Greek parliament debates new round of austerity measures

By Christoph Dreier and Chris Marsden
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The Greek parliament is continuing to debate a fresh round of harsh austerity measures, which are expected to pass sometime Friday morning.

The debate over the new "memorandum of understanding" between the European institutions and the Syriza government comes just one month after the landslide "no" vote in a referendum held on further austerity.

The Syriza-led government responded to the overwhelming repudiation of further cuts by moving as rapidly as possible to secure an agreement with the European banks.

Prime Minister Alexis Tsipras is relying on the support of the openly pro-austerity opposition parties—New Democracy, PASOK and To Potami—to get the proposed deal passed. Sections of the "Left Platform" within Syriza, as well as Tsipras' coalition partners, the Greek Communist Party (EEK) and the fascist Golden Dawn have indicated that they will vote against the proposal.

On Thursday, the bill was argued over in committee discussions for about nine hours so the main parliamentary debate was delayed until the early hours of the morning. Under former energy minister Panagiotis Lafazanis, the Left Platform made a show of opposition while professing loyalty to the government. This opposition is a political fraud, as the Left Platform has played and continues to play a key role in covering for Tsipras and presenting the Syriza-led government as a mechanism for opposing austerity.

Lafazanis declared prior to the debate that he is planning to build a nationwide movement "against the new memorandum" in a public statement together with twelve other Syriza members, who are not deputies in the parliament. The Tsipras leadership responded by saying that Lafazanis had clearly decided "to choose a different path from that of the government and Syriza."

There is now talk of expulsions even prior to a planned party congress in September and the convening of early elections that might lead to some form of national coalition between Syriza and one or more opposition party.

The measures proposed by the Syriza government go far beyond the attacks imposed by previous governments. In a situation of a deep depression, parliament will likely pass a bill that will intensify social cuts and tax hikes that will hit small farmers and poor flat owners.

The government has also agreed to privatise huge tranches of state property and to cut the already small pensions even further to save more than one percent of the GDP over the next one and a half years.

This is only the beginning. The "memorandum of understanding" is a 29-page document with very detailed instructions for the work of the Greek government and parliament over the next three years. It completely suspends any democratic accountability over the running of Greece's economy and places its functioning under the direct control of the European Union.

"The authorities will accordingly pursue a new fiscal path premised on a primary surplus targets of -1?4, 0.5, 13?4, and 3.5 percent of GDP in 2015, 2016, 2017 and 2018 and beyond, respectively," the memorandum states. These specifications mean even harsher austerity measures than those already agreed on.

The Syriza administration will therefore soon face further demands issued by officials from the EU, European Central Bank and (possibly) the International Monetary Fund (the "troika"), who will make regular visits to Athens.

It is disputed whether figures from the Greek statistics agency, showing a slight economic growth for the second quarter of this year, are accurate. But even if they are, Greece remains mired in a deep recession that further cuts will only exacerbate. Even EU circles predicted this week a decline in GDP of 2.3 percent for this year and 1.3 percent next year.

Regarding Greece's debt, the memorandum leads to an even bigger burden. Even the optimistic figures of the EU commission foresee an increase of the debt-to-GDP ratio to 201 percent next year. In 2009, before the so-called rescue packages, the ratio was 130 percent.

Nevertheless the German government has repeatedly ruled out any haircut for Greece's creditors: the ECB and primarily German, French and Italian banks.

German Deputy Finance Minister Jens Spahn told the radio station *Deutschlandfunk* that "under the term debt relief you can also talk about extending maturities, having a period without making interest payments or redemption payments and we can talk about that, we have always said that."

At the same time, the finance ministry also made clear that even after the "yes" vote of the Greek parliament, the deal is not guaranteed. The finance ministers of the euro zone will meet today to decide on whether to accept the agreement. If they do, then several parliaments still have to approve the decision. A vote in the German parliament is planned for Tuesday or Wednesday next week.

The Greek government is hoping for a new credit program that would provide the country with loans of up to €86 billion to be able to pay back older loans from the troika and so avoid state bankruptcy.

German Finance Minister Wolfgang Schäuble (CDU) announced Wednesday that he still sees a need for further "clarification." According to a paper of the ministry, Schäuble is demanding a more effective privatisation strategy. Too many measures start too late—in October or even November—rather than immediately, the paper states.

The general reaction from European governments to Syriza's capitulation, however, was positive. The European institutions issued a statement praising the "very good cooperation of the Greek authorities during the review mission, which has made possible this agreement after several months of negotiations."

According to spokeswoman Annika Breidthardt, the European Commission is still preparing for the eventuality that no agreement is reached on Friday. Under these circumstances, a bridge credit from the European Financial Stability Mechanism, along the lines suggested by Germany, would be possible in order to avoid an immediate bankruptcy, Breidthard said. It remains unclear whether the IMF is willing to take part in the third credit program at all.

IMF official Delia Velculescu has called once more for EU states to accept some form of debt relief, concerned that the scale of austerity measures being demanded is unsustainable—and may provoke economic collapse and social unrest.