



## IV412 - May 2009

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## Sri Lanka and the “international community”

3 June 2009, by **Danielle Sabai**

Since no humanitarian organisations or journalists were allowed to stay in the zone, it is absolutely impossible to confirm this information. It is perhaps the end of an extremely bloody offensive, which has gone on for several months and during which the government, in its “anti-terrorist” war, has shown no great concern for the civilians trapped in the crossfire of the army and the Liberation Tigers of Tamil Eelam. The army has not hesitated since the beginning of operations to bomb hospitals, schools and even the safety area that it had itself marked out. Several thousand civilians have died since the beginning of the year and there are at least 17,000 wounded.

Despite repeated violations of international agreements and the multiplication of war crimes, the Rajapaksa regime has never felt threatened by the “international community”. No diplomatic initiative has succeeded in obtaining from the

government a ceasefire which would have allowed aid to reach the thousands of wounded and civilians trapped in the combat zone where there is nothing to eat, no medicines and no shelter to protect them. The UN has spoken of a “bloodbath” but was content with calling for “restraint”. Its spokesperson said “we are happy to learn that all civilians have got out of the combat zones” accepting the government version despite the total lack of objectivity.

The hypocrisy has no limits. Thus in a press release, the UN security advisor firmly condemned the LTTE for their acts of terrorism and asked them to surrender while only expressing “concerns” about the use of heavy artillery by the Sri Lankan army in an area where Tamil civilians were concentrated. The US State department spokesperson, Ian Kelly said that the number of civilian victims had reached an “unacceptable” level. It would be good

to know what number of civilian victims was acceptable to the international community!

Inside the UN Security Council, Russia and China have blocked any possible action. For Russia, the Sri Lankan war is an internal affair that the government should settle as it deems appropriate. The lack of compassion on the part of a country which did not hesitate to kill 300 civilians in Beslan in its Chechen “war on terror” is hardly surprising.

China has defended the principle shared by Asian countries of “non interference” in the “internal affairs” of neighbouring countries. Beijing thus reinforces its economic and political interests in the region. A big energy user, China has sought for several years to develop port and road infrastructures in neighbouring countries like Pakistan, Bangladesh and Burma, allowing it to safely import Middle Eastern oil. Since 2007 China has been building a deep water

port in the south of Sri Lanka at Hambantota.

This Chinese undertaking has annoyed its rival in the region, India. Sri Lanka forms part of India's "area of influence" in terms of its geostrategic and economic interests. For example, after the government offensive against the LTTE in 2006, the Sri Lankan army destroyed houses in the region

of Sampoor and evacuated its inhabitants (in their majority Tamil) to make room for the construction by the Indians of a thermal power plant. New Delhi did not wish to annoy Colombo and was well satisfied with a pacified country whatever the price to be paid in terms of human lives.

The war against the Tamil rebellion in the north of the island has put in place an autocratic and dictatorial regime

which has launched its death squads against dissonant voices and repressed independent journalists (intimidations, kidnappings, arbitrary detentions, assassinations). No political stability will emerge in the country as long as the inalienable rights of minorities are not recognised and the democratic liberties of all, independently of their ethnic origin, are suppressed.

## New Labour's collapse

27 May 2009, by **Phil Hearse**

David Cameron's Conservatives will be elected with a sweeping majority. Hundreds of Labour MPs will be turfed out of their seats. This is an ignominious end for the political project that swept to power in May 1997, winning nearly two thirds of all parliamentary seats and setting off a wave of euphoria focused on its charismatic young leader, Tony Blair. All that seems an age away.

Even so, when Brown replaced Blair just 18 months ago, it seemed as if Labour might easily win a "snap" election. Relief at the departure of Blair was palpable and most workers and many middle class people were still suspicious of the Conservatives. Brown chose not to go for that option, probably on the basis that if he lost an early general election he would have gone down as the shortest serving Prime minister ever, with just a couple of months in office. Subsequent events have made that reluctance seem foolish.

Part of New Labour's unpopularity is absurd political decisions seemingly designed to enrage as many people as possible, notably the decision to go ahead with the environmentally catastrophic third runway at Heathrow and the refusal to grant British residence to former Ghurkha soldiers.

Another part is the way that Labour MPs are caught up in the expenses

fiddling crisis, a scandal that of course hits the governing party worst. People expect the Tories to steal and swindle, and they expect that of bankers too; but Labour is supposed (at least in the minds of many of its voters) to be about social equality, not personal career, advancement and luxury.

It is of course the onset of the world economic slump that has shone a spotlight on the character of Labour's central economic and social policies for the last 14 years. These have worsened social equality, and while benefitting the wealthy and sections of the middle class, have punished the poorest section of society. The bottom 10% of wage earners are worse off absolutely than they were five years ago, mainly because of downward pressure of wages caused by the world-wide low-wage economy vigorously promoted by Labour. And in particular Labour wholeheartedly promoted deregulation of the City and financial sector, enabling London to become a centre of finance capital that poured in and could as easily pour out.

Trade Minister (Lord) Peter Mandelson famously quipped that Labour was "very comfortable with some people becoming filthy rich". The problem was they did it at the expense of others becoming dirt poor.

## Why the central mechanisms of Labour rule have collapsed

New Labour did have an idea of "fixing" the decrepit public services and ending child poverty. But the way it was done undermined real improvements. The New Labour plan, with which Gordon Brown was particularly associated as Chancellor, was this. The City would let rip and Britain would become along with the United States the centre of finance capital. Huge tax revenue would then accrue that could be invested in public services and in tax credits for the poorest families. This plan was indeed put into operation but failed to achieve the desired results. And now, with the government being indebted to the tune of hundreds of billions of pounds, this flawed mechanism cannot be repeated for generations - for it will take 20 or 30 years for the government to pay back what it borrowed to save the banks from collapse.

New Labour's tax and spend plan didn't work because of the way it was done. It's core was "public-private partnerships" (1); in other words projects like building new hospitals had to be done in concert with private

companies, who were given vast sums to bring in projects that would have cost much less if done by local or national government. These 14 years have been the era of the 'consultant' and the 'advisor' - the myriad teams of middle class professionals paying themselves mountainous salaries to be the go-betweens among companies and public agencies. And - here is the beauty of it - much of that tax income taken from the financial sector was recycled back to them as major investors in the private side of public-private partnerships.

Classic cases are the privatisation of the railways and the London tube. Real improvements have been made of course, there's not doubt about that. But in both cases the price is some of the most exorbitant fares anywhere in the world, major grants to the companies concerned to stay afloat and huge profits and salaries for top personnel, all coming from the public purse.

## Work regimes

All the public services have been plagued by targets which involve crushing work regimes. Using methods imported from the American human resources industry, target setting and checking- and the mountain of paperwork it involves - have become central to the life of teachers and health workers. Everyone has to work harder and longer, but real benefits in terms of education and health, come second to fulfilling the plan - in an eerie echo of the '5-year plans' in Stalin's USSR. New Labour conferences became parodies of the Soviet Communist party congresses, as minister after minister read out a list of statistics proving that things were getting better - while everyone knew that few significant improvements were occurring.

But it's also on the issues of poverty and social inequality that New Labour's system of rule has come unstuck. Labour introduced a very low level of national minimum wage, and provided tax credits for poorer families and for childcare.

But New Labour's cuddling up to business and the ultra-rich has meant these improvements have made little impact. When the privatised utilities take a huge percentage of the income of poor people, and especially when food and fuel prices rise, it's job security and the overall level of income that matter. But in Britain and the USA the demand by finance capital - the stock market - for ever more impressive short term profits means cost cutting has been a permanent feature. Cutting the number of workers, cutting their rates of pay, cutting their employment rights and benefits - all these have been permanent features of the labour market under New Labour. This has been policed by New Labour's refusal to repeal Margaret Thatcher's anti-trade union laws.

