Greek Austerity and Its Resemblance to African Debt Peonage

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Global Research, July 26, 2015
Common Dreams

Region: Europe
Theme: Global Economy

Greek prime minister Alexis Tsipras looks on during a session at the Greek parliament prior to the vote in Athens on Wednesday, July 22. (Photo: Louisa Gouliamaki/AFP/Getty Images)

On July 16 this year protests erupted outside Greek parliament as lawmakers were approving further harsh austerity plan in exchange for a third European bailout. Greek Prime Minister Alexis Tsipras won by 229 votes to 64 while 32 members of his own Syriza party voted against the measures, including his ex-finance minister Yanis Varoufakis.

The vote took place after a fiery debate when Tsipras energetically defended his stand under threat of resignation.

The parliamentary approval came despite the fact that, on 5 July 2015, people rejected the reforms in a referendum. They said 'No' (Oxi) to retirement age increases, tax hikes, cuts in public spending and pension and curb in collective bargaining, in exchange for up to $94 billion.

Tsipras told the legislators:

> "I will admit that the measures we are tabling are harsh, and I don't agree with them. I don't believe they will help the Greek economy, and I say so openly. But I also say that I must implement them."

He made an about-turn after having promised to combat the austerity measure that are driving his people to ruin and poverty. He betrayed his promises and repudiated the will of the people as demonstrated in the referendum. It is least surprising that Tsipras is facing internal resistance within his own Syriza party, including the Syriza Youth and several organisations allied to Syriza.

The anti-austerity demonstrations continued on 22 July when protesters gathered outside the Greek Parliament ahead of the vote on the implementation of further austerity measures. The rally resulted in protesters throwing Molotov cocktails at police. The Greek parliament backed a second package of measures demanded by the country's international creditors.

When Syriza came to power it pledged to end the 'structural reforms' imposed by the European Union. The party victory sent tremors through Europe, especially its pledge to end the social injustice brought about by the 'austerity package.' The then finance minister, Yanis Varoufakis said it turned Greece into a "debt colony".

Varoufakis, one of the nonconformist MPs who was forced to step down from his ministerial position, said in an interview with the BBC that Greece was given a "choice between being executed and capitulating"

The problem is compounded by the fact that international creditors are allergic to democracy. The creditors have been bullying the Greek government into further austerity while advising it against consulting with its people. In a blatant display of arrogance, they once asked Varoufakis: "How do you expect common people to understand complex issues?"

It is often suggested that Greece had an option of defaulting, given the odious nature of the debt. Odious debt is a legalistic expression that refers to debt run up by a former dictatorial regime, which a legitimate successor government can repudiate (see a paper in the Duke Law Journal).

These are debts incurred by a despotic regime that do not benefit the people bound to repay the loans. They are used in ways that are not beneficial, or actually harmful, to the interests of the population.

Greeks can thus reject their odious debts accrued from kleptomaniac and authoritarian regimes of the past. They can claim that debts left over from Greek juntas ought to be cancelled

For it can be argued that the IMF and banks violated their own lending rules by extending to the Greek dictators so much funding that were odious and against the interests of the people. In fact the greater part of the debt had been used to service past debts or to purchase military hardware

It is disingenuous to claim that the money was given to bail out Greek people. What happened is that with rising debt, unemployment increased three-fold while the economy contracted and nominal growth collapsed. Minimum wages and pensions went down while living standards took a plunge

The Greek debt can be traced back to the juntas. In 1947, following the surrender of the Nazi Germany, the U.S. President Truman, in what came to be known as the Truman Doctrine, pledged unlimited military support to thwart the growing popular movements in Europe and throughout the world. This policy facilitated brutal coups and decades of military repression in Greece and elsewhere.

This is how, under the NATO strategic plan, Greek colonels seized power and set up a ruling junta. The army moved in to stop the Socialist Party from taking office with a center-left coalition. This brutal military junta ruled by martial law, mass arrests, torture and disappearances.

