

Last updated: June 1, 2012 4:48 pm

Syriza aims to renegotiate Greek bailout

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By Joshua Chaffin and Kerin Hope in Athens



Alexis Tsipras, head of the leftwing coalition Syriza

The leftwing party that came a surprising second in last month's Greek elections has pledged to halt interest payments due on the country's debt and revoke the terms of its bailout agreement if it comes to power in a re-run vote on June 17.

Alexis Tsipras, leader of the far-left Syriza party, said he would also cancel €11bn of cuts due to be implemented this month, reverse promised labour reforms and raise taxes on the wealthy.

The proposals are the most radical unveiled to date by the hardline leftwing party which is neck and neck with the pro-bailout conservative New Democracy party, according to opinion polls.

"The choice for Greeks on June 17 is one: bailout or Syriza's government programme," Mr Tsipras said in a speech on Friday. "You either implement the bailout or you cancel it. There is no such thing as a more or less evil bailout, a more or less inappropriate medicine."

At the heart of the plan presented on Friday by Syriza is a renegotiation of the austere terms of the €174bn emergency loan Greece received from the EU and the International Monetary Fund, including a suspension of interest payments.

"We cannot pay €1bn per month on interest payments as long as the recession goes on," George Stathakis, one of the party's four chief economists, said in an interview with the Financial Times.

Syriza would forgo a promise to lenders to identify another €11bn in budget cuts by the end of this month as well as a commitment to prioritise government revenues for the repayment of foreign creditors.

The party also restated its commitment to nationalise the country's banks and pledged to freeze the privatisation programme, and reverse legislation that imposed a 22 per cent cut in the minimum wage.

The re-run election was set after none of Greece's major parties was able to form a government following the May 6 poll in which Syriza harnessed public fury over the EU-IMF loan programme to garner 17 per cent of the vote.

A Syriza government, Mr Stathakis told the FT, would honour all the country's foreign debts – except those incurred to pay for German military equipment, which have been the subject of various scandals.

“We are willing to make any agreement, any compromise, as long as it is viable,” he said.

Mr Tsipras, the party's 37-year-old leader, is trying to overcome doubts that he can offer more than just defiance to angry voters and prove that he can be trusted to govern. Syriza is often seen as an unwieldy coalition of a dozen different leftist parties, with rival views and personalities.

Syriza's chief argument is that employment must be stabilised in order to arrest a freefall that has seen the Greek economy shrink by nearly a fifth in five years, making it ever-more difficult for the country to repay its debts.

Greece needs some €70bn-€80bn in near-term investment to restart the economy, estimated Mr Stathakis, who authored a history of the US Marshall Plan that helped to rebuild the country after the second world war.

Syriza's promises to protect employment have run into scepticism among many voters and economists who say it is merely offering a return to the clientelist policies that swelled the ranks of Greece's public workers and piled up debt.

Antonis Samaras, the New Democracy leader, has promised to seek amendments to the loan agreement, although he has presented himself as a more credible negotiating partner than Mr Tsipras, who has made taunting Angela Merkel, German chancellor, and Christine Lagarde, IMF managing director, a staple of his campaign.

In terms of generating revenue, Mr Stathakis dismissed a privatisation programme prescribed by the IMF as wildly unrealistic.

Instead, Syriza aims to replenish government coffers by increasing taxes on the wealthy – something that is sure to provoke opposition. The top rate, according to its plan, would reach 45 per cent, although the party wants to lower the value-added tax, which disproportionately hits the poor.

Mr Stathakis said Syriza would seek to bring Greece's powerful shipping industry into the tax system – something that a succession of Greek governments has tried and failed to do in the past. The rates, he promised, would be modest.

“They have to contribute a small share ... like every other Greek,” Mr Stathakis said.