Irregularly employed workers in casualised industries rarely build up enough resources during their work periods to break out of the cycle of poverty, especially as unemployment benefits are cruelly low in Britain - an attempt to make people seek jobs at any rate of pay (2).

## Mondeo Man

While the people at the top enjoyed lavish lifestyles when Labour reduced tax rates for the best off, those at the bottom foundered. But many sections of the middle class and regularly employed workers, felt they weren't doing too bad. Most people had to work longer and harder, but real spending power seemed to hold up. This, celebrated by Tony Blair as 'Mondeo Man', was the real social basis of New Labour - permanent employment, a house, a car, children and foreign holidays, not to mention cheap Chinese-made electronic goods, could be supported on the basis of the income of two adults. Of course Mondeo family was an average that millions did not achieve, but millions did - except it was all an illusion.

The illusion was based on inflated house values against which millions of British workers borrowed large amounts on credit cards. The depressed level of income that the international low-wage economy had imposed on even employed British

workers, did not justify the lifestyles enjoyed on it. Debt was rolled over in most families because it seemed that it always could be, a fatal illusion.

Now that house values have slumped and credit is tight, spending has also slumped. The results are well-known: unemployment once again becomes a social catastrophe, all-round consumption is cut back to pay off debt, foreign holidays are ditched for the wonders of the British seaside or no holiday at all. Worse, everyone knows that after the 2010 general election the new government will sharply raise taxes to service its new astronomic levels of debt. The vicious circle of deflation is deepened: in terms of unemployment and consumption, the worst is still a long way ahead for the British working class.

Gordon Brown finds himself politically defenceless against the Tory accusations of having presided over the accumulation of the debt mountain and the run-down of British industry. New Labour should be able to say - look it was Margaret Thatcher who deregulated the City of London, Margaret Thatcher who smashed up manufacturing in the early 1980s with her 'lame ducks' philosophy and Tory ideologues who hatched the plan for Britain to become a European 'Hong Kong' based on finance and service industries. But of course they can't - because it was these central tenets of Thatcherism that Blair and Brown picked up, lovingly polished and promoted with religious zeal. David Cameron's charges against Brown and New Labour on these issues are hypocritical, but undeniable.

## New Labour's greed and corruption

In this dire economic and social situation Labour MPs are caught up in the parliamentary expenses row. How could it happen? Of course corruption is everywhere in capitalist societies. But New Labour has been particularly prone to it because of its ideological and practical enthusiasm for the rich

and powerful. Wealthy business people are the natural social milieu for Labour Ministers. They compare themselves – very important people you understand – with people getting giant salaries in the private sector. It's galling as a government minister on only £140,000 a year to be regularly dealing with people earning multiples of that. In an ideology-lite party with few central beliefs except business and management efficiency, politics becomes simply a matter of prestige, career and personal gain – hopefully topped off with a period as a minister, and then hopefully some nice juicy directorships in private companies, especially those you helped while a minister.

Ordinary people expect Labour to be something better than that. They also notice that while MPs can explain they made ‘mistakes’ in their claims, mere mortals get sent to jail for fraud. This is leading to a general feeling that all the main parties are ‘in it for themselves’ and not to be trusted.

## As Labour's links with its working class base atrophy, who gains?

In truth Labour's political situation had started to decay long before the crash and the corruption scandal. Blair was deeply discredited over Britain's role in the Iraq war. Millions

are deeply worried by the trend towards authoritarianism, notably by mass surveillance by the police and security services and aggressive policing methods.

The objective basis for a strong challenge to Labour from the left is there. But it is not likely to happen in the short term.

First, because of the electoral system and because Labour is the incumbent government, it is almost certain the Conservatives will win the next election. In general it is the right who are on the offensive, in the form of the Tories, but also the fascist British National Party (BNP) and the right-wing Tory UK Independence Party (UKIP). No similarly effective left wing party or front has been formed.

In part this is due to the still low level of class struggle. It is also the result of the intransigence of the left trade union bureaucracy and its intense suspicion of the far left, particularly the SWP. Among some the best left trade union leaders, hostility to the SWP has become an irrational, obsessional fixation.

At the same time left wing infighting fatally undermined the Socialist Alliance and Respect, and weakened the SSP. It will take some time to put the pieces back together again. The Green Party will do better than the left at an electoral level, but the British Greens are moving to the right.

One thing is clear. Cameron will lead a

revanchist Tory government bent on massive downsizing of the public sector and shifting the burden of the crisis ever more squarely onto the backs of working people. While the battle over that is being fought, New Labour – as a political project – is as dead as Monty Python's parrot. It will fall ignominiously, in confusion and in disgrace. Having opened up the road to the Tories and the hard right. The bloodletting inside the Labour Party will be vicious, but it is an open question whether there is still enough of a left to make advances inside the party as a result.

Tony Blair, basking in the glare of the tens of thousands he earns from after-dinner speeches and the publicity he gets from his role as pro-Israel ‘peace envoy’ to the Middle East, must be having a quiet laugh at Gordon Brown's expense. Brown fought for years to get rid of Blair so his own limitless ambition could be fulfilled. Far from it being bad luck he is now up to his neck in brown stuff, it is a direct and immediate consequence of the pro-business, anti-working class core of his own New Labour policies.

1) For a detailed look at the way the public-private partnerships worked, see George Monbiot, *Captive State*, Macmillan 2000.

2) See Jenni Russell, £64.30 a week. That's Dave's reward for 20 years of work (*Guardian* 20 May 2009).

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# Ken Loach backs Izquierda Anticapitalista campaign

27 May 2009, by **Ken Loach**



**Ken Loach**  
Wikimedia Commons

"In their desperate search for new markets, cheap labour and cheap raw materials, the rulers of western capital break international law and desecrate the planet.

There has long been a need for a response from the Left that was credible. We have suffered from sectarianism and splits, and also from leaders who have taken us into the dead ends of Stalinism and social



democracy.

We shouldn't wait any longer. We need a European-wide party that puts the interests of ordinary people above

the demands of capital. Defining a social and economic structure to make that a reality should be our objective. Remember the old slogan: 'Agitate, Educate, Organise'. And the most

important of these is 'Organise'!"

Yours in solidarity,

Ken Loach

# Help fight against Taliban and military operations

22 May 2009, by **Farooq Tariq, Tariq Ali**



## Mazdoor Jeddojuhd

This displacement has resulted from the fight between the Taliban and the Pakistani government. We also aim to publish Mazdoor Jeddojuhd in the Pushto language more frequently. At present it is published weekly in Urdu and monthly in Pushto. We want to counter the ideas both of religious fanatics and state repression. We aim to aid the labour and social movements in the province by publishing their activities and views, bringing them together to form new networks.

## The Situation

The Taliban have taken over parts of Pakistan. They have threatened to occupy other parts as well. To pacify them, the government went into an accord with the Taliban this April, imposing a so-called Nizam Adl (system of justice) in Malakanad. The Taliban then imposed medieval laws in the areas under their control, targeting women and minorities. This accord also provided the Taliban with the opportunity to move into other areas.

Then the government went to another the opposite extreme and launched a military operation. This then resulted in an unprecedented influx of refugees into different part of the country. The army says that the operation is meant to wipe out religious fanatics and it

will take time. But the religious fanatics are holding on and in fact are spreading all over Pakistan.