Meanwhile, Greek military contracts have always been the greatest source of corruption, payoffs and kickbacks. One of the most notorious bribery scandals involved billions paid over 12 years and billions still owed for six undelivered German submarines. A former defense minister was convicted in 2013 of accepting $8 million in bribes connected to these submarines.

Under these circumstances Greece incurred the odious debt. Less than 10% of the bail-out money was used by the government for reforming its economy and safeguarding vulnerable members of society. Most of the money went to the banks that lent Greece funds before the crash.

Indeed, the Wall Street Journal of July 10, 2010 said:

> "Greece, with a population of just 11 million, is the largest importer of conventional weapons in Europe — and ranks fifth in the world behind China, India, the United Arab Emirates and South Korea. Its military spending is the highest in the European Union as a percentage of gross domestic product. That spending was one of the factors behind Greece's stratospheric national debt."

So much for the corporate media deceptions that the debt crisis in Greece arose because the Greek people were living "beyond their means."

The current situation in Greece resembles the debt peonage that many African countries have been subjected to for decades. They suffered the consequences of the so-called structural adjustment under the supervision of the international finance institutions and the result was economic and social devastation.

In the post-Independence Zimbabwe, for example, the Mugabe government abandoned its 'growth with equity' strategy and went for the economic model designed by the World Bank and the IMF in 1991. The Economic Structural Adjustment Program or ESAP (popularly termed 'economic suffering for African people') was implemented during the 1990s, triggering social and labour unrest and war veteran discontent.

In many African countries inequality and poverty grew while political and business compradors were busy amassing fortunes and power on the back of austerity and 'structural adjustment'.

The result was food riots that erupted in several African countries such as Mozambique, Algeria, South Africa, Central African Republic, Zambia, Ivory Coast, Egypt, Senegal and Nigeria.

Contrary to the popular perception of Africa being dependent on the western loans and donor funding for its development projects, the continent is actually a net creditor. The level of capital flight from sub-Saharan Africa is more than $700 billion in the past four decades. While this is kept secret, the debt burden carried by the African people is made public

As for the nature of the African debt, the lenders knew that they gave to dictators or oppressive regimes, hence they are responsible for their actions, not the people living under those regimes. For example, South Africa has been paying off $22 billion which was lent to the apartheid regime. While they have yet to recover from this, their external debt has increased to $136.6 billion, and the number of people in the housing backlog has increased to 2.1 million from 1994's 1.5 million.

Today debt is the source of enormous problem afflicting the African people. More so because it is not used for social benefit. Instead it is used by a small elitist minority, who fund their own shopping sprees at the expense of their impoverished population and their posterity. In this aspect Greece and Africa are not too poles apart

One may ask, why did Tsipras not take a lesson from Hugo Chavez of Venezuela, Rafael Correa of Ecuador and many others. Correa, for instance, sought to move away from neoliberal economic model by reducing the influence of the World Bank and IMF. He declared Ecuador's national debt illegitimate and announced that the country would default on over $3 billion worth of bonds. He pledged to fight creditors in international courts and succeeded in reducing the price of outstanding bonds by more than 60%.

Tsipras, on the other hand, made a U-turn, opening Greece to the invasion by debt vultures. It has been described as a treason not only on the Greek people, but on Europe as it may lead to the full colonization of Europe.

Only 10 days after the Greeks voted 'No' by a substantial majority against the Troika's demands, Tsipras went further and put $ 55 billion of Greece's national assets into a privatization 'trust' fund under EU supervision. This comes from Tsipras who had pledged to halt privatization in January's election campaign. The deal is so harsh that even the IMF has criticized it.

It would be missing the point to say that Tsipras was hostile to the Troika. International finance institutions like it best when seemingly 'radical' figures do the dirty work for them rather than the professed neo-liberals. They would actually spin and portray the 'reforms' as 'good for the people'. Even better so if the 'radicals' do not wear a tie.

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