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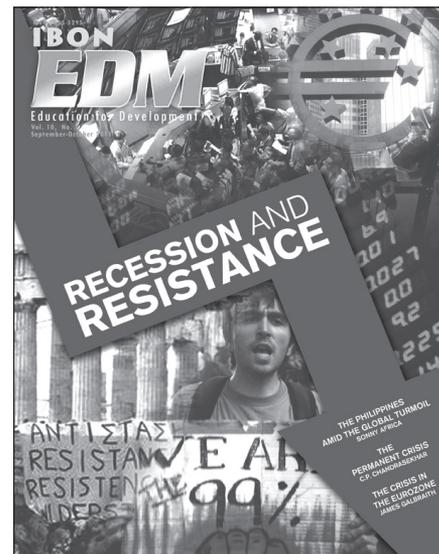
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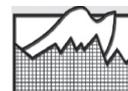
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# The Permanent Crisis

By C.P. Chandrasekhar



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For a world locked in a crisis, August 2011 was a particularly bad month. Economic indicators relating to different locations in its more developed regions suggested that close to four years after the onset of the global recession in December 2007, the world economy that had not fully recovered was set to sink again.

Two developments—one in the financial realm and the other relating to the real economy—were particularly ominous. To start with, for the first time in history, a rating agency (Standard & Poor's) had downgraded US Treasury bonds from their hitherto unassailable AAA (or risk-free) status and even placed them on watch for further downgrade. Official analysts and some independent observers were quick to rubbish the assessment from S&P, an agency with a poor record of predicting fragility. The assessment was even shown to be based on wrong numbers. But the fact that the debt of the world's most powerful country that was home to its reserve currency was even considered to be of suspect quality was telling.

The other disconcerting development was the release of evidence that the strongest economy in the rich nation's club—Germany—was losing all momentum, registering a growth rate of just 0.1% in the second quarter. This came at a time when the news from elsewhere was depressing. Recovery from the recession was known to be sluggish in the US. Japan, which had been experiencing long-term stagnation, had been devastated by a wholly unexpected exogenous shock. And, France had announced that it had experienced virtually no growth in that quarter. The real-economy crisis had penetrated Europe's core, pointing to the possibility of a return to recession in the eurozone as a whole (with 0.2% growth).

Even before the news from Europe had been officially declared, the nasty standoff involving the Republicans and Democrats over the debt ceiling in the US had obviously unnerved markets. The week ending 5 August was one of the

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worst since the onset of the financial crisis, with the FTSE 100 stock index falling by 10%. Confidence has hardly reversed since then, with investors wanting to flee from the markets but not knowing where to go other than into gold, prices of which had already soared. Over the week ending 14 August, the collective outflow from equity funds was \$26.1 billion, while that from bond funds totalled \$10.4 billion.

### Slowdown

Underlying this panic were four factors of particular significance. The first was the evidence reported above that the still-feeble recovery from the crisis across the developed world was slowing. This was adversely affecting growth in the more buoyant export-dependent developed countries such as Germany and threatening growth in developing countries such as China. Even when growth was occurring in the emerging markets, offering a counter to developed-country stagnation, it was leading to inflation. This is necessitating an increase in interest rates and the contraction of government spending, with adverse implications for future growth. With the resulting threat of a global double dip, confidence was bound to wane, leading to volatility in the financial markets that had just been bailed out by governments and central banks from the collapse induced by the crisis.

**Governments voluntarily gave up their right to resort to fiscal means to reverse the deceleration in growth, even in countries that were not recording large fiscal deficits and faced no threat of a public debt crisis.**

The second problem, at least from the point of view of financial investors, was that this long-drawn effort to bail out a financial system that had speculated its way to crisis had resulted in a substantial increase in global debt. According to a calculation made by the McKinsey Global Institute, as a result of a combination of financial sector bailouts and stimulus spending, the total amount of debt incurred by governments across the world rose by a staggering \$25 trillion to \$41.1 trillion over the decade ending 2010. What seemed comforting was that on average it amounted to just 69% of the global GDP. But in individual countries, such as Greece and Italy, for example, debt-financed spending had indeed taken the net debt-to-GDP ratio to levels as high as 152% and 101% respectively.

In some instances when slowing growth reduced revenues, concerns about the ability of these countries to service debt emerged. As long as there was confidence that the stronger countries in the eurozone would back these economies with funding in the event of any financial difficulties, banks and financial investors ignored these concerns. But when it became clear that such backing had its limits, bond prices fell, interest rates rose and the willingness of financial agents to roll over past debt waned. That made it even more difficult for these countries

to meet their commitments. This was when the threat of sovereign default in the developed world seemed real.

Consider, for example, the problem in Greece. The government had indeed accumulated excess debt to sustain growth and meet welfare expenditures. The private sector that had financed that debt has suddenly turned wary, and is willing to lend more, if at all, only at exorbitant interest rates. When the International Monetary Fund (IMF) and some European governments provided a modicum of support more than a year ago, it was in return for severe austerity measures that limited growth and reduced revenues, making sovereign default a real possibility. Not surprisingly, more than a year later, the Greek crisis has intensified.

What is alarming is that the problem in Greece or Portugal, in the eurozone periphery, is not staying there. Despite the fact that economic conditions or the debt problem is nowhere as serious in countries such as Italy and Spain, which happen to be the third and fourth largest economies in the zone, Europe, like Southeast Asia at the end of the 1990s, is overcome by 'contagion'. The collapse of confidence and the fear of a sovereign default has touched these countries as well, resulting in a spike in the interest rates their governments have to pay for additional borrowing.

In fact the problem has now afflicted France as well, with President Nicolas Sarkozy having had to recall key ministers of his cabinet from holiday, to find ways of assuaging market fears that French debt would be downgraded because of a large deficit. The value of shares in French banks collapsed due to fears that the downgrade would adversely affect their balance sheets.

### **Backlash against public debt**

This has led to the third of the difficulties confronting the global economy. This is that government bonds are now not an automatic safe haven to which investors can retreat without blinking. An ideological backlash against public debt had sent out (wrong) signals that made investors in sovereign bonds of countries with even reasonable public-debt-to-GDP ratios jittery. Consider, for example, government bonds issued by the US, which is home to the dollar, the world's reserve currency that is still nearly as good as gold. Even for those infused with an unthinking dislike for government borrowing, US public debt is by no means too high relative to its GDP to warrant excessive concern. There are at least 10 advanced economies, from

debt-strapped Greece to conservative Germany, that record a higher net debt-to-GDP ratio.

There is no real fear of US default. The standoff between the Republicans and the Democratic administration over a routine decision to raise the Congress-mandated ceiling on public debt stemmed from another source. It resulted from the Republican objective of extracting a cut in the fiscal deficit and ensuring that it was realised through spending cuts that hurt the poor and middle classes rather than tax increases that touched the rich. In the last-minute 'deal' that was struck, President Barack Obama was authorised to increase the debt limit by at least \$2.1 trillion, on the conditions that there would be an immediate cut in spending so as to reduce the deficit by \$1 trillion and that a bipartisan committee would identify ways of further cutting expenditures so as to realise an additional \$1.5 trillion reduction in the deficit. Despite this, Standard & Poor's decided to go in for an irresponsible downgrade supported with wrong calculations, only because it had decided that a \$4 trillion reduction in the US fiscal deficit was needed for debt sustainability. The Republicans had managed to extract 'only' the promise of a \$2.5 trillion reduction. S&P was not acting on its own. It was merely reflecting the opposition of finance capital to a proactive state financing expenditures with borrowing.

### **Spending cuts**

Finally, because of the propaganda behind this blind fiscal conservatism, there is political opposition to increased public debt across the developed world, leading to a withdrawal of stimulus measures and a turn to expenditure reduction rather than expansion. The result was not just slower growth. It was also the erosion of an instrument that since the Great Depression was seen as the main remedy for recession: enhanced public expenditure. Governments voluntarily gave up their right to resort to fiscal means to reverse the deceleration in growth, even in countries that were not recording large fiscal deficits and faced no threat of a public debt crisis. This not only directly affected growth in individual countries and across the globe. It also meant that countries that were dependent on exports to global markets to sustain much of their dynamism, whether it be Germany in Europe or China in Asia, are facing the danger of a slowdown in growth. This is already visible in Germany, as noted above. It is likely to afflict China as well, especially if other countries choose to partially close their economic borders in response to the crisis.

(continued on page 14)

# The crisis in the Eurozone

By James K. Galbraith, salon.com

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**T**he eurozone crisis is a bank crisis posing as a series of national debt crises and complicated by reactionary economic ideas, a defective financial architecture and a toxic political environment, especially in Germany, in France, in Italy and in Greece.

Like our own, the European banking crisis is the product of over-lending to weak borrowers, including for housing in Spain, commercial real estate in Ireland and the public sector (partly for infrastructure) in Greece. The European banks leveraged up to buy toxic American mortgages and when those collapsed they started dumping their weak sovereign bonds to buy strong ones, driving up yields and eventually forcing the whole European periphery into crisis. Greece was merely the first domino in the line.

In all such crises the banks' first defense is to plead surprise – “no one could have known!” – and to blame their clients for recklessness and cheating. This is true but it obscures the fact that the bankers pushed the loans very hard while the fees were fat. The defense works better in Europe than in the U.S. because national boundaries separate creditors

from debtors, binding the political leaders in Germany and France to their bankers and fostering a narrative of national-racism (“lazy Greeks,” “feckless Italians”) whose equivalent in post-civil rights America has been largely suppressed.

Underpinning banker power in Creditor Europe is a Calvinist sensibility that has turned surpluses into a sign of virtue and deficits into a mark of vice, while fetishizing deregulation, privatization and market-driven adjustment. The North Europeans have forgotten that economic integration always concentrates industry (and even agriculture) in the richer regions.

As this process unfolds the Germans reap the rents and lecture their newly indebted customers to cut wages, sell

off assets, and give up their pensions, schools, universities, healthcare – much of which were second-rate to begin with. Recently the lectures have become orders, delivered by the IMF [International Monetary Fund] and ECB [European Central Bank], demonstrating to Europe's new debt peons that they no longer live in democratic states.

### The U.S. advantage

The eurozone's architecture makes things worse in two major ways. While the EU has long paid some compensation to its poorer regions, these structural funds were never adequate and are now blocked by unmeetable co-pay requirements. And the zone lacks the inter-regional redistribution channels to households that the U.S. has developed in Social Security, Medicare, Medicaid, federal government payrolls and military contracting among other things. Nor do German retirees settle in Greece or Portugal in large numbers as New Yorkers do in Florida or Michiganders in Texas.

Second, the ECB refuses to solve the crisis at a stroke, which it could do by buying up the weak countries' bonds and refinancing them. The argument against this is called "moral hazard," buttressed by old-fashioned inflation fears, but the real issue is that to do so would admit loss of control by creditors over the central bank. Actions parallel to those taken by the Federal Reserve – nationalizing the entire commercial paper market, for instance – would repel the ECB, even though it does buy up sovereign bonds when it has to. So instead the zone has gone about creating a gigantic toxic CDO [collateralized debt obligation] called the European Financial Stability Fund, which may shortly be turned into an even more gigantic toxic CDS [credit default swap] (like AIG, they will call it "insurance"). This may defer panic at most for a little while.

Technical solutions exist. The most-developed of these is the "Modest Proposal" of Yanis Varoufakis and Stuart Holland, widely backed by older political leaders in Europe. It

would 1) convert the first 60 percent of GDP of every eurozone country's debt to a common European bond, issued by the ECB; 2) recapitalize and Europeanize the banking system, breaking the hammerlock of national banks on national politicians; and 3) fund a New Deal-like program of investment projects through the European Investment Bank.

Variant proposals include Kunibert Raffer's call for a sovereign insolvency regime modeled on the U.S. municipal bankruptcy statute, Thomas Palley's proposal for a new "government banker" and Jan Toporowski's proposal for a tax on bank balance sheets to retire excess public debt.

These are the best ideas and none of them will happen. Europe's political classes exist these days in a vise forged by desperate bankers and angry voters, no less in Germany and France than in Greece or Italy. Discourse is sealed off from fresh ideas and political survival depends on kicking cans down roads so that the fact that this is a banking crisis does not have to be faced. The fate of the weak is at best incidental. Thus every meeting of finance ministers and prime ministers yields treacherous half-measures and legal evasions.

The latest example was the pretzel-logic that declared a 50 percent haircut\* on Greek debt to be "voluntary" so that it would not trigger default clauses on the CDS to which some American banks, in particular, might be exposed. When Timothy Geithner warned the Europeans of potential "catastrophe" last month one may reasonably infer he had this risk – and not the minor effect on our already disastrous jobs picture – in mind. But of course if the haircut can be declared voluntary, then CDS are not worth the storage space they occupy in bankers' computers, and another prop to the rapidly failing market in sovereign debts falls to the ground.

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**The eurozone crisis is a bank crisis posing as a series of national debt crises and complicated by reactionary economic ideas, a defective financial architecture and a toxic political environment**

# From crisis to crisis: The Philippines amid the global turmoil

By Sonny Africa

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After declaring late last year that recovery was under way, the International Monetary Fund (IMF) now says that the world has entered a 'dangerous new phase'. The inability of the Fund to maintain its earlier optimism underscores the deep problems of the global economy. Yet despite this, many governments of the Third World, such as in the Philippines, persist with long-discredited globalisation policies instead of the radical reforms that their economies and people so desperately need. This in turn points to the urgency of directly challenging the domination of big foreign powers and domestic elite interests for things to even just start changing for the better.

The Philippines is in the geographic middle of South-East Asia and has a population of 102 million people. It is the 12th largest country in the world by population - second only to Indonesia in South-East Asia - but only the 45th largest by gross domestic product (GDP) and 124th by GDP per capita (both in nominal terms).

