After Cyprus, more austerity in Greece

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The European Union's financial looting of Cyprus marks a qualitative turn in the brutal austerity measures being rolled out across the continent.

The EU's €10 billion bank bailout is tied to the destruction of the island's banking sector in the interests of the most powerful sections of finance capital.

Bank deposits over €100,000 have been raided, and strict capital controls are in force. Cyprus's foreign minister, Ioannis Kasoulides, has said these could last for "up to a month," although commentators say they expect them to remain in place for years.

The bailout is tied to drastic spending cuts and privatisations. Representatives of the troika—the EU, European Central Bank and International Monetary Fund—have been in Cyprus since the beginning of the month, drawing up a list of potential privatisations, including major utilities.

At the same time, demands for greater austerity are being made of Greece, which has been in recession for five years as a result of EU measures.

Troika officials are to return to Athens early next month to complete what German Finance Minister Wolfgang Schäuble described this week as a "tough supervision mission."

Speaking to Greece's *Ta Nea* newspaper, Schäuble refuted any suggestions that the population could no longer bear further austerity, saying "Right now all macroeconomic indicators are showing that the recipe is yielding fruit. But more time will be needed than what many in Greece would desire."

In December, the troika agreed to release €50 billion from its current €130 billion loan agreement with Greece. In return, it demanded that Greece impose further job cuts, tax rises and other crippling austerity measures. The money is disbursed in tranches which are strictly conditional on attached austerity measures, with regular reviews of their "progress."

But last month troika officials abandoned negotiations with the Greek government, delaying the disbursement of a €2.8 billion loan from that previously agreed.

At the centre of the crisis was the troika's insistence that Greece fully adhere to promises to cut 25,000 jobs in the public sector by the end of 2013. Fearful of rising social anger amid record levels of unemployment, the government instead proposed to avoid compulsory layoffs and transfer the employees to a "special labour reserve" by 2014. Even though this would result in workers' wages being slashed by 40 percent for a year, and the layoff of 150,000 employees by 2016, it was still rejected by the troika as insufficient.

Based on its loyal adherence to EU diktats, the coalition government of New Democracy, the social democratic PASOK and the Democratic Left had claimed that receiving the further tranche would be a formality. Finance Minister Yannis Stournaras commented at the time, "This time it will be easy. If they [the troika] stay a few extra days, it will be to see some antiquities."

Instead, the troika spent double the time it had allocated in Athens, then ended the talks and withheld the promised loan on the basis that the government could not stall on the measures already agreed, including the shedding of thousands of jobs in the public sector.

In response, an anonymous government official told the *Guardian* that the receipt of any money from the troika was now gravely threatened: "There are very real concerns that come the summer the next loan disbursement [from the bailout] will not be made. Nothing is certain."

Central to the EU's action is a policy to drive down the wages and conditions of workers in all European countries to a level on a par with those in Eastern Europe, China and India.

In revealing comments prior to the last visit of the troika to Athens, a Greek representative of the European Commission, Maria Damanaki, told *To Vima* FM radio, “The strategy of the European Commission over the past year and a half or two has been to reduce the labour costs in all European countries in order to improve the competitiveness of European companies over the rivals from Eastern Europe and Asia.”

This was the backdrop to meetings held late March between Kostas Hatzidakis, Greece’s minister of economy and development, and the managing directors of 11 of the largest international companies operating in Greece. A report by *GR Reporter* noted that, “Eight of the eleven managers supported the idea that a [monthly] salary of 250 - 300 euro for part-time work could create new jobs.”

The report cited the comments of the executive manager of Barilla Hellas, George Spiliopoulous, who said, “I do not see why a minimum level of the salary should be maintained in a country where youth unemployment has reached incredible levels.”

It is this drive to destroy workers’ wages and conditions that accounts for the ruthlessness with which the EU has dealt with Cyprus and other countries, as well as the venality of their national governments in aiding its actions.

The ruling elite is moving rapidly to exploit the now catastrophic levels of unemployment in Greece, which stand at nearly 30 percent for adults and more than 60 percent for youth. With such demands, the ruling elite seeks to enrich itself even further just months after the government, under troika insistence, reduced the minimum wage for all under-25-year-olds by 25 percent, to €510 per month from €740. For a worker above 25, the minimum wage was cut by 22 percent to just €586 per month.

This week, the German federal statistics agency Destatis released research showing that in 2012, Greece was the only EU country to see a decrease in average labour costs in the private sector. According to the study, the cost of one hour worked, including non-wage elements, in the Greek private sector was €15.50 last year, down 6.8 percent from 2011.

No area of social provision has been spared, as living conditions in the country have been thrown back to the level of those that existed during the Nazi occupation in the Second World War. Even further attacks are being implemented under cost-cutting measures agreed with the troika, including the closure of regional hospitals in an already decimated health service and the slashing of the right to higher education under the “Athina Plan.”

The aim of Athina is to close many higher education facilities and abolish the right to higher education, currently enshrined in article 16 of the Greek constitution. Under its aegis, institutions will be required to seek private sponsorship and connect their educational programmes to the demands of the market.

This course is being insisted on under conditions in which the austerity agenda has left Greece mired in its sixth year of recession. The Greek central bank has forecast that the recession is set to worsen, with the economy projected shrink more than 5 percent this year, compared with the troika’s projection of 4.5 percent.