A military solution cannot eliminate the fanatics. On the contrary, it will help them to spread their ideas. The Taliban lost power in Afghanistan after NATO forces occupied in 2001. However, with a few years they re-emerged in Pakistan and later re-emerged in Afghanistan. The situation is very complex.

The military operation in Swat covers up the reality that the Pakistan military considers the Taliban an asset and is not willing to sacrifice that asset to please the USA. While army is flushing the Taliban out of Swat, the Jihadi-infrastructure (training camps, seminaries, newspapers, charities; the fronts for the Taliban) remain intact in other parts of the country.

The scale of the insurgency is exacerbated by the 1.5 million people now living and festering in underfunded refugee camps or inadequate and temporary housing, devoid of gainful employment. This displacement does not engender confidence in the capacity of the Pakistani state to solve their problems.

Another major problem is the U.S. drone attacks. Over 700 people have been killed since 2006, with 164 killed in 14 attacks under Obama's watch. These drone attacks are further fueling anti-U.S. sentiments. The US/NATO occupation of Afghanistan is detrimental to the overall stability of

the NWFP.

## Our Perspective & Strategy

The fight against religious extremism can only be successful when the basic problems of the working class in social, political and economic fields are solved. In addition to developing a system of free education with a secular syllabus for all, this means an end to feudalism, implementation of land reform and an end to the U.S. occupation of Afghanistan. Our strategy is to fight the fanatics with local defense committees.

## The Alternatives

Both the Taliban and the military are destructive. We must support neither military action nor the Taliban. Our position is more radical than simply working for humanitarian help for the internally displaced persons (IDPs), although this work is absolutely essential. It is more than condemning, on the basis of sovereignty, the drone attacks and the civilian casualties that result from them. We are unequivocally opposed to the war because a military campaign like this will guarantee the violation of human rights for generations to come.

One of the main aspects of our campaign is to intensify the ideological campaign against the growing influence of Taliban. Our strategy is to build and strengthen the

labour and social organization in the areas dominated by the Taliban. Since 2004 we have been able to build significant forces of labour, women and peasants in progressive organizations. A proper office, set up in 2004 in Murdan, has played a pivotal role in organizing progressive activities, primarily of women, in different parts of NWFP. Several new trade unions and peasant organizations have been set up and many more were brought together to help each other and unite around one common platform.

In the beginning the most significant development was the printing of Mazdoor Jeddojuhd in Pushto, the local language in the NWFP. The paper began on a voluntary basis with over 200 poets, writers, trade union, social and women activists lending their support. This is the first progressive Pushto paper of the trade unions and progressive writers. Five editions have been printed and are available on line ([www.jeddojuhud.com](http://www.jeddojuhud.com) <<http://www.jeddojuhud.com/>> ). This is one concrete way to counter the religious fanatics in the language the majority of the Pukhtoon working class can read. It is imperative to increase the number of Pushto editions.

The Taliban has become a great danger to our existence and must be opposed. Although some progressive currents have called them anti-imperialists, they are like neo-fascists. Now the general public is turning against the Taliban. The swing in the public's perception was catalyzed by a video showing the Taliban whipping a girl, shocking Pakistanis. However Taliban spokesperson Muslim Khan defended the punishment and asserted that the girl should have been stoned.

## What is Labor Relief Campaign (LRC)?

After the devastating earthquake in Kashmir and other areas in October 2005, five organizations including Women Workers Help Line, Labour Education Foundation, Labour Party

Pakistan, National Trade Union Federation and Progressive Youth Front took up an initiative to deal with the emergency that left over 100,000 dead and many more injured and displaced. Within two months, the LRC raised over half a million U.S. dollars from inside and outside Pakistan. This money provided immediate relief to the affected people.

Immediately after the military operation began in the first week of May 2009, once again the LRC initiated a campaign to help the internally displaced. LRC relief camps have been set up and volunteers raised a significant amount of money. The LRC bought and distributed goods from 16-18 May 2009 at different refugee camps in the NWFP.

### LRC position:

We believe it is essential to develop a short-term, as well as a long-term, radical plan to confront religious fundamentalism. The following are a few points we are promoting through our literature:

• The LRC demands separation of the state from religion.

• We believe that at least 10 percent of national budget needs to be allocated to education. We must end state subsidies to the madrassas and nationalize all the major private /religious educational institutions, integrating them into a revamped public education system open to all.

• The LRC demands a radical land reform program, effective immediately.

• There should be a radical reduction in the army budget, an end to the nuclear program, and a redistribution of army lands.

• The LRC stands for a comprehensive legal and constitutional reform package that includes the decolonization of FATA, protection of minorities/ women, the convening of a committee (comprised particularly of minorities and women) to draft new educational curriculum, and the convening of an assembly to write a new, minority-friendly, secular constitution.

• The LRC demands the announcement of a living wage policy.

• The LRC demands an end to the occupation of Afghanistan by NATO and American forces and U.S. withdrawal from Iraq and other areas of the world.

## Please Donate

The Labour Relief Campaign requests that social organizations, individuals, trade unions and political activists and parties come forward to help this important campaign. Please donate to the campaign by affiliating with LRC. To affiliate, a minimum donation of US \$300 is recommended.

Below are details of the account for sending money to the LRC. We will update you with all the relevant information on the campaign as well as on subsequent political developments.

A/C Title: Labour Education Foundation

A/C Number: 01801876

### Route:

Please advise and pay to Citi Bank, New York, USA Swift CITI US 33 for onward transfer to BANK ALFALAH LTD., KARACHI, PAKISTAN A/C No. 36087144 and for final transfer to BANK ALFALAH LTD., LDA PLAZA, KASHMIR ROAD, LAHORE, PAKISTAN Swift: ALFHPKKALDA for A/C No. 01801876 OF LABOUR EDUCATION FOUNDATION.

## Member organizations

1- Women Workers Help Line  
[wwhlpk@yahoo.com](mailto:wwhlpk@yahoo.com)  
[www.wwhl.org.pk](http://www.wwhl.org.pk)  
<<http://www.wwhl.org.pk/>>

2- Labour Party Pakistan  
[Labour\\_party@yahoo.com](mailto:Labour_party@yahoo.com)  
[www.laborpakistan.org](http://www.laborpakistan.org)  
<<http://www.laborpakistan.org/>>

3- Labour Education Foundation  
[lef@lef.org.pk](mailto:lef@lef.org.pk) [www.lef.org.pk](http://www.lef.org.pk)  
<<http://www.lef.org.pk/>>

# A merciless war that has brought no political solution

19 May 2009, by **Fourth International**

For several months the regime had unrelentingly bombarded Tamil rebels and civilians in its so-called "war against terrorism". Hospitals, schools, homes were bombarded, causing more than 7000 deaths and 15000 wounded, Tamils who were forcibly moved and placed in detention camps that they weren't allowed to leave. They are all innocent civilians, but suspected of terrorism simply because their belong to the Tamil minority of the North and East of the island.

This military victory will not nevertheless put the end to a military conflict that has lasted for several decades. Since 1948, when Sri Lanka became independent, the minority in Sri Lanka have suffered systematic linguistic, cultural and economic

discrimination. Up to the 1970s the Tamils of the North East repeatedly and unsuccessfully demanded the respect of their rights and culture by peaceful means. This led to a political radicalisation of Tamil youth and to the emergence of an armed struggle that lasted for almost 30 years. While we can only condemn the suicide attacks and the violence of the Tamil Tigers, the struggle for the respect for Tamil rights and culture are still pertinent.

