

For a Progressive Exit from the
Debt crisis
**Greece: Symbol of Illegitimate
Debt**

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www.cadtm.org

In absolute figures and in percentage of their gross domestic product, the most industrialized countries are more highly indebted than developing countries

	In Bn\$
External public debt of all developing countries	1,459
External public debt of France	1,200
External public debt of Spain	318
External public debt of Subsaharan Africa	130
External public debt of the United States	3,500
External public debt of Latin America	410
External public debt of South Asia and East Asia	440
External public debt of Greece	385

Total external debt, showing combined public and private debt as a % of Gross Domestic Product (GDP)

Latin America	22%
South Asia	21%
incl. Pakistan	29%
India	19%
East Asia + Pacific	13%
Ireland	979%
Spain	169%
Portugal	233%
Greece	168%
Germany	148%
United States	100%
United Kingdom	400%

External debt of some developing countries in the year of the debt crisis as a % of GDP

Country	Year of the debt crisis	% of the total external debt in relation to GDP
Argentina	1982	55.1
	2001	53.3
Brazil	1983	50.1
Chile	1983	96.4
Colombia	1982	26.4
Mexico	1982	46.7
Venezuela	1982	48.6
Russia	1998	58.5
Turkey	1978	21.0
India	1997	23.0
Indonesia	1997	63.2
South Korea	1997	26.6
Malaysia	1997	47.1
Philippines	1983	70.6
	1997	61.6
Thailand	1997	72.7

Greece: The very symbol of illegitimate debt

1. There is the debt contracted by the military dictatorship and which quadrupled between 1967 and 1974. This obviously qualifies as odious debt.
2. The Olympic Games scandal of 2004

The Olympic Games scandal of 2004

When the government proudly announced to Greek citizens in 1997 that Greece would have the honour of hosting the Olympic Games seven years hence, the authorities of Athens and the International Olympic Committee planned on spending 1.3 billion dollars. A few years later, the cost had increased fourfold to 5.3 billion dollars. Just after the Games, the official cost had reached 14.2 billion dollars. Today, according to different sources, the real cost is over 20 billion dollars.

Many contracts signed between the Greek authorities and major private foreign companies have been the subject of scandal for several years in Greece.

Several contracts were signed with the German transnational Siemens, accused - both by the German as well as the Greek courts - of having paid commissions and other bribes to various political, military and administrative Greek officials amounting to almost one billion euros.

The top executive of the firm Siemens-Hellas, who admitted to having “financed” the two main Greek political parties, fled in 2010 to Germany and the German courts rejected Greece’s demand for extradition.

