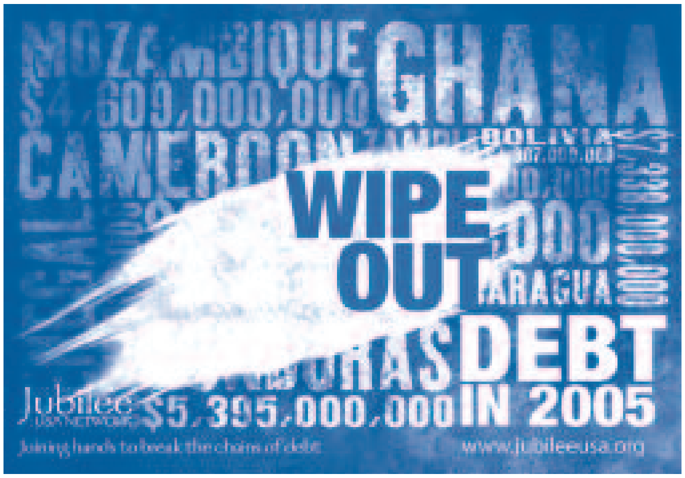
DROP THE DEBT

Fall 2005

NEWS and ACTION from Jubilee USA Network, Washington, DC



G-8 Deal:

First Step on A Long Journey

Jubilee USA Calls on World Bank/IMF to Expand Country List, Cut Harmful Strings

By Debayani Kar, Communications and Advocacy Coordinator

After the past several years of working hard to influence the debate within the (Group of 8) G-8 nations on 100% cancellation of multilateral debt, Jubilee USA was encouraged to see the G-8 adopt their finance ministers' plan to cancel the debt of 18 nations to the IMF, World Bank, and African Development Fund at their July summit in Scotland.

The G-8 debt agreement represents an important first step towards freedom from debt for impoverished nations. It is a testament to the efforts of Jubilee USA supporters and campaigners around the globe. But it is also clear that the debt crisis remains far from resolved and we must strengthen our efforts to build on this victory.

Activities such as call-in days and the delivery of almost 13,000 "Wipe Out Debt in 2005" postcards to President Bush and the Secretary of the Treasury ahead of the G-8 summit were effective in demonstrating the widespread support for debt cancellation by people of faith and conscience across the US. Thank you to Jubilee USA supporters around the country for participating in these efforts!

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Fall Speaking Tour to Highlight Need for Debt Cancellation to Reach Millennium Development Goals

By Kennji Kizuka, Outreach Intern

Jubilee USA Network is excited to announce the return of the Global Connections Tour. This past spring, Jubilee USA brought three speakers from the global South to empower and strengthen grassroots organizing in Seattle, Portland, Missoula, the Bay Area and Atlanta. Building on the success of the previous tour, Jubilee is organizing a tour with a slightly different focus for the fall of 2005.

In September, world leaders will meet in New York to discuss and review the progress of the Millennium Development Goals (MDGs) – a set of development targets announced in 2000, including a goal of halving extreme poverty – to be implemented by 2015. Many of the world's poorest and most heavily indebted countries are lagging far behind, especially in Africa. To achieve these goals, there is a growing global consensus on the need for more and better aid, trade justice, and debt cancellation for impoverished nations, along with a re-examination of the harmful economic policies mandated by current aid and debt relief programs.

The tour will bring three inspiring leaders from Kenya, Honduras, and Indonesia working to fight poverty and global injustice to seven US cities including San Diego, Chicago, and several cities in Pennyslvania, Ohio, and Florida. The tour will focus on the Jubilee call for debt cancellation for all impoverished

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"….proclaim liberty throughout the land to all its inhabitants; it shall be a jubilee for you…"
– Leviticus 25:10

Jubilee USA Network began as Jubilee 2000/USA in 1997 when a diverse gathering of people and organizations came together in response to the international call for Jubilee debt cancellation. Now over 60 organizations including labor, churches, religious communities and institutions, AIDS activists, trade campaigners and over 9,000 individuals are active members of the Jubilee USA Network. Together we are a strong, diverse and growing network dedicated to working for a world free of debt for billions of people.

