

# Public Credit and Debt Cancellation, The Political Challenge for Europe

*Moderator Karel Vereycken, Schiller Institute, Paris: "The speakers are aware that European nations must join the BRICS dynamic, bringing with them the best of their respective cultures and historical achievements to expand its scope. The crucial issue is to put an end to monetarism and establish a public credit system, both nationally and internationally, to finance great infrastructure projects."*

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## Greetings to the Panel

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The panel received greetings to the Paris Conference from:

*EIR* Founding Editor and economist Lyndon LaRouche  
(*Transcript* P. 69)

U.S. Representative Walter Jones of North Carolina  
(*Transcript*, P. 70)

State Senator Richard Black of Virginia (*Transcript*, P. 70)

## Precedent: The 1953 London Debt Conference

by Karel Vereycken  
Schiller Institute, Paris

*Summary:* Greece is facing a June 30 cutoff date for payments to the Troika. You must cut your pensions, they are told, and create a budget surplus. They want to kill people to save the equations of the rating agencies and the IMF.

Greece says this is unacceptable, and they have not compromised as of yet. In order to pay the debt, Greece

must become a productive nation.

Now the default of Greece is on the agenda, but it is the financial system which has been in default. Prime Minister Tsipras has been calling for debt cancellation and reorganization—to negotiate a combination of a moratorium, re-scheduling, cancelling parts of the debt, and to reduce the interest rates.

What are the precedents?

There have been 169 debt cancellations and moratoriums since 1946. Argentina had the largest "haircut," of 65% of the private debt. Iraq cut the Saddam Hussein-era debt, but destroyed the country. In Ecuador in 2006, an audit showed that 85% of the debt was illegitimate. The state bought the debt and threw it out. There was Iceland in 2008, where the banks were ten times bigger than GDP. Icelanders refused to assume the debt.

In 1953, a London Debt Conference was held about dealing with Germany's debt remaining from the Versailles Treaty after World War I, and incurred during the 1930s and through World War II. The London Debt Conference was organized by Hermann Abs of Deutsche Bank. 50% of the total debt was scrapped.

One of the principles adopted was that debt payments should never amount to more than 5% of Germany's exports. The world had to help build up productive capacity—not punishment.

This agreement treated both the private and public debt. (In Greece today: 10% of the nation's debt is "private," in the hands of vulture funds.)



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Karel Vereycken

Greek Finance Minister Varoufakis said on June 5, that Greece needs a “Speech of Hope.” In 1944, there was a Morgenthau Plan to deindustrialize Germany permanently; but in 1946, U.S. Secretary of State James Byrnes gave a “Speech of Hope.” You can’t punish entire generations, Byrnes said. We need to rebuild Germany. The Greek Finance Minister said this is the model for today, and he invited German Chancellor Merkel to Athens to change the policy toward Greece’s debt.

## The Fight As Seen From Greece

by Dean Andromidas  
*EIR*, Wiesbaden, Germany

*Summary:* I just spent a week in Greece, my fourth trip in five years. Up until now, it was like visiting a c o n c e n t r a t i o n camp—surrounded by suffering and despair. They had a Quisling government. They felt situation was hopeless. Now, it’s like Stalingrad.



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*Dean Andromidas*

The suffering continues, but now they have a government elected by the population as a signal, to the Europeans, that they’ve had enough.

The suffering continues, but the fight is there, and this is very, very important. It is important for the people in this room, to understand what their personal responsibility should be during this period.

But just to give you some graphic idea of what the situation is like. It never ceases to amaze me—at each visit, over five years, the situation gets unbearably worse.

This new government has inherited a policy of genocide imposed by the EU institutions. It is everywhere to be seen. You read in the newspapers here that it is 27% unemployment; it is not 27%, but 45% unemployment. They don’t tell you about the 300,000 small businesses which have gone bankrupt, that don’t show

up on the official unemployment rolls. You have to go Athens and see all the boarded-up shops. These are the small businesses that supported families.