Because of decades of globalisation policies, the country was actually already deep in crisis by the time the global financial and economic turmoil erupted in 2008. This turmoil appeared to have relatively less impact on the Philippine economy than its neighbours in the region with, for instance, low but still positive economic growth. The government and many mainstream economists distorted this as indicating 'resiliency' and 'solid economic foundations'. The reality, however, is that the impact of the turmoil was on top of what was already a very difficult situation to begin with.

## The Philippines upon the crisis in 2008

Globalisation policies have been implemented since 1979 when the Philippines became the second country in the world, after Turkey, to enter into a structural adjustment programme (SAP) with the World Bank. Since the 1980s, tariffs have been reduced deeper and faster than in most countries in the region (with perhaps the exception only of Singapore). Regulations and restrictions on foreign investment were removed wholesale and 100% foreign ownership has been allowed in all but a few sectors since 1991. In short the country aggressively globalised throughout the 1980s and 1990s and quickly became among the most formally open economies in East Asia (i.e., in terms of policies if not outcomes). This of course did not lead to real development.

Certainly some economic results were played up by the government and the international financial institutions (IFIs): larger exports, rising foreign investment and rapid

growth. The country had \$8.2 billion in exports equivalent to 27.5% of GDP in 1990 which rose to average over \$40 billion annually in the period 2000-2008 (some 46% of GDP). Foreign investment in turn rose from \$3.3 billion (equivalent to 7.4% of GDP) in 1990 to \$21.8 billion in 2008 (13.0% of GDP). Economic growth was also relatively rapid and the 7.1% clip in 2007 was hailed as the fastest in three decades.

But these are not the economic results that matter. In contrast, local manufacturing and agriculture were in decline. The manufacturing sector was shrinking throughout this globalisation period and the sector was reduced to as small as it was in the 1950s as a share of GDP and of total employment. Agriculture meanwhile fell to its smallest share of GDP and employment in the country's history. Domestic food production per capita is lower than in the early 1970s and import dependency has worsened across the range of basic commodities. The highest average increases in food prices have been in the case of rice and corn, which greatly contribute to the declining purchasing power especially of the country's poor.

The collapse of the country's two most important productive sectors explains why joblessness was high and rising even before 2008. The average unemployment rate of 11.1% in the decade before the crisis was already the worst period of sustained high unemployment in the country's history. Real wages, taking inflation into account, were lower in 2008 than at the start of the decade. All this had forced record numbers of Filipinos abroad for work to sustain their families; some 4,000 Filipinos were already leaving the country every day, leading to some nine million Filipinos overseas by the time the crisis erupted in 2008 - the largest number of whom were in the United States and other hard-hit centres of global capitalism.

Poverty was consequently already widespread and far more than the low 28 million official estimate before, which was less than a third of the population. The government arrived at this figure using an absurd official poverty line of just 41 pesos (PhP) per person per day - or the price of a 1.5-litre bottle of Coca-Cola - with which the government expects a Filipino to meet all of his or her basic needs for food, clothing, housing, utilities, education and health.

Using a more reasonable poverty line of PhP104, however, would count some 65 million Filipinos, or some seven out of 10 Filipinos, as poor. This aggregate figure does not even capture how the poorest 30 million people struggle with just PhP22 or PhP35 or PhP45 per day. Inequality is

also virtually unchanged from decades ago - in 1988 and today, the poorest half of the population accounts for less than 20% of household income, while the richest 20% of families hold more than 50% of household income.

### Impact of the crisis in 2008

The long period of globalisation policies defined the situation of Filipinos when the crisis hit in late 2008 as well as the main channels of its impact. The global turmoil worked its way through the economy in three main ways: weaker exports, slowing overseas worker remittances and volatile investments.

The Philippine export sector has grown in the last decades but is still relatively smaller than in its neighbouring countries, at just some 45-50% of GDP in recent years. Out of around 37 million jobs in the country only some 250,000 are in manufacturing for export, a sector which consists mainly of low-value-added electronics exports; electronics account for over two-thirds of exports but 85-90% of their value is estimated to be imported. Merchandise exports fell 22% in 2009 to \$38.4 billion from \$49.1 billion in 2008.

By the middle of 2009 the Department of Labour and Employment (DOLE) had noted 164,831 manufacturing workers in 717 establishments affected by the crisis - consisting of 63,216 'displaced' and 101,615 forced into 'flexible work arrangements'. These manufacturing workers accounted for some 85% of all workers affected by the crisis, with the remainder found in real estate (3.3%), mining (2.5%), trading (1.0%) and others.

Overseas worker remittances from some nine million Filipinos abroad totalled \$18.8 billion in 2010 and are equivalent to some 10% of GDP. Monthly year-on-year growth in remittances was reaching peaks of 35-40% in the period 2005-2008 but this fell to just between 7-10% from 2009 to the present and at one point even slowed to just 0.1% growth (January 2009). Remittances from the US in particular actually fell by some 6.4% or \$502 million in 2009, from \$7.83 billion in 2008 to \$7.32 billion in 2009; this only weakly recovered to \$7.86 billion in 2010. It is also increasingly likely that the limits of the migration-and-development hype are being reached, with the share of remittances in GDP apparently reaching a plateau in the last five years, especially with so many other countries having been pushed onto the migration-and-development bandwagon.

Foreign direct investments are generally erratic on a year-on-year basis but, nonetheless, the decline after 2008 is evident. Total foreign equity investment was at \$2.0 billion in 2007 - largely in manufacturing, utilities and mining - then fell to \$1.2 billion (2008), \$1.7 billion (2009) and \$848 million (2010).

All of this was reflected in overall economic growth rates, with GDP growth falling from 7.1% in 2007 to 3.7% (2008) and 1.1% (2009). The impact of the crisis was also evident in a 2.2% quarter-on-quarter GDP contraction in the first quarter of 2009, which was the most drastic contraction since seasonally-adjusted quarterly growth rates were recorded. There has been a notable rebound to 7.3% annual GDP growth in 2010 but this has been largely attributed to temporary election-related spending and the unsustainable pseudo-recovery globally following massive stimulus programmes.

Overall unemployment also increased by 244,000 to 4.4 million in 2009 (from 4.2 million in 2008) and the number of underemployed by 357,000 to 11.1 million (from 10.7 million in 2008). Gross domestic fixed capital formation meanwhile fell from 14.9% of GDP in 2008 to 12.9% in 2009. The national government deficit also drastically worsened from being equivalent to 0.9% of GDP in 2008 (at PhP68.1 billion) to 3.9% of GDP in 2009 (PhP298.5 billion).

## Signs of worse to come

The recent US credit rating downgrade is just the latest sign that the global crisis which erupted in 2008 has not been resolved and will continue for years to come. The Philippine government and its economic managers are unfortunately oblivious to this reality in their medium-term planning and budgeting for 2012, which undermines the country's prospects for development.

The historic credit rating downgrade of the US was dramatic, sending a shock through global financial markets, but still only symptomatic of a deeper problem. The world economy is still struggling to find sources of growth to replace the merely debt- and speculation-driven growth of the 1990s and early 2000s. The US downgrade is at the same time significant for highlighting the unravelling sovereign debt crisis which is the next financial flashpoint for the world economy.

A semblance of stability and recovery was manufactured in the last two years only because of massive fiscal and

monetary stimulus especially by the big economic powers. The total value of this stimulus reaches \$10.8 trillion if we count all new financial support measures including bailouts, public loans and guarantees, public assumption of private sector debt and other liabilities, and nationalisation of private capital - this is equivalent to almost a fifth of global GDP. The US's two rounds of 'quantitative easing', for instance, totalled \$2.3 trillion.

The benefits, however, are clearly shortlived. The global economy is slowing again as of the third quarter of 2011, with world economic growth projected by the IMF in its September 2011 World Economic Outlook to be just 4.0% in 2011 compared to 5.1% last year.

The slowdown is also not just in the advanced capitalist economies but also in the supposed alternative growth centres - China's growth is projected to fall from 10.3% in 2010 to 9.5% in 2011, India's from 10.1% to 7.8%, and Brazil's from 7.5% to 3.8%; only Russia, which is less than one-fourth the size of China, is seen to grow slightly from 4.0% to 4.3%. These countries are still dependent on the major capitalist centres for a large part of their demand, exports and investments, aside from also having their own internal economic troubles.

Indeed, the shortlived benefits have created new fiscal and financial sector imbalances. Sovereign debt problems are particularly marked, with advanced capitalist countries facing huge burdens that are leading to greater austerity and further depression of growth. The IMF also estimates that US gross public debt is going to reach \$15.2 trillion or 99.5% of GDP in 2011. Other important economies have even bigger projected debt burdens in 2011, including Japan (229.1% of GDP), Greece (152.3%), Italy (120.3%) and Ireland (114.1%). For others it is relatively smaller but still considerable: France (87.6%), the United Kingdom (83.0%), Germany (80.1%) and Spain (63.9%).

Growth remains not just imbalanced but weak around the world. Economic activity is slowing and the risks are, if anything, increasing, as the US downgrade, to take a particular instance, shows. The situation is still very fragile despite repeated claims in the last two years of the world having dealt with the crisis and now slowly, if unevenly, recovering.

The biggest dampener on growth is the persistently high global unemployment and persistently weak productive investment (i.e., non-financial). At the same time, the mounting sovereign debt troubles mean fiscal austerity which further dampens demand especially in the US,

Europe and Japan. This also makes the political situation in these countries volatile. The clash in early August between the Republican and Democratic parties on the US debt ceiling is only just one example, and is less explosive than the upsurge of protests by citizens across Europe, the Middle East and North Africa.

The US credit downgrade is meaningful not yet for any immediate impact but for possibly marking the start of another severe economic slowdown or new stage of recession there. A worsening of the US economic situation will quickly impact on the Philippines in terms of weaker remittances, lower exports, and more problematic investments.

The problem with the US downgrade is not just in the immediate financial terms of an impact on interest rates, the foreign exchange rate, Philippine debt and the stock market. More importantly, it shows the depth of the long-term problems of the US and the other advanced capitalist powers. They are all facing slowing growth due to public debt troubles, austerity, high unemployment and the lack of productive domestic investment opportunities. Other economies such as the so-called BRICS (Brazil, Russia, India, China and South Africa) and even the Philippines have roughly the same problem and every country is looking for sustainable sources of growth.

All is not well for the world economy and this is the single most important economic feature in the current world situation. The Philippine government's Philippine Development Plan (PDP) 2011-2016 and national government budget for 2012 however seem oblivious to this and assume a world economic situation that is long past. They are anchored on an export-oriented and foreign-investment-led model that is no longer viable.

The PDP 2011-2016 is the government's development blueprint and cannot but strongly reflect the dominant economic and political forces in the country. And because these elite forces remain entrenched, the government's economic plan cannot but be recycled and anti-development. The plan merely affirms and continues past policies of globalisation by now familiar to all: trade and investment liberalisation, privatisation and deregulation. There are only two additional stresses: first, more extensive and deeper privatisation (through public-private partnerships, or PPPs), and, second, covering

up failures of globalisation with multi-billion-peso anti-poverty gimmickry (especially conditional cash transfers, or CCTs).

Privatisation is intensified with even greater incentives for big business, especially foreign investors, through so-called regulatory risk guarantees. Its coverage is also greatly expanded into health, education and housing - reducing these vital social services into opportunities for profit and foreshadowing making them unaffordable and inaccessible to the country's poor and poorest. It does not seem that any area of the economy will be spared PPPs and the administration's list is long: power, telecommunications, information technology, highways, roads, railways, ports, airports, transport systems, irrigation, canals, dams, water supply, sewerage, markets, warehouses, slaughterhouses, government buildings, land reclamation, tourism and industrial estates.

The administration of President Benigno Aquino and its PDP is forced to acknowledge the unavoidable consequences of decades of globalisation: low and volatile growth, record joblessness, falling incomes and growing poverty. However, rather than deal with the roots of the problem, it instead seeks to merely cover up for these with a multi-billion-peso CCT programme that is expensive, debt-driven and unsustainable aside from being prone to abuse, patronage and corruption. There are also already reports of CCTs being used less for anti-poverty than counterinsurgency.

And more than just relief without reform, the CCT programme actually seeks to use the relief precisely to cover up for the lack of reform. Families may receive PhP9,000 to as much as PhP15,000 a year for a maximum of five years but the question remains: after five years will they have jobs, steady incomes, steady livelihoods and decent public education, health and housing?

The sooner the country's economic directions are focused on building the domestic economy, the better. Job creation and poverty reduction will not happen if the same failed globalisation policies of previous administrations are retained. There must instead be more democratic income, asset and wealth reform and greater assertions of economic sovereignty in the country's international trade and investment relations.

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# We are all Greeks

By Vanessa Baird, New Internationalist



Popular movements across Europe are stepping up and internationalizing their actions to create a united front against austerity.

The coming weeks will see simultaneous protests in several European countries on October 15 and when the G20 meet in Cannes on 3-4 November. A Europe-wide day of action is also being planned.

As Greeks strike and protest against savage job and pension cuts and refuse to pay emergency taxes, unions and civil society groups in other countries are also gearing up.

Though each country has its different characteristics, all austerity programmes seem to have this in common: they are enabling a lasting transfer of wealth from public to private, from people to banks, from poor to rich.

'We need to create a common mobilization, a common agenda,' said German activist Max Banc, from the German branch of the finance pressure group Attac. He was speaking

**There isn't a division of the people of Europe. The people of Europe are on one side, the banks and capital are on the other.**

at a European Coalition of Resistance conference in London last weekend – attended by around 600 activists, trade unionists and academics from countries including Greece, Ireland, Germany, France, Belgium, Portugal and Spain.

Delegates challenged the 'divide and rule' stereotype of 'prudent and hardworking Germans' having to bail out 'lazy and profligate Greeks' – which has particular currency in Northern Europe.

