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Tsunami disaster

Disaster donations may well end up servicing the Third World Debt!

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Ever since the earthquake that struck off the coast of Indonesia on 26th December there has been a profusion of figures in the headlines, increasing remorselessly: the number of victims, the cost of the damage, the amount of international aid. And a succession of meetings involving the major powers: the Jakarta conference, a G7 meeting, a session of the Paris Club ... Let us pause to comment on some little-known facts and figures that should be at the heart of the debate.

Eleven countries are affected: Indonesia, Sri Lanka, India, Thailand, Somalia, the Maldives, Malaysia, Burma, Tanzania, Bangladesh and Kenya. A mixed bag, including countries from Africa and from Asia, countries with emerging economies and very poor countries, countries repaying colossal amounts on their debts and others which have suspended payments. However Nature made no distinction between these countries, so it would seem all the more shocking to grant to some what others might be denied.

At the end of 2003, the total external debt of the eleven countries came to 406 billion dollars. [1] Their economic performance varied greatly, as did their creditors. [2] Promising countries like India and Thailand have a debt mainly to private lenders, contracted on the finance markets or with big banks. Poor countries like Sri Lanka or Bangladesh have a mainly multilateral debt, held by the World Bank, the Asian Development Bank and the IMF. More internationally isolated countries like Somalia have a mainly bilateral debt contracted with rich countries. In 2003, the eleven countries repaid a total of 68 billion dollars to their foreign creditors, as compared to 60 billion the preceding year. Their governments alone repaid 38 billion dollars. [3] It is an enormous drain on their resources: between 1980 and 2003, repayments totalled eleven times the amount owed in 1980, while at the same time, that original debt had increased fivefold. [4]

The amount of international aid so far pledged is estimated at 6 billion dollars, 4 billion of which will come from official institutions. Without wishing to discourage the wave of generosity, which relieves the donors' consciences long before it reaches the victims, it is urgent to point out that the eleven countries shell out six times that much in debt repayments each year. So the grossly over-publicised generosity, even when it is sincere, remains a very subtle mechanism for sucking the wealth of the populations of the South towards their rich creditors. If only December's tragedy could serve to highlight that other tragedy, going well beyond the eleven countries hit by the tsunami: the debt. Because of it, and with the complicity of the local ruling classes who have a personal interest in keeping their countries indebted, States do not guarantee the fulfilment of their people's basic needs; poverty and corruption are widespread; political and economic sovereignty have become meaningless concepts for dozens of countries; natural resources are pillaged or sold off to powerful multinational corporations; farmers are forced to grow cash crops for export to the detriment of subsistence crops. The debt is the particularly vigorous nerve centre of a predatory and oppressive economic model.

What creditor would dare declare publicly that they still intend to obtain repayments from such badly damaged countries? Nevertheless, none has definitely given up. The long-awaited Paris Club meeting, (17 days after the quake) attended by 19 rich countries, should fool no one. The creditors are ready to suspend repayments, with no significant cancellation of the debt, all the better to lay down strict conditionalities enforced by the IMF. Yet this is the same IMF which already distinguished itself during the 1997-1998 crisis with remedies worse than the disease.

As a matter of conscience, all creditors can decide to renounce their debts. Without delay. It has already happened in recent years for geopolitical reasons. [5] Hundreds of social movements present in the region, particularly the CADTM and Jubilee South networks, have called for cancellation, showing the objective solidarity that exists among all those who have first-hand experience of the tyranny of the debt. A moratorium or simple reduction will not do. Only

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the total and unconditional cancellation of the external public debt of the stricken countries, with local citizens' control over the money thus freed up, can be an adequate response to the scale of the tsunami disaster. Otherwise, the only purpose your donations will serve, in the end, is to help the devastated countries to repay their debt - a debt that has become immoral.

[1]] Authors' calculations based on World Bank figures.

[2] 47 % are private, 27 % bilateral and 26 % multilateral.

[3] Of which 16 billion were due to the multilateral institutions (7 bn for the World Bank and 4 bn for the IMF); 9 billion to the rich countries; 13 billion to private investors.

[4] Authors' calculations based on World Bank figures.

[5] Egypt and Poland in 1991, Russia in 1998, Yugoslavia and Pakistan in 2001, Iraq in 2004.