

African Jubilee South on the G7 Finance Ministers Debt Cancellation Announcement

June 2005

While the G7 Finance Ministers have struck a long overdue deal to cancel some of the multilateral debts of 18 of the poorest countries they have at the same time strengthened their control over these economies, to the great detriment of the citizenries.

This is the outcome of the G7 Finance Ministers meeting held 10/11 June 2005. This is because in order to qualify for debt cancellation eligible countries would have had to have gone through what is known as the Heavily Indebted Poor Country Initiative's completion point, which involves the implementation of stringent free market reforms such as budget cuts, financial and trade liberalisation, privatisation and other reforms that ensure the elimination of impediments to private investment, both domestic and foreign. (G7 Finance Ministers Statement). Twenty other countries may qualify but only if they are prepared to go through the same pain that the 18 countries have already endured.

Many commentators, academics, theologians and activists within the economic justice movement point out that the costs of Structural Adjustment Programmes and creditor imposed conditionality far outweigh the amount of debt to be cancelled.

In other words if the G7 Finance Ministers proposals were to be implemented they would give some extra financial breathing space for the affected countries while ensuring their continued adherence to the dictates of the rich industrialised countries and the plunder by their foreign multinational corporations. Not just through the exploitation of our natural resources but through profit repatriation, declining terms of trade, access to increased financial and tax incentives. Under these conditions a new cycle of indebtedness will inevitably build-up.

Are we to cheer when these additional promises can go the same route of other G8 pledges, i.e. unfulfilled? Should we applaud when the 18 countries affected represent a tiny fraction of the world's poor? Are we to praise the G7 when these debts are not being serviced in any case (because of the countries inability to pay), and when they would have been repudiated a long time ago as illegitimate debts if our governments had real political and economic independence. The illegitimacy of the debt resides in that they were incurred by dictatorships of various kinds, were used in consolidating and furthering their undemocratic regimes against the interests of their people and in implementing policies that have put millions of lives at risk. Indeed if there was any equality within the international political system the use by the USA of the doctrine of odious debts to have Iraq's Saddam Hussein debt cancelled would be extended to Africa and the rest of the South.

As African debt campaign movements we reiterate our long standing demands for

- Unconditional cancellation of ALL African countries and developing countries debt. Most recently, the Commission of the African Union has joined its voice to those of African civil society organisations to press for debt cancellation. This means that there is a general consensus in Africa on the subject, because all agree that debt cancellation

is a matter of justice and fairness, not charity.

- We demand the abolition of all IMF and World Bank policies, under any guise, and reparations for the costs of structural adjustment programs. It is obvious that economic recovery in Africa is incompatible with these institutions' conditionalities, which would largely offset any potential gains from debt cancellation. The Bretton Woods institutions should be replaced by democratic, transparent and accountable institutions oriented to sustainable development.

- We demand the repatriation of all the wealth stolen from the African people and kept in Western countries. If Western powers are sincere in fighting corruption, this is a test of that sincerity. The repatriation and restitution of that wealth to its rightful owners the African people - would send the right signal to all potential looters and help Africa in its recovery.

- We urge African leaders and policy makers to move away from destructive neo-liberal policies and explore genuine people-centred development policies. Failure to do this will inevitably lead to new waves of IMF riots and popular alienation from Africa's ruling elites.

We strongly believe that Africa needs to reclaim its sovereign right to decide on its priorities and its own path to development.

Brian Ashley

JUBILEE SOUTH/AMERICAS REITERATES DEMAND FOR 100% UNCONDITIONAL CANCELLATION OF DEBTS CLAIMED OF SOUTH COUNTRIES AND AUDIT TO SEE WHO OWES WHOM

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The G-8 Finance Ministers announced this afternoon a new proposal to advance toward the cancellation of part of the multilateral debt claimed of 18 South countries, mostly in Africa but also including Bolivia, Honduras, and Nicaragua. While some of them celebrated the announcement as a "historic" step that would make possible a "new beginning" in the relations between enriched and impoverished countries worldwide, other Ministers admitted that the agreement had more to do with the needs of the international financial institutions (IFIs) themselves to salvage their credibility and initiate a new cycle of indebtedness.

Today's announcement suggests the eventual cancellation of debt worth \$ 40 to 55 billion, once the agreement itself is approved by the IFIs, the countries involved fulfill the conditions demanded of them, and the G-8 governments comply with their promises to make new resources available in order to compensate the IFIs for their loss of revenues. The debt in question represents a minuscule part of total South country debt; the debt of African countries alone is today valued at \$ 300 billion.

Jubilee South/Americas reiterates its demand that any debt cancellation must be unconditional and take into account the broadly-evidenced illegitimacy of the debt claims held against South countries. Rather than debtors, the peoples and countries of the South are creditors of an enormous social, historical, and ecological debt. That is why any attempt by the International Financial Institutions, and the debtor governments of the North, to make cosmetic changes in order to pre-empt any fundamental changes, must be rejected. We must furthermore demand that the international Monetary Fund, the World Bank, the Inter-American Development Bank and the other regional banks conduct participatory Audits in order to determine how much they have already collected in excess.

In the same vein, the announcement made this afternoon comes as a belated recognition that after years of promises, little or nothing has really been done to recognize the illegitimacy of the debt and proceed to cancel it. Only \$ 54 billion of the \$ 2.4 trillion claimed of the so-called developing countries has been effectively cancelled. And even then, the prior condition has been that each country must certify its compliance with the conditions summed up in the widely discredited “Washington Consensus”, including the application of structural adjustment programs, reduction of the state, privatization of essential services and basic human rights, as well as trade liberalization. This is the case of Bolivia, for example, where debt cancellation today would have minimal impact in comparison with the ongoing multi-million dollar losses and socio-political impact provoked by the policies of water, gas, and other natural resource privatizations that were imposed earlier as preconditions for debt “relief”.

Other countries which are experimenting situations of severe humanitarian crisis, such as the case of Haiti in our hemisphere, not only continue to be excluded from these proposals but indeed, the International Financial Institutions continue to force debt collection at any cost. In January of this year, the Haitian government disbursed \$ 53 million in back-due interest, in order for the very same banks to release almost the same amount of money in new loans – destined in large part to help prepare the way for the privatization of the country’s telecommunications network.