perspectives

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"... it is morally reprehensible for the developed world to continue to demand the payment of an unpayable debt. . . . The question of 100 percent cancellation of debt is something that is non-negotiable. It just must take place."

Archbishop Njongonkulu Ndungane, South Africa

- Haiti, the poorest country in the Western hemisphere, has a 70 percent unemployment rate; its infant mortality rate is more than twice the Caribbean average. Its debt is roughly 40 percent of its GNP. Yet Haiti is not deemed "eligible" for debt relief under current initiatives.
- Uganda is the most advanced country in the debt reduction process, yet even when it has received all of its promised relief, the country will still spend at least $50 million each year in debt repayments.
- Roughly seven million children continue to die each year as a direct result of the debt crisis.

STILL WAITING FOR JUBILEE

Over the past two to three years, there has been growing consensus, especially among people of faith, that international debt is a primary social justice issue of our time. The strength of the international Jubilee 2000 movement gave proof of the global support for some substantive form of debt reduction. But while many people are convinced that debt relief is a matter of justice, they are less clear about details surrounding the debt issue:

- How did developing countries ever accrue such massive debts?
- What are the multiple ways debt affects impoverished countries?
- How effective are the proposed solutions; what solutions should we espouse?

This issue of *Perspectives* addresses these questions both analytically and experientially though the eyes of Holy Cross members in Uganda, Brazil and North America. We invite you to send stories of your experiences of international debt and struggles for debt relief to the Holy Cross International Justice Office for sharing among the Holy Cross family.

In the beginning . . .

Today's debt problems can be traced to events in the early 1970s. At that time, commercial banks were awash with U.S. dollars deposited by oil-producing nations. Flush with these funds, banks were eager to lend, often regardless of the merits of the loan. Governments of the global south were encouraged to borrow and were equally eager – their growth rates were high, interest rates were relatively low, and the loans carried only negligible conditions.

When the 1979 oil price hike occurred, the U.S. Federal Reserve

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Brazil's external debt has mushroomed from $3 billion in 1964 to $270 billion in 1999. Over the past 10 years, the country has paid $216 billion in debt service, yet the debt has nearly doubled. Although considered an "emerging" nation of medium income level, Brazil's income distribution profile is among the worst in the world with a quarter of its population – 40 million people – living below the poverty line.

BRAZILIANS SAY LIFE BEFORE DEBT

by Michael Mary Nolan, CSC

In the past several years, Holy Cross members in Brazil have participated in a number of activities organized by the National Conference of Bishops of Brazil and other components of civil society to stimulate a nationwide reflection on the effects and implications of Brazil's external debt.

In April 1999, the external debt was "put on trial" before a *People's Tribunal* in Rio de Janeiro. Approximately 2000 people from various parts of Brazil and around the world participated in the event. Judges included a Supreme Court minister, federal judges and lawyers. The jury was comprised of prominent Brazilian figures, including Cardinal Paulo Evaristo Arns, and representatives of the unemployed, landless, and retired, and of the trade unions.

In addition to analyzing the causes of debt and assigning responsibility, the Tribunal also articulated alternative ways to overcome indebtedness and its social and environmental consequences. After four sessions, packed with extensive and diverse testimony, the tribunal reached its verdict. Included were the assertions that the debt has already been paid in real terms; that it is "ethically, legally and politically unjust and unsustainable . . . and persists only as a mechanism for subjecting and enslaving society to the financial power of usurers and globalized capital, and for transferring wealth to the creditors." The tribunal condemned the process by which Brazil became indebted as "iniquitous and illegitimate."

Eighteen months later in September 2000, Brazilians participated in an unofficial national plebiscite on debt and the IMF. The referendum launched by the Brazilian Jubilee 2000 campaign and highly promoted and publicized by the Brazilian Bishops Conference, asked three questions:

- Should the Brazilian government maintain its present agreement with the International Monetary Fund?
- Should Brazil continue paying its external debt, without having a public audit of this debt as prescribed by the 1988 Constitution?
- Should the local, state and federal governments continue to use a large part of the public budget to pay speculators for the internal debt?

Well over six million persons voted in the plebiscite: 93.6 percent voted "no" on the first question and 95.6 percent voted "no" on the second and third questions. Brazilians decreed "Life Before Debt"!

In 2001, the campaign is focusing on two major initiatives. The first is an effort to pass two proposals in the Congress: one calling for an official referendum on debt; a second calling for cancellation of debts owed Brazil by countries whose per capita income is less than Brazil's.