'There isn't a division of the people of Europe,' said Steffen Stierle of Attac, Germany. 'The people of Europe are on one side, the banks and capital are on the other.'

It's easy, if you listen to European politicians and the mainstream media, to form the impression that the 'troika' – the European Union (EU), the International Monetary

Fund (IMF) and the European Central Bank (ECB) – are trying to save the Greek economy. Actually, their purpose is to recapitalize the European banks exposed to Greek debt and to protect the euro.

The bailouts they have arranged, not only squeeze the people. They are also likely to result in the dismemberment of Greece's public assets, which will be sold off to the private sector, including, one can reasonably suppose, the banks and speculators who created the 2008 crisis that is at the root of today's troubles.

However, there are signs of hope. The people's 'debt audit' movement, started in Greece and Ireland, is gathering pace, with similar initiatives starting in France and Portugal. These 'citizen auditors' are investigating: Who took out the public debts? What was the money used for? And who is the money owed to?

'People working in public bodies are coming to us, anonymously, with carrier bags full of information,' said one of the movement's founders, Georgos Mitralias.

The idea is to identify the debts that are illegitimate (or 'odious'), in that they were improperly obtained or misused, and have them cancelled outright. Some would argue that might apply to most of the debt.

In Ireland, a similar movement in questioning Irish sovereign debt, the bulk of which came as a result of bailing out the banks to the tune of least 70 million euros (\$94 million) in 2008. In December 2010 a loan of 58 million euros (\$78 million) from the IMF and EU was contracted, not as bailout to Ireland but 'to ensure that Ireland would pay back the money Irish banks owe to foreign institutions, with the bulk of bailout money routed via Ireland for that purpose,' according to Irish academic and activist Andy Storey. 'The Irish people are being asked to repay a debt that was not of their making and from which they gained little or nothing – this is a prima facie case of illegitimate debt,' he says.

Default is viewed by many as inevitable – both in Greece and Ireland.

A cartoon in the Greek Daily Ta Nea shows a figure being denied entry into a packed meeting of the 'I won't pay movement'. The figure being turned away is Evangelos

Venizelos, the Greek finance minister, who protests: 'But I'm not paying either. The coffers are empty.'

The Greek authorities are now trying to squeeze taxes out of people on the lowest incomes. Already 20-30 per cent is being shaved off old age pensions; 20 per cent salary cuts have become common, and 30 per cent of public sector workers are likely to lose their jobs. Value-added tax is now imposed on all food items, including 20 per cent on bread. But still the tax revenue is shrinking, partly due to a shrinking economy, rising unemployment, and the fact that state workers are tax payers.

While the tax-evading rich remain more-or-less untouched (shipping companies are still exempt), hunger wages are becoming common and the suicide rate has gone up by 41 per cent, according to recent article in the British medical journal The Lancet.

'I would not mind paying the 1,300 euro (\$1,754) one-off tax they want next month if I thought it was for the good of my country,' says one young woman in Athens. 'But where will the money go?'

Governments across the continent are hardly innocent parties. They have failed – and continue to fail – to regulate their banks and finance sectors. While in Greece, successive governments have failed to reform the seriously dysfunctional and unfair tax system.

And in recent times, a large question mark has arisen over the size of Greece's sovereign debt itself and how it came to be measured.

In late September, two of the country's leading statisticians told parliament that the upward revision of the 2009 deficit was artificially inflated to allow for tougher austerity, reports the Athens News.

Nikos Logothetis, former vice-president of the Hellenic Statistical Authority (Elstat) and Zoe Georganta, professor of applied informatics at Thessaloniki's University of Macedonia, claim the deficit was inflated by arbitrarily and hastily including 17 public utilities into the government account. This was done under the orders of the new president of Ellstat, Andreas Georgiou, who between 1989 and 2010 worked for the IMF.

**The people's 'debt audit' movement, started in Greece and Ireland, is gathering pace, with similar initiatives starting in France and Portugal.**

(continued on page 15)

# Globalizing Occupy Wall Street:

## From Chile to Israel, Protests Erupt

By Lois Beckett, ProPublica



<http://www.flickr.com/photos/wheelzweeler/>

At first glance, the synchronized protests that took place in more than 900 cities around the globe on Oct. 15 seemed to indicate that Occupy Wall Street had achieved a kind of worldwide resonance.

But the truth is more complex. Many of the protests elsewhere grew out of movements that pre-date Occupy Wall Street and out of frustrations that, though similar in some ways, are also specific to their countries.

Here's a look at the origins, demands and affects of five of these global protests, as well as the criticism they've faced.

### In Chile, Students Protesting for Free Education Occupy Schools

The Santiago protest in solidarity with Occupy Wall Street took place during a week of ongoing national demonstrations. Since May, Chilean students have been

staging protests demanding that the government make education free to all.

Secondary school students have occupied their schools, sleeping on the floor and holding their own classes. Last week, protesting students occupied Chile's senate building in Santiago. Hundreds of thousands of people have participated in marches over the past six months. At times, the protests have become violent, with police using tear gas and water cannons on the protesters, and "masked assailants" setting fire to a city bus.

Opinion polls show more than 80 percent of Chile's citizens support the protesting students, who also have the backing of labor unions and teachers. Government officials, including the president, have resisted the demands, saying

the government cannot afford to pay for education for all students.

### **In Israel, a Summer Protest Against Rent Prices, Cost of Living**

Protesters in Tel Aviv returned Oct. 15 to Rothschild Boulevard, the site of a summer occupation that prefigured the Occupy Wall Street movement.

During those demonstrations, which began July 14, hundreds of people set up tents along the most prestigious street in Tel Aviv's financial district to protest the high cost of rent. Government ministers mocked the protesters, calling them "sushi-eaters" and "nargila [hookah] smokers with guitars."

But over two months, demonstrations against Israel's high cost of living brought out a record-breaking numbers of participants. A march on Sept. 3 drew 450,000 people, or roughly six percent of Israel's population. In response, Israel's prime minister proposed reforms, and, when they were rejected as insufficient, assembled a task force to consider ways to improve the standard of living for Israel's middle class.

Tel Aviv's tent city was dismantled earlier this month.

### **In Spain, High Youth Unemployment Rate Sparks Tent Occupations**

The idea for a global day of protest on Oct. 15 was originally proposed by participants in Spain's 15-M or "Los Indignados" movement.

The "indignados" movement began in May, when hundreds of protesters set up tents in Madrid's historic Puerta del Sol, and others gathered elsewhere to protest Spain's extremely high unemployment. Overall, unemployment was at more than 20 percent, and youth unemployment was at nearly 50 percent. On Oct. 15, tens of thousands of protesters gathered in Madrid, Barcelona and Seville.

Like the Wall Street protesters, protesters in Spain faced criticism for having no clear demands and using the protest as an excuse for a big party. Madrid's tent city, which largely disbanded in June, was leaderless and had a legal advice tent, a library, a kitchen set up to prepare donated food. It also had a general assembly where participants made decisions through consensus on issues such as how to deal with police or complaints from neighbors. Some neighboring

merchants were not enthused about the occupation, but, as in New York, the 24-hour pizzeria didn't seem to mind.

### **In the UK, Occupation Follows Protests on Education Cuts, Riots Over Police Brutality**

Over the past year, the UK has seen major student protests over rising school fees, as well as violent riots and looting this August after a young black man from a low-income neighborhood was killed by the police.

In comparison with the roughly 50,000 protesters who turned out last November to demonstrate against tuition increases, the Occupy London Stock Exchange movement is small: an estimated 600 people are camped out by St. Paul's Cathedral, and a smaller cluster have gathered near London's Royal Bank of Scotland and JP Morgan buildings. (At times, an estimated 2,000 protesters have gathered at the encampment. There also have been smaller protests in other cities across the UK.)

The encampment has prompted the closure of St. Paul's Cathedral, which is reported to be considering legal action to dislodge the protesters.

Like those in New York, the Occupy London protesters have been criticized—by the Mayor of London, among others—for not having a clear set of demands. A Guardian reporter who spent a few days at the encampment reported that "a few of the key facilitators in last winter's student protests haven't come down" because "they're not sure it's radical enough."

But the reporter, Patrick Kingsley, concluded that the lack of demands may be part of the point: "If anything, the camp itself is their demand, and their solution: the stab at an alternative society that at least aims to operate without hierarchy, and with full, participatory democracy. And to be fair, in its small way, it kind of works," he wrote.

### **In Germany, a Country Less Burdened by the Financial Crisis, Protest May Reflect Fears for the Future**

In Frankfurt, Europe's financial center, roughly a hundred protesters are currently camped out in front of the European Central Bank, and at least 4,000 more took to the streets again last weekend to protest the banking system. (Smaller numbers protested in Berlin.) ►►

The protests, inspired by the Occupy Wall Street movement, have been greeted with some bewilderment by commentators. While the American protests have focused on the nation's increasing inequality and wealth disparity, Germany "has one of the most equitable distributions of family income in the world," according to Foreign Policy magazine. German youth are not saddled with student loan debt, the Wall Street Journal points out, and have a very low unemployment rate of 9.7 percent.

Trying to explain the reason for protests in a country "largely unscathed by the global financial crisis," German newspapers suggested that there was "bitter

disappointment" that state bailouts of banks did not result in reforms to the financial system, or that the protests were forward-looking, sparked by "young people who are afraid that the debt crisis is robbing them of their future."

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### The Permanent Crisis (continued from page 3)

Governments now respond only when finance (not the real economy) is under threat. As happened in 2008, they are intervening today because of the threat to the banking system, which is quite heavily exposed to public debt, especially in Europe. But since fiscal conservatism has gripped most developed-country governments and fiscal policy is not seen as an alternative, monetary policy or the infusion of liquidity into the system by having central banks purchase government bonds held by the banks has become the main tool to combat fragility. The European Central Bank that was adopting a conservative stance has gone shopping for government bonds including Greek paper to support the banks, while the US Federal Reserve has tied its hands by committing not to increase interest rates from their near zero per cent level in the foreseeable future. The latter would be fine if the global downturn keeps oil and commodity prices low. But if geopolitical and structural factors keep these prices, especially those of oil, buoyant, the loss of the interest rate lever may necessitate further fiscal contraction and even lower growth as happened after the second oil shock of the late 1970s.

In sum, while the reliance on monetary easing may stave off a banking crisis for some time, the evidence increasingly shows it is likely to do little to stall the downturn in growth and trigger a recovery. If the downturn persists, confidence

is likely to erode, including confidence in government bonds.

### Recession threat

There seem to be two messages coming out of the global economy right now. The first is that a second 'dip' or recession, potentially steeper than the first, is upon us and is likely to be of longer duration than the first. The danger this time around is greater because, for ideological and other reasons, the fiscal weapon that governments had deployed in the first recession is now being abjured by them. On the other hand, there is no evidence of the emergence of alternatives that can serve as effective substitutes.

The second message is that after a long time the crisis that capitalism faces is centred on its metropolitan core and not the less developed periphery. Mere talk of decoupling cannot prevent this crisis from spreading to the export-dependent economies in the successful periphery. The crisis, it appears, is bound to be global. Economically speaking, capitalism is under siege. Its strength is that politically the attack on it is largely spontaneous, sporadic and fragmented. Till that consolidates and gains political momentum, chaos and anarchy seem to be the promise.

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**The crisis in the Eurozone (continued from page 5)**

Political fragility also explains the fury in France and Germany when George Papandreou [the calmest man in Europe, by the way, having been born and raised in Minnesota] sought to cut the knot of his rebellious ministers, irresponsible opposition and angry public by putting the latest austerity package to a vote. God help the bankers! The move was fatal to Papandreou in short order, and Greece will now be turned over to a junta of creditors' deputies if such can be found willing to take the job. It won't be anyone who wants to continue to live in Greece afterward.

Greece and Ireland are being destroyed. Portugal and Spain are in limbo, and the crisis shifts to Italy – truly too big to fail – which is being put into an IMF-dictated receivership as I write. Meanwhile France struggles to delay the (inevitable) downgrade of its AAA rating by cutting every social and investment program.

If there were an easy exit from the Euro, Greece would be gone already. But Greece is not Argentina with soybeans and oil for the Chinese market, and legally exit from the Euro means leaving the European Union. It's a choice only Germany can make. For the others, the choice is

between cancer and heart attack, barring a transformation in Northern Europe that not even Socialist victories in the next round of French and German elections would bring.

So the cauldrons bubble. Debtor Europe is sliding toward social breakdown, financial panic and ultimately to emigration, once again, as the way out, for some. Yet – and here is another difference with the United States – people there have not entirely forgotten how to fight back. Marches, demonstrations, strikes and general strikes are on the rise. We are at the point where political structures offer no hope, and the baton stands to pass, quite soon, to the hand of resistance. It may not be capable of much – but we shall see.

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\* In October, Greece's private creditors agreed to a 50-percent writedown on the face value of their Greek bond holdings. The terms of this agreement are currently being negotiated. - Eds.

**We are all Greeks (continued from page 11)**

Zoe Georganta says: 'The deficit was inflated to justify the harsh austerity measures imposed on Greece by the 110 billion euro [\$148 billion] EU-IMF bailout package that was signed on 4 May 2010. Troika officials thereby sought to create the impression that Greece's deficit was even higher than Ireland's.'

She adds that the 2001 debt was repayable in 16 instalments of 400 million euros (\$539 million), between 2004 and 2019. 'There was no reason to charge the 2009 budget with this additional 5.4 billion euros [\$7.2 billion] – the full net present value of the swap – instead of only 400 million euros.'

It makes a big difference.

Standing to gain from all this are the lenders, who can charge sky-high interest rates and the speculators and corporate vultures waiting for the dismemberment of Greece as the country is forced to sell off its public assets or even, it has been suggested, islands.

