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European Union demands more austerity in Greece

By Robert Stevens

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The “troika” of the European Commission, International Monetary Fund (IMF) and European Central Bank is stepping up its demands that Greece impose devastating austerity measures already agreed and to carry out even more.

The penalty for not doing so is the withdrawal of a further loan tranche of €4.9 billion. Without the loan, Greece will default on its overall €240 billion loan agreement with the troika, as it must pay back bonds worth about €10 billion in May.

The €4.9 billion was originally scheduled to be released to Greece last year, if Greece passed a regular review of its austerity agenda. The review began last September, but has been interrupted three times by the troika. Their inspection team was due to return to Athens on January 15 and then on January 23.

In a January 23 press briefing, Deputy Spokesman of the IMF Communications Department William Murray said there was now no specific mission date set, and that the troika would only return when differences over “a number of issues, fiscal, structural” are resolved.

There is still no agreement between the New Democracy/PASOK government and the troika on the size of budget cuts required to close an estimated €4.5 billion gap in the 2013-14 budget. This is despite Greece passing its 2014 budget in December, which included more than €3 billion in additional cuts.

The troika is demanding that previously-agreed cuts in the public sector be maintained, including at least 11,000 job losses this year, and that privatisations be speeded up.

The IMF is also at odds with the government's decision to cut from 23 percent to 13 percent a Value Added Tax for restaurant and food services. It wants the government to specify austerity measures to fund a shortfall in a new property tax, estimated at €400 million by the troika and €200 million by the Greek finance ministry.

A major factor in the delay of the troika's review is its insistence the government push through hundreds of deregulation measures aimed at removing all barriers to the operations of global capital. All told 329 recommendations were made by the Organisation for Economic Cooperation and Development after it conducted an 11-month study. It declared that 555 regulatory restrictions were in place which should be amended or repealed.

Citing an e-mail from the troika to the Development Minister Costis Hatzidakis, *Kathemerini* reported, "The troika says that these reforms are of 'central importance' to improving the competitiveness of Greek businesses, reducing prices for local consumers and creating jobs. The country's lenders also note that adoption of the OECD's recommendations would send an 'important message' about the government's appetite for reforms."

According to sources the government has agreed to around 80 percent of the OECD recommendations, but this may not be enough to sway the troika.

Another major troika concern is the news earlier this month that the Greek Council of State has ruled as "unconstitutional" previous cuts in wages to members of the armed forces, police, coast guard, and firemen.

The judgement was made after a legal challenge was taken out in January 2013 by federations representing the armed forces and other uniformed groups, in opposition to the imposition of the wage cuts. The cuts included the retroactive return of "unnecessarily paid out wages", effective from August 1, 2012. The legal challenge emphasised that the cuts went against the constitutional principle of proportionality and ran counter to the European Convention of Human Rights provisions on fair pay.

The Ministry of Finance calculated that reversing just these wage cuts alone would cost around €500 million, but admitted that this was just an initial estimate. It could be as much as €1 billion. The Council also indicated it was considering legal appeals from social security fund bodies and other civil servants in the same "special salary grid" as the armed forces, such as the judiciary and university teachers, who have also faced drastic wage cuts.

Wage cuts in the public sector constitute around a tenth of all austerity imposed since 2010. Civil servants earning more than €1,500 a month have had their wages slashed cut by between 20 and 35 percent.

Greece estimates a 2013 primary budget surplus at €830 million, before debt servicing. It is expected that as a result of the Council ruling, any surplus will be wiped out, throwing Greece's agreed targets with the troika into turmoil.

Senior government figures warned that paying back the wages would lead to other spending cuts being necessitated by the bankrupt state. Greek Health Minister Adonis Georgiadis said, "No matter how many court decisions there are, we won't suddenly be able to generate money."

Christos Staikouras, deputy finance minister said, "It's an additional headache, even though we've outperformed budget targets for 2013… We'll do it if we're obliged to, but we will have to find fiscal equivalents on a permanent basis."

Since 2010 the troika has imposed mass austerity in Greece, pauperising the population, in order to use this small nation as a test bed to impose austerity throughout Europe. With the full collaboration of successive governments and the trade union bureaucracy, six austerity packages have been imposed. Regular threats have been made by the troika to withdraw funding to Greece, without which it would soon default on its total debt, which still remains well above €300 billion.

Leading up to and during this week's meeting of Eurogroup leaders, further threats were made by the troika and other senior EU officials. Dutch Finance Minister Jeroen Dijsselbloem, the chairman of the Eurogroup of euro zone finance ministers, complained that the review of Greece's position has, "been going on since September-October," and had to be finalised, "as soon as possible."

He added "far too little" progress had been made and "further work is needed in Greece before the troika can return to Athens."

At the meeting German Finance Minister Wolfgang Schäuble said despite measures already taken, "Greece still has a lot to do," and "More efforts are required."

Following the summit, Greek Finance Minister Yannis Stournaris said it was now unlikely that Greece would receive any funding from the troika before March. This acknowledgement was made under conditions whereby a director for Europe at the Eurasia Group, a consulting firm that evaluates political crisis, recently observed that Greece was "slipping on all of its fiscal and structural targets."

Despite the fact that Greece has drawn down around €200 billion of €240 billion in loans from the troika, it is no closer to ending its crisis. Greece's GDP has fallen by 25 percent since the onset of the global economic crisis in 2008—a steeper fall than during the Greek Civil War—with the economy mired in its sixth year of recession.

According to a number of economists, Greece will require a further bailout next year of €7 billion to €11 billion.