So we’re talking about 45%. How do these people live? On the pensions of their grandparents—as many as ten people. The grandparents, their sons, their sons’ families—supporting three generations in a single household. They’re living on a pension of 400 euros a month; that has been cut by between 25-45%. These are the pensions Brussels wants the government not to pay this month, so that they can pay the debt. This is the situation.

The lack of certainty in the country is unbearable. I talked to normal people, taxi drivers, businessmen. There is uncertainty at all levels. The pensioner not only worries about whether he will get his pension, but whether he can pay for medications that keep him alive? The ECB [European Central Bank—ed.] is cutting off liquidity to Greece, but flooding bankrupt banks in France and Germany with it, for free. Greece gets nothing. You have to understand what it means not to have liquidity in the banking system. Viable companies in Greece, hotels, can’t get simple liquidity they need for day-to-day operations. They are being told by the EU to cut wages down to 300 euros/month, to attract foreign investment. Well, foreign investment is not attracted to Greece. Who’s going to go and invest in Greece now, with all this uncertainty, and the fact that the economy has collapsed?

The Athens business district—the main business district of the country—is like a needle park. We’re walking the streets and we saw addicts shooting up.... The national dress is blue jeans. Not designer blue jeans. They’re wearing blue jeans because they’re unemployed. And not just people in the streets. In the ministries!...

Now there is resistance. This government is led by the Syriza Party, which had never won more than 4% of the vote before January. This was to give the sign to Brussels, to Berlin, etc., that the Greek people have had enough. If you look at Syriza, this is not a cocktail socialist party. They have had enough. Some left the traditional Communist Party. Some had been students who were imprisoned and tortured under the military junta. This is something unique.

### Resistance

Greece has a history of 3,000 years of resistance to the Persian, Ottoman, and British Empires. You have

the ongoing war which has not ended, against the British Empire.

And you know, a lot of Greek classicists, European professors of Classical history, try to say that the population which is in Greece now has nothing to do with the ancients; even the language is not the same. If you try to tell that to a Greek now, he'll kill you. Because this is what gives them the strength.

The question of resistance is very deep. In 1942, a 16-year-old climbed the Acropolis and pulled down the Nazi flag, which started the European resistance. He is now 90, and has a seat in the European Parliament for Syriza. And that's what the nature of the resistance is. It's everyone is a resistance of people of all ages, especially retired people, who have been in government, in politics, but have not been very active before this crisis, are fighting the struggle of their lives. Many of them are in their 70s. Like former Ambassador Chrysanthopoulos, retired diplomat; he had to sell his car, he had to move out of his apartment, and move into the traditional country home; and he is fighting. And there are others. So the resistance is there.

And there is another resistance fighter, Mikos Theodorakis, and this is very important, because this tradition is what motivates people now in this fight. Now, Mikos Theodorakis is the most famous Greek modern composer. He will be celebrating his 90th birthday. He's very sick, because the wounds that he suffered, from torture when he was in the wartime [World War II—ed.] resistance, during the civil war in the '40s, during the military junta in the '60s and '70s, are finally affecting his health, and he can't be as active. But this man is a living legend, a symbol of struggle. He took the poetry of Greece's modern poets, many of them Nobel Prize winners, who lived through the civil wars and Nazi occupation and wrote very moving poems; and he put them to music, and he used this music to mobilize the population politically in '50s and '60s. And many of the young people who were part of this movement are now in this government. So the resistance is there.

A taxi driver I met said, "The government is trying." And then he said, "You know, we don't feel we are part of Europe; we feel that we own Europe. We Greeks created Europe."

That's the attitude they have. One of my friends is an engineer. All are being heavily taxed. The unborn are taxed, the unemployed are taxed, and if you have children, your tax is higher. He told me, "We engineers pay

taxes"—despite the fact that many don't work, because they're supposed to be independent consultants. And many of them have tax debts. He told me, "We meet at the Engineers Association, and we discuss this crisis from the standpoint of Socrates and Plato, to apply them to understanding and fighting through this crisis."