So what's the answer? Few are willing to stick their necks out. But a Europe-wide progressive agenda might look like this: place the banks under democratic control and

regulate them and the wider finance sector; raise taxes by closing tax loopholes and by raising taxes on the rich and corporations; renounce illegitimate debts and restructure or write-off others; and finally, remind governments and the EU that their first duty is to the people of Europe, not to its financial institutions.

In the case of Greece, economist Michael Burke of the Socialist Economist Bulletin argues that rather than bail out private creditors there should be a bailout for the Greek economy, so that it can be invested in, progressively, and growth can be restored. This should be financed by the core economies at no greater cost than that of bank bailouts. It makes no sense, he says, to make further payments to private creditors and so default of 'restructuring' is required, with existing holders to Greek bonds being obliged to take significant losses – or 'haircuts' in the lingo.

Who knows, some of them might have to forego their bonuses this year...

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## BetterAid tackles green growth, climate finance in Civicus workshops

By IBON International

BetterAid co-chair and IBON International Director Antonio Tujan Jr. led a delegation at the 2011 annual assembly of Civicus, an international alliance of civil society organizations, held in Montreal, Canada last 10-12 September. The global gathering was attended by civil society organizations (CSOs), donors, governments, and businesses.

The first workshop, entitled “Voices and Perspectives on Rio+20 and Green Growth,” was held on 10 September to discuss possible transitions to Green economy—a major agenda point at the United Nations Conference on Sustainable Development, also called Rio+20,

slated for June 2012 in Rio de Janeiro, Brazil. The second workshop discussed climate financing, which will be a major question up for resolution at the UN Framework Convention on Climate Change’s COP-17 meeting later this year in Durban, South Africa.

IBON’s Tujan also took part in the global assembly’s Second Plenary Session on 11 September, entitled “Global Decision Making: Moving the margins to the centre,” by giving a presentation that emphasized the mandatory inclusion of civil society stakeholders in official decision-making processes.

In the workshop on Rio+20 and Green growth, CSOs discussed the various concepts of a Green economy, the challenges in pursuing various paths of transition to such an economy, and the various policy proposals as concrete steps in pursuing such paths. The issue of Green growth has been lined up as a major agenda for Rio+20, which will mark the 20th anniversary of the 1992 Earth Summit during which sustainable development commitments were formulated to combat the global socio-economic and ecological crises.

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## Food sov, aid effectiveness activities in full swing in Nepal, India, Uganda

By IBON International

The People’s Coalition on Food Sovereignty (PCFS), in partnership with IBON International’s Reality of Aid Network (RoA), Better Aid and partner civil society organizations (CSOs), went full swing in the conduct of trainings on food sovereignty and consultations on aid effectiveness in Agriculture and Rural development (ARD) in Nepal, India and Uganda in September.

The trainings and consultations form part of the network’s activities but this time with the use of a structured module that has been a product of a number of years’ research and actual conduct among members. The

consultations, meanwhile, are part of the run-up to the High Level Forum on Aid Effectiveness (HLF4) which will be held from 29 November to 1 December in Busan, South Korea. PCFS is a member of the BetterAid Coordinating Group.

### **Nepal: Peasant movement upholds food sov**

Last 11-13 September, PCFS, RoA and BetterAid, in partnership with the All Nepal Peasants’ Federation (ANPFa), hosted a two-day workshop on food sovereignty, followed by a one-day consultation on aid and development effectiveness in ARD in Kathmandu, Nepal.

Participants came from remote regions of the country as well as the Kathmandu valley, representing peasants and pastoralists, women and Dalit rural peoples’ federations, and non-governmental organizations working on securing people’s right to food. The program was inaugurated by Bam Dev Gautam, former Deputy Prime Minister of Nepal.

IBON policy officer Tanya Roberts co-facilitated discussions on various topics, including campaigning and organizing based on the concepts and demands of food sovereignty, and articulating policies that reflect a food sovereignty paradigm. She also spoke

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# IBON at second Asia-Pacific climate finance and development effectiveness dialogue

By Levi Francisco

In the lead-up to the 4th High Level Forum on Aid Effectiveness (HLF-4) in Busan and the Durban climate change summit, ministries, civil society organizations (CSOs) and development partners gathered for the Asia-Pacific Climate Change Finance and Development Effectiveness Dialogue on 12-13 September in Bangkok, Thailand. This is the second annual dialogue organized by the Capacity Development Effectiveness (CDDE) Facility. Maria Theresa Nera-Lauron of IBON's climate change program participated in the event.

The dialogue provided a venue for participants to share views, experiences and lessons learned on the management of climate finance at the country level. The meeting's aim was to strengthen lesson learning on country-led approaches for improving the effectiveness of climate finance.

The gathering produced two outcome documents—first, a draft climate

fiscal framework and second, draft roadmap for a country-led approach to climate finance and development effectiveness.

The first document linked climate finance and national planning. This is a crucial step for developing countries as developed countries have promised to provide \$100 billion per year in climate finance by 2020. Such integration was deemed necessary especially as climate change affects all sectors like water, food and energy. But with this new consideration in the budgeting process of developing countries, there came an avid call for safeguards that can ensure accountability and transparency of international agencies and governments.

Meanwhile, the second document stated that climate finance should be separate from official development assistance (ODA). However, the management of funds pooled from the former will rely on how ODA is currently being managed. This then

necessitates a deeper commitment to the principles of aid and development effectiveness that will be carried forward in HLF-4.

The two-day dialogue was followed by the Asia-Pacific Consultation on the Fourth High Level Forum on Aid Effectiveness, also organized by the CDDE. The consultation, attended by 97 participants including IBON, discussed national and regional priorities on aid reform and development effectiveness

IBON will also be part of the Philippine delegation in the Durban climate summit from 28 November to 9 December.

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**Levi Francisco** (lfrancisco@iboninternational.org) is Program Assistant at IBON International's climate change program.

## New report shows aid can still matter for those who need it most

By Reality of Aid

Aid could make a real difference for people who need it most if promises are made and kept by development actors, reveals a new report from the Reality of Aid Network, based on evidence from 32 countries around the world.

The report, titled "Democratic Ownership and Development Effectiveness: Civil Society Perspectives on Progress since Paris", finds that at best only two of the 21 aid effectiveness targets have been achieved since 2005, and

these have not always translated into poverty reduction. This is a wake-up call for key actors to agree on aid effectiveness commitments for 2012 and beyond, to be finalized at the Fourth High Level Forum on Aid

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**BetterAid tackles...(continued from page 16)**

Anselmo Lee of Korea Civil Society Forum on International Development Cooperation (KoFID) talked about what is at stake in Rio in 2012, while the overview and policy proposals for green growth were tackled by Laura Martin of Sustain Labour. Gilbert Sape of the Pesticide Action Network Asia Pacific (PANAP) delivered Asia-Pacific CSO messages for Rio+20. The presentations were followed by an open forum moderated by Jennifer del Rosario-Malonzo of the Reality of Aid Network.

The workshop on climate finance, with 38 participants, provided a space for CSOs to discuss and critique the

current system of climate finance, the proposal for a Green Climate Fund (GCF) that's expected to be undergo intense discussion at COP-17, and the World Bank's role in climate financing. Workshop participants called on civil society to remain vigilant, and be more engaged in formulating the GCF and its policies in order that it truly serves the climate action needs of developing countries based on the principle of "common but differentiated responsibility."

Bodo Elmers from the European Network on Debt and Development (Eurodad) gave the welcome remarks and served as the workshop

moderator. Emele Dituturiaga of PIANGO (Pacific Islands Association of Non-Government Organisations) gave an overview of climate finance issues, while Reality of Aid-Africa's Vitalice Meja presented a critique of the GCF. The labour sector's perspective on climate finance was discussed by Laura Martin of Sustain Labour.

More information about BetterAid, an open platform of civil society organisations working for better aid and development effectiveness, is available at [www.betteraid.org](http://www.betteraid.org).

**New report shows...(continued from page 17)**

effectiveness- which Hilary Clinton and Ban Ki Moon have announced they will be attending. The report's results should push them to ensure that this time, the forum results in commitments that are kept, and ones that really ensure that the people most affected by development initiatives are being empowered.

The report finds that past commitments have had some positive influence on improving relationships between many country governments and their international cooperation partners.

"In Latin American countries Peru, Bolivia and Ecuador, the decline in poverty rates is linked to sustained increases in social spending, in which development aid has been a factor," said the chair of the Reality of Aid at the launch of the report in Paris last October 5 during the meetings of the Working Party on Aid Effectiveness.

In Indonesia, the Jakarta Commitment, forged in 2009, obliges donors to let Indonesia identify its

own priorities for using the aid it receives. In Uganda, a new National Planning Authority ensures that citizens, and not just governments, are involved in development decisions. In Cambodia there has been some good progress in improving gender equality policy and plans.

But such policies have not always been matched with government action, or they have not helped to deal with the structural underpinnings of poverty. In Ecuador, "the continued existence of a patriarchal order, resistance of the political parties to admission of women, harassment and forms of violence, among other factors" still limit the participation of women in policy decisions.

In Bolivia, the report shows that increases in social spending do not address issues of employment and persistent vulnerability. There is little evidence that citizens have had a say in development decisions, and evidence shows that political space for civil society organizations is being

undermined and is shrinking in many countries.

At the Fourth High Level Forum on Aid Effectiveness in November, civil society organizations worldwide call on donors and recipients of aid to:

1. fully evaluate and deepen existing aid effectiveness commitments (Paris Declaration and Accra Agenda for Action);
2. commit to a human rights based approach to development and development cooperation with gender equality, decent work and environmental sustainability at the centre;
3. agree on minimum standards to support the work of civil society organizations as development actors in their own right; and
4. initiate fundamental reforms for fairer aid governance at the crucial high level forum on aid effectiveness which starts in November in Busan, Korea.

### Food sov, aid effectiveness...(continued from page 16)

about the particular demands that the PCFS will be bringing forward to the HLF4 in Busan on development effectiveness in Agriculture and Rural Development (see [www.foodsov.org/](http://www.foodsov.org/)).

The President of the NGO Federation of Nepal, Netra Timsina, Deputy General Secretary of ANFPa Balam Banskota, Secretary of ANPFa Hari Parajuli, and Dr. Keshab Khadka, senior researcher at ANFPa, provided key interventions and also facilitated various sessions.

The Nepali people are currently in the unique position of being among the minority of citizens in the world whose constitution includes the right to food sovereignty. However, representatives of Nepal's rural peoples' movements realize they must organize for food sovereignty to be actualized, and see genuine agrarian revolution as one of the most urgent demands that must be advanced. The participants resolved to continue their efforts in this direction. These same demands were further reiterated the following day, 14 September, during a gathering in Kathmandu of peasant youth advocates from across the country.

### India: Joint event with TNWF in Tamil Nadu, Andhra Pradesh

On 16-18 September, women and farmers attended a similar three-day event on food sovereignty and aid effectiveness in ARD, co-organized with the Tamil Nadu Women's Forum and held in Chennai, Tamil Nadu, India. Many of the speakers and participants expressed concern about the impacts of pesticides, fertilizers and other agrochemical inputs that are poisoning the people and environment in their communities, and strongly expressed the need to

more widely promote and encourage organic farming methodologies in the context of food sovereignty. Some spoke passionately about the problems of land grabbing and the need for more equitable land distribution.

IBON's Food, Agriculture and Rural Development program manager, Ms. Amy Padilla, and Tanya Roberts facilitated sessions on conceptualizing food sovereignty based on local realities, and on practical points for advocating and campaigning for policies that reflect the food sovereignty paradigm. TNWF resource persons helped in providing background on aid and development effectiveness as PCFS discussed its summary recommendations on aid effectiveness in ARD.

This was followed by another three-day activity in Chittoor, Andhra Pradesh, India on 19-21 September, in partnership with the agricultural workers' union Andhra Pradesh Vyavasaya Vruthidarula (APVVU). The sessions were conducted in an engaging and popular manner, based on several group work and interactive discussions that encouraged participants to think critically about the concepts of food sovereignty and how these would be translated into policies and campaign plans.

Participants in the Chittoor sessions included adivasis (indigenous people), fisherfolk, peasants, and agricultural workers, with Dalits and women among them. PCFS helped in providing inputs on corporate globalization, Better Aid Key Messages and Proposals, PCFS recommendations on aid and development effectiveness in ARD, as well as a brief orientation about the Coalition. APVVU partners led by P. Chennaiah and A.J. Kumar provided

the participants with valuable inputs by engaging them to thoroughly discuss the key topics among themselves and report these back in plenary.

### Food sovereignty training in Uganda—a first

Meanwhile, 20-22 September marked Uganda's first training on food sovereignty, which was carried out with Eastern and Southern African Small Scale Farmers' Forum (ESAFF-Uganda), a partner CSO. ESAFF-Uganda is part of a network of small-scale farmers' associations that operate in Eastern and Southern African countries such as Burundi, Kenya, Lesotho, Madagascar, Malawi, Rwanda, Seychelles, South Africa, Tanzania and Zanzibar, Uganda, Zambia, and Zimbabwe.

The training, which brought together farmers from various areas as well as different CSOs, enabled them to share ideas, experiences and work on common messages for advocacy. Over 35 participants from ESAFF-Uganda, member CSOs, the media, members of the academe, and government officials particularly from the Ministry of Agriculture Animal Industry and Fisheries (MAAIF), attended.

Professor Ndebesa Mwambusya of Makerere University presented a module on Corporate Globalization in Uganda and its implications on food sovereignty. Mr. Roy Anunciacion of PCFS discussed the module on Mobilization and Campaign for People's Coalition on Food Sovereignty and Aid and Aid Effectiveness in ARD.

