Greek default threatened as Syriza balks at further social cuts

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Greece has moved closer to a default on its debt, following the breakdown in negotiations Thursday evening. They were the latest in more than five months of talks between the Syriza-led government and the European Union, European Central Bank, and International Monetary Fund (IMF), formerly called the “troika” and now the “institutions”.

On Friday evening, Syriza leader Prime Minister Alexis Tsipras told parliament he could not sign the “absurd” and “irrational” proposal handed to him the previous day.

The measures were also opposed by Association of Greek Industries president Theodoros Fessas, with whom Syriza has cultivated close ties in recent years. Speaking Friday to the BBC, Fessas said the creditors’ demands were “quite high” and contained “harsh” measures.

At the talks in Brussels, European Union Commissioner Jean-Claude Juncker and Eurogroup head Jeroen Dijsselbloem, presented Tsipras with five pages of proposals demanding further austerity measures amounting to billions of euros. These were based on a further seven page list of “Prior Action” to be taken by Greece “in consultation with EC, ECB/IMF staff”.

The document consisted of a list of policy ultimatums including pension cuts, VAT sales tax increases, privatisations, public administration reforms, labour market reforms, a welfare system review and the opening of “restricted” professions to competition. All of this had to be either effective from July 1, or in the process of being enacted.

In the manner of colonial overlords, the proposals concluded with the instruction to Greece that “Any legislative or other action on the above policies will need to be done in agreement with the institutions. More generally any policy measures with a potential impact on the achievement of the programme objective, as assessed by the institutions, will only be made in agreement with the institutions.”

At the talks, Tsipras presented Syriza’s own 47-page list of reforms, which were thrown out and denounced as “vague.”

Prior to the talks, a number of senior European politicians—including German Chancellor Angela Merkel, her Finance Minister Wolfgang Schäuble, and Dijsselbloem—insisted that Greece carry out the necessary measures.

Dijsselbloem warned Tsipras that the creditors, to whom Greece owes more than €300 billion, would not meet him “halfway”. Merkel told CNN, “Greece has to be willing to undertake the necessary reforms” and undertake “harsh measures.”

On Friday, prior to Tsipras’ speech in parliament, Syriza informed the IMF that Greece would not meet a debt repayment of €300 million that fell due that day. It would instead bundle that and other payments due to the IMF, totalling €1.6 billion, and settle the debt later in the month. The Athens stock market fell sharply, losing up to 5 percent at one stage.

Talks between Greece and the “institutions” are on a knife edge. The EU is placing escalating pressure on Tsipras as he attempts to work out an austerity program that will satisfy the demands of finance capital and that he feels he can present to the Greek people. Broad sections of Syriza, around its Left Platform, have warned that to accept and impose the terms on offer would be political suicide.

The failed talks coincided with a new report pointing to the social destruction in a country already bled dry. Two academic economists, Tasos Yiannitsis and Stavros Zografakis, estimate that the average Greek household has lost almost 40 percent of its income during the past five years. More than 23 percent of the loss was in direct income. Nearly a third of the population (31.1 percent) now live in poverty.

A glimpse of the seething anger of workers was highlighted by Britain's *Daily Telegraph* who published an article Friday headlined, "Piraeus, where Syriza isn't left wing enough". It reported that dock workers at the Piraeus port, leased to the Chinese company Cosco, were protesting against pay cuts and worsening working conditions. It cited one worker who said, "They got rid of workers' rights. They got rid of everything, there is nothing."

In truth, it is not just Piraeus where Syriza is not seen as "left enough". Aware of a growing mood of resistence, including recent strikes and protests, last month Adedy, the public sector trade union, called its first national strike of this year. The trade unions and Left Platform fear the development of an independent social and political movement of the working class, and that the illusions they peddled on behalf of Syriza prior to the election would not survive a deal signed on the terms demanded by the institutions.

As a result of the impasse, over the past few days there has been a flood of media speculation that Greece missing Friday's IMF payment could result in a split in Syriza, a possible referendum on the proposals of the institutions, or elections in the near future.

Greece's growing mountain of debt, now standing at 180 percent of GDP (up from 125 percent in 2009), cannot be paid back by the bankrupt state. BBC Economics Editor Robert Peston wrote on the eve of last week's talks, "In the highly unlikely event that Greece could generate a 2 percent or 3 percent surplus year-in and year-out without its economy shrinking further (which few economists would anticipate), it would take around half a century for Greek public sector debt to fall to a level regarded as sustainable."

He posed the question, "A half century of austerity? In what modern democracy would that be regarded as a realistic option?"

There is an increasing sense in the ruling circles, including within Syriza itself, that cuts on this scale can be only be imposed by dictatorial means. Editorialising Wednesday, the *Guardian*, which is supportive of the institutions giving Greece a few concessions and some ability to manoeuvre, warned of the political implications of not doing so amid growing anger in the population.

A few billion euros were on offer, "on a take-it-or-leave-it basis", it stated. "Before risking a 'leave it', they need to ask themselves who it is they want to deal with. *An iron law of modern European history runs thus: extreme economics leads to extremist politics.* A line can be drawn from the Versailles treaty to the breakdown of the Weimar Republic. Eighty years on, a similar phenomenon is at work." (emphasis added).

At the same time, Syriza is abandoning its token criticisms of police, as it relies more directly on the security forces to defend itself from popular opposition. Interior Minister Nikos Voutsis recently visited a police van outside his ministry to tell officers that Syriza was relying on them to do their job, "albeit not heavy-handedly," according to *Kathimerini* .

Police have been asked to discreetly guard Syriza's offices, the party's *Avgi* newspaper, the Culture Ministry, and Tsipras' home in Ano Kypseli. "We want to be close to targets but not to be visible," one officer told the paper.