In the Jubilee Year as quoted above in Leviticus, those enslaved because of debts are freed, lands lost because of debt are returned, and community torn by inequality is restored. Today international debt has become a new form of slavery. Debt slavery means poor people working harder and harder in a vain effort to keep up with the interest payments on debts owed to rich countries including the US and international financial institutions such as the International Monetary Fund (IMF) and the World Bank. Jubilee USA Network brings together people to turn this reality around by active solidarity with partners worldwide, targeted and timely advocacy strategies and educational outreach. Please join us in working for Jubilee justice.

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G-8 Debt Deal, *continued from page 1*

For the 18 eligible countries, a central demand of Jubilee USA – 100% cancellation of debts to the International Monetary Fund (IMF), World Bank, and African Development Fund – has been achieved. This will release life-saving resources and set a valuable precedent for future campaigning.

But the deal falls short in a few key areas. The agreement limits eligible countries to those within the Heavily Indebted Poor Country (HIPC) Initiative – the IMF and World Bank's existing debt relief initiative – which requires that countries implement harmful economic policy conditions to qualify for debt cancellation. For additional nations to qualify (up to 20 more are eligible) they must adhere to such economic policy reforms.

The economic policies include privatization of government-run services and industries, increased trade liberalization, and budgetary spending restrictions. These policies have not been proven to increase per capita income growth or reduce poverty as documented by both World Bank and civil society economists. Jubilee USA and social movements across Asia, Africa, and Latin America call for these conditions and policies to be abandoned.

Moreover, too many impoverished nations are excluded from the deal, and will continue to spend more on debt service than on healthcare and education. The 18 countries that qualify immediately represent less than a third of countries that need full cancellation to meet the internationally agreed Millennium Development Goals (MDGs), which seek to halve extreme poverty by 2015. The $40 billion to be cancelled by this agreement represents less than 10% of debt cancellation required for nations to meet the MDGs. It does not include middle-income countries that are heavily indebted and impoverished.

The G-8 agreement will need to be expanded to include other significant creditors such as the Inter-American Development Bank (IDB) as well. The four Latin American nations included among the 18 nations to receive cancellation – Bolivia, Guyana, Honduras, and Nicaragua – will together pay almost $1.4 billion in debt service over the next five years to the IDB.

The limited country list also ignores nations with odious and illegitimate debts. In advocating the cancellation of Iraq's debt, the US government made the argument that loans contracted by undemocratic regimes which worked to the detriment of their populations should be annulled. This odious debt argument applies to debts contracted by the apartheid regime in South Africa, Mobutu Sese Seko in what is now the Democratic Republic of Congo, and Ferdinand Marcos in the Philippines, among others.

None of this should take away from the significance of the G-8 deal for the 18 countries that qualify for 100% cancellation. Debt relief to date has doubled poverty alleviation expenditures in the countries that received it. Savings from debt relief have more than doubled school enrollment in Uganda, and provided 3 extra years of school for Honduran children. Since the G-8 announcement, the Zambian government has indicated that funds released from debt cancellation will be used to provide life-saving AIDS drugs to 100,000 Zambians living with HIV/AIDS.

There are signs, however, that implementation of this already limited deal is facing challenges from the IMF and World Bank. A few European non-G-8 IMF Executive Directors as well as senior World Bank staff have proposed that the debt cancellation be revocable, based on the 18 countries continuing to comply with HIPC economic policy criteria. Jubilee USA will continue to monitor the deal to ensure it is both implemented and expanded.

It is clear that our work towards our vision of Jubilee justice will need to continue much beyond the G-8 summit. The vision of Jubilee – of a world free of debt and of right relations between nations – will require more education, more organizing, and our continued commitment and dedication. We look forward to continuing to work together on this important undertaking. ❖

Global Update:

Campaigning for Cancellation of Odious and Illegitimate Debt

By Camille Oliver, Policy Intern

There is a growing global movement led by campaigners in Africa, Asia, and Latin America, to cancel the illegitimate debt which in many countries has become too massive to ignore. Odious debt is debt that was incurred by an undemocratic regime, which did not benefit the people, with the creditors' knowledge of these conditions.

Odious debts come from loans taken out by dictators or other illegitimate forms of government in the global South, from international financial institutions like the IMF and World Bank, or rich Northern countries. These borrowing governments then used part of the loans for their own personal means, and the majority of the countries' residents received little or no benefit from the loan. The residents have borne the brunt of paying back the entire loan, however, often at very high interest rates.

