

Greece defiant on pension cuts ahead of key talks with creditors



Alexis Tsipras. REUTERS/CHRISTIAN HARTMANN

ATHENS — Greece's prime minister on Sunday said his government will not give in to "unreasonable" demands as the debt-ridden country braces for critical negotiations with international creditors on the thorny issue of pension reform.

The warning came just days after Athens got €1bn under the terms of its third bailout programme. The creditors — the European Commission, the European Central Bank, the International Monetary Fund and the ESM — finalised a third Greek debt rescue programme in August worth €86bn after Greece looked to be on the brink of crashing out of the eurozone.

"The creditors have to know that we are going to respect the agreement to the letter, but that doesn't mean we are going to succumb to unreasonable and undeserved demands," Alexis Tsipras told Real News newspaper. "We have no commitment to find the money exclusively from pension cuts. On the contrary, the agreement provides the option of equivalent measures, which we have already processed," he said.

He admitted though that the pension system which is "on the brink of collapse" needs to be overhauled. The labour ministry is working on a new social security system under which state-guaranteed pensions will be reportedly cut by half — to a minimum of €384 — and the rest will depend on a person's income and years of social security payments.

"If we don't face the problem of the social security system today, in a year we won't be able to pay pensions," the labour ministry's seniormost official, Andreas Nefeloudis, told Mega channel TV on Sunday.

Mr Tsipras' leftist government was forced in July to back down from its anti-austerity electoral pledges and accept a three-year rescue package from its eurozone partners.

The government has since July pushed through parliament a number of unpopular bailout reforms, losing in the process part of its majority in the chamber due to defections.

In December, the government said it had established a privatisation fund and planned to sell a major stake in electricity distributor Admie, the latest reforms sought by creditors.

Mr Tsipras appeared optimistic for 2016 saying it "will be the year of Greece's comeback after six year in crisis." "We will return to growth, we will put an end to the capital controls, we will reduce the debt and we will return to the markets", he said. Greeks however do not seem to share his optimism.

According to a poll by Kappa Research for Vima newspaper on Sunday, 55.1% of respondents said they believed things would get worse in 2016 while 61.1% said a Grexit scenario would resurface. Bank of Greece governor Yannis Stournaras meanwhile warned of the huge risks involved in case Greece fails to reach an agreement with its creditors.

"A potential failure in the conclusion of the assessment of the new bailout programme will bring back memories of the negative experience of the first half of 2015," he said in an article published in Kathimerini newspaper on Sunday.

"For a number of reasons the European Union is now more vulnerable and less capable of facing a new Greek crisis," he added. Mr Tsipras said the government aimed to conclude with the negotiations before the end of February.

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