

Global stock markets fall on fears of Greece debt default

Robert Stevens
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Stock markets in Athens and internationally fell sharply Monday following the collapse, at the weekend, of talks on Greece's debt crisis.

Following the debacle, a European Commission spokesman said a "significant gap" remained between the proposals of the institutions—the European Union, International Monetary Fund, and European Central Bank—and of Greece. He added that "further discussion will now have to take place in the Eurogroup."

The Eurogroup, a meeting of the euro zone's finance ministers, holds its monthly meeting on Thursday.

The Athens Stock Exchange fell 720.32 points (7 percent), the biggest drop in five months, closing 4.7 percent down. Shares of Greece's main banks, which are on the verge of collapse, fell sharply, with Piraeus Bank down 15.57 percent at one stage. The *Financial Times* said the "looming prospect of capital controls" threatened "to inflict further pain on a banking sector already in dire straits."

With these losses, the exchange has fallen by more than 40 percent in the space of 12 months.

The breakdown in talks fuelled a rush by savers to withdraw their deposits from the banks, with more than €400 million euros taken out yesterday. This compared with a daily average in April of €220 million, excluding weekends.

Germany's DAX index closed down 1.8 percent, France's CAC-40 fell by 1.7 percent, and the UK's FTSE 100 dropped 1.1 percent, to its lowest level since March. The Italian FTSE MIB plummeted by almost 2.5 percent.

Talks between Greek and EU officials were premised on Athens receiving, in exchange for imposing further spending cuts, an already agreed-upon EU loan of €7.2 billion. In February, Syriza agreed to extend the austerity programme overseeing this agreement until

June 30. The EU, ECB and IMF are refusing to give Syriza a single concession, however, insisting instead they carry out a total surrender.

Syriza reportedly agreed in its final proposals to meet harsh primary surpluses targets for 2015 and 2016 that the EU had long demanded. But even this was not enough.

It emerged on Monday, according to a *Guardian* report based on statements by EU officials, that EU negotiators had refused to even meet with Syriza's delegation the previous day.

The delegation, including Tsipras' chief of staff, Nikos Pappas, were humiliated and forced to leave after just 45 minutes. Martin Selmayr, chief of staff to Jean-Claude Juncker, president of the European Commission, approached the delegation and asked if the document they were presenting had the same figures as the previous day. When Selmayr was told it did, he informed the delegation there would be no talks on that basis and sent them packing.

With their perspective of negotiating a settlement with the EU, ECB and IMF in tatters, Syriza spokesman Gabriel Sakellariadis said on Monday, "We have largely exhausted our limits."

Tsipras said in a statement, "One can only suspect political motives behind the fact that [the institutions] insist on further pension cuts, despite five years of pillaging."

With the expiry of the austerity programme just weeks away and Greece's economy drained of cash and deprived of any external source of funding, the weekends' events demonstrate that the EU powers will brook no opposition to their policy of continent-wide austerity, in which Athens is the test case.

Speaking to *Kathemerini*, one euro zone official said Monday. "No more new proposals; take it or leave it

time is upon us, I think. Or very close.”

Commenting in the *Guardian*, Seamus Milne recently noted, “What’s become clear in recent weeks is that the masters of the eurozone are not even prepared to provide Tsipras with a fig leaf. From the Brussels perspective, Greece must cave and be seen to cave.”

One of their main aims is the dismantling in Greece of what Annika Breidhardt, the EU commission’s economics spokesperson, denounced as “one of the most expensive pension systems in Europe.”

Syriza, fearful of opposition in the working class, has committed only to certain pension cuts, mainly to limit early retirement. However, these are a tiny fraction of what the EU is demanding. Syriza’s proposal would cut pension spending by €78 million euros (0.04 percent of GDP). The EU wants the retirement age raised and a pension spending cut of €1.8 billion annually (1 percent of GDP per year). This implies a staggering 20 percent cut in income for pensioners.

IMF chief economist Olivier Blanchard blogged, “Why insist on pensions? Pensions and wages account for about 75 percent of primary spending; the other 25 percent have already been cut to the bone. ... Just as there is a limit to what Greece can do, there is a limit to how much financing and debt relief official creditors are willing and realistically able to provide given that they have their own taxpayers to consider.”

Such edicts are proof that the global financial elite will stop at nothing in continuing the sociocide they have inflicted on the Greek population over the last five years. More than €60 billion in overall cuts has been enforced, with average pensions already slashed by up to 50 percent.

Syriza also proposed to counter any pension spending cuts by cutting €200 million from the military budget. With Greece a key member of NATO, which is escalating its encirclement of Russia, such measures would also be intolerable.

The Syriza government has maintained its relations with Russia. On Thursday, as the Eurogroup meets, Tsipras is scheduled to begin a three-day visit to Moscow. He will meet Russian President Vladimir Putin and attend an economic forum in Saint Petersburg.

Greece defaulting on its immediate due debts, including €1.6 billion due to the IMF this month, brings the real possibility of a default on its overall sovereign

debt of €320 billion and a forced exit (“Grexit”) from the euro zone.

In the last days, a number of senior figures have warned the euro zone now faces an existential threat. On Monday, testifying before the European Parliament’s Economic and Monetary Affairs committee, ECB President Mario Draghi said if Greece defaulted, “we will enter into uncharted waters.”

Just hours before French President François Hollande cautioned that “turbulent” times were looming “if we don’t reach an agreement.”

On Monday Guenther Oettinger, Germany’s EU Commissioner and a senior member of Chancellor Merkel’s Christian Democratic Union (CDU), said in the event of a Grexit, “We should work out an emergency plan, because Greece would fall into a state of emergency.”



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