

# DROP IT!

Summer 2015



**The world  
stands with  
Greece**

  
**JUBILEE DEBT  
CAMPAIGN**

# GREECE: THE CHAINS OF DEBT

COVER MONTAGE: GREECE SOLIDARITY PROTEST IN TRAFALGAR SQUARE, LONDON, FEBRUARY 2015 AND THE ACADEMY OF ATHENS

Since 2010 Greece has been immersed in a debt crisis that has rocked Europe. Five years into the austerity programme imposed as a result, **Greece's economic situation is getting worse, not better.** Hospitals are running out of medicine, nurses are not being paid, while debt payment after debt payment is made in full.

Early this year the Greek people voted for a change of course. **Greece's €317 billion debt can't possibly be repaid.** The endless austerity programme has crippled Greece's economy, while the major beneficiaries of bailout loans have been European banks. Yet the European Union, the European Central Bank, and the International Monetary Fund (the Troika) are refusing to budge.

Greece is on the frontline of Europe's debt crisis, itself part of the global crisis of unjust debt. Our vision of a jubilee has always been that **when debts become chains tying people to poverty and injustice, collective action is needed to demand they are cancelled.** It's happened throughout history, and it needs to happen in the Eurozone today. That's why around the world, **people who stand for debt justice are standing with Greece.**

Figure 1  
WHERE THE GREEK BAILOUTS WENT, 2010-14

Sources: IMF, EU

Only

**8%**

reached the Greek people  
(Greek government budget)



Total: €252 billion

**92%**

went to Greek and European  
financial institutions

Debt payments to European banks  
and other original lenders: 59%

Bailout of Greek banks: 19%

Incentives to private bondholders: 14%



## 1. A BAILOUT FOR THE BANKS

When it first became clear that Greece could not pay its debts in early 2010, the response of its Eurozone partners was a familiar one for campaigners schooled in the Third World debt crisis: bailout loans with austerity strings attached. Yet while the bailouts of 2010 and 2012 are often presented as a form of 'aid', it is not the people of Greece who have benefited, but the European and Greek banks which lent recklessly to the Greek state in the first place.

By 2010, a total of €310 billion had been lent to the Greek government by banks and the wider financial sector. French, German and British banks were among the largest EU holders of Greek debt in July of that year (see Figure 2). Many argued that these private lenders had not made a proper assessment of Greece's ability to repay when making the loans, and should accept responsibility for their lending mistakes as a result. Only cancellation of some of Greece's debt could return the country to solvency.

But instead, amid fears for the stability of European banks if Greece was allowed debt relief, the Troika put together a 'rescue package'. Greece was given new loans by these public bodies so as to be able to continue making payments on its private debts. By the time this process was repeated in 2012, with some limited reductions in the value of the remaining loans, the banks had been repaid much of the debt, and the burden of Greece's debt had been substantially transferred from the private sector to the public. Today, Greek government debt still stands at €317 billion, but now €247.8 billion (78%) is owed to the Troika. Public institutions have stepped in to clear up the mess caused by private banks – exactly as happened across the developing world in the 1980s and 1990s.

It is not only in hindsight that the bailouts can be seen as primarily for the benefit of the banks. In 2010 there was opposition

on the IMF's own Board from developing countries including Brazil, Egypt, China and India. Paulo Batista, representing several Latin American countries, argued that the IMF "gave money to save German and French banks, not Greece", and that the bailout "put too much of a burden on Greece and not enough of a burden on Greece's creditors". In total, the Greek bailouts have amounted to €252 billion of loans. Of this, at least 90% has been spent on paying off reckless lenders, with less than 10% reaching the Greek people (see Figure 1).

## 2. THE AUSTERITY DELUSION

The other half of the Troika's prescription in Greece was to impose an austerity programme, just as it was for the IMF and World Bank in the countries of the global South in the 1980s and 90s. By making structural adjustments to the Greek economy, increasing regressive taxes like VAT and cutting the level of public spending, the theory was that Greece would be able to pay down its debt. Yet as in the global South over two decades, austerity has proven to be counter-productive to its stated aims in Greece:

- Greece's real GDP has shrunk by a quarter – the same magnitude as the US economy shrank between 1929 and 1933 during the Great Depression.
- Greece's debt has risen from 133% of GDP in 2010 to 174% of GDP today.
- The minimum wage has fallen by 22%, and youth unemployment stands at more than 50%. One in five of all people in work have lost their jobs.
- More than one in five of the 11 million people in Greece are now living below the poverty line, meaning they can't afford basic necessities like nutritious food or heating for their homes in the winter.