The second initiative addresses the issue of internal debt. Local committees are being formed to "watchdog" city budgets – to monitor spending and expose misappropriation of funds. The information surfaced by these groups, together with a national symposium to be held later this year, will make visible the impact internal debt has on the daily lives of the Brazilian people.

Michael Mary Nolan, a Sister of the Holy Cross in São Paulo, Brazil, is a human rights attorney specializing in work with prisoners, the Quilombos (descendents of negro slaves), and persons injured by chemical contamination. She is a member of the national and state Human Rights Commissions and serves as a human rights aide to a member of Brazil's Congress.

Uganda's total debt in 1998 was $3.6 billion; almost three quarters of its long-term debt is multilateral. Although the country is ranked 159 out of 175 in the Human Development index compiled by the United Nations Development Program, Uganda has consistently been forced to spend more on debt servicing than on health and education. Currently, Uganda is the most advanced country in the HIPC debt relief process. Even the limited funds released by HIPC have already doubled Uganda's primary school enrollment to 94 percent and increased spending on primary health care by 270 percent.

UGANDAN DEBT RELIEF MAKES A DIFFERENCE!

by Elizabeth Tusiime, CSC and John Bailanda, CSC

Uganda has been acquiring loans since the time of its independence in the 1960s. For the most part, these loans were used to improve our infrastructure – roads, industries, schools, institutional structures, hospitals, etc. However, sometimes the funds were not used for their original purpose, but were diverted to private interests or misappropriated. Corruption has unfortunately been a common phenomenon in Uganda's 40-year existence as an independent state. Also, much of this period was a time of war; funds were often diverted to military purposes. For all of these reasons and others, Uganda has accumulated unsustainable, unpayable debt – a debt which brings misery to our country's poor and marginalized.

Most of the Ugandan people are not well informed about the causes and consequences of debt or about debt cancellation. Over the past 10 years, most of the talk has been about repayment or servicing of loans. Debt servicing has led to overtaxation of the already impoverished majority and to denial of basic services such as health care, education and social security. Although this is not widely understood, debt cancellation would go a long way toward expanding and improving such basic social services.

The notion of debt cancellation has been strongly supported in religious circles. There are several fora addressing this issue: the justice and peace committees in local churches, ecumenical organizations and national interdenominational committees. Our own Holy Cross members have participated in many of these organizations. The most important role of these fora has been to push for debt relief by giving voice to the people's plea. Another crucial function has been educating the people on the issue of debt cancellation, poverty alleviation and proper direction of basic services.

The results of this education and organizing can already be seen. The government has made positive moves toward proper accountability and transparency as prerequisites for debt cancellation. As debt service payments have dropped, the resources have been channeled through the Poverty Action Fund which is overseen by representatives from government, national NGOs, churches, unions and international organizations. More services have been directed to the marginalized (e.g., through women's groups and youth empowerment efforts) and the infrastructure of remote areas has been strengthened (e.g., roads improved and electricity extended). One of the most important outcomes has been expansion of educational services to provide universal primary education. Debt cancellation has also improved the overall economy which, in turn, has led to increased revenues from taxation and industrial growth.

The majority of Ugandans have not yet been "conscientized" about issues of debt relief. This remains a huge task for both government and church. As the government strives to become more accountable and transparent to its people, it is of paramount importance that both church and government make known the need for full debt cancellation and how it will benefit particular groups of our society.

Elizabeth Tusiime, a Sister of the Holy Cross, is a nurse and financial administrator at the new Holy Cross Family Centre in Kyarusozi, Uganda. She also is the vocations animator for the western part of Uganda and is involved in prison ministry to women. **John Bailanda**, a Holy Cross Brother, currently teaches at St. Leo's College in Fort Portal, Uganda. Next year, he will be the director of development for the District of East Africa.

BREAKING THE CHAINS OF DEBT:
U.S. & CANADIAN JUBILEE ACTIONS

by Carol J. Descoteaux, CSC

Jubilee 2000 is the near-miraculous international movement that created a grassroots sense of urgency about debt cancellation. In the United States, Jubilee 2000/USA (now the Jubilee USA Network), educated thousands of Americans about the problem of international debt, poverty, development and globalization. Launched at the 1997 G7 Summit in Denver under the auspices of the Religious Working Group on the World Bank and the IMF, Jubilee USA sponsored an excellent popular education program, organized a mass fast across the country and has lobbied Congress and U.S. Administrations with considerable success. For example,

- The United States has agreed to cancel 100 percent of the bilateral debt owed by over 30 "heavily indebted poor countries" (HIPCs);
- Congress has approved funding to assist with the partial cancellation of HIPC multilateral debts;
- Congress has also appropriated $545 million toward bilateral and multilateral debt cancellation for HIPCs (another $375 million is still needed over the next two years to fulfill the United States' existing commitments to debt relief);
- President George W. Bush has added $224 million for debt reduction to his budget.

