Riga talks fail to produce Greek loan deal

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Talks between German Chancellor Angela Merkel, French President François Hollande and Greek Prime Minister Alexis Tsipras failed to produce a breakthrough regarding further loans in exchange for Athens agreeing to deeper austerity cuts.

The leaders met Thursday evening on the side-lines of the European leaders' summit in the Latvian capital, Riga.

Merkel ruled out any immediate agreement, saying one was only achievable as a result of a joint deal between the European Union, European Central Bank and International Monetary Fund (IMF) "troika." "The deal must be concluded with the three institutions," she said. "There is very, very intensive work to be done."

There had been speculation prior to the summit that a deal was in the offing, possibly by the end of May. Greece must repay a number of IMF loans from that date, with a first instalment of €1.5 billion due on June 5. A final €7.2 billion instalment, as a result of the austerity deal reached by the previous New Democracy government which Syriza voted to continue in February, has still not been disbursed.

The government, now led by the pseudo-left Syriza, will go bankrupt without further loans being made available. The Greek state owes well over €300 billion.

In the last week several Syriza ministers have warned that Greece will not be able to make the June payments without external funding. On Sunday Interior Minister Nikos Voutsis said, "The four instalments for the IMF in June are €1.6 billion, this money will not be given and is not there to be given."

There are tactical differences between the EU, ECB and IMF over the details of any deal with Greece, but all three institutions are agreed that Athens must deepen austerity and reduce even further the living standards of the working class.

The troika is insistent that Syriza reverse the anti-austerity rhetoric that it was elected on in January, and is demanding further cuts in pensions, increases in sales taxes and attacks on employment rights, with the drafting of new legislation making it easier to fire employees.

On Friday, IMF managing director Christine Lagarde said, "It has to be a comprehensive approach, not a quick and dirty job."

The *Financial Times* reported Friday that the IMF, which holds €3.6 billion of the outstanding €7.2 billion tranche, "also want EU assurances that Greece will be able to pay its bills for the next 12 months, a demand that could require Eurozone governments to commit to another bailout programme."

The FT cited an official involved in the negotiations with Greece, who said, "They [Greece] have been listening to too many people who think that there may be some partial agreement. There will be no such thing. And there will be no agreement without the IMF. And the IMF is super tough."

The strategy of Merkel and Hollande is to keep Greece within the Eurozone and the European Union, while enforcing further brutal attacks on the working class. The troika's existing agreement with Greece expires on June 30, with the ruling elite calculating that the longer Athens is prevented from accessing any funding the more cuts it will have to sign up to.

Merkel is under pressure from sections of her own Christian Democratic bloc, with an estimated one third of MPs from her party group opposed to granting Athens any more funding.

Recently Finance Minister Wolfgang Schäuble reportedly said at a private gathering with other EU finance ministers that Greece could use "parallel currency" and not be part of the currency union. The Finance Ministry responded to the report stating that such a scenario "is not up for debate."

Commenting on the situation Jacob Funk Kirkegaard, a senior fellow at the Peterson Institute for International

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Economics in Washington, said, “Germany is “ready to take this brinkmanship very far,” with Schaeuble in the role of “attack dog.” He added, “We’re in this game of chicken. The problem is that Alexis Tsipras is riding a scooter and Wolfgang Schäuble is driving an armoured BMW.”

Following his talks with Merkel and Hollande, Tsipras spoke at a meeting of the Syriza central committee over the weekend. He stated, “Rest assured that in this negotiation we will not accept humiliating terms,” adding, “We will not yield to irrational demands on VAT, pension and labour market issues… We made steps to find common ground but we also have red lines.”

The ones who have the red lines in reality are the troika, who are refusing to allow Syriza even the slightest concessions. An indication of some of the prescriptions the IMF is demanding was revealed by the FT who noted, “The IMF estimates show spending on Greek pensions has risen since Syriza took power in January and now accounts for 10 percent of gross domestic product, which IMF staff believe is unsustainable.”

Since it came to office Syriza, which represents sections of the Greek ruling elite and the more affluent sections of the middle class, has done everything possible to satisfy the demands of the troika. Under conditions in which public services and basic infrastructure have collapsed, Syriza has handed over more than €13 billion in loan repayments in just four months.

On Sunday, Finance Minister Yanis Varoufakis told the BBC’s Andrew Marr, “Greece has made enormous strides at reaching a deal. It is now up to the institutions to do their bit. We have met them three-quarters of the way, they need to meet us one-quarter of the way.”

Varoufakis said it had been able to “extract from the fabric of the public sector up to 14 percent of GDP in order to meet repayments to the IMF and other creditors. So we have done remarkably well for an economy that doesn’t have access to the money markets to meet our obligations.”

Varoufakis brags as the social catastrophe in Greece envelopes ever-growing numbers, with poverty at records levels. The latest Organization for Economic Cooperation and Development (OECD) figures reveal that Greece has the highest levels of inequality among its 34 member-states. Poverty almost tripled, from 11 percent in 2007 to 32 percent in 2013. By that date 20 percent of children and young people lived below the poverty line. The richest 10 percent control 25 percent of disposable income against the 2 percent that is controlled by the poorest 10 percent.

These figures only cover the period to 2013. Since then things have substantially worsened in Greece, with around 25 percent of the population still unemployed and jobs being lost at a rate of more than 600 a day.

People in their hundreds of thousands rely on food banks and soup kitchens. Hospitals are running out of money to pay nurses, while necessities they need such as sheets and painkillers are increasingly unavailable. The *Times of London* reported Friday on the state of the state-run KAT hospital in Athens, which has no painkillers left in its stocks and has even run out of scissors. A trainee surgeon at KAT commented, “We are at a breaking point. There is no money to repair medical equipment, no money for ambulances to use for petrol, no money to hire nurses and no money to buy modern surgical supplies.”

Last Wednesday thousands of doctors, nurses and ambulance staff from Greece’s state-run hospitals and health centres began a 24-hour strike to protest years of budget cuts. Many of those demonstrating had not been paid for overtime for six months.

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