International Monetary Fund discussed forcing Greek debt default

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A leaked transcript published April 1 by WikiLeaks of a March 19 teleconference between leading International Monetary Fund (IMF) officials Delia Velculescu, head of the IMF Representative Mission to Greece and Poul Thomsen, director of the IMF's European Department, lifts the lid on the underhand and criminal methods employed to enforce austerity on the Greek working class.

The leak was timed just before the commencement of talks on April 4 between Greece's pseudo-left Syriza government and the "quartet" of its creditors—the European Commission, European Central Bank, IMF and the European Stability Mechanism. The purpose of the talks is to agree on further austerity measures to be implemented by Syriza and its xenophobic coalition partners, the Independent Greeks, in return for its next loan tranche worth €5.7 billion.

The discussion between Thomsen and Velculescu centered on differences between the European Union (EU) and IMF regarding how to enforce the terms of Greece's third austerity package, signed by Syriza Prime Minister Alexis Tsipras last August.

Referring to German Chancellor Angela Merkel, Thomsen is quoted as saying, "Look you, Mrs. Merkel, you face a question. You have to think about what is more costly: to go ahead without the IMF, would the Bundestag say 'The IMF is not on board'?—or to pick the debt relief that we think that Greece needs in order to keep us on board?"

The German government, leading the rest of the EU behind it, is opposed to a "haircut" of Greece's €300 plus billion debt, given that it holds the biggest portion of it. Following a meeting with IMF chief Christine Lagarde on April 5, Merkel reiterated this position by claiming that a Greek haircut "is legally not possible in the Eurozone."

The IMF has long stated that its participation in Greece's third Memorandum is conditional on a partial write-down of the debt, in return for even more draconian austerity measures than those currently being imposed.

On the conference call, Velculescu complained that the EU is "backtracking" on the issues "of pension reform, income tax credit, VAT and the wage bill," while Thomsen stated that "if [Greece] come around to give us 2.5 percent [of GDP in tax hikes and pension-wage-benefits cuts]... we should be fully behind them."

Thomsen and Velculescu expressed concerns that the prospect of resolving differences over Greece could be long and drawn out and further exacerbated by the June 23 "Brexit" referendum called by the British government on whether the UK remains in the EU.

According to Thomsen, "The Europeans are not going to have any discussions for a month before the Brexits and so, at some stage they will want to take a break and then they want to start again after the European referendum."

To avoid this scenario, Thomsen and Velculescu expressed the need for a credit "event" to force the EU and Greece to accept the IMF's line and avoid prolonged negotiations. The transcript states:

Thomsen: …What is going to bring it all to a decision point? *In the past there has been only one time when the decision has been made and then that was when they were about to run out of money seriously and to default. Right?* [Emphasis added]

Velculescu: Right!

Velculescu then states the IMF could put an ultimatum to Germany in April, motivating this exchange:

Thomsen: But that is not an event. That is not going to cause them to… That discussion can go on for a long time. And they are just leading them down the road… why are they leading them down the road? Because they are not close to the event, whatever it is.

Velculescu: I agree that we need an event, but I don't know what that will be. But I think [Jeroen] Dijsselbloem [president of the Eurogroup] is trying not to generate an event, but to jump start this discussion somehow on debt, that essentially is about us being on board or not at the end of the day.

This extraordinary exchange is an expression of the gangster-like modus operandi of the financial elite, who will stop at nothing to preserve their wealth and stranglehold over society—even if it means bankrupting and destroying an entire country. It gives the lie to the claim that blind market forces dictate the fate of the Greek economy, as opposed to conscious policy decisions designed to assert and preserve the class rule of the global financial aristocracy.

The public outcry in Greece following the revelations was not matched by Syriza. In a letter to Lagarde, addressed "Dear Christine", Prime Minister Alexis Tsipras tamely asked whether Thomsen's and Velkulesku's position "reflects the official IMF view" and whether " Greece can trust, and continue negotiating in good faith with IMF officials who express views such as those expressed in these publications." He concluded his letter by groveling, "As always, I would be happy to talk to you any time on these issues, as I am sure your share my concern."

In reply Lagarde claimed that "any speculation that IMF staff would consider using a credit event as a negotiating tactic is simply nonsense."

Without a shred of evidence, she essentially blamed the Greek government for the transcript being made public and demanded the "[Greek] authorities ensure an environment that respects the privacy of [the IMF team's] internal discussions and take all necessary steps to guarantee their personal safety."

Anxious to comply with Lagarde's diktat, Tsipras' government sent 15 armoured police vans and riot police to surround the Hilton hotel in Athens where officials of the quartet were meeting with the government's economic team. This was in response to a small 300-strong protest, organised by public sector trade union federation ADEDY with the participation of pseudo-left outfits Popular Unity and Antarsya.

Alongside its private sector counterpart, GSEE, ADEDY has called countless one-day general strikes over the last six years in order to dissipate workers' anger, while one austerity package after another has been forced through the Greek parliament. This treachery culminated in their endorsing a "Yes" vote in last July's referendum, in opposition to the overwhelming "No" vote by the population against, on whether Greece should accept a third memorandum of austerity.

The talks are continuing this week in Athens. Germany is anxious to prevent any "wrong signals" being sent regarding a let-up in continent-wide austerity, with Greece at its epicenter, while the US-led IMF is anxious to maintain its tough stance globally. Speaking to Bloomberg, Jacob Kirkegaard, senior fellow at the Peterson Institute for International Economics in Washington, said, "The IMF is gearing up for new clients in the emerging economies. That is not best done by being soft on Greece."

Syriza, which came to power in January last year on a mandate to oppose austerity, is now despised by many who voted for it. According to a poll published by the University of Macedonia April 1, it trails the conservative New Democracy by eight points.

Syriza is keen to demonstrate to the creditors it will do all required to continue austerity and fulfil a €15 billion privatisation programme. Last Friday, Syriza announced the government had sold a controlling stake in the country's largest port, Piraeus, for €368.5 million to Cosco, the Chinese state shipping group.

The *Financial Times* noted, "Tsipras opted to host the signing ceremony at his own office, underlining his government's newfound enthusiasm for infrastructure deals with foreign investors."

While the deal was being signed, hundreds of Piraeus port workers protested and were attacked by riot police in a park close to Tsipras' office.

The transcript of the IMF discussion can be read here .