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HISTORY OF THE CADTM'S ANTI-DEBT POLICIES

# Part 4: From Dashed Hopes to Success in Ecuador: the examples of South Africa, Brazil, Paraguay and Ecuador

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**This interview presents the genealogy of the anti-debt struggle, the campaigns for debt cancellation, the empirical foundation, the political battles and the concepts of the “illegitimate,” “illegal” or “odious” nature of public debt. In other words, how it is necessary for the Committee for the Abolition of Illegitimate Debt (CADTM) – formerly known as the Committee for the Abolition of Third World Debt – to ally with opposition forces and social movements, where the concepts and the people involved can challenge and overpower debt and its “system” once the government hears their voice. Yet, for CADTM the outright priority is to fortify the activities described below rather than lobbying.**

*This fourth part covers the experience acquired in South Africa, Brazil, Paraguay and Ecuador.*

We are publishing this interview in six parts. Part 1 is [here](#), part 2 is [here](#), part 3 is [here](#), part 5 is [here](#)

### ***Is the history of the audits a story of dashed hopes and abortive attempts at change?***

To return to the 1990s: at that time, we were working extensively with the South African Left. The post-apartheid transition truly began in 1994. A large part of the anti-apartheid movement internationally and within South Africa had cancellation of apartheid debt as one of its demands, which incidentally was in evidence at the Bastille in 1989, with Johnny Clegg, who was an anti-apartheid South African singer. There too, the result was disappointment, since Nelson Mandela, instead of putting into practice what he had called for while he was in prison – that is, cancellation of apartheid debt –, recognized the debt contracted by the regime he had struggled against. That caused great frustration among the Left in South Africa, within the ANC, the South African Communist Party and the COSATU, the big labour federation that came out of the struggle against apartheid. The gulf widened between the sector that refused to give up the demand for cancellation of apartheid debt and the one that applied realpolitik and gave up its principles on the grounds that “if we want to attract foreign investors, we mustn’t get into a conflict with the creditors.”

In short, the history of audits that have been abortive is indeed longer than the list of audits that were successful: Rwanda, the DRC, Brazil [1], the Philippines, [2] Paraguay, Zimbabwe, [3] not to mention Greece’s audit, which we’ll talk about later.

### ***What do you feel are the factors that explain the failures?***

Let’s take the case of Brazil. Before it came to power in 2003, the Workers’ Party (PT), led by Lula da Silva, was favourable to the idea of conducting a debt audit. In fact in September 2000 he supported a popular referendum conducted to put pressure on the government then in power. Out of the six million participants in that referendum convoked by the social movements, more than 90% demanded an audit of the debt, which had in fact been called for by Brazil’s Constitution since 1988. More than 90% also said that they were in favour of suspension of debt repayment for the duration of the audit. Personally, I had had close contact with Lula and many members of the PT since 1990. I went to Brazil a dozen times during the 1990s. Lula was invited in Belgium by the CADTM invitation in 1991. In 1996, the CADTM invited José Dirceu to the counter-G7 summit in Lyon; he was one of the main leaders of the PT at the time, an ex-guerrillero for whom things began to go very badly from 2003. Once they came to power in the elections in late 2002, the PT and President Lula blocked any possibility of conducting the audit and renewed the agreements with the IMF and later made early repayments of the existing loans. The last time I met with Lula was in Geneva in June 2003 at the G8 Evian summit. Lula, who had been President of Brazil since 1 January 2003, invited

me to meet him in the company of two other persons, a director of ATTAC France and a representative of the Italian Social Forum. All we were able to do was to agree to disagree on the issue of debt, which he now refused to call into question, just as he did the neoliberal reform of the retirement system which he had just begun (this was at the same time as the Fillon reform of the retirement system in France). The Brazilian organisation affiliated to the CADTM is called "Citizen Debt Audit"; it has been very active since 2000-2001 and in 2009 succeeded in having a parliamentary debt audit commission set up. But PT MPs within the commission struck alliances with other conservative MPs in order to prevent its work from calling the legitimacy of Brazil's debt into question.