This war against the Tamil Tigers has served as a pretext for the authoritarian Rajapaksa regime to limit democratic freedoms not only for the ethnic minorities in the country but for all citizens. The government

has sent its death squadrons against independent journalists and critics of its war policy.

No lasting policy will be possible without recognition of the right to self-determination of the Tamil people. Autonomy must be granted to the regions with a non-Sinhala majority and equality between citizens must be granted as the only guarantee of peace and democracy in a multiracial and multi-cultural state.

A real democracy cannot exist without respect for the rights of ethnic minorities.

*Bureau of the Fourth International*

18th May 2009

# An "invertebrate left" approaches the European elections

13 May 2009, by **Cinzia Arruzza**



Democratic Party leader Veltroni speaking in Trento

But it is especially the immigrants who are paying the highest price for the policies of the government, which is trying to maintain its electoral base and manage the economic crisis

through transforming class conflict into ethnic and cultural conflict.

On February 4 last the Senate voted a set of measures concerning "security", which introduces the crime of clandestine immigration, the possibility for town halls to establish "rounds" (organized groups of citizens who are supposed to control certain areas and to assist the police in their

work), the obligation for doctors and medical personnel to denounce irregular immigrants who ask for medical treatment. All this is really in fact a type of institutional racism that meshes in with the racism and the xenophobia which are spreading more and more in society, as the economic crisis makes its effects felt.

It should be noted that the action of

the government is based on a whole series of laws, on immigration, work and the education system which had been approved by the preceding Berlusconi government and which were neither repealed nor even modified by the social-liberal government of Prodi. On the contrary, the centre-left even made the law on immigration worse.

Obviously the economic crisis affected the action of the government. By means of a strong campaign in the media, Berlusconi is simply trying to minimize the extent of the crisis with regard to Italy, continuing to affirm, against all the evidence and all the latest statistics provided, for example, by the OECD, that "the Italian economy is in good health". He goes so far as to maintain that the measures adopted faced with the crisis were just a form of social charity, while the banks and the companies received their financings punctually without compensation.

The crisis which is starting to have effects on people's living conditions, as well as the strong student movement of last autumn, have partially affected the popular consensus that the government had. Since January its popularity has dropped below 50 per cent, reaching 44 per cent in March, while confidence in Berlusconi as Prime Minister remains above 50 per cent (52 per cent), compared to the triumphal 62 per cent of last October.

In spite of that, the government has shown itself to be capable of maintaining a fairly stable electoral base, as the municipal and regional elections over the last few months have demonstrated, in particular the regional election in Sardinia, a region previously governed by the centre-left, in which the Right won.

Through the Berlusconi government, Italy has become the laboratory of an authoritarian liberalism, with partially populist features. It represents an attempt to respond to the crisis of the capitalist system by means of measures that are strongly liberal from an economic standpoint, combined with the reduction of democratic freedoms, civil and trade-union rights and the creation of a

common sense impregnated with xenophobia, confidence in a charismatic leader and renouncement of collective action.

From this point of view, the founding congress of the big new party of the Right, People of Freedoms (PDL), resulting from the fusion between Forza Italia (Berlusconi's party) and Alleanza Nazionale (the ex-fascist party, whose leader is Gianfranco Fini, currently President of the Chamber of Deputies) represented a step forward in the project of the Right. Even though during this congress Gianfranco Fini tried to play the role of the representative of a more moderate liberal line, sending a discreet signal to the political centre and aiming to maintain a certain independence of the state with respect to the Catholic Church, the line which was approved by the thousands of delegates was that of a Right that is strongly reactionary and closely related to the figure of its leader, Berlusconi.

The ability that has been demonstrated by the government, and in particular by its leader, to maintain a stable electoral base, is directly proportional to the inability of the Left, as a whole, to offer a credible alternative and is obviously the result of the disarray and disillusionment caused by the experience of the Prodi government and the participation in government of what is called the radical Left.

During the last year, the Democratic Party led by Walter Veltroni has, in fact, conducted a suicidal policy of "soft" opposition, which led it to not even support the four-hour general strike launched by the CGIL (the principal Italian trade-union confederation) last December 12. The Democratic Party chose to adopt a position of equidistance between the three major trade-union organizations (CGIL, CISL and UIL).

This political line only encouraged the Right and worsened the loss of electoral consensus. After the umpteenth defeat of the party at the polls, in Sardinia, Walter Veltroni finally decided to resign. The new secretary of the PD, Dario Franceschini, adopted a vocabulary of

stronger and more aggressive opposition compared to his predecessor, but which does not correspond to a change of political line.

On the contrary, the CGIL remains at the present time the only force of reformist opposition, still partially capable of mobilizing, as the big manifestation on April 4 demonstrated. The CGIL is obliged, from time to time and in spite of itself, to radicalize its opposition because of the continual attacks of the government, which aims to isolate it by refusing any dialogue. The result is that in the opinion polls taken in March the PD did not manage to go beyond 25 per cent of voting intentions for the European elections, while the voting intentions for the PDL reached 38.6 per cent.

In this context what is called the radical Left remains weak, fragmented and incapable of proposing a credible alternative, based on a break with the preceding policy of alliance with social-liberalism.

The defeat at the polls last year and the exclusion from the Parliament of all the parties of the so-called radical Left had sealed the failure of the project of building a new political force, the Rainbow Left, to which Fausto Bertinotti aspired. He took as his example the model of Die Linke in Germany. At the last congress of the Party of Communist Refoundation (PRC), in July 2008, the line of Bertinotti's current, represented by Vendola (at present Governor of the Puglia region), obtained a relative majority, with 47.3 per cent of the votes, but lost control of the party in the face of an agreement between all its other currents, which gathered around Paolo Ferrero, current secretary of the party and ex-minister of the Prodi government.

Ferrero, indeed, proposed a line of partial self-criticism in relation to the experience of governmental participation, criticism of the excessive institutionalization of the party and defence of its communist identity. It was a line, however, which did not challenge the political and organisational presuppositions that had led to governmental participation



and which remains strongly ambiguous with regard to the relationship with social-liberalism, as is demonstrated by the participation of the PRC in a whole series of municipal and regional administrations alongside the Democratic Party. Furthermore, the fact that the new secretary of the party is an ex-minister, and indeed the only minister that the PRC had in the Prodi government, is certainly not a sign of a break or at least of discontinuity with the past.

The differences within the PRC finally led, on the weekend of January 24-25, to the Vendola current splitting off. During a national conference at Chianciano he announced the creation of the Movement for the Left, thus deciding to leave the Party. The extent of this split is not completely clear. The only certain figures concern the number of members of the National Political Committee who decided to take part in establishing this new political movement: 90 members of the CPN, out of a total of 281, decided to leave the party, which means that 47 members who had supported Vendola's current decided to remain, sharing the political positions expressed by their platform at the congress, but not the decision to split. It is probable that approximately a quarter of the members of the party decided to leave, in other words much less than the 47 per cent who had supported the platform at the congress.

The Movement for the Left does in fact propose to continue the project that was begun with the construction of the Rainbow Left last year, but with an even more moderate aspect. It is a project which abandons any reference to the history of communism, in its various forms, and undertakes a political recomposition which aims to put together a reformist force aiming to represent the left wing of social-liberalism. It will therefore be a force whose project and whose very existence are closely tied in with its relationship with the Democratic Party. It is on this line that the Movement for the Left has launched a new list in the European elections, called Left and Freedom, bringing together the Democratic Left (an organization resulting from a split in the Left Democrats, at the time of

their fusion with Prodi's Christian Democratic party, Margherita, and its transformation into the Democratic Party), the Greens and the Socialist Party.

