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Paul Craig Roberts: Greece's Lesson For Russia

*“Greece’s debt can now only be made sustainable through debt relief measures that go far beyond what Europe has been willing to consider so far.” —
International Monetary Fund*

Greece’s lesson for Russia, and for China and Iran, is to avoid all financial relationships with the West.

The West simply cannot be trusted. Washington is committed to economic and political hegemony over every other country and uses the Western financial system for asset freezes, confiscations, and sanctions. Countries that have independent foreign policies and also have assets in the West cannot expect Washington to respect their property rights or their ownership. Washington freezes or steals countries’ assets, or in the case of France imposes multi-billion dollar fines, in order to force compliance with Washington’s policies. Iran, for example, lost the use of \$100 billion, approximately one-fourth of the Iranian GDP, for years simply because Iran insisted on its rights under the Non-Proliferation Treaty.

Russian journalists are asking me if Obama’s willingness to reach a deal with Iran means there is hope a deal can be reached over Ukraine. The answer is No. Moreover, as I will later explain, the deal with Iran doesn’t mean much as far as Washington is concerned.

Three days ago (July 14) a high ranking military officer, Gen. Paul Selva, the third in about as many days, told the US Senate that **Russia is “an existential threat to this nation (the US).”** Only a few days prior the Senate had heard the same thing from US Marine commander Joseph Dunford and from the Secretary of the Air Force. A few days before that, the Chairman of the US Joint Chiefs of Staff warned of a Russian “hybrid threat.”

Washington is invested heavily in using Ukraine against Russia. All the conflict there originates with Washington’s puppet government in Kiev. Russia is blamed for everything, including the destruction of the Malaysian airliner. Washington has used false charges to coerce the EU into sanctions against Russia that are not in the EU’s interest. As Washington has succeeded in coercing all of Europe to harm Europe’s political and economic relationships with Russia and to enter into a state of conflict with Russia, certainly Washington is not going to agree to an Ukrainian settlement. Even if Washington wanted to do so, as Washington’s entire position rests on nothing but propaganda, Washington would have to disavow itself in order to come to an agreement.

Despite everything, Russia’s president and foreign minister continue to speak of the US and Washington’s EU vassal states as “our partners.” Perhaps Putin and Lavrov are being sarcastic. The most certain thing of our time is that Washington and its vassals are not partners of Russia.

The Wolfowitz doctrine, the basis of US foreign and military policy, declares that the rise of Russia or any other country cannot be permitted, because the

US is the Uni-power and cannot tolerate any constraint on its unilateral actions.

As long as this doctrine reigns in Washington, neither Russia, China, nor Iran, the nuclear agreement notwithstanding, are safe. As long as Iran has an independent foreign policy, the nuclear agreement does not protect Iran, because any significant policy conflict with Washington can produce new justifications for sanctions.

With the nuclear agreement with Iran comes the release of Iran's \$100 billion in frozen Western balances. I heard yesterday **a member of the Council for Foreign Relations say that Iran should invest its released \$100 billion in US and Europe companies. If Iran does this, the Iranian government is setting itself up for further blackmail.** Investing anywhere in the West means that Iran's assets can be frozen or confiscated at any time.

If Obama were to dismiss Victoria Nuland, Susan Rice, and Samantha Power and replace these neoconservatives with sane diplomats, **the outlook would improve.** Then Russia, China, and Iran would have a better possibility of reaching accommodation with the US on terms other than vassalage.

Russia and China, having emerged from a poorly functioning communist economic system, naturally regard the West as a model. **It seems China has fallen for Western capitalism head over heels. Russia perhaps less so, but the economists in these two countries are the same as the West's neoliberal economists, which means that they are unwitting servants of Western financial imperialism.** Thinking mistakenly that they are being true to economics, they are being true to Washington's hegemony.

With the deregulation that began in the Clinton regime, **Western capitalism has become socially dysfunctional.** In the US and throughout the West capitalism no longer serves the people. Capitalism serves the owners and managers of capital and no one else.