## What Can Be Done

I thought to myself, "What am I going to tell these people?... They know about the financial oligarchy.... Glass-Steagall is in their program; most people want to hang the bankers.... They have, in effect, joined the BRICS. They know this, they're acting on it."

I'm not going to tell them, "You should simply leave the euro zone." Why should Greece, the weakest of all the countries, take on the most difficult task of all? Greece is not Germany or France. It does not have the resources to take on this responsibility now. They have imports. Who is going to pay for the medicine they have to import?

I had to tell them what am I doing, what we are doing in this war. They're at the point, as they say in the military, at the front line; they have a mission, and they're carrying it out. So I brought the ideas and the analysis of Lyndon LaRouche, who has a very significant understanding of our situation now, particularly in the United States.

So in the United States, Mr. LaRouche has specifically said that we have to pass Glass-Steagall—we were the ones who started that movement—and join the BRICS, and we've been mobilizing for this. Now, we have a big break, with the former governor of Maryland Martin O'Malley campaigning for President, and Mr. LaRouche has said he's the only competent candidate at this moment, because he has made Glass-Steagall, and opposing Wall Street, the main plank of his campaign. I told them that we are not forming a vote for O'Malley campaign, but to create the presidential establishment needed now, to deal with the problems we are facing now; and that's the way to get someone with these qualifications into the White House.

I told them that Greece must act to impact this development and get this change. And once you get a change like this in the United States, we have the power to change the policy in Europe.

And those closest to the center of government understood that immediately. There is no question in their minds. "This is the way we have to act."

What have you, in this audience, done in this war, to

destroy the evil oligarchy that is responsible for what is happening in Greece, and will happen in the rest of Europe if we don't stop it? That's the way people have to think and act.

In Greece, there is a famous, beloved author named Nikos Kazantzakis. He wrote in the first half of the last century. And on his tomb, he has the inscription, "I fear nothing, I hope for nothing, therefore I am free." The point is, I act, not with a hope, necessarily, that there will be a change; but I have to act—because of my humanity. That's the attitude that many Greeks have now. And it's the attitude we have to have when we leave this room.

Our weapon is Glass-Steagall, which will destroy the financial oligarchy. Our allies are the BRICS; and our power are the ideas that we can generate to save humanity—not just at this moment, but 50, 100, 200 years from now. And that's what the Greek situation, really, is all about.

## Fatal Debts Make Illusion of Independence

by Diogène Senny  
Secretary General, UMOJA

To understand the problem of the fatal debt which is assailing the African Continent, it is necessary to go back to the origins and the reasons which have led to its development. Once we have shown that the African debt is a cleverly orchestrated policy of new conquest by the neo-colonial forces, it will be easy for each one of us to characterize it as being odious and illegitimate.

Consequently, its cancellation is not a request for generosity from the creditors, but a reparation and an act of justice for the people betrayed.

After the accession to independence of African na-

tions in the '60s, the former colonial powers gave themselves two major tasks: Prevent by all means the rise to power in the former colonies of any regime of nationalist-panafricanist tendency; and in the context of the Cold War and with the help of the United States, prevent the Soviet Union from finding any ally in Africa, and thus gaining an access to the mineral resources, which were until then the exclusive privilege of the Western powers....

The West did everything it could to keep its hand on the former colonies. One of the weapons it would use was the debt, a pretext in official discourse for reproducing the success of the Marshall Plan to Africa, while in fact the reason was to maintain a strategic geopolitical hold and access the mineral resources as in the former colonial times....

At least three historical phenomena have provided the West the financial means to get its hold on the African Continent. First, at the time of the accession to independence, in the '60s, the western private banks disposed of huge amounts of euro-dollars. To avoid the massive return of these Euro-dollars to the United States—not only because of the strong inflation which it would induce in the U.S. economy, but also because of the risk of draining the gold detained by the United States—the western governments encouraged their banks to lend massively, at very advantageous rates, to the new and nominally independent African countries.

Naturally, the African regimes, from which the western powers had secured allegiance, showed a strong interest in these loans, in such a strong inflow of money, particularly for their own use.