A compelling example of odious debt is in South Africa, where the National Party used borrowed funds to finance their oppressive apartheid system, including borrowing for weaponry used to oppress the Black majority. Today it is the same Black majority that finds itself paying off the debt incurred by the Afrikaner National Party during their 46-year rule. Another shocking example is currently taking place in Argentina, where debt incurred under the military junta of 1976-1983 is becoming increasingly controversial. The military junta which was responsible for at least 30,000 tortures, killings, and disappearances of dissidents, borrowed heavily from international lenders during their rule. Today Argentines are struggling to pay back the junta's debts, even after the National Court ruled in 2000 that the majority of the debt from that period was of illegitimate origin.

Other governments and leaders have stolen state funds which include foreign loans for their personal bank accounts. This was the case in the Philippines where President Ferdinand Marcos is estimated to have stolen between $10-$15 billion from the government during his twenty-year rule. In the Democratic Republic of the Congo (DRC), dictator Mobutu Sese Seko who was in power for 32 years was ousted in 1997 with a personal fortune of $4 billion taken from the state. This is one quarter of the $16 billion in foreign debt that the people are left servicing today in the DRC.

Is this just? Should the people of South Africa be forced to pay off a debt that was used to tyrannize them? People throughout the global South are increasingly demanding, "Don't owe; Won't pay!" As part of Jubilee USA efforts to raise awareness on illegitimate debt, we are pleased to announce the release of a new documentary film entitled, "The Debt of Dictators". This film examines the situation in Argentina, South Africa, the Philippines, and the Democratic Republic of the Congo, presenting a historical context and interviewing local activists in each area. We strongly encourage you to order a free copy of the film to share with your friends, community, school, or congregation. It is time to build an expansive dialogue of this issue in the United States, and tell the IMF, World Bank, and rich Northern countries to cancel all illegitimate debt. To order a copy of this film, email Jubilee USA at coord@jubileeusa.org. A $5.00 donation for shipping and processing is requested. See also www.jubileeusa.org for country fact sheets and a film discussion guide. ❖

Jubilee Envisions Coming Years with Strategic Planning Process

By Kate Rosenberg, Program Intern

THIS SUMMER AND FALL, Jubilee USA is undergoing a Strategic Planning process in order to craft a new direction for the organization and its mission over the next three to five years. We hope that the Strategic Planning Process will yield a new and timely vision for Jubilee USA's program priorities, campaign focus, and goals. Members of Jubilee USA's Network Council as well as individual members around the US and the global South have offered their reflection and insight in steering the process. Dozens of members have completed either written surveys or participated in personal interviews with Jubilee staff throughout July and August.

Members are offering feedback on everything from vision and priorities to suggestions for an updated video. Many new ideas have been generated from the surveys. Jubilee USA Network staff are currently gathering the survey responses as input in formulating a strategic plan for Jubilee's future work. This plan will be presented to Network Council members November 10-11 in Washington, DC, at the annual Network Council meeting.

With the Strategic Planning process well under way, together we are crafting our priorities for Jubilee's future with many great ideas from our partners. We are deeply grateful to our friends who have helped with this process and devoted their time and energy to conducting interviews and helping to guide the project.

Fall Speaking Tour, *continued from page 1*

countries, especially those 62 heavily indebted nations that according to a recent study by Christian Aid and others require 100% cancellation in order to meet the MDGs. The tour will also link the crisis of debt faced by impoverished nations with issues such as development assistance, health, trade, environmental justice, and human rights. In addition to providing education about the situation of poverty and urgent need for debt cancellation, speakers on the tour will also provide action opportunities for supporters, to engage in campaigns and advocacy for debt cancellation and global justice. For more information see www.jubileeusa.org. ❖

CAFTA Opponents Disappointed, But Encouraged by Emerging Coalitions

By Morrigan Phillips, Program and Organizing Fellow

At 12:03am on July 28th the Central American Free Trade Agreement (CAFTA) was passed in the US House of Representatives by just two vote, 217 in favor, 215 opposed. While disappointed that CAFTA was ratified by Congress, those who have long worked to oppose it acknowledge the amazing movements and networks that have come together to cause a mere two vote win for CAFTA supporters. It is truly something to celebrate while looking to stop future trade agreements.