Given the serious deterioration of Brazil's economic situation in the last two years, the issue of external and internal debt will return to the spotlight sooner or later.

Now let's look at the case of Paraguay, a country surrounded by Brazil, Argentina and Bolivia. In December 2008, the progressive president Fernando Lugo, who had been in office for six months, invited me to help create a commission to audit Paraguay's debt. I went to Asunción for one-on-one talks with the President, followed by a meeting with the Paraguayan government. [4] It was clear that much the greater part of Paraguay's debt could be considered odious because it was the result (which is in fact always the case) of an unconscionable contract entered into in the early 1970s between two military dictatorships – the Brazilian junta and the dictatorship of General Stroessner [5] in Paraguay. The treaty in question involved the construction and operation of the Itaipu Dam, which at the time was the largest in the world. I had thoroughly studied the question based on the excellent documentation developed by Paraguayan experts. In addition, a former member of the CADTM team in Belgium, the Paraguayan jurist Hugo Ruiz DÃ-az Balbuena, had become an adviser to President Lugo, which facilitated contact. [6] The initiative for an international audit with citizen participation failed due to pressure from the Brazilian government during Lula's presidency. I should point out that major Brazilian corporations are the principal creditors and exploiters of Paraguay. As he was about to sign the presidential decree creating the audit commission, Fernando Lugo caved in to pressure from Lula and his government, who were protecting the Brazilian creditors. Lula, to convince the Paraguayan government to drop the idea of conducting an international audit and calling the debt claimed by the Brazilian companies into question, made a few marginal concessions and increased the amount Brazil paid annually to Paraguay for the electricity provided by the Itaipu Dam. [7] However, despite the pressure from Brazil, an audit was in fact conducted by the Comptroller General of the Republic of Paraguay in 2010 and 2011, [8] and at that time I returned to Paraguay at the invitation of President Lugo. In June 2012, he was overthrown [9] by a "parliamentary coup" – a formula that had been used in 2009 in Honduras and was applied recently in Brazil to overthrow Dilma Rousseff, the Brazilian President who succeeded Lula from 2010. [10]

The fact that the Right was able to use that form of institutional *coup d'Etat* in Brazil and Paraguay is partly due to the inability of those two governments of the Left to stand up forcefully to the creditors and carry out structural reforms. Ultimately, disappointment at their conciliatory policies toward local and international big capital profoundly undermined the strong popular support they had had when they first came to power. When the Right decided to take action, the people of the Left were too disenchanted and disoriented to mobilise and defend the government leaders.

The one case in which attempts to sabotage the audit by national powers, the IMF, etc. were foiled is that of Ecuador. And yes, that was really the only case where, on the basis of the results of the audit, the government suspended repayment and scored a major success against the creditors. [11]

## Relations with counter-powers and powers: success in Ecuador

*If we can spend some time on the case of Ecuador – how were contacts made with the opposition, who became the future leaders?*

The general rule the CADTM applies is not to collaborate with the authorities, but rather to work with the opposition movement – essentially social movements or radical political forces rooted in the working class. With the evolution of the political situation in a given country, the people who were in the opposition may well become part of the government. Ecuador is a typical case. The CADTM had contacts there dating from 1999. In Ecuador, a campaign in favour of debt cancellation was conducted in 1997-1998, when the international Jubilee 2000 campaign was launched. [12] 2000 was to be a jubilee year for the Christian world, and a whole series of Christian organisations – which does not include the CADTM – who have relations with Third World countries committed themselves to the theme “*The year 2000 must be a year of debt forgiveness.*” Ecuador is a Christian country and Leftist Christians took up the campaign. I had been invited to Ecuador, in 1999 and 2000, by the Christian movement for debt cancellation, and above all by the Centre for Economic and Social Rights (CDES), which is not part of the Christian family. At the initiative of the CDES and in close contact with Christian organisations in Norway, we supported a specific campaign to denounce the debt Norway was claiming from Ecuador and four other developing countries (Sierra Leone, Peru, Jamaica and Egypt). Norway had indebted these countries beginning in the 1980s to sell them fishing boats and thus save the Norwegian shipyards. This campaign, which was very well argued, caused the Norwegian government to cancel the debts whose repayment it was demanding in 2006. That was a concrete victory of a campaign to audit illegitimate debt. [13]