The newly restructured Jubilee USA Network plans to continue its efforts into the new millennium with campaigns to:

- achieve full debt cancellation for the poorest countries at the G8 Summit in Genoa, July 2001,
- link debt relief and efforts to fight HIV/AIDS epidemic; and
- eliminate structural adjustment conditions, particularly user fees for essential services.

The network also plans to bring attention to "odious, criminal, illegitimate debt" and to links between debt and trade.

The Canadian Jubilee movement, which includes hundreds of Holy Cross men and women, has three areas of focus: international debt, redistribution of wealth and renewal of the earth. Begun in September 1998, the Canadian Jubilee 2000 movement has been extraordinarily successful. The Jubilee 2000 Debt Petition was signed by over 635,000 Canadians and the Canadian government has agreed to the principle of unilateral 100 percent debt cancellation which they granted to Bangladesh in December 1999.

Both U.S. and Canadian Sisters of Holy Cross have been active in the Jubilee movement. Sisters in the U.S. region initiated a self-education program regarding the nature of modern economies; they also participated in letter-writing and petition campaigns such as "Global Chain Reaction" – a Jubilee 2000 initiative which resulted in over 17 million signatures worldwide.

Led by the Canadian Bishops Conference, the Canadian Church as a whole has been strongly supportive of debt cancellation. Diocesan Offices of Social Justice throughout the country have rallied around the Jubilee cause. In the Archdiocese of Ottawa alone, 90 percent of the parishes have participated in debt cancellation projects.

Sisters of Holy Cross throughout Canada have participated in debt-related petition and letter-writing campaigns in their local communities, ministry networks and parishes. During the recent Summit of the Americas, leadership used the congregational web site to invite support of debt cancellation initiatives. In the Region of Quebec, the film *Turbulence* was shown in a number of local communities, spurring further action for debt reduction. This film points out the potentially negative impact of free trade agreements on developing countries and uses the Mexican experience of

JESUS – CONDEMNED BY DEBT

Clarita Bourque, MSC

On Good Friday, the Marianites in New Orleans had a unique opportunity to heighten awareness of the need for debt cancellation for the impoverished nations of the world. Each year, church groups and nonprofit agencies walk through the central business district of New Orleans in observance of the sufferings of Jesus on his way to death. The "stations" are stopping points along the way, sites which remind us of the sufferings which rack Christ's body today. At each station, a local group demonstrates a particular aspect of the contemporary sufferings of Christ.

This year, the first station – commemorating Jesus' condemnation to death – was sponsored by the Marianites. The issue was domination of the poor and oppressed by the rich and powerful. The dominators – Wealth, Bigotry, and Power (depicted by three of our sisters wearing masks) – manipulated three puppets representing victims of Poverty, Oppression and Violence. A Christ-figure emerged to cut their chains. The first puppet was freed when the excessive wealth of a few individuals and nations was more evenly distributed, when each of us strove to live more simply, and when we were able to convince our government to forgive the debt of impoverished nations.

It was fitting to begin our *Way of the Cross; Way of Justice* by confronting the systems of domination. These systems are the root cause of the sufferings of Jesus and humankind addressed in later stations – sufferings like inadequate health care, crime and punishment, racism, and sexism.

Although the sufferings of the contemporary Jesus often seem overwhelming, significantly each of our stations ended on a positive note. Together, with hope, we prayed, "For all who see a different world, who envision the dream God has for us, and who work, in small ways and large, to make that vision real, O God, we give you thanks."

Clarita Bourque, a Marianite of Holy Cross, is the executive assistant for Unity for the Homeless, a coalition of 70 agencies that work for the homeless in New Orleans.

devaluation to illustrate the problems of indebted nations.

Clearly, the Jubilee 2000 Campaign has evoked a positive response from millions of people around the globe, including the members of our Holy Cross family. The question remains, "Have we internalized the Jubilee mandates to liberate and forgive?" It is in taking these challenges to heart and making our own firm commitments to act that we will experience, on personal and congregational levels, what it really means to "break the chains of debt."

Carol Descoteaux, a Sister of Holy Cross, is vice president of Mission, Spiritual Care and Ethics at St. Joseph's Hospital in Nashua, New Hampshire (USA). A theologian and former president of Notre Dame College in Manchester, New Hampshire, Carol has also done home mission work in Alaskan logging camps and worked to found a Teachers' College at College Regina Assumpta in Haiti.

www.jubileeplus.org * www.holycrossjustice.org

WHAT CAN WE DO?

