Greece verges on default as creditors demand deeper austerity cuts

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After five days, talks between the Greek Syriza-led government and its international creditors ended without an agreement Wednesday.

Yesterday the government of Prime Minister Alexis Tsipras submitted a new 26 page document containing austerity measures it described as a "comprehensive list of tax, administrative and policy reforms," after having a previous list of proposals submitted last Friday rejected.

As a conditions of receiving any further loans, including an outstanding €7.2 billion required to pay off billions in debts which are coming due and satisfy the four month austerity agreement it signed up to on February 20, Greece has been required to come up with a far more extensive and detailed raft of austerity measures for approval by the European Union (EU), European Central Bank (ECB) and International Monetary Fund (IMF).

According to Reuters, Greece submitted the list too late for it to be considered by euro zone deputy finance ministers at Wednesday's teleconference on Greece.

According to reports, the initial assessment of the proposals by eurozone officials is that it does not go far enough in imposing further attacks on the living standards of the working class. The EU, ECB and IMF insist that Syriza ditch its entire election programme of token anti-austerity reforms and enforce measures making it easier for companies to sack workers en masse, as well as further attacks on wages and pension rights. Just prior to the Eurogroup meeting, hundreds of pensioners marched in Athens demanding increases in pensions. Similar protests were held in other cities throughout Greece.

The *Financial Times* noted the new measures "are similar to Friday's initial effort and fail to address several issues that bailout monitors have insisted on, including an overhaul of the Greek pension system and greater labour market liberalisation." It continued, "Indeed, the proposal appears to reverse reforms in several of these areas. The document includes €1.1bn in fresh spending this year…"

Speaking to the FT, a senior EU official said that the new proposals were inadequate and that there was "no chance of any agreement" with Greece before next scheduled meeting of eurozone finance ministers in Riga on April 24.

The Tsipras government had indicated it hoped to be able to reach agreement on a new set of proposals by the beginning of the Greek Orthodox Easter (which falls on April 12). But this deadline is uncertain.

Greece's government and banks are cut off from all access to the international money markets, with their position becoming more perilous by the hour. Even as the Eurogroup meeting began, a senior representative of the Greek government, Interior Minister Nikos Voutzis, reportedly told Germany's *Spiegel* news magazine that without additional money they may not be able to pay back a €450 million loan to the IMF on April 9. A further €2.4 billion in debt must be paid back in April.

Voutzis' announcement was quickly denied by the Greek government, but finance markets immediately began to fall on the news. One currency analyst, in response to Voutzis, compared a possible decision by Greece not to pay back the IMF loan on April to the collapse of the US bank Lehman Brothers that triggered the 2008 global financial crash.

The Guardian quoted an unnamed Greek official who complained, "a campaign of rumour, innuendo and deliberate leaks is being waged against us." Stating further that "the banking system is at risk, outflows are growing, non-performing loans are mounting. What they are doing is criminal. The February 20 agreement was supposed to give us four months of financial stability and instead they are using it to asphyxiate us."

Despite such rhetoric, the Syriza government represents the interests of a section of the Greek ruling elite and responds at every stage as a pro-capitalist regime seeking some arrangement with the European powers at the expense of the working class. Its new document notes, "The Hellenic Republic considers itself to be a proud and indefeasible member of the European Union and an irrevocable member of the eurozone."

The protracted nature of the negotiations has strengthened the hand of figures in ruling circles that support Greece being forced to default and leave the euro zone.

On Tuesday billionaire investor Warren Buffett told CNBC, "If it turns out the Greeks leave, that may not be a bad thing for the euro. If everybody learns that the rules mean something and if they come to general agreement about fiscal policy among members, or something of the sort, that they mean business, that could be a good thing."

The same day Peter Gauweiler, vice president of the conservative Bavarian Christian Social Union (CSU), described Greece as a "bankrupt state" and resigned his parliamentary seat—criticising German Chancellor Angela Merkel for being too accommodating. The CSU are the coalition partners and sister party of Merkel's Christian Democratic Union.

The *Financial Times* noted, "Merkel is also under pressure from anti-euro Alternative für Deutschland party, which has won over disaffected CDU voters." It cited the comments of Mujtaba Rahman, analyst at the Eurasia Group risk consultancy, who said, "This resignation indicates that Merkel is very constrained, not simply from the AfD, but also within her own party. It suggests Merkel will need to maintain a hard line, which means no money without material reform from Greece on pensions and labour."

Merkel, in a joint news conference with French President Francois Hollande in Berlin, commented that "time is of the essence" in reaching an agreement with the Greek government.

Syriza's efforts to strike a better bargain with creditors centre on efforts to exploit antagonisms between the major powers. It has made a concerted effort to deepen Greece's ties with China and Russia, both of which have geostrategic interests in the region. Tsipras recently welcomed representatives of the Beijing regime to the Greek port of Piraeus—a strategic facility in which China already has extensive interests.

This week, speaking to Russian news agency *ITAR–TASS* in the lead up to his visit to Moscow on April 8, Tsipras said his government opposed the EU's sanctions against Moscow.

"You know that in previous years there was a blow to these [Greek-Russian] relations as previous Greek governments did not do what they could in order to deter this meaningless policy of sanctions amid the tensions in Ukraine," he said.

Tsipras claimed that he had told EU leaders at their summit in March, "Tell me how you envisage the architecture of security in Europe? Do you envisage it with Russia opposed to us, or with Russia in a process of dialogue and mutual understanding?"

He concluded, "I did not receive an answer from many but I believe that the answer is clear: the European security architecture must also include Russia."

On Tuesday the leader of Syriza's "Left Platform", Energy Minister Panagiotis Lafazanis, returned from a two day visit to Moscow. His mission was to prepare the way for Tsipras' visit. Lafazanis met with Russian Energy Minister Alexander Novak, as well as Alexei Miller, the head of Gazprom. He told the media that Greece supported Russia expanding its proposed Turkish Stream pipeline, which aims to transfer natural gas via the Black Sea, to Greece.

Greece's orientation to Russia cuts directly across the interests of the EU and the United States. *To Vima* reported that Lafazanis thought it was a "mistake to isolate Russia and that Europe will benefit from the operation of multiple natural gas pipelines." The paper reported that Lafazanis had stated that major Russian oil companies had agreed to support exploration for oil and other fossil fuels in offshore areas in Western Greece and would consider lowering the cost of natural gas it sells to the country.