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The European Union's looting of Cyprus

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The bailout imposed on Cyprus by the European Union (EU) is a politically criminal act of financial looting, aimed at destroying the country's banks and reducing the working class to penury.

In the name of avoiding state bankruptcy, the small Mediterranean island of some one million people is being subjected to the type of shock-therapy already inflicted on Greece.

The terms of the €10 billion loan dictated by the EU, European Central Bank (ECB) and the International Monetary Fund include winding up Laiki bank—Cyprus' second-largest bank—and transferring its debts to the ECB to the Bank of Cyprus, which also faces major restructuring. An additional €5.8 billion is to be raised by imposing severe penalties, of 40 percent and more, on bondholders and those with bank deposits over €100,000.

Emergency capital controls are in place, including a ban on overseas transfers, a €300 limit on cash withdrawals, and a bar on anyone leaving the country with more than €1,000 in banknotes. The British security firm G4S is on guard at the island's banks to "ensure calm" after they finally reopened yesterday after 12 days.

The measures are in line with German Chancellor Angela Merkel's insistence that Cyprus must recognise "its current business model is dead." With the country's financial sector eight times the size of its GDP, this means economic collapse.

This is not mitigated one iota by the fact that the Cypriot government was forced to retreat on its plan to impose a 6.7 percent levy on bank deposits below €100,000. Those supposedly saved in this instance are to be bled dry by other means.

Unemployment stands at 15 percent due to the EU austerity measures implemented by the previous Communist Party-led government, which—even before the current crisis—had led to the opening of charitable food banks in Paphos, Limassol and Nicosia.

This will worsen dramatically. As the *Wall Street Journal* noted with satisfaction, "Nicosia will now face the usual conditions of a euro-zone rescue: labor-market reforms, fiscal discipline, privatizations, pension and health-care reform."

Unlike EU bailouts for Greece, Ireland, Spain and others, however, where the pretence was maintained that austerity and wage cuts would revive the economy, the press openly admits that the EU's medicine in Cyprus will kill the patient.

The loan is tied in with mass job losses and wages cuts, the gutting of health, education and social provision, the privatisation of major utilities, and the handing over of the island's natural and energy resources to the global energy giants.

GDP is forecast to fall by 25 percent in the next two to three years, and unemployment to double. With the entire euro zone sinking into a recession that will be exacerbated by the measures in Cyprus, the result will be social and economic devastation.

The *Financial Times* blamed the Cypriot population, writing, "… the choice to hitch the economy to offshore banking was made with the complicity of leaders and the acquiescence of a population content to live beyond its means."

As if workers in Cyprus were consulted over whether the island should become a banking centre!

In fact, the financial oligarchy works everywhere with impunity, dictating government policy in its interests. Everywhere the result is parasitism and rampant corruption, as epitomised in recent scandals over the rigging of the Libor-rate, the laundering of drug money by the HSBC bank and others, and widespread fraud by JPMorgan Chase, to name but a few. In not one instance has anyone been held to account for this criminality.

Workers must reject cynical propaganda emanating from Berlin, Paris, London and Brussels that the Cypriot "bail-in," supposedly targeted at Russian oligarchs and tax-avoiders, changes this state of affairs, or even represents a form of wealth expropriation.

The EU, led by Germany and with US support, have seized on the crisis in Cyprus to destroy a weaker competitor and consolidate their control of global financial markets. European and

American banks stand to gain from Russian oligarchs and tax-avoiders who transferred their money out of Cyprus in the weeks before the bailout crisis hit.

Only a revolutionary struggle of the international working class—fighting to subordinate the resources of Cyprus, Europe, and the world economy to democratic control by the working population—can expropriate the financial aristocracy. Measures by major EU powers to grab money previously held in Cypriot banks amount to no more than thinly disguised theft in the interests of the most powerful sections of finance capital.

As Germany's *Süddeutsche Zeitung* acknowledged bluntly, "The euro zone has long since stopped being a brotherhood for increasing prosperity and mutual stability. It has transformed itself into a school of gladiators in which everyone fights for his own advantage and his survival."

The savage offensive underway across Europe cannot be defeated on a national basis. Like its counter-parts in Greece, Italy and elsewhere, the Cypriot bourgeoisie has played a thoroughly reactionary role throughout. Its alternative to the troika's plans was to raid pension funds and small depositors so as to protect the super-rich and preserve the island's tax haven status.

These events graphically underscore the absolute impossibility under capitalism of a democratic, humane and progressive solution to the economic crisis gripping the globe.

The necessary principled opposition to the measures imposed on Cyprus must be based on the interests of the working class, and not those of any of the competing cliques of imperialist bandits. Just as the bourgeoisie has international forms of organisation to impose its class interests, so the working class must develop its own.

This means the fight for the United Socialist States of Europe. Only a unified revolutionary offensive of the working class across the continent, and the genuine expropriation of the entire bourgeoisie, can prevent the destruction of the European economy.