CAFTA, much like its predecessor the North American Free Trade Agreement (NAFTA) which was signed by the US, Mexico and Canada in 1993, is expected to have equally devastating impacts on workers, farmers and the environment. NAFTA is blamed for the loss of over 800,000 jobs in the US and displacing over one million small farmers in Mexico. CAFTA's requirements for tariff reduction, cuts to subsidies and import restrictions are anticipated to have a similar effect on Central American small farmers that NAFTA had on Mexican small farmers. Heavily subsidized and thus less expensive agricultural goods will flood Central American markets cutting out small-scale domestic producers, who will be unable to compete with large-scale farmers focusing on export crops such as rubber, coffee, and cocoa. Labor standards will suffer as CAFTA requires that countries only enforce already existing labor laws and offers no new protections to workers. Currently labor laws are very weak in Central America and barely enforceable. Further conditions attached to World Bank and IMF loans have established labor flexibility rules in many countries. This has suppressed minimum wages, limited the rights of workers to unionize, taken away limits on hours worked and have limited workers' ability to bring grievances against their employers.

The World Bank's support for CAFTA has been of concern. Currently the World Bank has pre-approved $1.14 billion in new loans to CAFTA countries. These loans will be used by debtor countries to implement the many reforms and infrastructure projects CAFTA will require, including roads, improvements to ports and electricity projects. It can be assured that the contracts for much of this work will go to large contractors, many of them foreign.

CAFTA will also accelerate and make irreversible the privatization of services in Central America. As part of decades of World Bank, IMF, and Inter-American Development Bank (IDB) loan conditions and debt relief programs, Central American governments have privatized public services such as water, electricity and education since the 1980s. The international financial institutions claim that privatization is the best way to ensure services are delivered in the most cost effective way to the poor, but more often than not, service quality and accessibility deteriorate even in the face of hefty user fees. For instance, Nicaragua has privatized its health and education systems. Since then, illiteracy rates have jumped from 12% to 34% as children are taken out of school because families cannot afford their education.

Trade and investment policies set forth by the World Bank and other creditors and now being continued under CAFTA, have also reduced countries' government revenues. To improve investment climates and liberalize trade, governments must reduce or eliminate taxes on foreign companies and reduce export and import taxes. This drastically reduces the sources of revenue available to governments to fund social programs and to offer basic services. To make up for this, governments have increased the tax burden on the poor, who are the majority of the population in Central America. With CAFTA further reducing tariffs around 30% and further opening markets up to unfettered foreign investment and privatization, Central American governments stand to lose even more revenue causing major budget shortfalls. The only places left to cut from to make up for these deficits are the meager social services that remain. All this amid new loans from the international financial institutions, thereby increasing the staggering external debt burdens that already cripple much of Central America.

People in Honduras protest the ratification of CAFTA in March. The agreement has passed in El Salvador and Guatamala as well, despite huge protests and police violence.

There is a lot to celebrate despite CAFTA becoming a reality. Groups from many diverse backgrounds including labor, faith, immigrant and environmental groups came together to build a strong and vibrant movement for trade justice in the US with strong ties to the social movements in Central America. Debt campaigners' voices must continue to be loud and clear, calling for 100% debt cancellation for Central America, particularly in light of the passage of CAFTA. ❖

Nigerian Debt Relief Met with Mixed Reactions

Jubilee USA Expresses Concern over Repayment Amount, IMF Conditions

By Debayani Kar, Communications and Advocacy Coordinator

THE RECENT PARIS CLUB DEAL to write off a portion of Nigeria's debt has been met with mixed reactions from the Nigerian public and debt campaigners. The late June 2005 agreement "in principle" by the Paris Club represents an $18 billion write-off of $32 billion of Nigeria's debt to the Paris Club creditors. However, the deal demands that Nigeria pay $12 billion over the next two years to the Paris Club, while also entering into a new type of IMF agreement that comes with economic policy conditions but without a loan (called a Policy Support Instrument, it is expected to be approved by the IMF Executive Board by September). Nigeria currently pays $1-2 billion in debt service per year, which means this substantially larger amount of debt service all at once will delay the government's ability to spend these funds on health care and education. The illegitimate origins of most of this debt provides further basis for full cancellation (see www.newstartnigeria.org for debt history). For these reasons, many civil society groups based in Nigeria and elsewhere have not found sufficient cause to celebrate the Paris Club debt relief.