For his part, Dr. Robert Ojara of Veterinarios Sin Fronteras (VSF) Uganda shared the module on Food Sovereignty as a basis for Rural Food and Agriculture Campaigning, Policy

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# Demanding democratic ownership

By Antonio Tujan, Jr.



**T**he High Level Forum on Aid Effectiveness (HLF) in Busan in November will mark the end of a reform era and – hopefully – the beginning of a new era. If things go well, more will be achieved in the new era than in the old one. No doubt, development cooperation needs to improve fast. Far too little progress has been made to date.

The first decade of this century saw the international community commit to the Millennium Development Goals (MDGs). That went along with pledges to increase aid and to improve its effectiveness through better management and delivery. The OECD-hosted Working Party on Aid Effectiveness organised a series of HLFs in Rome (2003), Paris (2005) and Accra (2008).

These events resulted in commitments for aid reform. Most far-ranging was the Paris Declaration in 2005. It defined the five core principles of aid effectiveness:

- national ownership by the developing countries,
- donor harmonisation under developing country leadership,
- donor alignment to procedures and institutions of developing countries,
- managing for results and
- mutual accountability.

Civil society organisations (CSOs) are engaged in the aid effectiveness debate. They have been pushing for deeper, more meaningful reform. In 2008, the Accra HLF recognised CSOs as development actors in their own right. Some of their concerns were adopted by the HLF,

including broader country ownership or more effective and inclusive partnerships. Many demands, however, were not met. The most important of these were aid reforms that would enable people to use their human rights (“right-based results”) and introduce democratic ownership free from foreign interference.

In formal terms, the Paris commitments ended in 2010. Official OECD assessments show mixed results. The overall targets of the Paris Declaration have not been met, but reforms are on track.

It is, of course, difficult to assess these matters in objective terms. Core challenges include measuring multidimensional concepts and the absence of a truly independent oversight body. Unsurprisingly, different actors draw different conclusions. Even though the aid effectiveness agenda has taken root to various degrees in various countries, the overall picture of implementation remains bleak.

Nonetheless, there is a strong basis for moving on with the agenda. Many countries remain interested in the issue, and it is absolutely clear that the MDGs can only be achieved if development cooperation improves fast.

CSOs – and the people in general – want to see results that have meaning to their lives. Such results must be felt at the

grass roots level. Partnerships need to be geared to truly supporting the building of democratic governments that are responsive to people's needs.

For CSOs, the core issue is to deepen aid effectiveness reform. This is what they have been demanding for years. That the HLF Busan will tackle a broad agenda is an achievement for the CSOs. However, it is not certain that Busan will focus on rights-based results, and co-equal partnerships based on relationships of mutuality between countries. Busan may still be dominated by donors instead of responding immediately to people's needs.

Politics will have its impact on Busan. The global arena has become more troubled since Accra. Relevant issues include the global financial crisis, political turbulences affecting many countries and the increasingly obvious impacts of climate change. CSOs will nonetheless strive to maintain the reform momentum, promoting and expanding the space and scope for fundamental reform.

It simply does not make sense to consider aid effectiveness merely in a narrow technocratic sense. National policy ownership of developing countries is not enough. We need democratic ownership. Accountability must be enhanced on all fronts. Development results must relate to people's rights. The international architecture of development cooperation must become inclusive and give scope to peoples' participation.

### **A guiding principle**

Development effectiveness depends on the realisation that, ultimately, people are the real wealth of nations. Therefore, development must be people-centered. This approach is essentially based on human rights. The international community must recognise the people's and nations' right to development through the democratic transformation of unequal power relations within and between nations.

The human rights approach to development offers a holistic framework for implementing development policy. Democratic ownership needs to incorporate solidarity, sovereignty, coherence, social justice, equality, environmental sustainability, decent work and mutual accountability. To be meaningful, the HLF in Busan must tackle these issues.

Particular attention needs to be paid to democratic and inclusive ownership of development. In other words, ownership must be people-centred. The participation of developing countries' citizens – and not only of their

governments – must be ensured. Parliaments and CSOs must get a say in drafting national development plans.

So far, there is consensus that the recipient country's ownership of policies and processes is the cornerstone of making aid effectiveness reforms succeed. The underlying principles, obviously, are national sovereignty and non-interference. These principles, however, do not fit in easily with the fundamental nature of development cooperation, which obviously is not about national isolationism. These principles, moreover, are challenged by the international architecture of development cooperation in which donor governments are in a stronger position than those that receive or even depend on aid.

Since Paris, the ownership principle has evolved gradually. The Accra HLF broadened the concept of national ownership to include actors and stakeholders such as civil society, the media, the private sector and parliaments in all stages of the development process. This increasingly inclusive view of ownership is a result of CSO involvement and lobbying.

The HLF in Busan must convincingly reaffirm CSOs' role in development affairs as actors in their own right. CSOs are critical for effective development. They are voluntary organisations that act on behalf of their constituencies. True democratic ownership thus depends on full participation of CSOs in all stages of the development process, including the drafting of development plans and strategies.

Since CSOs need an enabling environment to play their role, the HLF 2011 needs to agree on minimum criteria for such an environment. Relevant aspects include policies, laws, regulations and administrative practices. National strategies need to be drafted in democratic and inclusive processes. On that basis, they can serve as the framework for policy coherence at the national level and help identify finance gaps that aid flows can fill.

### **The global governance dimension**

The Busan summit will delve into many important aspects of development cooperation, including development finance, aid exit, climate change financing, aid for trade and others. The ultimate question, however, will be how to ensure implementation and continuity of the effectiveness campaign. In short, who or what shall succeed the Working Party on Aid Effectiveness? The international community needs a body that can take on more functions and is more inclusive than the Working Party.

(continued on page 27)

# Reclaiming the Right to Development and Sustainability

By Paul Quintos



[http://www.flickr.com/photos/un\\_photo/](http://www.flickr.com/photos/un_photo/)

This year marks the 25th anniversary of the United Nations Declaration on the Right to Development. Adopted by General Assembly resolution 41/128 of 4 December 1986, this Declaration defines such right as “an inalienable human right by virtue of which every human person and all peoples are entitled to participate in, contribute to, and enjoy economic, social, cultural and political development, in which all human rights and fundamental freedoms can be fully realized.” (Article 1)

At the time of its adoption, many saw in this Declaration an outstanding political instrument and considered it a milestone in a decade and a half of struggles by developing countries for a New International Economic Order (NIEO).

It’s a fairly comprehensive articulation of economic, social and cultural rights as well as political rights. It recognizes the collective rights of peoples, not just individual rights of persons. While the human person is identified as the ultimate beneficiary (right-holder), the RTD can nevertheless be invoked both by individuals and by peoples. And most significantly, it clearly recognizes the collective obligation of all states to create a just and equitable international environment for the realisation of the right to development.

The RTD thus imposes obligations both on individual states—to ensure equal and adequate access to essential

resources—and on the international community—to promote fair development policies and effective international cooperation.

From a civil society perspective, one can conceive of a comprehensive and multi-faceted development advocacy campaign around the concept of the RTD. Even today a wide range of peoples’ issues can be linked to this overarching theme—poverty-eradication, food sovereignty, ecological/climate justice, national sovereignty, and so on. Such a campaign can be advanced at the national level and the international level.

It can target national governments, regional bodies and international institutions including the International Monetary Fund (IMF), the World Bank and the World Trade Organization (WTO); transnational corporations (TNCs) and other transnational actors—to hold them to account as duty-bearers. It has the potential of providing

a unifying platform for disparate international campaigns on aid, debt, trade, finance, and other issues related to development. And it has broad appeal and large mobilizing potential even among decision-makers because it builds upon a universally accepted covenant and an ongoing official political process.

And yet 25 years since the adoption of the Declaration of the RTD these potentials remain unrealized.

In many ways, this is the same fate that has befallen another outstanding political declaration whose 20th anniversary shall be commemorated next year—the Rio Declaration on Environment and Development. This declaration affirmed the RTD but also builds on it.

Principle 3 of the Rio declaration states that, “The right to development must be fulfilled so as to equitably meet developmental and environmental needs of present and future generations.”

It identifies the three integral and mutually reinforcing pillars of sustainable development as economic prosperity, social equity, and environmental protection. It recognized the need for international cooperation to support national action for sustainable development.

But it makes the crucial contribution of explicitly framing this in terms of the common but differentiated responsibility principle whereby “The developed countries acknowledge the responsibility that they bear in the international pursuit of sustainable development in view of the pressures their societies place on the global environment and of the technologies and financial resources they command.”

In effect, the Rio declaration establishes the link between the past economic exploitation of global commons and the responsibility to carry out actions that remedy or mitigate the consequences of such exploitation.

Today the world finds itself far off track in realizing the vision of the RTD and Rio. Global economic expansion continues to severely strain the environment. Humanity’s ecological footprint now exceeds the planet’s biocapacity by over 50%, and three of nine planetary boundaries that define the safe operating space for human life on Earth have been breached.

And the costs and benefits generated by that economic expansion are shared very unequally. In 1990, the ratio of the per capita income in the richest 20 countries to that in the poorest 20 was \$42 to one dollar; in 2005, it was \$59 to one dollar. One out of three persons today or about 1.75

billion people live in acute deprivation in terms of health, education and material standard of living. There are 80 million more people living in income poverty in 2005 compared to 1981 if the handful of BRICs are excluded. And close to a billion people do not even have the very basic condition for human existence, that is adequate food.

So what happened to 25 years of the RTD and 20 years of Rio?

It is also well worth remembering that 30 years ago Ronald Reagan came to power in the US, and Thatcher 2 years before him in the UK. Together they unleashed the neoliberal offensive globally which systematically eroded the role of the state in the market, pulled back the public provisioning of goods and services, dismantled hardwon social entitlements, constricted the policy space for independent development, unleashed vicious attacks against the labor movement and other movements of resistance at home and especially abroad, propped up dictators, instigated wars and low-intensity conflict, and essentially undermined the enabling conditions for the progressive realization of people’s rights the world over.

In terms of institutionalization, the RtD has nothing firm to stand on. It has elaborated criteria and sub-criteria to serve as reference for policy makers. There are reporting procedures for substantive rights that constitute the RTD and the Human Rights Council can exercise moral suasion over violators. But nothing much more compelling than these.

The Rio Declaration at least has the benefit of legally binding treaties—the UN Framework Convention on Climate Change, the Convention on Biodiversity and Convention on Desertification. But still no real enforcement mechanism and not much by way of financial backing.

Neoliberalism however has real teeth. It has financial backing from international financial institutions as well as donor countries. It has legally binding treaties and a multilateral organization—the WTO—with a dispute settlement system based on retaliation and sanctions. It has investment tribunals where TNCs can sue governments.

So in the face of state-backed corporate power, or corporated state power, how can advocates promote the RTD and the Rio principles today?

The best way is to re-affirm these principles is by promoting a rights-based approach to sustainable development in

response to the grave economic, social and environmental crises confronting the world today. To put it bluntly, there is no real development possible unless it transcends the present economic and social system that engender these crises.

The 2012 UN Conference on Sustainable Development or Rio+20 offers an excellent political opportunity to do this. One of the major themes of the upcoming Rio+20 Conference is the “green economy”. Many civil society organizations fear that the green economy agenda will consist primarily of market-based, private-sector led initiatives or technological fixes that may inadvertently reinforce corporate control over natural resources and environmental services at the expense of the people who are most dependent on these resources.

There is also the fear that market-based schemes such as carbon trading and offsets allow cop-outs for large polluters and therefore continue to lock-in the same unsustainable patterns of production and consumption.

By framing sustainable development in terms of indivisible rights of individuals and peoples, the RTD obliges states to resort to the entire array of regulatory instruments and mechanisms that would be necessary to effect a rapid transition to sustainable development pathways. It also underscores the democratic right of people to determine the goals and means of achieving sustainable development. Along this line, there are proposals for the development of regional conventions on Principle 10 of Rio which is about ensuring access to information and meaningful participation of people in sustainable development.

The second major agenda of Rio+20 is the IFSD. This is about ensuring greater coherence and effectivity in the governance of all three pillars of SD—economic, social and environmental. There are numerous proposals on the table ranging from merely strengthening the UNEP, to elevating the Commission on Sustainable Development to become the Council on Sustainable Development, to the creation of a World Environment Organization.

Regardless of which set-up is chosen, the RTD can provide a normative framework for policy coherence inasmuch as it expresses all three pillars in terms of peoples rights and underscores the duties of the international community to protect, respect and fulfill those rights. Again, following the principle of democratic participation, such an IFSD must

ensure the participation of civil society as development actors in their own right through multi-stakeholder mechanisms.

In particular, there is a proposal for a convention on the conduct of international sustainability impact assessments requiring multistakeholder assessments of the human rights and sustainability implications of certain projects programs, policies, new legislations or new treaties; a framework convention on corporate social and environmental sustainability. There are calls for the establishment of an International Environmental Court to deal with environmental disputes and the establishment of Ombudspersons for Future Generations at the global, national and local levels who will function as sustainability auditor and handle citizens complaints.

All these would be additional means of seeking social and environmental justice, holding national and international actors to account, and also add new instruments for strengthening the justiciability of the RTD.

The Rio+20 conference will also be tackling new and emerging issues such as energy, food and water security. Again these are major issues faced by countries and impoverished and marginalized communities across the globe. Showing the relevance of the RTD to these concerns would further raise the utility of the RTD for social mobilization and civil society advocacy.

For all these to happen, the UN agencies need to engage in more aggressive policy advocacy themselves. The UN needs to be seen more often in other halls of power—in Washington, in Brussels, in Paris, even in Beijing, Delhi, Brasilia, and so on.