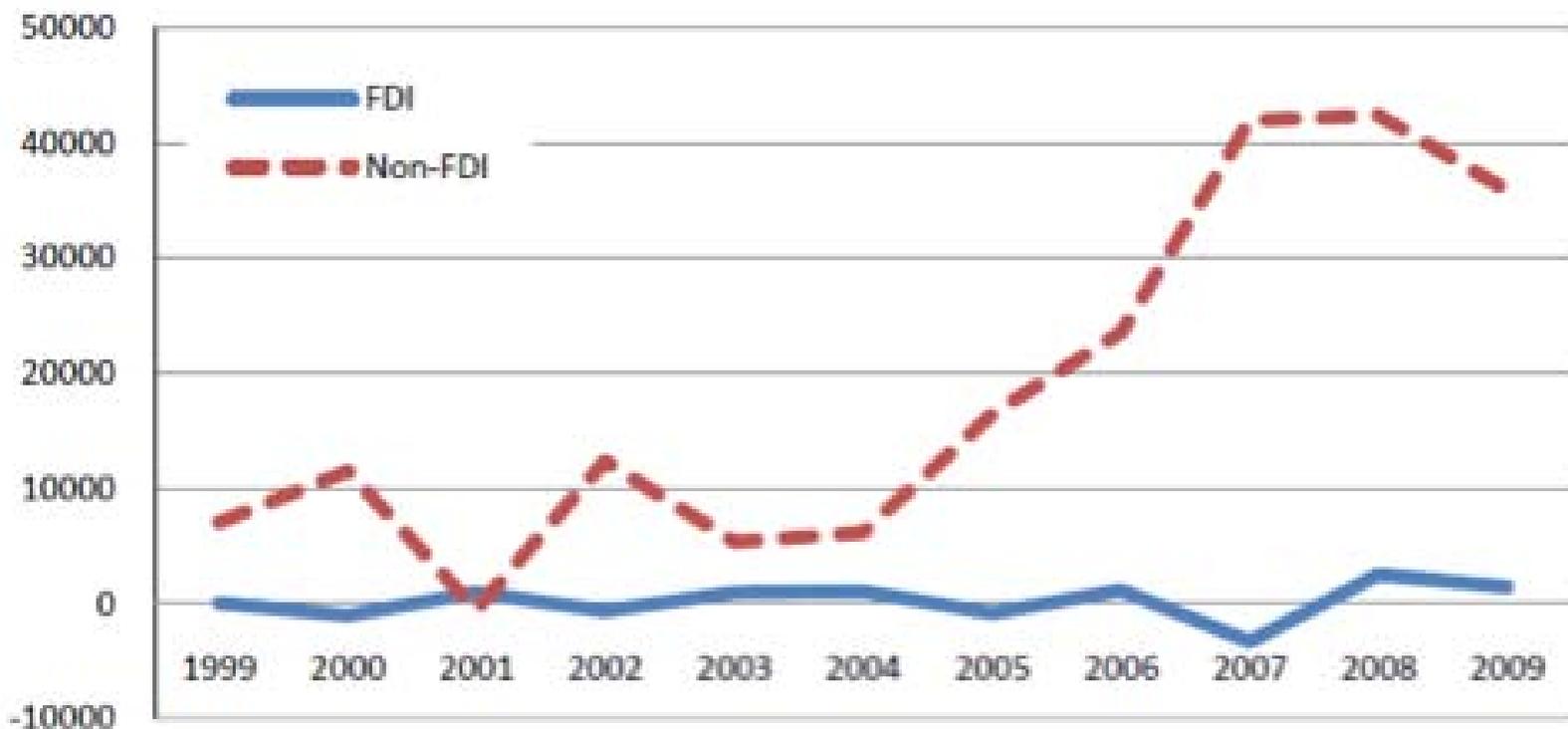
These scandals include the sales, made by Siemens and their international associates, of **Patriot antimissile systems** (1999, 10 million euros in bribes),

the **digitalization of the OTE** - the Hellenic Telecommunications Organization - telephone centres (bribes of 100 million euros), **the “C41” security system** bought on the occasion of the 2004 Olympics and which never worked, sales of equipment to the **Greek railway (SEK)**, of the **Hermes telecommunications** system to the Greek army, of very **expensive equipment sold to Greek hospitals.**

- the scandal of **German submarines** (produced by HDW, later taken over by Thyssen) for a total value of 5 billion euros, submarines which from the beginning had the defect of listing to the left (!) and which were equipped with faulty electronics. A judicial enquiry on possible charges (of corruption) against the former defence ministers is currently under way.