On June 29, 2005, the Paris Club group of creditors (largely comprised by the G-8 (Group of 8) rich nations) agreed "in principle" to write off $18 billion of the $32 billion in debt that Nigeria holds with the Paris Club. The remaining $14 billion is to be paid back over the next two years. The Nigerian government is proposing a repayment of $12 billion of this amount. $6 billion of this money is "arrears" or the amount of debt comprised mostly of interest, that was not paid during previous military dictatorships, including that of Sani Abacha's regime. The other $6 billion is the amount the Nigerian government has agreed to "buy back," or repay, to the Paris Club. The Club is operating under the idea that since oil prices are high, Nigeria currently has the resources to pay this debt service using its foreign exchange reserves. The Paris Club agreement follows months of meetings between Nigerian government representatives and those of Paris Club countries. These meetings were precipitated in part by the Nigerian House of Representatives' March vote to suspend foreign debt service payments.

Any Paris Club debt relief requires the debtor country to have an IMF agreement. Nigeria has not had an IMF agreement since 1992, and will be required by this agreement to "conclude" an IMF Policy Support Instrument (PSI). This is a non-borrowing arrangement for low-income countries which mandates economic policy conditions, but does not provide new loan money.

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Reactions to the G-8 Debt Agreement

Some of the money saved from debt relief will be used to provide free AIDS drugs. We want to raise the number of people receiving free drugs to 100,000 by the end of the year.

– Ng'andu Magande, Zambian Finance Minister, June 20, 2005

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Those faithful in servicing their debt like Kenya are being ignored while HIPC (Highly Indebted Poor Countries)…are getting more attention. This is not good for Africa.

–Kenyan Planning and National Development Minister Peter Anyang Nyong'o, June 11, 2005

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The…$55 billion in multilateral debt cancellation will definitely not be enough to compensate for the devastating effects of these policies, which include privatization of services and utilities, indiscriminate trade and market liberalization, the further opening up of economies to foreign investment, and export-oriented policies at the expense of domestic needs.

– Statement of Jubilee South, June 14, 2005

Nigerian Debt Relief, *continued from page 5*

Civil society and parliamentary representative have called for repudiation of Nigeria's debt that culminated in the March House legislation. These groups and representatives have argued that Nigeria cannot afford to continue to pay $1-2 billion in debt service per year in light of its $3 billion budget, the nature of poverty in the country including the HIV/AIDS pandemic, and the illegitimate origins of the debt. Some Nigerian civil society groups have argued that the central government is choosing to sacrifice lives in the short term by channeling urgently needed revenues towards debt service rather than health care and education.

As economist and UN advisor Jeffrey Sachs stated in a July development forum in Nigeria: "The creditors are nasty and stingy to be extracting $12 billion cash immediately from a country with $3 to $4 billion annual budget." The African Network for Environment and Economic Justice (ANEEJ) further detailed the lives being lost over the next six months as the Paris Club negotiations are completed: "Some 477,000 children will die in the next six months as 79,500 Nigerian children die before the age of five every month."

The Policy Support Instrument and the re-engagement of the IMF with Nigeria represents another drawback of this Paris Club agreement. The IMF has been shown to prohibit expenditure in social services, while encouraging instead the privatization of essential public utilities such as electricity and water. Such economic policy conditions are the opposite of the pro-poor policy advice necessary to meet the Millennium Development Goals (MDGs) in Nigeria.

While it is important to recognize the unprecedented nature of the Paris Club considering the partial write-off of Nigeria's debt, as a low-income country not in the Heavily Indebted Poor Countries (HIPC) Initiative, it is equally necessary to recognize the shortcomings of this Paris Club agreement. Civil society in Nigeria will highlight these shortcomings in the coming weeks and months, and will require the support of US debt campaigns. ❖

"Nigeria cannot afford to continue to pay $1-2 billion in debt service per year in light of its $3 billion budget, the nature of poverty in the country including the HIV/AIDS pandemic, and the illegitimate origins of the debt."

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