On the other side, the PRC also launched a broader list, involving the Party of Italian Communists (PdCI) and two small organizations: United Consumers and Socialism 2000 (an organization that also came from the Left Democrats at the time of the creation of the Democratic Party). It is a list which is based especially on the defence of an identity, aiming, in the future, to relaunch a project which refers to communism, but... in its *Togliattian* version [1], as demonstrated by the debate on the occasion of the anniversary of the founding of the Italian Communist party (PCI) which has taken place over the last few weeks in the pages of *Liberazione*, the daily newspaper of the PRC.

For both this list and for Left and Freedom the first difficulty which arises is to get over the barrier of 4 per cent, the minimum in order to have any MEPs, established for these elections by the right-wing government, in agreement with PD. Neither of the two projects has begun a debate around the mistaken analyses and erroneous choices which have led to the present disaster of the Italian radical Left.

Neither of them discusses the need to rebuild starting with a clear break from past choices, nor how to once again give credibility to the forces of the anti-liberal left, which have lost the confidence of their social base because of their participation in the Prodi government. This is an attitude that is not only suicidal, but also politically irresponsible, because another defeat of the Left at the next elections will only serve to reinforce the disarray and disillusionment, thus contributing to the reinforcement of the Right.

It is an attitude that is well adapted, to borrow an expression used by Perry Anderson in a recent article on the Italian situation, to an "invertebrate left", a product of the history of the Italian Communist Party.

That is why Sinistra critica (Critical

Left) had proposed two months ago to start a process of discussion for the European elections, with the aim of having a common anti-liberal list on the basis of some clear points: independence with respect to social-liberalism, starting from the discussion of the experiences of participation in the municipal and regional administrations; a new symbol to testify to the will to signal a discontinuity with respect to the recent past; a list of candidates made up of activists of social struggles and the social movements, with a visible presence of immigrants. In the course of several weeks of discussions with the PRC and the other interested organizations none of these proposals was accepted.

This attitude obliged Sinistra Critica to decide not to take part in the formation of a list which presents neither elements of a clear break with the recent past, nor elements of a durable strategy for the rebuilding of the anticapitalist left. Sinistra Critica will thus not have a list in the European elections, which does not at all mean that it will not conduct its political campaign, in collaboration with the European anticapitalist Left. It will on the other hand take part in the municipal elections, presenting anticapitalist lists on a line of a clear break with social-liberalism and support for struggles and for the social movements.

There is a positive element in this sombre Italian political landscape: the campaign for the establishment of a minimum wage, launched at the initiative of Sinistra critica, has succeeded in collecting 70,000 signatures. We now have to continue to exert pressure and to organize initiatives to oblige the Parliament to discuss this bill. Because we are convinced that it is not through questionable operations of alliance with various forces, which are quite simply aimed at institutional survival, that we can rebuild the anticapitalist left in Italy.

As in France, it is necessary to have a new project, a new programme, and new organizations rooted in struggles and able to go beyond the ambiguities of the past.



# Mexican PRT statement on swine flu epidemic

8 May 2009, by **PRT, Mexico**

## A predictable epidemic

On April 24, 2009, barely 8 days ago, the Health Secretary, Jose Angel Cordova Villalobos, and the spurious Felipe Calderón, declared a health emergency because an epidemic of swine flu had already taken many lives and had extended to several states of the Mexican Republic. This declaration, if it is necessary to say so, came late and the series of measures that they have taken, even though they go in the right direction, are limited and are accompanied by threats to democratic liberties (like the possibility of levelling of homes in which case of flu are suspected) and are oriented in the sense of an authoritarian and arrogant vision at the political level as well as of that of the health system. The latter has, like the government faced with disaster situations, shown its inability to provide an answer to critical situations demanding broad and effective responses (earthquakes of 1985 and floods and hurricanes that have struck the national territory: Cancún, Tabasco, Chiapas, and Sinaloa).



The present epidemic of swine flu was preceded by manifold warnings from experts and inhabitants of the areas where big meat production complexes involving pigs and birds are located, particularly La Gloria, in the state of Veracruz. The government, nonetheless, turned a deaf ear, responding harshly and repressing those who dared to raise their voices

in denunciation, demanding only the realisation of health checks and the application of standards of production and epidemiological monitoring on poultry and pig raising farms.

But in addition, at the beginning of the epidemic, the government diminished its importance, saying that there was nothing to worry about. A day before the declaration of the health emergency it declared that only cases of stable flu would be treated and hid information that entered into contradiction with the data published by the World Health Organization, declaring a world-wide health alert, at level 3 of a pandemic.

Once again, the population has been deceived and distrusts the government and its measures, but this is not gratuitous. Parallel to this, a broad network of actions and interchange has been developed around experiences that show, as happened in the earthquakes of 1985 in Mexico City

of Mexico, the high degree of solidarity and commitment that this nation and its inhabitants, particularly those at the bottom, are capable of obtaining and developing. A new world breaks through, shared in common, humanist, respectful of differences and extremely creative, that confronts the world of corrupt tycoons and governors. Between those affected, in their districts, units, in the towns and in their social organizations, workers, housewives, students, health professionals who see themselves face to face with the pain and the need of patients, relatives and friends, support, comment, devise answers and explanations, and are identified. From these actions, from this experience, arises the

consciousness of the necessity for change, the construction of a new health system, a different order, another Mexico, possible and already necessary, a Mexico that gives priority to the needs of the majorities, that prioritizes life over profits, that takes care of its culture, its methods of organization and favours collective initiative in the face of adversity and of a world where they confront those on top, the big employers and their government, on a day to day basis.

The PRT is committed to this perspective, with the preventive actions of containment of the epidemic and attachment to the unrestricted respect of human rights and democratic liberties, that constructs a new health system, that responds effectively and opportunely to this challenge, and it calls for punishment of the people in charge of this delayed response that has taken lives that could be saved, and led to suffering that could be avoided. The Health Secretary should be dismissed from their position and there should be a profound investigation of the causes and measures of prevention and control that will need to be set up to prevent this, like other health and "natural" disasters, taking human lives and causing suffering to thousands of people, as has been the norm, mainly, in the last three decades, those of the imposition of the neoliberal model in Mexico and the world.

## Antecedents

On April 4, 2009, "La Jornada" published an article on the struggle of the community La Gloria with the

photo of a boy in a demonstration holding a placard with a drawing of a pig and the legend: "Danger, Carrolls Farms" (Andrés Timoteo, "Alerta epidemiológica en Perote por brote de males respiratorios", La Jornada, April 4, 2009). This demonstration was preceded by an investigation by the local health authorities that found that at the end of 2008 more than 60 percent of the population had been affected by an atypical respiratory infection of unknown origin. From March, in fact, cases of atypical respiratory infection had appeared in Perote and then in Jalapa, to which the systems of alert did not pay the necessary attention. According to Maria Montoya, of the Animal Health Research Centre in Barcelona, the time taken in identifying the type of influenza could be determinant in the number of deaths and the evolution of the epidemic (MarÁa Sainz, "Por qué sólo están muriendo personas por gripe porcina en México", El Mundo, April 28, 2009). It was not until the first days of April that the first cases of swine flu were recognized. Initially they were badly diagnosed, because at the outset they were recognized as respiratory infections of virus type A: H2N3. But the conserved blood of a boy aged 4 was again analyzed and the diagnosis corrected. The infectious serotype had in fact been of type A: H1N1, that responsible for the present epidemic. Even before these findings, information had been hidden on outbreaks of bird flu on poultry raising production farms owned by the company Bachoco Farms (Piden cerco sanitario ante epidemia, SPI/ElGolfo.Info, April 24, 2009: <http://www.elgolfo.info/web/lo-mas-nuevo/37017-piden-cerco-sanitario-ante-epidemia.html>) although this was hidden from the people.

