Greece edges towards collapse as troika demands new austerity plan

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German Chancellor Angela Merkel is scheduled to meet Greek Prime Minister Alexis Tsipras Thursday, during a meeting of European Union leaders in the Latvian capital of Riga.

In the run-up to the meeting, European Commission (EC) Jean-Claude Juncker denied offering Greece a deal of around €5 billion in loans in exchange for a package of structural reforms.

On Monday, the Greek daily *To Vima* reported that the EC plan envisaged releasing €1.8 billion remaining in the EU’s portion of the outstanding loan agreement Greece has with the European Union, European Central Bank (ECB) and International Monetary Fund (IMF), known as the “troika”. Greece would also receive €1.9 billion in profits from Greek bonds, purchased by the ECB in 2010, and around €1.3 billion in additional Greek bond profits the ECB will receive in July.

According to the report, Syriza would have to commit to a set of austerity measures less harsh than those demanded by the IMF and Eurogroup finance ministers. It also acceded to one of the Greek government’s demands for a lower primary surplus target for 2015.

The *Financial Times* states that an official involved in the talks said the other two bodies were “thunderstruck” about any deal with Greece on the terms being suggested.

Commenting on the reports Tuesday, Juncker said, “There is no Juncker plan. This rumour in the British and Greek press about a Juncker plan isn’t true.”

Asked if he thought an agreement could be reached with Greece, he replied, “Yes, toward the end of May, start of June.” He ruled out an agreement being concluded around the Riga summit.

Without further loans, Greece will be bankrupted. Its main banks are being kept afloat only with a trickle of loans from the European Central Bank’s high interest Emergency Liquidity Assistance.

The troika was unable to reach an agreement with the previous New Democracy government of Prime Minister Antonis Samaras during its last few months in power. Within weeks of taking office, Syriza pledged to continue the overall austerity programme, due to expire on June 30, but has been unable to reach an agreement on the measures the troika is demanding. Elected on an anti-austerity platform, Syriza is seeking somehow to contain social anger over further job losses, wage cuts, attacks on pensions and a continuation of the hated property tax—while at the same time maintaining its commitment to implement the demands of the European banks.

No loans have been made to Greece from the troika for fully nine months, since August 2014. This includes €7.2 billion in loans conditioned on completing the existing austerity programme Syriza signed up to.

If this continues, Syriza will soon default on its overall debt of more than €300 billion. A default could occur within weeks if no agreement is reached, as the Greek state must pay back a further nearly €24 billion this year, including around €11 billion in July/August.

Tsipras was forced to write a letter, on May 8, just days before a €750 million payment to the IMF was due, to IMF chief Christine Lagarde, the ECB’s Mario Draghi and Juncker, telling them his government could not make the payment and would default without a release of emergency funds. *Kathemerini* said Tsipras also called US Treasury Secretary Jack Lew to inform him of the situation. The payment was made only after the government took €650 million euros from a Special Drawing Rights account issued by the IMF—effectively borrowing from the IMF to pay the IMF.

Greek Finance Minister Yanis Varoufakis and Tsipras are playing up the possibility of an imminent deal, with Varoufakis stating on a TV show Monday, "I think we are very close…Let's say… about a week."

However, on Tuesday Labour Minister Panos Skourletis set a date of June 5 as a deadline, stating, "If a solution is not found financially by then, things will be difficult."

On that date, a further €305 million has to be paid to the IMF. *Die Welt* reported on Sunday, based on comments from troika sources involved in the negotiations, "While there has been talk over the past few days of some progress in the negotiations, the sad reality is that the two sides continue to be separated by a sizeable gulf."

It cited an official who said, "It is like the Titanic. The atmosphere is better now than it was earlier in the discussions. But what does it matter if the ship is sinking?"

According to officials briefed on a closed-door IMF meeting last week, at least one board member raised the possibility of presenting a "take it or leave it proposal" to Greece.

Speaking about the possibility of a further loan package to Greece beyond June, German Economy Minister Sigmar Gabriel said, "It is possible for additional assistance to Greece, if Athens fulfils its obligations to the lenders."

Leading figures within Merkel's coalition government are opposed to any further large-scale loans to Greece. Volker Kauder, the head of the Christian Democratic Union/Christian Social Union parliamentary group, told *Die Welt*, "We must not discuss a third package. The situation is very difficult. Greeks must show that they are walking on the agreed path."

Leading figures in Syriza, including Tsipras, routinely cite supposed "red lines" that will not be conceded in the talks. The reality is that Syriza has done everything possible to ensure that all loans have been repaid to the troika and Greek treasury bill holders since it came to power in January.

The Syriza-led government has already made 14 separate debt repayments totalling €13.2 billion euros, or 1,200 euros for every man, woman and child in the country. On Monday, the *Financial Times* commented that Syriza had taken "extraordinary measures for Athens to scrape through the past fortnight," including "plundering local government".

The payments have been made largely by the government raiding the funds of every state asset available. In April, Syriza passed an authoritarian decree, without any vote in parliament, requiring all public authorities and corporations to make financial contributions to the Greek Central Bank and put them into the hands of the government. The decree was enforced after being demanded by the EU, ECB and IMF.

Every single cent belonging to the Greek state is being pillaged in order to make the repayments. Only this week Syriza demanded dozens of Greek embassies send back any unallocated funds and revenue from consular acts (such as issuing visas, proxies, etc). Even unused funds intended for stationery, cleaning products, etc. for the next two months must be returned.

With no access to external funding and its banks almost unable to function, Greece's economy is now officially back in recession. The economy contracted by 0.2 percent in the first three months of the year, following a 0.4 percent contraction in the fourth quarter of 2014. An average of 59 small businesses closed daily during this period, with 95 percent of all applications for bank loans rejected.

This follows a collapse in GDP by more than 25 percent over the past four years.

According to the Hellenic Confederation of Commerce and Enterprise (ESEE), the economy needs €25 billion just to recover the losses it has incurred since December. It is bleeding €22.3 million a day, with 613 jobs lost every single day since Syriza took office—a total of around 18,000 during this period.