Rafael Correa, the current president of the country, comes from the petite bourgeoisie, the Christian movement and the scouting movement, and is also influenced by Liberation Theology. In 2007, when Correa took office, he appointed as his Finance Minister Ricardo Patiño, [14] the leader of the anti-debt movement, whom I had been working with for years. In April 2007 I was invited by Ricardo Patiño to a meeting of the “debt movement” to contribute to drawing up the presidential decree to be issued in July by Rafael Correa instituting a debt audit commission. In late April and early May 2007 I also advised the President of Ecuador and his Finance Minister concerning the creation of a Bank of the South between Argentina, Brazil, Bolivia, Ecuador, Venezuela, Paraguay and Uruguay. [15] In parallel to its advising the Ecuadorian authorities, the CADTM participated in writing several open letters from Latin American social movements to the presidents of the seven countries concerned, calling on them to set up a Bank of the South that would be a real alternative to institutions like the World Bank and the IMF in order to support integration of peoples and not of Capital. [16] Finally, starting in July, as representative of the CADTM, I participated very actively in the audit commission created by President Rafael Correa to identify the illegitimate debts contracted during the period 1976-2006. The result of our work, submitted to the government in September 2008 and made public in November 2008, [17] was the suspension of repayment of a large portion of the debt demanded of Ecuador in the form of government bonds held principally by banks in the United States. That unilateral suspension of payment led to a major victory. Ecuador obliged the creditors to accept a 70% reduction of the debts concerned. And that enabled a strong increase in social spending beginning in 2009-2010.

We aren't necessarily saying that the movements we work with will come to power. But in fact, it does come about that people with whom we've been working for some time accede to office. For example, in 2007 when I met Diego Borja, Ecuador's Minister of the Economy who became president of the country's Central Bank in 2010, he told me: “*You don't remember me, but I came to the CADTM meetings in 1992 in Belgium. I was studying Economics at the Louvain Catholic University and I came to the CADTM sessions.*” And of course that happened with Greece, too. We shall be coming back to that.

*Translated by Snake Arbusto in collaboration with Vicki Briault*

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[1] See “Case Study: Brazil”; <http://www.cadtm.org/Case-Study-Brazil>

[2] In 2004, the Parliament of the Philippines voted in favour of conducting a debt audit, but the attempt failed.

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[3] In 2009, the Finance Minister of the government of Zimbabwe, who came from the Leftwing opposition to the Mugabe regime, called Patrick Bond who contacted the CADTM to launch an audit of the debt. The IMF prevented the project from being carried out.

[4] For press fallout from that meeting between President Lugo, his government and Eric Toussaint, see translations of articles that appeared in Paraguay's opposition press in December 2008: <http://www.cadtm.org/Paraguay-The-Belgian-who-met-with>; <http://www.cadtm.org/Paraguay-Un-politologue-belge> (in French); <http://www.cadtm.org/Paraguay-Le-pays-sera-touche-par> (in French). See also <http://www.cadtm.org/Paraguay-should-speed-up>.

[5] At the time of the signing of the Itaipu treaty in 1973, Paraguay was under the dictatorship of General Stroessner, who held power from 1954 to 1989, while Brazil was under the Garrastaz Medici dictatorship (1969-1974).

[6] Hugo Ruiz Daz Balbuena and Eric Toussaint, "L'audit de la dette : un instrument dont les mouvements sociaux devraient se saisir", published 9 July 2004, <http://www.cadtm.org/L-audit-de-la-dette-un-instrument> (in French). Hugo Ruiz Daz Balbuena is a Doctor of Law and headed the Legal department of the CADTM until 2005. Beginning in 2008 and until the coup that overthrew President Fernando Lugo in June 2012, he was one of his closest advisers. See also: Hugo Ruiz Daz Balbuena, "La dcision souveraine de dclarer la nullit de la dette" <http://www.cadtm.org/La-decision-souveraine-de-declarer.3658> published 8 September 2008 (in French).

