

After Syriza pushes through more austerity, EU approves loan to Greece

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An 8.5 billion euro loan to Greece was approved following a meeting of the Eurogroup council of the EU's finance ministers on June 15. The payment forms part of the 86 billion euro bailout programme signed by Greece's Syriza ("Coalition of the Radical Left") government in the summer of 2015 and will be used to pay debt liabilities due in July.

The agreement was reached following a series of brutal austerity measures fast-tracked by the Greek parliament recently, as a precondition demanded by Greece's creditors. These include additional cuts to pensions of between 9 and 18 percent, the reduction of the tax-free allowance from €8,636 to €5,681, as well as cuts in heating allowance, unemployment insurance and other benefits. Measures designed to facilitate mass sackings as well as further selloffs of public assets were also enacted.

In a statement, the Eurogroup praised the Greek government, declaring that "[it] welcomes the adoption by the Greek parliament of the agreed prior actions for the second review." IMF Chief Christine Lagarde also enthused, "we have recently seen significant progress by the Greek government on policy reforms, with a staff-level agreement followed by supportive legislation from the Greek Parliament."

Writing in the German daily *Die Welt* the day before the Eurogroup meeting, Greek Prime Minister Alexis Tsipras reviewed his record in implementing the diktats of the European Union (EU) and the International Monetary Fund (IMF). He boasted that "in the two years that our government is in office, we have implemented more reforms than all the other European states combined."

Now his government has "gone a step further," he added: "We have agreed to the change in the composition of our budgetary policies for the years

2019 and 2020, and have poured them into legislation, so as to reduce the reservations of our lenders with regard to our ability to achieve the agreed budgetary targets in the long term."

Tsipras' article once again exposes Syriza's role as a reactionary tool of the financial elite, imposing the austerity diktat of the EU and the IMF. Syriza was swept into power in January 2015, winning mass support on an anti-austerity ticket. Just a few months later, it capitulated to Greece's creditors, signing a new bailout package and trampling the overwhelming "no" vote of Greek workers and youth against austerity in the July 2015 referendum Syriza itself organized.

Greece's overall debt burden remains around €300 billion—a gigantic and unsustainable 180 percent of GDP. Despite Syriza's eagerness to implement austerity, talks in reaching the agreement were drawn out over a period of six months, leading to fears of a new financial crash.

The problem centered on the differences between the EU and the IMF. The IMF points out that Greece's debt is unsustainable and that a "haircut" is necessary, based on which it demands even more draconian cuts. This was resisted by Berlin, Greece's largest creditor, which considers debt relief as contrary to EU rules. The latest austerity measures were in fact adopted by Athens at the behest of the IMF, whose public position was that it would put pressure on EU lenders to offer debt restructuring in return.

In the end, while no deal on debt relief was reached, the IMF did agree to join the Greek programme on an Approval in Principle (AIP) basis. It stated that this "would allow the IMF to be supportive of the progress made on policies, while release of resources under the IMF arrangement would be conditional upon Greece's European creditors providing commitments for debt

relief sufficient to secure debt sustainability.”

There were a few cosmetic concessions from the German side, in the form of additional details on potential debt relief measures. The Eurogroup statement declared that maturities could be extended by up to 15 years, and that Athens might reduce the primary tax surplus it is withdrawing from Greece’s economy. It also said that debt relief should be linked to Greek GDP growth.

The agreement has enabled German Finance Minister Wolfgang Schauble to formally get the IMF on board without committing to formally agreeing to debt relief measures, which according to the Eurogroup statement would be adopted only “to the extent that they are needed” and “will be confirmed at the end of the programme.”

The need to avoid the Greek debt crisis from flaring up before the federal elections in Germany this September doubtless played a role in these calculations. IMF participation in the Greek debt programme is seen as a prerequisite within the ranks of his Christian Democratic Union’s parliamentary group for the programme to continue.

Deepening international geostrategic tensions, mainly the open and growing rift between Germany and the United States since the election of Donald Trump as US president, also drove Berlin to offer the minor concessions it made. Trump has attacked German car exports to the US market and refused in a gathering in Brussels last month to reaffirm a commitment to Article 5 of the NATO treaty, which obligates member states to come to each other’s assistance when attacked.

These developments led German Chancellor Angela Merkel to recently declare: “The times when we could fully rely on others are to some extent over... We Europeans must really take our destiny into our own hands.”

In asserting its imperialist interests over Europe in the wake of Trump and the potential fallout from Brexit, the German ruling elite requires the alliance of other European powers, particularly France. Newly elected French President Emmanuel Macron recently declared, “I am in principle in favour of a concerted restructuring of Greek debt and in keeping Greece in the eurozone. Why? Because the current system is unsustainable.”

France was instrumental in brokering the agreement

last Thursday. French Finance Minister Bruno Le Maire held talks with both his Greek and German counterparts.

This led many commentators to hail a resurgent Franco-German axis in Europe. The *Financial Times* declared that German Chancellor Angela Merkel “has a pro-European ally in France’s newly elected president Emmanuel Macron. His pledge to reform the French economy and zeal for greater European integration align with Merkel’s vision. The upshot: a reinvigorated German-Franco axis that could spawn more political cohesion and economic integration, including a eurozone budget, eurozone bonds and greater regulatory standardisation across many fragmented markets.”

The example of Greece makes clear that such a Franco-German axis, far from representing an alternative to US imperialism, is itself a reactionary imperialist alliance, ruthlessly waging a social counterrevolution against workers in Europe.

The formation of such an alliance is itself only a step in a drive to world war by the imperialist powers that is already underway. Macron has pledged to bring back the draft and step up the deployment of French troops overseas, in line with German imperialism’s moves to remilitarize its foreign policy.



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