Syriza offers last-ditch concessions prior to EU summit on Greek debt

Robert Stevens
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The cabinet of the Syriza-led Greek government met in emergency session Sunday to finalise new austerity proposals ahead of today's summit of European Union leaders.

After the meeting, Prime Minister Alexis Tsipras held a conference call with German Chancellor Angela Merkel, French President Francois Hollande and EU Commission President Jean-Claude Juncker. His office stated, "The prime minister presented the three leaders Greece's proposal for a mutually beneficial agreement that will give a definitive solution and not postpone addressing the problem."

Tsipras heads to the summit under the threat of a deliberately imposed economic catastrophe and expulsion from the eurozone. He is hoping that his offer of additional austerity measures will be enough to grant Greece a stay of execution.

The EU summit was called after several rounds of talks last week between Syriza and representatives of the European Union (EU), European Central Bank (ECB) and International Monetary Fund (IMF) failed to reach an agreement. The crisis stems from the February agreement in which Syriza committed to new austerity terms in exchange for a final tranche of €7.2 billion in loans from the three institutions, previously known as the "troika."

Last Friday, Ambrose Evans-Pritchard of the *Daily Telegraph* described the reckless actions of Greece's creditors as "the Iraq War of finance."

The EU, ECB and IMF, Evans-Pritchard observed, were "deliberately provoking a bank run and endangering Europe's system in their zeal to force Greece to its knees. … The guardian of financial stability is consciously and deliberately accelerating a financial crisis in an EMU [European Monetary Union] member state—with possible risks of pan-EMU and broader global contagion—as a negotiating tactic to force Greece to the table."

That same day, the ECB agreed to release enough money to allow Greece's banks to reopen today. After that, however, collapse is threatened. Last week, the ECB provided the banks with more than €4 billion in emergency loans. This figure matched almost exactly the €4.2 billion in withdrawals by Greek savers between last Monday and Friday.

Louka Katseli, chair of the National Bank of Greece, told the BBC Sunday that if Greece was forced to default on its sovereign debt of more than €300 billion, the "cost for the eurozone" would be "really serious."

She explained, "If the markets decided the eurozone is not an irrevocable decision and a government can be declared insolvent, then the first thing that would happen is that there will be a speculative attack by the markets on the next weakest participant in the eurozone or the euro."

Syriza's latest proposals are the third they have made in as many weeks, with its previous overtures thrown out for being supposedly insufficiently harsh. The eurozone countries are demanding billions of euros in further cuts this year, in particular to pensions, which they want slashed to the equivalent of 1 percent of GDP.

Prior to the cabinet meeting, Syriza's Alekos Flabouraris told *Mega TV*, "We are not going [to the summit] with the old proposal. Some work is being done to see where we can converge, so that we achieve a mutually beneficial solution."

Finance Minister Yanis Varoufakis said, "Our side will arrive in Brussels with the determination to compromise further as long as we are not asked to do what previous governments did: to accept new loan tranches under conditions that offer little hope that

Greece can repay its debts."

Syriza has made ever more desperate appeals to the European powers to agree an austerity programme containing a few minor concessions it can boast of while it imposes cuts so brutal that they threaten the survival of a government elected on a mandate to end austerity.

Nikos Pappas, Tsipras' closest confidante, said on Sunday, "I am one of those who think that the IMF should not be in Europe. I hope we find a solution without its participation." Europe, he said, "has no need" of the IMF, which has an "agenda which is not at all European."

Mega TV reported Saturday that Syriza's new proposals still fall short, by around €900 million, of what creditors are demanding. The Greek daily *To Vima* stated, "Efforts are being made to cover the difference via additional taxation. … [Syriza] has made further concessions on early retirements and is willing to abolish them as of 2016, saving about 200 million euros annually. The creditors, however, are adamant and demand their immediate abolition."

According to *To Vima*, Syriza is also willing to concede a long-standing demand of the troika to open "closed professions" to competition. It was "considering introducing additional corporate taxes and further defense cuts. The new proposal includes a VAT reform with three different rates, with the tax on electricity and food at 13 percent."

Kathemerini reported that the Greek document seeks agreement that any austerity measures be aligned to debt relief, "either through a debt swap or extension of maturities on loans or both—as well as a 'growth package'."

Eurozone leaders are reportedly offering Tsipras some form of debt relief, but not immediately.

Aware of the level of public anger they would face if seen to cave in without a show of struggle, Syriza organised a rally in Athens last night with a statement proclaiming, "Workers, the unemployed, young people, the Greek people and the rest of the peoples of Europe will send a loud message of resistance to the alleged one-way path of austerity, resistance to the blackmail and scare-mongering."

Over the weekend, further pressure from the Obama administration was exerted on Syriza to agree to the terms of the institutions. US Treasury Secretary Jack Lew said Saturday that, while the creditors need to be flexible, "the burden is on Greece… The best solution is for Greece to make some tough decisions."

Lawrence Summers, a former director of the National Economic Council in the Obama administration and currently an adviser to a hedge fund and Citigroup bank, described Greece in a *Financial Times* op-ed column as a "failed state in waiting."

"Financial historians may look back at the events of next week and wonder how Europe's financial unravelling was permitted," he wrote, warning that, "With an end to European support and consequent bank closures and credit problems, austerity in Greece will get far worse…"

The collapse of Greece's economy and the crisis forcing Syriza into a closer relationship with Moscow, raised geo-political issues, said Summers. "When Greece fails as a state, Europe will collect far less debt than it would with an orderly debt restructuring. And a massive northern out-migration of Greeks will strain national budgets throughout Europe—not to mention the challenges that will come as Russia achieves a presence in Greece."

Tsipras, said Summers, "must recognise that Greece's problems are significantly of its own making and make clear that he is absolutely committed to doing what is necessary to keep Greece in the euro area."

Syriza had to "accept further VAT and pension reforms to achieve primary surplus targets this year and next, but that he [Tsipras] expects a clear recognition that if Greece does its part, debt will be written off on a large scale."

For their part, said Summers, "German chancellor Angela Merkel and the European authorities must do what is necessary to make policy adjustments politically tenable in Greece."

Summers said, "The IMF needs to recognise that this is now not about the numbers. It is about the high politics of Europe. Its job is to stand behind any deal that avoids breakdown."