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NGO demands end to unfair debts



Philippine dictator Ferdinand Marcos lumbered his country with huge debts (AFP)

A Swiss non-governmental organisation has called for new means to combat so-called odious debts.

André Rotenbühler, co-director of Aktion Finanzplatz Schweiz (AFPS), tells swissinfo why it is urgent to do away with these legacies of corrupt regimes and help the poor in developing nations.

AFPS has been hosting an international conference on the issue in the Swiss capital Bern, highlighting the actions of dictators and some governments.

Leaders of developing nations have often stashed public funds abroad for their own benefit. At the same time they have borrowed large amounts of money for their own needs, loans that their successors have then refused to pay back.

The illegitimacy of these debts has been recognised by institutions such as the International Monetary Fund, but so far international law does not take this type of situation sufficiently into account.

Activists demanding the cancellation of these debts have grabbed the moral high ground, but have no legal backing. According to AFPS, these illegitimate debts are worth around \$500 billion (SFr588 billion).

swissinfo: Why is it urgent to discuss these odious debts?

André Rotenbühler: It's a fact that many developing nations that are lumbered with illegitimate debts already owe generally speaking a lot of money. By developing a mechanism addressing this problem, we hope we can help these countries to reduce what they owe substantially.

swissinfo: The concept of illegitimate debts gives you the moral high ground. Why is it so hard to put into practice?

A.R.: In international law, there is so far no obvious way of dealing with these debts. This is because firstly there are no clear criteria defining what is an illegitimate debt. There are a number of definitions available. Then developing nations are also afraid that if they don't pay the interest due on these debts or pay them back, they will have trouble getting new loans.

swissinfo: What is Switzerland's position on this issue?

A.R.: Officially, the Swiss authorities don't have a position. All the more because they say Switzerland never granted any loans leading to illegitimate debts.

We have some doubts about that. Because of the government's Export Risk Guarantee, credits were given to projects such as the Illisu dam in Turkey, or others in China. We know these projects are bad for the environment and forced local populations to move. We have to ask ourselves if there is not some illegitimacy there.

swissinfo: What was the aim of the conference?

A.R.: It was the first time that NGO activists and international legal experts had met to discuss the issue and the problems related to illegitimate debts. Activists have always faced a problem in that their campaigns to raise awareness about this issue have been hampered by a lack of knowledge and legal backing.

The presence of these experts was meant to help us identify the best way of creating an applicable international procedure. Such a mechanism would help decide if a debt was illegitimate, with the ultimate goal of getting it cancelled.

The World Bank is so far opposed to this idea. It believes cancelling debts is not the best way forward and that we should be focusing on how credits are given out. This is not acceptable for us. We don't see why countries should be forced to pay illegitimate debts.

swissinfo: Are you opposed to these debts for moral reasons or because it hinders development?

A.R.: For both reasons naturally. The funds that countries use to pay off their debts can simply not be used for their development.

swissinfo-interview: Pierre-François Besson

ODIOUS DEBT

Legally, a debt is to be considered odious if a government used the money for personal purposes or to oppress the people.

In cases where money was borrowed and used in ways contrary to the people's interest, with the knowledge of the creditors, these creditors can also be considered to have committed a hostile act against the people.

The United States set the first precedent of odious debt when it seized control of Cuba from Spain. The US refused to repay loans made to the Cubans, arguing that the debt was imposed by force of arms and served Spain's interest rather than Cuba's.

The doctrine was formalized in a 1927 treatise by Alexander Sack Nahum Sack, a Russian legal theorist, based upon 19th century precedents including Mexico's repudiation of debts incurred by Emperor Maximilian's regime and the Cuban affair.

LINK

- Aktion Finanzplatz Schweiz (<http://www.aktionfinanzplatz.ch/en/welcome.html>)

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