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Prime Minister Tsipras' Bailout Reform Package: An Act of Treason against the Greek People

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After having launched a Referendum to refute and refuse the debt bailout agreement put together by the Troika, Prime Minister Tsipras together with his newly instated Finance Minister, comes up four days latter with an austerity package broadly similar to the one which was turned down by the Greek government in June.

This about-turn had been carefully engineered. The Greek people were misled and deceived. The Referendum was an outright "ritual of democracy".

Tsipras had made a deal with the creditors. He was in favor of accepting the demands of the creditors all along.

Tsipras led the "NO" campaign while having already decided that in the wake of the Referendum, he would say YES to the creditors and cave in to their demands. This is tantamount to an Act of Treason.

There was no attempt by the Tsipras government in the immediate wake of the Referendum to renegotiate or extend the deadline on behalf of the Greek people in response to the NO Vote. On Monday morning, the day following the Referendum, **Yanis Varoufakis** who had led the negotiations with the Troika resigned as Finance minister. Did he wilfully resign or was he "dismissed" to facilitate an agreement with the Troika?

Creditors are known to influence appointments to key ministerial positions.(e.g. South Korea, December 1997 at the height of the Asian Crisis, the Finance minister and the Head of the Central Bank are dismissed on the orders of Washington).

Varoufakis was hastily replaced by **Euclid Tsakalotos**, who took office on Monday morning. His appointment as Finance Minister and chief negotiator (which must have been known well in advance) was broadly welcomed by the EU political and financial establishment.

Prime Minister Alexis Tsipras together with his new finance minister then held meetings throughout Monday both with Syriza and the opposition. And by the end of the day, a "joint statement" was speedily signed "by almost the entire political spectrum backing his efforts to seek a new deal from the country's creditors."

Tsipras later told Parliament that his government had been forced to cave in to the demands of the creditors. He also said that the referendum did not authorise the government to envisage the Grexit, namely an exit from the eurozone.

What he failed to mention is that the NO Vote gave him a political mandate to renegotiate the deal on behalf of the Greek people with a view to at least alleviating the deadly impacts of the proposed austerity measures.

By Thursday, a document of 13-pages containing concrete reforms and austerity measures was sent to the Troika. The initiative was intended, according to media reports "to act as a foundation to free up a new three-year, 53.5-billion euro bailout package to save the nation from bankruptcy".

These proposals outlined in the 13 page document spell disaster for Greece

They involve massive tax hikes, a drastic reduction in public sector wages, cuts in pensions including an increase in the retirement age to 67, the privatization of state assets including public utilities and infrastructure: "The government will look at selling off state assets and will get the ball rolling on privatizing the electricity grid company, regional airports and ports including Pireaus and Thessaloniki."

Neoliberalism and deadly "economic medicine" carried out by a Leftist Party. Below are some of the highlights of these proposals: (emphasis added)

> The proposals include a slew of tax hikes including a 23 per cent value added tax on restaurants and catering, a reduced 13 per cent tax on basic foodstuffs, energy hotels and water and a so-called "super reduced" rate of 6 per cent on such things as pharmaceuticals, books and theatre — perhaps appropriate for a country that pioneered drama. The new tax levels will kick into gear this October. **[These tax hikes will kill the Tourist industry and trigger bankruptcies of local restaurants and hotels]**
>
> Moreover, special tax breaks for the country's islands — popular tourist magnets — will be scrapped. Only the most remote islands will get to keep the coveted tax breaks.
>
> Military spending will be slashed by 100 million euros this year and double that in 2016. Corporate tax will increase from 26 to 28 per cent and farmers will lose preferential tax treatment and fuel subsidies. **[This will trigger bankruptcy of farmers]**
>
> The government is looking at reforms that would bring permanent savings of 1/4- 1/2 per cent of gross domestic product in 2015 and 1 per cent of GDP in 2016 and beyond. Measures aimed at achieving those numbers include discouraging early retirement and standardizing the retirement age to 67 by

2022 — except for those performing "arduous jobs" and mothers raising kids with a disability. **[delaying retirement also contributes to increasing youth unemployment]**

Social pensions will be better targeted, while supplementary pension funds will be financed by employees' own contributions. Perks such as a solidarity fund will be gradually phased out and health contributions for pensioners will jump from 4 to 6 per cent on average. More reforms will kick in to make the pension system more sustainable, including an overhaul of pension contributions for all self-employed. [Drastic reduction in social benefits will trigger mass poverty]

Authorities will shape up public sector wages to ensure that they're on a downward trajectory by 2019 and that they fit "the skill, performance and responsibility" of staff **{Destruction of the public sector]**

…

Amendments on insolvency laws will aim to get debtors to pay up loans, while consultants will help on how to deal with bad loans. Steps will also be taken get foreign investors to pour their money into Greek banks.