It is known now that the swine flu virus has human, pig and bird genomics, which implies that there was genetic transfer of the virus between different species. This is more than feasible in the conditions of production of the big meat companies on pig and poultry farms, which are located in the area of Perote, in Veracruz, but this warning has been made already in many places around the world. Whether this virus is of local or imported origin, at the very least, the fact is that in these farms

the conditions of reproduction of viruses and of genetic transfer exist giving the opportunity for the outbreak of epidemics of this type. Despite the two calls for attention which occurred in the area, with the denunciation by locals of the presence of an anomalous respiratory infection near Carrol Farms and after the outbreak of bird flu in the poultry farms, the epidemiologist health alert system did not react until the dissemination of disease and the presence of serious cases of atypical pneumonia, with several dead, in other areas, particularly Mexico City, which because of its population density allows wide and fast diffusion, given the lack of prompt measures of prevention.

## **A delayed reaction from the authorities**

The first declarations by the Health Secretary, in the sense that they dealt with seasonal flu and stated that the development of the cases was not a cause for worry, slowed down the response to what was already a health emergency. In any case, the statistics presented in Mexico differed from those later presented by the World Health Organization once cases in other countries appeared, particularly in Canada and the United States, but also in the Spanish State, Great Britain and New Zealand, followed by other countries. The presence of these cases beyond the borders of Mexico motivated the declaration of a level 3 and then level 4 pandemic (an international epidemic in that in addition to cases of imported origin there is local contagion particularly in the United States and the Spanish state). Once the numbers exploded, and before the pressure of international and national public opinion, the Mexican government and the Health Secretary had to declare a health alert and a series of measures to control the dissemination of the disease.

All this shows the pre-eminence of profits over human health. The big transnational and national companies producing pigs, poultry and eggs, can skip standards and regulations,

risking the health and lives of the people. The denunciations and needs of those affected who demand health monitoring and prompt diagnosis of the evils that affect them are worth nothing. The health system, whether in relation to monitoring or at the veterinary and human levels, turns a blind eye to allow the respective companies to continue business. For that reason we can say that the present health crisis is an expression also of capitalist irrationality and the signal of a crisis of civilizations, showing the results of the industrialized production of pigs and poultry for food.

The lack of confidence of the people

On the other hand, the antecedents of manipulation of information and fraud (it is enough to remember the "election" of Calderón or the "slight cold" of the economic crisis), not to speak of the fiascos in prevention and control of transmissible diseases in our country (rabies, dengue, tuberculosis and malaria), mean that the people distrust and reject the official versions and give independent responses, because in addition there have been contradictions in the declarations and concealment of numbers. Thus, despite the fear campaign and the inclusion among the preventive measures of actions harming human rights and democratic liberties (like the possibility of levelling of homes in the case of suspicion of disease, proceeding from diagnosis and isolation), the response of the people has been exemplary, especially in Mexico City. The doubts among the population on the area have to do with an explicable, justifiable and correct distrust towards the governmental accounts, especially the experience with this spurious government. The legitimate distrust towards the government has led some to think that we were facing an invention intended for purposes of manipulation, although this is a real epidemic, but one that is being dealt with in an authoritarian manner, seeking to strengthen police and repressive measures, manipulating the information to demobilize and to foment a vision of individualistic solutions and confinement in family houses.

Once the epidemic was recognised and the health emergency declared, measures of prevention and control were accepted by the people, promoting information and the taking of relevant actions between the communities and the social organizations. Commitment and solidarity has marked the behaviour of Mexico City in particular, developing a dynamics that aims at another form of organizing everyday life and human interaction, but this also happens in localities of lesser size. In any case, given the health resources the Federal District has, and the firm response of the capital's government, the control measures have reduced dissemination, not without some misfortunes and faults in attention and even discrimination in sectors of unprotected workers, with outsourcing of cleaning, security or maintenance meaning that working class populations with little resources and without social benefits have had to face the worse care conditions in cases of disease. Finally access to health services and the quality of the latter is itself differentiated according to the social layer of the sick person.

At the same time, the campaign of fear has also produced an "antichilanga" reactions (against the inhabitants of Mexico City) in some areas of the country (a pair of automobiles with DF plates were stoned in the state of Guerrero, for example), comparable to the discriminatory measures against Mexicans in foreign countries. This is a mistaken reaction, with deep reactionary and racist roots, which must be put aside because this is a phenomenon becoming a pandemic, not attributable to a city, a country or a race in particular, but to the capitalist irrationality that puts profits before the health of the population and the responsibility and inefficiency of a government, without legitimacy and opposed to the interests of the majority of the people through its surrender to the interests of a minority of national and foreign capitalists, who face the crisis with more authoritarian, repressive and police measures.

After an initial time at which the Health Secretariat issued official notices giving numbers of confirmed and suspected cases it is now only

giving the numbers of confirmed cases, reducing therefore the impression of the impact of the epidemic and, in fact, hiding information again. Despite this, the proportion of deaths among patients (death rate) has been differentiated, both in relation to different entities in our country, and to a greater extent at the international level. In Mexico, the lowest death rate is in the Federal District, whereas the highest is found in San Luis Potosí, at least until we have more information; on the other hand, in the United States and Europe this same rate is much smaller than in Mexico. Since this epidemic is caused by a new virus, one can hardly think that this difference reflects differences in susceptibility of the inhabitants of the different countries or regions of Mexico, rather that this difference relates to deficiencies in the quality of attention, or accessibility (or lack of human, diagnostic or therapeutic resources once the illness has been treated). The neoliberal model and its implications for health

Although in an outbreak like this one, in which the infectious agent is new in its immunogenic profile, it would be necessary to produce a new vaccine, the Mexican government has taken steps to impede its own, national response to the emergency, dismantling the federally owned vaccine producing plant. In the 1950s and 1960s, Mexico had laboratories that produced the greater part of the vaccines that were consumed. The institute of Hygiene and Virology had this productive capacity, but under the government of Salinas and Ernesto Zedillo this capacity was dismantled, with the laboratories merged to create a parastatal institution which produces only two of the 12 vaccines of the basic vaccination scheme. (Thelma Gómez, *¿México desoyó a la OMS?*. "El Universal", April 30, 2009).

The antecedents, as well as the volume and quality of research in virology, immunology, genomic and molecular biology shows that the scientific and technological capacity exists in Mexico to produce the required vaccines; but the government has preferred to import them and to benefit transnational laboratories, in a

frank policy of technological and scientific submission with obvious health implications. Countries like Brazil and Cuba, on the contrary, have invested to maintain self-sufficiency in this field, showing that this "third world" dependency reflects choices of economic policy and priorities marked by attachment to a model: the neoliberal one.

Now the production of a vaccine has been made necessary, even though this takes several months and cannot prevent the present outbreak. It will be, however, of extreme utility for prevention in Mexico and other countries of future outbreaks and extension to other states, to avoid the repetition of an epidemic. In addition, it will be necessary to redouble efforts and to meet verification standards and health monitoring regulations in the production of meat (not only pigs and poultry, by the way), as this phenomenon tends to become general throughout agrobusiness, that subordinates society to the priorities of the market, for example in the production of sugar cane and maize for ethanol production to generate electrical energy, and the introduction of transgenics in a field affected by the import of maize and other agricultural products within the framework of the Free Trade Agreement.

We also experience in this land the consequences of years of neoliberal policies that have reduced investment in scientific research as part of a commodified educational model and the diverse processes of privatization of the health and safety services.