The second historical phenomenon which can explain the explosion of the debt, is the oil shock of 1973, provoked by a sudden quadrupling of the oil price. The emirs of the Gulf countries would then deposit these vast quantities of dollars resulting from the profits achieved by the oil sales, within the western banks. This is the phenomenon of the so-called Petrodollars. These Petrodollars would again flock towards Africa. Hence, within a period of 20 years, from 1960 to 1980, the private part of the Third World debt exploded. From almost zero at the beginning of the 1960s, it reached \$2.5 billion in 1970, and \$38 billion in 1980.

Finally, the third phenomenon related to the explosion of the debt, is what we call the bound aid, coming from a bilateral source, meaning that it is granted between States directly. This bound aid is a type of indirect subsidy for the western firms whose interests are



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Diogène Senny

served by the African people. This practice goes back to the crisis that hit Europe in the year 1973-1975, and which is known as the end of the thirty glorious years—that is the 30 years of strong [European] growth mainly due to the capital invested within the framework of the Marshall Plan.

In fact, to find market opportunities for products which could not be sold in the Western World due to the reduction of the buying power, the idea was to grant loans to be used exclusively for the purchase of goods produced within the creditor country, even if they were more expensive or ill-adapted to the development plan of the purchasing country. From \$6 billion in 1970, the bilateral aid exploded, reaching \$36 billion in 1980.

### **The Dictators' Debts**

So, dear friends, anybody who has followed closely this narrative and the reasons for the explosion of the African debt, which will prove to be fatal and deadly for the African people, will come with us to the conclusion that all these initiatives have nothing to do with the generosity and the preoccupation for the development of the Continent, the more so that the African regimes aligned with the West and other beneficiaries of these huge transfers of wealth were ostensibly despotic, corrupted and venal.

From Idi Amin Dada in Uganda, Mobutu in Zaïre, Mengistu in Ethiopia, Samuel Doe in Liberia, to Bokassa in the Central African Republic, they all competed with each other in terms of their brutality, their crazy spendings, and their total indifference towards the most elementary and fundamental needs of the population.

We can still recall that the coronation, with the approval of the Vatican, of Bokassa in 1977, a great admirer of Napoleon the First and a great friend of Giscard d'Estaing, cost one-fifth of the annual budget of the Central African Republic; that is, 22 million euros. The gigantic embezzlements of money operated by Mobutu and deposited in western banking accounts amounted to almost \$8 billion, while the debt of Zaïre at the time of his fall in 1996 was standing at \$12 billion.

In addition to the two debt-financing methods mentioned above, the western banks for the private part and the western states for the bilateral bound aid, we have to mention also the IMF/World Bank duo, for the multilateral part of the debt. From zero at the beginning of the

60s, the multilateral part of the African debt was standing at \$1.2 billion in 1970, and \$15.5 billion in 1980.

Private debt, bilateral debt, multilateral debt: all together in 1980, the African Continent was overburdened by \$89 billion of debts. Africa was deprived of any viable health system, of any good infrastructure, of any educational system, and the misery was still increasing. What happened with the \$89 billion borrowed by our governments? Where was the human development?

Let's recall that in 1980, the African debt was denominated in dollars, in French francs, in Deutsche marks, in Sterling pounds and in Japanese yen, which forced the Africans countries to secure strong currencies to reimburse the loans contracted.

Year in and year out, the African continent was still paying its debt. However, under the combined effect of the drop of prices of raw materials and the steep increase in interest rates on the dollar or the pound at the beginning of the '80s, the African countries, as well as the rest of the indebted Third World, found themselves incapable of reimbursing their debt. Thus was born the debt crisis, with the emergence of shock therapy and harsh medicine ordered by the IMF/World Bank, the Paris Club, the London Club and consorts....

### **Ending Bankers' Arithmetic**

This crisis led to the strangulation of these countries, the more so because the western banks refused to grant new loans as long as the old debts were outstanding. The world was marching on its way towards a cascading debt default, of historic dimensions.