The government will open restricted professions such as engineers, notaries and court bailiffs. It will draw up laws aimed at getting rid of red tape and making it easier to get business licenses, while reforming the gas market.

The government will look at selling off state assets and will get the ball rolling on privatizing the electricity grid company, regional airports and ports including Pireaus and Thessaloniki. [**A piece of cake for foreign investors, who will acquire the country's public utilities and infrastructure]**

What is not explicitly mentioned in the 13 page document is the logic of "vulture investment", leading to the eventual demise of "Greek capitalism" including its banking and commercial shipping industry.

(The essential elements of both the joint statement and the 13 page document were no doubt drafted prior to the Referendum).

Who are the Main Actors?


The Troika is acting on behalf of the creditor institutions. They do not call the shots. The ECB is integrated by individuals who are in close liaison with major banking interests including JP Morgan Chase, Deutsche Bank and Goldman Sachs.

Similarly, the Washington based IMF (which essentially is a debt collecting bureaucracy) is part of what is called the Washington consensus, with links to the US Treasury, Washington's economic think tanks and of course Wall Street.

Christine Lagarde, IMF Managing Director, left

There were divisions within the Tsipras government's negotiating team. What has to be emphasized is the fact that no concessions were granted by the creditors at any stage of the negotiations.

In February, former Finance Minister Varoufakis had intimated that Greece would meet its debt obligations but would not be able to abide by the drastic austerity measures required by the creditors, including massive lay offs of public sector employees, reform of pensions and social security, etc.

These reforms will not only exacerbate the economic and social crisis, the resulting economic stagnation will also contribute to increasing the sovereign debt. And that is what the creditors are seeking.

Unemployment according to official statistics is currently of the order 26%. Youth unemployment is at 50%. The real rate of unemployment is significantly larger than the figure published by the government.

Debt Conditionalities

What must be understood is that creditors are not necessarily strung on outright reimbursement of sovereign debt. Quite the opposite. Their objective is to make the debt go up through so-called debt rescheduling, which essentially allows them to lend more money to the debtor. This new money then facilitates the process of debt servicing. “We will lend you the money and with the money we lend you, you will pay us back.” New loans to pay back old debts.

This procedure has been routinely applied as part of the IMF-World Bank structural adjustment program (SAP) for more than thirty years. The debt burden goes up. The country is increasingly in a straightjacket. The creditors call the shots on macro-economic reform.

In this regard Tsipras’ new request is for the granting of a package of 53.5 billion euros, most of which will be used to service its debt. Most of the money will not enter the country. This money will be granted by Greece’s creditors in exchange for a dramatic reform package.

Debt and the Real Economy

What has to be addressed is the relationship between debt collection in monetary terms and the real economy.

The creditors will use Greece’s multibillion debt obligations as means to impose deadly macro-economic reforms which will serve to destabilize the national economy and further impoverish the population. These are referred to by the IMF as “policy conditionalities’, which enable the creditors to essentially dictate economic and social policy.

The creditors are largely interested in acquiring real wealth within the national economy, namely the acquisition of Greece’s national banking institutions, its public enterprises, its agricultural land, etc.

The Tsipras 13 page document spells disaster: a further process of impoverishment, the take over of the country’s public assets and infrastructure, bankruptcy of farmers and small businesses, the influx of foreign investors who will buy up the country’s wealth at rockbottom prices.

The substance of the Tsipras proposal was endorsed on Friday July 10 by the Greek parliament in a vote of 251 in favor, 32 against and 8 abstentions. There was a significant movement against the proposal from with Syriza.

Greek Parliament June 10 2015

The 13 page document outlining government reform and austerity proposals is slated to be used in negotiations with Greece's creditors over the weekend.

What is at stake in the proposed reform package is an engineered process of impoverishment, the demise of social programs and a de facto bankruptcy program intended to spearhead national and regional level enterprises into bankruptcy.

Greece's acceptance of the creditors demands is tantamount to foregoing its sovereignty as a nation state.

The economic and social consequences are likely to be devastating.

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