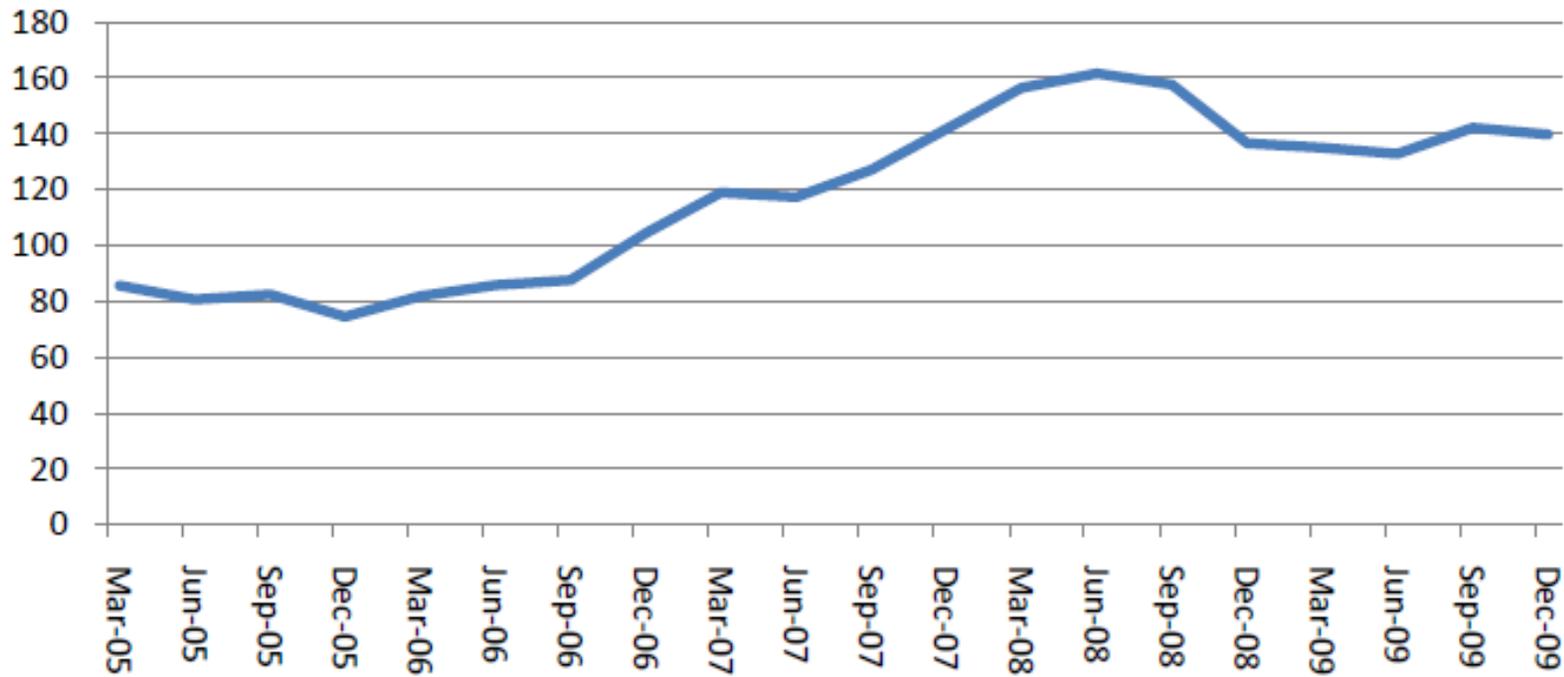
It is absolutely reasonable to presume that the debts incurred to clinch these deals are founded in illegitimacy, if not illegality. They must be cancelled.

Greece's accession to the eurozone in 2001 has boosted an inflow of financial capital, in the form of loans or portfolio investments while the long term investments (FDI- Foreign Direct Investment) have remained stagnant (in million US\$)



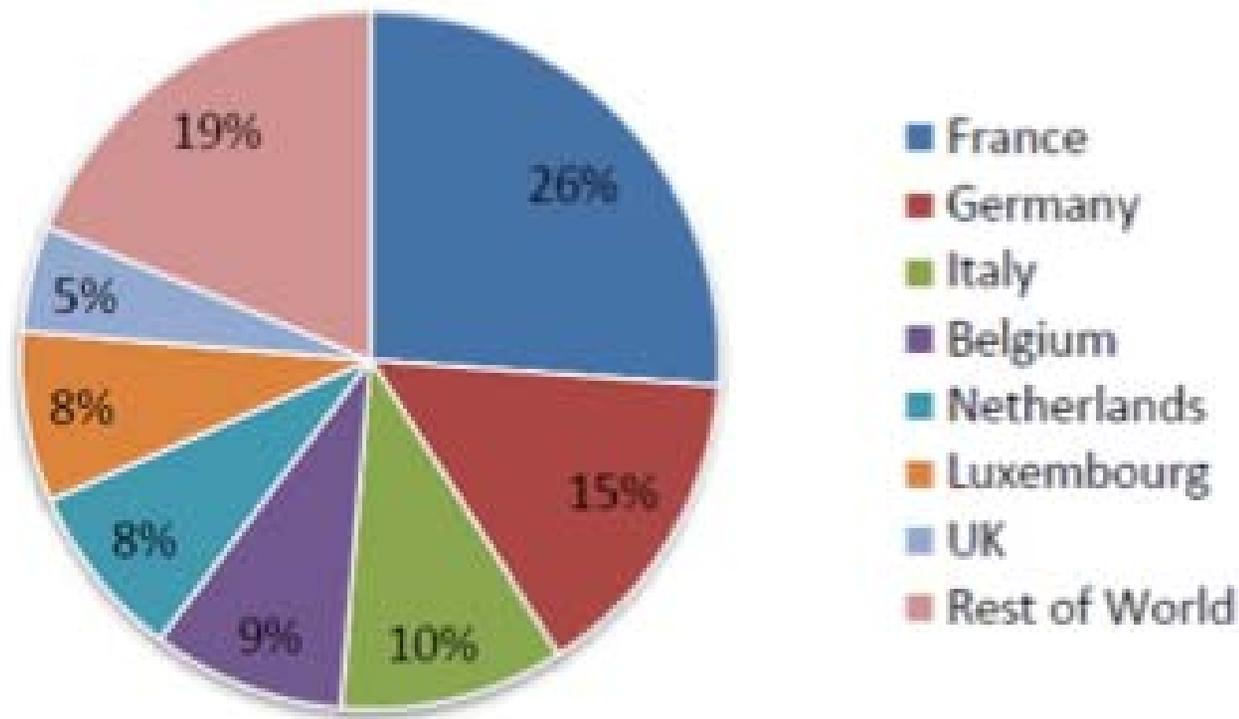
After 2007, Western European banks' used the money which was lent in vast quantities and at low cost by the European Central Bank and the US Federal Reserve in order to increase their own loans to countries such as Greece

