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G-7 'debt relief' exacts more sacrifice from Africa

by Linda de Hoyos

The Group of Seven nations on June 12 approved a new debt relief plan for the Highly Indebted Poor Countries (called HIPC), which is designed to lead to the write-off of $70 billion of debt owed by those who qualify. The G-7, comprised of the United States, Germany, Japan, Britain, France, Italy, and Canada, has made 36 countries eligible for such debt relief, up from 29 previously. All members of the G-7 further agreed that the International Monetary Fund (IMF) should sell part of its stockpile of 103 million ounces of gold reserves, worth at least $27 million, to pay for its share of the debt relief.

The HIPC debt package represented no departure from the G-7's commitment to the current bankrupt monetary system. Calling for "reform of the financial architecture," the G-7 final communiqué made clear that such reform will take place within a commitment to free-market globalization, and that the enforcer of this policy on the world's nations will continue to be the IMF. "Reform of the international financial architecture," the communiqué states, "will also reinforce the multilateral trading system. Keeping markets open for goods and capital will make the global economy more resilient to shocks." In carrying out any "reforms," the communiqué stated: "The International Monetary Fund and the World Bank have the central role in the international economic and financial system, and in facilitating cooperation among countries in these fields." Powers of the IMF, including surveillance and imposition of structural adjustment policies, are not decreased.

The HIPC initiative falls within the same structure. According to the plan, being a member of the HIPC does not automatically qualify a country for such debt relief. "Reform" carried out within the country is first required. Such conditionalities are focussed on two major lines of "reform": the imposition of harsh austerity, including removal of food subsidies, and parity subsidies for food production; reduction of civil service rosters and wages; and heightened measures for tax collection. Second, the IMF demands privatization of national resources and basic companies, which privatization must represent a transfer to foreign ownership.

The case of Niger

Take the case of Niger. Niger is the third-poorest country in the world, according to the UN Development Program, after Sierra Leone and Rwanda, with a mortality rate for children under five years of age of 33%, the highest in the world. A full two-thirds of the government revenues go to pay the country's $1.6 billion debt. At the same time, since the country has been under military rule since 1996, donor aid and IMF funds have been cut, because Niger has disobeyed the rules of "good governance." The new government appears to be determined to "reform" Niger and qualify for HIPC. New Finance Minister Ide Niandou pledged to carry out the IMF's structural adjustment program, stating in a broadcast over Niamey's Voix du Sahel: "The more Niger refuses the structural adjustment program, and demands by unions and associations continue, and social and political pressures continue, and the essential factor, the need to make sacrifices, true sacrifices, is ignored, things will not improve. The new government came to power less than two months ago. Our external partners have suspended assistance to the country. In this case, salaries will be paid solely from national revenue. We have strong commitments on external debts [the HIPC initiative]. I can assure you, it will not be necessary to ask the IMF and the World Bank to assist us in paying salaries."

In short, the new Niger government is now preparing to extract even more from a population that is already very close to physical depletion, in order to qualify for the "debt relief" promised by the donors under the HIPC initiative. There will be no relief, however.

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"Scheduled debt service payments after receiving HIPC assistance are not dramatically different from actual debt service paid for the period prior to the decision point," the Jubilee 2000 Coalition has shown. Only seven countries so far have qualified for HIPC debt relief. In the cases of Mali and Burkina Faso, debt service payments will actually increase. A World Bank report notes that the payments to bilateral creditors will tend to rise, since up to now, the World Bank and IMF had been the preferential creditors and therefore paid first. If debt relief is granted from these two institutions, it is expected that debt payments to "donor governments," which are likely in arrears, will be brought up to speed. Money will not be "released for development," as previously claimed.

Further, the HIPC initiative is very slow in its implementation. By the end of the year 2000, only six countries will have actually received debt cancellation, and debt service payments will be reduced by only $200 million per year, or only 1% of the debt service paid by the world's most indebted countries, a drop in the ocean of the world's money flows.