Greece's austerity experiment has led to a negative spiral: weaker demand in the economy has led to the government getting

less money in, which has led to further austerity measures being demanded. Today, after five years of austerity medicine in the economy, Greece doesn't have the money to pay for medicines in its hospitals – at least not while meeting its debt payments. A trainee surgeon at KAT, a respected state hospital in Athens, told the *Times* in May that the situation was at breaking point. “There is no money to repair medical equipment, no money for ambulances to use for petrol, no money to hire nurses and no money to buy modern surgical supplies.” Painkillers, scissors and sheets are among the items unable to be supplied.

### 3. DEMOCRACY VS AUSTERITY

The result of January's election put the new Greek government on a collision course with the European Union. Despite the vote of the Greek public for an end to austerity, and the clear failure of the austerity programme to deal with the country's debt crisis, so far the EU has refused to concede the need for a different approach. Just as when they chose to bail out their own banks instead of a fair resolution of Greece's debt crisis in 2010, today European leaders are determined to

force the repayment of debt at all costs – and may yet force Greece out of the euro in the process. Either way, it is the poorest in Greek society who are paying the price.

So far, the Greek government has said it will bring an end to counter-productive austerity measures even if it means disobeying its European paymasters. It has called for a conference to discuss the shared European problem of debt, along the lines of the one that took place in London for Germany in 1953 (see box). And it has begun a proper crackdown on tax avoidance in Greece – which has long been widespread among the country's elite.

In April, as part of the Greek government's renewed tax collection effort, one of Greece's most prominent businessmen, Leonidas Bobolas, was arrested on charges of tax evasion, and later released after paying €1.8 million in tax arrears. He is one of a list of some 2,000 Greeks with major deposits with HSBC in Switzerland that was leaked to French authorities in 2010. The Greek Finance Minister Yanis Varoufakis also met with Swiss authorities in April to discuss a draft law to encourage voluntary payment of tax arrears, as a precursor to further action.



## 4. INTERNATIONAL SUPPORT

At the time of writing, one set of emergency talks is following another over Greece. Whatever happens in the coming months, it is time for people around the world who believe in debt justice to take a stand: Greece's debt cannot be paid, its government has a right to refuse to pay, and we must show international support in doing so. What's more, we must demand fair global rules on debt to prevent any other country from facing the slow collapse that Greece has faced over the last five years.

### GREECE'S DEBT IN QUOTES

**"The rescue plan was about protecting German banks, but especially the French banks, from debt write-offs."**

*Karl Otto Pöhl, former head of the German central bank, 18 May 2010*

**"A lot of the money that came to the Greek government has gone to servicing the debt, including to the private banks. This is exactly like when I used to study Latin America in the 1980s: then, it was American and British banks, now it's German and French banks."**

*Stephany Griffiths-Jones, Colombia University, 29 January 2015*

### HOW GREECE CANCELLED GERMANY'S DEBT

The London Debt Accords of 1953 provide a template for how to resolve a debt crisis in the interests of justice and recovery. Following the experience of excessive debt payments in the 1920s, the governments of Europe decided it was in their interests to avoid trapping Germany (then West Germany) in a new debt stranglehold following the Second World War. Cancellation of more than 50% of Germany's debt was agreed by countries including the UK and Greece. What's more, when repayments started on the remainder of the debt, they

## TAKE ACTION

**Please sign the attached postcard to the EU, the ECB and the IMF calling for action to break the chains of Greece's debt.**

**"At the core of Syriza's economic platform is debt relief, an idea so unthinkable that nearly every mainstream economist has advocated it."**

*Peter Spiegel, The Guardian's Brussels correspondent, 8 January 2015*

**"It is immoral for all the costs of this ongoing crisis to be borne by the people of Greece, rather than those who lent money recklessly in the first place."**

*Dr Rowan Williams and 24 other faith leaders, 2 February 2015*

**"Instead of demanding repayment and further austerity, the IMF should recognize its responsibility for the country's predicament and forgive much of the debt."**

*Ashoka Mody, Former deputy director of the IMF in Europe, 21 April 2015*

were made conditional on Germany earning the revenue from trade with the rest of the world (rather than new borrowing) to pay the debt. Only if the country's economy recovered would they be obligated to resume payments. The German debt deal in 1953 was very successful – it gave Germany's creditors an incentive to trade with the country and contributed to the strength of Germany's economy today.