Evolution of Western European banks' exposure to Greece (in billion dollars)

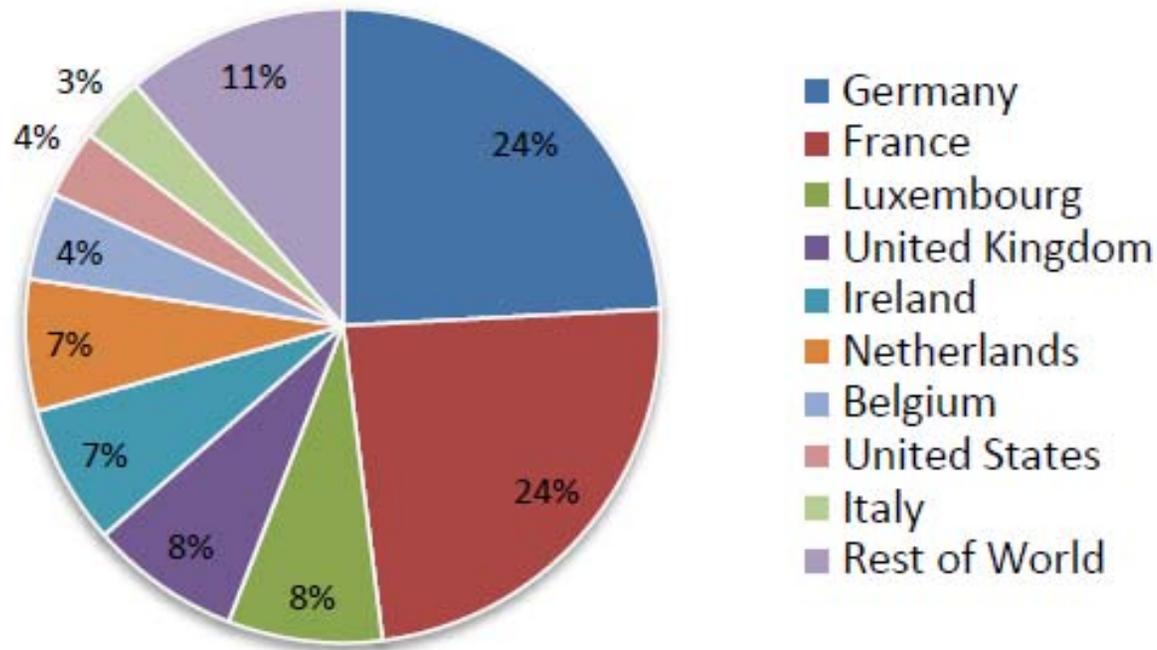


In the next slide, we see that Greek debts are overwhelmingly held by European banks, mostly French, German, Italian, Belgian, Dutch, Luxembourg and British banks

