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Mobilise for G8 Gleneagles

G8 meanness over the debt

- News from around the world -

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On June 11 the meeting of the G8 Finance ministers resulted in bombastic statements about a "historic" cancellation of the debt burdening poorer countries.

CADTM is suspicious of such dramatic gestures which so far have led only to cosmetic cancellations hiding a strengthening of the creditor countries' dominant position, as was the case with the HIPC initiative, concerning some 42 highly indebted poor countries, [1] which was launched at the Lyon G7 meeting in 1996 and reinforced at the Cologne G7 meeting in 1999. As soon as the practical modalities that condition this new move are known they will have to be analysed very carefully before any considered judgement is possible. But we can already make a number of comments.

[<https://internationalviewpoint.org/IMG/jpg/g8finance.jpg>] The great and the good saving the world

(1) The financial burden of the operation on rich countries would amount to some 2 billion dollars a year, compared to 350 billion the G8 devote to farming subsidies or 700 billion they spend in military expenditure. Rich countries would thus be willing to spend every year for the announced cancellation half of the amount the US spend every month on their continued occupation of Iraq. Moreover, the US would finance their contribution through their meagre aid for development budget, so they would not even have to find any additional resources.

(2) A change in approach has been announced: if the G8 are to be believed, what is on offer is a real cancellation that would bear on the principal of the debt, rather than simply a financial contribution towards the debt service paid to multilateral institutions. If this were indeed the case, it would represent a small step forward in the right direction for which we have to thank thousands and thousands of activists who demand clear and thorough cancellation measures from the World Bank, the IMF and other multilateral banks. This however has to be qualified: the G8 specifies that there will be no cancellation of debts owed to the Inter-American Development Bank (IDB) or to the Asian Development Bank (AsDB). Now these same multilateral banks are major creditors of some HIPCs such as Bolivia, Nicaragua, Honduras, Guyana, Vietnam, and Laos.

(3) In the best hypothesis, if they are indeed carried out, the announced cancellations would not even amount to a complete cancellation of debt for the 18 countries that would benefit from these measures. A claim to the contrary would be a lie since they would still be indebted to some bilateral creditors (among which some G8 countries), some multilateral creditors (AsDB, IDB and others), and some private creditors. [2]

(4) Only 5 % of the inhabitants of Developing Countries live in these 18 countries. If the measure is extended to all 42 HIPCs in the coming years this would still only affect 11% of those inhabitants. Most really poor people live in other developing countries (there are 165 of them altogether).

(5) The G8 decision represents a continuation of the HIPC initiative, which means the imposition of heavily neoliberal policies: privatisation of natural resources and of strategic economic sectors to the benefit of transnational corporations; higher cost of health care and education; a rise in VAT; free flow of capital, which leads to capital leaving the country as shown by several UNCTAD reports; lower tariff protection, which leads to thousands of small and middle producers losing their livelihoods because they cannot compete with imported goods.

Along with many other movements and associations that fight for debt cancellation both in the North and in the South, CADTM demands that neoliberal conditions on the cancellation of the debt are scrapped. There must be unconditional debt cancellation. Populations of countries in the South and their social organisations along with the elected parliaments of the concerned countries must be able to make sure that the cancellation really benefits those who have to be helped.

CADTM demands an immediate and complete cancellation of the public external debt of all developing countries, the burden of the debt being a major obstacle to meeting fundamental human needs. The London initiative can solve neither the issue of the debt nor the issue of poverty since it bears on only 2 % of the external debt of developing countries.

CADTM calls for a massive mobilisation at Edinburgh and Gleneagles from 2 to 6 July as part of the "Make G8 History" mobilisation, and at Fana (Mali) from 6 to 9 July within the 4th Peoples' Forum.

[1] See: www.cadtm.org/en.mot.php3?id_mot=145.

[2] Among the 24 HIPC's that are not part of the deal we find the Ivory Coast, where 35 % of the external debt is owed to private creditors. In Angola this proportion amounts to 27% ; 20 % in the Democratic Republic of the Congo; and 21 % in the Sudan. (Source: World Bank, 2004).