The gravity of the multiple crises confronting the world today—not the least of which is the climate crisis which is an existential crisis—is forcing people to re-examine fundamentals. People’s values and lifestyles, their conceptions of the good life, social relations as well as the relationship of man with nature—all these are being reconsidered and reimagined. This will inevitably influence the direction of development discourse and practice, or else, as the people in the Arab Spring have demonstrated, and likewise working people in Greece and Spain, in the US, Chile, Bolivia, and so on, people will claim their rights despite the wishes of those in power.

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# Endless War, Lies and Terror: The Decade Since 9/11

By Mark Weisbrot

<http://www.flickr.com/photos/soldiersmediacenter/>



“We support your war of terror,” proclaims Borat to a cheering crowd of Americans in a stadium in the popular Sacha Baron Cohen film. The crowd apparently thinks he got the preposition wrong, but what makes the line darkly humorous is that he didn’t. Most of the victims of America’s wars that are supposedly “against terror” have been civilians, and torture has also been deployed as a weapon. Civilians in Pakistan are killed on average every week in drone strikes, according to a recent report from the Bureau of Investigative Journalism, and also regularly in Afghanistan in “night raids.” And sometimes they are just shot point blank, as in March 2006 when U.S. soldiers reportedly executed at least 10 civilians, including a 70-year-old woman and a 5-month-old baby, and then called in an air strike to bomb the house and cover it up. A recently discovered U.S. diplomatic cable from Wikileaks provides evidence of this crime. Iraq veteran Ethan McCord says that killings of civilians by U.S. forces was “standard operating procedure” while he was deployed there.

I grew up during the Cold War, and my elementary school teachers told me that the difference between us and the Communists was that they thought the end justifies the means, but we didn’t. It wasn’t true then, of course – American armed forces in Vietnam bombed villages, slaughtered civilians, and threw people out of helicopters. But at least our leaders had to pretend that they had some moral superiority to their enemies. Now we have seen torture and assassination institutionalized and justified at the highest levels. New crimes are continually uncovered: Documents recently captured by Libyan rebels indicate that Washington was sending prisoners to Gaddafi’s government for interrogation, i.e. torture.

So that is one of the casualties of 9/11, in addition to the 3,000 people brutally murdered on that fateful day in 2001: a moral degeneration among our political leaders who, it must be acknowledged, were already at a low level when it came to respect for human life in the rest of the world. But the world should know that the views presented by our major media and politicians do not necessarily reflect the consent of the governed. In a recent poll conducted by the Pew Research Center, the public was evenly divided on the question of whether the 9/11 attacks may have been the result of our foreign policy. This is especially impressive because it means that nearly half the country came up with this idea on their own, as it has been scrupulously avoided in 10 years of media blather about “how 9/11 changed the world.” If we had anything approaching a reality-based

media, that number would probably be upwards of 80 percent. Only a quarter of those surveyed by Pew thought that the wars had made Americans safer; the majority thought the wars increased the chance of terrorist attacks or made no difference.

According to recent polls, a majority of Americans think that the U.S. should not be fighting in Afghanistan [Quinnipiac, August]; a majority think that the U.S. should withdraw its troops as soon as possible [Pew, June]; and two-thirds say the threat of terrorism will stay the same when the U.S. withdraws its troops [CBS/*New York Times*, June].

The most important way that 9/11 changed the world, as tens of millions of Americans understand, is that it provided an over-arching theme and a rationale for the kinds of military adventures, invasions, bombings, interventions and atrocities that our government had previously carried out under other pretexts. For half a century the “war against Communism” served this purpose. It didn’t matter that governments overthrown in Iran, Chile, Guatemala or elsewhere had no connection to the Soviet Union; or that the Vietnamese were fighting for their own independence. It was an excuse, with a whole world view that shaped the country’s most important institutions, and it provided a justification for empire.

Then came that awkward decade after the Berlin Wall fell and Washington had to rely on ad hoc excuses, as in the invasion of Panama or the first Iraq War. People like Vice President Dick Cheney knew immediately after the towers went down that this was not just a tragedy but an opportunity that would serve their interests for years to come, beginning with the unnecessary wars and occupations of Afghanistan and Iraq.

But it was the more liberal “enablers,” especially in the media, that made everything possible. Bill Keller was executive editor of the *New York Times* until returning to writing for the paper this month. In the run-up to the invasion of Iraq, the paper printed such journalistic gems as the infamous “aluminum tubes” report – fake evidence of an Iraqi nuclear program – and other stories that, as the newspaper’s own public editor would write, “pushed Pentagon assertions so aggressively you could almost sense epaulets sprouting on the shoulders of editors.” Keller

reminisces this week about “the I-Can’t-Believe-I’m-a-Hawk Club, made up of liberals for whom 9/11 had stirred a fresh willingness to employ American might.”

“It was a large and estimable group of writers and affiliations,” he writes, “including, among others, Thomas Friedman of *The Times*; Fareed Zakaria of *Newsweek*; George Packer and Jeffrey Goldberg of *The New Yorker*; Richard Cohen of *The Washington Post*; the blogger Andrew Sullivan; Paul Berman of *Dissent*; Christopher Hitchens of just about everywhere; and Kenneth Pollack [now at the Brookings Institution].”

**The most important way that 9/11 changed the world is that it provided an over-arching theme and a rationale for the kinds of military interventions and atrocities that our government had previously carried out under other pretexts.**

Keller poses the question: “[K]nowing what we knew then, were we wrong to support the [Iraq] war?” After reviewing the costs of the war, in money and lives [he says “at least 100,000 Iraqis” were killed but the best estimates are closer to a million], he concludes that “Operation Iraqi Freedom was a monumental blunder.” But, he adds, “Whether it was wrong to support the invasion at the time is a harder call.”

It’s not a hard call for most of America, or the world for that matter. Keller is asking the wrong question. The more important question is how the executive editor of the *New York Times* can be so confused between right and wrong, when tens of millions of Americans, including many intelligent children, can see right through the crap that we are bombarded with every day.

I’m only picking on the *Times* because it represents the liberal wing of our establishment media. Most of the rest is much worse. This is one of the great structural problems that must be confronted every day by Americans who would like their country to become a civilized member of the community of nations.

The military-industrial complex is of course another enormous obstacle. General James L. Jones, Obama’s National Security Advisor, explained to journalist and author Bob Woodward, in his book *Obama’s Wars*, why “the United States could not lose the war [in Afghanistan] or be seen as losing the war.”:

*“If we’re not successful here,” Jones said, “you’ll have a staging base for global terrorism all over the world. People will say the terrorists won. And you’ll see expressions of these kinds of things in Africa, South America, you name it. Any developing country*

*is going to say, this is the way we beat [the United States], and we're going to have a bigger problem."*

Before he took the job as Obama's National Security Advisor, Jones was hauling down \$2 million a year, paid for serving on the boards of corporations, lobby groups, and military contractors including Boeing and Exxon-Mobil. This is a form of corruption more costly to the United States than anything that our elites regularly denounce in Afghanistan, Iraq, or Pakistan.

If all this sounds pessimistic, with President Obama having escalated the war in Afghanistan, and mostly continuing the foreign policy of George W. Bush's second term, things are not nearly so hopeless as they may seem. First, some of what we are seeing is not structural, but situational. The United States is facing its worst economic failure since the Great Depression. This has drawn attention away from our wars, and given the foreign policy establishment more leeway than they normally would have to proceed without regard to public opinion. President Obama decided early on that he was not going to expend or risk any political capital trying to change U.S. foreign policy, since his re-election would depend on domestic issues. And many other political actors have made similar decisions, not always for purely opportunistic reasons.

Second, the fact that Obama, a perceived liberal and the country's first African-American president, is in the White House, has kept protest to a minimum. If a Republican president were doing the same things, there would be people in the streets and a lot more of the kind of grass-roots organizing that we saw in Wisconsin. And Washington would be paying a bigger political price in the rest of the world for its crimes, as it did when George W. Bush was president.

Nonetheless, the peace movement remains quite strong and is exerting pressure every day in ways that generally go unreported. This summer, 96 percent of Democrats in the U.S. House of Representatives went against their president and voted to establish a timetable for withdrawal from Afghanistan. This was a result of the organized efforts of the peace movement.

Americans will end these wars and change the foreign policy that got us into them, the same way we got out of Vietnam or cut off congressional funding to right-wing terrorists in Nicaragua in the 1980s: through persistent organizing, educational work, and pressure on the government – especially the Congress. That is how we will eventually become a republic, as most Americans want, instead of an empire.

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### **Demanding democratic ownership (continued from page 21)**

It is important to remember that the Working Party is basically an illegitimate body because it was not created by an international agreement or convention. Nonetheless, it has become an important agent for a more inclusive architecture for development cooperation. To some extent it has even managed to assume an independent stance that is predefined neither by donors nor recipient governments.

In the long run, however, this will not do. The Working Party needs a successor with a full mandate. This successor must become more effective than the Working Party is now. It needs to go beyond facilitating intelligent international declarations. It needs the bite to ensure implementation.

These demands are challenging. Many issues need to be tackled. Can such a body benefit from the legitimacy provided by the multilateral framework and mandate of the United Nations? Will it benefit from the work already done by the OECD? What role are the UN Economic and Social Council ECOSOC and its Development Cooperation Forum to play?

The new architecture needs to be inclusive, democratic, rights-based, equitable and just. Democratic ownership will be key in order to address the currently prevailing power imbalances. Membership and participation must therefore ensure full representation of all branches of government as well as equal membership and participation of CSOs along with other non-state actors.

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# PA goes to UN without Palestinian consensus behind it

By Rami Almeghari, The Electronic Intifada



<http://www.flickr.com/photos/looking4poetry/>

“We have been living under occupation for more than six decades now and we believe it is time for the international community to help us realize our dream of a Palestinian state with Jerusalem as its capital.”

“What is this UN bid? Is it meant to restore our rights, mainly the right to return of millions of refugees worldwide? Will a UN recognition of a Palestinian state on 1967 border lines allow us to take care of our Palestinian brothers and sisters in neighboring Arab countries like Jordan and Syria?”

These are the words, respectively of Luay, a 42-year-old Palestinian Authority employee and Iman Qaddada, a 22-year-old university student, both from Gaza City.

Luay, who did not give his last name, and Iman were reacting to the Palestinian Authority’s effort to seek full UN membership for a Palestinian state in New York this month.

While the PA has not published any text describing what a Palestinian state would mean practically, it is expected to ask the United Nations for recognition and membership for a state within the territories occupied by Israel in 1967: the West Bank, including East Jerusalem, and the Gaza Strip. Together, these territories comprise just 22 percent of historic Palestine.

## US leads efforts to block UN bid

The bid, mobilized by PA leader Mahmoud Abbas and backed by the Palestinian Authority, most of the Arab states and some others, is aimed, according to Abbas, to move beyond the current “peace process” impasse.

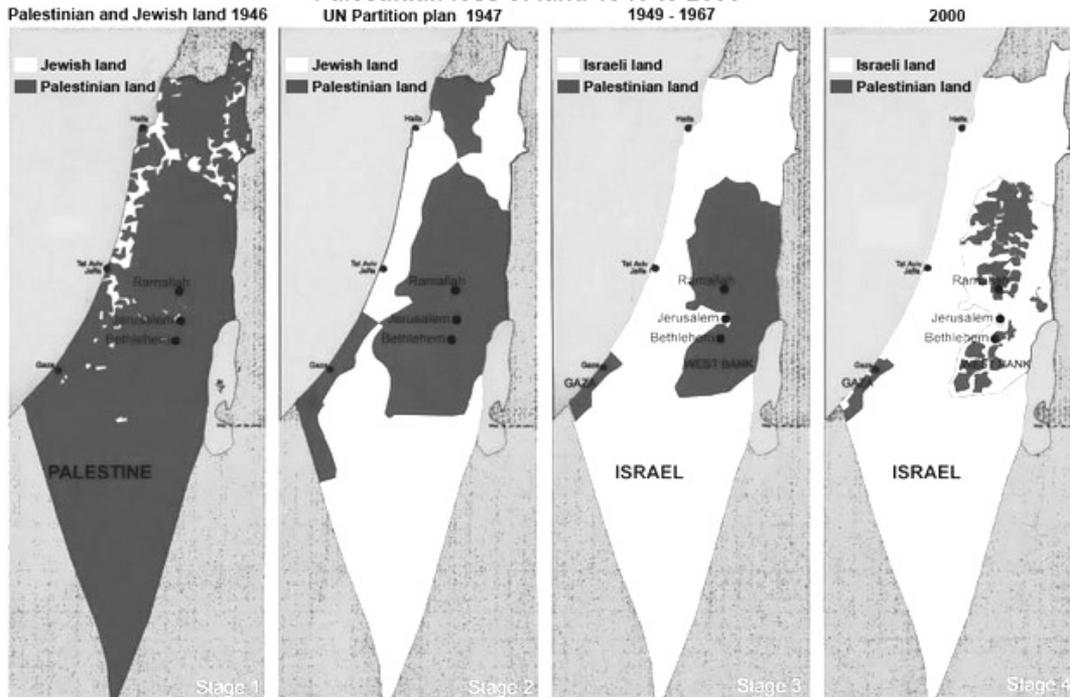
In a televised speech last Friday, Abbas said that “the move aims at internationalizing the Palestinian-Israeli conflict after more than two decades of bilateral Israeli-Palestinian peace talks have failed to achieve a two-state solution.”

However, Abbas maintained that he is willing to go back to the negotiation table with Israel regardless of what happens with the UN bid.

Upon arrival at the UN, where Abbas is expected to make a speech on 23 September, the PA delegation will be likely met with Washington’s veto power. US officials have said repeatedly that they will block any PA request for statehood at the UN Security Council.

The US government, according to media reports, were attempting to lobby enough UN Security Council

**Palestinian loss of land 1946 to 2000**



On the ground, Israel has threatened to withhold tax money it collects from Palestinians on behalf of the PA, and further expand its settlements in the occupied West Bank and even declare a state of emergency, in addition to the military rule that has governed Palestinians living under occupation for decades.

members to vote against the Palestinian move to defeat it without the US having to use its veto.