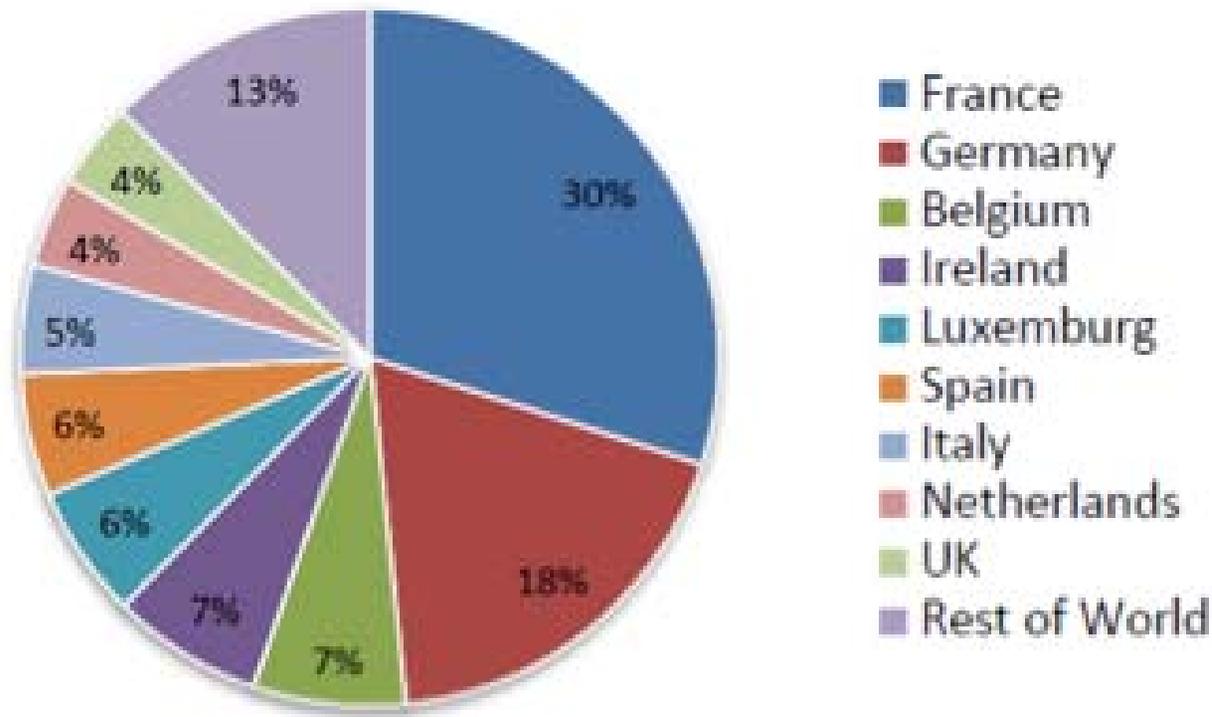
Foreign holders of Greek debt securities (end of 2008)



Foreign holders of Spanish debt securities (end of 2008)



Foreign holders of Portuguese debt securities (end of 2008)



Greek military spendings

After the crisis broke, the military-industrial lobby supported by the German and French governments and the European Commission saw to it that hardly a dent was made in the defense budget while at the same time, the PASOK (Socialist Party) government set about trimming social spending

Greek military spending represents 4% of its GDP

Greek military spending represents 4% of its GDP, as compared to 2.4% for France, 2.7% for the United Kingdom, 2.0% for Portugal, 1.4% for Germany, 1.3% for Spain, and 1.1% for Belgium.

In 2010, Greece bought six frigates (2.5 billion euros) and armed helicopters (400 million euros) from France. From Germany it bought six submarines for 5 billion euros. Between 2005 and 2009, Greece was one of Europe's five largest weapons importers. The purchase of fighter aircraft alone accounted for 38% of its import volume, with, for instance, the purchase of sixteen F-16 (from the United States) and twenty-five Mirage 2000 (from France) – the latter contract amounting to 1.6 billion euros. The list of French equipment sold to Greece goes on: armoured vehicles (70 VBL), NH90 helicopters, MICA, Exocet and Scalp missiles as well as Sperwer drones. **Greece's purchases have made it the third biggest client of the French military industry over the past decade.**

From 2010, increasingly high interest rates charged by bankers and other players in the financial markets, supported by the European Commission and the IMF, have triggered the usual “snowball effect” : the Greek debt has followed an upward trend as the country’s authorities take out loans in order to repay interest (and part of the previously borrowed capital).

The loans granted as from 2010 to Greece by EU member countries and the IMF

will not serve the interests of the Greek people - quite the opposite. The austerity measures implemented entail numerous infringements of the people's social rights. On that grounds, the notion of "illegitimate debt" should be applied and its repayment contested.

**The demand for an audit is
gathering momentum**

Is a suspension of reimbursement possible?

