AFRICAN PERSPECTIVES

ON EUROPEAN GOVERNMENTAL PROPOSALS ON THE FINANCIAL CRISES WITHIN THE EU [1]

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The proposals emerging from extended European government negotiations during 2010 and 2011 to deal with the growing financial problems within Europe are incomplete, and will undoubtedly require ongoing negotiations and further decisions. At this stage the most recent package of proposals (late October 2011) are unclear in many respects . This is because

- The lack of full clarity is deliberate, to a major degree: owing to the fact that it is difficult for governments to state unequivocally the real aims and full terms of their proposals in support of the banking system [see 5 below] for fear of their citizens' reactions.
- Governments are also reluctant to spell out the full extent and implications of the financial dangers ahead in their belief that a major cause of instabilities in the financial system arise from 'loss of confidence' in/by 'the markets'; and, thus, due care must be taken by governments not to 'unsettle' the markets.

But the major reason for the inadequacy of these governmental proposals is the weak understanding of the underlying causes and full nature of the crises. Hence they are unable to forecast what is likely to unfold in the coming months and years; whether as a result of the measures that EU governments take, or independently of their intentions and actions. It is, however, extremely difficult even for independent critical analysts - although many have clearer and deeper understanding of the unstable dynamics inherent in the capitalist system - to be sure of the exact locations/directions and sequencing within which the crises will unfold in Europe; let alone how the resurgence of financial - and broader economic - crises within Europe will impact more widely outside Europe.

This is particularly important for African countries and their social movements, and for clarifying the ways in which African experiences are relevant to European countries and peoples. And this, in turn, is relevant to the building of alliances between them …. as the 'European' (and inevitably global) crisis unfolds in the coming year(s). In the meantime, some current features and immediate trends within Europe - the 'lessons' for them from Africa, and their implications for Africa - can be summed up succinctly as follows.

1. The first difficulty facing official European governmental decision-makers and non-official market actors/agencies is that they are not sure about the rate and directions (countries) into which a debt reduction or outright rejection/default by the (currently worst affected) Greek government will spread. Efforts are being made to 'contain' such a spread, by depicting official European measures in relation to the Greek and other governmental debts as mere corrective "restructurings". At the same time, for some financial agencies, such debt "reform" is designed - with sheer financial avarice – simply to maintain (at least some) European governmental debt payments and for as long as possible!

1.1. But such a "managed" debt reduction is also designed politically to ensure that the granting or lending governments, and the European Central Bank (ECB) and International Financial Institutions (especially the IMF) maintain their "policy supervision" (controls) over the Greek and other such 'troubled' European governments. This is not uniquely aimed at European governments. **Such policy (that is, political) control was a very clear feature and motivation in the limited 'debt relief' bestowed on governments in Africa, Asia and Latin America and the Caribbean during the 'Third World debt' crises of the 1980s and 1990s. This manouver was powerfully exposed and opposed by the anti-debt campaigners of Jubilee South and other social movements in the countries of the South, including in Africa, over many years. Thus, African organisations have much to share with their European counterparts with regard to the arguments and actions they used against the debt-enslavement of their countries and peoples.**

2. The related difficulty for the European authorities facing possible governmental debt defaults in many European countries, is how troubled governments/countries can be supported financially. This is important, *per se*, and in order to try to pre-empt yet further countries following the example of any defaulters. Such 'contagion' may happen due either to *de facto* external impacts on other vulnerable economies, or through deliberate 'copycat' tactics by other affected governments. Until the full and highly restrictive European Stability Mechanism (ESM) is in place (two or three years ahead?), it has been proposed that an immediate European Financial Stabilisation Facility (EFSF) will be used to provide the necessary financial support to affected countries…..although it is, of course, not always clear whether the term 'affected countries' refers to their banks or to their broader national economies; the former assumed to be synonymous with the latter [see 10. below].