Washington insists that a Palestinian state can only come about through negotiations, despite the fact that almost two decades of such US-brokered negotiations have failed to achieve any progress, and the Obama administration's efforts over the past two years have resulted in complete failure as well.

**Israeli retaliation withheld for now**

Ghassan Khatib, spokesperson for the Palestinian Authority in Ramallah, told The Electronic Intifada that the PA's endeavor is meant to help resolve the conflict.

"I think the essence of the Palestinian move is an attempt to attract the international community to get involved in helping Palestinians and Israelis observe implementation of the international vision of peace that is based on a two-state solution," Khatib said by telephone. "If the international community admits Palestine to the United Nations, then Israel has to show more sensitivity to international legitimacy, so Israel must agree to negotiating a Palestinian state based on 1967 borders."

Yet Israel itself is totally opposed to the bid, saying it would constitute a setback to long-standing peace talks between Israel and Palestinians.

Israel contends that the 1967

borders are "indefensible." Nevertheless, the international Quartet for Middle East peace involving the United States, United Nations, the European Union and Russia, demanded that Israel refrain from any action until the results of the UN bid are clear. Israel has so far complied.

**No consensus among main Palestinian factions**

In the Gaza Strip, which has lived under a tight Israeli siege for the past four years, Palestinian political factions have different views regarding the UN bid.

The Hamas party — which administers Gaza and remains divided from Abbas' Fatah faction, which has limited authority the West Bank — says it neither accepts nor opposes the UN move.

"We in the Hamas party consider the September bid as an individual step that is not based on any national Palestinian consensus and that it would not bring anything to the Palestinian cause," Sami Abu Zuhri, a spokesperson for Hamas in Gaza, told The Electronic Intifada.

"It also poses a threat to the national Palestinian rights, including the right of return. Such a step would likely negate previous UN resolutions like resolution 194, which guarantees the Palestinian people's right to return. I do not

believe that the Palestinian people want a seat at the UN, but rather they want freedom and self-determination on their own land,” Abu Zuhri added.

Islamic Jihad, another Palestinian faction, embraces armed struggle against Israel but is adhering to a current ceasefire. It rejects the UN move and considers it untimely, as Dawood Shehab, the group’s spokesperson in Gaza, explained.

“In 1988, late Palestinian president [Yasser Arafat], declared a Palestinian state [during the Palestinian National Council meeting] in Algeria and more than 120 world countries recognized that state and so what?” Shehab said.

Like Hamas, Shehab said his group views the UN move by Abbas “an individual move without national Palestinian consensus.”

Shehab raised a number of other questions that have caused considerable doubts amid a broad spectrum of Palestinians: “What about the future of the Palestine Liberation Organization [PLO] under a Palestinian state declaration, what about the problem of Palestinian refugees, what about the right of return?”

Shehab added, “All Palestinian factions within the PLO have aimed at liberating Palestine, not establishing a state; a state comes after liberating Palestine.”

Leftist Palestinian factions, which belong to the Abbas-controlled PLO, back the September bid, based on a longstanding position that Palestinian-Israeli peace talks should go through the UN.

Rabah Mhanna, who is one of the political leaders for the Popular Front for the Liberation of Palestine (PFLP) in Gaza, appeared neither pessimistic nor optimistic about the statehood move at the UN.

“We consider the UN bid as a part of our ongoing struggle against the Israeli occupation,” Mhanna said. “Going to the UN should not end up with improving the bilateral peace negotiations under US patronage.”

Yet even Mhanna expressed doubts.

“Such a diplomatic battle requires first and foremost a Palestinian consensus,” he added. “However, we are concerned that a Palestinian state with a Palestinian

government will be dealt with as an alternative to the Palestine Liberation Organization.”

Such a Palestinian consensus, as The Electronic Intifada’s interviews with various factions and broader debates indicate, is decidedly lacking.

## A cause greater than a Palestinian state

Much of the doubt comes from concern of the potential effects of the PA’s move on the rights of the Palestinian people. Dr. Naji Shurrab, a Gaza-based political analyst, told The Electronic Intifada that moving the cause to the UN would not likely bring about a concrete progress.

Shurrab pointed out that the UN had passed numerous resolutions affirming Palestinian rights and the illegality of Israeli colonization over many decades but none had ever been enforced.

Given this history, Shurrab wondered what fate would await millions of Palestinian refugees worldwide if the UN recognized a Palestinian state limited to within the 1967 lines.

“Would the UN would allow the return of millions of Palestinian refugees to the boundaries of historical Palestine, from which these millions of people were displaced by Israel in 1948?” he asked rhetorically.

“I think that the Palestinian cause is greater than the Palestinian state,” Shurrab said. “I am not fully optimistic about such a state. The recognition of a Palestinian state would require Palestinians to recognize an Israeli Jewish state.” This could further risk Palestinian rights, as 1.5 million Palestinians live within Israel itself.

Shurrab also worried about the impact on support for the Palestinian cause. “I am afraid that this would allow the Arab states to free their hands of the Palestinian people’s problem,” he said. “So the Arab states would say then to the Palestinians, you now have your own state, which we helped you to attain, so you can rely on yourselves.”

Just days before Abbas arrives at the UN, it is clear that many Palestinians remain at best doubtful that the promised confrontation in New York will do anything to advance their rights and aspirations.

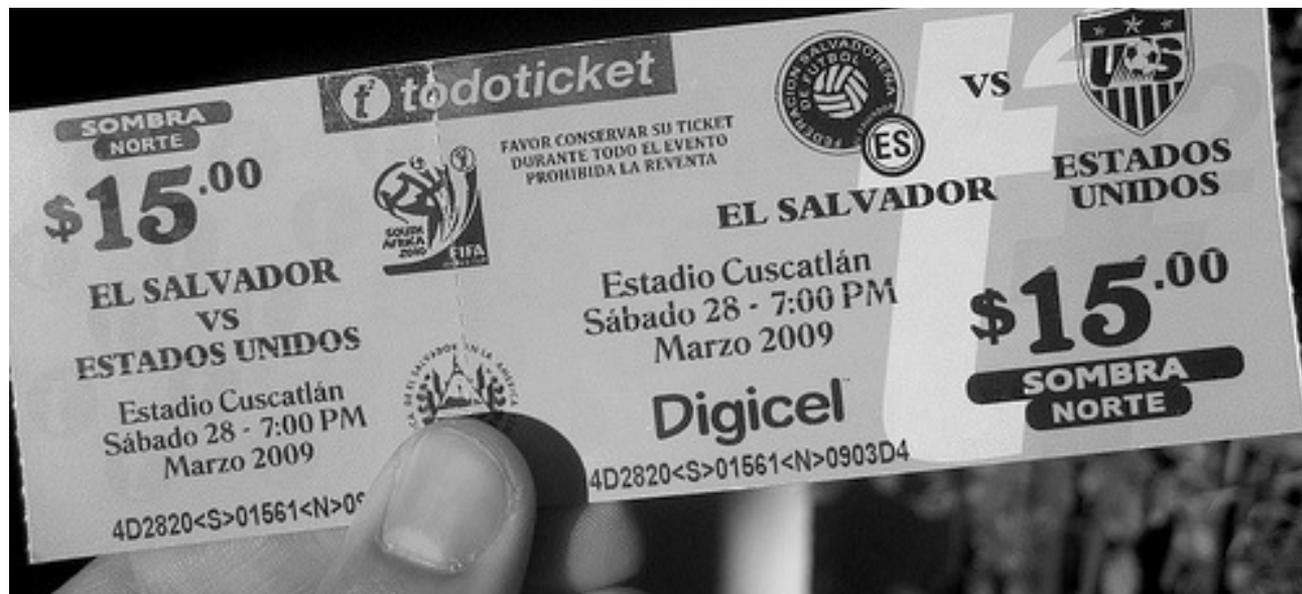
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**Rami Almeghari** is a journalist and university lecturer based in the Gaza Strip. This article was published 20 September 2011 by **Electronic Intifada** ([electronicintifada.net/content/pa-goes-un-without-palestinian-consensus-behind-it/10405](http://electronicintifada.net/content/pa-goes-un-without-palestinian-consensus-behind-it/10405)).

# Impacts of the global crisis on migrants and remittance flows

By Mireya Estrada Torres



newvisioninstitute.org

Since 2008, the world has been affected by what is considered as the worst global recession since the 1930s. The international financial crisis has had a substantial impact on international migration.

In 2010, there was an estimated 214 million international migrants worldwide. Fifty-seven per cent of all migrants live in high-income regions, where they make up 10 per cent of the population. The United States hosts the largest migrant stock of any country worldwide. (UN DESA, 2009). Across the world, there are more than 20 cities (nine in North America, four in the Middle East, three in Europe, and two each in Asia and Oceania) with over 1 million foreign-born inhabitants. Twenty-five cities also have populations consisting of over 25 per cent foreign born (IOM, 2010).

The overall stock of migrants has not decreased as a result of the crisis, but flows of new migrants have slowed in many parts of the world. Some governments have tightened their migration policies. The number of migrant workers moving to irregular forms of employment after losing their formal jobs has also risen. Although there was a drop in remittances in the first years of the crisis, remittances are still at a higher level than in 2007. However, the appreciation of some currencies has reduced the value of remittances that families of migrants receive.

## Tighter migration policies

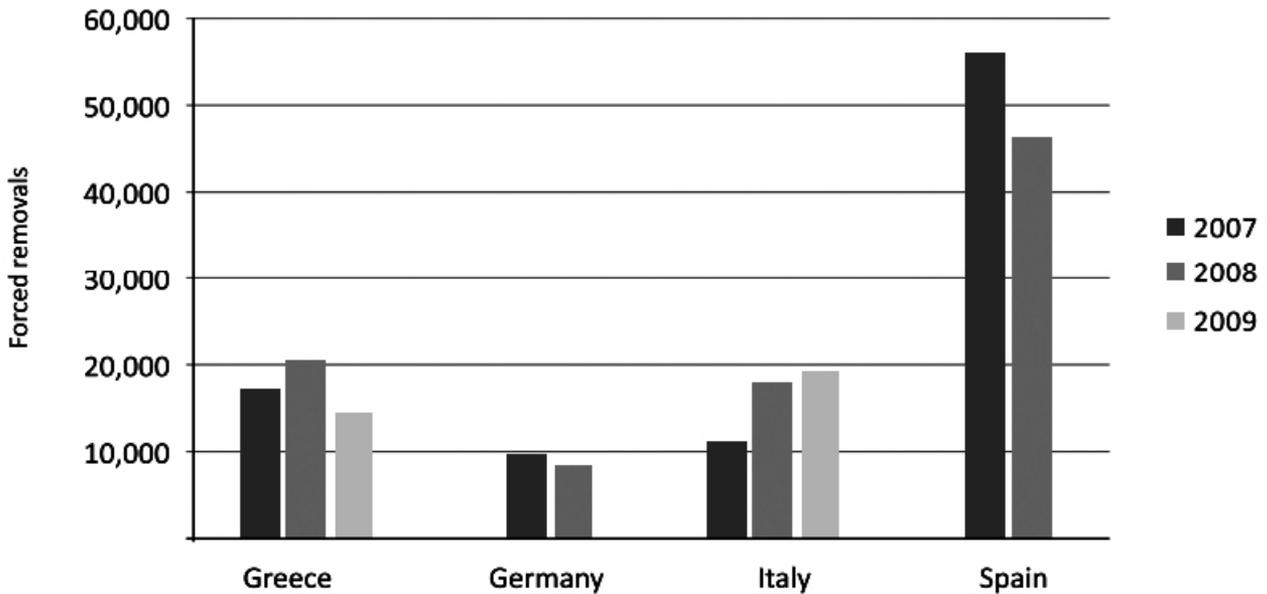
Several governments have tightened their migration policies in order to protect labor markets for native workers, restrict the inflow of migrants, and encourage their return.

Special voluntary return programs for migrants have been created in a number of countries, such as the Czech Republic, Japan and Spain. Nonetheless the number of people who have taken the offer has been small (IOM, 2010).

Countries like Italy, Kazakhstan, and the Russian Federation have reduced the numerical scope of their respective quotas, while others like some countries in East, South-East and Central Asia have stopped on all new entries of foreign workers.

Additionally, there has been an increase in forced return measures in several countries like Spain, France, Italy and Ukraine (IOM, 2010). In March 2011, the Committee on the Elimination of Racial Discrimination of United Nations urged Spain to take effective measures to

**Numbers of forced removals from selected EU countries in 2007-2009**



**Note:** Data for 2009 are based on IOM projections of data available up to April 2009. Figures for 2009 are not available for Germany and Spain.

**Source:** IOM 2010

eradicate the practice of identification check based on ethnic and racial profiles, performed in public places and neighborhoods where there is a high concentration of foreigners (ROUNDUP, 2011). This recommendation came after various civil society organizations such as Amnesty International denounced the practices against migrants that the Spanish government has implemented in the last few years.

Despite tighter policies on migrants, there is little evidence of mass return of migrants to countries of origin, although some countries, such as India, the Republic of Moldova and Poland have reported an increase in the scale of returns for certain categories of labor migrants.

Several countries of origin, as Colombia and Ecuador, have also responded to the crisis by actively monitoring the situation of their nationals abroad, instituting further skills training back home and seeking alternative employment possibilities for their workers abroad.

**Losing more than jobs**

The situation of migrants who have remained in their countries of destination has generally deteriorated. It

seems that migrants have generally faced higher levels of unemployment than native workforces.

Migrants are often among those most vulnerable to job losses. They tend to be employed in temporary jobs and in sectors most affected by the recession, such as construction, manufacturing and services. Women tend to have a better chance in keeping their jobs or finding new ones than men.