✓ For our full briefing, see [www.jubileedebt.org.uk/germanybriefing](http://www.jubileedebt.org.uk/germanybriefing)

**BREAK THE  
CHAINS OF  
GREECE'S DEBT**



**THE WORLD  
STANDS WITH  
GREECE**



**To: The European Union, the European Central Bank and the International Monetary Fund**

We, the citizens of countries across Europe, call for:

- A European conference to agree debt cancellation for Greece and other countries that need it, informed by debt audits and funded by recovering money from the banks and financial speculators who were the real beneficiaries of bailouts.
- An end to the enforcing of austerity policies that are causing injustice and poverty in Europe and across the world.
- The creation of UN rules to deal with government debt crisis promptly, fairly and with respect for human rights, and to signal to the banks and financiers that we won't keep bailing them out for reckless lending.

Yours sincerely,

Title \_\_\_\_\_ First name \_\_\_\_\_

Last name \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

Postcode \_\_\_\_\_

Email address \_\_\_\_\_

Tick here if you do NOT want to receive further information about Jubilee Debt Campaign's work

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THE EU, THE ECB  
AND THE IMF

c/o JUBILEE DEBT  
CAMPAIGN

28 CHARLES SQUARE

LONDON

N1 6HT

**MY DETAILS:**

Title \_\_\_\_\_ First name \_\_\_\_\_ Last name \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_ Postcode \_\_\_\_\_

Email address \_\_\_\_\_

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**PLEASE SEND ME:**

QUANTITY

- more copies of this booklet
- *Break the chains of Greece's debt* petition sheets (20 signatures per sheet)
- *6 key points about Greece's debt* briefings (A4, 4 pages)
- Drop Greece's Debt badges

**DONATE:** I enclose a donation of \_\_\_\_\_

(Please make cheques out to 'Jubilee Debt Campaign', and sign the Gift Aid declaration, if applicable)

We like to acknowledge donations received. Please tick if you do **not** require this

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If you're not making a donation, you can also email your order to [info@jubileedebt.org.uk](mailto:info@jubileedebt.org.uk) or phone 020 7324 4722

*giftaid it*

**If you're a UK taxpayer, we can reclaim an extra 25% in tax on your donations. Please tick the box, then sign and date. Declaration invalid without all three.**

I want Jubilee Debt Campaign (Registered Charity No. 1055675) to treat this and any future donations I make as Gift Aid Donations, until I notify you otherwise. I declare that I will pay income and/or capital gains tax for each tax year that is at least equal to the amount of tax that all the charities I donate to will reclaim on my donations for that tax year. I understand that other taxes such as VAT and Council Tax do not qualify. I will notify Jubilee Debt Campaign if I stop paying enough tax.

Signature \_\_\_\_\_

Date \_\_\_\_\_

## GREEK DEBT TRUTH COMMISSION

For years, social movements in the global South have conducted 'citizens debt audits' as a way to uncover the truth about the origins of their country's debts. Ecuador became the first government to conduct an official debt audit in 2007-8, finding that a large proportion of its debts were illegally constituted or had not benefited the people of the country. Ecuador declared it would refuse to pay illegitimate debts and defaulted, later negotiating a 60% reduction on a large share of its debt.

In April 2015, the Greek Parliament set up an official committee, the Greek Debt Truth Commission, to investigate

the origins of Greece's debts. The audit is investigating whether the decision to sign up to the 'memoranda of understanding' with the Troika in 2010 and 2012 followed proper parliamentary procedure, as well as the impacts of the austerity programme on the people of Greece. It will also look at the period before 2010 when successive Greek governments, including with the help of Goldman Sachs, manipulated the public debt figures to present Greece as complying with eurozone rules. The audit is due to present a preliminary report in the summer.

▼ Find out more at:  
[www.greekdebtttruthcommission.org](http://www.greekdebtttruthcommission.org)

## FAIR GLOBAL RULES ON DEBT

The continuing failure to tackle the Greek debt crisis shows how the global financial system is structured in the interests of lenders. Since lending was deregulated in the 1970s, crisis after crisis around the world has seen the most impoverished people pay the price for the actions of financial speculators and unaccountable international institutions. Today both companies and individuals are protected from the worst effects of debt by bankruptcy procedures. Yet there is no such process for governments trapped by debt. Countries in debt crisis are at the mercy of their creditors, while banks and financiers expect governments to continue bailing them out, however reckless their lending.