[7] See <http://www.cadtm.org/The-Itaipu-Treaty-signed-in-1973>. Also see comments on the July 2009 agreement between Paraguay and Brazil: <http://www.cadtm.org/Un-accord-historique-sur-Itaipu-ou> (in French)

[8] See <http://www.cadtm.org/La-Cour-des-Comptes-du-Paraguay> (in French) and <http://www.cadtm.org/La-Cour-des-Comptes-du-Paraguay.7724> (in French)

[9] See <http://www.cadtm.org/Paraguay-Lugo-denounces-a-coup>

[10] See Eric Toussaint, "Paraguay (juin 2012) - Honduras (juin 2009) : d'un coup d'tat  l'autre", <http://www.cadtm.org/Paraguay-juin-2012-Honduras-juin> (in French). Also see: "The U.S. and its unruly Latin American  backyard", <http://www.cadtm.org/The-U-S-and-its-unruly-Latin>

[11] See "Tiny Ecuador in the Spotlight as Government seeks to Renegotiate Debt on its Terms", 24 May 2007, by Gail Hurley <http://www.cadtm.org/Tiny-Ecuador-in-the-Spotlight-as> and "Debt: Ecuador at a historic turning point", 27 May 2007, by Eric Toussaint, Damien Millet, <http://www.cadtm.org/Debt-Ecuador-at-a-historic-turning>; also see (in French) <http://cadtm.org/Video-L-audit-de-la-dette-en>; <http://cadtm.org/En-2007-2008-l-Equateur-a-ose-dire> and Eric Toussaint, Hugo Arias Palacios, Aris Chatzistefanou - 'Video: The Ecuador debt audit, a seven minute summary', <http://www.cadtm.org/Video-The-Ecuador-debt-audit-a>

[12] [https://en.wikipedia.org/wiki/Jubilee\\_2000](https://en.wikipedia.org/wiki/Jubilee_2000)

[13] See CADTM, "CADTM applauds Norway's initiative concerning the cancellation of odious debt and calls on all : <http://www.cadtm.org/CADTM-applauds-Norway-s-initiative>

[14] For a detailed biography in Spanish, see: [https://es.wikipedia.org/wiki/Ricardo\\_Pati%C3%B1o](https://es.wikipedia.org/wiki/Ricardo_Pati%C3%B1o) and in English: [https://en.wikipedia.org/wiki/Ricardo\\_Pati%C3%B1o](https://en.wikipedia.org/wiki/Ricardo_Pati%C3%B1o). This biography is reliable.

[15] Eric Toussaint, Damien Millet, Daniel Munevar - *Bank of the South. An Alternative to IMF-World Bank*. CADTM is very pleased to make available to a wide internet public, "Bank of the South" published by Vikas Adhyayan Kendra (VAK) in Mumbai (India) in 2007, see <http://www.cadtm.org/Bank-of-the-South-An-Alternative> Eric Toussaint, *Banque du Sud et nouvelle crise internationale*, Lige-Paris, CADTM-Syllepse, 2008 (in French), download free of charge: <http://www.cadtm.org/Banque-du-Sud-et-nouvelle-crise>; also see "South American countries sign Articles of Agreement of BANCOSUR", <http://www.cadtm.org/South-American-countries-sign>

[16] First Open Letter to the Presidents of Argentina, Bolivia, Brazil, Ecuador, Paraguay, and Venezuela,

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<http://www.cadtm.org/Open-letter-to-the-Presidents-of>, published 26 June 2007 and Second Open Letter to the Presidents of Argentina, Bolivia, Brazil, Ecuador, Paraguay, Uruguay and Venezuela, <http://www.cadtm.org/Second-open-letter-to-the>, published 7 December 2008.

[17] See the Final Report of the Integral Auditing of the Ecuadorian Debt - Executive Summary, 2008, <http://www.cadtm.org/Final-Report-of-the-Integral> and in Spanish <http://www.cadtm.org/Informe-final-de-la-Auditoria>.