To prevent the successive bank failures that were in the making, the IMF and the industrialized countries granted new loans to keep the private banks afloat. This snowball effect consisted in contracting new loans to allow a roll-over of the old ones.

But the new loans were conditioned by the submission to structural adjustment plans, leading to the outright loss of sovereignty on economic matters....

Everything looks like the African people are forced to endure a double punishment. After having endured the torments of dictatorial regimes, they are sacrificed regularly for the sake of repaying odious and illegitimate debts, contracted by those same unjust regimes, with the complicity of shady creditors. The cynicism is reaching here its height, when the population is forced to suffer the consequences of the reimbursement of

debts contracted for the purchase of military equipment, which have caused thousands of deaths in the succession of conflicts on the Continent.

According to UNCTAD, between 1970 and 2002, Africa has received \$540 billion in loans. \$550 billion have been repaid, but the debt is standing at \$295 billion today.

According to the work of the CADTM (Committee for Abolition of Third World Debt), for Sub-Saharan Africa, the outflow of money through debt service, and the repatriation of profits from the transnational enterprises, is almost equivalent to the inflow of money related to development assistance and the sending of money by foreign workers, combined. The outflow is even \$1 billion more than the inflow. In 2012, the profits returned from this region, which is the poorest in the world, amounted to 5% of its GDP, while development assistance amounted to only 1% of its GDP.

We have to ask here: who is helping whom?

That is why a civic audit of the African debt is a must.

An instrument of sovereignty, a civic audit is meant to ... answer many questions. For example: Why has the government contracted a debt which is always increasing? For which political choices and which social interests has the debt been contracted? Who has benefited from it? How much interest was paid, at which rate, which portion of the capital has already been repaid? How did private debts become public ones?...

But as a political organization, our movement, the Panafrican League UMOJA, is conscious of the fact that the issue of the African debt is one that is eminently political. It is not sufficient to want or claim an audit of the debt, because one would need to create the balance of power advantageous enough to engage the African States on this road.

That is why, in front of the creditors assembled under the IMF/World Bank banner, a united front against the debt is also a Pan-African goal.

## The New Suez Canal

by Prof. Mohamed Ali Ibrahim

*Panel IV also included Prof. Mohamed Ali Ibrahim, Dean of the Transport and Logistics Institute, Arab*

*League Academy of Science and Technology, Port Said, Egypt.*

Due to his illness, Prof. Ibrahim's remarks were reported by his daughter, with Power Point slides.

*Summary:* The subject was how international financial institutions, especially the IMF and World Bank, related to the development of mega-projects like the new Suez Canal. The project includes the canal itself, and development of the surrounding area.

The project is increasing the canal's length and depth, enabling ships to sail in both directions at once; thus 97, not 49 vessels per day; and reducing waiting time. There will be six new tunnels crossing underneath the new canal, for roads and railroads.

In the logistics area around Port Said, Ismailia, Suez, there will be a buildup of industry, agriculture, communications, and tourism, which will reduce unemployment and increase living standards.

The World Bank and IMF have a conditionalities program detrimental to the developing countries—demanding that they reduce the public sector, devalue, sell off the country's assets in privatization and debt-for-equity swaps.

Egypt chose to raise the money for the new canal from its own people, and was successful. Prof. Ibrahim called on the World Bank to finance the next phase of the project.

During the discussion, Karel Vereycken of the Schiller Institute said that the World Bank should be bypassed, and called for a policy in line with the new BRICS financial institutions.

*Acheikh Ibn-Oumar, former Foreign Minister of Chad, also addressed Panel IV. His speech, in French, was not available to EIR at our press deadline.*

*In addition to the listed speakers, there was a short presentation by Metin Apti, President of the Silk Road Association in Romania. The Silk Road Association is a private company, started in 2012. Its mission is to create a platform for increasing the cultural, ethnic, historical, economic, scientific, security, and spiritual connections along the Silk Road linking Asia and Europe—a fundamental connection. It promotes common projects—transportation routes, intermodal corridors. It promotes the Danube River as a corridor to ship cargo to central Europe.*