In Europe, unemployment levels rose more among migrants than among native workers. Some of the largest increases in unemployment took place in countries hit most heavily by the recession such as Spain.

Another consequence of the crisis is the increase in the number of migrant workers moving to irregular forms of employment in the shadow economy. There are cases in which migrants who used to be in a regular migratory situation have turned irregular, after losing their jobs made it impossible for them to renew their residential card. There are also migrants who have lost homes after losing their jobs and failing to pay mortgage.

Remittance flows to developing countries 2007-2010 <sup>e</sup>				
	2007	2008	2009	2010 <sup>e</sup>
US\$ billions				
<b>All developing countries</b>	<b>278</b>	<b>325</b>	<b>308</b>	<b>325</b>
East Asia and Pacific	71	85	86	93
Europe and Central Asia	39	46	35	36
Latin America and Caribbean	63	64	57	58
Middle-East and North Africa	32	36	34	36
South Asia	54	72	75	81
Sub-Saharan Africa	19	22	21	22
LDCs (UN classification)	17	23	24	26
Low-income countries	17	22	23	24
Middle-income	262	303	285	300
<i>World</i>	<i>385</i>	<i>444</i>	<i>417</i>	<i>440</i>
Growth rate (%)				
<b>All developing countries</b>	<b>22.9%</b>	<b>16.8%</b>	<b>-5.4%</b>	<b>5.6%</b>
East Asia and Pacific	23.7%	20.3%	0.8%	7.4%
Europe and Central Asia	38.5%	16.5%	-22.7%	1.3%
Latin America and Caribbean	7.1%	2.3%	-12.3%	1.7%
Middle-East and North Africa	21.5%	12.0%	-6.8%	6.2%
South Asia	27.1%	32.6%	4.8%	8.2%
Sub-Saharan Africa	47.1%	16.0%	-3.8%	5.5%
LDCs (UN classification)	22.9%	32.8%	5.2%	5.8%
Low-income countries	27.9%	32.5%	3.3%	6.9%
Middle-income	22.6%	15.8%	-6.0%	5.5%
<i>World</i>	<i>21.1%</i>	<i>15.3%</i>	<i>-5.9%</i>	<i>5.4%</i>

e: estimate

Source: Mohapatra, Ratha, and Silwal, 2011

### Remittance flows recover to pre-crisis levels

Rising unemployment among migrant workers had negative effects on the flow of remittances, which in 2009 dropped by 5.4% from 2008. The sharpest decline in remittance inflows occurred in Europe and Central Asia (-22.7%), Latin America and Caribbean (-12.3%) and Middle East and North Africa (-6.8%). The high level of concentration of their migrants in Europe and the United States of America – places hit hardest by the recession – could explain why their remittance inflows shrank the most. In 2010 remittance flows have recovered to their pre-crisis levels.

In contrast, according to World Bank, remittance flows from Filipino and Indian migrants did not fall as sharply as they are more dispersed in different countries.

Falling remittance flows means less income for the thousands of families that depend on them, with knock-on effects on their access to food, housing and education. At macroeconomic level, the impact has been greater in countries where remittances represent a big percentage of GDP, such as countries in the Caribbean and Central America.

## Conclusion

The financial and economic crisis has affected migrants and their families in many different ways. It resulted in higher migrant unemployment, stiffer migration policies, and lower remittances, which then cause lower income and welfare for migrants' families in sending countries.

Apart from tighter migration policies, negative rhetoric against the presence of migrants has affected people's perception of migrants, generating in some cases xenophobic attitudes. These views overlook migrants' contribution not only at work but also the taxes that they pay to the government. Migrant workers don't necessarily get the level of social security they deserve in the receiving country despite paying taxes.

Various impacts of this crisis should be a lesson, especially to governments of sending countries like the Philippines that have made labor export a state policy, ignoring the need to create jobs and provide adequate services to their people in order to achieve sustainable human development within their countries.

As the World Bank itself recognizes, "enhancing the linkages between migration and development cannot replace development policies. Migration should be an integral part of national development plans, but not a surrogate for them."

Considering what was mentioned, governments should not encourage their people to migrate, without taking

into account all collateral effects the process of migration implies not only to the migrant workers but also for their families and their countries in general.

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## Food sov, aid effectiveness...(continued from page 19)

and Program. Mr. Alex Bambona, Head of Nutrition and Home Economics in MAAIF, discussed the institutional structure and policy framework of agriculture in Uganda, the relationship between MAAIF and the Office of the Prime Minister; an overview of agricultural programme implementation; and the opportunities available for cooperation and networking with CSOs and ESAFF.

Ms. Agnes Kirabo, the Communication and Advocacy Manager of VEDCO Uganda, meanwhile tackled the topics Food Sovereignty as a basis for Rural Food and Agriculture Campaigning, Policy and Program; and Campaigning and the Fight for Food Sovereignty. Lastly, Ms. Jane Nalunga, Executive Director of SEATINI Uganda, steered the participants in a session on country-level impact of aid on ARD.

Participants in the four training events all resolved to strengthen their advocacies and campaigns for food sovereignty, including making their voices heard by endorsing the PCFS' recommendations to the upcoming HLF4 in South Korea.

Similar training and outreach activities with rural people's advocates are ongoing in Kenya at this writing.

# Debtocracy: the samizdat of Greek debt

By Aditya Chakraborty, guardian.co.uk

One might not expect a butcher in rural Greece to recognise Costas Lapavitsas. He is, after all, an economist, a professor at the School of Oriental and African Studies in London. His research interests include the evolution and function of the Japanese financial system and his books include *The Political Economy of Money and Finance* – probably not staples of discussion among rural Greek butchers.

But when, just before Easter, the Lapavitsas went shopping for groceries in Kopanos (“A godforsaken village,” apparently, “ugly as hell”), said butcher spotted his name. “I know of a Costas Lapavitsas,” he said. “I have seen him in a video on the internet.” On being told that video star and customer were one and the same, the butcher responded with more excitement than is desirable from someone wielding a cleaver: “Ah, Debtocracy!”

Lapavitsas does have a star turn in *Debtocracy*, a film whose success is as unlikely as the academic’s celebrity. It’s a documentary about the financial crisis that has struck Greece; the collapse of public finances; the €110bn loan from Europe and the International Monetary Fund; and the savage spending cuts to come.

Unlike other entries to the nascent credit-crunch movie genre, the filmmakers do not go looking for guilty men and women. No *Inside Job*, this. Instead what you get is a polemic against the European system; an explanation of how Greece was always doomed to struggle against the likes of Germany. “So are we the black sheep of an all-successful Europe?” asks the voiceover. “Or has the system been ailing since its youth?”

*Debtocracy* makes a compelling case that the entire euro system was rotten from the start, with bankers in Frankfurt and Paris left with piles of surplus cash, and southern Europeans getting by on cheap loans. Made on a budget of €8,000 (£7,110) and with very little flashy camera work or fancy use of archive, this is still – I can confidently say,

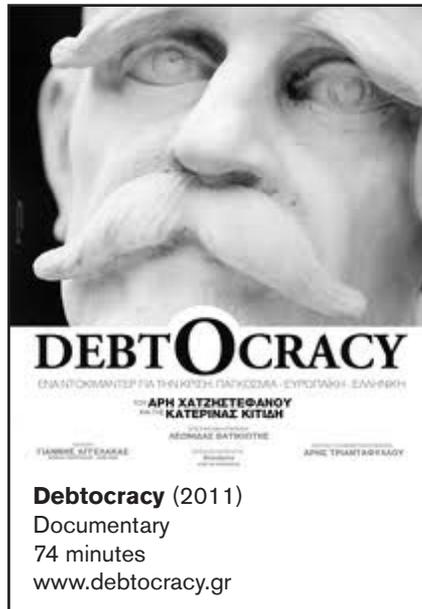
without delving too far into history – the best film of Marxian economic analysis yet produced.

Stuck up on a website and YouTube in early April, *Debtocracy* has garnered something close to a million views and has been broadcast on small Greek television channels, gradually building an audience. “At first, it was young Greeks with broadband connections,” says Aris Chatzistefanou – who co-wrote and co-directed the film with Katerina Kitidi. “But then we heard stories of how small villages were screening it, and how old men in the countryside were asking their sons to download it on to DVDs.” In the process, the film has become an artefact in the popular resistance to the austerity package imposed on Greece – and across southern Europe. In Portugal, the Left Bloc put on a showing of *Debtocracy* in a small cinema to launch its recent election campaign. The film was also scheduled to be screened to 4,000 protesters in Barcelona’s Plaza Catalunya before the authorities broke up proceedings.

When I speak to Chatzistefanou, he is still recovering from showing his film in the central Syntagma square in Athens. The screening only got going at 2.30am “and then the audience wanted to discuss it. We still had 400 people arguing over the Greek financial crisis at five in the morning.”

Timing has a lot to do with *Debtocracy*’s success. Greece’s economy has sunk deeper into crisis, buttressing the film’s argument that the nation is being broken, not fixed, by the IMF and the eurozone. Yet the film’s suggestion that Greeks should renegotiate, and refuse to pay some of its ruinous debts, still barely features in mainstream Greek politics or media. Which leaves one video on the internet to be passed around a swelling band of dissenters.

After returning from Kopanos to London, Lapavitsas received an email: “Greetings from the village!” began the butcher. “I just want to congratulate you on your film. When you come back we can have a proper discussion.”



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This article was published 9 June 2011 by **The Guardian** ([www.guardian.co.uk/film/2011/jun/09/debtocracy-film](http://www.guardian.co.uk/film/2011/jun/09/debtocracy-film)).

# Bailouts and Austerity in Europe

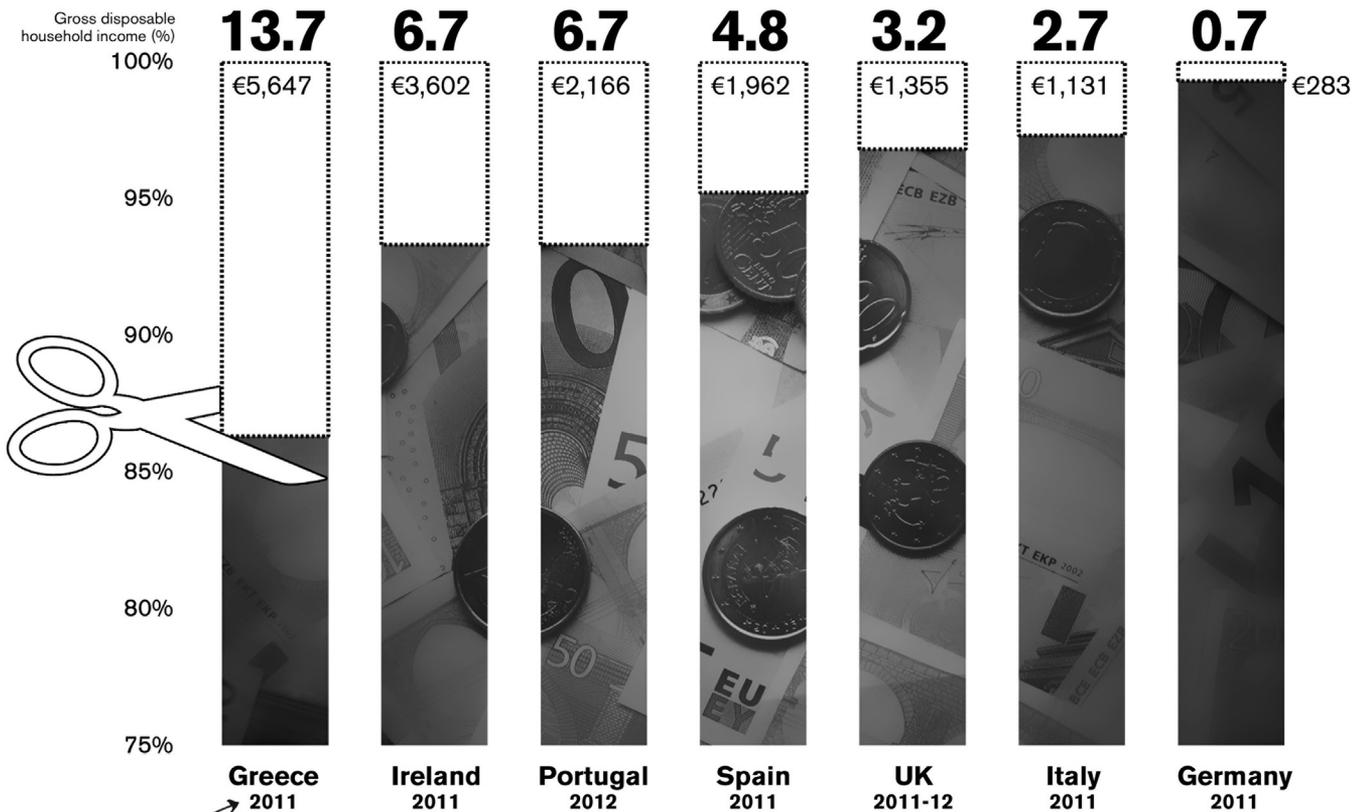
## BAILOUTS BY THE TROIKA (EUROPEAN CENTRAL BANK, EUROPEAN UNION, AND THE I.M.F.)

Three countries in the Eurozone have received bailout programs from the Troika at the price of undertaking austerity measures. One of them—Greece—has been bailed out twice.



## AUSTERITY PACKAGE AS % OF TAKE-HOME HOUSEHOLD INCOME (SELECTED COUNTRIES)

Planned spending cuts and tax increases in Greece this year amount to nearly **14%** of Greek households' average take-home income, about twice as much as the burden imposed by austerity measures on Irish and Portuguese households.



Reference: Sally Gainsbury, Andrew Whiffin and Russell Birkett, "Financial Pain in Europe," *Financial Times*, 2011

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