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# THE DEBT ISSUE AND EU-SCENARIOS

- Debt's tendency
  - general increase in EU\*

	2011	2012	2013	2014
<b>EU28</b>	80.9	83.7	85.5	86.8
<b>EA 19</b>	85.8	89.1	90.9	91.9
<b>Cyprus</b>	66	79.5	102.2	107.5
<b>Greece</b>	171.3	156.9	175	177.1
<b>Italy</b>	116.4	123.1	128.5	132.1
<b>Spain</b>	69.2%	84.4	92.1	97.7
<b>Portugal</b>	111.1	125.8	129.7	130.2
<b>Ireland</b>	111.2	121.7	123.2	109.7

- The same increase through all over the world\*\*

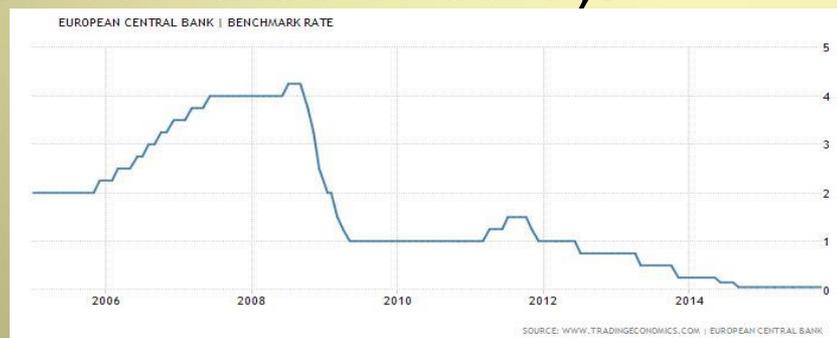
	2011	2012	2013	2014
<b>World</b>	78.7	80.5	79.1	79.8
<b>Advanced Economies</b>	102.6	106.8	105.2	105.3
<b>USA</b>	99.1	102.4	103.4	104.8
<b>Emerging Markets &amp; Middle Income Economies</b>	38.4	38.6	39.7	41.7
<b>Low Income Developing Countries</b>	30	30.2	30.7	31.3

\*Eurostat, newsrelease, 72/2015 – 21 April 2015

\*\*IMF, Fiscal Monitor, Now is the Time, April 2015

- The prospects of Greece are more gloomy for the near future due to the 3<sup>rd</sup> loan (<86 bn.) that government signed on August of 2015.
- On 2016 debt will reach on 333.5 bn. or 192.4% (299 bn. or 115% of GDP on 2009. before rescue begin).
- It's final amount will be defined according mainly the definitive requirements of banks (and the participation of IMF).
- This loan too, like the previous ones (2010, 2012), was characterized by Truth Committee of Greek Parliament as odious, illegal, illegitimate and unsustainable.
- Truth Committee had called since June the government to declare unilateral cessation of payments.

- Some basic conclusions from debt's dynamic
  - Fiscal consolidation failed to retrieve fiscal derailment
  - The debt crisis persists
  - Reduction of debt through traditional recipes (e.g. inflation) remains most succeed recipe
  - The crisis-hit countries much more vulnerable to an alteration of economic climate (eg. Increase of interest rates of euro).



- Modifications of EU policy responds to these realities, too
- What do they contain:
  - Past (Stability Pact, Euro Plus Pact, etc)
    - Balanced budgets
    - Penalization of deficits
    - Monitoring of economies of member states through European Semester
    - Semi-automatic mechanisms of correction and penalizing

- Modifications of EU policy contain:
  - Future: “Five presidents’ report”. Marks continuity (“Four presidents report” or Towards a Genuine Economic and Monetary Union) and turning point. In nominal terms aims to surpass divergences across the EA (e.g. unemployment).
  - Its real aim is the deepening of the Single Market: “more efficient labour and product markets” (p. 7).
  - The implication of this policy will be rest on Competitiveness Authorities. Its mandate, among others, will be “to assess whether wages are evolving in line with productivity and compare with developments in other EA countries and in the main comparable trading partners”.

- In this context will be announced new measures to complete single market in areas like energy, digital and capital markets.
- This process inevitably shares more sovereignty that means further reinforcement of EU mechanisms and core member states and marginalization of peripheral ones.

- The implications of those measures will be very unpredictable and in any case different from EU's provisions. Three main observations:
- First, the implication of Single Market to new areas will offer new markets to the enterprises that have already the comparative advantage in their own country. So, the Single Market will create new contradictions, favoring biggest and profitable enterprises and leading to closure the more vulnerable firms.

- Second, the result of structural adjustment measures on wages policy will not lead Europe to earn a “social triple A” as the report writes. The result will be the Chinazation of salaries and impoverishment of European working class.
- Third, after all these the acceptance from Member States of joint decision making on national budgets and economic policies isn't enough to confront divergences and achieve convergences.

- In a EU level these measures will sharpen the reactionary characteristics of EU while will mean the demolition of remains of welfare state.
- In political level the Left parties must struggle to delegitimize EU showing that consists a permanent coup d' etat against European peoples and working majority.
- This is the most important lesson from SYRIZA's experience of the first semester of 2015. Remaining into EZ and without challenging EU is impossible even to cancel the austerity.