2.1 However, in anticipation of much greater future "bailout" requirements, the current EFSF – officially proposed at some 440 billion Euros - is now slated to be beefed up to about one trillion Euros. The IMF is already suggesting that a total sum closer to three trillion euros may prove to be necessary to stabilise Europe. This contrasts with the few hundreds of billions that the IMF disposes of for the whole of the rest of the world, where the majority of the world population struggle to survive in the aftermath of the damaging neo-liberal policies imposed on them for decades by the same IMF (with the World Bank). Again**, Africans have much to share with their European counterparts from their experiences with the IMF. In the face of the similar processes of 'restructuring' and 'reform' being imposed on them, European activists and analysts can draw on the powerful critiques and resistance made by social movements in the countries of the South against IMF/WB SAPs (structural adjustment programmes) which included the same deregulation, privatisation and social depression etc that Europeans are also now facing.**

3. While publicly imposing 'austerity' and cut-backs on European governments, the underlying concern of the dominant governmental and institutional financial agencies in Europe is that they are not sure what - in the event of a chain reaction of government debt defaults across Europe - will be the effects on banks, investment agencies, hedge funds, and other creditor agencies. Reductions or suspension of their debt-servicing by affected governments may be piecemeal or total, overt or covert, gradual or sudden, taken unilaterally or 'agreed' multilaterally. And it is not clear which or how many European lending agencies and holders of government bonds will be adversely affected. Even following the 'stress tests' made on European banks by the EBA (European Banking Authority) during 2010, there is little certainty as to how the 'toppling domino' effect of bank failures in specific countries will impact on financial agencies in other countries possessing differing internal resources and institutional resilience; and what the effects will be on intrinsically volatile 'financial markets' more generally. Such intricate financial inter-linkages and interdependencies extend from the weaker peripheral economies to the stronger core economies of Europe… to others of the world's richer economies (especially the USA) ….. and, to differing degrees, to all economies worldwide, including even the marginally linked-in economies in Africa. Given the trade, aid, and foreign investment dependence on Europe by African countries (as with many other countries of the South), even a relative economic slowdown in Europe will have immediate impacts on such relations. Europe's financial crisis and drawn-out economic 'recession' (at the very least) will impact in various ways on the economies of Africa, Asia, Latin America and the Caribbean. The main economic effects of this in Africa will be an inevitable reduction in both European and US (governmental and non-governmental) aid to many aid-dependent African countries, as the domestic demands in the 'rich' countries take effect. There will also be a probable recourse to trade and other protections in such countries, ostensibly in response to popular insistence that local jobs be protected/promoted; but with such protectionism also justified by the need to make further carbon emission reductions through (so-called) green NTBs.

3.1 At a political level, African analysts and activist can understand the demand of many European activists that local jobs be promoted/protected and their national economies be less 'globalised' and become more self-sufficient/self-sustaining. But very different inward-looking national responses are also being expressed in nationalist/chauvinist, and even xenophobic and racist attitudes/organisations in Europe. This could take the form of hostility against the 'lazy' unemployed or 'work-shy' youth, or against 'parasitic' minority groups, and/or 'cheap labour' European migrant workers from across the continent. But this hostility could be aimed especially against immigrant workers from outside Europe, including from Africa. **Anti-immigrant organisations in Europe would affect African workers there, directly, but also impact negatively on the forex earnings of their home**

countries from remittances from their hard-earned wages. Thus, such tendencies could not only have divisive and malevolent social, economic, political and other effects on/within Europe, itself, but also in Africa. Clearly, Europeans and Africans have a profound common interest to organise and act together against such extremely dangerous trends…. even if they seem quite minority trends and marginal groups at first.

4. At an entirely different level, a very different concern is prioritised by European governments, separately and together; and with the ECB, and official inter-governmental institutions such as the IMF. This concern is on account of the extremely complex, unregulated and un-transparent nature of national and international financial operations and relations. Thus, the mutual effects and chain reactions arising from financial collapses of any banks, or crises in any national economies will only be fully evident in the very course of the upheavals. Even as such highly complex effects gradually become more evident, it will be extremely difficult for governments and other public authorities to determine which banks are key to their national economies and to the entire financial edifice of their countries, and thus have to be saved; and which banks are marginal or expendable and can be left to go to the wall. There are intensive (although somewhat belated) investigations going on within public agencies and institutions to assess the strengths and vulnerabilities of individual banks, and associated investment agencies …. which public authorities anticipate they may have to bail out. More directly self-serving financial concerns undoubtedly afflict private investors and their investigators, and other market players/speculators, hedge funds and the like…which will inevitably be threatened or negatively affected to one degree or another.

