After Syriza's concessions, EU demands more austerity at Greek debt summit

Alex Lantier
23 June 2015

At an emergency European Union summit in Brussels yesterday, EU government heads endorsed a new raft of social cuts proposed by the Syriza-led Greek government, but indicated that still more austerity measures would be needed before a deal could be reached on Greece's €300 billion debt.

Similar emergency talks had broken down a week ago. EU officials at that time insisted that Syriza's cuts were not sufficiently deep to justify releasing the €7.2 billion Greece needs to pay off its creditors later this month. In the face of EU threats of Greek state bankruptcy and escalating criticism from Greek banks, Syriza once again abjectly capitulated to the EU, acceding to its demands for regressive tax increases and steep pension and health care cuts.

In a letter Monday to European Commission President Jean-Claude Juncker, Greek Prime Minister Alexis Tsipras said that his proposal, in fact, went beyond the cuts demanded by Greece's institutional creditors—the EU, the European Central Bank (ECB) and the International Monetary Fund (IMF).

"I would like to inform you that the response of the Greek government to the requirements of the institutions for covering the fiscal gaps for 2015-2016 has been absolute and complete," he wrote.

The EU had demanded cuts totaling 1.5 percent of Greek gross domestic product (GDP) in 2015 and 2.5 percent in 2016, Tsipras wrote, but Syriza's cuts amounted to 1.51 and 2.87 percent of GDP. Therefore, he concluded, "it is clear that there are no fiscal slippages and that the prescribed objectives have been exceeded."

The biggest cuts fall on pensions. Syriza had previously called pension cuts a "red line" it would refuse to cross. Now, however, it is proposing over several years to raise the retirement age from 62 to 67 and eliminate early retirement, slashing pension spending by €30 million in 2015 and €300 million in 2016.

While current pensions are nominally not being cut, the Greek state is, in fact, taking billions of euros from pensions. Retirees will collectively be forced to pay €135 million more in 2015 and €490 million more in 2016 for health care, and employee contributions to the state pension system will surge by €350 million this year and €800 million the next.

An unpopular hike in regressive VAT (value-added, or sales) taxes is projected to raise €680 million this year and €1.36 billion in 2016.

The vast bulk of the cuts will hit the working class, but Syriza is also proposing to impose a one-time 12 percent tax on corporate profits above €500,000 per year, which would raise €945 million in 2015 and €405 million in 2016.

While indicating that they intended to endorse the cuts Syriza had agreed, EU officials refused to seal a final agreement with Greece. Rather, they made clear that they intended to demand even more cuts before disbursing aid to Greece.

At a press conference after the talks, Juncker and European Council President Donald Tusk said that they were confident that these proposals would produce results. Tusk called Syriza's proposals "a positive step," adding that they "will be assessed in the coming hours." Juncker predicted that a Greece-EU deal could be finalized this week, after a meeting Wednesday of the Eurogroup finance ministers. The agreement could then be formally adopted at an EU summit on Thursday.

In a separate press conference, however, German Chancellor Angela Merkel said that "intensive work" was still needed to reach an agreement to avert Greek state bankruptcy.

Dutch Finance Minister Jeroen Dijsselbloem, who heads the Eurogroup, made clear that further cuts would be required to satisfy the EU. Claiming that financial officials could not analyze the Greek proposal in a satisfactory way in one day, he said that Syriza's new plan was only "a basis to really restart the talks again and really get a result."

Asked to explain why EU government leaders even bothered to attend the summit if no decision could be taken there, one EU official told the *Guardian*, "The idea is to remove from Tsipras the illusion he can get a better deal at the summit, or that a decision can be taken at the summit level. The point is to have Tsipras learn the position of the other leaders."

The summit's outcome is not only a new humiliating surrender by Tsipras's Syriza party, but a bitter lesson on the bankruptcy of its pro-capitalist perspective of opposing austerity through deals negotiated with the EU.

Workers overwhelmingly reject EU austerity in Greece and throughout Europe. This was the driving force behind the election of Syriza in Greece. It is reflected in mass protests against austerity held last weekend in Britain, bitter opposition to the Hartz IV social cuts in Germany, and the discrediting of the Socialist Party (PS) in France. Nonetheless, the EU has succeeded in forcing Syriza to impose ever more draconian austerity measures and cross all its own "red lines," accepting all of the cuts demanded by the banks, and more.

This is not an expression of great strength on the part of the EU, a widely reviled organization that speaks for a financial aristocracy comprised of a tiny minority of the European population. Rather, it is an expression of the class character of Syriza and its hostility to socialist revolution and the working class.

As a party speaking for sections of the Greek capitalist class and affluent layers of the middle class, it accepts the entire free-market economic and social framework of the EU. From the outset it pledged not to repudiate the Greek debt or impose capital controls to halt the outflow of cash from Greek banks.

Facing a cutoff of credit from the EU, it raided billions of euros of cash reserves from Greek public institutions to pay off its creditors. Among these creditors is Greece's own not insubstantial banking sector, where Syriza officials and their financial bankers store much of their wealth.

Tsipras and other Syriza officials have spent untold hours cajoling and pleading with the representatives of finance capital in one country after another. They have never made an appeal to the working class, either in Greece or the rest of Europe, to mobilize in opposition to the attacks by the various governments or the EU.

The leaders of the EU, for their part, had already taken the measure of Syriza before it came to power. They saw it as the representative not of the insurgent Greek masses, but of bankrupt Greek capitalism. That is why, even as Europe teetered on the brink of a financial crisis provoked by the EU's reckless cuts and its threats to expel Greece from the euro zone, EU officials ruthlessly pressed their advantage.