Revolt against the debt

The HIPC initiative that came out of the G-7 meeting in Cologne, Germany on June 12, is therefore not expected to quell the rising demand in the developing countries for a full cancellation of the debt. The HIPC initiative has been condemned by the Jubilee 2000 Coalition, which calls directly for: debt cancellation in the Year 2000, an end to IMF structural adjustment policies, and the use of monies released by debt cancellation for development.

But, increasingly, heads of state of particularly African countries are voicing their frustration at the debt burden, and are questioning the authority of the IMF. In May, Ethiopian President Meles Zenawi opened a meeting of the United Nations Economic Commission for Africa by declaring that the HIPC and other debt reduction initiatives are "far from adequate," and that they are being used "as the whip to enforce unquestioning acceptance of the economic orthodoxy, the so-called Washington consensus. The choice we are left with under HIPC is to either abandon all independent and rational thinking in economic policymaking or wallow in the quagmire of unsustainable debt." The commission ended its meeting with an agreement that Africa's $350 billion debt is "essentially non-payable."

From Zimbabwe, President Robert Mugabe has declared that his country "does not need the IMF." Zimbabwe, which is not in arrears on debt payments, nevertheless came under heavy pressure from the IMF soon after it acted to militarily defend the Democratic Republic of the Congo against invasion from Yoweri Museveni's Uganda and Rwanda. The IMF has found excuses for holding up $53 million promised tranche funds. The President found funds elsewhere, specifically China, and returned to state that Zimbabwe would be "a lot happier without the IMF. Personally, I do not like the IMF. We should do without them, but we have people in government and people outside who think otherwise. The IMF has a responsibility to lend us money, but the United States and other Western countries manipulate them so that we achieve *their* objectives in our own countries." When it comes to actually delivering money, Mugabe charged, "they still look at this and that. They look at the situation and see that you are desperate and move the goal post again. It is a pattern they have that is characteristic of their policy. They manipulate the conditions to depress our economies and slow our growth."

At the grassroots level, the revolt against the IMF is being led by Catholic and other churches, which have come behind Pope John Paul II's call for debt cancellation for the year 2000. Bishops from creditor and debt nations had presented a declaration to the G-7 summit, which called for the industrialized countries to "take prompt and comprehensive action to reduce substantially or cancel altogether the debts of poor countries and to restore just relations among peoples."

In the Philippines, bishops and clergy in early June formed a coalition seeking to "break the debt cycle." Called the Philippine-Asia Jubilee Campaign Against the Debt, it is seeking repeal of Presidential Decree 1177 which established as law the automatic allocation of *40%* of budget funds for foreign debt service. Philippine Archbishop Cardinal Ricardo Vidal issued a statement declaring that the debt problem has matured into "institutionalized global usury, perpetuated by international finance institutions and banks dominated by creditor-nations and private monopolies of the northern countries," which is depriving people of essential nutrition, health care, housing, and education.

At the end of May, African civic organizations met in Lusaka to issue a declaration that committed non-governmental organizations in 11 countries to agitate for the "collective repudiation of the illegitimate foreign debt by our political leaders." In Kitwe, Zambia, for instance, on June 8, more than 1,000 people marched in the streets, complete with a police brass band, to demand cancellation of the debt.

The fight has also come to Washington, where the HOPE Act was introduced by Rep. Jesse Jackson, Jr. (D-Ill.), whose father, Rev. Jesse Jackson, President Clinton's special envoy to Africa, has endorsed Jubilee 2000. The HOPE Act calls for full debt cancellation for the Sub-Saharan countries and opens up the issue of the methods of the IMF before the Congress.

The rising volatility around the debt issue, particularly in Africa, spans the spectrum from Niger's desperate efforts, at practically any cost to its people, to those who call for a New Economic Order and technology transfer. On the former's side are people like Harvard's nation-wrecking Jeffrey Sachs, who does not question IMF conditionalities or globalization at all, but whose calls for debt relief have earned him a place as an adviser to Jubilee 2000. But the issue is not just debt cancellation; it is real credit, issued for the purposes of development. For that, the New Bretton Woods, as Lyndon LaRouche has called for, is required.