4.1 There is, however, a further – more political - dilemma facing the European governments as they prepare financial mechanisms and funds to be used to bail out struggling banks, or at least the most 'systemically important' of them. Any such further bailouts are highly sensitive, even explosive issues in European public opinion, ever since the vast public bailouts of banks – amounting to some 790 billion Euros – during the initial phase of the financial crisis, 2007-2009. Public outrage has intensified over the succeeding years as populations experience the effects of the financial 'austerities' (public cut-backs) implemented by their governments in order to 'compensate' for the astronomical financial resources provided to the banks. These public financial costs - in combination with the recent period of official tax reduction and illicit tax evasions by the very same recipients of such public funds - have severely exacerbated the decline in public revenues and aggravated public indebtedness. Governmental budget contractions are justified by supporters as the 'common sense' avoidance of undesirable increases in public debt; argued to 'self-evidently' require public 'deficit reductions'. Further ideological rationalisations and policy formulations are now required in planning for the further financial collapses… and in order to prepare public opinion for yet more public assistance to troubled banks. Hence, in the recent European counter-crisis package such a new round of bank bailouts is presented as a mere technical, or more neutral-sounding "recapitalisation". **This continuing concern to support their banks, this tolerance towards the failures of their own banks, and forgiveness of their irresponsibilities, errors and gross abuses, contrasts markedly with the official insistence on the obligation of African governments to honour their debt 'obligations', in order to avoid 'moral hazard'. This blatant double standard by European authorities can be used by European activists in their own campaigns against the gross moral abuses in the functioning of banks, and their immoral offences against their populations.**

5. Despite reassuring formulations and supportive provisions by governments, the banks are faced with a number of simultaneous problems. On the one hand, the stipulations of national and Europe-wide regulatory authorities (such as the EBA and Basle III) are - formally at least - requiring banks to maintain sound internal financial reserves (capital ratios appropriate to their lending and investment operations) The future/further 'recapitalisation' promises from the most recent EU package seem to hold out a reassurance - or even a quasi governmental insurance - for troubled banks and funds. Yet, on the other hand - like other holders of European government bonds, and other beneficiaries/creators of national debts – lending banks and bond-holders are being persuaded to accept a reduction in the value of the bonds they hold, and what they can expect in repayments (the reported 50-60% so-called "haircut"). This may be mere PR propaganda, or a pragmatic adjustment imposed or agreed by creditors in recognition of the stark alternative realities facing them. Or such reduced returns to banks and other 'creditor' bond holders may actually be a mutually-agreed arrangement behind the scenes between governments and banks in order to pre-empt the declaration of full sovereign debt default. This façade is necessary in order to avert massive losses on the Credit Default Swap guarantees, and similar financial devices (quasi-insurance policies) on the books of many other financial institutions in the event of explicit sovereign debt defaults. Whether through overt governmental 'defaults', or through tactical manouvers between governmental defenders and market beneficiaries to massage or disguise sovereign defaults, there are massive losses facing the financial players on one side or on the other side of the financial 'hedging' (or gambles) between them.

5.1 On all the above grounds, all such financial agencies are going to face acute financial stresses in the coming future, if not outright collapse for many. The further aggravant is that, in this situation of uncertainty, all banks are desperately building up their financial reserves to withstand any possible debt defaults on their own books, or further economic downturns around them. On the one hand, this is causing a "credit crunch" even in the richest economies and contributing further to their recessions, as banks, hedging against possible financial difficulties, refuse to lend to small and medium businesses, as their governments urge them to do to revive their economies. The further contradiction in this scenario is that many such banks are drawing in vast sums of money from other (and much poorer) countries all over the world… as the elites in many such countries secrete away their personal fortunes (or stolen public funds) in such 'safer' banks. **And the ultimate significance for African countries is that holders/hoarders of capital in the richest countries are avidly seeking out investments in oil and other mineral business deals, and 'acquisitions' overseas of valuable 'assets', such as land and forest concessions and the privatised public utilities in poorer countries of the South, including the poorest in Africa. Other such capital holders and hoarders are, characteristically, not even investing in any 'traditional' sense, but simply speculating in the commodity markets: not only oil and minerals but even food commodities.**