- **Connect with the Jubilee movement in your country and become active in its campaigns.** Contact information for national Jubilee movements is available at the Jubilee Plus web site <www.jubileeplus.org>. If you don't have internet access, contact the Holy Cross International Justice Office and we will find the information for you.

- **The annual meeting of the G8 world leaders is being held July 20-23, 2001, in Genoa, Italy.** Check the HCIJO web site <www.holycrossjustice.org> for coverage of the meetings and for followup actions.

- **From September 28 to October 4, 2001, the World Bank and the International Monetary Fund will be holding their Joint Annual General Meetings in Washington, D.C.** Activists from all over the world will come to Washington during that time to engage in advocacy work and education. This is an excellent time to organize letter-writing campaigns and other local events to highlight the need for multilateral debt cancellation. Check the HCIJO web site for letter samples and other suggestions.

RESOURCES ON JUBILEE AND DEBT CANCELLATION

WEB SITES

- **The HCIJO site** <www.holycrossjustice.org> has numerous articles/resources on debt and over 25 links to organizations working on global economic justice.

- **Jubilee Plus** <www.jubileeplus.org> has all the latest news on debt and the Jubilee campaign and a listing of all national Jubilee contacts.

- **Jubilee South** <www.jubileesouth.net> specializes in perspectives on debt among people of the global south.

- **The Canadian Economic Coalition for Economic Justice site** <www.ecej.org> has extensive resources on debt and other global economic issues, including their quarterly newsletter "Economic Justice Report."

- **The Canadian Ecumenical Jubilee Initiative site** <www.ceji-iocj.org> has excellent resources on debt cancellation and its other focus areas – redistribution of wealth and ecological sustainability – in both French and English.

VIDEOS

- ***Banking on Life and Debt*** – a Maryknoll production reporting the impact of World Bank/IMF policies on the lives of people in Ghana, Brazil and the Philippines (30 minutes).

- ***To Be a Woman: African Women's Response to the Economic Crisis*** – produced by the Canadian Interchurch Coalition on Africa, this video examines SAPs and their impacts on the lives of women in Ghana, Uganda and Zambia (42 minutes; study guide available).

- ***Jubilee Spirituality*** – a Center of Concern production guiding viewers through reflections on the spirituality of Jubilee with prayers, readings, music and visual images (1 hour, accompanying guide for a half-day retreat available).

These videos (available in VHS and PAL) may be borrowed free of charge from the Sisters of the Holy Cross Justice Resource Library (e-mail: ksmedley@cscsisters.org; phone: 219-284-5303; fax: 219-284-5596).

We want to publicize resources available in languages other than English. Please send your recommendations for books, articles, videos or web sites related to HCIJO issues (global economic justice, ecological sustainability and marginalized people) to mturgi@igc.org or ksmedley@cscsisters.org.

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reacted by raising interest rates to record levels to stifle inflation and international interest rates soared. Inflation did drop, but northern economies were pushed into severe recession. These actions had a two-pronged effect on southern countries. High interest rates dramatically raised the cost of servicing loans, and the recession shut down the market for southern products, so developing countries could no longer earn the hard currency to pay their skyrocketing interest. In the fall of 1982, the unthinkable happened: Mexico announced it was unable to pay its foreign debts.

Much of the borrowing of the 1970s had been from commercial banks, but as strategies evolved to deal with the growing crisis, debtor countries resorted to extensive borrowing from other governments ("bilateral" loans) and from international financial institutions such as the World Bank and International Monetary Fund (IMF) ("multilateral" loans) – in part to pay off the commercial loans. The downward spiral of borrowing money to service debt was set in motion.

Debt's Bitter Medicine

Bilateral and commercial debt have certainly been heavy burdens for poor countries, but the most problematic form of debt has proven to be multilateral. All types of debt drain the resources of impoverished countries and divert large sums of money from health care, education and food production. All inhibit the social and economic development needed to lift nations out of poverty. But multilateral debt is uniquely burdensome because of its accompanying "structural adjustment programs" (SAPs).

SAPs are economic policy reforms intended to "shape up" ailing economies by following classical neoliberal prescriptions: stop inflation, balance budgets and promote trade. Designed by the World Bank and IMF, SAPs have, in effect, become performance requirements for obtaining multilateral assistance. To qualify for new loans or debt relief, debtor countries must implement prescribed economic policies, regardless of their impact on citizens or the environment. In reality there is ample evidence that the standard SAP package, which includes measures like

- reducing government spending and increasing taxes;
- devaluing the currency;
- raising interest rates;
- privatizing public services;
- dismantling trade and investment regulations; and
- promoting production for export

actually deepens poverty and accelerates destruction of ecosystems.

