and taxes drastically increased. The poverty rate has increased by 50 percent and the suicide rate by 40 percent in the last two years. Over 2,000 people took their lives in 2010 amid mounting social desperation.