6. In the meantime, back in Europe - even to prepare the necessary Europe-wide governmental 'insurance' fund for future financial (re)stabilisation - the governments involved are faced with the challenge of guaranteeing the necessary trillions of Euros for the purpose. No single government (even Germany) has the ready financial resources, or acceptance by their citizens, to provide upfront the funds needed to bail out banks once again, whether at home or in other countries. The fuller paradox is that – in order to protect the future stability of their combined economy, which is still the richest in the world – Europe has had to go cap-in-hand to China, and other countries of the South to provide the necessary financial inputs for its own 'financial stabilisation fund'. Over and above the highly significant political symbolism of this, the economic problem for the governments of Europe is that this increased international role for Chinese financial entities (invariably state-owned or quasi-state banks) will contribute to furthering China's rise to global economic dominance. Alternatively, even if China opts rather to provide financial aid to troubled European governments and banks through increasing its contributions to – and thus its voting rights in - the IMF, this will increase China's international political influence in and through the international policy-setting role of this institution. It will also contribute to raising up further the profile and revitalising the role and power of the IMF.

6.1 The resuscitated role and increased resources for the widely discredited and almost moribund IMF, of recent years, present further important challenges and an important political role for critical analysts and activists in and from the countries of the South. It is with a sense of sad *déjà vu* that popular organisations from Africa, Asia, Latin America and the Caribbean observe how countries and peoples in Europe are now being subject to the same 'debt obligations' and imposition of neoliberal 'restructuring' and 'reforms' that wreaked such economic, social and environmental havoc over decades in countries throughout the South. The same is now being experienced in Greece, Spain, Portugal and other debt-distressed and debt-enslaved countries in Europe And the economic, social and political impacts will deepen if the IMF is allowed to impose the standard neo-liberal recipe of privatisation of natural resources, national assets and public services; liberalisation of trade and investment flows, deregulation of labour markets; and other 'market driven' programs**.** **This paradigm imposed terrible damages on the peoples of the South for decades, contributed to the impoverishment of billions, fostered widening polarisation between rich and poor,**

strong and weak throughout the world. And it has resulted in the creation of an obscenely enriched global plutocracy. This is now the global scenario directly facing Europeans, as well.

7. The drastic and destructive effects of the imposition of extreme free market capitalism in the countries of Africa, Asia, Latin America and the Caribbean were for decades ignored or down-played in the corridors of power, or blamed on deficiencies in those countries themselves. However, now that the effects and further implications of de-regulated banking systems and uncontrolled 'free' market' forces are being dramatically manifest within all economic and social sectors and in the heartlands of globalised capitalism**, historic opportunities are provided, and demands are posed for the strengthening of alliances between the victims of globalised capitalism in both the South and the North. This builds on the established solidarity of progressives in the North with the peoples of the South over many decades… But this is now evolving towards joint and mutually supportive campaigns reflecting shared problems and common concerns.**

7.1 Some more enlightened and progressive political parties, more informed and critical professional/academic bodies, and independent critical analysts and social movement activists are, indeed, beginning to pose real alternatives to the current crude market-driven and consumerist greed-based and economic system. The envisioning - and the implementation - of fundamental changes to the current unstable and unsustainable economic system dominating and threatening the world calls for real systemic alternatives. However, there is and can be no *a priori,* single 'master plan' for comprehensive and equitable economic, social and environmental programs that are urgently needed for all people, all living entities/ecologies, and the planet. There are no ready-made answers in pre-conceived and total 'blue prints'. The challenges have to be - and are being - taken up in intensive research, democratic discussions, diverse creative actions and living experiments all over the world.