But everything is not negative. Many workers' organizations have showed their support for measures of control and prevention of the epidemic, while making criticisms of the reprehensible aspects of the actions of the government and the Health Secretary. The measures of partial unemployment of economic activity have caused shared common reactions of diverse type between people, in relation to childcare for example.

Without doubt those measures taken will have a negative impact on an already battered economy, but the effect will be differentiated for the different social classes. While some have seen drastic repercussions on



their everyday life, others have even been beneficiaries (like the supermarkets, benefiting from “panic buying”, or the companies producing medicine, supplies and other products used in health care and prevention - face masks, for example, or disinfectants).

Special attention should be paid, on the other hand, to the restrictive provisions on democratic liberties, like that relating to the inviolability of the home, or of the right to demonstrate and hold meetings, that have been put at issue under the pretext of the health emergency, taking therefore one step more in the authoritarian and restrictive measures on elementary rights, that the military and police state tries to justify, previously by the fight against drug trafficking and organized delinquency, now by measures for prevention of an epidemic. As revolutionaries we declare our total opposition to the violation of rights and limitation of liberties, simultaneously we pronounced our total solidarity with the measures of prevention and control of the epidemic, with total respect for the dignity and freedom of people, without discrimination of any type, because first of all we assume the commitment to take care of our children, young people and pregnant women, who in this epidemic are most vulnerable.

In this as in all action in politics and in health practices, as revolutionaries we fight to prolong life, a full life with dignity, freedom, justice and equality, pursuing happiness and constructing in harmony with nature a world in which all worlds fit, and we assume the commitment to support and to foment the relevant measures to mitigate the effects of this epidemic, which is already international.

In the midst of the health emergency and surely immediately after, new social fights will develop. It will be necessary to impel them and to foment corresponding, broad and unitary organization. We will also have to redouble efforts in defence of human rights, that to the balance of previous impunity and injustice, marked by the great amount of prisoners, persecuted and political disappeared, it is necessary to now add opposition to legislative and governmental measures that are currently being approved to restrict democratic and political rights.

But also in the social area and in defence of the popular economy, because the attack against the rights and living standards of working people that are already living with the economic recession, unemployment, dismissals, a greater loss of the purchasing power of the wages of workers and their families threatens to break out again with the health crisis, at a time when exemplary

struggles continue needing greater support, like the strike, already of 21 months length, of the miners at Cananea.

The advocates of globalisation face a capital challenge now, as they face at the same time the fiasco of their economic model and the appearance, more and more frequently, of emergent phenomena or natural disasters (tsunamis, floods like that of New Orleans, earthquakes, emergent diseases) which challenge the viability of the capitalist system and its capacity to offer security, food, work and the possibility of a worthy life, sometimes the continuation of life itself.

In conclusion, it is every day more evident that it is not able to even satisfy the most elementary necessities of most of the population and a new world is necessary, a model that takes care in the first place of the necessities of most of the population. Another world is born from this crisis, a shared in common world based on attachment to life and its enchantments, that shows that another way, another world, another Mexico, by all means, is possible, but also urgent and necessary. A world based on respect and solidarity between men and women, as well as between peoples.

México DF, April 30, 2009.

## Towards a Western/Eastern Europe Banking and Social Tsunami

6 May 2009, by Catherine Samary



### Economic downslide in Poland

On November 15, 2006, Erik Berglof, chief economist of the EBRD (European Bank for Reconstruction and Development, aimed at Eastern

Europe and based in London), commented as follows on the transformations that had been carried out in Eastern Europe: “Eight years after the rouble crisis (in 1998) sent its shock wave through the whole of Eastern Europe, the region’s banks are bigger, stronger, better regulated, more profitable and more competitive

than ever”.

He added: “This indicates, more than any other development in the economic sphere, that market forces have firmly established their ascendancy over the former command economies. The majority of these countries ‘in transition’ are



flourishing, and the support of the banks greatly contributes to the current growth rates..." [2]. And it is true that, in particular following entry into the EU, growth rates took off, averaging between 5 and 8 per cent for the countries of Central Europe, more than that for the Baltic States, Latvia reaching more than 12 per cent in 2007...

Less than two years later, the International Monetary Fund (IMF) was called to the rescue by Hungary, Latvia, Poland, Romania, Serbia and Ukraine... which are confronted with a fall in growth and in foreign exchange rates, with capital flight and a banking crisis. The policies of budgetary austerity, under the pressure of the IMF and of the European Union, are producing governmental crises. The governor of the central bank of Latvia declared that its economy "had clinically died" after a drop of 10.5 per cent of GDP in the fourth quarter of 2008 and a similar drop for the month of January 2009 alone. The population laid the blame at the door of the Parliament and the Treasury and a demonstration of more than 10,000 people in February turned into a riot, causing the fall of the government. Hungary, whose GDP is expected to fall by 6 per cent in 2009, has, along with Austria, asked the EU for an emergency plan for Eastern Europe - in vain.

Admittedly, the world recession, affecting in particular the European Union (within which the new members conduct the main part of their commercial exchanges) is reducing exports and employment for those who had emigrated. The situation in Germany will weigh heavily in the balance, because it is by far the dominant force in Eastern Europe [3], which it uses in particular as "workshops" to reduce its costs of production of spare parts for cars (which are designed, assembled in these countries and then exported with the label "made in Germany").

And for the countries, like Hungary, who accumulated a high level of public debt (to try and alleviate popular discontent, before the crisis...), the financial crisis produced (psychologically) a movement of "flight to quality", towards financial

products in euros and dollars, therefore a flight of capital and a fall in foreign exchange rates. These financial markets which are collapsing are often (still) quite small. They make their influence felt especially when the financing of the national debt depends on them (what is the case in Hungary). But it is the nature of the previous period of growth and the banking system itself which are at the heart of the problem...

As a journalist of Business Week on March 3 2009 [4] put it, the question is: why "all the countries of Central and Eastern Europe [PECO] are waking up today with a painful hangover, after years of debt-fuelled growth, largely financed by Western banks"? The chief economist of the EBRD, Erik Berglof, to whom the question was put, "confessed": "they adopted a model of growth which we usually thought correct... ". But, he adds: "The mistake was not in the model.

The mistake was in the lack of an architecture to support the model" evoking the absence of regulation of credit flows. But why regulate what was supposed to bring efficiency and growth? The truth is that an Eastern European variant of the credit crisis that occurred in the United States is taking place, against the background of the particular conditions of capitalist restoration in the East in the framework of l' integration into the EU [5].

What income to consume and what capital for privatizations?

Capitalist restoration is confronted with the absence of national capital capable of buying the means of production which "had to be" privatized: in the former system money did not function as capital capable of making a profit (the means of production; were not, in their great majority, commodities and there was no capital market). This is what capitalist restoration has radically transformed. The generalized commoditisation of the economy affected first of all the enterprises (via privatizations) and, in so doing, removed all the former protections of the labour force - including the very important part that consisted of "social wages" in kind (social benefits

generally associated with employment in large companies).

But how to privatise such companies - which was the condition for access to the credits and institutions of globalization - without "endogenous" capital?

There were two types of answers to these questions in the 1990s. Hungary (in order to refund its debt) and Estonia (to detach itself from the USSR more quickly) were the only ones to choose to sell their best companies to foreign capital. In the vast majority of the other countries there was the invention of "mass privatizations", without the contribution of capital. They consisted in juridically transforming the companies into public limited companies divided into shares. These shares could then be massively distributed by various procedures, more or less free to the workers (with often a bonus for the "top executives" and a rapid concentrations of shares in their hands), or sold at auction (in the opacity of various financial operations), the remainder being taken by the state.