This is why US income inequality is now as bad or worse than during the "robber baron" era of the 1920s. The 1930s regulation that made capitalism a functioning economic system has been repealed. Today in the Western world capitalism is a looting mechanism. Capitalism not only loots labor, capitalism loots entire countries, such as Greece which is being forced by the EU to sell of Greece's national assets to foreign purchasers.

Before Putin and Lavrov again refer to their "American partners," they should reflect on the EU's lack of good will toward Greece. **When a member of the EU itself is being looted and driven into the ground by its compatriots, how can Russia, China, and Iran expect better treatment? If the West has no good will toward Greece, where is the West's good will toward Russia?**

The Greek government was forced to capitulate to the EU, despite the support it received from the referendum, because the Greeks relied on the good will of their European partners and underestimated the mendacity of the One Percent. The Greek government did not expect the merciless attitude of its fellow EU member governments. The Greek government actually thought that its expert analysis of the

Greek debt situation and economy would carry weight in the negotiations. This expectation left the Greek government without a backup plan. The Greek government gave no thought to how to go about leaving the euro and putting in place a monetary and banking system independent of the euro. The lack of preparation for exit left the government with no alternative to the EU's demands.

The termination of Greece's fiscal sovereignty is what is in store for Italy, Spain, and Portugal, and eventually for France and Germany. As Jean-Claude Trichet, the former head of the European Central Bank said, the sovereign debt crisis signaled that it is time to bring Europe beyond a "strict concept of nationhood." The next step in the centralization of Europe is political centralization. **The Greek debt crisis is being used to establish the principle that being a member of the EU means that the country has lost its sovereignty.**

The notion, prevalent in the Western financial media, that a solution has been imposed on the Greeks is nonsense. Nothing has been solved. The conditions to which the Greek government submitted make the debt even less payable. In a short time the issue will again be before us. As John Maynard Keynes made clear in 1936 and as every economist knows, driving down consumer incomes by cutting pensions, employment, wages, and social services, reduces consumer and investment demand, and thereby GDP, and results in large budget deficits that have to be covered by borrowing. Selling public assets to foreigners transfers the revenue flows out of the Greek economy into foreign hands.

Unregulated naked capitalism, has proven in the 21st century to be unable to produce economic growth anywhere in the West. Consequently, median family incomes are declining. Governments cover up the decline by underestimating inflation and by not counting as unemployed discouraged workers who, unable to find jobs, have ceased looking. By not counting discouraged workers the US is able to report a 5.2 percent rate of unemployment. Including discouraged workers brings the unemployment rate to 23.1 percent. A 23 percent rate of unemployment has nothing in common with economic recovery.

Even the language used in the West is deceptive. The Greek "bailout" does not bail out Greece. The bailout bails out the holders of Greek debt. Many of these holders are not Greece's original creditors. What the "bailout" does is to make the New York hedge funds' bet on the Greek debt pay off for the hedge funds. The bailout money goes not to Greece but to those who speculated on the debt being paid. According to news reports, Quantitative Easing by the ECB has been used to purchase Greek debt from the troubled banks that made the loans, so the debt issue is no longer a creditor issue.

China seems unaware of the risk of investing in the US. China's new rich are buying up residential communities in California, forgetting the experience of Japanese-Americans who were herded into detention camps during Washington's war with Japan. Chinese companies are buying US companies and ore deposits in the US. These acquisitions make China susceptible to blackmail over foreign policy differences.

The "globalism" that is hyped in the West is inconsistent with Washington's unilateralism. No country with assets inside the Western system can afford to have policy differences with Washington. The French bank paid the \$9 billion fine

for disobeying Washington's dictate of its lending practices, because the alternative was the close down of its operations in the United States. The French government was unable to protect the French bank from being looted by Washington.

It is testimony to the insouciance of our time that the stark inconsistency of globalism with American unilateralism has passed unnoticed.