8. The protests and struggles now going on in Europe against the cuts in social welfare, pensions and wages are in defence of their rights and social securities achieved over many decades of struggle by organised labour, other social organisations and (some) political parties in Europe. They are demanding that the commercialisation and privatisation of their social welfare systems be reversed, and that democratic public services and social rights be firmly reinstated. Just and equitable social welfare systems have to be central to the new social and economic models that are being discussed and proposed by social movements and labour organisations etc all over Europe.

8.1 The comprehensive social provisions of recent decades in European countries (although not perfect) have been admired (and envied, and emulated) by other peoples all over the world. At the same time, however, the peoples of the former colonies – and neo-colonies - of Europe in Africa, Asia and the Pacific, Latin America and the Caribbean are painfully aware that such important public social welfare provisions in European countries were also made possible by the transfers of wealth over centuries from the exploitation of the peoples and resources of the South, ….. and to this very day. Even the tax obligations and social security contributions required of corporations in the countries of the North came, in the final analysis, out of their profits also extracted from the peoples of the South ….. and which continues to this very day. **Thus, joining together in seeking a new and just social and economic system - for the peoples of Europe would stress to European analysts/activists that such future systems cannot be based on looking back to a perceived 'golden age' which included and created the welfare state in Europe. The new ecologically sustainable economies and just societies that Europeans seek to develop for their peoples have to look towards marshalling the accumulated wealth, internal resources and capacities from within a transformed Europe …… and in cooperation with peoples elsewhere in the world, and for the world.**

9. Much further discussion and sharing of experiences between the peoples of the North and South is now essential, and Africans have much to contribute in this regard. However, in this present meeting/discussion, focused as it is on the financial sector/agencies and the discussion of alternative financial and economic systems, the very immediate arguments to start out with, and the basic political understandings that have to be actively promoted in organisation and action are that

- The role and operations of banks and other financial agencies are **not** synonymous with the broader real economies or the needs of the countries within which they are situated. The problems and needs of banks cannot take precedence over all other dimensions and institutions of society. **Banks are just one set of societal instruments/agencies performing specific economic functions**. As is often pointed out: if they are 'too big to fail', they are too big ! As such, their pursuit of their own needs is not only an offence against equity. Their errors/miscalculations are also commensurately greater and they can seriously endanger broader national and global economic stability …. as is now patently evident.

- The 'financial markets', similarly, are not objective abstract depersonalised forces. They are made up of hordes of financial operators/agents and wheeler-dealer speculators focused on their own self-serving, very narrow tunnel-vision perspectives. Above all, such 'market forces' are not only highly volatile and destabilising. They actually **require, and even create, artificial 'market movements' and stock market fluctuations within which they can operate and make gains (**such as through their notorious 'short-trading' tactics). Although certainly facilitated by computer technology, the power of such market forces has been deliberately created politically.

- Both banks and other corporate financial agencies, as well as disembodied 'market forces' have to be brought (back) under effective public regulation, rendered accessible to public scrutiny and made fully responsible and answerable to the societies within which they operate. Alternatively, where decided through full and open debate, the **socially necessary functions of banks can be carried out by public (democratically controlled) financial bodies, development banks and related entities** that serve societal and environmental needs not individual greed or corporate plans . Further to such a reduction of the dominance of the limited number of gargantuan privately-owned banks - through effective banking diversification - privately-owned banks could, in principle, be replaced altogether.

- Above all, concerted action is needed by all social movement forces, North and South, to expose, oppose and dismantle the **powerful oligarchy** made up of private financial agencies and other corporate organisations, corporate-controlled mass media, corporate-funded universities and other 'policy' institutions, and the political parties and institutions they control or create. These are, together, **displacing and destroying ordinary citizens' democratic control and rights, and undermining democracy itself**.

NOTES

[1] Adapted in 2011 from a presentation in 2010 prepared for the member organisations of the continent-wide Africa Trade Network (ATN) in support of the network's strategic planning for the period ahead, including their cooperation and solidarity with their European counterparts . Adapted further in 2012 for a Europe-wide meeting of European civil society organisations on "EU in Crisis : analysis, resistance and alternatives to corporate Europe", organised by CEO (Corporate Europe Observatory) in Brussels, 5 May 2012

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