The state could thus become a real owner capable of selling its shares later on, of re-launching these large enterprises (as in Slovenia) or dismantling them (after having suffocated them). For a time, the maintenance (deteriorated) of wages "in kind" (housing, services), as well as the existence of smallholdings, attenuated the social explosions. But the whole process resulted in a considerable rise in unemployment (of the order of 20 per cent in Poland at the time of its accession to the EU...), in poverty and inequalities - on a scale which the World Bank regarded as without equivalent in the world, taking into account the weakness of income differentials in the former system.

The "big bang" of EU enlargement and of the privatization of the banks

The choice of a real enlargement of the EU towards the East was basically made in 1999 to face up to increasing popular disillusionment, to which were added the effects of NATO's war in the Balkans [6].

The promise of admission to the EU was to be used to pacify and to get the

unpopular policies of dismantling of the social state accepted. But there was no question of financing this "reunification of the continent" by an increase in the European budget, contrary to the efforts that had been made towards the countries of Southern Europe... and the East German L  nder [7]. Freedom of movement of capital in a vast free exchange zone was to provide the financing...

Also, within the framework of the liberalization represented by the General Agreement on Trade in Services (GATS), the majority of the governments of Eastern Europe who were candidates for integration into the EU - with the exception of Slovenia - perceived as a windfall the privatization of their banking systems (previously completely nationalized) by their sale to the banks of Western Europe. And these banks saw accession to the EU as a guarantee of juicy business. Control of the banking system of the future members (encouraged by the European Commission and the institutions of globalization) was achieved, at a level of more than 50 per cent, by 2001, except in Slovenia.

#### **Share of foreign banks in the bank shares of some new members of the EU**

Estonia	98%
Bulgaria	90%
Czech Republic	90%
Lithuania	90%
Hungary	61%
Romania	55%
Latvia	53%
Poland	51%
Slovenia	35%

Source: *Die Bank*, 2006 [8].

Flows of foreign direct foreign investments (FDI), in particular in the financial sector, increased with entry into the European Union. The banks of Latvia, as in the other Baltic States, but also in Bulgaria and the Czech

Republic, are now more than 90 per cent controlled by Western banks. The only country which always escaped this scenario (in spite of the pressures of the European Commission) remains Slovenia [9]. Resistance to cut-price selling-off of the assets of self-management (which were real in Slovenia), the transformation of the old trade unions into a powerful support for general strikes at the beginning of the 1990s and over the last several years, played an important role both in the forms of privatization and in opposition to the introduction of the single-rate tax (or "flat tax", implemented in Slovakia and in other Eastern European countries at levels much lower than the EU average in order to attract capital).

On the whole, in Slovenia, the state maintained its control over the financing of the economy.

Foreign or not, private banking remained a source of profitable placements and took immediate advantage of the free circulation of capital. The banks concentrated on placements on the national debt and consumer credit, facilitating the access of the multinationals to the large-scale retail trade and to investments in real estate [10]. Such were the bases of a profoundly unbalanced take-off of growth. The multinational firms are at the same time the principal exporters, but also (in retail distribution, cars, telephones...) channels for increasing imports and for repatriation of their profits to their countries of origin. The result has been growth marked by an upsurge in credit and current account imbalances.

#### **2006**

##### **GROWTH OF GDP**

Lithuania 7.8% Estonia 10.4%  
Latvia 12.1%

##### **GROWTH OF CREDIT**

Lithuania 35% Estonia 53% Latvia 52%

##### **CURRENT ACCOUNT BALANCE (as % of GDP)**

Lithuania - 9.5% Estonia -14.6% Latvia -21.3%

The explosive character of this "growth" is reinforced by the rise in inequalities (in particular, the place of Latvia in the Human Development Index - HDI - has deteriorated), with, as in the United States a madness for consumption by the nouveaux riches, in particular in real estate, but also by the population as a whole, encouraged by the offers of credit financing. However, an Eastern European "subprime" mechanism encouraged indebtedness: the utilisation by the banks of the Swiss franc as a currency to finance their loans (in particular, but not only, the Austrian banks) was initially justified by very low interest rates and by the general tendency of the Swiss currency to fall against the euro...

Nearly 90 per cent of Hungarian mortgages have been made out in Swiss franc since 2006 and it is estimated that 45 per cent of the entire real estate credit market and 40 per cent of all consumer credits in Hungary are expressed in Swiss francs rather than in forints (the national currency)! And Hungary is not - by far - the only Central and Eastern European country to have exploited what was a gold mine and has become a trap: the interest rates on the Swiss franc have risen by more than 3 per cent in less than five years, thus contributing to make heavier the repayments by the debtors of Central Europe. The fall of the Hungarian forint by almost 10 per cent compared to the Swiss franc in the space of a few weeks further increased the debt of Hungarians whose incomes are obviously always made out in forints...

The amount of the loans granted is everywhere considerable, on the scale of the countries concerned: thus, the Austrian and Swedish banking networks cover with their loans the equivalent of 20 per cent of the GDP of the Czech Republic, Hungary and Slovakia and of 90 per cent in the Baltic States.

And the countries which are in a delicate situation - like Hungary - are those in which the total of the everywhere loans granted far exceeds that of local bank deposits. These loans originate from borrowings contracted by the head offices on the international markets. We can also

understand why the Austrian Minister of Finance, Josef Pröll, made frantic efforts at the beginning of February to set up a rescue plan of 150 billion Euros for the countries of the ex-Soviet bloc: Austrian banks make 35 per cent of their profits thanks to the Central European and Balkan countries; they have lent 230 billion Euros in the region (70 per cent of the GDP of Austria)...

The global total of loans authorized in Swiss francs outside of Switzerland is estimated at 500 billion euros. And practically all of the 1700 billion dollars of Eastern European loans are held by Western European banks (Austria, Italy, France, Belgium, Germany and Sweden alone account for some 84 per cent of these debts). And short-term repayments on the debt are considerable: these countries will have to reimburse or refinance the equivalent of 400 billion dollars in 2009 - the equivalent of one third of the GDP of the region (and of the increase in the resources of the IMF

which the countries of the G20 have just decided...).

### **Epilogue or prologue?**

One week after his nomination (on April 14), the new Hungarian Prime Minister revealed the principal measures of a plan of Draconian purging of public finances, whose state had delayed by several years the entry of Hungary into the euro zone. It involves, subject to approval by Parliament, making 400 billion forints (1.4 billion euros) of savings in 2009, then 900 billion (3.7 billion euros) in 2010. VAT would increase from 20 to 25 per cent, but would be reduced for essential items, including bread, milk and central heating... to 18 per cent (by way of comparison, in France VAT is 5.5 per cent for the majority of these items). These "strong austerity measures" would affect mainly public services, retirement pensions and social subsidies. Civil servants will see their thirteenth month removed, their

wages frozen for two years and the level of social security benefits slightly reduced. As soon as the new government was nominated, on April 14, 50,000 people demonstrated in the streets of Budapest. With the announcement of the austerity measures more demonstrations have been announced, in particular by civil servants, and all the signs are that that they will be at least as big...

The countries of Central and Eastern Europe which have been admitted to the EU are at the same time in a dependent (peripheral) situation and at the heart of neoliberal European construction. Confronted with the crisis, they expected from the EU various forms of protection and solidarity. But the European Union has just directed them to the IMF, like the other peripheral countries. It is likely to receive as a boomerang a new banking tsunami, whose epicentre will this time be within the Union, with as a premium increasingly explosive social discontent.