As Syriza begs for a deal

Obama, Merkel present united front for more austerity in Greece

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On Sunday, in a bilateral meeting ahead of Group of Seven (G7) talks, US President Barack Obama and German Chancellor Angela Merkel discussed the Greek crisis. Reuters, reporting the comments of Obama's spokesman, said "the two leaders agreed Greece must reform and return to sustainable long-term growth, with Obama hopeful Athens and its partners can chart that course without causing volatility in financial markets. …"

On Monday, Obama and Merkel stepped up the pressure on Greece. Asked if European governments were being too tough on Greece, Obama said the G7, the International Monetary Fund (IMF) and other institutions had to show "flexibility," but there was "a sense of urgency." He warned, "It is going to require Greece being serious about making some important reforms," adding that they "are going to have to follow through and take some tough political choices that are going to be good in the long term."

Merkel declared, "All I can say now is that we want Greece to remain part of the euro zone," but "solidarity between European countries and with Greece means Greece will have to implement measures."

Obama's comments are a devastating exposure of Syriza's perspective. For years, Syriza has promoted the Obama administration's economic policies as the way forward. Since coming to power, it has sought to solicit US support and play Washington off against German-led "hard-line" austerity policies.

Commenting on the US president's blunt statement, the *Financial Times* noted, "[B]y publicly emphasising Greece's obligations at such a critical time in the negotiations, Mr. Obama has closed off one of the last potential escape valves for Athens."

Syriza was elected on the wave of mass opposition to years of cuts. It claimed that by negotiating an "honest compromise" with the representatives of global finance capital, backed by the Obama administration, it would be able to end austerity. But Syriza's pro-capitalist programme has resulted only in the initiative being handed to the international financial oligarchy and the working class being demobilised.

The Syriza-led government is frantically drawing up new proposals following the breakdown of talks between Prime Minister Alexis Tsipras and Athens' international creditors. On Friday evening, Tsipras informed the Greek parliament that he had rejected the raft of new austerity measures drawn up by the European Union (EU), the European Central Bank (ECB) and the International Monetary Fund (IMF), referred to as the "institutions."

The response from the EU was bitter, with European Commission President Jean-Claude Juncker effectively denouncing Tsipras as a liar. On Sunday, he said Tsipras had "promised that by [last] Thursday evening he would present a second proposal. Then he said he would present it on Friday. And then he said he would call on Saturday."

Juncker said nothing had been forthcoming. He complained that Tsipras told parliament "the offer of the three institutions" was "a leave-or-take offer." Juncker continued, "He knows perfectly well that is not the case."

While Syriza may have been granted leave to negotiate this or that minor point in the coming weeks, the EU, ECB, IMF document was indeed an ultimatum, consisting of a list of savage austerity measures, most of which were to be in place by July 1.

With the talks on a knife-edge, Syriza is bending over backwards to make an accommodation based on a pledge to impose the bulk of the austerity measures demanded by Greece's creditors.

Without an agreement, Syriza will be denied €7.2 billion in loans, the final tranche of €240 billion euros that successive Greek governments have been loaned since 2010 to service the country's sovereign debt. With no external funding available to its banks should it fail to reach an agreement with the "institutions," Greece stands to default on its overall debt of more than €300 billion.

On Monday, Athens announced that State Minister Nikos Pappas, Tsipras' chief of staff, and Alternate Foreign Minister Euclid Tsakalotos were flying to Brussels to lead Syriza's delegation in further talks with the institutions.

According to the Greek daily *Kathemerini*, "Athens is focussing its attention on adjusting the fiscal measures it proposed with the aim of getting closer to the revenue target set by lenders."

The *Kathemerini* report stated that while Greece was prepared to make further concessions, including restricting "early retirement, saving 100 million euros, it does not seem willing to go as far as lenders are demanding in terms of pension reform. There are also substantial differences between Greece and its creditors on the issue of labour market regulations."

Tsipras will meet Merkel and French President Françoise Hollande on the side lines of an EU summit on June 10/11.

On Monday, Greek Finance Minister Yanis Varoufakis flew to Berlin for a meeting with his German counterpart, Wolfgang Schäuble. In a speech in Berlin Monday evening, Varoufakis said Syriza supported many reforms but warned of the inevitable social backlash the government will confront if it agrees to impose deeper cuts on an already poverty-stricken population.

He said, "Imagine if I went to my parliament and said the way out of this crisis is cut a €350 pension by 40 percent while raising the VAT on pharmaceuticals. …" At the same time, Varoufakis made a show of opposing an increase in taxes on electricity use from 13 to 23 percent.

Pleading with the institutions for some leeway, he said, "If you continue to squeeze our population into misery, we will not be reformable ever. We can carry the people, but not if we are made to force more austerity on them."

Obama, Merkel, Hollande and the "institutions" all agree that Syriza has to impose far deeper levels of austerity, but behind the scenes there are tensions between them. On Monday, Greek channel Mega TV, basing itself on comments by a German official, said US Treasury Secretary Jack Lew had recently called on Schäuble to "support Greece." Schäuble reportedly replied, "Give €50 billion yourself to save Greece."

The British *Guardian* cited a Berlin-based reporter who, speaking to Mega TV, said, "Whereupon the US official said nothing because, as is always the case according to German officials, when it comes to the issue of money, the Americans never say anything."

With no deal yet agreed, Greece's banks are near collapse. Fearing a forced exit from the euro zone, savers continue to withdraw deposits. According to the most recent figures, total deposits are now below €130 billion, an 11-year low. Some €4.9 billion was withdrawn in April. Moody's, the credit-rating agency, warned Monday that losses already declared in May "significantly" increase the risk that capital controls, such as a limit on ATM withdrawals, will be required.

Commenting in the *Financial Times*, Wolfgang Münchau wrote that what the proposals of Syriza and Greece's creditors "have in common is that neither of them will fix the Greek economy." The institutions are seeking "a level of austerity that is impossible, but also necessary if Greece is to bring down its debts to a more sustainable level while meeting its obligations," he added. This, he concluded, is a "bad combination."