SAPs sometimes make economies look healthier on paper, but at a terrible cost to people and the environment. Typically unemployment skyrockets and wages plummet under SAPs. This makes government spending cuts and privatization of services doubly problematic. Cuts result in fewer government services and elimination of subsidies for food staples, public transportation, education and health care. Many SAPs also impose "user fees" – charges for previously free government-provided services like health clinics, schools and even clean drinking water. Finally, SAP emphasis on production for export often leads to displacement of subsistence farmers and accelerates overextraction of resources and overuse of agrochemicals. Without doubt, Structural Adjustment Programs profoundly expand debt's impact and deepen its pain.

The Jubilee Challenge

In the early 1990s, public awareness of debt's crushing consequences began to intensify. By 1996, enough pressure had mounted to prompt the major creditor nations and the multilateral development banks to launch the first debt reduction program: the *Heavily Indebted Poor Countries (HIPC) Initiative.* At the time, HIPC was considered "groundbreaking" for several reasons. For the first time,

- multilateral creditors agreed to actually *reduce* the debt of the poorest countries, not just reschedule it or lend new money for debt servicing;
- lenders considered debtor governments' commitment to reducing poverty when deciding which countries' debts would be reduced; and
- countries' debts were reviewed and treated comprehensively.

However, as HIPC unfolded, it soon became obvious that the initiative was seriously flawed:

- too few countries qualified for relief and the actual level of debt reduction was too limited;
- eligibility for debt reduction was too closely linked to implementation of SAPs; and
- the time frame for receiving relief was too long.

Three and a half years after HIPC began, only 2.6 percent of the debts of the 41 heavily indebted poor countries had been written off and only four

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countries had actually received any relief. Moreover, increased interest payments wiped out any benefit these four had received. When world leaders convened at Cologne in 1999, they were embarrassed by thousands of protestors criticizing their half-hearted efforts and demanding full debt cancellation. This call was taken up by Jubilee 2000 supporters around the world. After considerable haggling, the G-7 leaders announced that they would write off substantially more debt for the poorest countries, thus giving birth to *HIPC II* – the *Enhanced HPIC Initiative.*

While, in theory, HIPC II does provide more relief and tries to ensure that debtor countries' savings are used to reduce poverty, the initiative is still flawed. Debtor countries must still carry out an economic austerity program for at least three years to qualify for relief. Once qualified, relief comes at a snail's pace. At the end of 2000, only 22 of 41 heavily indebted countries had received HIPC benefits. And even after HIPC relief, most are still paying one and a half times more in debt service than on health care for their citizens.

What Needs to Happen

If the HIPC Initiatives are so inadequate, what *does* need to happen to "break the chains of debt"? Outside the halls of the World Bank and IMF, there is actually amazing consensus about necessary next steps. From the Vatican Council for Justice and Peace to U2's Bono, from the secretary general of the United Nations to activists in the international Jubilee movement, there is strong endorsement of 100 percent debt cancellation for poor countries. Specifically, the Jubilee movement advocates that debt cancellation be

- faster (all creditors should stop taking payments from the poorest countries immediately on condition that monies freed up be used for poverty reduction);
- deeper (all creditors, particularly the World Bank and IMF, should cancel 100 percent of the poorest countries' debts – without SAP conditions);
- broader (impoverished countries currently excluded from the HIPC process, like Bangladesh, Haiti and Peru, should become eligible for debt relief); and
- fairer (debt cancellation processes should be designed in partnership with impoverished countries, not controlled by creditors).

Is 100 percent cancellation feasible? The major bilateral lenders have already committed to this, but can multilateral creditors afford to cancel 100 percent of the poorest countries debts? A recent study done by a leading London accounting firm indicates that both the World Bank and IMF have sufficient resources to cancel 100 percent of the debts owed them by heavily indebted countries without impairing their ability to function.

The jubilee year has come and gone, but most of the world's poor are still awaiting jubilee's liberation. However, the international Jubilee movement has proven that ordinary citizens working together *can* affect national/international policies. The momentum has now shifted in favor of debt relief. Full debt cancellation is a real possibility – if we continue to insist with the determination and urgency our faith demands.

Speak up for those who cannot speak for themselves, for the rights of those who are destitute.
Speak up and judge fairly, defend the rights of the poor and the needy.

Proverbs 31:8-9

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