Yet the Greek case, as well as the continuing case of the vulture funds seeking to profiteer from Argentina's

debt, has convinced developing countries that change is needed and new rules for resolving debt crises need to be introduced through the United Nations. In September 2014 a UN resolution was proposed to establish a new legal framework for debt restructuring. Despite the Greek debt crisis, the EU decided to abstain in the vote, while the UK and Germany outrageously broke from the EU's collective position and voted against, preferring to maintain their illegitimate grip on debt negotiations through the IMF, which they and other lender countries control. Nevertheless, the resolution passed by 124 votes to 11, with negotiations on the framework now taking place in the course of 2015. In May, the European Parliament called on the EU to engage constructively with the UN debt resolution process.

▼ See our response to the UK's vote at:  
[www.jubileedebt.org.uk/UNresponse](http://www.jubileedebt.org.uk/UNresponse)



# DEBT UPDATE

RIGHT: HUNDREDS OF CAMPAIGNERS IN LONDON JOINED A EUROPEAN DAY OF ACTION AGAINST UNJUST TRADE DEALS IN APRIL

## \$100 MILLION OF DEBT DROPPED FOR EBOLA-HIT COUNTRIES

We had another campaign success in February when the IMF agreed to cancel \$100 million of debt for the three countries fighting Ebola in West Africa: Sierra Leone, Guinea and Liberia. It followed pressure from thousands of campaigners over the winter and media coverage including in the *Financial Times*.

Liberia, Guinea and Sierra Leone will now not have to make any debt payments to the IMF for between 2 and 4 years, freeing up critical funds to continue the fight against Ebola, which has killed more than 10,000 people and looks set to cost their economies more than \$1.5 billion. The World Bank, however, has so far refused to join the IMF in cancelling debt, so the campaign continues. The countries are due to pay another \$11 million to the

World Bank in 2015. What's more, the debt relief was accompanied by \$160 million of new loans from the IMF, meaning in the medium term the debt will actually go up.

- ✓ Tell the World Bank to drop the debt at: [www.jubileedebt.org.uk/ebola](http://www.jubileedebt.org.uk/ebola)

## ELECTION 2015: PARTIES WARNED OVER NEW DEBT TRAP

A big thank you to everyone who sent in postcards or emails telling the political parties 'Don't Set a New Debt Trap' in the run-up to the election. Nearly 10,000 actions were taken, putting the threat of a new debt crisis on the agenda of the international development spokespeople of all the main parties.

- ✓ Ask your new MP to take action to avoid a new debt trap in the developing world. Sign the postcard enclosed or email them at: [www.jubileedebt.org.uk/newMPaction](http://www.jubileedebt.org.uk/newMPaction)

BELOW: VANI ZOUMANIGUI, 40 YEARS OLD, IS THE FIRST PATIENT TO LEAVE THE EBOLA TREATMENT CENTRE IN NZEREKORE, GUINEA, COMPLETELY CURED, DECEMBER 2014.





## TTIP PETITION REACHES 2 MILLION

The pan-European campaign against the Transatlantic Trade and Investment Partnership (TTIP), the corporate trade agreement currently being negotiated between the EU and US, has continued to build around Europe in recent months. The self-organised European citizens' initiative calling for an end to TTIP reached 2 million signatures in early June. We have joined the opposition to TTIP over fears that it would allow secret courts to be introduced enabling banks to sue governments for 'lost profits' resulting from financial regulations, even if they are introduced to protect people and public services. TTIP would also make it easier for vulture funds to exploit financial crises to make illegitimate profits from government debt.

↘ Sign the petition or download a petition sheet at:  
[www.jubileedebt.org.uk/TTIPaction](http://www.jubileedebt.org.uk/TTIPaction)

## DROP NEPAL'S DEBT


Two devastating earthquakes hit Nepal in April and May, killing 8,000 people and affecting millions more. Initial estimates show the damage could end up being equal to nearly half of Nepal's GDP. Yet the country is due to spend \$210 million on debt payments in 2015, and a similar amount in 2016 and 2017. More than 80% of the country's \$3.5 billion external debt is owed to the World Bank and Asian Development Bank.


We've joined with over 30 organisations from the region to call for immediate and unconditional cancellation of the debts claimed from Nepal. The costs to rebuild will be immense. As Dr. Sarba Khadka of Rural Reconstruction Nepal says: "Already a Least Developed Country, Nepal has been pushed back by at least a decade in its development efforts."

↘ Tell the World Bank and Asian Development Bank to drop the debt at:  
[www.jubileedebt.org.uk/nepal](http://www.jubileedebt.org.uk/nepal)

## ABOUT US

**Jubilee Debt Campaign is part of a global movement demanding freedom from the slavery of unjust debts and a new financial system which puts people first.**

 Jubilee Debt Campaign

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