Example of Argentina 2001-2005
(+ 2001-2011 to the Club of Paris)

Ecuador 2008-2009

Argentina

From 2001 to 2005 Argentina refused to repay its debt. Such suspension had not been planned but it was beneficial for the country.

Thanks to a unilateral moratorium on debt securities for close to \$100 billion, Argentina eventually renegotiated its debt at 45% of its value in March 2005. Because of not repaying its debt the country could reconnect with economic growth (8 to 9% of annual growth rate in 2003-2010)

Ecuador

The suspension of reimbursement has been planned. It took place from November 2008 to June 2009

The experience of the audit commission on public debt.

Huge amount of debt deleted by private banks since 2007

From the beginning of the crisis in the US and in the EU in 2007-2008 to the second term of 2010 private banks in the most industrialized countries deleted from their ledgers about \$1,600,000,000,000 (for a start) in doubtful debts related to the incredible financial elaboration devised between 2004 and 2007.

Greek public external debt end of 2008: 206,000,000,000. So private banks already deleted 8 times the total amount of Greek public external debt

The European commission
knows that hair cuts will be
necessary in the future

It is planned for 2016 and after

On the 10 and 11th of March, representatives of trade unions, both national and European, NGOs and social networks from 15 EU countries (from both East and West) got together for the first Spring **Joint Social Conference**. Extract of the final declaration:

“The workers did not cause the crisis, but until now they have been the victims. Enough is enough! The critical budgetary situation of the European Union countries must be dealt with in a different way:

- a. by a fair tax system which, unlike the current trends, would weigh more heavily on the wealthy and on financial profits than it would upon workers (i.e. a return to progressive tax levels, a European tax on financial transactions, the abolishing of tax havens, the introduction of a minimum European corporate tax).
- b. by an audit of the public debts of the European Union countries: we cannot accept that the future of one or more generations should be mortgaged because of a debt, which is to a large degree actually the debt of speculators and the financial system.”^[1]

For this first « spring Sociale conference » were present :

Unions: CGIL- It ; Cartel Alfa – Ro ; CGT – Fr ; CSDR – Ro ; FO – Fr ; FGTB – Be ; FSU – Fr ; CSC – Be ; CISL – It ; CIG Galicia – Sp ; CGTP-In – Po ; Fagforbundet – No ; ELA – pays Basque ; ESK – pays basque ; BNS – Ro ; MSZOSZ – Hu ; MOSZ – Hu ; Solidaires – Fr

International unions : ETUC; ITUC, EPSU

Movements : Attac (Fr Be All) ; CADTM Europe; Transnational Institute ; European Anti Poverty Network ; Réseau Justice Fiscale ; Transform (Ostereich ; Tchèque Rep ; Poland) ; Seattle to Brussels network ; Caritas Europe ; Association européenne des Droits de l’Homme ; LDH France; Forum Italiano dei Movimenti per l’Acqua ; Nordic Welfare Campaign ; MAIS – It ; Les économistes atterrés ; Conf of kurdish associations Europe ; CEO – Corporate Europe Observatory ; Romanian Social Forum; Global Social Justice ; euromarches ; Degrowth ; Global Alliance for Immediate Alteration - NI

Karl Marx on Public Debt.

Capital Volume One. Chapter 31

National debts, *i.e.*, the alienation of the state – whether despotic, constitutional or republican – marked with its stamp the capitalistic era.

The only part of the so-called national wealth that actually enters into the collective possessions of modern peoples is their national debt.

Hence, as a necessary consequence, the modern doctrine that a nation becomes the richer the more deeply it is in debt.

Public credit becomes the *credo* of capital. And with the rise of national debt-making, want of faith in the national debt takes the place of the blasphemy against the Holy Ghost, which may not be forgiven.

(...) the national debt has given rise to joint-stock companies, to dealings in negotiable effects of all kinds, and to *agiotage*, in a word to stock-exchange gambling and the modern *bankocracy*.

At their birth the great banks, decorated with national titles, were only associations of private speculators, who placed themselves by the side of governments, and, thanks to the privileges they received, were in a position to advance money to the State.

More than 140 years after Marx wrote that, we could say that the private banks have not changed!

Karl Marx collaborated actively to the writing of the program Parti Ouvrier Français (French Workers Party) in 1880 and he succeeded in adding as central immediate demand:

“Abolition of public debt”

See:

http://www.marxists.org/francais/just/greve_ge/

Committee for the Abolition of Third World Debt

For more infos:

www.cadtm.org