IMF and ECB walk out of Greek debt talks with Syriza

Robert Stevens
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Talks between the Greek Syriza government and its international creditors reached a critical stage on Thursday, as the International Monetary Fund (IMF) and European Central Bank (ECB) withdrew their delegations.

The IMF and ECB teams were part of the negotiation team in Brussels, along with Greece's other main creditor, the European Union (EU).

The talks centre on establishing new austerity measures to be carried out by Syriza, stemming from the February agreement between the parties. The agreement extended Greece's existing austerity programme until June, with Syriza receiving the remaining €7.2 billion in loans on the condition that it agrees to legislate further savage cuts.

The IMF's withdrawal followed a failure, late Wednesday evening, by Greek Prime Minister and Syriza leader Alexis Tsipras to reach agreement with German Chancellor Angela Merkel and French President François Hollande.

The IMF's decision follows the move by the Tsipras government earlier this month to withhold a €300 million payment due to the IMF. Syriza has handed over billions in debt repayments to the institutions. Its decision, for the first time, not to meet a debt repayment pointed to the extreme fragility of the situation.

The Greek daily *Kathemerini* stated, "It is not only IMF officials that have left Brussels. Representatives of the European Central Bank also left Brussels on Thursday. Both IMF and ECB officials will only return to Brussels if they have convincing reassurances of progress in Greece's position..."

The Athens market fell sharply on the news and by its closure on Friday had dropped 5.4 percent. The escalation of the crisis impacted on other share markets, with Britain's FTSE 100 falling 0.85 percent, Germany's Dax by 1.4 percent and France's Cac 1.67 percent.

Syriza has already made major concessions, including in areas where they claimed to have laid down "redlines" such as pensions. However, what is being demanded of Syriza, elected in January on promises to "end austerity", risks a massive backlash threatening the survival of the government.

In his comments to the press in Washington, IMF spokesman Gerry Rice said, "There are major differences between us in most key areas. There has been no progress in narrowing these differences recently and thus we are well away from an agreement." The IMF remained "engaged" but "the ball is very much in Greece's court right now and I understand Greek authorities are preparing some further proposals."

The content of the cuts the institutions plan to impose on a population already suffering a social catastrophe are generally discussed behind closed doors. However, Rice spoke with some candour, spelling out cuts even more brutal than those carried out by governments led by the right-wing PASOK and New Democracy parties from 2010. He said, "Pensions and wages account for 80 percent of Greece's total primary spending. So it's *not possible for Greece to achieve its medium term fiscal targets without reforms and especially of pensions* ." It was "acknowledged on all sides, *that the Greek pension scheme, system is unsustainable* " (emphasis added).

The IMF has long insisted that any temporary deal with Greece must include pension cuts amounting to 1 percent of gross domestic product. It is clear, however, that this would be just the initial onslaught.

Rice produced figures demonstrating that what is now

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being considered is virtually the wiping out of the pension system in a western European economy. “The Greek pension funds receive transfers from the budget of about *10 percent of GDP annually. Now, this compares to the average in the rest of the eurozone of two-and-a-half percent of GDP*. The standard pension in Greece is almost at the same level as in Germany and people, again on the average, retire almost six years earlier in Greece than in Germany. And GDP per capita increase, of course, is less than half that of the German level” (emphasis added).

The demand to slash pensions by the representatives of the financial aristocracy is particularly significant in light of Wednesday’s ruling by Greece’s top administrative court, the Council of State. The court ruled that cuts to private sector pensions made in 2012, at the insistence of the EU, ECB and IMF, then known as the “troika”, were unconstitutional and violated Greek law and the European Convention on Human Rights, as they deprived pensioners of the right to a decent life.

Cuts made to private sector pensions in 2010 and 2011 were not deemed by the court as unconstitutional, as it ruled they were imposed under “extraordinary circumstances”.

The ruling did not cover public sector pensions.

Following the breakdown in the talks, a stream of senior European politicians denounced Syriza, with European Council President Donald Tusk warning, “We need decisions, not negotiations now. There is no more space for gambling; there is no more time for gambling. The day is coming, I am afraid, that someone says the game is over.”

Speaking to Finnish newspaper *Helsingin Sanomat* Thursday, Eurogroup President Jeroen Dijsselbloem said, “If the Greek government can’t accept the fact that there are no easy solutions and that the difficult decisions just must be made, it is alone. We can’t help Greece if Greece doesn’t want to help itself.”

According to a Reuters report published Friday, EU officials have, for the first time, formally discussed Greece defaulting on its overall debt mountain of more than €300 billion.

The report noted that government representatives “preparing next week’s Eurogroup meeting of eurozone finance ministers, concluded at talks in Bratislava late on Thursday that there were three possible scenarios for what would happen with Greece at the end of June. The least likely, they think, is a successful cash-for-reform deal next week in time to meet end-June legal deadlines.”

The second scenario, added the report, was a further extension of the current austerity programme, which ends on June 30. The third scenario, “discussed formally for the first time at such a senior level in the EU—was to accept Greece could default.”

Reuters said that although the “meeting reached no decision or concrete conclusion,” most of those present ruled out the possibility that an agreement would be reached with Greece by June 30. The agency cited the comments of one EU official involved in the discussions who said, “It would require progress in a matter of days that has not been possible in weeks. The reaction of the ECB, the IMF and several member states was extremely sceptical.”

The consequence of this would be to deny Athens the outstanding €7.2 billion it requires to pay off billions in debts due over the summer, including €1.6 billion due to the IMF, pushing it ever closer to a debt default.

On Friday, Syriza said it was ready to submit new proposals to the institutions and would meet their representatives in Brussels today. However, according to the *Financial Times*, the proposals “excluded cuts to pensions, elements rejected by bailout monitors earlier this week.”

The FT stated that the failure of talks over the last week had “changed sentiment in several eurozone capitals, particularly Berlin, where there is mounting political pressure to present the plan as a ‘take it or leave it’ offer.” The newspaper cited Brenda Kelly, head analyst at London Capital Group, who said, “It once again seems that a Greek default is practically inevitable. The next 24 to 72 hours will be crucial as we enter potentially uncharted territory for the eurozone.”

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